



Investment Pattern of Selected Salaried Individuals

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Abstract:

Investment decisions play a crucial role in financial planning, especially for salaried individuals who seek stability and long-term financial security. This study analyzes the investment patterns of selected salaried individuals, focusing on their preferences for tax-saving and non-tax-saving investments. Data was collected through a structured questionnaire from 46 employees of educational institutions and nationalized banks, with a majority possessing postgraduate qualifications. Statistical techniques, including the coefficient of correlation and graphical analysis, were employed to assess the impact of key variables such as age, income, number of dependents, and family income on investment decisions. The findings indicate that family income plays a dominant role in shaping investment behavior, followed by individual income. The study also reveals a strong inclination toward tax-saving investments, with 38% of such investments allocated to government-backed schemes like GPF/PPF/EPF, followed by life insurance policies (27%). Non-tax-saving investments primarily comprise post office schemes (44%) and bank deposits (28%), reflecting a conservative investment approach among the respondents. Despite capital market reforms, minimal preference was observed for equity shares and mutual funds. The results highlight that government-backed investment options remain the most preferred choice due to their perceived security and tax benefits. This conservative investment pattern underscores the need for greater financial awareness and diversification strategies to optimize returns while managing risk effectively.

Key Words: Investment, financial planning, financial security, investment behavior.

I. Introduction:

Life is a process that becomes more and more complicated with age. One of the key factor complicating one's life is "FINANCE". Most of life's problems can somehow be related to or eliminated by proper handling of finances.

Almost every one owns a portfolio of investment. It may be the result of deliberate and careful planning or by compulsion. Financial and economic reforms due to liberalization & privatization policy of government led to more and more avenues for investment.

It is well said that "A person has to save for one's rainy days". "Savings" are nothing but excess of income over expenditure. It may be investments or may not be investments. But 'Investments' are "Savings" which earn returns in future.

II. Factors affecting investment decisions

Finance decisions differ from person to person. It depends upon one's income, age, education, occupation, family status, number of dependents, life style, priorities etc.

Income factor plays a vital role in individual investment decision. The higher the income, the higher is the tax bracket which in turn leads to high tax saving investments.

III. Rationale behind investment pattern

While evaluating investment avenues, following attributes are generally considered:

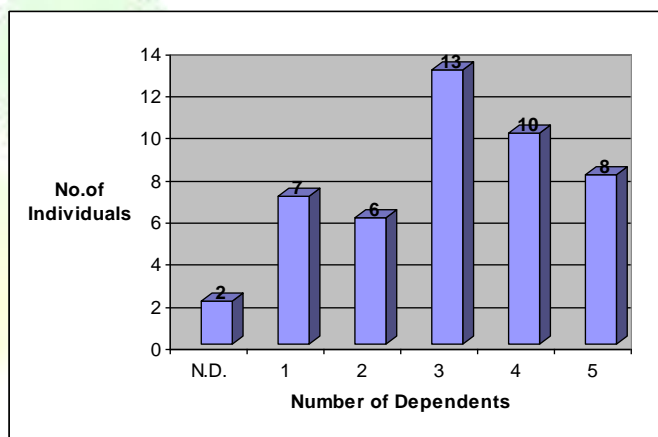
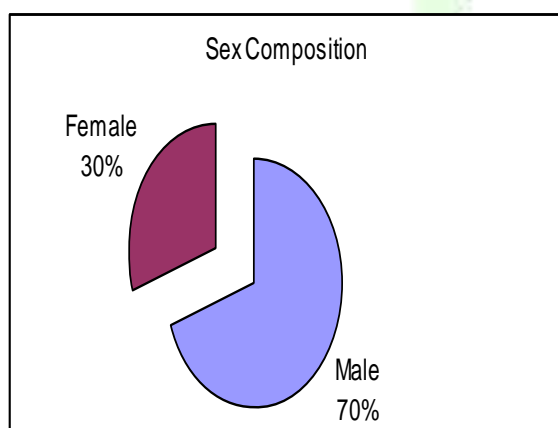
- (1) Rate of Return
- (2) Risk (Safety of Capital)
- (3) Marketability
- (4) Tax Shelter
- (5) Convenience.

IV. Scope of study

In this project, an attempt has been made to analyse the investment pattern of selected salaried individuals who are well aware of their future income and working life.

V. Data Collection

For the purpose of above study, ‘Primary Data’ have been collected through questionnaire. Response has been received from 46 employees of Educational Institutions and Nationalised Banks. Out of these respondents, 30% were females and 70% were men. Majority of the respondents were with minimum post graduate qualification and having dependents varying from 1 to 5.



VI. Methodology

Data collected from the respondents were analysed by applying statistical techniques like co-efficient of correlation and pie-diagram.

VII. Limitation of study

Sample comprises of Government Employees only.

VIII. Inferences

Statistical technique “Co-efficient of correlation has been applied to find out the factor which affects the most of individual investment pattern. For the purpose, the dependent variable “Total Investment” is co-related with independent variables like Age, Number of Dependents, individual income and family income. The outcome is as follows:-

Table showing the relationship between the variables affecting the investment:-

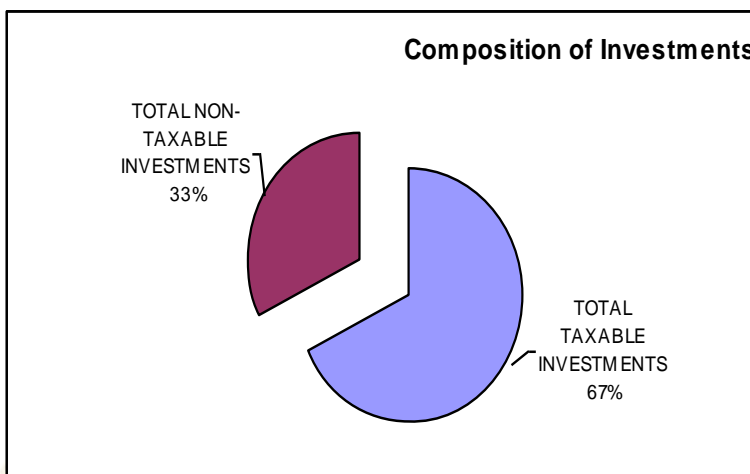
Correlations Between Selected Variables

	Independent Variable	Dependent Variable	Co-efficient of Correlation	Inferences
01.	Age	Total Investment	0.537	Increase in age leads to increase in investment.
02.	No. of Dependents	Total Investment	- 0.0107	Increase in number of dependents leads to decrease in investment, but not significantly.
03.	Individual Income	Total Investment	0.480	Increase in individual income leads to increase in investment.
04.	Family Income	Total Investment	0.612	Increase in family income leads to increase in investment.

The above table indicates that FAMILY INCOME plays a major role in individual’s investment.

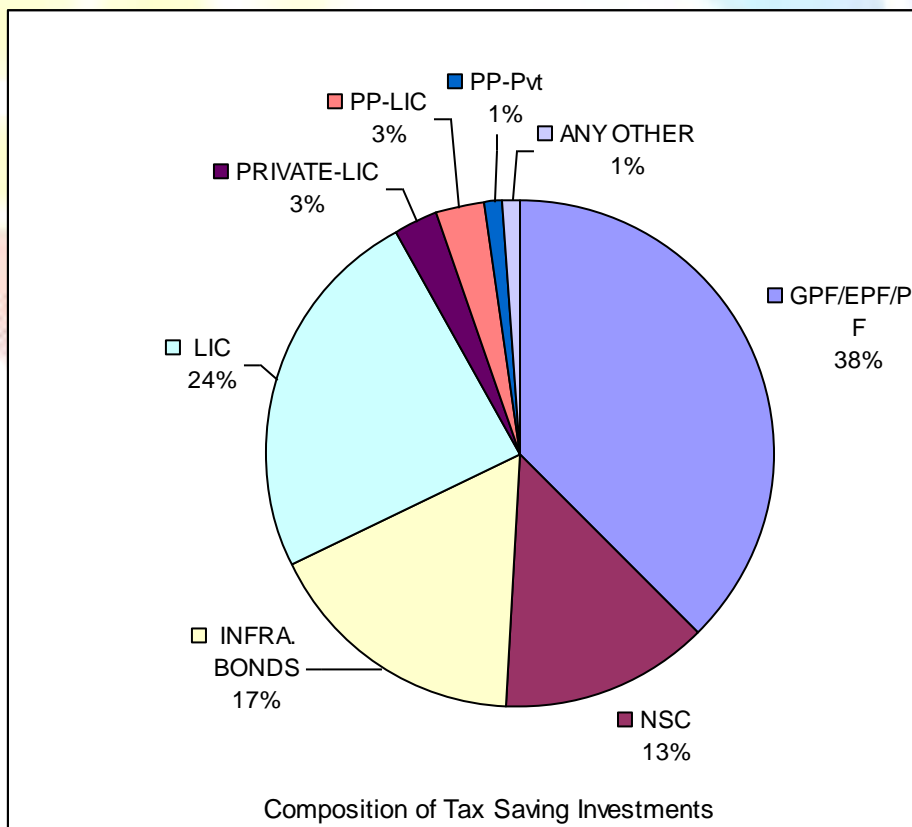
IX. Investment Pattern

97.8% of respondents are having individual income above Rs.1,00,000/-Hence they are chargeable to Income Tax. So preference is found for tax saving investments. The above fact is revealed through the co-efficient of correlation between individual income to tax saving investment where $r = 0.566$. It shows good positive correlation between the variables.



The above diagram clearly indicates that 2/3 of the total investment made by individual is in “Tax Saving Investments”.

X. Composition of Tax Saving Investment (T.S.I.)

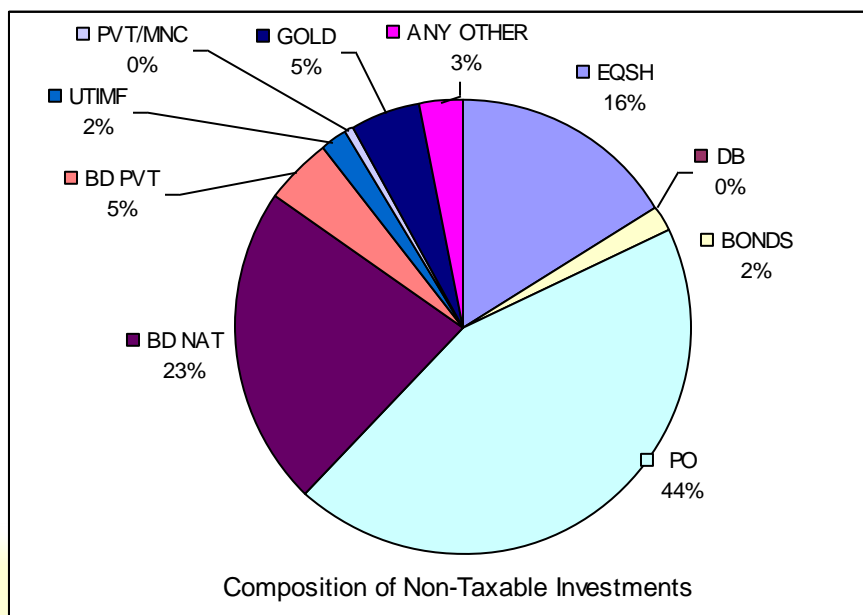


The above diagram indicates most of total Tax Saving Investments, (38%) are made in GPF/PPF/EPF. Next priority is given to Life Insurance Policies which amounts to 27% of total T.S.I. The co-efficient of correlation of number of dependents to life insurance policy is 0.045, indicating insignificant relationship between the two variables.

This indicates that Life Insurance Policies are not taken for dependents but it is considered to be good investment opportunity.

Infrastructure Bonds (17%) and N.S.C. (13%) comes next in the list of priorities. Lastly, only 4% of T.S.I. is in Pension Plans. This may be due to the fact that the sample covers only government employees who are covered with all retirement benefits.

XI. Composition of Non Tax Savings Investment (NTSI)



Majority of Non Tax Saving Investments are made in various schemes of post office [MIS/KVP/FD/RD] which comes to 44% of Non Tax Saving Investment.

Bank Deposits occupy the second position with 28% of NTSI and Equity Shares with 16% are at 3rd position. The remaining 12% of NTSI are made in Bonds, Mutual Funds, and Gold etc.

In spite of reforms in the capital markets, not much preference is shown for equity shares and mutual funds.

XII. Conclusion

The above study shows 75% of T.S.I. are made in various government backed investments viz., (GPF/PPF/EPF – 38% + NSCB + LIC - 24%).

Out of N.T.S.I., 69% are in government supported investments viz., 44% in post office, 23% in Nationalised Bank and 2% in U.T.I.

This proves less priority is given to non government investments, both in T.S. & N.T.S. investment due to the conservative approach of the sample.

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INVESTMENT DECISIONS OF SALARIED INDIVIDUALS

Q. No.	DESCRIPTION OF QUESTION	ANSWER/CODE
01.	Name (OPTIONAL)	
02.	Age (In Completed Years)	
03.	Retirement Age (In Years)	
04.	Sex (Write the appropriate number) 1. Male 2. Female	
05.	Marital Status (write the appropriate number) 1. Married 2. Unmarried 3. Divorcee/Separated 4. Widowed	
06.	Number of Dependents (Give number/s)	
	(a) Parent (s)	
	(b) Children	
	(c) Spouse	
	(d) Any Other	
	(e) Total	
07.	Number of earning members in the family (write the number)	
08.	Educational Qualification (write the appropriate number) 1. Undergraduate 2. Graduate 3. Post Graduate 4. Ph.D. 5. Any other, specify _____	
09.	Category of Employment (write the appropriate number) 1. Academic 2. Non Academic	
9A.	If academic category (write the appropriate number) 1. Lecturer 2. Reader 3. Professor	
9B.	If non academic category (write the appropriate number) 1. Peon 2. Clerk 3. Officer 4. Any other, specify	
10.	Individual Income (Annual) (write the appropriate number) (Upper Limit Exclusive) 1. Below 1,00,000, 2. 1,00,000 – 2,00,000, 3. 2,00,000 – 3,00,000 4. 3,00,000 – 4,00,000, 5. 4,00,000 – 5,00,000 6. 5,00,000 and above	
	DESCRIPTION OF QUESTION	ANSWER/CODE
11.	Family Income (Annual) (write the appropriate number) (Please include spouse income) (Upper Limit Exclusive) 1. Below 1,00,000 2. 1,00,000 – 2,00,000 3. 2,00,000 – 3,00,000 4. 3,00,000 – 4,00,000 5. 4,00,000 – 5,00,000 6. 5,00,000 and above	
12.	Do you invest? (write the appropriate number) 1. Yes 2. No	
12A.	If yes, why do you invest (Write the appropriate number) (1) For Tax Planning (2) For Future Security (3) For Retired Life (4) For Dependents (5) All Above	



13	What is the approximate break up of Tax Saving Investment and Non Tax Saving Investment?	In Percentage					
	1. Tax Saving Investment						
	2. Non Tax Saving Investment						
	TOTAL	1	0	0			
14.	Where do you invest? (If your answer is “YES” in Q.No.12)	Approx. amount (per annum)					
		Rs.					
	A. Tax Saving Investments						
	a. GPF/EPF/PPF						
	b. N S C						
	c. Infrastructure Bonds						
	d. Life Insurance						
	(i) LIC						
	(ii) Private						
	e. Pension Plans						
	(i) LIC						
	(ii) Private						
	f. Any other, specify						
	TOTAL (A)						
	B. Non Tax Saving Investments						
	a. Equity Shares						
	b. Debentures						
	c. Bonds						
	d. Post Office (KVP/MIS/FD/RD etc)						
	e. Bank Deposits (FD/RD/SB)						
(i) Nationalized Banks							
(ii) Private Banks							
f. Mutual Funds							
(i) Unit Trust of India							
(ii) Private Banks/MNCs							
g. Gold / Silver							
h. Any other, specify _____							
TOTAL (B)							
TOTAL INVESTMENTS (A) + (B)							