A study on saving and investment Preference and increase in saving

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ABSTRACT

The aim of the research was to examine the investment behavior of the individual household in Kurukshetra. The rationale behind choosing the research topic is the premise that the middle class in India has gained attention of the economist, policy makers & the marketers, as still there remain the a considerable untapped potential in this income class of India. The research has been conducted to answer the few questions preference of investors and increase in their saving and reason for the same and change in investment pattern and reason for the same. it is not only the income of the household that has an immediate bearing on the investment preference but also age, education, occupation also influence the investment behavior.

Keywords: Income, Savings, Investment

INTRODUCTION

The financial globalization of the world economy has led to the integration of various financial markets of the world. Deeper financial market provides a wide variety of financial instruments to channel saving and also by providing more security. The change in one part of the world brings an immediate change in the other part of the world. This integration leads to change the choice of saving and investment avenues like bank deposit, real estate, small savings etc. The money you earn is partly spent and the rest saved for future expenses. Instead of keeping the saving idle you may like to use saving in order to get return on it in the future is known as investment.

OBJECTIVES OF THE STUDY

- To find out the investor's preference for various investment options.
- To find out whether there has been increase in saving and reason for the same.

Sampling design
This is a descriptive research where convenience sampling method is adopted to collect primary information from the investors.

Sample size
It refers to the number of items selected from the universe or population. Keeping in mind the constraints of time and efforts, it is decided to take a sample of 100 persons out of total individual household from the universe.

Source of data
While deciding the method of data collection researcher should keep in mind the types of data viz. Primary and secondary data.

REVIEW OF LITERATURE

Dr. Samudra Aparna,(2012) studied the middle class investment behaviour in Nagpur. Main research objective was preference of the investor followed by whether there is any increase in the saving of the investors and to know the various objectives of investment. Data were collected through primary and secondary sources .The analysis revealed that bank

deposit were popular instrument of investment and the largest share participant in the investment were of the oldest(above 55) categories. The study concluded that there was difference in choice of investment in different age groups and income class of households.

Das Sanjay Kanti,(2012) studied the middle class household investment behaviour . The study has been conduced to know the preference of the investment of the investment instrument and investment pattern of the middle class household, to know the various objective of investment and to know whether there has been any increase in saving and reason for the same. Data have been collected through structured questionnaire based on personal interview. The study revealed that among all avenue bank deposit remains the most popular instrument of the investment followed by insurance and small saving schemes with maximum number of respondents investing in fixed income bearing option. The study concluded that bank deposit was the most popular instrument and there is increase in savings due to increase in income.

Raheja Saloni and Lamba Bhuvan, (2013) studied that people preferred to invest in different investment options with some objectives behind the investment. The focus of the study was on the investment behaviour of the investors and also gaining a better understanding of what an investor look for in investment avenues. Data was obtained from the secondary sources. The suggestion of the study was that the individual investor should not follow the majority. The study concluded that people with different age group prefer different investment avenues for different objectives behind investment. It also concluded that life cycle stage and investment objectives depend upon each other.

D Yuvaraj and Poongodi S. K., (2013) studied the behaviour of households investor toward different investment avenues. Data have been collected through a structured questionnaire of 100 households and secondary sources. The analysis revealed that safety has been given highest priority. When the income increases investors' preference toward life insurance schemes. Three fourth of the respondents do not invest. The study concluded that safety of fund has been given the top priority followed by high return and liquidity. There was need of awareness regarding investments.

ANALYSIS AND INTERPRETATION

Table 1 represents the respondent's preference regarding various investment options. It has been done by calculating weighted score of investor preference for various investment options. For this purpose, frequency of a specific rank for a particular investment option has been multiplied with the weight assigned to the rank. Weight 10 has been assigned to rank 1, 9 to rank 2 and in the like manner 1 to rank 10. It can be seen that bank deposit with a total score of 861 points, stood in first place. These are followed by fixed deposit with total score of 838 point in second place, and real estate 706 in third places. Next to these investment product bullions with 591 points is in the fourth place, PPF with 544 points in the fifth place, and NSC with 512 points in the sixth place. Mutual funds, shares, debentures with 378, 365, 362 point respectively stood in seventh, eighth and ninth place. At the same time bonds are placed at the end. It is observed that bank deposit is most preferred investment option followed by fixed deposit, real estate, bullions, PPF, and NSC. However mutual funds, shares, debentures and bonds are low on investor preference.

Table 2 represent the age, qualification, income, occupation wise classification of the respondents regarding increase in savings. On overall basis 85% of respondents have stated an increase in savings. Only 15% have stated no increase in saving. The respondent of age group above 40 year (95.8%) considers that there is increase in saving. 92.9% of respondents possessing up to 10+2 qualification and 88.9% of respondent possessing professional qualification consider that there is increase in saving. 88.2% of respondent whose occupation is professional practice consider that there is increase in saving. 86.4% of respondent whose income group is Above Rs40,000 consider that there is an increase in saving.

65.2% respondent of above age 40 year considers that there is increase in saving due to increase in income. 30.6% respondents below age 30 year give reason for increase in saving is new and attractive investment option. It is seen that above half of the respondents from all qualification group attribute reason for increase in saving is increase in income.

All income group respondents consider that reason for increase in saving is increase in income. 67.6% businessman and 63.6% serviceman attribute reason for increase in saving due to increase in income. 46.7% professionals are also considering the same reason for increase in saving.

Findings
- The most of the respondent's preference is bank deposit followed by fixed deposit, real estate, bullions, PPF, NSC and at the end mutual fund, shares, debentures and bonds.

- 85% respondents consider that there is increase in their savings from which 62.4% respondents consider that the reason for increase in saving is due to increase in income.18.8% respondents consider that reason for increase in income is structural change in economy and new and attractive investment options.

SUGGESTIONS

It was also found during the study that the tax advantage in any investment takes the last place in the mind of the investor. The investor looks for child education and emergency situation rather than tax advantage. This clearly indicates that the tax concessions of the government on investment are less attractive as an investment objective. There is also a need for increasing the financial literacy of the middle class income households. It was found that the asset choice is bank deposits and fixed deposits as the preferred instruments of investment. It thus needs to be explained to the middle class households that the financial needs and objectives are different; therefore the asset choice should be made keeping in mind their objectives. The younger age group has the capacity to take more exposure in asset choice than the older age group. Such financial literacy would help in further improving the depth of the capital market in India, which would enable Corporate India to have access to larger pool of funds.

CONCLUSION

The study results brought out the fact that 85% of the respondents have recorded that their savings have increased. 62.4% of the households said that their savings have increased because of increase in their income. The Present study has important implications for investment managers as it has come out with certain interesting facets of an individual investor. The individual investor still prefers to invest in financial products which give risk free returns. This confirms that Indian investors even if they are of high income, well educated, salaried, independent are conservative investors prefer to play safe. The investment product designers can design products which can cater to the investors who are low risk tolerant and use safe channel.

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APPENDIX

Table 1: Investors classification regarding preference for various investment options

Rank	Weighted score of Investors preference for various investment options									
	Bank deposit	Fixed deposit	Real estate	Bullions	PPF	NSC	Mutual funds	Shares	Debentures	Bonds
1	470	210	170	10	80	10	10	20	20	10
2	234	432	72	45	54	9	9	18	18	9
3	88	112	168	200	72	40	48	48	16	8
4	42	42	175	182	42	84	28	42	35	21
5	18	18	48	60	114	156	54	66	30	30
6	5	10	55	45	105	130	35	15	55	45
7	4	4	4	16	32	48	52	80	48	116
8	3	3	6	9	24	15	87	27	75	51
9	6	6	2	14	12	16	50	16	58	20
10	1	1	6	10	9	4	5	33	7	24
Total weighted score	861	838	706	591	544	512	378	365	362	334
Preference	1	2	3	4	5	6	7	8	9	10

(Figures in parenthesis exhibit percentage)
(Source: Primary data)

Table 2: Age, qualification, occupation and income wise classification of investors regarding increase in saving

		Increase in saving		
		Yes	No	Total
Age of person	Below 30	36(78.3)	10(21.7)	46(100.0)
	30-40	26 (86.7)	4(13.3)	30(100.0)
	Above40	23 (95.8)	1(4.2)	24(100.0)
	Total	85 (85.0)	15(15.0)	100(100.0)
Qualification of person	upto10+2	26(92.9)	2(7.1)	28(100.0)
	Graduate	15(71.4)	6(28.6)	21(100.0)
	Post graduate	28(84.8)	5(15.2)	33(100.0)
	Professional, others	16(88.9)	2(11.1)	18(100.0)
	Total	85(85.0)	15(15.0)	100(100.0)
Occupation of person	Business	37(84.1)	7(15.9)	44(100.0)
	Service	33(84.6)	6(15.4)	39(100.0)
	Professional practice	15(88.2)	2(11.8)	17(100.0)
	Total	85(85.0)	15(15.0)	100(100.0)

Income of person	Rs10,000-20,000	29(85.3)	5(14.7)	34(100.0)
	Rs20,001-30,000	22(84.6)	4(15.4)	26(100.0)
	Rs30,001-40,000	15(83.3)	3(16.7)	18(100.0)
	Above Rs40,000	19(86.4)	3(13.6)	22(100.0)
	Total	85(85.0)	15(15.0)	100(100.0)

(Figures in parenthesis exhibit percentage)
(Source: Primary data)

Table 3: Age wise classification of investors regarding reason for increase in saving

Age of investors	Reason for increase in saving			
	Due to increase in income	Due to structural change in economy	New and attractive investment options	Total
Below 30	20 (55.6)	5 (13.9)	11 (30.6)	36 (100.0)
30-40	18 (69.2)	6 (23.1)	2 (7.7)	26 (100.0)
Above40	15 (65.2)	5 (21.7)	3 (13.0)	23 (100.0)
Total	53 (62.4)	16 (18.8)	16 (18.8)	85 (100.0)

(Figures in parenthesis exhibit percentage)
(Source: Primary data)

Table 4: Qualification wise classification of investors regarding reason for increase in saving

Qualification of investors	Reason for increase in saving			
	Due to increase in income	Due to structural change in economy	New and attractive investment options	Total
upto10+2	18 (69.2)	5 (19.2)	3 (11.5)	26 (100.0)
Graduate	8 (53.3)	3 (20.0)	4 (26.7)	15 (100.0)
Post graduate	18 (64.3)	5 (17.9)	5 (17.9)	28 (100.0)
Professional, others	9 (56.3)	3 (18.8)	4 (25.0)	16 (100.0)
Total	53 (62.4)	16 (18.8)	16 (18.8)	85 (100.0)

(Figures in parenthesis exhibit percentage)
(Source: Primary data)

Table 5: Income wise classification of investors regarding reason for increase in saving

Income of investors	Reason for increase in saving			
	Due to increase in income	Due to structural change in economy	New and attractive investment options	Total
Rs10,000-20,000	17 (58.6)	5 (17.2)	7 (24.1)	29 (100.0)
Rs20,001-30,000	15 (68.2)	3 (13.6)	4 (18.2)	22 (100.0)
Rs30,001-40,000	9 (60.0)	3 (20.0)	3 (20.0)	15 (100.0)
Above Rs40,000	12 (63.2)	5 (26.3)	2 (10.5)	19 (100.0)
Total	53 (62.4)	16 (18.8)	16 (18.8)	85 (100.0)

(Figures in parenthesis exhibit percentage)
(Source: Primary data)

Table 6: Occupation wise classification of investors regarding reason for increase in saving

Occupation of investors	Reason for increase in saving			
	Due to increase in income	Due to structural change in economy	New and attractive investment options	Total
Business	25 (67.6)	6 (16.2)	6 (16.2)	37 (100.0)
Service	21 (63.6)	7 (21.2)	5 (15.2)	33 (100.0)
Professional practice	7 (46.7)	3 (20.0)	5 (33.3)	15 (100.0)
Total	53 (62.4)	16 (18.8)	16 (18.8)	85 (100.0)

(Figures in parenthesis exhibit percentage)
(Source: Primary data)