A STUDY OF THE INVESTMENT PATTERN OF BANK EMPLOYEES

K.V. Ramanathan, Dr. K.S. Meenakshisundaram
Ph.D Research Scholar, SCSVMV University, Kancheepuram, India
Professor & Director, CAA, Great Lakes Institute of Management, Chennai, India

ABSTRACT

Financial Investments are the commitments which are made with any financial and non-financial instruments hoping for a better and profitable return in the future for a specific objective. The financial and non-financial products act as an avenue for investment and provide the security to the respondents based on the risk-return profile of the products. Out of the available choices for investment, one must select the most appropriate and the best one. The person investing should be aware of all the investment choices and how these can be chosen for the purpose of attaining the objective. In the present research an attempt to analyse the significance of selected demographic factors such as age, gender, marital status, educational qualification, occupation and income level of the respondents working in a bank towards their investment preference on products such as Real Estate, Gold / Jewellery, Bank deposit, Government Bonds, Share market, Commodity market, Mutual Fund, Life Insurance policies and Post office savings. Further, also to find out the significance of demographic factors of the respondents and elements of investment decision like period of investment and information source. The data were collected through a structured questionnaire and analysed using percentage, chi-square test and Karl Pearson’s correlation coefficient. The results of research indicate that majority of the respondents are saving money for their safety and the results of the study would be of a guide for personal finance and investment.

KEYWORDS: Investment, demographic factors, Investment avenues, Preferred Investment, Risk & Return, Income, Bank employees.

INTRODUCTION

Investment refers to deployment of surplus funds or savings with an aim of some positive rate of return in future and in general it is from the savings with hope of getting better profitable benefits in future. The spectrum for investment is vast today, which comprises of financial and non-financial products. Financial products comprises of bank deposits, share market, commodity market, insurance, post office schemes and other bonds. Non-financial products comprises of real estate and gold / Jewellery. Some of the investment instruments are highly risky while few others are almost risk free. Similarly some of the instruments are marketable and liquid while others are non-marketable. The selection of investment would depend on the specific need, rate of return and risk preference of the respondents and the degree of risk and return varies for different investment avenues. The aim of Investment is to multiply the money at various rates depending upon the term of the investment. A thorough understanding of core concepts and the available options will help the investor to plan for maximum returns without risk. This study helps in analyzing the saving pattern and investment preferences of the bank employees towards various products based on demographic factors.

REVIEW OF LITERATURE

R Sreepriya & P Gurusamy (2013) studied the investment pattern of salaries people in the district of Coimbatore with a sample of 150 respondents and concluded that majority of the respondents are educated up to college level and they are aware of the investment avenues. It was also concluded that most of the respondents prefers long term investment and bank deposits was the most preferred investment. They have not faced any problem on their investments. The study also emphasized that there was a significant relationship between education qualification and fulfillment level of the respondents.

B.N. Panda & J.K. Panda (2013) carried out a comparative study on the relevance of demographic factors in investment decisions with respondents from education sector. A convenient sample of 175 respondents from Bhubaneswar was selected. The study revealed that demographic variable such as age, gender, education and occupation have no significant relations with the period of investments made by the investor. It also disclosed that there is significant relationship exist between the demographic factors such as gender, education, occupation, annual income and savings with the sources of awareness with the analysis of investment avenues. Investor’s choice was more or less equally distributed between physical
assets and financial assets. It also conveyed that no significant relation exist with the demographic variables of age and family size.

Varsha Virani (ISSN 2277-1166, Volume No.2 Issue No.4) undertook a study on saving and investment pattern of school teacher in Rajkot city, Gujarat with a sample of 100 school teachers and concluded that most of the teachers prefer Bank Fixed deposit and government securities as their investment option. High interest rates as well as safety have been considered as the main criteria for investment. It also revealed that high rate of return and tax benefit has influenced the investment decision of the respondents. There was a lack of awareness about equity and mutual fund as avenues of investment. It also revealed that most of the teachers are saving their money for children’s education, marriage and to fulfill the other goals of life.

Puneet Bhushan Sood & Vajulu Medury analysed the investment preferences of salaried individuals towards financial products with a sample of 200 respondents from Delhi, Gurgaon and Noida. The analysis revealed that respondents earning between Rs.10 and Rs.15 lakhs prefer in avenues where more returns are offered and also more risky, whereas respondents whose earnings are less than Rs.2 Lacs prefer safe investment instruments. They also concluded that male respondents preferred life insurance and mutual funds whereas female respondents preferred market investments and recurring deposits. Government employees prefer safe investment whereas Private employees prefer to take more risky investments which produce more returns. It was also proved that investment preferences are not affected by age, gender, income, marital status and employment status of the respondents.

Suman Chakraborty & Sabat Kumar Digal has carried out a study on saving and investment behaviour of individual households in Orissa with a sample of 200 respondents who has invested in mutual fund schemes and whose yearly income is less than Rs.10 lacs was considered. The study revealed that there is a relationship between the saving objectives with the income level, age and occupation of the small and medium household respondents. Fixed deposits and investment in real estates was the popular savings of the male respondents while female respondents prefer real estate and bullion. It also revealed that government sponsored small saving schemes has got a better acceptance among both the male and female respondents. Salaried and self-employed would save for their retirement as compared to entrepreneur, who prefers to keep more liquid funds for future contingencies.

Brahma Bhatt, P.S. Raghukumari & Sharmira Malekar (2012) has conducted a study on the investor behaviour on investment avenues in Mumbai with a sample of 100 respondents. The study revealed that people invest in stock market as compared to any other avenues, even though they face huge losses. It was also evident from the study that investor prefers savings and safety but at the same time they want higher interest at low risk in shorter span. They study also concluded that most of the respondents possess higher educational qualification and opt for two or more sources of information to make investment decision. It also stated that most of the respondents discuss with their family and friend before making investment and the respondents decisions are based on their own initiative. Female respondents are attracted towards gold than any other avenues.

Ujwala Bairagi & Charu Rastogi (2013) has carried out an empirical study on the saving pattern and investment preferences of individual household in the city of Pune with a sample of 526 respondents. The study concluded that majority of the respondents had a high degree of awareness towards bank deposits and real estates as an investment avenues. Gender has no effect or influence on the level of awareness. Salaried employees had better awareness of the investment avenues than any other occupational categories. Safety of the investment and income were the main objectives of the respondents followed by liquidity and marketability, capital appreciation and tax benefits. It was also concluded that most of the respondents are able to save substantially from their annual income and are in a position to make investment.

OBJECTIVES OF THE STUDY

From the above literature review, it may be seen that the studies in respect of Investment pattern with reference to bank employees were not made earlier. Hence an attempt has been made in this to study and analyze the investment pattern of the banking professionals with the following objectives:

1. To study the profile of the respondents.
2. To study the sources of motivation for investment
3. To find out the relationship between the Income and Investment.
4. To analyse the investment pattern of bank employees.
5. To find out the association between income of the respondents and investment pattern of the respondents.

RESEARCH METHODOLOGY

It is a known and established fact that, any research has to be validated based on the systematic collection and analyzing the data. For this study survey method was adopted to collect the primary information from the employees using a well-structured pre tested questionnaire. The primary data was collected from 130 respondents employed in a bank in Chennai. The secondary data was collected from internet websites, journals, newspapers, magazines, etc. The collected data were analyzed with Percentage, Cross tabulation and percentage difference analysis, Chi-square Test and Karl Pearson’s Correlation coefficient.

Hypothesis

Ho: There is no significant relationship between the Income of the respondents and investment made by the respondents.

Ho: There is no significant relationship between demographic factors of the respondents and the basis of Investment made by the respondents.

Ho: There is no significant association between income category and basis of investment of the respondents.

Ho: There is no significant association between investment category and basis of investment of the respondents.

Demographic profile of the respondents

Table-1, gives the summary of the demographic characteristics of the respondents.

Analyzing the demographic variables in the Table-1, it may be observed that 81% of the respondents are male and the remaining female. 48% of the respondents fall in the category of 31-40 years and 31% of the respondents are in 41-50 years category. Around 88% of the respondents are married. Out of the total respondents, 40% are post graduates and 33% of the respondents and professionally qualified. More than 75% of the respondents are from the middle management and 62% of the respondents lived in nuclear family set up.

Table 1 - Demographic profile of the respondents

\[
\begin{array}{|c|c|c|}
\hline
\text{Variable} & \text{No of employees} & \% \\
\hline
\text{Gender} & & \\
\text{Male} & 129 & 81 \\
\text{Female} & 31 & 19 \\
\hline
\text{Age} & & \\
21-30 & 19 & 12 \\
31-40 & 76 & 48 \\
41-50 & 50 & 31 \\
51-60 & 15 & 9 \\
\hline
\text{Marital Status} & & \\
Single & 20 & 12 \\
Married & 140 & 88 \\
\hline
\text{Educational Qualification} & & \\
Graduate & 52 & 33 \\
Post Graduate & 64 & 40 \\
Professional & 44 & 27 \\
\hline
\text{Grade} & & \\
Junior Management & 27 & 17 \\
Middle Management & 120 & 75 \\
Senior Management & 13 & 8 \\
\hline
\text{Family} & & \\
Nuclear & 99 & 62 \\
Joint & 61 & 38 \\
\hline
\end{array}
\]

Distribution of Income, Investment, Objective, Source of motivation & time horizon preferred by the respondents.

Preference towards investment in Table - 2 indicates that more than 40 % of the respondents found to earn Rs.5-10 Lacs and 21% were found to earn between Rs.10-15 Lakhs per annum. Further, 52% of the respondents invest up to Rs.2.5 Lacs annually and 29% of the respondents invest between Rs.2.5 and Rs.5 Lacs category per annum. Out of the total respondents, 32% each of the respondents prefers to invest in 1-2 year and 26% prefer to invest in 2-3 year category as time horizon and 22 % prefers long term investment of more than 6 years. 46% of the respondents have Tax Planning as their objective and 16% and 15% of the respondents have invested with an objective of Asset creation and Habit respectively. For 31% of the respondents, friends and relatives were the source of motivation and financial news and Colleagues take the second and third position with 26% and 18% respectively.

Table 2 Distribution of Income, Investment, Objective, Source of Motivation & Time Horizon Preferred By the Respondents

\[
\begin{array}{|c|c|c|}
\hline
\text{Variable} & \text{No of employees} & \% \\
\hline
\text{Income} & & \\
< Rs.5L & 41 & 26 \\
Rs.5-10 L & 71 & 44 \\
\hline
\end{array}
\]
Variable | No of employees | %
--- | --- | ---
Rs.10-15 L | 33 | 21
> Rs.15 L | 15 | 9
Investment | < Rs.2.5 L | 84 | 52
| Rs.2.5-5 L | 46 | 29
| Rs.5-7.5 L | 14 | 9
| > Rs.7.5 L | 16 | 10
Objective | Habit | 24 | 15
| Family Income | 15 | 9
| Tax Plan | 73 | 46
| Extra Income | 8 | 5
| Asset Creation | 25 | 16
| Future Requirement | 15 | 9
Motivation Source | Self | 3 | 2
| Friends & Relatives | 50 | 31
| Colleagues | 28 | 18
| Financial News | 41 | 26
| Market Reference | 10 | 6
| Opinion Leader | 2 | 1
| Family Members | 26 | 16
Time Horizon | < 1 year | 7 | 4
| 1-2 years | 51 | 32
| 2-3 years | 41 | 26
| > 6 years | 35 | 22

Pearson correlation of coefficient between Income and Investment

Following are the details:

\[ X = \text{Income of the respondents} \]
\[ Y = \text{Investment of the respondents} \]
\[ \sum X = 1455.31; \sum X^2 = 20984.50; N = 160 \]
\[ \sum Y = 543.63; \sum Y^2 = 4972.98; \sum XY = 8345.08 \]
\[ r = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{(N\sum X^2 - (\sum X)^2)(N\sum Y^2 - (\sum Y)^2)}} \]
\[ r = 0.69097 \]

Relationship between Income and Investment

From Table-3 above, it is evident that maximum respondents have invested less than Rs.2.5 lacs per annum and least number of respondents under Rs.5 – Rs.7.5 Lacs the category.

On applying chi-square test for the above data, it could be seen that calculated value of \( \chi^2 \) is 44.232 where degree of freedom is 9 as against the tabulated value of \( \chi^2 \) of 16.919 at 95% of confidence level. Since the calculated value is more than the tabulated value of \( \chi^2 \) we conclude that Ho is rejected. Hence there is significant relationship between Income and Investment.

Association between demographic variables and basis of investment are made by the Investors.

Table-4 Observed details between demographic variables and basis of investment

<table>
<thead>
<tr>
<th>Basis of Investment</th>
<th>Market Value</th>
<th>Asset Creation</th>
<th>ROI</th>
<th>Value Invest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>21-30</td>
<td>1</td>
<td>6</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>7</td>
<td>32</td>
<td>29</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>6</td>
<td>17</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>51-60</td>
<td>1</td>
<td>8</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>
From Table – 4 it is evident that most of the investors select their investment based on the Return on Investment and Asset creation has taken the second position.

**Table -5 Relationship between demographic factors and basis of investment**

<table>
<thead>
<tr>
<th>Demographic Profile</th>
<th>Chi-square Value</th>
<th>Dof</th>
<th>Tab Value</th>
<th>Sig or not Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>6.344</td>
<td>9</td>
<td>16.919</td>
<td>Not Sig</td>
</tr>
<tr>
<td>Gender</td>
<td>6.387</td>
<td>3</td>
<td>7.815</td>
<td>Not Sig</td>
</tr>
<tr>
<td>Marital Status</td>
<td>1.139</td>
<td>3</td>
<td>7.815</td>
<td>Not Sig</td>
</tr>
<tr>
<td>Edu Qual</td>
<td>9.475</td>
<td>6</td>
<td>12.592</td>
<td>Not Sig</td>
</tr>
</tbody>
</table>

Table- 5 shows that, chi-square test at 5 % level of significance has been conducted using the data collected to verify the significant relationship between demographic factors and the basis of investment of the respondents. The results of the analysis elucidates that the variable like Income and Investment are significantly associated with the basis of investment, whereas variables like age, gender, marital status and educational qualification is not significantly associated with the basis of investment.

**SALIENT FINDINGS**

1. Out of the total respondents, 81% of the respondents are male and 48% of the respondents were found to be in the category of 31-40 years of age.

2. Out of the respondents, 88% of the respondents are married and 75% of the respondents are from the middle management.

3. 45% of the respondents are in the income group between Rs.5 – 10 Lacs and 59% of the respondents invest less than Rs.2.5 Lacs per annum.

4. Tax planning is the main objective of the respondents and for them it was found that their friends and relatives are the main source of motivation (31%).

5. Positive correlation exists between the variables Income and Investment. There is strong relationship between the variables.

6. It is proved by chi-square test that there is significant relationship exist between income and investment of the respondents.

7. It is also found by chi-square test that the variables like Income and Investment are significantly associated with the basis of investment

8. Demographic variables like age, gender, marital status and educational qualification are not
significantly associated with the basis of investment.

9. It is found that Income category and investment category are significantly associated with the basis of investment.

10. Based on income category, 68.3% of the respondents with less than Rs.5 Lacs income, invested based on the Return on Income.

11. Based on Income category, 42.3% of the respondents with Rs.5-10 Lacs income, Asset creation were the preferred basis for investment.

12. Based on the Investment category, respondents with more than Rs.7.5 lacs preferred asset creation as their basis of investment and rest all categories prefer Return on Investment as their basis of investment.

CONCLUSION

This research study was conducted to understand the basis of selection of investment of bank employees and also to know their level of awareness towards selection basis for investments. Income and Investment are positively correlated and there is a strong relationship between income and investment. The study also revealed that the respondents are aware about the selection basis of investment and would prefer investment where return on investment is good and also good investment which help in asset creation for their future. The study also helps to obtain the general views of the investor perception over various investment products. Most of the respondents invest in tax saving investments such as life insurance products. It is also suggested that awareness program should have to be conducted to educate the respondents towards capital market investment. By conducting these awareness programs, the climate of investment would become very congenial and attractive. This research will also guide the investment firms to identify the right respondents and to offer their investment instruments and decide their policies accordingly.

REFERENCES


[5] Bharadwaj, Dr.Bhawana, Dr.Nisha Sharma, &Dr.Dipanker Sharma, “Income, Saving and Investment pattern of employees of Bahra University, Solan” JMBS Vol.3, Issue 1, Jan-Mar 2013, ISSN 2230-9519 (Online), ISSN 2230-2463


on Business, Economics & Accounting, 20-23 March 2013, Bangkok – Thailand


