

Does the level of awareness among salaried employees lead to improved investment portfolio? : A study of government and non-government employees of Nagpur District of India.

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Research Article

Does the level of awareness among salaried employees lead to improved investment portfolio? : A study of government and non-government employees of Nagpur District of India.

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Abstract

Investors invest in several financial products which give them returns in order to meet future contingencies. Financial products are helpful in providing financial security to the individual especially when the awareness about the risk return profile of the investment is known in advance. However most of the investors are generally left unaware when talk about the knowledge of their investment. Investment preferences of an individual vary from individual to individual based on one's risk taking capacity, knowledge, profile, income. Investment behaviour of an investor is dependent upon many sets of circumstances. With a hope of getting high returns over a period of time via investment, an individual always tries to invest in different financial products based on his knowledge. The research focuses on the preferences of salaried employees which they give while investing. This research has considered 150 salaried employees across Nagpur cities including government and non-government employees catering to different region and work profile. The research concluded that gender, income and nature of employment have been the pivotal factors responsible for influencing the investors' behaviour and preferences regarding various securities offered within the market. Also due to the low financial literacy level, investors invest their money in traditional investment and they are not able to get the advantages of other modes of investment which may give them higher returns.

Keywords: investment, finance, investment behaviour, salaried employees, investment awareness.

1. Introduction

Investment in simpler terms is to invest money in different kinds of investment assets such as provident fund, bonds, equity shares, fixed deposits, mutual funds, gold, saving certificates and real estate etc. Analysis, decision making and procedures involved in the allocation of funds to various investment avenues and more precisely, the selection of one or other investment asset is called as investment management.

The basic trait of an investment is that, it generally sits tight for a prize. It includes the commitment of resources which have been spared or put away from current consumption in the expectation that some advantages will accrue in future. Once more,

by investing an investor dedicate the present funds to various assets to be held for a more extended timeframe in desire for some future return in form of interest or capital gain. To invest is a fascinating movement that pulls in individuals from varying backgrounds irrespective of their age, income, gender, education and family when an individual has more money than he requires for current utilization, he is recognized as a potential investor. Investment can be comprehended as employing of funds with a goal of achieving additional income or growth in value. Investment can be characterized as the commitment of funds that is anticipated to generate additional money. It may moreover be depicted as a vehicle into which funds are put with the desire that the funds would increment in value or would generate some kind of return. Keeping sit still cash in a cupboard is not an investment since it does not produce any income rather it may be taken into account that its value could also be eroded by inflation.

In any case, keeping cash in a saving bank account is an investment as it produces interest. An investor buys shares of a specific company in desire of getting dividend or getting a capital pickup in terms of appreciation in the market price of his holding. In the event an individual buys a house, he contributes his money now and employs the house for his own dwelling or for rental income purposes. When he resells it, he gets the market value back. In all of these above cases, there is detriment or commitment of funds or other resources at present by an investor in desire of some future benefits or returns.

So, investment is the commitment of current funds in expectation of accepting bigger influx of funds in future, the contrast being the returns. Also, if we look at the present-day financial markets, investment has gotten to be exceptionally complicated. Individuals invest in such markets in anticipation of higher returns as compared to returns in commercial or cooperative banks. Every individual is aware about the current scenario in the field of finance that money is scarce and investors try their best to maximize their returns from such investments. Risk and return go hand in hand. If risk is higher then automatically return will be higher All investments are risky to some extent, but there are few exceptions as well.

The craft of investment is described with the amplification of return and minimization of risk. Additionally, it is said for the majority of times that need is the mother of creation. Development has consistently been the soul of the human instinct. In the financial segment also, a few new instruments have been enhanced according to the market needs. The limitations of banks to provide growth with market yields for the investors' section of society have bought forth a no. of investment instruments.

The focus of this study is to analyse the investment behaviour and preferences of salaried individuals located in the Nagpur region. It will be helpful in identifying and determining different investment avenues that are available in the market. From the Indian point of view, investment funds are of an extraordinary significance. We as a whole know about the way that practically 70% of our populace dwells in rustic territories and is generally reliant on agricultural activities. In any case, it must to be constantly remembered that because of questionable nature of this segment, investment funds from this division may not be of an incredible assistance to the nation. On the comparative lines, reserve funds of businessperson and the individuals who are independently employed doesn't ensure confirmation as it exceptionally relies upon the state of business. Actually, in the event that we talk about salaried class people, they have a fix wellspring of salary with an affirmation of getting month to month pay too. These salaried class people could be ordinary savers, and these reserve funds can be transformed into speculations if the market is made increasingly alluring to them. By investigating the potential reserve funds of such people, this examination is being directed to comprehend the conduct and inclinations of salaried workers towards various investment avenues accessible in the market. By conducting this research, there was an enhancement in our understanding regarding the behaviour and preferences of salaried class individuals towards investment. Further, students and scholars who are interested to study this area of research can get a helping hand of this research paper.

The research paper will comprise of the following sections:

Section 2, will consist of Literature review followed by Section 3, Objectives Of research followed by Section 4, Hypothesis of research followed by Section 5, Research methodology followed by Section 6, Results and Interpretation followed by Section 7, Conclusion.

2. Literature Review

Dr. Varsha Virani conducted a research in Gujarat region and made an effort to know the saving and investment preferences of 100 school teachers. It was clear from her study that school teachers prefer to invest in bank deposits and government securities.

N. Geetha and Dr. M. Ramesh in their research studied the investment habits of different people in Shimla. They analyzed that people were unaware of the investment options so they preferred fixed deposits, bank deposits and post office savings. They did not have a positive attitude towards investing in other securities offered in the market.

Does the level of awareness among salaried employees lead to improved investment portfolio? : A study of government and non-government employees of Nagpur District of India.

Sonali Patil and Dr.Kalpna Nandawar analyzed in their paper that though they are aware about the various investment options still they prefer to invest in bank deposits, gold and real estate; they conducted their research using Chi square and Pearson's Correlation Coefficient method.

Neha Shukla in her paper on "an insight into the savings and investment pattern of salaried employees" found out the investment preferences of women in Gujarat region and concluded that most of the women were in favour to invest in conventional mode of investment.

Bhushan and Medury in their paper studied the investment behaviour of male and female employees in university of Himachal Pradesh and found that gender, income, education and nature of employment affects the financial literacy level of salaried employees.

Puneet Bhushan observed in his study that level of awareness and the investment preferences of the salaried employees get affected by financial literacy. He confirmed that those who have high financial literacy preferred to invest in mutual funds, stock market, life insurance and those with low financial literacy preferred safe and traditional mode of investment.

C.K Osondu concluded that household's gold reserves play an important role in the improvement of developed as well as developing countries, influencing the flow of earnings.

Thulasipriya examined investment preferences of government employees and determined that majority of the literate and salaried employees prefer to invest in securities that provide safety and higher returns and children's education, marriage, securities are the main purposes of investment.

V.R.Palanivelu and K.Chandrakumar did the analytical study of investment avenues preferred by salaried employees in Tamil Nadu. In their research they concluded that level of awareness about avenues, education level and their age affect in making the decision about the investment avenues.

The study of "Savings and investment habits of rural households" conducted in Orissa by Madhumala Pathy revealed that majority of the rural people were not aware about the investment avenues except bank deposits. The purpose of their investment was safety and stable return.

Sonali Patil analyzed the investment options preferred by salaried employees in Pune with a sample size of 40 which showed that 24 of them were aware about the investment avenues and rests were not aware.

Prof. CA Yogesh Patel and Prof. CS Charul Patel in their study revealed that those who invest in post office savings and fixed deposits are senior citizens. But youth does not prefer to invest because it gives low interest and no tax rebate, so they prefer to invest in mutual funds.

Deepak Sood, Dr. Navdeep Kaur investigated that savings and different investment options available with the teachers of private and govt. schools depends upon their income. They also concluded that the main purpose to invest is children's marriage and education.

Mr. Firoz Khan conducted a study to find the level of awareness and factors which influence the employees in choosing the investment option. He used Ranked weighted average and ANOVA for data analysis.

Reddy S.G. in his study observed that amount of return expected by the investor plays a significant role regarding the choice of investment avenues. People also invest for gaining tax benefits.

3. Objectives of Research Paper

- ❖ To study the investment preferences while selecting the Securities by salaried employees of Nagpur region.
- ❖ To know the factors influencing investment behaviour of salaried employees.

4. Hypothesis of Research

Hypothesis 1:

H₀: There is no association between income and financial literacy level of salaried individuals.
H₁: There is a positive association between income and financial literacy level of salaried individuals.

Hypothesis 2:

H₀: There is no significant difference between gender and level of awareness about the investments.
H₁: There is a significant difference between gender and level of awareness about the investments.

Hypothesis 3:

H₀: There is no association between nature of employment and financial literacy of salaried individuals.
H₁: There is a positive association between nature of employment and financial literacy of salaried individuals.

5. Research Methodology

For the point of this investigation a review was led among salaried people of Nagpur. Inside the region of study, respondents were chosen helpfully utilizing some regular models like work environment (urban or rural), work related status (government or non-government worker) to get delegate test of the population. Essential information from the respondents was gathered by utilizing an organized survey. An aggregate of 150 respondents establish an example for this investigation.

5.1 Research design

- ❖ Sample size – The sample size of 150 salaried employees is considered for the present study. It would be taken into consideration that these employees will signify different sectors such as manufacturing, banking etc. (public or private).
- ❖ Data collection - Primary data is collected through a structured questionnaire. The questionnaire would be designed in such a way that the respondent needs to pick 1 out of 4 or 5 available options.
- ❖ The study may additionally require secondary data collected from journals, magazines, and official websites.

5.2 Statistical Tools

5.2.1 Chi- Square (Test of Independence)

The Chi-Square test of independence is used to determine if there is a significant relationship between two nominal (categorical) variables. The frequency of each category for one nominal variable is compared across the categories of the second nominal variable.

- **Step 1:** First we need to ascertain the normal estimation of the two nominal variables. We can ascertain the normal estimation of the two nominal variables by utilizing this equation:

$$E = \frac{(\text{Row total}) * (\text{Column total})}{N}$$

Where:

E = expected value

Row total = Sum of row of each category

Column total = Sum of column of each category

N = Sample size

Does the level of awareness among salaried employees lead to improved investment portfolio? : A study of government and non-government employees of Nagpur District of India.

- **Step 2:** After calculating the expected value, we will apply the following formula to calculate the value of the Chi-Square Test of Independence. The equation to calculate a chi square is

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Where:

χ^2 = Chi Square obtained

\sum = the sum of

O = observed score

E = expected score

- **Step 3:** Once the value of Chi-square calculated / Chi-square statistic is obtained, we need to find Chi-square critical, which is calculated as follows:

$$DF = (r-1)*(c-1)$$

Where

DF = Degree of freedom, r = number of rows, c = number of columns

- **Step 4:** Hypothesis testing:

Hypothesis testing for the chi-square test of independence is as it is for other tests like ANOVA, where a test statistic is computed and compared to a critical value. The critical value for the chi-square statistic is determined by the level of significance (typically 5%) and the degrees of freedom. If the observed chi-square test statistic is greater than the critical value, the null hypothesis can be rejected, and vice versa.

Table 1. Demographic and Socioeconomic Details of the Respondents

Variable		Frequency	Percentage
Gender	Male	74	49.33%
	Female	76	50.67%
Age (in years)	25-35	62	41.33%
	35-45	33	22%
	45-55	44	29.33%
	above 55	11	7.34%
Level of knowledge about the investments	Basic knowledge	54	35.50%
	Average knowledge	72	48.70%
	Advanced knowledge	24	15.80%

Nature of employment	Public sector	72	48%
	Private sector	78	52%
Monthly Income	20000-40000	36	24.30%
	40000-60000	43	28.90%
	60000-80000	46	30.30%
	above 80000	25	16.40%

Source: Primary data

- Table 1 gives the summary of the demographic and socio-economic characteristics of the respondents. A look at demographic and socioeconomic detail shows that percentage of male respondents is 49.33% and female respondents is 50.67%.
- 41.33% of the respondents fall in the age group of 25-35 years and 7.34% fall in the age group of above 55 years.
- The respondents also constitute public sector (48%) and private sector (52%) employees.
- 30.30% of the respondents have their monthly income between Rs.60, 000-80,000 followed by 24.30% respondents who earn between Rs. 20,000-40,000 monthly.

6. Result and Interpretation

Hypothesis 1:

- ❖ H_0 : There is no association between income and financial literacy level of salaried individuals.
- ❖ H_1 : There is a positive association between income and financial literacy level of salaried individuals.

Table 2. Association between Financial literacy and Income

Observed value

Financial literacy	20000-40000	40000-60000	60000-80000	80000 and above	Total
Basic knowledge	23	19	10	2	54
Average knowledge	11	22	27	12	72
Advanced knowledge	2	2	9	11	24
Total	36	43	46	25	150

Expected value

Does the level of awareness among salaried employees lead to improved investment portfolio? : A study of government and non-government employees of Nagpur District of India.

Financial literacy	Monthly Income				Total
	20000-40000	40000-60000	60000-80000	80000 and above	
Basic knowledge	12.96	15.48	16.56	9	54
Average knowledge	17.28	20.64	22.08	12	72
Advanced knowledge	5.76	6.88	7.36	4	24
Total	36	43	46	25	150

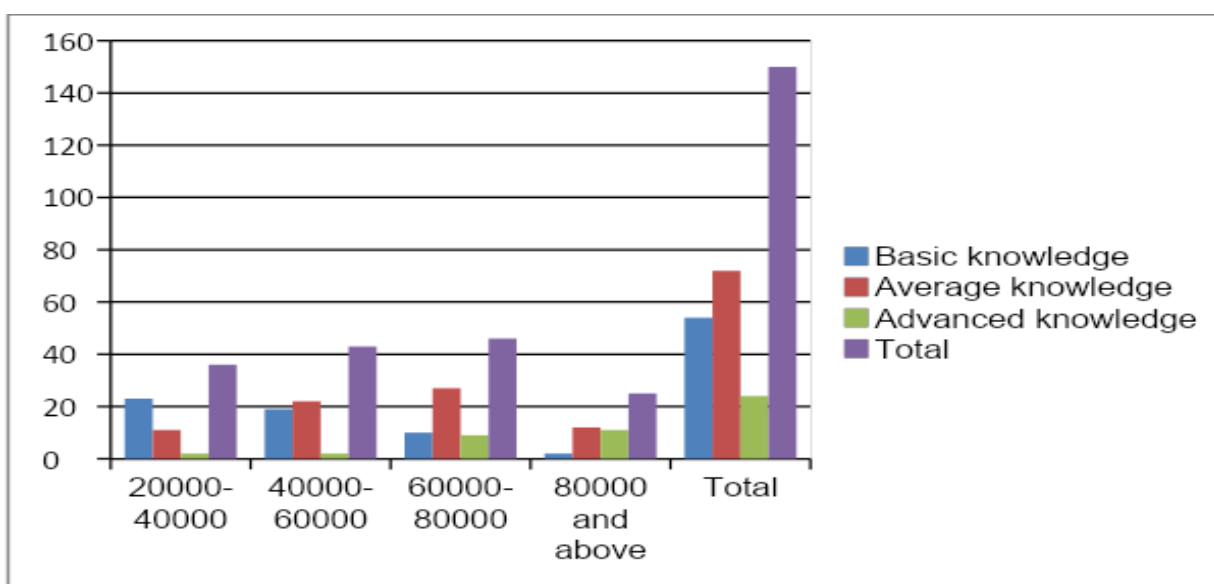


Diagram 1. Association between income and financial literacy

- For chi square (test of independence), we have calculated the expected frequencies.
- Here, χ^2 calculated = 35.4078
- At 5% level of significance for 6 d.f, tabulated value of chi square = 12.592
- Since χ^2 calculated > χ^2 tabulated, so we reject the null hypothesis, and conclude that there is an association between income and financial literacy of salaried individuals.

❖ Association between Income and financial literacy level

The after-effects of the Diagram 1 shows that more the pay, more will the degree of financial literacy. Graph 1 shows that financial literacy level is most noteworthy for respondents having pay level between Rs 60,000Rs 80,000 followed by the individuals who acquire between Rs. 40,000Rs 60,000. From the table it tends to be seen that chi-square value is critical at 5% significance level. Thus H_0 of hypothesis 1 - There is no relationship among salary and money related proficiency level is dismissed. Consequently it very well may be inferred that financial literacy level relies upon the salary of an individual.

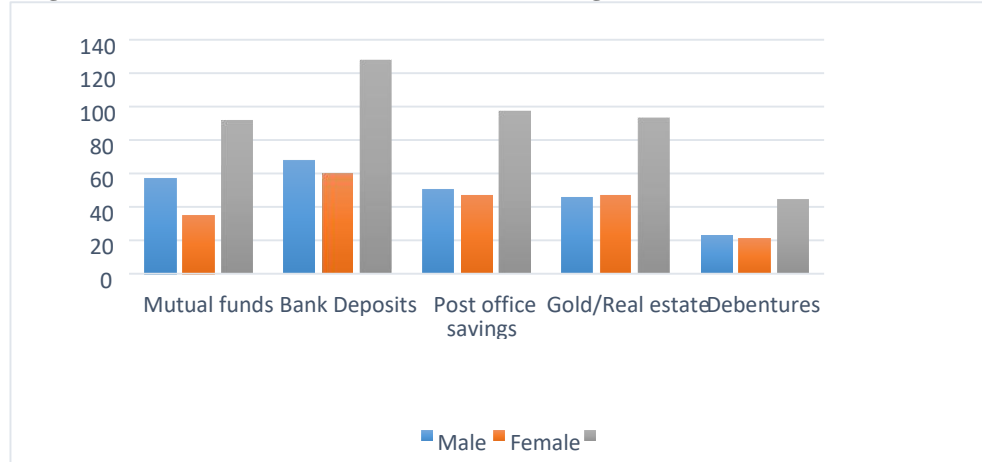
Hypothesis 2:

- ❖ H_0 : There is no significant difference between gender and level of awareness about the investments.
- ❖ H_1 : There is a significant difference between gender and level of awareness about the investments.

Table 3. Association between Gender and level of awareness

Level of awareness	Gender		Total
	Male	Female	
Mutual funds	57	35	92
Bank Deposits	68	60	128
Post office savings	50	47	97
Gold/Real estate	46	47	93
Debentures	23	21	44

Diagram 2. Association between gender and level of awareness



• From the above diagram 2, it can be concluded that irrespective of the gender of respondents, the investment avenue about which there is high level of awareness is Bank deposits followed by Post office savings.

□ Relationship between Gender and Level of awareness about the investment.

The current investigation uncovers that out of 150 respondents studied

97 (for example 64.66%) respondents know about Post Office Deposits, 44 (i.e. 29.33 %) respondents wanted to put resources into Debentures Bonds. 92 (for example 60 %) know about Mutual Funds, 93 (i.e. 62%) in Real Estate/gold and 128 (i.e. 85.33 %) respondents know about bank deposits. The Gender of respondents and their investment avenue inclinations are essentially related for example the respondents' gender orientation impacts their venture inclinations altogether. 57 men and just 35 ladies know about Mutual funds. With regards to bank deposits, 60 ladies and 68 men know about it. 50 men though 47 ladies know about post office savings.

Hypothesis 3:

❖ H0: There is no association between nature of employment and financial literacy of salaried individuals.

❖

1: There is a positive association between nature of employment and financial literacy of salaried individuals.

Table 4. Association between Financial literacy and nature of employment

Does the level of awareness among salaried employees lead to improved investment portfolio? : A study of government and non-government employees of Nagpur District of India.

Observed values:

Financial literacy	Nature of employment		Total
	Public	Private	
Basic knowledge	19	35	54
Average knowledge	36	36	72
Advanced knowledge	16	8	24
Total	71	79	150

Expected values:

Financial literacy	Nature of employment		Total
	Public	Private	
Basic knowledge	25.56	28.44	54
Average knowledge	34.08	37.92	72
Advanced knowledge	11.36	12.64	24
Total	71	79	150

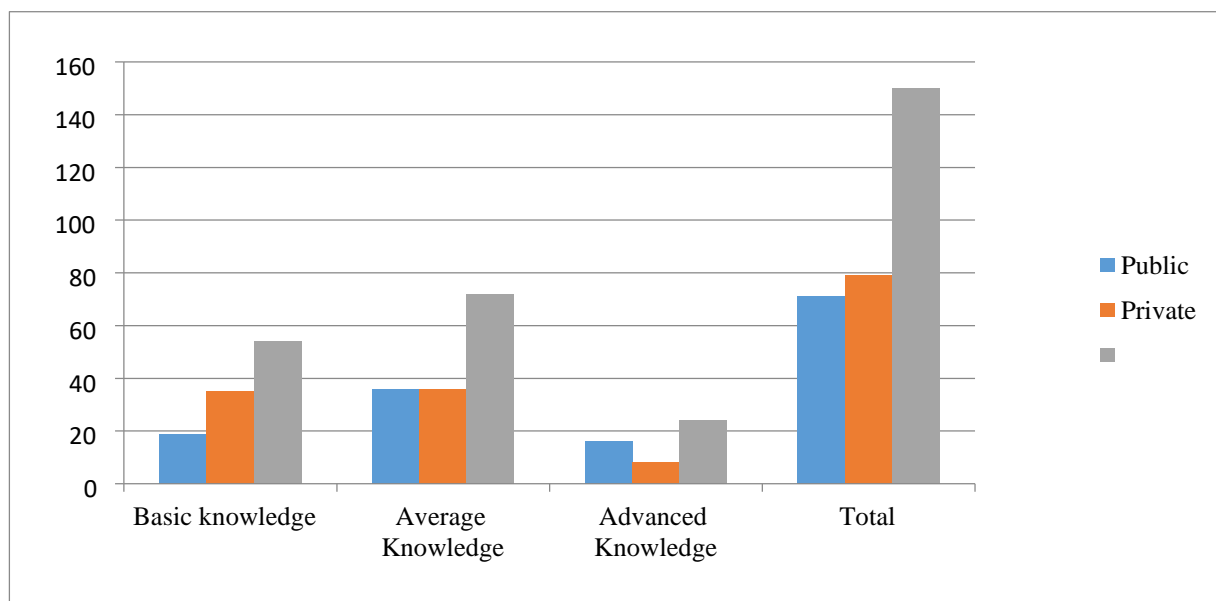


Diagram 3. Association between financial literacy and nature of employment

- For chi-square (test of independence) we have calculated the expected frequencies.
- Here, chi square calculated = 7.35

- At 5% level of significance for 2 d.f, tabulated value of chi square = 5.991
- Since chi square calculated > chi square tabulated, so we reject the null hypothesis, and conclude that there is a positive association between nature of employment and financial literacy of salaried individuals.

□ Association between nature of employment and financial literacy of salaried individuals.

On the base of nature of work the respondents were separated into two classifications for example Public and Private workers. Chart 3 shows that Private workers have higher money related proficiency level when contrasted with Public representatives. From the table it very well may be seen that chi-square value is critical at 5% significance level. Thus H₀ of hypothesis 3- There is no relationship between nature of work and financial literacy level is dismissed. Along these lines it might be presumed that nature of employment impacts financial literacy level.

7. Conclusion

This examination uncovers that most of the salaried individuals despite everything, like to put resources into safe investment avenues like "Post office deposits/ Bank deposits". Aside from this, they additionally put resources into genuine resources like "Land/ Real estate" and "Gold", yet they have still not framed an uplifting disposition towards "Mutual Funds and "Equity shares" etc, the rationale being their misgiving about the security of assets and guarantee of profits on them.

In addition, as far as the effect of various factors on the choice of investment of the salaried workers is concerned; gender, income and nature of employment have been recognized as factors which are responsible in influencing the investors' behaviour and preferences regarding various securities offered within the market. Once more, to the extent the advantages conveyed to the investors through their ventures are concerned, "Safety" and "Return" have been seen to be generally alluring by the investors, followed by "Affordability", and "Liquidity".

Those respondents who have low financial literacy like better to invest in conventional and safe mode of investment and they do not like to invest in riskier financial products. Along these lines it can be deciphered that the extent of awareness about the financial products and the choices towards the investment preferences are influenced by the financial literacy level.

This signifies that due to the low financial literacy level, investors invest their money in traditional investment and they are not able to get the advantages of other modes of investment which may give them higher returns. Thus it becomes the necessity of the moment for the Government and decision makers to take essential steps to boost up the extent of awareness among investors.

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