

A STUDY ON SAVING AND INVESTMENT PATTERN OF SALARIED CLASS PEOPLE WITH SPECIAL REFERENCE TO SURAT CITY

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ABSTRACT

Investment is an activity done by an investor for many purposes from their financial savings. It is the way in which salaried people can earn extra income or reduce the tax. The present study is considering different reasons for saving, investment avenues and factors affecting investment of salaried people working in different sectors. Structured questionnaire is designed and circulated among 214 prospective respondents with diversified age, income and education. Non probability sampling design yielded 153 responses from Surat - an economic capital of Gujarat state. The effort is made to factorize various desires for savings and to know saving and investment pattern of salaried people. Collected responses were factorized using exploratory factor analysis and the result includes seven statements, represented by two factors named as Living Augmentation and future Orientation, aggregately explained 42.72 percentage of variance. Correlation and one way ANOVA is also used to find a relationship between different variables from which conclusion has been made that income of salaried people and savings are significantly related and as saving increases investment also increases of the same class people. The study enables future researchers to expand the knowledge in the area of savings and investment by combining it with financial literacy or financial anxiety and various demographic characteristics of population of India.

Keywords: Factor analysis, Investment Avenues, Saving and Investment pattern

I. INTRODUCTION

Every human being want to secure their life by saving some amount of money from their earnings in young age. Sood and Kaur (2015) propounded that life longevity, along with uncertainty about future expenses make it a necessity that we save today to ensure our freedom and sense of security. One can ascertain its importance by asking oneself: 'What if I lost my job today?' 'How am I going to

pay for my dream house, expensive education for my kids, in case any unfortunate event shakes the foundation of my income and savings? When we invest what we save for capital appreciation and surplus income, we try to ensure our future. It was once estimated that if the population increases by one percentage per year, savings and investment will increase by at least 4% in the developing countries to maintain the existing standards of living (Kadhafi, M. I., & Kumuthadevi, K. 2017).

Many individuals find investment to be fascinating as the decision results in wealth creation. However, not all investments will be profitable as every household will not always make correct investment decisions over years so that they can sail pleasantly into the golden years of retirement. Every penny saved today will make the pillars of retirement years more strong and self-sufficient.

A. *Saving*

“Saving is defined as the portion of present income keeping aside for future consumption or investment”. Attitude of the people towards money in today’s world is that everybody wants to enjoy the benefits of money because they have earned by hard work and efforts made on it. That’s great but spending all your money is not the smartest thing to do. Saving money help people in the long run. There might be the uncertainties of future which resist people to save lots of for future. What happens if you lose your job tomorrow? Or the car breaks down, or the plumbing leaks through your walls? If somebody have savings for future then the uncertainties are often faced by people and stress are going to be less. Without money put away in savings and/or investments, people may open themselves up to other risks also. There are many reasons for saving like to build reserve, to enjoy an enlarged future income, to improve standard of living, to overcome unforeseen contingencies, to enjoy a sense of independence, to pass the fortune to next generation, etc.

B. *Investment*

Economics defines investment as, “An act of incurring immediate cost in the expectation of future rewards”. In other words, Investment involves sacrifice of something in the present with the hope of getting benefits in future. There can be the identification of different activities which displays two features of investment. One, Investment includes an employment of funds with the aim of gaining additional growth, in value or additional income and second, Investment refers to the agglomeration of some kind of asset with hope to get a return from

it. Individuals have a list of reasons which affect their investment decision, out of which major impactful are tax reduction, consistent return, less risk, liquidity, procedure for investment, information availability, services of professional agents, etc.

C. Saving and Investment Pattern

Some changes have been seen in saving and investment pattern of India. Our economy has led to variations in our lifestyles and in our consumption habits, which in turn has influenced how people save and invest their money. Policies that have been implemented by government for business world and financial market recently has added to a series of continuous ups and downs in the economy. In order to bring about economic growth, the government is looking to make structural reforms that focuses on the saving patterns of the common citizens. This will hopefully mean that investments and savings of individuals can be used for the betterment of the Indian economy. Though bank deposits are still widely held, it seems that the trend to diversify will certainly pick up speed in India. The majority of the population lies between the age group of 15-64 years, more people are working in the private sector which does not offer any kind of social security.

II. LITERATURE REVIEW

The preferences of the investors were known according to their attributes like safety of principal, liquidity, stability of income, capital growth, tax benefits, and inflation resistance. Investors of Trichirapalli to rank their financial product preferences among investment choices, that is, post office savings, bank deposits, gold, real estate, equity investments and mutual funds. (Kumar et al, 2008). To observe the trends of saving and investment, studies have been conducted on the basis of two characteristics, one is occupation and the other, gender. The profession of teachers has always fascinated the researchers as a financially literate teacher can raise socially responsible residents of a country. The study in the Udaipur district of Rajasthan, found that the majority of teachers made budgets and planned for money constraints accordingly (Jain et al, 2012). The major impactful component for savings is due to the level of income of the school teachers and majority of the respondents are saving money as Bank deposits for the safety of an unpredictable future. The main avenues of

investment are Bank deposits and the purpose of investment is for children education, marriage, and security after retirement (Virani V. 2012).

Women generally prefer to invest in safe investment avenues like Post Office savings scheme and fixed deposit in banks (Vasagadekar P. 2014). Salaried human resources consider the security as well as good return on savings on normal basis. Respondents are conscious about the investment avenues offered in India excluding female investors (Patil S. and Nandawa K. 2014). Household's reserves play a significant part in the economic progress of both developed and developing nations, owing to its noteworthy influence on the globular flow of earnings in the financial system (Osondu C .et al, 2015). Majority of the women preferred traditional mode of investment practices (Shukla N. 2016).

On the other hand, Financial development in the form of greater access to banking institutions in improving savings mobilization is expected to be important component for developing countries but has been largely ignored and hardly been analyzed except few countries. The resultant figure is showing that among the South Asian countries, the total savings rate is highest for India for which it increased from 12% in 1960 to 23% in 1990 and further increased to 29% by the end of 2004–2005 (Agrawal P. et al., 2009). Aggregate savings is affected by the age distribution of the population if the share of inactive or dependent population is high, the savings ratio is going to be low. According to the life-cycle hypothesis a larger working population relative to the older population contributes to raise the savings rate. We use the age dependency ratio (DEPEND), the share of dependent age population (aged below 15 or over 64 years) to the working age population (aged 15–64 years), as a reasonable proxy to capture this effect. The expected sign of the coefficient of DEPEND is negative (Ram, 1982; Lahiri, 1989; Bosworth, 1993; Loayza et al., 2000; Ramajo et al., 2006; Guest, 2006).

III. RESEARCH METHODOLOGY

The present study has threefold objectives; To factorize the statements regarding desires of saving, To analyses the correlation between income, saving and investment, and To analyze the difference between income & saving and saving & investment. A descriptive design has been used for this research. Structured questionnaire is designed and circulated among 234 prospective respondents

with diversified age, income and education. Non probability sampling design yielded 153 responses from Surat city. Collected responses were factorized using exploratory factor analysis. Also One-Way ANOVA and Correlation have been applied.

IV. DATA AND EMPIRICAL RESULTS

One of the major objectives of the study is to identify the factors affecting the desire of saving. In order to run the same, it is an essential condition to identify the data adequacy for exploratory factor analysis. Table 1 indicates the value of KMO and it is 0.586 which indicates sufficient evidences to run factor analysis. The measures can be interpreted with the following guidelines: 0.80 or above, Meritorious; 0.70 or above Miggling; 0.60 or above Mediocre and 0.50 or above Miderable; and below 0.50 unacceptable (Kaiser, 1970; Kaiser 1974). This allows the researcher to examine factors further and the same is the case for the present study.

Table 2 demonstrations the communalities values in which three statements are having values less than 0.5. The statements having value of communalities' more than 0.5 should be included for further analysis. However, as there are only seven statements included in study, all statements are carried forward. Using exploratory factor analysis, Table 3 table displays seven statements, represented by two factors, 1. Living Augmentation having four statements with variance explained for each statement are 0.693, 0.649, 0.631, 0.364 respectively and 2. Future Orientation having three statements with variance explained each 0.778, 0.734, and 0.365 respectively. These two factors aggregately explained 42.72 percentage of total variance. And lastly, number of factors are decided by having Eigen Value more than 1. Here, the Eigen value for both the factors are 1.773, 1.217. A number of approaches can be used for deciding on the number of factors to include in a factor analysis. The first approach out of four is to select the number factors with eigenvalues of 1.00 or higher (James, 2016).

Table 6 shows the liner correlation between monthly income, savings and investment of salaried class people. The correlation coefficient of Monthly income with savings and investments is 0.439 and 0.256 and that of savings and investment 0.159 and statistically significant at the 0.01 level. Table 7 and Table

8 results show F value which is 9.094 for Monthly income and savings and 2.488 for savings and investment.

V. CONCLUSION

The present study has made three conclusions as follows; Data analysis concludes with two factors namely, Living augmentation & Future Orientation are received from seven statements regarding desires of income, there is a significant positive relationship between monthly income, savings and investments, there is no significant difference between monthly income and savings & savings and investments.

The study enables future researchers to expand the knowledge in the area of savings and investment by combining it with financial literacy or financial anxiety and various demographic characteristics of population of India.

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Table 1. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.586
Bartlett's Test of Sphericity	Df	21
	Sig.	0.000

Table 2. Communalities

Statements	Initial	Extraction
To build reserve for unforeseen contingencies	1.000	0.608
To provide for anticipated future needs like old age	1.000	.0538
To enjoy an enlarged future income like interest and appreciation	1.000	0.248
To enjoy a sense of independence and power to do things	1.000	0.494
To meet gradually increasing expenditure in order to improve the standard of living	1.000	0.554
To spend less	1.000	0.137
To pass the fortune to next generation	1.000	0.411

Table 3. Factor naming and total variance explained

Factor Name	Components	Variance Explained	Total Variance Explained	Eigen Value
Living Augmentation	To enjoy a sense of independence and power to do things	0.693	25.335	1.773
	To meet gradually increasing expenditure in order to improve the standard of living	0.649		
	To pass the fortune to next generation	0.631		
	To spend less	0.364		
Future Orientation	To build reserve for unforeseen contingencies	0.778	17.387	1.217
	To provide for anticipated future needs like old age	0.734		
	To enjoy an enlarged future income like interest and appreciation	0.365		

Table 4. Cross Tabulation between Monthly Income & Savings

MONTHLY INCOME (Amount in Rs.)	SAVING % OF INCOME				Total
	30-40%	20-30%	10-20%	<10%	
>75000	5	5	3	0	13
50000-75000	1	8	4	1	14
35000-50000	3	14	12	8	37
20000-35000	1	14	26	12	53
<20000	1	4	16	15	36
Total	11	45	61	36	153

Table 5. Cross Tabulation between Savings & Investment

SAVINGS (Amt. in %)	80-100%	60-80%	40-60%	20-40%	0-20%	Total
30-40%	4	0	0	6	1	6
20-30%	2	7	5	24	7	45
10-20%	3	3	6	27	22	61
<10%	7	2	0	8	19	36
Total	16	12	11	65	49	153

Table 6. Correlation Coefficient

Particulars	Monthly Income	Savings	Investment
Monthly income	-		
Savings	0.439	-	
Investment	0.256	0.159	-

Table 7. ANOVA (Monthly Income & Savings)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	23.256	4	5.814	9.014	0.000
Within Groups	95.463	148	0.645		
Total	118.719	152			

Table 8. ANOVA (Savings and Investment)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	11.661	3	3.887	2.488	0.063
Within Groups	232.784	149	1.562		
Total	244.444	152			

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