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"A Survey On The Preference Of Salaried Class On Various Investment Options Available To Them"

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ABSTRACT

The study entitled "A Survey on the preference of salaried class on various investment options available to them" was conducted in Chennai city. This survey was undertaken to know the most preferred investment of salaried class. There are various investment options available such as Bank Deposits, Shares, Mutual funds, Post office Savings, Insurance, Gold, Real Estate and others. Every individual's investment option and plan differs according to his purpose of saving, income level, percentage of income he is willing to save and the knowledge he possesses towards the investment options. There are many other factors based on which an individual's investment preference differs like current market trend, seasonal fluctuations, business cycle, interest rate , etc,. The basic idea behind this survey is to find out the most preferred investment based on different criteria like purpose of saving, percentage of income saved, investment objective and frequency of savings. The results have been derived out by the way of analysis and interpretation of the collected data, using various statistical tools.

Key Words: Salary, Mutual Funds, Bank deposits, Insurance Gold ,Savings, investments

INTRODUCTION:

Investment promotes economic growth and contributes to a nation's wealth. When people deposit money in a saving account in a bank, for example, the bank may invest by lending the funds to various business companies. These firms, in turn may invest the money in new factories and equipment to increase their production. In addition to borrowing from banks, most companies issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Governments also issue bonds to obtain funds to invest in such projects like construction of dams, roads and schools. All such investments involve a present sacrifice of income to get an expected future benefit. As a result investment raises a nation's standard of living.

Mutual Funds:

In India first Mutual fund was started in 1964 when Unit Trust of India was established to mop up saving of small investors and channelize them in to productive avenues.

- Mutual Funds and securities Investments are subject to market risks and there is no assurance or guarantee that the objectives of the schemes will be achieved.
- As with any securities investment the "NAV" of the Units Issued under the Schemes can go up or down depending on the factors and forces affecting the capital and money markets.
- The NAV's of the scheme may be affected by changes in the general market conditions, factors and forces affecting capital market, in particular, level of interest rates, various market related factors and trading volumes, settlement periods and transfer procedures.
- Trading volumes in the securities in which it invests inherently restricts the liquidity of the scheme's investments.
- Investors in the scheme are not offered any guaranteed returns.

WHERE DO MUTUAL FUNDS INVEST?

Broadly, mutual funds invest basically in three types of asset classes:

Stocks: Stocks represent ownership or equity in a company, popularly known as shares.

Bonds: These represent debt from companies, financial institutions or government agencies.

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Money market instruments:
These include short-term debt instruments such as Treasury Bills, certificate of Deposits and Inter-Bank all Money.

TYPES OF MUTUAL FUNDS
Mutual funds can be classified based on their objectives as:
Sector Equity Schemes:
These schemes invest in shares of companies in a specific sector.
Diversified Equity Schemes:
These schemes invest in shares of companies across different sectors of the economy.
Hybrid Schemes:
These schemes invest in a mix of shares and fixed income instruments.
Income Schemes:
These schemes invest in fixed income instruments such as bonds issued by corporate and financial institutions and government securities.
Money Market Schemes:
These schemes invest in short term instruments such as Certificate of Deposits, Treasury Bills and Short-Term Bonds.
Fixed Deposits:
This deposit is having some fixed percentage of interest for sum of continues period. Fixed Deposits also provide some Tax benefit offer to customer U/S 8O L. Fixed Deposits have the following features.

- Safety
- Flexibility
- Liquidity and
- Returns

OBJECTIVES OF THE STUDY:

- To study the Investment options preferred by salaries class.
- To study the optimum choice of investment
- To realize how frequently the employees are investing in various investment options.
- To detect the percentage of salary that is allotted to the investments.
- To find out with which investment the salaried classes are satisfied and profitable.
- To find out with whose advice the salaried class people are investing in various investments.

LIMITATIONS OF THE STUDY

- The salaried class people were sometimes busy with their work, so they refused to give accurate information.
- Some of the salaried class people were not willing to express their income Level due to some personal problems.

RESEARCH METHODOLOGY:
SAMPLING PLAN:

For this study Probability Sampling method has been used. The main merit of this technique is that the each population member has an equal probability of being selected. The type of probability sampling used in this study is Simple Random sampling.

SAMPLING UNIT:

The most important and basic factor to be decided is the sampling unit. This project was intended to find out the preference of salaried class people. Therefore

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the sampling unit during this research was the salaried class people. Statistical tools are

1. Percentage method
2. Weighted Average method
3. Chi-square test.

- **PERCENTAGE METHOD**

$$\frac{\text{no.of respondents for particular option}}{\text{Total no.of respondents answered that particular option}} \times 100$$

$$\frac{\text{Weighted Score of each factor}}{\text{Some of the weights}}$$

ANALYSIS AND INTERPRETATION:

PERCENTAGE METHOD:

TABLE – 1

CLASSIFICATION ON THE BASIS OF INVESTMENT CHOSEN

S.No.	Investments	No. of respondents	Percentage
1.	Mutual funds	54	14.2
2.	Bank deposits	132	34.7
3.	Shares	33	8.7
4.	Post office savings	28	7.4
5.	Insurance	103	27.1
6.	Gold / Real-estate	30	7.9
	Total	**380**	**100**

INTERPRETATION:

a) 34.7% of salaried class people have invested in Bank deposits.
b) 27.1% of salaried class people have invested in Insurance.
c) 14.2% of salaried class people have invested in Mutual funds
d) 8.7% of salaried class people have invested in Shares
e) 7.9% of salaried class people have invested in Gold / Real estate
f) 7.4% of salaried class people have invested in Post office.

CHART:1

CLASSIFICATION ON THE BASIS OF INVESTMENT OBJECTIVE

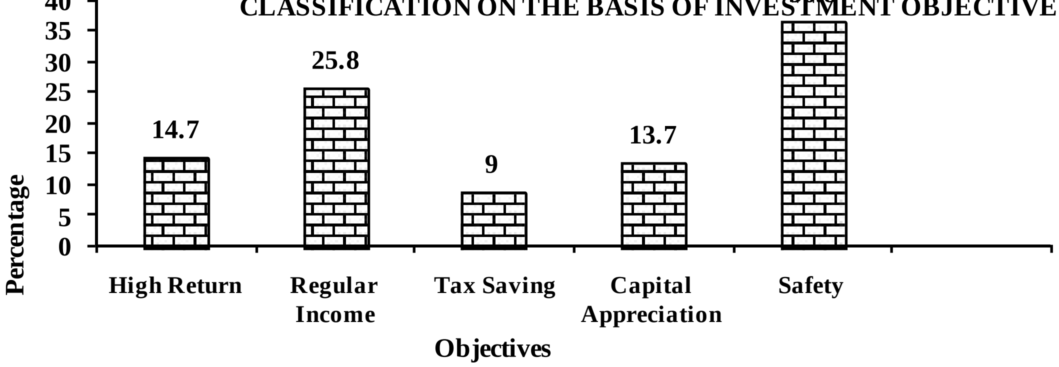

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TABLE –2
CLASSIFICATION ON THE BASIS OF INVESTMENT OBJECTIVE

S.No.	Objective	No. of respondents	Percentage
1.	High Return	56	14.7
2.	Regular Income	98	25.8
3.	Tax saving	34	9.0
4.	Capital Appreciation	52	13.7
5.	Safety	140	36.8
	Total	**380**	**100**

INTERPRETATION:

a) 36.8% of salaried class people's investment objective is safety
b) 25.8% of salaried class people's investment objective is Regular income.
c) 14.7% of salaried class people's investment objective is High Return
d) 13.7% of salaried class people's investment objective is Capital Appreciation
e) 9% of salaried class people's investment objective is Tax benefit

CHART : 2
FREQUENCY OF INVESTMENT CLASSIFICATION

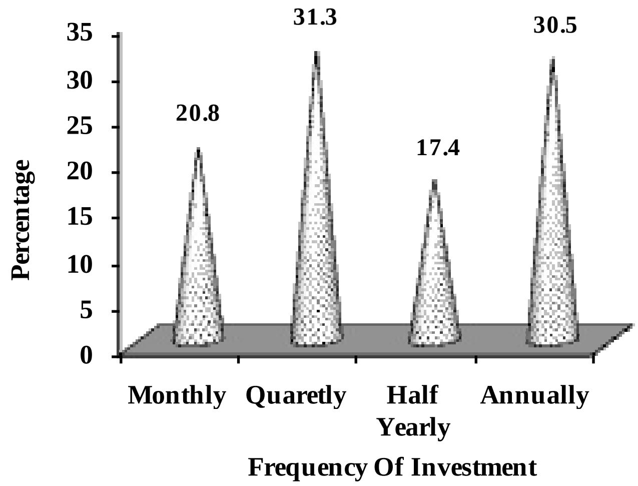

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TABLE –3
CLASSIFICATION ON THE BASIS OF PURPOSE OF SAVINGS

S.No.	Purpose	No. of respondents	Percentage
1.	Wealth Creation	63	16.6
2.	Future needs	127	33.4
3.	Children's Education	97	25.5
4.	House building	51	13.4
5.	Marriage Purpose	42	11.1
	TOTAL	380	100

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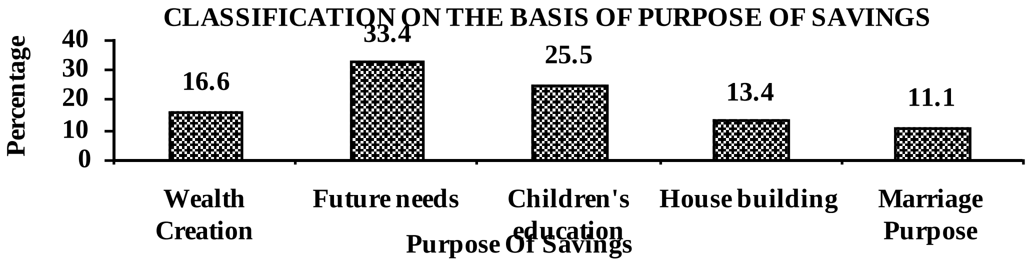
INTERPRETATION:

a. 33.4% salaried class people's purpose of Savings is to meet Future needs.
b. 25.5% salaried class people's purpose of Savings is for children's education.
c. 16.6% salaried class people's purpose of Savings is Wealth Creation.
d. 13.4% salaried class people's purpose of Savings is for House Building.
e. 11.1% salaried class people's purpose of Savings is for Marriage Purpose**.**

CHART :3



4 CHI-SQUARE TEST:

TABLE –4
CHI SQUARE TEST

To test the relationship between the various levels of income andinvestment chosen.

S.No	Investment / Income level	50000 – 1 lakh	1- 2 lakh	2 -3 lakh	Above 3 lakh	Total
1	Mutual Funds	6	11	23	14	54
2	Bank deposits	33	64	18	17	132
3	Shares	7	13	6	7	33
4	Insurance	40	42	5	16	103
5	Post office	6	9	7	6	28
6	Gold/ Real estate	6	12	5	7	30
	Total	**98**	**151**	**64**	**67**	**380**

Null Hypothesis: (H_0):

There is no significant relationship between various levels of income and the type of investment chosen.

Alternative Hypothesis (H_1):

There is significant relationship between various levels of incomes and the type of investment chosen.

$$\text{Calculated Value of } \chi^2 = \sum \frac{(O-E)^2}{E}$$

$$= 57.8309$$

Degrees of freedom = (R-1) (C-1)

= (6-1) (4-1)

= 15

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Therefore the table value of chi-square for 15 degrees of freedom at 5% level of significance is 24.996

INTERPRETATION:

Since, the calculated value is greater than table value, we reject null hypothesis (Ho) and accept Alternative hypothesis (H1) that there is significant relationship between the various levels of income and the type of investment chosen.

5.5 WEIGHTED AVERAGE METHOD:

TABLE :5

RANKING GIVEN BY SALARIED CLASS PEOPLE FOR VARIOUS INVESTMENT

Investments	1	2	3	4	5	6	Score	Average	Rank
Shares	69	47	51	26	87	41	1146	54.57	IV
Bank deposits	75	73	66	29	38	40	1282	61.04	I
Mutual funds	46	51	38	31	76	79	1007	47.95	V
Insurance	84	55	56	48	49	29	1274	60.66	II
Post Office	22	29	48	65	61	96	882	42.0	VI
Others	25	66	62	122	10	36	1150	54.76	III

INTERPRETATION:

Above table shows that the Bank deposits is the Ranked 1 investment with a weighted average of 61.04, followed by Insurance with a weighted average of 60.06 and shares with a weighted average of 54.57.

a) Bank deposits placed 1st Rank by the salaried class people
b) Insurance placed 2nd rank by the salaried class people
c) Others placed 3rd rank by the salaried class people
d) Shares placed 4th rank by the salaried class people
e) Mutual funds placed 5th rank by the salaried class people
f) Post office placed 6th rank by the salaried class people

TABLE :5

RANKING GIVEN BY SALARIED CLASS PEOPLE FOR VARIOUS INVESTMENT OBJECTIVES

Objectives	1	2	3	4	5	Weighted Score	Weighted Average	Rank
Liquidity	78	62	76	41	59	1007	67.13	II
Safety	119	85	43	47	22	1180	78.66	I
Capital Appreciation	52	60	48	69	87	866	57.73	IV
Return	48	55	67	62	84	869	57.93	III
Tax benefit	19	54	82	97	64	815	54.33	V

INTERPRETATION:

From the above table inferred that the safety is the Ranked 1 objective with a weighted average of 78.66, followed by liquidity with a weighted average of 67.13 and Return with a weighted average of 57.93 by the salaried class people.

a) Safety placed 1st Rank by the salaried class people
b) Liquidity placed 2nd rank by the salaried class people

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c) Return placed 3rd rank by the salaried class people
d) Capital Appreciation placed 4th rank by the salaried class people
e) Tax Benefit placed 5th rank by the salaried class people

FINDINGS:

- 34.7% of salaried class people invest in Bank deposits.
- 36.8% of Salaried class people's investment objective is safety (Bank deposits)
- 33.4% of salaried class people make savings to meet the future needs.
- 25.5% of salaried class people make savings for the purpose of children's education.
- 31.3% of salaried class people invest on Quarterly basis.
- 29.7% of salaried class people make investment decision on their own.
- Bank deposits are the mostly preferred investment option by the salaried class people.
- 27.1% of salaried class people have invested in Insurance (future needs)
- 62.9% of salaried class people's level of investment satisfaction is satisfactory.

SUGGESTIONS:

- The company can concentrate more on investment options that provide regular income and safety to investors.
- Most of the salaried class people have preferred insurance next to Bank deposits, so more concentration can be given towards that.
- The company can concentrate more on tax saving investments.
- Most of the respondents feel that (regarding profitability, safety, Regular income, liquidity, tax savings) first Bank deposits and then insurance. So additional attention can be given towards these investments.
- 14.2% of salaried class people prefer mutual funds. More concentration can be given towards mutual funds to increase the amount of investors from salaried class.
- 8.7% of salaried class people only have invested in share market. Additional concentration can be given towards shares to increase the number of investors from salaried class in the share market.

CONCLUSION:

Each and every individual saves a part of his income to meet his future needs. The percentage of income saved mainly depends on the income level, purpose of saving and objective of investments. In the same way, the choice of investment he adopts also depends on the return expected, percentage of income allotted for savings and the purpose of savings. 36.1% of salaried class people save 10-20%of their income whereas only 13.6% of salaried class people save more than 40% of their income. 34.7% of salaried class people have chosen bank deposits as the most preferable investment option. This is due to the reason, that the salaried class people's main investment objective is safety and regular income. This is being the reason, 36.8% of salaried class people have chosen safety as their investment objective. Thus the most preferable investment option of the salaried class people at Chennai is the Bank deposit since it is the investment avenue which provides safety to their investment with a regular return.

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