Causes For Changing Pattern of Household Savings And Investment Behaviour of The Investors In Coimbatore -A Study

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Abstract- *Household financial savings is an important indicator for setting up policy for household welfare in India.The household savings in India has experienced a variety of changes over the past one or two decades. The changes in lifestyles and consumption models in a developing country like India have also contributed towards those variations.The changing pattern of Indian households especially individuals and families demand, may have its own impact on the savings available and, in turn, on the decisions of the government in allocation of fund towards varied activities. Hence, the causes for the changes in savings pattern and their impact will help to take decisions to fulfil the needs of the savers/public.*

I. INTRODUCTION

The term saving represented the difference between income and expenditure/consumption. The concept of saving plays an important role in economic analysis. In India, household sectors contribute a larger share to the gross domestic savings. Domestic saving primarily consists of three components, viz., household sector saving, private corporate sector saving and public sector saving. Household sector saving constitutes the largest portion of gross domestic saving. Household sector saving comprises of savings in financial assets and saving in physical assets.India is among the world's most efficient financial markets in terms of technology, regulation and systems. It also has one of the highest savings rate in the world - our gross household savings rate, which averaged 19per cent of gross domestic product (GDP) between 1996-97 and 1999-2000,increased to about 23per cent in 2003-04 and has been growing ever since.

II. REVIEW OF LITERATURE

Zou, et. al. (2011) stated that inflation is an important factor leading to social and economic instability and disorder. It is one of the most largely observed and tested economic variables both theoretically and empirically. Its causes, impacts on other economic variables, and cost to the overall economy are well known and understood.

Ang (2009) examined the dynamic relationship between the domestic savings and investment rates in India over the period 1950-2005 by controlling the level of financial liberalization. The results indicate that greater financial liberalization enables more domestic resources to be channelled to investment activities

III. OBJECTIVES

1. To find out the investment avenue preferred by the investors.
2. To assess the behaviour of the investor towards saving and investment
3. To study the various reasons which induces the investors in shifting their investment avenue.

IV. HYPOTHESIS OF THE STUDY

1. The demographic factors of the investors influence the investment behaviour.
2. The investment behaviour of the investor will have an influence over the choice of theinvestment avenue
3. The reasons on shifting the investment type will have an impact on the investmenttype preferred

V. METHODOLOGY

RESEARCH DESIGN

The purpose of this research work is to analyse and describe the existing characteristics of the investors and the factor influencing the choice in selecting the investment type. This study also aims to test the causal analysis of relationship among the dimensions related to investor's investment pattern, and the investment shift. Hence, the proposed research is descriptive in nature.

POPULATION AND SAMPLING

The population for the study consists of household investors in Coimbatore. As per the Census 2011, the population of Coimbatore consists of 10,50,721. Out which the study selected the sample respondents using simple random sampling considering whether they have the practice of making investments of their surplus money. Coimbatore city is located in Tamil Nadu State hence the population represents the cluster ofthe Coimbatore south, and Coimbatore north.

VI. INVESTMENT BY INVESTORS

Every individual wish to invest in one or other form and the option of saving are mushrooming into number of avenues. The investor considers three factors viz., safety, income, and growth in deciding the investment type. Safety of the investment avenue is the prime factor which guarantees principal but give less returns and vice versa. There are investors who are very conservative wish to have some generation of income on the amount invested even at times of inflation or economic slowdown. Others also wish to have other benefits like tax minimization, marketability /liquidity of the investment avenue which they have chosen. Choosing a single strategic objective and assigning weights to all other possible objectives is a process that depends on such factors as the investor's temperament, stage of life, marital status, nature of the family and so on. Hence, the investment made by the sample respondents is obtained. The details are given in the following table.

Investment avenues chosen by the Investors.
TABLE-1

S. No	Investment Avenues	Invested		Not Invested	
		Frequency	Percent	Frequency	Percent
1.	Bank deposits	349	90.6	36	9.4
2.	Company deposits	76	19.7	309	80.3
3.	Small saving schemes	309	80.3	76	19.7
4.	Life insurance schemes	328	85.2	57	14.8
5.	Mutual funds	38	9.9	347	90.1
6.	Gold & Silver	328	85.2	57	14.8
7.	Real estate	212	55.1	173	44.9
8.	Corporate securities debentures	38	9.9	347	90.1
9.	Corporate securities equity shares	19	4.9	366	95.1
10	corporate securities preference shares	19	4.9	366	95.1

It is learnt from the table that a highest of 90.6% of the respondents have invested in bank deposits; 85.2% of the respondents have invested in life insurance schemes; 85.2% of the respondents have invested in gold and silver, and a 55.1% of the respondents have invested in real estate. All these investment avenues are preferred by the investors is for a long time and it has gained ample of confidence in the minds of the investors and assures the principal amount back and an additional form of returns with less risk.

On the other side, 80.3% of the respondents have not invested in company deposits, 90.1% of the respondents have not invested in mutual funds, 90.1% not invested in corporate securities debentures, 95.1% have not invested in corporate securities equity shares, 95.1% have not invested in corporate securities preference shares. These forms of investment avenue is not so popular in the minds of the common public as because of the technicalities involved and low awareness regarding the form of investment as well as high risk.

Association between Variable investment behavior and shifting of investment

Analysis of Variance is carried out for the Elements of Investment behavior and attitude, factors influencing shifting pattern of investment and positive reasons for shifting, negative reasons for shifting, Financial benefits, Value of investment, security of investment, Additional return on investment.

H0: There is no significant association between the basic attitude of the investor and investor behavior*viz.*, Psychological factors, Economic factors, Social factors, and the general factors

Factors Influencing behavior and attitude of the investor – ANOVA
TABLE-2

		Sum of Squares	df	Mean Square	F	Sig.	Result
Psychological factors	Between Groups	1.644	3	.548	1.574	.195	NS
	Within Groups	132.606	381	.348			
	Total	134.249	384				
Economic factors	Between Groups	1.496	3	.499	1.382	.248	NS
	Within Groups	137.502	381	.361			
	Total	138.997	384				
Social factors	Between Groups	2.105	3	.702	1.936	.123	NS
	Within Groups	138.144	381	.363			
	Total	140.249	384				
General factors	Between Groups	1.321	3	.440	1.431	.233	NS
	Within Groups	117.183	381	.308			
	Total	118.504	384				

The observations from the above table are given below:

The value of the F ratio in accordance to the degrees of freedom is very significant. High value of the significance

implies that there is no significant difference in means of the basic attitude of the investor and the various behavior of the investor viz., Psychological factors, Economic factors, Social factors, and the general factors

Factors Influencing Shifting of Investment

In order to find out the factors highly influencing the change in investment than the other factors, Factor analysis is applied and the results are presented in the following tables.

Table 3 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.259
Bartlett's Test of Sphericity	Approx. Chi-Square	8798.101
	Df	153
	Sig.	.000

Table 4: Communalities

	Initial	Extraction
Personal ability	1.000	.399
Confidence level	1.000	.710
Dependency level of investors	1.000	.861
Desires	1.000	.859
Goals	1.000	.581
Prejudices	1.000	.728
Bias and emotions	1.000	.734
Parameters	1.000	.740
Liquidity	1.000	.850
Capital appreciation	1.000	.914
Return and risk coverage	1.000	.873
Information about the product and service	1.000	.641
Reputation of the firm	1.000	.781
Expectation of getting rich quickly	1.000	.697
Firm status	1.000	.780
Diversification of needs	1.000	.726
Easy availability of the funds whenever needed	1.000	.842
Need to minimize the risk and loss and maximize the return	1.000	.831

Extraction Method: Principal Component Analysis.

In Table Bartlett's test of sphericity and KAISER MEYER OLKIN measures of sample adequacy are used to test the appropriateness of the factor model. Bartlett's test is used to test the null hypothesis that the variables of this study are not correlated. Since the approximate chi-square satisfaction is 8798.101 which is significant at 1% level, the test leads to the rejection of the null hypothesis.The value of KMO statistics (0.259) is more than 0.7and it revealed that factor analysis might be considered as an appropriate technique foranalysing the correlation matrix. The communality table showed the initial and extraction values.

Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.045	39.138	39.138	7.045	39.138	39.138	5.734	31.854	31.854
2	2.236	12.424	51.562	2.236	12.424	51.562	3.164	17.577	49.431
3	1.783	9.903	61.465	1.783	9.903	61.465	1.829	10.159	59.590
4	1.437	7.982	69.447	1.437	7.982	69.447	1.619	8.996	68.585
5	1.048	5.820	75.267	1.048	5.820	75.267	1.203	6.682	75.267
6	.965	5.362	80.629						
7	.944	5.243	85.872						
8	.692	3.846	89.718						
9	.555	3.082	92.799						
10	.382	2.123	94.922						
11	.269	1.497	96.419						
12	.228	1.269	97.688						
13	.184	1.025	98.713						
14	.117	.651	99.364						
15	.076	.423	99.788						
16	.030	.164	99.952						
17	.008	.045	99.997						
18	.001	.003	100.000						

Extraction Method: Principal Component Analysis.

From the table it is observed that the factors influencing the shifting of investment are grouped into five factors based on EIGEN Value for a factor and it indicates that the 'Total Variance' attributed to the factor.

From the extraction sum of squared loadings, it is learnt that factor I accounted for the variance of 7.045 which is 39.138%, factor II accounted for the variance of 2.236 which is 12.424%, III factor accounted for the variance of 1.783 which is 9.903%, factor IV accounted for the variance of 1.437 which was 7.982% and factor V accounted for the variance of 1.048 which was 5.820%. The five components extracted accounted for the total cumulative variance of 75.267%

Determination of factors based on Eigen Values

In this approach only factors with Eigen values greater than 1.00 are retained and the other factors are not

included in this model. The five components possessing the Eigen values which are greater than 1.0 were taken as the components extracted.

Table 6: Rotated Component Matrixa

	Component				
	1	2	3	4	5
Liquidity	0.909				
Dependency level of investors	0.879				
Capital appreciation	0.864				
Return and risk coverage	0.853				
Parameters		0.837			
confidence level		0.781			
Desires		0.768			
Need to minimize the risk and loss and maximize the return			0.740		
Diversification of needs			0.733		
Reputation of the firm			0.725		
Bias and emotions			0.700		
Firm status				0.651	
Goals				0.641	
Information about the product and service				0.627	
Personal ability				0.651	
Prejudices					0.583
easy availability of the funds whenever needed					0.536
expectation of getting rich quickly					0.476

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

The rotated component matrix shown in Table is a result of VARIMAX procedure of factor rotation. Interpretation is facilitated by identifying the variables that have large loadings on the same factor. Hence, those factors with high factor loadings in each component were selected. The selected factors were shown in the table.

Table 7: Clustering of inducing variables into factors

Factor	Inducing Variable	Rotated factor loadings
I (51.854) - Life style characteristics	Liquidity X9	0.909
	dependency level of investors X3	0.879
	capital appreciation X10	0.864
	return and risk coverage X11	0.853
II(49.431) – Firm Image	Parameters X8	0.837
	confidence level X2	0.781
	Desires X4	0.768
III(59.590) – Risk bearing capacity	Need to minimize the risk and loss and maximize the return X18	0.740
	Diversification of needs X16	0.733
	Reputation of the firm X13	0.725
	Bias and emotions X7	0.700
IV(68.585) – Self-image/ Firm Image	Firm status X15	0.686
	Goals X5	0.651
	Information about the product and service X12	0.641
	Personal ability X1	0.627
V (75.267) – Personal financial needs	Prejudices X6	0.583
	easy availability of the funds whenever needed X17	0.536
	expectation of getting rich quickly X14	0.476

Table 7 presents the fact that variablesX9, X3, X10 and X11 constitute factor I and it accounts for 31.854 per cent of the total variance. The variablesX8, X2 and X4 constitute factor II and it accounts for 49.431 per cent of the total variance. The variablesX18, X16, X13 and X7 constitute factor III and it accounts for 59.590 per cent of the total variance. The variablesX15, X5, X12 and X1 constitute factor IV and it accounts for 68.585 per cent of the total variance. The variablesX6, X17 and X14 constitute factor V and it accounts for 75.267 per cent of the total variance.

VII. REASONS FOR SHIFTING INVESTMENT

- Under positive reasons, it is understood that the shift in the investment avenues is due to "Increase in household income" which secured I rank is most important reason for the shifting in investment as far as positive reasons are concerned.
- It is observed that that the change in investment is influenced by Impact of Economic Recession on Investments which secured I rank as far as negative reason for the shift in investment.
- It can be inferred that increase in personal income influence the shifting of investment from one to another under positive reasons and increasing inflation rate influences the change of investment under negative reasons.

VIII. CONCLUSION

The behavior represents the actions which are readily seen by others but it is very important to know the basic motive which is behind the action. Investing in any financial instrument is just an action taken to fulfill some motives. The action may be in the form change in the present status in the investment. Therefore, various issuers of financial products in money and capital market should initiate effective awareness programs for the younger generation to inculcate the saving habits in them. Looking at the different category of investors like female investors, investors with different occupation etc, financial instruments with the features of low risk, regular income, etc.,be floated to enhance their savings and investments. Hence, it is suggested that financial planner can position their product effectively in the mind of investors by focusing on these issues.

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