

# A Study on Individual Perception Towards Investments in Cuddalore District

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**Abstract-** Savings are of great importance in a developing economy like India. This is because of the direct bearing it has on the level of economic activity of the nation. Saving is a function of both income and current consumption. Both increasing income and decreasing consumption are the ways for increasing savings. There is a need to improve productivity for the application of modern technology. Modern technology, in turn, calls for heavy dose of capital investment. The prosperity of an economy is closely linked to the ability of the public to save and invest in productive assets. In this scenario, the present study is undertaken the savings and investment pattern of the salaried class. The study found that 64.23 per cent of the salaried class save money for their children's education, 58.08 per cent for "emergency need", 55.77 per cent for "future life – comfortable living in old age", and most of the salaried class invested in 'bank deposit', 'house property', 'insurance', 'bullion' and provident fund. Also found that the first factor preference on investment is 'safety of money' followed by 'regular return', 'long-term benefits', and 'tax benefits' is more among the salaried class.

**Keywords-** emergency needs future life, house property, regular return, and savings.

## I. INTRODUCTION

Savings are of great importance in a developing economy like India. This is because of the direct bearing it has on the level of economic activity of the nation. From the classical period onwards, saving has been considered as a determinant of growth of individuals, households and nations. Whereas for the individuals and households, saving provides a cushion of security against future contingencies, for the nation, saving provides the funds needed for its developmental efforts. Saving is a function of both income and current consumption. Both increasing income and decreasing consumption are the ways for increasing savings.

In the Indian economy, the household sector contributes a lion's share of the total saving. Among the people in the salaried group, the degree of progress attained in savings largely depends upon what he / she does with incomes

in excess of household expenditure. Such saving patterns and behaviour of salaried people are important for the government and other stakeholders such as financial institutions whose aim is savings mobilization. In this scenario, the present study is undertaken the savings and investment pattern of the salaried class.

## II. NEED FOR THE STUDY

There is a need to improve productivity for the application of modern technology. Modern technology, in turn, calls for heavy dose of capital investment. The prosperity of an economy is closely linked to the ability of the public to save and invest in productive assets. To survive and develop in this competitive business world, capital must be made available at a reasonable rate without conditions attached to it. Investment climate must attract the people to save from their income at times even by foregoing the enjoyment of comforts and luxuries. Countries can never sustain development unless they have adequate savings.

## III. STATEMENT OF THE PROBLEM

Indians have a high propensity to save money. though 81 per cent of Indian households save, the savings are not invested in long-term instruments. More than half of Indian households prefer to save by keeping their surplus income in commercial banks and more than a third of Indians simply prefer to keep their surplus money at home. Despite the lack of social security system, saving for the old age is not the top priority for Indian households. Most households in India save for an emergency or for their children's education, social events like marriages, births, and so on. The practices of savings and investment differ from person to person and from place to place as the savers have varying objectives embracing safety, profitability and liquidity. Similarly, the motive behind such practice equally varies due to the influence of internal factors of savers. As such, there is no single motivating factor applicable to all investors on all occasions. the savings from agriculture sector is not enough due to uneconomic operations of the farms. Further, the savings of businessmen and the self-employed are not stable and not assured because it is subject

to conditions of business. The salaried class has a fixed source of income and is supplemented by additional income from other sources. The salaried class investors with assured monthly income could be regular savers. Various studies at the macro level confirm that the role of the salaried class investors provides the financial resources to the industrial sector. But the level of savings can still be augmented from the salaried class if the financial system is made more attractive to them. Any study focuses on savings and investments is a welcome one commonly and an essential one to a developing country like India where development is utmost needed. Savings and investment are inseparable aspects and activities in normal life. Since investments are the basis for development and savings is the main source for investment, the researcher selected the study on Savings and Investment Pattern of the Salaried Class in Cuddalore District.

#### IV. OBJECTIVES OF THE STUDY

The objectives of the present study was identified the purpose of savings and investment preference of the salaried class people in Cuddalore district and also find out the Relationship between purpose of savings and investment.

#### V. METHODOLOGY

Primary data are used to fulfill the objectives of the study. The target population for data collection is the salaried class working in central government, state government, and private sector organizations in the study area. Primary data are collected personally by the researcher by using the properly designed pre-tested questionnaire. Data was collected from 520 salaried class investors adopted purposive sampling techniques. The secondary data are collected from published records, journals, and other documents. The collected primary data are subjected to various statistical techniques from Friedman ANOVA with Kendall's Coefficient of Concordance, Canonical Correlation and percentage Analysis.

#### DATA ANALYSIS AND INTERPRETATION

Table 1 gives the various factors related to the purpose of savings of the respondents and their opinion in this regard.

Table 1 Purpose of Savings

Purpose of Savings	Yes		No	
	Number of Respondents	%	Number of Respondents	%
Children Education	334	64.23	186	35.77
Daughters / Sons Marriage	269	51.73	251	48.27
Consumer Durables	258	49.62	262	50.38
Acquisition of Property	207	39.81	313	60.19
Investment in Business	83	15.96	437	84.04
Income Tax benefits	236	45.38	284	54.62
Pay the debt	216	41.54	304	58.46
Emergency Need	302	58.08	218	41.92
Future life	290	55.77	230	44.23
Religious purpose	106	20.38	414	79.62

Source: Primary Data

From the observation of the table -1, it is understood that 64.23 per cent of the salaried class save money for their children's education, 58.08 per cent for "emergency need", 55.77 per cent for "future life – comfortable living in old age" and 51.73 per cent for "daughters / sons marriage". While 49.62 per cent, 45.38 per cent and 41.54 per cent of the salaried class save money for the purchase of consumer durables, income tax benefit and pay the debt respectively, 39.81 per cent of the respondents do save for acquisition of property. The savings for the purpose of investing in business and religious purpose is found with just 15.96 per cent and 20.38 per cent of the respondents.

Table 2 provides the opinion of the respondents on current holding of investment. It is inferred from the Table that the current holdings of investment not held in real estate is by 69.62 per cent, in postal savings by 64.04 per cent, in company deposit by 92.88 per cent, in government bond by 91.35 per cent, in mutual fund / UTI' by 93.27 per cent, in Share by 83.46 per cent and in Chit fund by 72.31 per cent. Again, the current holding of investment option in bank deposit is 79.81 per cent, in house property 60.58 per cent, in insurance 78.27 per cent, in bullion 66.15 per cent and in provident fund 54.81 per cent. It is found that current holding of investment in 'bank deposit', 'house property', 'insurance', 'bullion' and provident fund' is more among the salaried class.

Table 2 Current Investments

Current Holding of Investment	Yes		No	
	Number of Respondents	%	Number of Respondents	%
Bank deposit	415	79.81	105	20.19
House property	315	60.58	205	39.42
Real estate	158	30.38	362	69.62
Postal savings	187	35.96	333	64.04
Insurance	407	78.27	113	21.73
Bullion	344	66.15	176	33.85
Company deposit	37	7.12	483	92.88
Government Bond	45	8.65	475	91.35
Mutual Fund / UTI	35	6.73	485	93.27
Share	86	16.54	434	83.46
Provident Funds	285	54.81	235	45.19
Chit Fund	144	27.69	376	72.31

Source: Primary Data

Table 3 and 4 was analyses that the relationship between the purpose of savings and current investment is evaluated by using canonical correlation analysis. The Canonical correlation is similar to multiple regression analysis, but the goal of the canonical correlation analysis is to quantify the strength of the relationship between the two sets of variables (dependent and independent).

Table 3 Canonical Functions Produced by Canonical Correlation Analysis between Purpose of Savings and Current Holding of Investment

Canonical Function	Canonical R	Canonical R <sup>2</sup> (Eigen value)	Chi-Square	df	p-Value	Wilks Lambda
0	0.7455	0.5558	1262.70	120	0.0000	0.0831
1	0.6433	0.4138	850.89	99	0.0000	0.1870
2	0.5531	0.3060	579.80	80	0.0000	0.3190
3	0.5077	0.2578	394.44	63	0.0000	0.4597
4	0.4254	0.1810	243.15	48	0.0000	0.6193
5	0.3652	0.1333	141.83	35	0.0000	0.7562
6	0.2460	0.0605	69.20	24	0.0000	0.8725
7	0.1912	0.0366	37.51	15	0.0011	0.9287
8	0.1806	0.0326	18.61	8	0.0171	0.9640
9	0.0591	0.0035	1.77	3	0.6205	0.9965

Source: Primary Data

The canonical correlation functions identifying the simultaneous relationship between purposes of savings and current holding of investment (type of investment) are depicted in Table 3. As per the Table, the first eight canonical functions with 1 per cent level and ninth function with five per cent level are significant. However, the correlation between two pairs of canonical variation is above 0.30 for the first six canonical functions. That is, shared variance between pairs of canonical variation of the first, second, third, fourth, fifth and sixth canonical function (55.58 per cent, 41.38 per cent, 30.60 per cent, 25.75 per cent, 18.10 per cent and 13.33 per cent

respectively) is above 10 per cent, in turn indicating that only these six canonical functions are valid for further interpretations.

Table 4 Canonical Loadings on Purposes of Savings and Current Holding of Investments with Significant Canonical Function

Variables	Canonical Functions				
	First	Second	Third	Fourth	Fifth
<b>Criterion Variables</b>					
<b>Current Holding of Investment</b>					
Bank deposit	0.0154	0.0114	0.0371	-0.1726	-0.0366
House property	0.1164	0.0067	<b>-0.7635</b>	0.2027	0.0603
Real estate	0.2897	<b>0.5331</b>	0.1090	-0.3962	-0.2449
Postal savings	0.1348	<b>0.5385</b>	-0.2067	-0.1109	<b>-0.4478</b>
Insurance	<b>0.5147</b>	0.2981	<b>0.4565</b>	0.1713	0.0219
Bullion	0.3616	0.0106	0.0959	0.2745	0.1194
Company deposit	-0.0684	-0.0946	0.2894	0.3588	<b>-0.7293</b>
Government Bond	-0.0247	-0.1359	<b>0.4049</b>	<b>0.4250</b>	<b>-0.4877</b>
Mutual Fund/UTI	<b>0.6023</b>	<b>-0.5604</b>	-0.0508	-0.1115	-0.3305
Share	0.0798	<b>0.4024</b>	<b>-0.4407</b>	0.2034	-0.2797
Provident Funds	<b>0.6228</b>	0.0639	-0.1205	0.2350	-0.0314
Chit Fund	-0.2880	0.1863	-0.1380	-0.2035	-0.2808
<b>Predictor Variables</b>					
<b>Purpose of Savings</b>					
Children's Education	0.2053	0.1980	-0.4380	-0.0488	-0.0862
Daughters/ Sons Marriage	-0.0004	0.1701	-0.1620	<b>0.4333</b>	<b>0.4325</b>
Purchase of consumer durables	0.3176	-0.0811	0.0466	0.2321	0.1243
Acquisition of property	<b>0.5047</b>	<b>0.4847</b>	0.2171	-0.0084	0.1477
Investment in Business	0.3079	<b>0.6724</b>	-0.2289	-0.1095	0.0872
income tax benefit	0.3939	0.3454	-0.1673	<b>0.6133</b>	0.1228
Pay the debt	-0.1762	0.2913	<b>-0.5971</b>	0.0736	<b>-0.4235</b>
Emergency Need	-0.2195	0.3993	0.2321	0.2898	0.2071
Future life	<b>0.4511</b>	0.0208	0.1523	<b>0.4484</b>	-0.1073
Religious purpose	-0.0647	0.3458	<b>0.5083</b>	0.3948	<b>-0.4017</b>

Source: Primary Data

As per the table 4, the loadings of insurance, mutual fund / UTI and provident funds with positive sign in the criterion set and that of 'acquisition of property' followed by "Future life" also with positive sign in the predictor set are high with the first canonical variation. This implies that the current holding of investment among the salaried class is primarily in provident fund followed by mutual fund / UTI and insurance when their purpose is to acquire property and comfortable future life. Similarly, from the loadings of criterion and predictor variables with respective canonical variants of the second, third, fourth, fifth and sixth canonical functions, they are identified as follows: (1) the salaried class with the purpose of investing in business and also with the purpose of acquiring property to a certain extent hold their investments in real estate, postal savings and in shares by reducing their current holding in mutual fund / UTI, (2) salaried people with more intention of saving for religion purpose and less intention of saving for paying off the debt

reduce their current holding of investment in house property as well as their investment in shares at the same time substantially increasing their current holding of investment in insurance and government bond, (3) salaried people hold their investment in government bond to avoid income tax in addition to the purpose of daughters' / sons' marriage as well as for future life and (4) the salaried class have high investments in company deposit and substantial investments in government bond and postal savings for religious purpose as well as with purpose of paying the debts by forfeiting their purpose of savings for their daughters' / sons' marriage.

Table 5 Results of Friedman ANOVA and Kendall Coefficient of Concordance Identifying Priority on Investment

Priority on Investment	Average Rank	Sum of Ranks	Rank
Safety of money	1.43	743.0	1
Regular return	3.50	1822.0	2
Higher return	4.50	2340.0	5
Long-term benefits	3.80	1975.0	3
Capital appreciation	4.77	2479.0	6
Tax benefits	4.27	2222.0	4
Low initial outlay	5.73	2979.0	7
Kendall Coefficient of Concordance 'W'	0.3857		
Friedman ANOVA Chi-Square	1203.40***		

\*\*\*Significant at 1% level.

Source: Primary Data

Various Factor preferences by respondents are identified by analyzing the opinion of the respondents using a statistical model called Friedman ANOVA and Kendall Coefficient of Concordance. This test for ranking data is used to identify the similarities among the sample respondents in ranking the items. Evaluating the extent of similarity in ranking the items is mandatory to arrive at irrefutable conclusion about the preferred item(s) among the group of items related to one particular aspect. The Kendall's coefficient of concordance, also called Kendall's W, ranges between 0.0 and 1.0 with 0.0 for perfect dissimilarity and 1.0 for perfect similarity. The statistical significance of Kendall's W is ascertained by using Friedman ANOVA chi-square value. Table 5 is reported with the results of Friedman ANOVA and Kendall Coefficient of Concordance eliciting the factor preference on the investment. As shown in the table, the Kendall Coefficient of Concordance is just 0.3857 with significant Friedman ANOVA chi-square of 1203.40 ( $p < 0.01$ ). This shows the existence of similarity in ranking of priorities for making investment among respondents. So, the

average rank scores are used to identify the primary priority of investment among the salaried class in the study area. The average mean score is 1.43 for the first item, ranging between 3.50 and 4.77 for the remaining six items (item with low rank indicates that the item is highly preferred). From the ordering of items based on average mean scores, it is understood that the first factor preference on investment is 'safety of money' followed by 'regular return', 'long-term benefits', and 'tax benefits'. Similarly it is apparent from ordering of items that Investment with the factor priority on investments due to 'low initial outlay' is the least followed by 'capital appreciation' and 'higher return'.

## VI. CONCLUSION

It is a universal fact that the savings and investments are inseparable activities of human life in practice, due to their importance for the economic development of a country. Without investment play a major role to decide the level of investment. Income is the major deciding factor for savings. Unless measures are taken for the improvement of income level and saving, investment cannot be increased. The researcher has analyzed various purpose of savings and factors preference of investment. The study found that the salaried class save money for their children's education, "emergency need", "future life and most of the salaried class invested in 'bank deposit', 'house property', 'insurance', 'bullion' and provident fund. Also found that the first factor preference on investment is 'safety of money' followed by 'regular return', 'long-term benefits', and 'tax benefits' is more among the salaried class.

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