A Study of Investment Behavior of Salaried Class Employees Working in Public Sector: With Special Reference to Jhansi District

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Abstract- **The study underscores the intrinsic relationship between saving and investment, emphasizing their interdependence in the financial landscape. Savings serve as the foundation for investment, while investment activities enable savings to grow and contribute to the circular flow of capital within the economy. This symbiotic relationship is crucial for understanding personal finance and the broader economic system. In this research paper, the authors aim to explore the investment behavior of salaried class employees working in public sector. This group comprises employees working in various public sector organizations. The primary motivation for selecting them is to investigate how individuals with modest incomes manage their investments, particularly in the context of significant expenses they may incur. The study seeks to address several key questions concerning the preferences of these employees regarding various investment instruments. It specifically focuses on investment options such as real estate, bank deposits, mutual funds, and financial markets, including the money market and capital market. The research endeavors to uncover the investment patterns observed within this income group and the underlying objectives guiding their choice of particular investment instruments. The study scrutinizes their preferences for different investment avenues, their investment patterns, and the motives guiding their selection of specific investment instruments. Additionally, the study explores their ability to manage expenses and savings, and other factors that influence their investment decisions. Through this investigation, the authors aim to shed light on the unique challenges and strategies adopted by the salaried class employees in managing their investments amidst the demands of daily life.**

***Keywords*: Savings, Investment, Mutual Funds, Behaviour, Bank deposits, Investment Patterns, Avenues**

I. **Introduction**

Savings indeed hold a pivotal role in the economic growth and development of a nation. This perspective aligns harmoniously with the views expressed by classical economists, including prominent figures like Adam Smith, David Ricardo, and J.S. Mill. These renowned economists underscored the paramount importance of saving as a critical determinant of economic growth. Their collective wisdom serves to highlight the central role that savings play in fostering economic prosperity and advancement, contributing to the overall welfare and progress of a nation.

However, it's worth noting that in certain historical contexts, these savings didn't necessarily translate into capital formation or contribute significantly to economic development. This can be attributed to the absence of a well-established banking system and limited investment alternatives. It is important to acknowledge that the utilization and transformation of individual savings into productive capital are critical factors in the development of the economy.

The patterns of individual savings and investment hold paramount importance in driving economic growth and have consistently attracted the attention of researchers. As stated by Kanti Das Sanjay in 2012, "The business economic cycles, including booms, recessions, depressions, and recoveries, not only impact the overall Gross Domestic Product (GDP) but also influence household incomes. Consequently, these economic fluctuations influence the saving ratios and investment behaviors of individuals." This underlines the dynamic relationship between economic cycles, individual financial decisions, and their collective impact on the economy. While savings are a foundational element, their true contribution to economic development depends on various factors, including the availability of investment opportunities and the effectiveness of financial systems. The study of individual savings and investment patterns remains a crucial area of research due to its significant role in shaping economic outcomes. The interconnectedness between economic cycles, household incomes, saving behaviors, and investment choices highlights the complexity of these relationships in driving economic growth.

Investment behavior encompasses an individual or institution's stance, perception, and readiness to allocate their savings into various types of financial assets. An investor is someone who makes the choice to forgo immediate consumption to attain future benefits. These benefits can manifest as dividends from securities, interest earned from bonds, retirement benefits, and more. Investment involves deploying resources that would otherwise be consumed presently, with the objective of generating returns in the future. It represents the rewards that will accrue in the future as a result of deferring immediate consumption. Thus, the initial and fundamental step towards investing is saving.

In the context of personal finance, saving entails setting money aside, typically by depositing it in a bank or investing it in a pension plan, to meet future financial needs. In a broader sense, "saving" can also refer to economizing, reducing costs, or coming to the rescue of someone or something. It is important to distinguish saving from investment, as the latter inherently carries an element of risk.

As articulated by (Munthaga & Nazer, 2013), "saving" pertains to the act of setting aside resources without the assumption of risk, while "investment" implies a commitment of resources with the understanding that there is an inherent risk involved. This delineation highlights the contrast between these two financial concepts, emphasizing the prudence and caution associated with saving and the inherent risk-taking aspect of investment.

This study is centered on analyzing the investment preferences of salaried class employees, often referred to as "seekers." The objective is to gain insights that can aid in identifying the most suitable investment options available in the market for this particular class of people

II. Review of Literature

A review of the literature on investment behavior reveals a broad and diverse field of study with insights from various disciplines, including economics, finance, psychology, and sociology. Understanding investment behavior is crucial because it impacts individuals' financial well-being, shapes financial markets, and influences overall economic conditions.

The citizens of a country engage in various income-generating activities based on factors such as the availability of funds, their knowledge of investment opportunities, and the potential returns. Their primary goal is to generate income to meet their basic needs. Once these essential needs are met, any remaining income is typically set aside as savings for future requirements.

However, if these savings are kept idle, such as hoarded at home or stored in lockers, they do not contribute to economic growth or generate any returns. This idle money neither circulates in the economy nor contributes to the country's capital formation.

To address this, it is essential for every citizen to consider investing their savings in various investment avenues. By doing so, they can potentially earn significant returns on their capital. This not only benefits individual investors by helping them grow their wealth but also contributes to the overall economic development of the country. By channeling savings into productive investments, individuals can not only secure their financial futures but also play a role in the economic progress of their nation. (Ganapathi, 2014).

(Kaur & Navdeep, 2015) research provides valuable insights into the evolving financial behavior of salaried individuals. Notably, their study revealed a significant trend: salaried individuals have begun to acknowledge the importance of both saving and investing. This observation implies a growing awareness within this demographic regarding the necessity of securing their financial future. Furthermore, the research underscores the influence of socio-economic variables on saving habits. It also highlights the continued popularity of traditional investment avenues. Additionally, the study underscores the pivotal role played by factors such as tax benefits, potential returns, and the safety of investments in shaping individuals' investment decision-making processes.

(Samudra & Burghate, 2012) research focused on analyzing the investment behavior of middle-income households in Nagpur, India. It aimed to provide valuable insights into their investment preferences, objectives, savings trends, and the impact of both income and age on investment choices. By addressing these questions, the study aimed to contribute to a better understanding of the dynamics of investment decisions within this specific demographic.

(Amraveni & Archana, 2017) study sheds light on the investment behavior of individuals in Wranglar city, providing insights into their investment preferences and the impact of demographic factors on these choices. The research unveiled that investors displayed a strong inclination toward investing in insurance policies and pension schemes. These findings underscore the prominence of these particular investment options among the investor community.

(Suppakitjarak & Krishnamra, 2015) This research provides valuable insights into the saving behavior of households, emphasizing their saving rates, objectives, choice of saving instruments, and the impact of income levels on investment preferences. Additionally, it highlights the perception of risk and return, as well as the enduring preference for physical assets, particularly real estate, among savers.

(Divanoglu & Bagci, 2018) research underscores the significance of psychological factors in molding the behavior of individual investors. It extends beyond the conventional realm of economic and financial indicators to underscore the sway of personal, social, and larger contextual elements in the investment decision-making process. Furthermore, their findings underscore the crucial nature of risk reduction and return enhancement as central considerations for investors as they navigate the array of available investment options.

III. Research Methodology

The target population is the employees working in public sector organizations of Jhansi district. The sampling method employed is convenient sampling, taking into consideration income levels and age. The total sample size consists of 250 respondents who are working in various sectors of public sector organizations. The questionnaire is designed -

- To examine the socio-economic characteristics of both public sector employees from Jhansi district.
- To examine the factors that determines the level of savings and investment by public sector employees.
- To determine the level of savings and investment made by the respondents and the choice of investment avenues in the area considered for the study.

IV. Results

A. Characteristic of Sample Population

The sample is called as investors. There are males 72.4 percent and females 27.6 percent. The average age is 30 years and married 80.40 percent which 38.3 percent have young children. There are 41.2 percent of investors are post graduates and 24.0 percent possess professional degree. About 64.0 percent employees are working at middle level in their organization. Their average income is at about 31,300 per month.

B. Level of Savings, Objective of Savings

It's evident that a majority of employees allocate a relatively small portion of their income to savings. As the percentage ranges increase, the proportion of respondents allocating higher percentages of their income to saving decreases, while the proportion of those investing higher percentages increases significantly. The 60 above range stands out, indicating that a substantial number of respondents invest over 60% of their savings, emphasizing a strong focus on investment as income levels rise. (Table I)

Table I: Level of Savings and Investment

Variables	Saving Percentage	Investment Percentage
No Savings/Investment	2.8	12.0
1-20	56.0	38.0
21-40	29.6	5.2
41-60	10.0	4.0
60 above	1.6	40.8

Source: Primary Survey

Friedman Rank Analysis has been used to assess the factors which encourage savings of public sector employees. The test works on the principle of ranking the data of each group. Lowest mean score= Rank 1, Next highest mean score = 2 and so on. Most of the people prefer save in for future provisions, to maintain the standard of living and for tax saving purpose (Table II). A significant association has been found between the factors that encourage savings and the level of savings (Table III).

Table II: Objectives of Savings

Factors Influencing Savings	Public Sector	
	Mean Score	Rank
To make provisions for future	3.02	1
To maintain the standard of living in future	4.18	2
Tax Savings	5.08	3
To arrange for inflation in the future	5.41	4
Acquiring of assets (Gold, Property etc.)	5.44	5
Investment Purpose	5.49	6
Safety of money	5.78	7
Good Rate of Return	6.08	8
Recreational Purpose (Holidays, Tours, Trips, Religious Tours etc.	7.06	9
Stability of Returns	7.45	10

Source: Primary Survey

Table III: Association between factors influencing savings and level of savings

Test Statistics	Public Sector
Chi-Square Value	403.089[b]
Df	9
Asymp. Sig.	0.000

Source: Primary Survey

C. Factors Encouraging to increase the size of savings

The table presents factors that contribute to increasing the size of savings, ranked by their significance based on the "Yes" responses. It was found that individuals are primarily motivated to increase the size of their savings by the anticipation of future financial needs and the potential for salary increases. The ability to leverage additional income or take advantage of tax benefits also plays a significant role. These factors reflect a combination of personal financial planning goals, income dynamics, and incentives for savings, all of which contribute to building a robust savings strategy. (Table IV)

Table IV: Factors Increasing the Size of Savings

Factors increasing the size of savings	Percentage	Rank
Future needs	**88.0**	**1**
Increase in salary	**87.2**	**2**
Additional Income or Increments	**72.8**	**3**
Tax benefits	**67.2**	**4**
Statutory requirements	**42.0**	**5**

Source: Primary Survey

D. Factors Influencing Investment Decision

The results underscore that individuals prioritize the safety of their investments and future financial security when making investment decisions. The desire for regular income, long-term benefits, and tax advantages also play crucial roles. While high returns are important, they rank slightly lower in significance, indicating that investors may balance the pursuit of profits with risk considerations. Additionally, factors like low risk, capital appreciation, liquidity, and past performance also influence investment choices but to a slightly lesser extent. (Table V)

Table V: Factors Influencing Investment Decision

Factors Influencing Investment Decision	Percentage	Rank
Safety of Money	**84.4**	**1**
Future Security	**82.0**	**2**

Regular Income	**74.8**	**3**
Long Term Benefits	**63.6**	**4**
Tax Benefits	**62.4**	**5**
High Returns	**59.2**	**6**
Low Risk	**48.4**	**7**
Capital Appreciation	**47.6**	**8**
Higher Liquidity	**47.2**	**9**
Past Performance	**39.6**	**10**

Source: Primary Survey

E. Advice the most in taking Investment Decision

Table VI provides insights into the sources of advice that individuals consider most influential when making investment decisions. It presents the percentage of respondents who rely on various sources and ranks them based on their prevalence. The table demonstrates that individuals predominantly trust their own knowledge and judgment when making investment decisions. Professional advisors, friends, and spouses also play significant roles, highlighting the multifaceted nature of financial decision-making, which often involves a blend of personal expertise and external counsel. The ranking of various sources provides valuable insights into the hierarchy of influence in investment decision-making processes.

Table VI: Advice the most in taking Investment Decision

Advice the most in taking Investment Decision	Percentage	Rank
Use Own Knowledge	**92.0**	**1**
Investment/ Insurance Advisors	**60.8**	**2**
Friends	**49.6**	**3**
Spouse	**44.4**	**4**
Financial Consultants	**42.8**	**5**
Expert Views	**32.8**	**6**
Father	**32.8**	**7**
Mother	**22.4**	**8**
Children	**20.4**	**9**
Relatives	**19.2**	**10**

Source: Primary Survey

F. Sources of Gathering Information

Table VII provides valuable insights into the sources individuals use to gather information about investment, with each source ranked based on its prevalence. It highlights the various channels through which individuals gather information about investments. Professionals, including financial advisors, hold the highest influence, indicating a reliance on expert guidance. Television, family members, and friends also play substantial roles, underlining the importance of personal networks and mass media in shaping investment decisions. Newspapers maintain their relevance, while magazines and radio are less frequently consulted sources. The ranking provides insights into the hierarchy of information sources in the context of investment decision-making.

Table VII: Sources of Gathering Information about Investment

Sources of Gathering Information about Investment	Percentage	Rank
Professionals	**57.6**	**1**
Television	**43.2**	**2**
Family Members	**39.6**	**3**
Friends	**38.0**	**4**
Newspaper	**33.6**	**5**
Magazine	**12.8**	**6**
Radio	**7.2**	**7**

Source: Primary Survey

G. Awareness and Choice of Investment Avenue

The table VIII shows the level of awareness of employees towards various investment alternatives and also their preference towards choice of investment. It shows that employees exhibit a strong preference for safe and low-risk investment options like bank deposits and post office savings, which align with their high awareness levels. Moderate-risk options such as mutual funds, SIPs, and life insurance are also well-recognized and reasonably preferred. High-risk options like the equity share market and derivatives have lower preference levels, but the awareness levels vary. Traditional investments like real estate and gold/silver are popular choices, with high awareness levels, while chit funds are less favored and known among the employees.

Table VIII: Awareness Level and Preference for Investment

Investment Avenues	Awareness	Preference Level
A. Safe/Low Risk		
Bank Deposits	96.4	93.6
Post office Savings	84.0	71.2
B. Moderate Risk		

Mutual Fund	70.0	49.6
SIP (Systematic Investment Plan)	73.6	50.0
Life Insurance	70.4	77.2
C. High Risk		
Equity Share Market	68.8	30.4
Derivatives Market	41.6	7.6
D. Traditional Investment Avenues		
Real Estate	75.2	63.6
Gold/Silver	84.4	58.8
Chit Funds	50.8	20.0

Source: Primary Survey

H. Level of Satisfaction with the return generated by Investment Option

The table IX presents the level of satisfaction among respondents regarding various investment avenues. Each investment avenue is associated with a percentage score, reflecting the degree of contentment or satisfaction among investors. It provides insight into investor satisfaction with various investment avenues. Traditional options like bank deposits and post office savings receive high satisfaction ratings, reflecting trust and perceived safety. Life insurance also ranks well. In contrast, investments in riskier assets like equity shares, derivatives, and chit funds have lower satisfaction levels, possibly due to their associated risks and complexity. The level of satisfaction can be influenced by individual preferences, expectations, and market conditions.

Table IX: Level of Satisfaction with the return generated by Investment Option

Investment Avenues	Level of Satisfaction
Bank Deposits	64.8
Post office Savings	63.6
Mutual Fund	32.8
SIP (Systematic Investment Plan)	36.8
Life Insurance	62.0
Equity Share Market	24.0
Derivatives Market	14.8
Real Estate	37.6
Gold/Silver	34.4
Chit Funds	21.2

Source: Primary Survey

V. Conclusion and Suggestions

The study's key findings indicate that a majority of employees allocate a relatively small portion of their income to savings, with the allocation decreasing as the percentage of income saved or invested increases. Most individuals save for future provisions, maintaining their standard of living, and for tax-saving purposes. Motivations for saving include anticipating future financial needs and potential salary increases.

When it comes to investment decisions, safety and future financial security are top priorities for individuals. They generally trust their own knowledge and judgment but also seek guidance from professionals, particularly financial advisors, indicating a reliance on expert advice.

Employees exhibit a strong preference for safe and low-risk investment options like bank deposits and post office savings, driven by their high awareness levels. These traditional options receive high satisfaction ratings, reflecting the trust and perceived safety associated with them.

This study reveals that participation in financial instruments within the capital market remains relatively low. To encourage more individuals to invest in these instruments, regulatory bodies and financial institutions can address certain barriers that discourage potential savers.

Reducing Initial Investment Requirements: A significant number of savers refrain from investing in certain instruments due to high minimum investment thresholds. To attract more individual investors, financial institutions can consider lowering these initial investment requirements.

Addressing Risk Concerns: Some investors hesitate to invest in share market and risky assets out of fear of default or loss of value. This highlights the importance of addressing risk perceptions. Financial institutions can provide clearer information about the risks associated with various instruments and implement risk mitigation strategies to instill confidence in potential investors.

Promoting Financial Education: Despite having high levels of education, some employees may lack the necessary financial knowledge to make informed investment decisions. Initiatives aimed at promoting financial literacy and education in public sector organizations to better understand and navigate the complexities of the financial markets.

Enhancing Investor Protection: To alleviate concerns about investment security, regulators and financial institutions should continue to strengthen investor protection mechanisms. Transparent disclosure practices and mechanisms for resolving disputes can enhance trust in the financial system.

Diversification Strategies: Encouraging diversification in investment portfolios can help mitigate risk and improve overall returns. Employees should be educated about the benefits of diversifying their investments across various asset classes.

The results show that a majority of employees allocate a relatively small portion of their income to savings. As the percentage ranges increase, the proportion of respondents allocating higher percentages of their income to saving decreases, while the proportion of those investing higher percentages increases significantly. Most of the people prefer save in for future provisions, to maintain the standard of living and for tax saving purpose. It was found that individuals are primarily motivated to increase the size of their savings by the anticipation of future financial needs and the potential for salary increases. Individuals prioritize the safety of their investments and future financial security when making investment decisions.

Individuals predominantly trust their own knowledge and judgment when making investment decisions. Professionals, including financial advisors, hold the highest influence, indicating a reliance on expert guidance.

It shows that employees exhibit a strong preference for safe and low-risk investment options like bank deposits and post office savings, which align with their high awareness levels. Traditional options like bank deposits and post office savings receive high satisfaction ratings, reflecting trust and perceived safety.

In conclusion, addressing the barriers to entry and risk perceptions in the capital market can foster greater participation among savers. By making financial instruments more accessible, transparent, and investor-friendly, regulatory bodies and financial institutions can unlock the potential for increased individual participation in the financial markets.

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