

## **CHOICE OF SALARIED EMPLOYEES ON NUMEROUS INVESTMENT OPTIONS AVAILABLE**

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### **Abstract**

The role of investment plays crucial role in the lives of many salaried employees. With the many options ahead of them, it may be confusing to choose one which is the most suitable. The research reached out to a randomly selected sample of 96 salaried employees from various fields and asked about their preference, awareness and knowledge about the many investment options by use of a questionnaire. The research found that salaried employees were aware about most of the avenues, but preferred to invest a selected few for their safety and long term benefits. It was not the high returns that attracted the employees but the safety of principle amount and long term wealth generation. Employees were seen to invest in safer areas like gold, real estate and long term shares .The research found that income of individuals and their gender did not have any influence on their investment preference but age and employment sector of the individuals had a toll on their investment preference.

## **1 – INTRODUCTION**

### **1.1 Introduction**

Salaried employees were of the notion to “save” money. Now with the increase in competition, number of employees and awareness and knowledge, employees have shifted from “saving” to “investing”. In today’s world, development and convenience in the entire investment industry has encouraged employees to make informed investments focusing on wealth generation both in the short term as well as the long run, rather than just simply saving the money they earn.

Apart from wealth generation, employees learn the other benefits of investing such as retirement benefits, tax concessions, preventing losses from inflation and so on. An investment is allocation of money with the intention to generate future income or capital appreciation on the same which includes investing in stocks, bonds, real estate among many other avenues. These numerous options have led in dilemma and preference of one over the other, among salaried employees.

The following are the most common investment options in India:

- Equity share
- Debentures
- Money market instruments
- Life and general insurance
- Real estate
- Precious objects/metals
- Mutual funds

### **1.2 Purpose of Study**

While salaried employees continually make investments, the investments made do follow certain trends from time to time and employees show preference over one or a few avenues more than the other available options in accordance to their background, work environment, etc. leading to the question “where do salaried employees prefer to invest?” Thus, this study is purposed to find out the answer to the above question and analyse the current trend in their investment.

### 1.3 Objectives

The objectives of this project are:

- To find out the preference of salaried employees on the various investment options available
- To analyse these findings and find out any trend of their preference

### 1.4 Scope

The field of study will include salaried employees from various fields, experience will range from freshers to highly experienced employees and the employees will be chosen irrespective of the position they hold in order to ensure a wholesome study and appropriate, fair and unbiased result.

## 2 – LITERATURE REVIEW

### 2.1 Introduction

Today the socio-economic profile of employees changes substantially. This causes people to not only save their money but are seeking smarter ways to invest their money. This is not only because of the range of investment options but also the awareness and education about their choices. People have increasingly moved beyond saving money at banks to investing more in shares, mutual funds and so on.

There have been attempts made by many to disclose the preference of various groups. These groups were based on the income level, age, gender, employment status, education level, and so on. This particular study however, focuses on the salaried employees across various sectors and their preference on investment.

Investment as defined by financial economists is the allocation of money in the expectation of some benefit/return in the future. Salaried employees are people who work at a firm and receive a prefixed amount of pay known as salary. Over the ages the number of investment options available have increased drastically and this study aims to find the preference of salaried class while making monetary investments.

## 2.2 Literature Review

- **Investment Pattern of salaried People**

**Sunil Gupta (Jan 2008)**

This study has made attempts to analyse the investment patterns of salaried employees. It was found that not many people were aware of the numerous investment options available and a small percentage who knew about it also preferred to stick to their old investment avenues. These were bank deposits and post office related investment. The study also brought forward the investment habit of people entirely living in urban areas. They preferred to invest more in banks, post offices, UTI schemes, etc. but their perspective about stock and securities in particular was bleak.

- **Investment Preference of Salaried Individuals Toward Financial Products**

**Puneet Bhushan, Yajulu Medury (Jan 2012)**

This study was done in order to find out the change in preference of investment due to the environment employees work in and demographics. The study found that there were certain distinctions between the preference of government employees and private employees. Government employees preferred to play safe when it came to instruments as compared to private employees, similar to married respondents of the survey. Unmarried respondents took greater risk in comparison. Other aspects such as age gender class etc. did not affect the preference to noticeable extend in the study

- **Investment Pattern of Salaried Individual**

**Ranjana Singh (April 2013)**

The findings of this study showed that the preference of investors still remains in investing in avenues that provide risk free returns. This implements that majority of the individuals including those with a relatively high pay, education and awareness about the available options prefer to play safe when it comes to investing their money.

- **A Survey on The Preference of Salaried Class on Various Investment Options Available**

**Rahul Gupta (Dec 2019)**

This study was aimed at the salaried class to find out their investment pattern and preference in various sectors across Mumbai. The study found that most of their respondents were aware about all the investment avenues and usually invest in more than one avenue. It was also found that the preference is bank deposits and insurance policies and majority of them preferred to invest 10% of their income on monthly basis. The target audience also showed their satisfaction with the returns on bank deposits and mutual funds mainly.

### **3 – RESEARCH METHODOLOGY**

#### **3.1 Research method**

Research method is a specific procedure followed to collect and analyse the data found. It is taken into consideration to provide insight about the method and procedure adopted in order to achieve the objective of the research. The current research focused on the investment preference of salaried employees, anticipated to collect qualitative data mainly. This was done by means of questionnaires distributed among the sample, the results and interpretation of which was generalized to the entire study population. Hence the research was encased with primary data collected. The entire study, including data collection and analysis was carried out within a time frame of 1 month/ 30 days and an additional 1 month/30days for deriving a conclusion. The study was broadly directed toward the salaried employees in Bangalore, Karnataka, without any bias in the company they worked in, gender, income level, etc.

#### **3.2 Sampling**

A sample is a set of individuals selected from a population by a defined procedure. The population is typically large and hence a sample is selected to ease out the research carried out lessen the burden of the researcher in terms of time, effort, etc. Here the sample is selected and the survey is carried out on them by various means and the results are then generalized.

Sampling can be done in the following ways:

- Random sampling – as the name suggests, this method randomly picks a given number of names from say a hat or a bowl with every one's name in it.
- Systematic sampling – in this method every  $k^{\text{th}}$  element is selected. For example every 9<sup>th</sup> house.
- Cluster sampling- is dividing the population into groups usually geographically and any group now known as a cluster is randomly selected
- Stratified sampling – here the population is divided into strata or groups based on a characteristic such as gender and a strata is now selected using any of the above method

### 3.2.1 Population

A population refers to a set of similar items or events which is of interest for some question or experiment. For example, the population was the entire population of Bangalore city which is around 12327000 people of which salaried class stood around 43%. This shows that a sample is to be drawn out of 5300610 people for the study.

### 3.2.2 Sample size

Sample size refers to the number of participants or observations included in a study. This number is usually represented by the letter  $n$ . for the current study a sample of 100 salaried employees across various sectors in Bangalore were selected.

### 3.2.3 Sampling technique

Sampling can be done using any of the following techniques as mentioned above:

- Random
- Systematic
- Cluster
- Stratified

For this research, the sample was selected using random sampling, where 100 participants who formed the sample were randomly selected. This method was opted because of its simplicity, bias free nature and its ability to divide the probability of being selected equally among the whole study population. These 100 participants were whom the research was done on and the conclusions were then generalized to the entire population.

### **3.3 Data collection**

A research problem requires the need to collect data, analyse and interpret the data in order to answer the research question. This can be done in a few different techniques where different methods, types of data come into the picture.

#### **3.3.1 Types of Data**

There are mainly four categories of data when it comes to research. These are:

- Quantitative data – Data expressed in numbers
- Qualitative data – data that is descriptive
- Primary data – data directly taken from individuals ,objects or processes
- Secondary data – data that has already been gathered previously

In this research, the research question calls for the usage of both quantitative data as well as qualitative data. However, the data collected in this research is completely primary data.

#### **3.3.2 Methods of Data Collection**

There are many methods which can be adopted to collect data for a research. Each method compliments the type of data that has to be collected. The following are a few methods of collecting data:

Primary data:

- Sample Survey – is a data collection method where one selects a sample of respondents and surveys them. This survey can be carried out by way of:
  - Personal interview
  - Telephone interview
  - Online interview
  - Mailed questionnaires
- Focus groups – using discussion among 6-10 people of similar characteristics to find out information
- Experiments – experiments with independent variables to see changes in dependent variables

Secondary data:

- Government publications
- Public records
- Historical and statistical documents

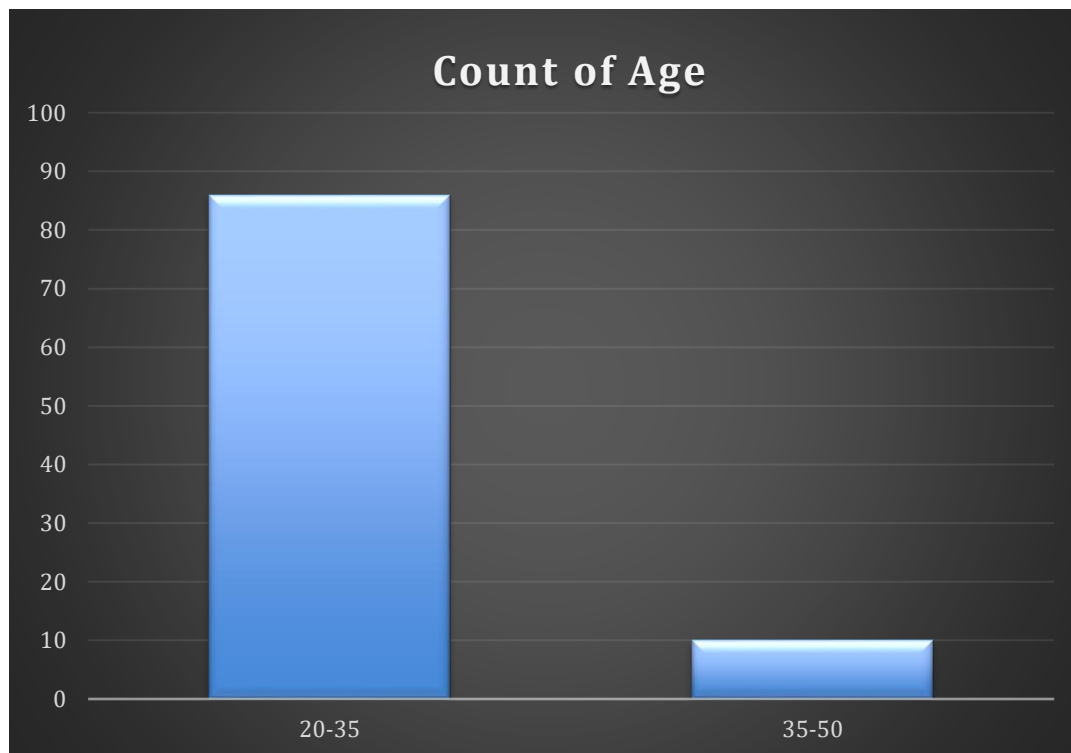
- Trade journals

This research adopted the survey method for collecting the data in which a questionnaire was distributed through mail and whatsapp forwards to 100 respondents of which 96 responded.

The questionnaire consisted of close ended questions majorly and the respondents were given multiple choice from which they had to select the most appropriate option that suited them.

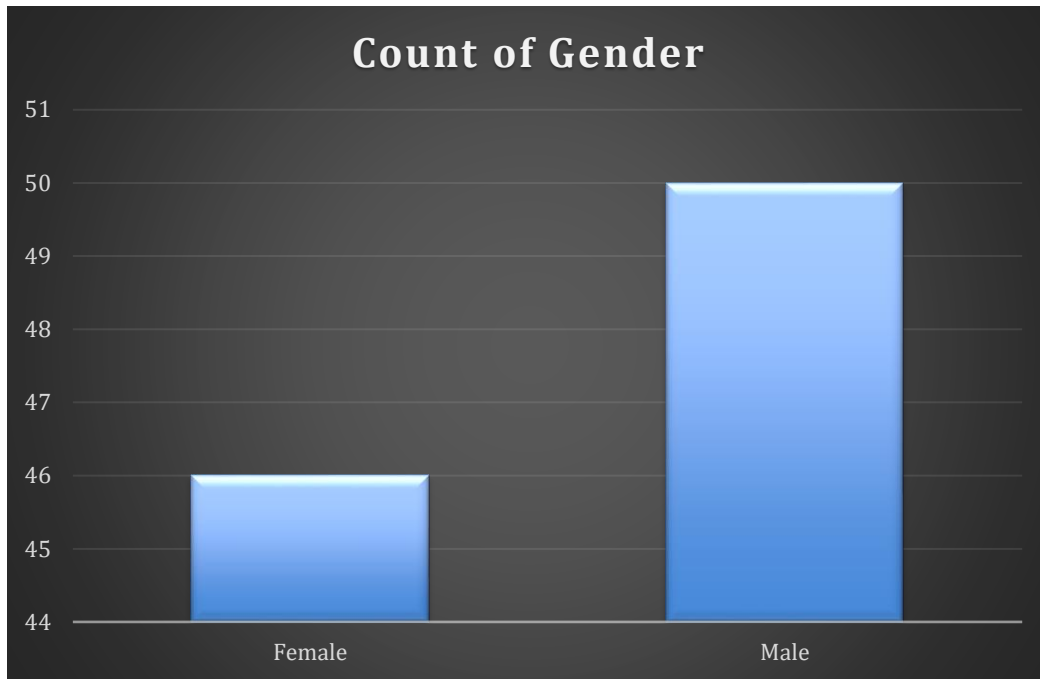
#### 4 – DATA ANALYSIS & INTERPRETATION

The data collected by the way of questionnaires through the platform Google forms has been presented in the form of charts and graphs for easier and better understanding. Each graph/chart represents the answers of one particular question asked.

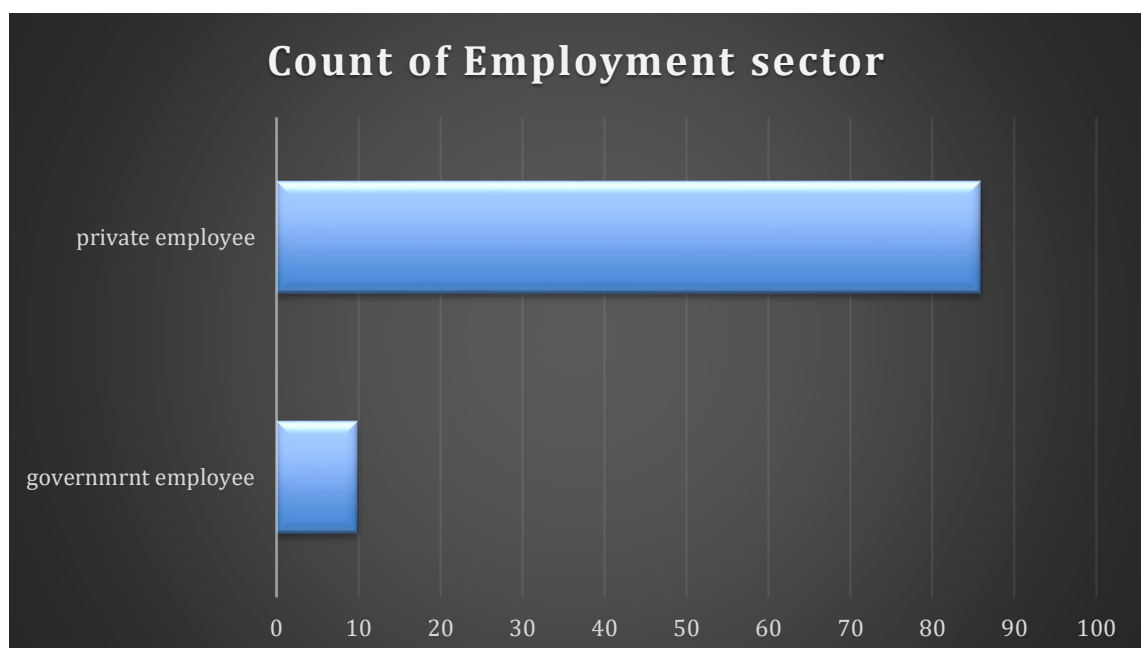




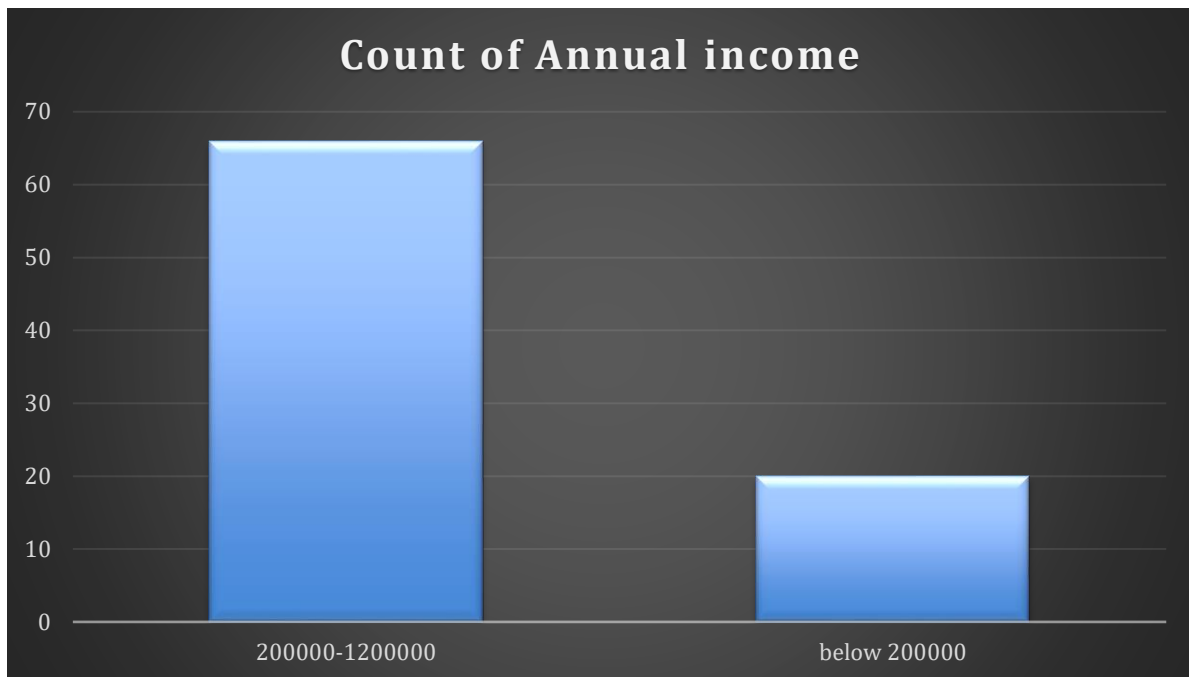
This question was asked to find if there was any influence of age on the investment preference. The majority of the respondents of the survey fall between the age band of 20-35 and only 10 out of 96 belong to the 35-50 age group.



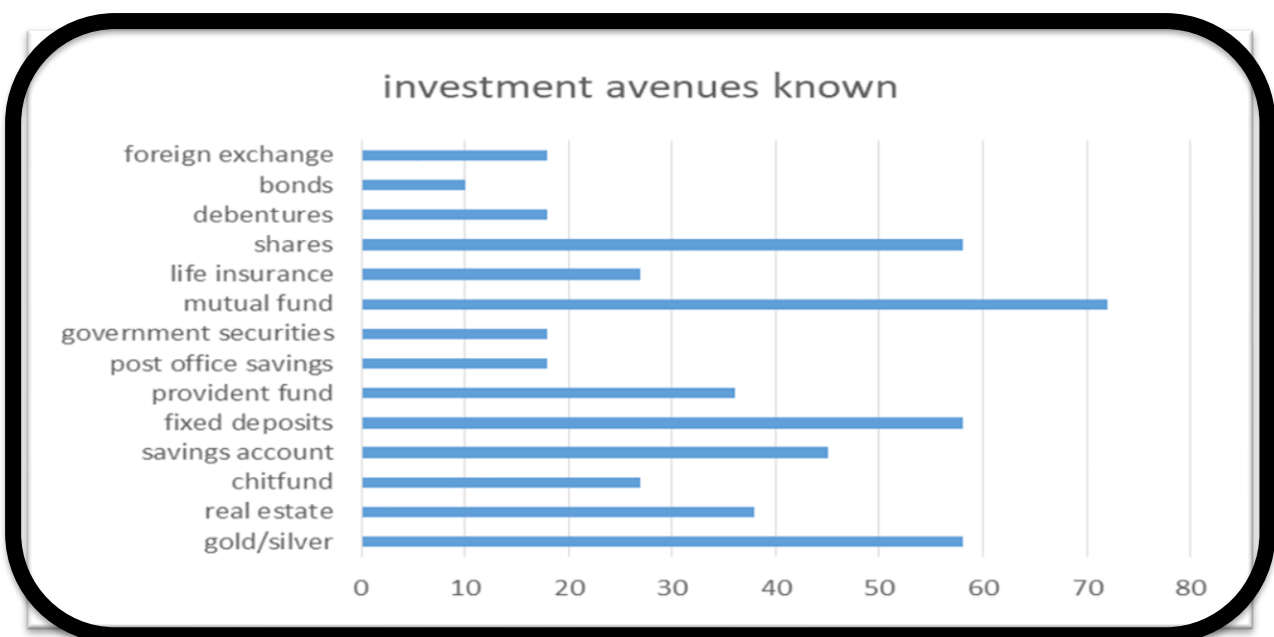
This question was about the gender of the respondents. As the graph shows, out of 96, 50 respondents were male and 46 stood to be female respondents.



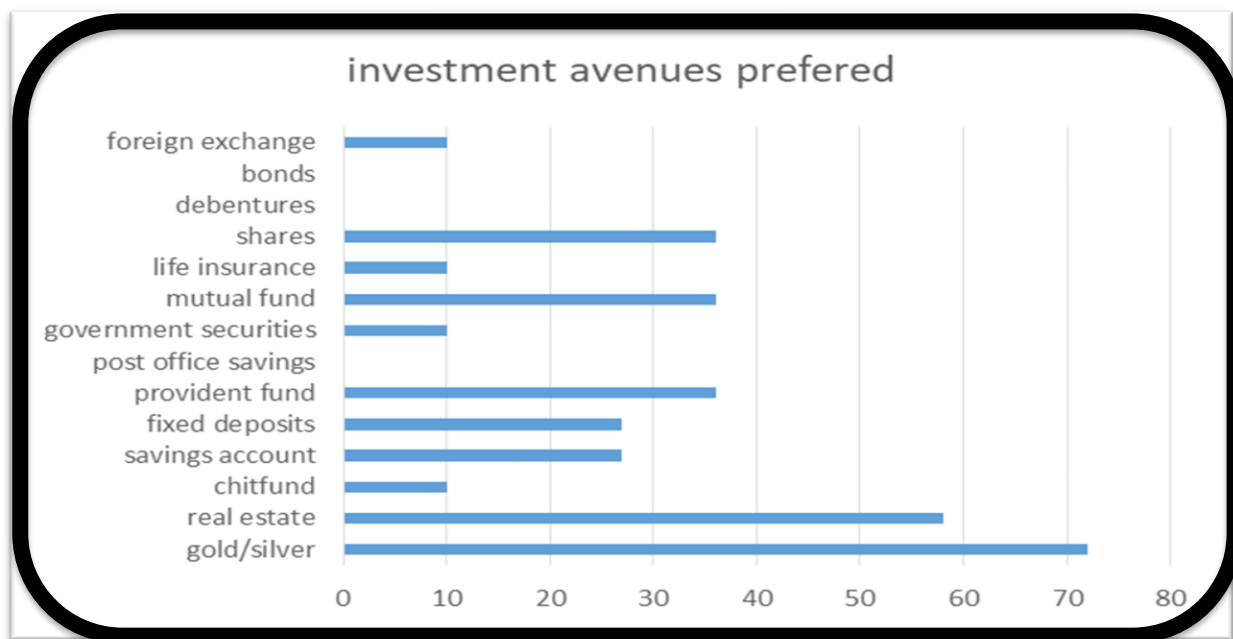
The survey was pitched to random salaried employees and it was found that out of 96 respondents about 86 worked in the private sector while the remaining 10 belonged to the government sector.



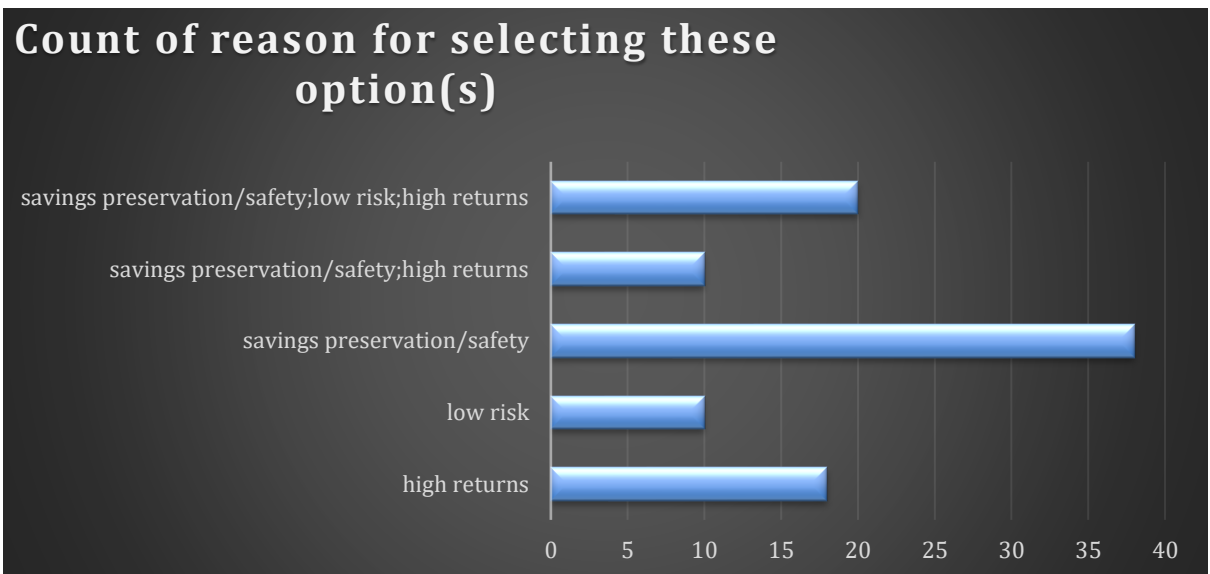
The annual income of the majority of the respondents was anywhere between 200000-1200000 per annum. While 20 respondents earn an annual income of less than rupees 200000.



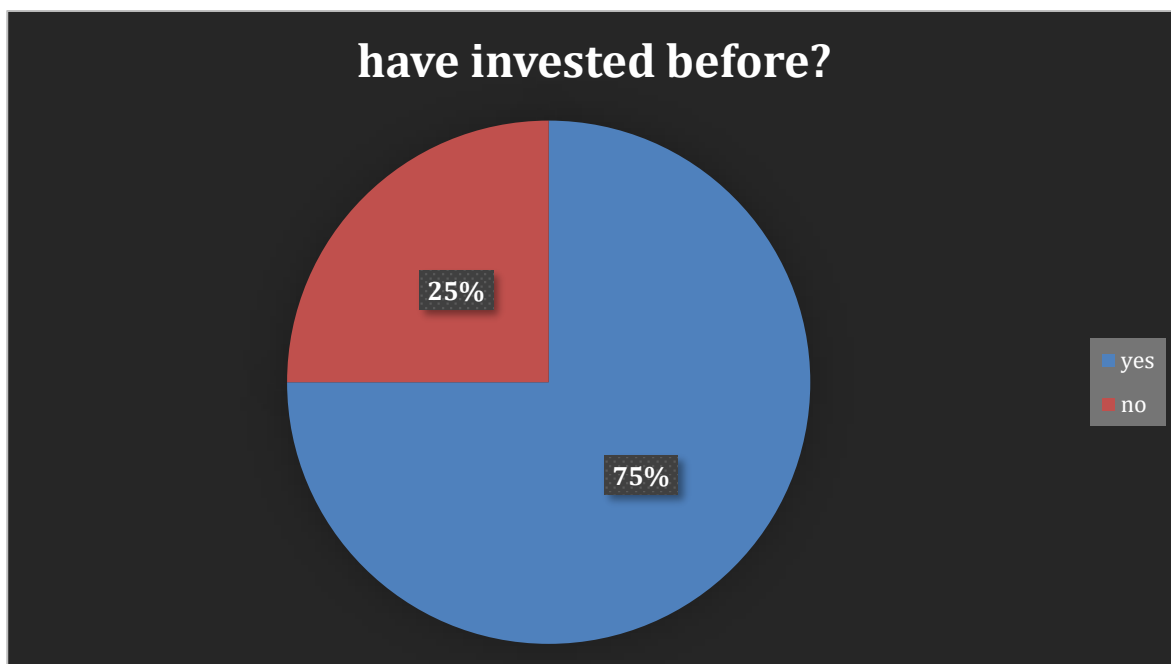
This question asked of the investment avenues the respondents were aware of. 80% of the respondents were aware of mutual funds while the least known avenue was bonds which was known only by about 10 % of the respondents. Apart from mutual funds, the most popular avenues were shares, fixed deposits and gold/silver. The least known after bonds were forex, debentures, government securities and post office savings.



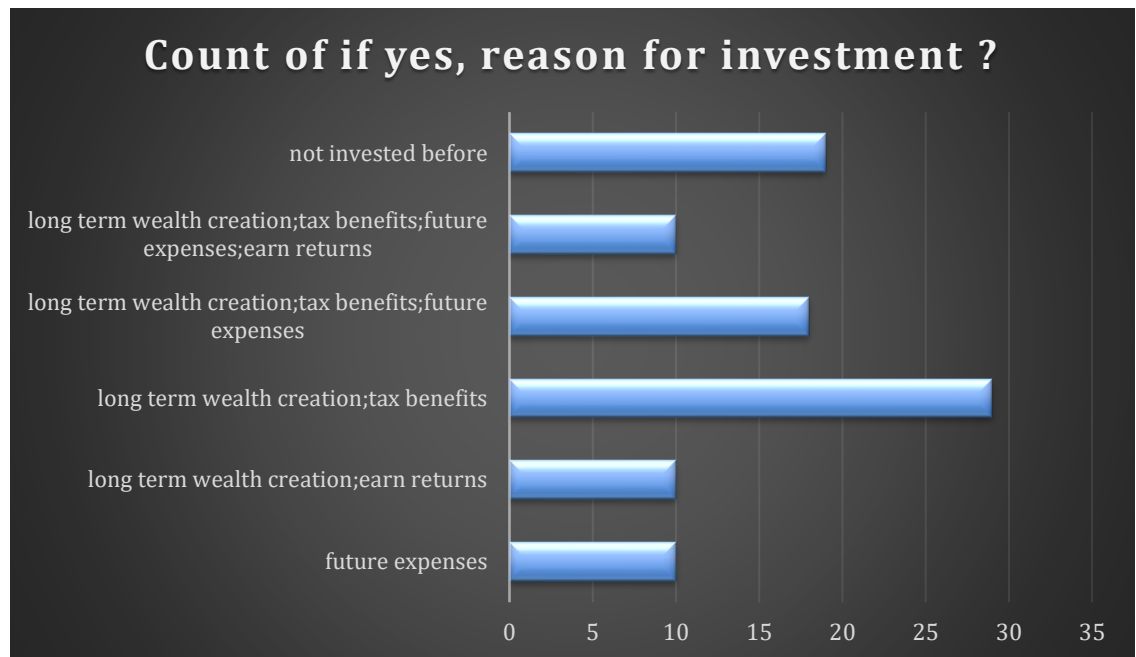
Here you can see that the vast majority, 72 of the 96 respondents preferred to invest in gold/silver, and about 58 had a preference on real estate. None of the respondents would want to invest in bonds, debentures or post office savings. An equal number (40%) of the respondents had a shares, PF and mutual fund as also a preference to invest in.



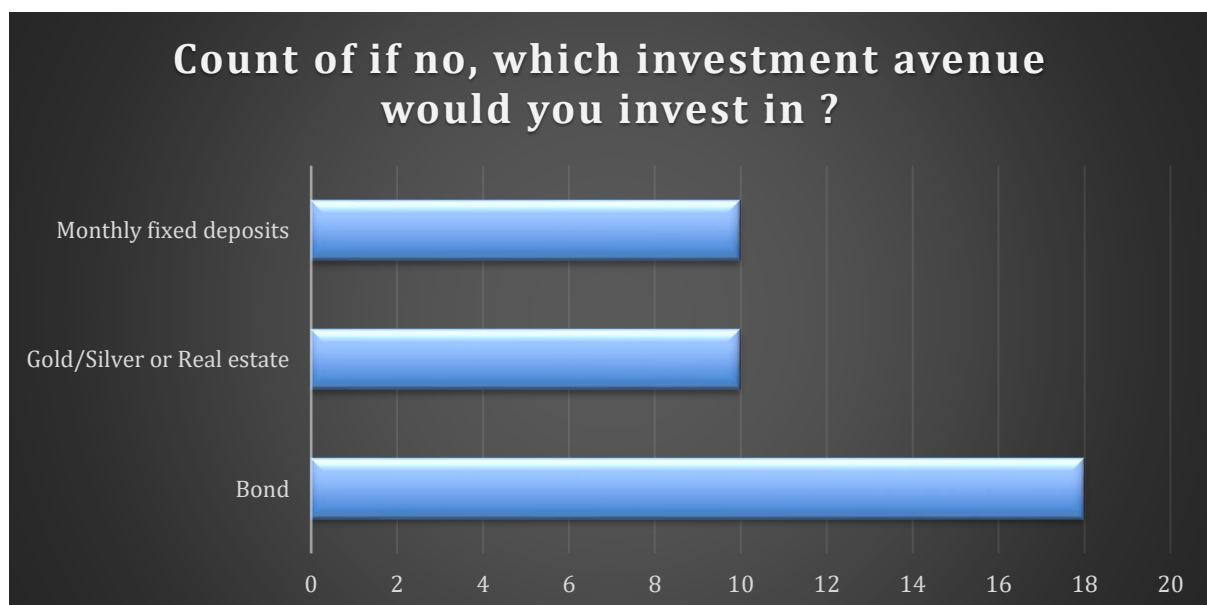
As the chart shows, the main idea of majority of the respondents to invest in any avenue is to save their saving of principle amount. Others want lower risk and higher returns along with safety.



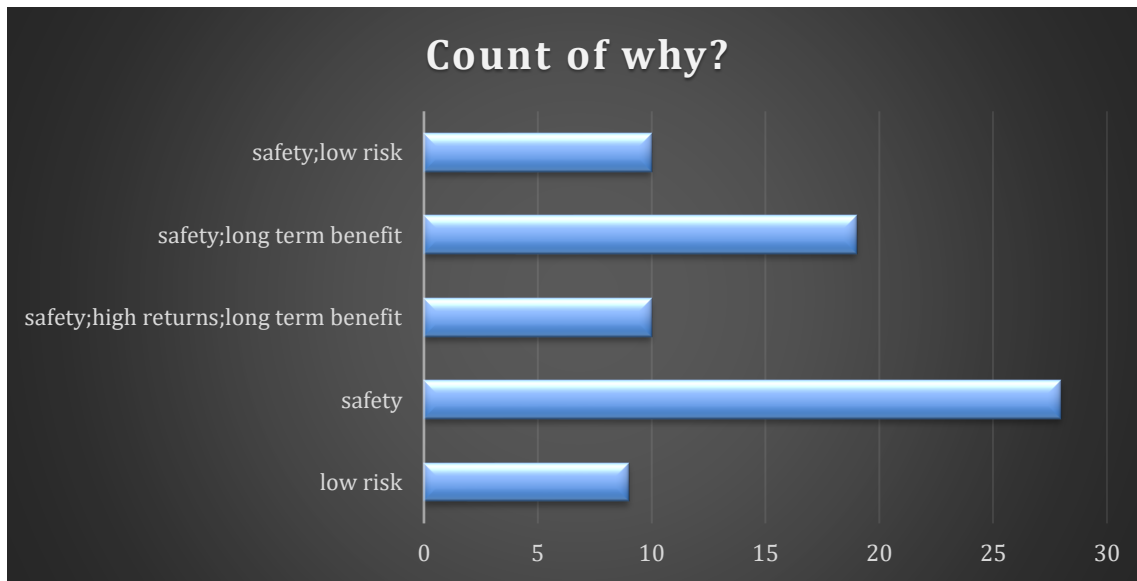
This pie chart shows the number of respondents who have invested before and those who have not. It is very clear that about 3/4<sup>th</sup> of the respondents have invested before while 24 people haven't.



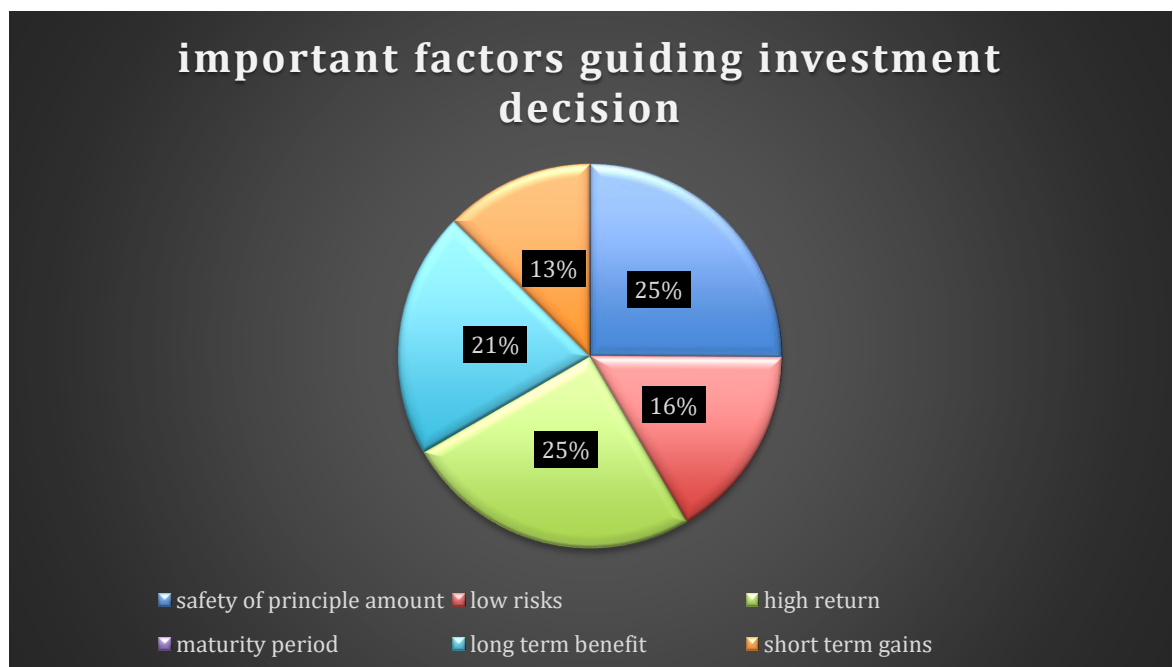
67 out of 96 have invested with the motive of long term wealth creation and out of these 67, 57 have also invested with the intention to reap tax benefits. While 10 of the remaining have invested with only the intention of future expense, 19 have not invested before.



Out the respondents who have never invested before, majority of them would want to invest in wither bonds, gold/silver, real estate or monthly fixed deposits of the many options available.

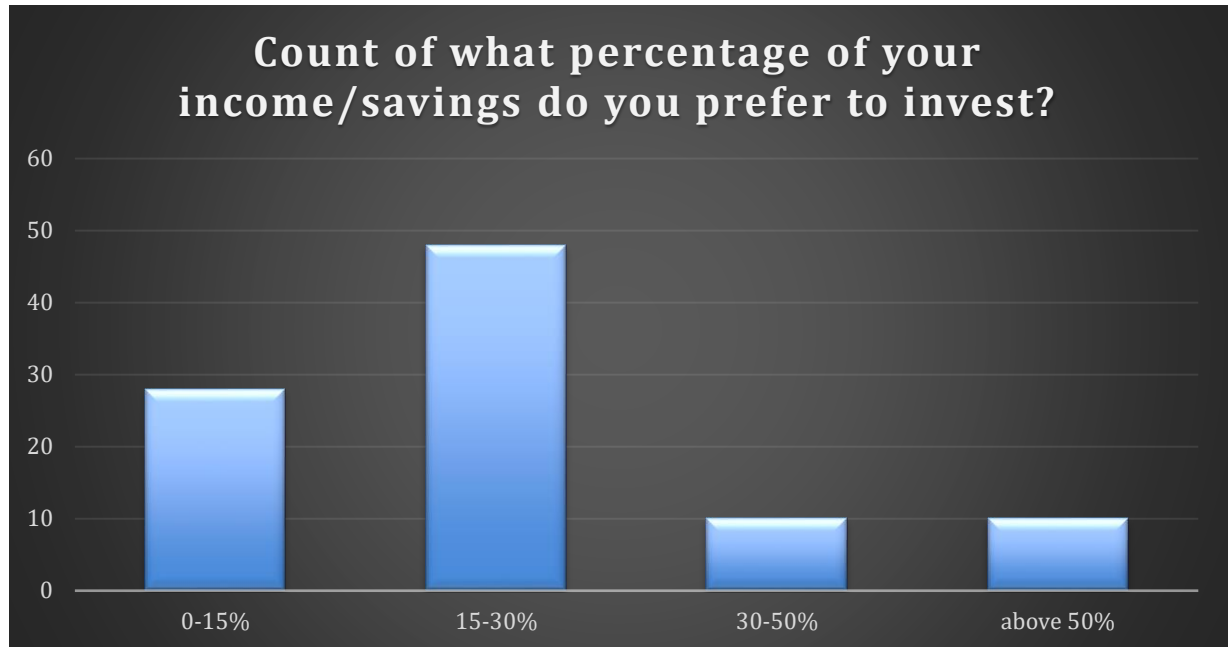


The reason for the choices in the previous graph was again safety primarily and then long term benefit from the investment.



The 96 respondents were asked the factors guiding their investment decision or the reason that makes them take a particular investment decision. This brought out 3 main factors namely safety of principle

amount, high returns and long term benefit. The least factor that derived ones investment decision was short term gain.



Majority of the 96 respondents would prefer to invest about 15-30% of their savings. While 28 of the 96 would invest only up to 15% of their savings 20 of the 96 would invest more than 30 percent of their savings.

## CHI-SUQARE TESTS

- INFLUENCE OF GENDER ON INVESTMENT PREFERENCE:

	GOLD/ SILVER	REAL ESTATE	PROVIDENT FUND	MUTUAL FUND	SHARES	ROW TOTAL
MALE	5 (4.74) [0.01]	4 (3.56) [0.06]	1 (2.37) [0.79]	2 (2.37) [0.06]	4 (2.96) [0.36]	16
FEMALE	3 (3.26) [0.02]	2 (2.44) [0.08]	2 (1.63) [1.15]	2 (1.63) [0.08]	1(2.04) [0.53]	11
COLUMN TOTAL	8	6	4	4	5	27

Level of significance = 0.05

P value = 0.533

1-p = 0.467 i.e.  $p < 0.05$

Result: Not significant

- INFLUENCE OF AGE ON INVESTMENT PREFERENCE:

	GOLD/ SILVER	REAL ESTATE	PROVIDENT FUND	MUTUAL FUND	SHARES	ROW TOTAL
20-35	70 (70.15) [0.00]	50 (52.39) [0.11]	30 (34.63) [0.62]	40 (36.41) [0.35]	40 (36.41) [0.35]	230
35-50	9 (8.85) [0.00]	9 (6.61) [0.87]	9 (4.37) [4.92]	1 (4.59) [2.81]	1 (4.59) [2.81]	29
COLUMN TOTAL	79	59	39	41	41	259

Level of significance = 0.05

P value 0.121

1-p = 0.879 i.e.  $p > 0.05$

Result: Significant

- INFLUENCE OF SECTOR ON INVESTMENT PREFERENCE:

	GOLD/ SILVER	REAL ESTATE	PROVIDENT FUND	MUTUAL FUND	SHARES	ROW TOTAL
PRIVATE SECTOR	70 (70.15) [0.00]	50 (52.39) [0.11]	30 (34.63) [0.62]	40 (36.41) [0.35]	40 (36.41) [0.35]	230
GOVERNMENT SECTOR	9 (8.85) [0.00]	9 (6.61) [0.87]	9 (4.37) [4.92]	1 (4.59) [2.81]	1 (4.59) [2.81]	29
COLUMN TOTAL	79	59	39	41	41	259

Level of significance = 0.05

P value 0.121

1-p = 0.879 i.e.  $p > 0.05$



Result: Significant

- INFLUENCE OF ANNUAL INCOME ON INVESTMENT PREFERENCE:

	GOLD/ SILVER	REAL ESTATE	PROVIDENT FUND	MUTUAL FUND	SHARES	ROW TOTAL
BELOW 200000	2 (2.37) [0.06]	2 (1.78) [0.03]	1 (1.48) [0.16]	1 (1.19) [0.03]	2 (1.19) [0.56]	8
200000- 1200000	6 (5.63) [0.02]	4 (4.22) [0.01]	4 (3.52) [0.07]	3 (2.81) [0.01]	2 (2.81) [0.24]	19
COLUMN TOTAL	8	6	5	4	4	27

Level of significance = 0.05

P value 0.881

1-p = 0.119 i.e.  $P < 0.05$

Result: Not Significant

## **5 – FINDINGS, CONCLUSIONS & RECOMMENDATIONS**

### **5.1 Findings**

- Majority of the respondents were of the age group 20-35
- Majority of the individuals were male
- All respondents were aware of majority of the investment avenues
- The sample set had the highest preference in gold/silver and real-estate
- The sample set did not prefer to invest in bonds, debentures and post office savings
- Most of the individuals wanted safety and preservation of amount over high returns
- Most of the individuals have invested before
- The reason behind making those investments was tax benefits and long term wealth generation
- Individuals were influenced by an avenues' safety and returns when taking a decision before investing
- More than half of the respondents prefer to invest between 15%-30% of their savings
- Annual income of individuals and their gender did not have any influence on their investment preference
- Age and employment sector of the individuals did influence on their investment preference

### **5.2 Conclusion**

This report is a reflection of the investment preference, awareness, decision taking factors, reason and scope of investment of salaried individuals. An effort was made to identify the investment avenue preferences of a sample of salaried employees, selected by way of random sampling method. Despite the

limitation this research possessed, I was able to find out certain patterns and trend of investment among individuals.

This report was successful in identifying that the investment avenue of high preference was gold/silver and real estate for it is a traditional and safe investment option. Apart from this the individuals also showed interest in shares and mutual fund. It is found that salaried individuals though, want to invest, give great importance to safety of the amount invested and show patience when it comes to earning returns. These individuals aim at long term benefits rather than short term gains.

The report also used chi square tests to find if any factor has an influence on the investment preference. These tests were calculated between investment preferences against age, gender, amount of income and employment sector. The results of these tests should that the investment preference did not vary when it came to gender and level of income. However, age and the sector to which these individuals belonged to had some influence on the investment option they chose.

### **5.3 Recommendations**

The following are a few recommendations made to any person(s) making attempts for further research as well as investment companies /firms , the government, etc. who want to aim at the salaried class as potential investors:

- Any further research must be directed toward a larger sample size
- The level of significance has been assumed to be at 5% in this particular research. A 1% and 10% level of significance must also be considered at a larger sample based on the probability of occurrence “by chance”.
- Investment firms should take into consideration the findings of such researches to improve their reach and business
- The findings of this research show that is a relation between age and employment sector, and investment preference. This could be used in marketing to target a particular set with a particular product.

- The research also found that majority of the salaried class prefer safety and long term gain. This information can be used by firms to create a portfolio catering to such needs gaining more investors
- It is recommended to use different sampling methods
- It is also recommended to have a diverse approach in terms of cultural/ethnic background when it comes to the sample.

## **6 – LIMITATIONS AND SCOPE OF FUTURE RESEARCH**

### **6.1 Limitations**

- The information can be biased due to use of a questionnaire
- Data is collected from a random sample
- Majority of the sample of respondents unanticipatedly belong to one particular community
- Cultural/religious bias on investment options
- Lack of willingness of individuals in providing information
- Assumptions of chi square tests
- Area of research was limited to Bangalore

### **6.2 Scope of Future Research**

This study was conducted taking a small sample size into consideration and was limited to Bangalore only. Further research can focus on demographical aspects, upcoming investment options like crypto currency, diversity in social life, influence of advertisement, different working class within each sector and on a larger scale within and/or outside Bangalore, reducing as many limitations to the research as possible, using different methods of data collection and sample determination. The future research can also put light onto the differences of opinion, choice and preference of salaried employees against non-salaried individuals.

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## Appendix – Questionnaire

**Name**

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**Gender**

Male

Female

Other

**Age**

Below 20

20-35

35-50

50 above

**Employment sector**

Private sector

Government sector

**Annual income**

Below 200000

200000-1200000

Above 1200000

**Which of the following investment avenues are you familiar with?**

Gold/silver

Real estate

Chit fund

Bonds

Debentures

Shares

Mutual funds  
Post office savings  
Fixed deposits  
Provident funds  
Savings account  
Government securities  
Foreign exchange  
Life insurance

**Which of the options would you prefer to invest in?**

Gold/silver  
Real estate  
Chit fund  
Bonds  
Debentures  
Shares  
Mutual funds  
Post office savings  
Fixed deposits  
Provident funds  
Savings account  
Government securities  
Foreign exchange  
Life insurance

**Reason for selecting these option(s)**

Savings preservation/safety  
High returns  
Low risk

**Have you invested before?**

Yes

No

Maybe

**If yes, reason for investment?**

Long term wealth creation

Earn returns

Tax benefits

Future expenses

Not invested before

**Investment Avenue you invested in?**

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**If no, which investment avenue would you invest in?**

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**Why?**

Safety

Long term benefit

High returns

Short term earnings

Low risk

**What percentage of your income/savings do you prefer to invest?**

0-15%

15-30%

30-50%

Above 50%



**What are/would be the important factors guiding your investment decision?**

Safety of principle amount

Low risk

High return

Maturity period

Long term benefits

Short term gains

Link to the questionnaire

<https://forms.gle/5THGXpGYpQpGWCp69>