

Demographics and Investology: A Study of the Interrelationship in Salaried People

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ABSTRACT

The rate of return on investments is highly fluctuating and hence today investors are required to analyze the risk on investment. Financial institutions have been playing a key role to attract investors who are being affected by the middle agents like brokers, jobbers etc. Salaried employees generally have lack of knowledge about how to access various available avenues of investment. The present study has been made to analyze the investment habits of salaried people in Bangalore. It also undertakes the issues related to the mode of investments of the salaried people in various investment avenues. The major objective of this study is to identify the major factors influencing the investment pattern of the salaried people in Bangalore. Primary Data for this study has been collected through survey method using a well-structured questionnaire designed on the basis of Likert Scale. The data processing in this research study has been done through SPSS package using various statistical tools including Descriptive statistics and ANOVA. This research analysed the behavioural pattern of investment among the salaried people working in both public and private sector and the difference in perception of an individual related to various investment alternatives. It also provided an insight into factors considered for appropriate investments and have given a wider scope to understand various issues related to investment by salaried people.

Key words: Investology, Salaried people, Descriptive statistics, Investment avenues, ANOVA.

Section I - Introduction

The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it difficult to get out of the vicious circle of poverty of low income, low saving, low investment, low employment etc. With high capital output ratio, India needs very high rates of investments to make leap forward in her efforts of attaining high levels of growth. Since the beginning of planning, the emphasis was on investment as the primary instruments of economic growth and increase in national income. In order to have production as per target, investment was considered the crucial determinant and capital formation had to be supported by appropriate volume of saving. Investment is the sacrifice of certain present value for the uncertain future reward. Investments are always interesting, challenging and rewarding.

Generally where there is a high risk, more rate of return is assured. Risk and reward go together. The major features of an investment are safety of principal amount, liquidity, income stability, appreciation and easy transferability. A variety of investment avenues are available such as shares, bank, companies, gold and silver, real estate, life insurance, postal savings and so on. All the investors invest their surplus money in the above mentioned avenues based on their risk taking attitude.

Investment is the allocation of monetary resources to assets that are expected to yield some gain or positive return over a given period of time. These assets range from safe investments to risky investments. Investments in this form are also called 'Financial investments'. From the point of view of people who invest their funds, they are the suppliers of 'capital' and in their view,

investment is a commitment of a person's funds to derive future income in the form of interest, dividends, rent premiums, pension benefits or the appreciation of the value of their principal capital. To the financial investor, it is not important whether money is invested for a productive use or for the purchase of second-hand instruments such as existing shares and stocks listed on the stock exchanges. Most instruments are considered to be transfers of financial assets from one person to another.

The respondents of this study consisted of only those people who are earning their money as salary, popularly referred as salaried groups. It is observed that the salaried group will always differ in their investment pattern due to safety, security, regular income, retirement benefit and other unique features than the other occupation people like business man and professionals.

Section II - Literature Review

A number of studies have already evaluated the investment behavior of investors in India, out of which we have reviewed some. The major findings of the relevant study-reports are summarized below-

Jack Clark Francis (1986) have revealed the importance of the rate of return in investments and reviewed the possibility of default and bankruptcy risk. He opined that in an uncertain world, investors cannot predict exactly what rate of return an investment will yield. However he suggested that the investors can formulate a probability distribution of the possible rates of return.

Scott & Edward, (1990) commented that the severity of financial risk depends on how heavily a business relies on debt. Financial risk is relatively easy to minimize if an investor sticks to the common stocks of companies that employ small amounts of debt.

Mandells, (1992) argued about the nature of market risk, which according to him is very much 'global'. He revealed that certain risks that are so global that they affect the entire investment market. Even the stocks and bonds of the well-managed companies face market risk.

Gupta, (1992) explained that there is existence of wild speculation in the Indian stock market. The

over speculative character of the Indian stock market is reflected in extremely high concentration of the market activity in a handful of shares to the neglect of the remaining shares and absolutely high trading velocities of the speculative counters.

Fischer & Jordan, (1994) analyzed the relation between risk, investor preferences and investor behaviour. The risk return measures on portfolios are the main determinants of an investor's attitude towards them. Most investors seek more return for additional risk assumed. The conservative investor requires large increase in return for assuming small increases in risk. The more aggressive investor will accept smaller increases in return for large increases in risk. They concluded that the psychology of the stock market is based on how investors form judgments about uncertain future events and how they react to these judgments.

Singh, (2006) analyzed the investment pattern of people in Bangalore and Bhubaneswar with the help of survey method. He concluded that in Bangalore investors are more aware about various investment avenues & the risk associated with that. All the age groups give more importance to invest in equity except those people who are above 50 give important to insurance, fixed deposits and tax saving benefits.

Prasad, (2009) examined the perception of the investors and their awareness on various investment alternatives available. A sample of 100 investors has been taken from the twin cities of Hyderabad and Secunderabad. The result of findings showed 75% Net traders were using online stock trading requiring strong technology base whereas traditional traders felt online trading not an acute process of stock trading and they didn't participate in net trading due to risk of a system failure.

Section III - Research Methodology

• OBJECTIVES OF STUDY

Primary objective:

The major objective of this study is to identify the major factors influencing the investment pattern of the salaried people in Bangalore.

Secondary objectives:

The other secondary objectives are as follows:

- To study the impact of gender of salaried employees on their investment psychology.
- To study the impact of age-group of salaried people on their investment psychology.
- To study the impact of educational qualification of salaried employees on their investment psychology.
- To study the impact of job sector of salaried people on their investment psychology.
- To study the impact of annual income of salaried employees on their investment psychology.

• **RESEARCH HYPOTHESES**

The research hypotheses for the present study are as follows -

H₀₁: There is no significant relationship between gender of employees and their investology.

H₀₂: There is no significant relationship between age-group of employees and their investology.

H₀₃: There is no significant relationship between educational qualification of employees and their investology.

H₀₄: There is no significant relationship between occupation of employees and their investology.

H₀₅: There is no significant relationship between annual income of employees and their investology.

• **TYPE OF RESEARCH DESIGN**

The research design in the present study is descriptive-cum-exploratory in nature.

• **TECHNIQUES OF DATA COLLECTION**

The present research study is based on both primary and secondary data collected from various sources. Primary Data has been collected through survey method using a well-structured questionnaires designed on the basis of Likert Scale (Strongly Agree=5, Agree=4, Uncertain=3, Disagree=2, strongly Disagree=1). Hence higher the mean score of a statement, higher is the agreement of respondents with the statement under study. The secondary data was obtained through published books, magazines, national & international journals, statistical reports, text books and internet.

• **TECHNIQUES OF SAMPLING**

Sample Profile:

The study is based on the data collected from salaried people in Bangalore making any sort of investment.

Sample Size:

The sample for the study would be limited to 105 respondents.

Sampling Method:

Random and Judgment sampling technique has been used for data collection. Every sincere effort was taken by the researcher to avoid bias in selection of respondents.

• **TECHNIQUES OF DATA ANALYSIS**

The data processing in this research study has been done through SPSS package using the following statistical tools –

- i. Descriptive Statistics
- ii. ANOVA

Section IV – Data Analysis and Interpretation

Table 4.1: Impact of gender of salaried employees on their investment psychology

| ANOVA | | |
|--|-------|------|
| Statements | F | Sig. |
| I am confident to select financial instrument | 1.695 | .196 |
| I take full responsibility for the result of my investment decisions | 1.921 | .169 |
| I am confident to manage my investment. | .771 | .382 |
| I have complete knowledge of available financial instruments | .060 | .807 |
| I am actively involved in investment activities and observe daily price fluctuations | .026 | .872 |
| I make investment for getting return quickly | .808 | .371 |
| I analyze past price movement to predict the future price | .000 | .993 |
| I take the help of technical analysis | .106 | .745 |

| | | |
|---|-------|------|
| I try to invest in risky investment for better return. | 1.286 | .259 |
| I usually invest in investment avenues which I know and trust | 1.517 | .221 |
| I invest mostly in investment avenues with stable expected return | .794 | .794 |

Source: Data processing and analysis done through SPSS package.

*Significant at 1% level.

**Significant at 5% level.

***Significant at 10% level.

For analyzing the impact of gender of salaried employees on their investment psychology eleven statements related to investment behaviour of salaried people were being studied and no statements were found to be significantly

affected by the gender. Therefore, the null hypothesis H01 is accepted and it means that there is no significant relationship between the gender of the salaried people and their investology.

Table 4.2(a): Impact of age-group of salaried people on their investment psychology.

| ANOVA | | |
|--|-------|---------|
| Statements | F | Sig. |
| I am confident to select financial instrument | .758 | .521 |
| I take full responsibility for the result of my investment decisions | .190 | .903 |
| I am confident to manage my investment. | .898 | .445 |
| I have complete knowledge of available financial instruments | .185 | .906 |
| I am actively involved in investment activities and observe daily price fluctuations | 1.734 | .165 |
| I make investment for getting return quickly | .623 | .602 |
| I analyze past price movement to predict the future price | 1.623 | .189 |
| I take the help of technical analysis | .821 | .485 |
| I try to invest in risky investment for better return. | .542 | .654 |
| I usually invest in investment avenues which I know and trust | 2.542 | .061*** |
| I invest mostly in investment avenues with stable expected return | 2.772 | .045** |

Source: Data processing and analysis done through SPSS package

*Significant at 1% level.

**Significant at 5% level.

***Significant at 10% level.

For analyzing the impact of age-group of salaried people on their investment psychology eleven statement related to the investology of salaried people investing in different investment avenues were being studied and out of these statements, only two statement was found to be significantly affected by the different age group of people (one

is at 10% level and one is at 5% significance level) as shown in Table 4.2 (a) Therefore, the null hypothesis H02 is rejected and it means that age group of the people have a significant impact on investology of the salaried people in the Bangalore.

Table 4.2(b): Descriptive table showing the impact of age-group of salaried people on their investment psychology.

| Statements | 15-24 | 25-31 | 35-49 | 50 and above | Total |
|---|--------|--------|--------|--------------|--------|
| I usually invest in investment avenues which I know and trust | 4.8000 | 4.7391 | 4.6364 | 4.3750 | 4.6571 |
| I invest mostly in investment avenues with stable expected return | 3.3000 | 3.6304 | 2.9394 | 3.7500 | 3.4000 |

Source: Data processing and analysis done through SPSS package

Table 4.2 (b) illustrates that the salaried respondents between age group of 15-24 are in highest agreement with the statement that they invest in only those avenues which they know and trust, while salaried people above 50 years of age are in least agreement with this statement as compared to respondents from other age groups. Similarly, on an average

respondents response lie somewhere between uncertainty and agreement as shown by the mean value of 3.4 for the statement “I invest mostly in investment avenues with stable expected return”. The highest mean score for this statement is for salaried investors above 50 years of age showing that such people give most preference to stable expected returns.

Table 4.3(a): Impact of educational qualification of salaried employees on their investment psychology.

| ANOVA | | |
|--|-------|---------|
| Statements | F | Sig. |
| I am confident to select financial instrument | .926 | .399 |
| I take full responsibility for the result of my investment decisions | .707 | .496 |
| I am confident to manage my investment. | 1.559 | .215 |
| I have complete knowledge of available financial instruments | 1.711 | .186 |
| I am actively involved in investment activities and observe daily price fluctuations | .749 | .475 |
| I make investment for getting return quickly | .350 | .706 |
| I analyze past price movement to predict the future price | 2.817 | .064*** |
| I take the help of technical analysis | .129 | .879 |
| I try to invest in risky investment for better return. | .659 | .520 |
| I usually invest in investment avenues which I know and trust | 1.019 | .365 |
| I invest mostly in investment avenues with stable expected return | 2.828 | .064*** |

Source: Data processing and analysis done through SPSS package

*Significant at 1% level.

**Significant at 5% level.

***Significant at 10% level.

For exploring the impact of educational qualification of the salaried people on their investology in the Bangalore; eleven statement related to investment psychology of the salaried people were being studied and out of these statements, two statements (two statements at 10% level of

significance) were found to be significantly affected by the age group of the salaried people as shown in Table 4.3(a)Therefore, the null hypothesis H03 is rejected and it means that the age group of the salaried people has significant impact on their investment behaviour in the Bangalore.

Table 4.3(b): Descriptive table showing the impact of educational qualification of salaried employees on their investment psychology.

| Statements | Under- graduate | Graduate | Post- graduate and above | Total |
|---|-----------------|----------|--------------------------|--------|
| I analyse past price movement to predict the future price | 3.0385 | 3.1429 | 3.8750 | 3.2286 |
| I invest mostly in investment avenues with stable expected return | 3.1154 | 3.3651 | 4.0000 | 3.4000 |

Source: Data processing and analysis done through SPSS package

Table 4.3(b) represents that Post-graduate and above are in higher agreement with the statements ‘I analyze past price movement to predict the future price’ as compared to the other respondents; since the mean score of this statement is lowest for the graduates, they are in least agreement with this statement. Post graduates and above are in higher agreement with the statement ‘I

invest mostly in investment avenues with stable expected return’ as compared to the other respondents.

Table 4.4(a): Impact of annual income of salaried employees on their investment psychology

| ANOVA | | |
|---|-------|---------|
| Statements | F | Sig. |
| I am confident to select financial instrument | .511 | .675 |
| I take full responsibility for the result of my investment decisions | 1.195 | .316 |
| I am confident to manage my investment. | 2.239 | .088*** |
| I have complete knowledge of available financial instruments | .394 | .758 |
| I am actively involved in investment activities and observe daily price fluctuations. | 2.513 | .063*** |
| I make investment for getting return quickly | 1.583 | .198 |
| I analyze past price movement to predict the future price | .036 | .991 |
| I take the help of technical analysis | .855 | .467 |
| I try to invest in risky investment for better return. | .745 | .528 |
| I usually invest in investment avenues which I know and trust | 1.310 | .275 |
| I invest mostly in investment avenues with stable expected return | 3.564 | .017** |

Source: Data processing and analysis done through SPSS package.

*Significant at 1% level.

**Significant at 5% level.

***Significant at 10% level.

For assessing the effect of the annual income on the investology of the salaried people in Bangalore; eleven statement related to investology of salaried people out of these statements, three statements was found to be significantly affected by the annual income of the salaried people as shown in Table 4.4(a).

(one is at 5% of significance level and two is at 10% significance level) Therefore, the null hypothesis H04 is rejected which shows that the annual income of the salaried people has significant impact on their investology in Bangalore.

Table 4.4(b): Descriptive table showing the impact of annual income of salaried employees on their investment psychology.

| Statements | Less than 2,00,000 | 2,00,000-5,00,000 | 5,00,000-10,00,000 | Above 10,00,000 | Total |
|--|--------------------|-------------------|--------------------|-----------------|--------|
| I am confident to manage my investment. | 3.4286 | 3.1061 | 3.7586 | 3.6667 | 3.3238 |
| I am actively involved in investment activities and observe daily price fluctuations | 2.2857 | 3.3030 | 3.0000 | 3.6667 | 3.1619 |
| I invest mostly in investment avenues with stable expected return | 4.2857 | 3.2727 | 3.3103 | 5.0000 | 3.4000 |

Source: Data processing and analysis done through SPSS package

Table 4.4(b) represents that the salaried employees with annual income between Rs.500000-1000000 are in higher agreement with the statements ‘I am confident to manage my investment. Since the mean score of this statement is lowest for the income level between

Rs.200000-500000, they are in least agreement with this statement as compared to respondents from other income level. On the other hand the respondents of income level above Rs.10,00,000 are in highest agreement with the statement that ‘I am actively involved in investment activities

and observe daily price fluctuations' and the respondents with the income level less than Rs.2,00,000 are in least agreement with this statement. Similarly the respondents of income level above Rs.10,00,000 are in highest agreement with the statement that 'I invest

mostly in investment avenues with stable expected return'. The respondents with income level of Rs.200000- 500000 are in least agreement with this statement as compared to other income level people.

Table 4.5(a): Impact of the occupation of salaried employees on their investment psychology.

| ANOVA | | |
|--|-------|---------|
| Statements | F | Sig. |
| I am confident to select financial instrument | 2.753 | .090*** |
| I take full responsibility for the result of my investment decisions | .044 | .835 |
| I am confident to manage my investment. | 1.988 | .162 |
| I have complete knowledge of available financial instruments | .616 | .434 |
| I am actively involved in investment activities and observe daily price fluctuations | 2.314 | .131 |
| I make investment for getting return quickly | 1.430 | .234 |
| I analyze past price movement to predict the future price | .100 | .753 |
| I take the help of technical analysis | .076 | .783 |
| I try to invest in risky investment for better return. | .421 | .518 |
| I usually invest in investment avenues which I know and trust | 1.006 | .318 |
| I invest mostly in investment avenues with stable expected return | .127 | .723 |

Source: Data processing and analysis done through SPSS package

*Significant at 1% level.

**Significant at 5% level.

***Significant at 10% level.

For assessing the effect of the occupation of salaried employees in Bangalore; eleven statement related to the investment behaviour of salaried people were being studied and out of these statements, one of the statements was found to be significantly affected by the

occupation of the salaried people as shown in Table 4.5(a). (one is at 10% significance level) Therefore, the null hypothesis H04 is rejected which shows that the occupation of the salaried people has significant impact on their investment behaviour in Bangalore.

Table 4.5(b): Descriptive table showing the impact of occupation of salaried employees on their investment psychology.

| Statements | Govt. Employee | Private Employee | Total |
|---|----------------|------------------|--------|
| I am confident to select financial instrument | 3.4375 | 3.0702 | 3.2381 |

Table 4.5(b) illustrates that the government employees are in highest agreement with the statement that 'I am confident to select financial instrument', on the other hand the private employees are in least agreement with this statement.

Section V – Results and Discussion

• GENERAL FINDINGS

- People invest but do not invest wisely.
- Objectives for investment and the choice of instruments are not matched.
- People do not have a clear view of investment opportunities in the market.
- Lack of knowledge to build a balance portfolio management.

- Investor's perceptions about investments vary across all age groups.
- Need of financial literacy on the avenues for investment and financial institutions.
- Bank deposits /post office deposits are first preferences and second desirable investment avenue due to less risk, satisfactory return and high availability of liquidity. It provides withdrawal facility whenever depositor required. It is most suitable for the income class.

• SPECIFIC FINDINGS

- Most of the young salaried people are developing their profession, so they are earning very low annual income, hence their investment habits are very poor.
- There is no significant relationship between the genders of the salaried people and their investment psychology.
- Most of the salaried people are confident to select their financial instruments and take complete responsibilities for the result of their investment decisions.
- Majority of the respondents invest their money for getting quick and expected return.
- Majority of the salaried class people have limited knowledge on fundamental and technical analysis.
- Most of the salaried people prefer to invest in risky investment for better returns.
- The government employees are in highest agreement with the statement that 'I am confident to select financial instrument.
- The salaried respondents between age group of 15-24 are in highest agreement with the statement that they invest in only those avenues which they know and trust.
- Post graduates and above are in higher agreement with the statement 'I invest mostly in investment avenues with stable expected return as compared to the other respondents.

• CONCLUSION

The liberalization of Indian economy opened up several new investment opportunities and the growing disposable income made Indian less averse to risk. India has a relatively high national savings rate compared with other countries. Indians are among the highest savers in the world but do not save wisely. Anybody with a job earns money but investing wisely to make earnings grow is a very different game. Most of the salaried employees are unaware of various investment avenues available in the market and they park their disposable income in unsystematic investment plans. The salaried people's intentions relating to disposable income makes the question that where, when and how to invest. With that in mind, I coined this topic and it was decided to find out how salaried people at Bangalore are investing, saving and managing their finance.

Over the years, much of the mysteries about financial markets have been removed layer by layer. Besides, Indian market is now one of the best regulated markets in the world. Hence, it is important that along with increasing the overall literacy, we as a country also focus on increasing financial literacy. This would turn India from a

country of good savers to a country of wise savers and help build financially strong and secure India.

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Always bear in mind that your own resolution to succeed is more important than any other

~ Abraham Lincoln