

# A Study on Preferred Investment Avenues among Salaried Peoples with Reference to Namakkal Taluk, Tamilnadu

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**Abstract---** *Investment is the employment of funds on assets with the aim of earning income or capital appreciation. Investment is the most important things today. People are earning more, but they do not know where, when and how to invest it. A proper understanding of money, its value, the available avenues for investment, various financial institutions, the rate of return/risk etc., are essential to successfully manage one's finance for achieving life's goal. Through this study, an analysis has been made into preferred investment avenues among salaried peoples in Namakkal Taluk, Tamilnadu, India. The results highlight that certain factors like education level, awareness about the current financial system, age of investors etc... make significant impact while deciding the investment avenues. The study is based on personal interviews with salaried peoples, using a structured questionnaire. Actually, the present study identifies the preferred investment avenues among the individual investors using self assessment test. The study is based on primary sources of data which are collected by distribution of a close ended questionnaire. The data has been analyzed using percentage and chi-square test with the help of Statistical software. There are large numbers of investment opportunities available today. In this paper is going to briefly examine how the salaried peoples managing their investments. Keywords— Investment avenues, Investment Pattern, Reference group, salaried group, Return.*

## I. INTRODUCTION

THE developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it difficult to get out of the vicious circle of poverty of low income, low saving, low investment, and low employment etc. With high capital output ratio, India needs very high rates of investments to make a leap forward in her efforts of attaining high levels of growth. Since the beginning of planning, the emphasis was on investment as the primary instruments of economic growth. The 2013 IBEA, International Conference on Business, Economics, and Accounting growth and increase in national income. In order to have production as per target, investment was considered the crucial determinant and capital formation had to be supported by appropriate volume of saving.

### 1.1. Salaried Investors

The respondents of this study consist only the people those who are earning their money as salary, popularly referred as salaried groups. It is observed that the salaried group will always differs in their investment pattern due to safety, security, regular income, retirement benefit and other unique features than the other occupation people like business man and professionals.

### 1.2. Investment Options Available

There are a large number of investment instruments available today. To make our lives easier we would classify or group them. In India, numbers of investment avenues are available for the investors. Some of them are marketable and liquid while others are non marketable and some of them also highly risky while others are almost risk less. The people has to choose Proper Avenue among them, depending upon his specific need, risk preference, and return expected. Investment avenues can broadly categories under the Following heads.

1. Equity
2. FI Bonds
3. Corporate Debenture

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4. Company Fixed
5. Bank Fixed
6. PPF
7. Life Insurance
8. Post Office-NSC
9. Gold/Sliver
10. Real Estate
11. Mutual Fund
12. Others

#### *Equity:*

Equity is one of the most risky areas. But, at the same time this is also a place where an investor can earn high rates of returns that will push up the returns of the entire portfolio. There is a need for the investor to separate the speculation from the investment. Investment in equities can be made directly by the purchase of shares from the market or it can be done through the mutual fund route, whereby the investor buys the mutual fund units and the fund in turn buys equity shares for its portfolio. There are various benefits as well as risks associated with both these routes and it is up to the individual to make up his mind.

#### *Debt:*

Debt is a route that most people will know and have the necessary experience of. There is a widerange of debt instruments that are present from bank fixed deposits to company fixed deposits. Debt is simple as the investor ill earn at a fixed percentage of the investment, which will then be returned to the investor at the time of maturity or redemption of the investment.

#### *Mutual Funds:*

This is an emerging area for investment and there is a large variety of schemes in the market to suit the requirements of a large number of people. In finance, in general, you can think of equity as ownership in any asset after all debts associated with that asset are paid off. For example, a car or house with no outstanding debt is considered the owner's equity because he or she can readily sell the item for cash. Stocks are equity because they represent ownership in a company.

#### *Corporate Debenture:*

Corporate debentures are normally backed by the reputation and general creditworthiness of the issuing company. It is a type of debt instrument that is not covered by the security of physical assets or collateral. Debentures are a method of raising credit for the company and although the money thus raised is considered a part of the company's capital structure, it is not part of the share capital.

#### *Company Fixed Deposit:*

Company fixed deposit is the deposit placed by investors with companies for a fixed term carrying a prescribed rate of interest. Company FDs are primarily meant for conservative investors who don't wish to take the risk of vagaries of the stock market. Experts say the due diligence that an investor should undertake is similar to that before buying shares. Getting lured by the high interest rate alone is not advisable.

#### *Fixed Deposits:*

Fixed Deposits with Banks are also referred to as term deposits. Minimum investment period for bank FDs is 30 days. Deposits in banks are very safe because of the regulations of RBI and the guarantee provided by the deposit insurance corporation. The interest rate on fixed deposits varies with term of the deposits Bank deposits enjoy exceptionally high liquidity. Loans can raised against bank deposits.

#### *Post Office Savings:*

Post Office Monthly Income Scheme is a low risk saving instrument, which can be availed through any Post Office The interest rate on deposits is slightly higher than banks.

The interest is calculated half yearly and paid yearly

#### *Life Insurance Policies:*

Insurance companies offer many investment schemes to investors. These schemes promote saving and additionally provide insurance cover. LIC is the largest life insurance company in India. Some of its schemes include -

- Life policies,
- Convertible whole life assurance policy,
- Endowment assurance policy,
- Jeevan Saathi,
- Money back policy
- Unit linked plan
- Term assurance
- Immediate annuity
- Deferred annuity
- Riders etc.

Insurance policies, while catering to the risk compensation to be faced in the future by investor, also have the advantage of earning a reasonable interest on their investment insurance premiums.

#### *Public Provident Fund (PPF):*

A long term savings instrument with a maturity of 15 years. A PPF account can be opened through a nationalized bank at anytime during the year and is open all through the year for depositing money. Tax benefits can be availed for the amount invested and interest accrued is tax-free. A withdrawal is permissible every year from the seventh financial year of the date of opening of the account

#### *Real Estate:*

Investment in real estate also made when the expected returns are very attractive. Buying property is an equally strenuous investment decisions. Real estate investment is often linked with the future development plans of the location. At present investment in real assets is booming there are various investment source are available for investment which are directly or indirectly investing real estate. In addition to this, the more affluent investors are likely to be interested in other type of real estate, like Commercial property, agricultural land, semi urban land, and resorts.

#### *Gold/Silver /Others:*

The bullion offers investment opportunity in the form of gold, silver, art objects (Paintings, antiques), precious stones and other metals (precious objects), specific Categories of metals are traded in the metal exchange.

## **II. OBJECTIVES AND SCOPE OF THE STUDY**

1. To study the investment preference among salaried people working in different sectors in Namakkal Taluk, Tamil Nadu, India.
2. To know the factor that influencing investment behavior of the peoples.
3. To analyze the investment pattern among the salaried investors.
4. To find the problems facing by the investors.
5. To know the mode of investments of the salaried respondents in various investment avenues.

#### *Scope of the Study*

This study is focusing on the preference of Investments by salaried class people and it will be helpful to identify the better investment options in the market.

### III. REVIEW OF LITERATURE

Behavioral finance is a new emerging science that studies the irrational behavior of the people.

Avinash Kumar Singh (2006) The study entitled "Investment Pattern of People" has been undertaken with the objective, to analyze the investment pattern of people in Bangalore city and Bhubaneswar analysis of the study was undertaken with the help of survey conducted .After analysis and interpretation of data it is concluded that in Bangalore investors are more aware about various investment avenues & the risk associated with that. All the age groups give more important to invest in equity & except people those who are above 50 give important to insurance, fixed deposits and tax saving benefits. Generally those investors who are invested in equity, are personally follow the stock market frequently i.e. in daily basis. But those who are invested in mutual funds are watch stock market weekly or fortnightly. In Bangalore, investors are more aware about various investment avenues and the risk associated with that. But in Bhubaneswar, investors are more conservative in nature and they prefer to invest in those avenues where risk is less like bank deposits, small savings, post office savings etc.

Sudalaimuthu and senthil kumar (2008) Mutual fund is the one of investment avenues the researcher research in this area about investors perception towards mutual fund investments has been analyzed effectively taking into account the investors reference towards the mutual fund sector, scheme type, purchase of mutual fund units, level of risks undertaken by investors, source of information about the market value of the units, investors opinion on factors influenced to invest in mutual funds, the investors satisfaction level towards various motivating factors, source of awareness of mutual fund schemes, types of plan held by the investors, awareness of risk category by investors, problems faced by mutual fund investors. Running a successful mutual fund requires complete understanding of the peculiarities of the Indian Stock Market and also the awareness of the small investor. The study has made an attempt to understand the financial behavior of mutual fund investors in connection with the scheme preference and selection. An important element in the success of a marketing strategy is the ability to fulfill investor expectation. The result of these studies through satisfactory on the investor's perception about the mutual funds and the factors determining their investment decisions and preferences. The study will be useful to the mutual fund industry to understand the investor's perception towards mutual funds investments and the study would also be informative to the investors.

Sunil Gupta (2008) the investment pattern among different groups in Shimla had revealed a clear as well as a complex picture. The complex picture means that the people are not aware about the different investment avenues and they did not respond positively, probably it was difficult for them to understand the different avenues. The study showed that the more investors in the city prefer to deposit their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. The attitude of the investors towards the securities in general was bleak, though service and professional class is going in for investment in shares, debentures and in different mutual fund schemes. As far as the investments are concerned, people put their surplus in banks, past offices and other government agencies. Most of the horticulturists in Shimla city who belong to Apple belt though being rich have a tendency of investing then surpluses in fixed deposits of banks, provident funds, Post Office savings, real estates, etc. for want of safety and suitability of returns.

Manish Mittal and Vyas (2008) Investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. Over the past few years, behavioral finance researchers have scientifically shown that investors do not always act rationally. They have behavioral biases that lead to systematic errors in the way they process information for investment decision. Many researchers have tried to classify the investors on the basis of their relative risk taking capacity and the type of investment they make. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual's investment decision. This paper classifies Indian investors into different personality types and explores the relationship between various demographic factors and the investment personality exhibited by the investors.

### IV. RESEARCH METHODOLOGY

This part explain the methodology used in this study. The methodology includes data and sources of data, sample size, area of the study and framework of analysis. The study is based on primary and secondary data. Primary data have been collected from 100 respondents through a structure questionnaire covering salaried peoples of Namakkal Taluk, Tamil Nadu, India. The secondary data have been collected from various books, magazine, journals, news papers and websites. The samples sizes of 100 respondents were taken for the research work among in Namakkal Taluk, Tamil Nadu, India. The sampling technique followed in this study is probability sampling. Simple random techniques are used to select the respondent from the available database. In order to analyse the collected data, the following tools were used. Simple percentage analysis: it states the frequency and percentage of the customers profile, attitude and opinion regarding peoples.

## V. ANALYSIS OF INVESTMENT PATTERN

The analysis shows that insurance is the preferred investment avenues for salaried class peoples. 40% of the respondents choice are insurance. From the percentage analysis it is inferred that 74% of the respondents are male and 26% are female. 24% of respondent's age group lies between 25-35 and 8% of age groups are above 55. 70% of respondents are married and 30% are single. 38% of respondents are government employee and 62% are private employees. 46% of respondents are lies 100000-200000 income group and 6% are belongs to 300001-400000 income group. 36% of respondents' percentage of saving from their salary is 10- 20 and 10% are above 40. 30% of respondents are like to invest in bank deposits and 18% are like to invest in Gold / Real-estate. 24% of respondents investment objective is safety and 23% of respondents investment objective is tax saving. 36% of respondents' investment behavior is frequency in nature like investment in quarterly and 24% frequency investment in half yearly. 42% of respondents' saving purpose is for future needs and 06% of respondents' saving purpose is for house building. 29% of respondents are self decision makers in choosing investment option and 21% are referring the advertisement. 49% of respondents prefer medium term and 28% are choosing short term. 20% of respondents are like to invest in bank deposit and 10% are likes to invest in shares. 22% of respondents are satisfactory on their investment and 19% of respondents' satisfaction is poor on their investment.

## VI. CONCLUSION

The study on preferred investment choices has been undertaken with the objective, to analyze the investment choice of salaried class in Namakkal Taluk, Tamil Nadu, India. Analysis of the study was undertaken with the help of survey conducted. After analysis and interpretation of data it is concluded that in Namakkal Taluk, Tamil Nadu, India respondents are medium aware about various investment choices but they do not know aware about stock market, equity, bond and debentures. The study is conducted by taking a limited number of sample sizes which is stated earlier. And this study reflects the perceptions of those respondents who are residing in Namakkal Taluk, Tamil Nadu, and India. There might be a chance that the perceptions of the respondents of different are varied due to diversity in social life, living pattern, income level etc. All the age groups give more important to invest in Insurance and bank deposit. Income level of a respondent is an important factor which affects portfolio of the respondent. Middle age group, Lower income level groups respondents are preferred to invest in Insurance and bank deposit rather than any other investment avenues. In Namakkal Taluk, Tamil Nadu, India respondents are more aware about various investment avenues like insurance, bank deposits, small savings like post office savings etc. For that awareness program has to be conducted by Stock Broking firms, because most of the respondents unaware about these new services about stock market.

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