

A STUDY ON SAVINGS AND INVESTMENT PROTOTYPE OF SALARIED PEOPLE IN KADAPA AND CHITTOOR DISTRICTS

Dr. P. VENU GOPAL
Asst. Professor of Commerce
Govt. Degree & PG College
Puttur Town, Chittoor Dist, A.P. 517583
Email- venu.sebi@gmail.com,
Mobile: 9393887222

ABSTRACT

India is a developing country where, there has been a consistent increase in the national saving rate in post- independence period, with considerable fluctuations from year to year. In international standpoint of view, India has a high saving rate compared to other developing countries. In the developed countries, the income is generated at a higher rate which encourages people to have more savings and to more investment leading to more capital formation. But in a country like India, the income standard is almost uncertain and leads to more consumption rather than saving. Savings rate in a particular country increases the growth rate of the country. In this paper an attempt is made to show the investment pattern of salaried people. A sample of 100 private and 100 government employees are been investigated and analyzed.

Key words: savings, investment rates, capital formation, growth rate income standards.

INTRODUCTION

India is a developing country where, there has been a consistent increase in the national saving rate in post- independence period, with considerable fluctuations from year to year. In international standpoint of view, India has a high saving rate compared to other developing countries. In the developed countries, the income is generated at a higher rate which encourage people to have more savings and to more investment leading to more capital formation. But in a country like India, the income standard is almost uncertain and leads to more consumption rather than saving. Economic development of the country depends upon the development of income levels, increased savings and investment culture of the people. Therefore the economic development of a nation depends upon the development of certain economic units, areas or people with surplus funds and those with deficit.

Managing the surplus funds is a mechanism of capital formation which can be better understood by knowing the about the overview of Indian Financial System. A financial system or financial sector functions as an intermediary and facilitates the flow of funds from the areas of surplus to the areas of deficit.

A Financial System is a composition of various institutions, markets, regulations and laws, practices, money manager, analysts, transactions and claims and liabilities. The term financial system comprises of different activities /services, institutions, intermediaries, markets which promotes Savings and Investment practices of the investors. It is a set of institutional support which promotes the mobilization of surplus units transferred to the deficit spenders.

Money and Finance alone cannot lead to economic development. The financial system plays a significant-role- in bringing about economic development of the country. This is achieved by stimulating the accumulation of capital and by efficient allocation of it. The Financial system consists of the financial markets and the supporting institutions. A financial market is one in which financial assets are created or transferred. Financial assets represent a claim to the payment of a sum of money some time in future. The Indian financial system consists of the Indian money market and capital market. The distribution between these markets deals with all transactions related to long term debt with a period of maturity of above one year.

The profile of the investing public, investment vehicles available, the investment environment and the nature of problems encountered by the small and household investors are substantially different today from what they were a decade ago. The investors would like to know how to go about the task of investment, how much to invest at any moment and - when to buy or sell-the securities, this depends on investment process as investment policy, investment analysis and revision. Every investor tries to derive maximum economic advantage from his/her investment activity. For evaluating an investment, avenues are based upon the rate of return, risk and uncertainty, capital appreciation, marketability, tax advantage and convenience of investment. The choice of the best investment options will depend on personal circumstances as well as general market conditions. In most cases, the right investment is a balance of three things i.e, liquidity, safety and return.

Investment is the employment of funds with the aim of achieving additional income or growth in value. The main characteristics of investment are waiting for a reward. Investment is the allocation of monetary resources to assets that are expected to yield some gain or positive

return over a given period of time. Investment aims at multiplication of money at higher or lower rates depending upon whether it is long term or short term investment and whether it is risky or risk-free investment. Investment activity involves creation of assets or exchange of assets with profit motive. “An investment in knowledge pays the best interest”. From the people point of view, the investment is a commitment of a person’s funds to derive future income in the form of interest, dividends, rent, premium, pension benefits or appreciation of the value of their principle capital. Most of the investments are considered to transfers of financial assets from one person to another. Various investment options are available with differing risk-reward tradeoffs. An understanding of the core concepts and a thorough analysis of the options can help an investor to create a portfolio that maximizes returns while minimizing risk exposure. Saving is a very important component which is responsible for combating or meeting any emergency accrued by the individuals or the households or any corporate agencies. Saving is more of meant for meeting contingencies but sometimes it also acts as a form of investment. But sometimes people are not inclined towards saving and the very delicate reason is lack of awareness.

REVIEW OF LITERATURE

Dr. Ananthapadmanabha Achar (2012) studied “Saving and Investment Behaviour of Teachers - An empirical study”. In the analysis individual characteristics of teachers such as age, gender, marital status, and lifestyle determined the savings and investment behaviour of teaching community in the study region. They considered monthly family income, stage of family life cycle, and upbringing status emerged as determinants of their savings and investment behavior.

STATEMENT OF PROBLEM

The salaried people have different investment channels to invest their surplus funds in modern equipment. Consumer durables have attracted the salaried brackets towards it. In fact, it has affected largely the saving habits of the salaried classes, as well as quantum of savings, which in turn, has affected the investment decision of this related class. Such a dynamic situation compels one to have a clear-cut objective of his future investment. Then only the investor can think of channelizing the surplus income for investor’s own benefit as well as for the growth of

the country. The investor should be very careful in selecting the investment avenues. The investor should exercise this skill, knowledge and experience for choosing investment opportunity. Otherwise the whole of his investment may go waste. In this context, the present study becomes highly essential on the following grounds. To know the investment pattern of salaried people and to find out the various factors affecting the investment decisions of salaried people.

OBJECTIVES OF THE STUDY

1. To study the pattern of savings and investment of Salaried People based on their income.
2. To know the reasons of investments of the salaried respondents in various investment avenues.
3. To understand their preferences on different investment avenues.

RESEARCH METHODOLOGY

Sample Design and Sample Selection: The present study confines to the sample of 200 Salaried People from two districts of Andhra Pradesh state, Kadapa and Chittoor, which includes 100 (50 from each district) respondents from private sector and 100 (50 from each district) employees from government sector.

Sources and Techniques of Data: The present study includes both Primary and Secondary data. Primary data is collected through structured schedule by holding interview from the investors in local dialectic. Secondary data is to be collected from Books, Journals etc.

Savings and Investment Concept: Money Attitude of the people towards money in today's world is that everybody wants to enjoy the benefits of money because they have earned by hard work and efforts made on it. That's great but spending all your money is not the smartest thing to do. Saving of money help people in the long run. There could be the uncertainties of future which resist people to save for future. What happens if you lose your job tomorrow? Or the car breaks down, or the plumbing leaks through your walls? If somebody have savings for future than the uncertainties can be faced by people and stress will be less. Without money put away in savings and/or investments, people may open themselves up to other risks as well. There are many ways through people can save money one is controlling the extra expanses. For this

make a list of the things which shows necessity and purchase things according to it and don't buy extra things that exceeds peoples expenses and also stop going to shopping complexes and malls that also reduces the cost and improves saving structure. Secondly reduce the telephone expanses. Thirdly, reduce electricity expanses. Electricity one can save lot if one remains alert and switch off lights and fans and other electronic item immediately after their use. Similarly in case of telephone you can save by buying an affordable model and talking less on phone. Thus, your saving not only benefits you but also helps in preserving the environment by preventing wastage and contributes to the economic growth of country. Thinking before doing about the few reasons why saving has great importance for people. Obviously, everybody wants more money. It's pretty easy to understand that people invest because they want to increase their personal freedom, sense of security and ability to afford the things they want in life. However, regardless of why one invests, one should seek to manage one self's wealth effectively, obtaining most from it. This includes protecting the assets from inflation, taxes, and other factors. Investment is important Because of financial interdependence, increases wealth, fulfilling personal goals and Reduces future risk.

Table No: 1 Annual Savings Of Respondents Based On Their Income

	Annual Savings (Rs.)					
Sl. No.	Annual income	Below 20,000	20,000-30,000	30,000-40,000	40,000 and above	Total
1	Less than 2,40,000	13	07	07	03	30
2	2,40,000-3,60,000	13	13	12	04	42
3	3,60,000-5,40,000	07	12	13	05	37
4	5,40,000-6,00,000	09	13	12	08	42
5	6,00,000 and above	13	12	13	11	49
	Total	55	57	57	31	200

Source: Primary data

Table 1 shows the relationship of annual income to the annual savings of the respondent. It is observed that lower the amount of income, lesser is the amount of savings by larger number of respondent. But as the level of income increases by the respondent, it is cleared that more the amount of savings is done by minimizing the expenditure and select the various pattern of investment based on the degree of expected return with the degree of risk involved in it.

Table-2 Reason for Investment

Sl. No.	Purpose	Private Employees N=100	Government Employees N=100	Total N=200
1	Assured returns	90(180)	90(180)	180(180)
2	Freedom from risk	84(168)	82(164)	166(166)
3	Tax benefits	86(172)	92(184)	178(178)
4	Risk coverage	88(176)	86(172)	174(174)
5	Compulsory savings	76(152)	80(160)	156(156)
6	Children's education	84(168)	88(176)	172(172)
7	Daughters marriage	86(172)	80(160)	166(166)

Source: Primary data

From the above Table 2 it is understood that most of employees are investing their savings for the reason of assured returns and for Tax -benefits Risk coverage takes the second position and next comes the freedom from risk. Private employees are interested to invest mostly in tax benefits and assured returns but government employees are interested mostly in risk coverage and compulsory savings.

Table 3 Preference of Investment By Respondents

Mode of investment	Private employees	Government employees
Post office	20	12
Bank deposits	16	24
LIC	16	14
Real estate	20	12
Gold	16	20
Shares	12	18
Total	100	100

Source: Primary data

From the above table 3 it is clear that private employees prefer post office schemes, bank deposits and real estate but government employees are investing on bank deposits, shares and gold. Maximum number of private respondent are willing to invest in riskless assets as compared to risky assets because of Returns from the investment is their objective and for emergency purposes, subsequently for future needs. According to the survey of government respondent it is observed that they trade off of both the assets in market and expected more return as their savings are more as compared to private employees.

CONCLUSION

Today, the living standard of the people increasing day by day so salaried class community has started realizing the importance of savings and proper investment of their savings. They must avoid spending money on heavy luxurious life style and preferring the normal living standard. It is evident from the study undertaken that both private and government employees are more interested to invest the money on secured assets rather than unsecured assets and to gain a returns on them so that it may be used for various purposes like children education, marriage and to fulfill the other goals of life. There are bright chances to increase the saving and investment habits of salaried class people in Andhra Pradesh state by enhancing the saving habits and must provide the various saving mode to attract people by providing many offers and new attractive schemes.

WORKS CITED

1. Achar, A., "Saving and Investment Behaviour of Teachers- An empirical study", *International Journal of Physical and Social Sciences*. 2012.
2. G. Usha Sree, & N. Geeta., "A Study of savings and investment pattern of salaried people with special reference to Warangal District", *Financial Integration Indian Scenario*, Zenon Academic Publishing, Hyd. 2018.