A Study On Investment Awareness And Preferences Of The Salaried Class In Tirunelveli District

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A STUDY ON INVESTMENT AWARENESS AND PREFERENCES
OF THE SALARIED CLASS IN TIRUNELVELI DISTRICT

ABSTRACT

Savings form an important part of the economy of any nation. Savings in the form of financial assets derives its importance in a developing country like India on the ground that these savings can be channelized for capital formation. In India, households are the largest contributors to the national pool of savings. Their share in net domestic savings in India remains around 70 percent on an average. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings. For an ordinary person though, they have acted as the safest investment avenue wherein a person deposits money and earns interest on it. The various investment avenues for people to invest their money are post office schemes, mutual funds, bank deposits, RBI bonds, share market, life insurance etc. An investor can choose from a variety of funds to suit his risk tolerance, investment horizon and objective. Against this background, the researcher has taken up this topic in which she analysed the awareness level of investors and their preferences in choosing the investment.
A STUDY ON INVESTMENT AWARENESS AND PREFERENCES
OF THE SALARIED CLASS IN TIRUNELVELI DISTRICT

1.1 Introduction:

Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings. For an ordinary person though, they have acted as the safest investment avenue wherein a person deposits money and earns interest on it.

The objectives of making investments are many and varied and differ from person to person. These may be either to get a regular, uniform, safe and continuous return in the future with moderate risk or to enjoy the benefits of capital appreciation with attached risk. An individual’s investment objectives also depend on various personal factors, such his/her age, sex, occupation, educational level etc.

1.2 Scope of the study:

The study is focused on the analysis of socio-economic background of respondents numbering 200. Further, this study examines the awareness level of respondents about the investment avenues and their preferences on selecting the investment. Besides, the researcher has highlighted the reasons for selecting the investment by the respondents.
For this purpose, the information regarding their awareness about investment, factors considered for choosing an investment scheme and reasons for choosing a particular investment were collected through structured questionnaire and analysed.

1.3 Statement of the problem:

Investment has been an activity confined to the rich and business class in the past. This can be attributed to the fact that availability of investible funds is a pre-requisite to development of funds. But, today we find that investment has become a household world and is very popular with people from all walks of life.

Generation of savings and its conversion into capital is fundamental to the theory of economic growth. The volume and composition of savings are important in the process of economic development of any nation. Savings in the form of financial assets derives its importance in a developing country like India on the ground that these savings can be channelized for capital formation. In India, households are the largest contributors to the national pool of savings. Their share in net domestic savings in India remains around 70 percent on an average.

The various investment avenues for people to invest their money are post office schemes, mutual funds, bank deposits, RBI bonds, share market, life insurance etc. An investor can choose from a variety of funds to suit his risk tolerance, investment horizon and objective. Against this background, the researcher has taken up this topic.

1.4 Objectives of the study:

➢ To study the socio-economic background of respondents.
- To examine the awareness level of investors.
- To study the preferences of investors in choosing the investment.
- To analyze the factors which favors the investors to make investment
- To offer suggestions out of findings.

1.6 Sampling Design

For the purpose of the study, representative sample of salaried class people in Tirunelveli District of Tamilnadu have been selected by using convenience sampling. While selecting the respondents, factors such as rural-urban background, economic status, and educational qualification of the population, were considered. A total of 200 samples have been collected by using convenience sampling method.

1.7 Methodology

Both primary data through structured questionnaire and secondary data were used for this study. To analyze the collected data, the researcher has used percentage analysis, and weighted arithmetic score method.

Analysis and Interpretation

Introduction

This chapter brings out the analysis and interpretation of the data collected.
Part-I

The 1st part of this chapter presents the economic factors of the respondents by taking variables such as age, marital status, family system, educational qualification and monthly income etc.

Table-1
Socio-economic Factors of Respondents

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Factors</th>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Age</td>
<td>Less than 25</td>
<td>32</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26-35</td>
<td>120</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36-45</td>
<td>32</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Above 45</td>
<td>16</td>
<td>8%</td>
</tr>
<tr>
<td>2.</td>
<td>Marital status</td>
<td>Married</td>
<td>112</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unmarried</td>
<td>88</td>
<td>44%</td>
</tr>
<tr>
<td>3.</td>
<td>Family system</td>
<td>Joint</td>
<td>116</td>
<td>58%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nuclear</td>
<td>84</td>
<td>42%</td>
</tr>
<tr>
<td>4.</td>
<td>Education</td>
<td>S.S.L.C</td>
<td>20</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>H.S.C</td>
<td>12</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Graduate</td>
<td>72</td>
<td>36%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professional</td>
<td>96</td>
<td>48%</td>
</tr>
<tr>
<td>5.</td>
<td>Employment</td>
<td>Private</td>
<td>152</td>
<td>76%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Government</td>
<td>48</td>
<td>24%</td>
</tr>
<tr>
<td>6.</td>
<td>Monthly income</td>
<td>Less than 5000</td>
<td>8</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5001-10000</td>
<td>40</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10001-15000</td>
<td>68</td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Above 15000</td>
<td>84</td>
<td>42%</td>
</tr>
<tr>
<td>7.</td>
<td>Sources of other</td>
<td>Yes</td>
<td>120</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>income</td>
<td>No</td>
<td>80</td>
<td>40%</td>
</tr>
</tbody>
</table>
Source: Primary Data

It is observed from the above table that out of 200 respondents, 38 per cent of the respondents are in the age of below 35 years and nearly 56 per cent respondents are married living in joint family system. Majority of the respondents are working in private sector earning monthly income of above Rs10,000 and also having other sources income from house property and income from land.

Part – II

The IIInd part of this chapter analyses the investment awareness and preferences of investment among the salaried class.

Table No.2
Awareness about Investment Alternatives

<table>
<thead>
<tr>
<th>Awareness</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>164</td>
<td>82%</td>
</tr>
<tr>
<td>No</td>
<td>36</td>
<td>18%</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary Data

From the Table 2, it is observed that 164(82%) of the respondents had awareness about investment alternatives, 36(18%) of the respondents did not aware about investment alternatives.
Table No.3

<table>
<thead>
<tr>
<th>S No</th>
<th>Investment avenues</th>
<th>Level of awareness</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>1</td>
<td>Bank Deposits</td>
<td>116</td>
<td>58.00</td>
</tr>
<tr>
<td>2</td>
<td>Real estate</td>
<td>76</td>
<td>38.00</td>
</tr>
<tr>
<td>3</td>
<td>Gold and Silver</td>
<td>108</td>
<td>54.00</td>
</tr>
<tr>
<td>4</td>
<td>Life insurance schemes</td>
<td>44</td>
<td>22.00</td>
</tr>
<tr>
<td>5</td>
<td>Small saving schemes</td>
<td>36</td>
<td>18.00</td>
</tr>
<tr>
<td>6</td>
<td>Chit Funds</td>
<td>36</td>
<td>18.00</td>
</tr>
<tr>
<td>7</td>
<td>Corporate bonds</td>
<td>28</td>
<td>14.00</td>
</tr>
<tr>
<td>8</td>
<td>Mutual Funds</td>
<td>16</td>
<td>8.00</td>
</tr>
<tr>
<td>9</td>
<td>Equity shares</td>
<td>24</td>
<td>12.00</td>
</tr>
<tr>
<td>10</td>
<td>Preference shares</td>
<td>28</td>
<td>14.00</td>
</tr>
</tbody>
</table>

Source: Primary Data

It is observed from the above table that investment avenues like bank deposits (ranked 1), gold and silver (ranked 2) and real estate (ranked 3) are most popular among the respondents. The other investment avenues, which are not popular among the sample investors and which they are not very aware are equity shares (12%). Thus, these investment avenues are placed in the lower ranks in terms of investor awareness.

Investor Preferences of Investment Avenues

Table 4 and 5 provide the information about the preference of sample-investors towards various investment products, such as bank deposits, chit funds, small savings schemes, life
insurance products, mutual funds, gold and silver, real estate, and corporate securities. The following observations may be made from the data provided in Table 4.

Table – 4
Investors Preferences of Investment Avenues

<table>
<thead>
<tr>
<th>Preference</th>
<th>Bank Deposits</th>
<th>Chit Funds</th>
<th>Small Saving schemes</th>
<th>Life Insurance schemes</th>
<th>Mutual Funds</th>
<th>Gold &amp; silver</th>
<th>Real Estate</th>
<th>Corporate securities</th>
<th>Equity Shares</th>
<th>Preference Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>80</td>
<td>4</td>
<td>12</td>
<td>12</td>
<td>-</td>
<td>56</td>
<td>24</td>
<td>4</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Second</td>
<td>52</td>
<td>4</td>
<td>8</td>
<td>28</td>
<td>-</td>
<td>16</td>
<td>72</td>
<td>-</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Third</td>
<td>44</td>
<td>8</td>
<td>36</td>
<td>44</td>
<td>-</td>
<td>20</td>
<td>24</td>
<td>-</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Fourth</td>
<td>16</td>
<td>4</td>
<td>28</td>
<td>24</td>
<td>16</td>
<td>40</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>24</td>
</tr>
<tr>
<td>Fifth</td>
<td>4</td>
<td>24</td>
<td>16</td>
<td>24</td>
<td>16</td>
<td>8</td>
<td>20</td>
<td>32</td>
<td>24</td>
<td>32</td>
</tr>
<tr>
<td>Sixth</td>
<td>-</td>
<td>8</td>
<td>20</td>
<td>36</td>
<td>12</td>
<td>28</td>
<td>4</td>
<td>24</td>
<td>52</td>
<td>16</td>
</tr>
<tr>
<td>Seventh</td>
<td>4</td>
<td>36</td>
<td>28</td>
<td>4</td>
<td>40</td>
<td>8</td>
<td>24</td>
<td>24</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Eighth</td>
<td>-</td>
<td>24</td>
<td>28</td>
<td>12</td>
<td>32</td>
<td>12</td>
<td>8</td>
<td>20</td>
<td>40</td>
<td>24</td>
</tr>
<tr>
<td>Ninth</td>
<td>-</td>
<td>36</td>
<td>16</td>
<td>8</td>
<td>48</td>
<td>4</td>
<td>4</td>
<td>32</td>
<td>28</td>
<td>24</td>
</tr>
<tr>
<td>Tenth</td>
<td>-</td>
<td>52</td>
<td>8</td>
<td>8</td>
<td>36</td>
<td>8</td>
<td>4</td>
<td>48</td>
<td>8</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Primary Data

Most investors preferred bank deposits as the first choice of investment followed by real estate and life insurance products, out of the 10 investments products placed before them. It is evident from the preference expressed by the sample investors that the capital markets securities, mutual fund schemes, equity shares and preference shares and chit funds are not popular among the investors and received least preference.

Ranking of the Investment avenues:
Based on the preference expressed by the sample investors, an attempt is made to rank the various investment products by determining the weighted score for each investment alternative. The weighted scores are calculated by assigning 10 points to first choice, 9 points to second choice, 8 points to third choice, 7 points to fourth choice, 6 points to fifth choice, 5 points to sixth choice, 4 points to seventh choice, 3 points to eighth choice, 2 points to ninth choice and 1 point to tenth and the last choice stated by the sample investors. The weighted scores calculated for several investments are given in table 5.

Table – 5

Ranking of the Investment

<table>
<thead>
<tr>
<th>Preference</th>
<th>Bank Deposits</th>
<th>Chit Funds</th>
<th>Small Saving Schemes</th>
<th>Life Insurance Schemes</th>
<th>Mutual Funds</th>
<th>Gold And Silver</th>
<th>Real Estate</th>
<th>Corporate Securities</th>
<th>Equity Shares</th>
<th>Preference Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>2000</td>
<td>100</td>
<td>300</td>
<td>300</td>
<td>100</td>
<td>1400</td>
<td>600</td>
<td>100</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td>Second</td>
<td>1063</td>
<td>81</td>
<td>162</td>
<td>567</td>
<td>-</td>
<td>324</td>
<td>1458</td>
<td>-</td>
<td>162</td>
<td>243</td>
</tr>
<tr>
<td>Third</td>
<td>704</td>
<td>128</td>
<td>576</td>
<td>704</td>
<td>-</td>
<td>320</td>
<td>384</td>
<td>-</td>
<td>128</td>
<td>256</td>
</tr>
<tr>
<td>Fourth</td>
<td>196</td>
<td>49</td>
<td>343</td>
<td>294</td>
<td>196</td>
<td>790</td>
<td>196</td>
<td>196</td>
<td>196</td>
<td>294</td>
</tr>
<tr>
<td>Fifth</td>
<td>36</td>
<td>192</td>
<td>144</td>
<td>216</td>
<td>144</td>
<td>72</td>
<td>180</td>
<td>288</td>
<td>228</td>
<td>288</td>
</tr>
<tr>
<td>Sixth</td>
<td>-</td>
<td>50</td>
<td>125</td>
<td>225</td>
<td>75</td>
<td>175</td>
<td>5</td>
<td>150</td>
<td>325</td>
<td>100</td>
</tr>
<tr>
<td>Seventh</td>
<td>16</td>
<td>144</td>
<td>112</td>
<td>16</td>
<td>160</td>
<td>32</td>
<td>96</td>
<td>96</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>Eighth</td>
<td>-</td>
<td>54</td>
<td>63</td>
<td>27</td>
<td>72</td>
<td>27</td>
<td>18</td>
<td>45</td>
<td>90</td>
<td>54</td>
</tr>
<tr>
<td>Ninth</td>
<td>-</td>
<td>36</td>
<td>16</td>
<td>8</td>
<td>48</td>
<td>4</td>
<td>4</td>
<td>32</td>
<td>28</td>
<td>24</td>
</tr>
<tr>
<td>Tenth</td>
<td>-</td>
<td>13</td>
<td>2</td>
<td>2</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>12</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>4005</td>
<td>847</td>
<td>1843</td>
<td>2359</td>
<td>804</td>
<td>3146</td>
<td>2942</td>
<td>919</td>
<td>1224</td>
<td>1530</td>
</tr>
<tr>
<td>Rank</td>
<td>1</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>8</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>

It can be seen from the Table 5 that bank deposits, with a table score of 4005 points, stood in the first place. These are followed by the Gold and Silver with a total score 3146 points.
to the second place, and real estate with 2942 points in the third place, next to the life insurance schemes with 2359 points in the fourth place, small saving schemes with 1843 points in the fifth place. At the same time the other investment alternatives, like preference shares, equity shares and corporate securities, are placed in the sixth, seventh, eighth place respectively, next to the investment products, chit funds with 847 points in the ninth place, mutual funds with 804 points in the tenth place respectively.

**Factors influence of investment preference:**

To ascertain the investment objectives influencing the investor’s preference and the investment behaviour, sample investors are asked to indicate their choice for various investment objectives in the descending order of the preference. For this purpose, six objectives, such as safety, liquidity and marketability, income generation, capital appreciation, tax benefits, and diversification are placed. The obtained information is presented and analyzed in Table 5 and Table 6.

**Table 6**

**Factors influence of Investment Preference**

<table>
<thead>
<tr>
<th>Preference</th>
<th>Safety</th>
<th>Liquidity And Marketability</th>
<th>Income Generation</th>
<th>Capital Appreciation</th>
<th>Tax Benefits</th>
<th>Diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>132</td>
<td>8</td>
<td>32</td>
<td>8</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Second</td>
<td>28</td>
<td>36</td>
<td>64</td>
<td>28</td>
<td>36</td>
<td>8</td>
</tr>
<tr>
<td>Third</td>
<td>16</td>
<td>56</td>
<td>28</td>
<td>48</td>
<td>28</td>
<td>24</td>
</tr>
<tr>
<td>Fourth</td>
<td>8</td>
<td>32</td>
<td>36</td>
<td>56</td>
<td>32</td>
<td>36</td>
</tr>
<tr>
<td>Fifth</td>
<td>4</td>
<td>36</td>
<td>28</td>
<td>36</td>
<td>52</td>
<td>44</td>
</tr>
<tr>
<td>Sixth</td>
<td>12</td>
<td>32</td>
<td>12</td>
<td>24</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>
Source: Primary Data

The information presented in the Table 6 reveals that most of the sample investors i.e., 132 out of total of 200, which works out to 66% of them, have indicated that “safety of the investment” as their first objective in choosing the investment alternatives. The second objective of choosing the investment is “income generation” since 64 out of 200 respondents have chosen it. The third, fourth, fifth and sixth factor of influencing investors to choose their investments are liquidity and marketability, capital appreciation, tax benefits and diversification respectively.

Ranking factor influence of investment of investment preference:

Based on the choice of the objectives expressed by the sample investors, an attempt is made to rank the various investment objectives by determining the weighted score for each objective. The weighted scores are calculated by assigning 6 points to first choice, 5 points to second choice, 4 points to third choice, 3 points to fourth choice, 2 points to fifth choice, and 1 point to sixth and last choice stated by the sample investors. The weighted scores calculated for different investment objectives are given in table 7.

Table- 7

<table>
<thead>
<tr>
<th>Preference</th>
<th>Safety</th>
<th>Liquidity and Marketability</th>
<th>Income Generation</th>
<th>Capital Appreciation</th>
<th>Tax Benefits</th>
<th>Diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>1188</td>
<td>108</td>
<td>288</td>
<td>72</td>
<td>108</td>
<td>72</td>
</tr>
<tr>
<td>Second</td>
<td>175</td>
<td>225</td>
<td>400</td>
<td>175</td>
<td>225</td>
<td>50</td>
</tr>
<tr>
<td>Third</td>
<td>64</td>
<td>224</td>
<td>112</td>
<td>192</td>
<td>112</td>
<td>96</td>
</tr>
<tr>
<td>Fourth</td>
<td>18</td>
<td>72</td>
<td>81</td>
<td>126</td>
<td>72</td>
<td>81</td>
</tr>
<tr>
<td>Fifth</td>
<td>4</td>
<td>36</td>
<td>28</td>
<td>36</td>
<td>52</td>
<td>44</td>
</tr>
<tr>
<td>Sixth</td>
<td>3</td>
<td>8</td>
<td>3</td>
<td>6</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>1452</td>
<td>673</td>
<td>852</td>
<td>607</td>
<td>579</td>
<td>363</td>
</tr>
</tbody>
</table>
It can be seen from the above table that “safety of the investment”, with a total score of 1452 points, secures the first place. This is followed by assured ‘income’ with a total score of 852 points in the second place, and ‘liquidity and marketability’ with 673 points is in the third place. Next of these investment objectives, capital appreciation, with 607 points, in the fourth place, and tax benefits, with 579 points, is in the fifth place. It is also to be noted that diversification of risk does not figure much in the investment preferences. Thus, it can be concluded that safety, assured income, liquidity and capital appreciation are the major objectives influencing the preferences and behavior of investors.

**Table – 8**

**Level of Satisfaction of the Respondents on Investment**

<table>
<thead>
<tr>
<th>Level of satisfaction</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>56</td>
<td>28%</td>
</tr>
<tr>
<td>Medium</td>
<td>124</td>
<td>62%</td>
</tr>
<tr>
<td>Low</td>
<td>20</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Source: Primary Data**

From the table 8, it reveals that 124(62%) respondents have medium level of satisfaction, 56(28%) respondents are highly satisfied, and 20 (10%) respondents have low level of satisfaction on choice of their investment.

**Conclusion:**

Majority of the sample respondents are in the age group of below 35 years, married and also graduates & professionals, 164 respondents are already aware of investment avenues. 116
respondents are having high level of awareness about bank deposits, 80 respondents preferred bank deposit by assigning first rank and 132 respondents out of 200 have indicated that “safety of the investment” as their first objective in choosing the investment alternatives.

References:


3. www.mbainfoline.com

4. www.indiamba.com

5. www.investoropedia.com