



## Saving and investment pattern: Assessment and prospects

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### Abstract

The purpose of this research is to examine, using a predetermined questionnaire, how much people save in relation to their income, why they save, and what kinds of investment vehicles they prefer. In this survey, respondents are picked arbitrarily using an evaluation criterion. One-way analysis of variance (ANOVA), multivariate analysis of covariance (ANCOVA), and multivariate analysis of variance (MANOVA) are used to determine and comprehend saving and investment patterns and their underlying causes. After adjusting for factors like age, gender, and profession, we still see that conserving money has a positive impact on financial stability. Gender also affects one's level of financial education and knowledge. This research confirms the conventional wisdom that investors would rather put their money somewhere secure and liquid that offers tax breaks, greater returns, and shorter lock-in periods. The findings will aid capital creation by providing financial advisors and investment managers with a better understanding of their clients' mentality and degree of financial knowledge.

**Keywords:** investor rationality, annual savings, investment, annual income

### Introduction

The only thing we can count on is that life will be full of surprises. How we choose to spend, save, and invest our money today, in light of the shifting forces at play, determines our destiny. Longevity in old age and the unpredictability of future costs, as argued by Sood and Kaur (2015) [15], make it imperative that we put money aside now to secure our independence and peace of mind in the future. Asking oneself "What if I lost my job today?" is a good way to gauge its significance. If anything were to happen to my salary or savings, how would I be able to afford my dream home or the costly school my children would need? We plan for the future by investing our savings in the hopes of future growth in both capital and income (Seward, 1952). Reasons like this may be found in the theory of "time worth of money." Understanding the riskiness (or lack thereof) and the breadth (relative to our income) of our saving and investing habits might be useful. After all, the ancient adage that "one bird in the hand is better than two in the bush" is still widely recognized as sound advice. Researchers have looked at people's propensity to save and invest in a variety of fields (Singh 2018; Panday, 2015; Jain *et al.*, 2012) [2, 10]. This research provides crucial insight into the minds of investors (Singh, 2006), which in turn serves as a foundation for the nation's capital creation. However, studies of this kind in the state of Jammu and Kashmir (J&K) have proved dismal. The unique demographics and the state's exceptional autonomy under Article 370 of the Indian Constitution (Ministry of Law and Justice, 2018) combine to shape the character of the state's residents. This research was undertaken to provide light on the varying perspectives held by residents of J&K with regards to saving and investing by examining the correlations between yearly income and savings, age and investment, and the effects of gender on financial choices. Jammu city is an area that has seen very little study up until now, and our research aims to fill that void. Given the importance of timing and timing to success

in any enterprise, this research will aid in the creation of opportunities for investors and investees.

The total number of households the agency served was 63,016; these people were dispersed among 1,976 different communities and 340 separate cities in 24 different states and territories. According to the report, there is a significant divide between city dwellers and those living in rural areas. The typical urban Indian makes 85% more than their rural counterpart, has 71% more spending power, and saves almost twice (Rs26,762 vs. Rs11,613) as much each year.

The poll found that a person's income was strongly correlated with factors such as employment, level of education, age, geographic region, and property ownership. Incomes virtually double between the ages of 25 and 66, with households headed by college grads earning 3.5 times as much as those led by illiterates. Urban India is dominated by salaried workers, whereas rural regions are dominated by landowner farmers. Sixty-two percent of all low-income families are wage workers. Also, the poorest state is Bihar, with a per capita income of just Rs6, 277; the bottom quintile accounts for 67% of all states. According to the poll, the typical Indian saves little over sixteen percent of their salary, or sixteen thousand and three hundred and nine rupees (Rs16, 039 out of an annual income of Rs65, 041). About 12% goes toward one-off costs like weddings, parties, and expensive medical care. Food is a bigger expenditure for rural, illiterate, and impoverished families, but transportation, durables, and clothes cost about the same in both rural and urban areas. One-third of Indian homes in rural areas have color televisions, whereas more than half of urban Indians have. A quarter of Indian families spend more than they bring in, making them vulnerable to financial hardship. Over 80% of Indians save, mostly for their children's education and their own retirement, with 33% of their income coming from the salaried class. However, most of that money is ultimately used for unplanned medical care. Despite their penchant for hoarding wealth, Indians are

generally upbeat about their economic prospects. Small savings account balances account for less than 3% of family income. Nearly two-thirds of it is invested in various forms of insurance. This study addresses problems with the quantity and composition of family savings in India.

### Literature review

Geetha, N., & Ramesh, M. (2011)<sup>[1]</sup> surveying close to 200 residents in the Indian state of Orissa, the researchers were able to examine investment habits. The paper's stated goal was to familiarize the reader with the habits of Indian investors, their savings goals, and their preferences about the numerous investment vehicles now accessible in India. In this research, both parametric and nonparametric statistical techniques were used. Participants were invited to fill out a detailed questionnaire. The findings revealed that individual characteristics, such as age, employment, and income level, had a crucial role in determining saving goals. Women were also found to be more-thrifty than males, with their savings coming in a more methodical fashion.

D. & P. Jain Jain (2012)<sup>[2, 10]</sup>, M Sethupathi claims that it may be difficult for individuals without financial awareness to compare savings or borrowing choices with varying interest rates and term arrangements, and that even an educated person may need to depend on calculators or spreadsheets to make really informed judgments. Despite this, many families remain financially illiterate, as shown by their lack of understanding and the little support they get when making financial choices. There has been a recent uptick in research and policy attention focused on financial literacy, defined as the capacity to understand and effectively apply information about personal finance to achieve one's financial goals. This is especially true in India, where the government is attempting to expand access to banking services for the country's rural and poor citizens who are not currently using them. Household well-being is seen with more priority in emerging nations. A nation on the cusp of greatness is one whose inhabitants are financially literate and who know how and what helps them defeat inflation. Our goal and M. Sethupathi's study are congruent, and this has allowed us to more confidently make conclusions regarding the market and savings habits.

Tarun Ramadorai, and Vimal Balasubramaniam (2014)<sup>[5]</sup> The research states that many standard economic models have a tight relationship between savings and economic growth. In their work, the authors discuss and make sense of trends in current data on the distribution of wealth in Indian households. Based on their analysis of international micro-data, they conclude that non-financial assets, particularly gold, account for a disproportionate share of Indian households' wealth. In addition, the rural-urban split, disparities in education, family structure, wealth, and age all play a major role in explaining the variation in the proportion of non-financial assets held by different households. They also find evidence of a link between gold and property investments.

Cristian Badarinza (2016)<sup>[4]</sup> Most standard economic models show a robust correlation between savings and economic expansion. Recent statistics on the distribution of wealth in Indian households are described, and an effort is

made to understand these facts (accumulated savings). In contrast to microdata from other nations, non-financial assets, and gold in particular, play a disproportionate role in the wealth of Indian households. In addition to disparities in rural-urban status, education, family composition, wealth, and age all contribute to the variation in the proportion of non-financial assets between households. We also find evidence of a substitution effect between gold and property. Even after accounting for differences in population size, there is a large residual heterogeneity in nonfinancial asset holdings across Indian states. This variation is strongly correlated with differences in historical inflation volatility at the state level and seems to have lasting effects via the experience channel.

Hibbert *et al.* (2012)<sup>[3]</sup> discovered that English and finance teachers in the United States were more likely to actively manage their retirement funds than were professors in other disciplines due to the former group's greater financial literacy. Female financial experts, Olsen and Cox found, place a more emphasis on weighing hazard attributes like a possibility of tragedy and uncertainty than their male counterparts. Nasir *et al.* argue that local saving, rather than relying on foreign sources, is the key to economic development and prosperity. Savings habits were shown to be affected by the quantity of money borrowed, income, and loan repayment, whereas investing behavior was found to be influenced by the amount of money borrowed. This research was conducted by Adeyemo and Bamire.

### Methodology

This study used a descriptive methodology. The time frame for this analysis is the second quarter of the current fiscal year. A total of 184 participants were chosen at random for this survey. As a unit of sampling, each responder has been assigned a unique questionnaire. The initial sample size of 250 respondents was reduced to 122 after 38 did not reply and 28 were incomplete to the questionnaires. We learned a lot about Jammu city's residents' savings and investing habits from their comments. Various financial instrument performances have been summarized in tables. A data analysis was performed using IBM SPSS Statistics version 23. One-way analysis of variance, analysis of covariance, multiple-way analysis of variance, and frequency distribution are only some of the methods that have been used.

### Results and discussion

The study found that out of the 184 people polled, 65% are men and 35% are women. The bulk of responders (52%) were between the ages of 40 and 60, followed by those in their twenties (30.5%), their thirties (13.5%), and those in their fifties (4%). The annual income of these families has varied widely, from far under Rs.100,000 to well over Rs.500,000. Although some have been able to save less than 10% or more than 50% of their income, the most majority (43%), like me, have been able to save between 10% and 20%. When broken down into line of work, it turns out that 74% of people bring in money via their regular employment, while just 9% do so through their own venture. \*(See Table 1 for details).

**Table 1:** Demographic Profile of Respondents (Out of 184)

Demographic Variable	Particulars	Frequency	Percentage
Gender	Male	120	65
	Female	64	35
Total		184	100
Age (in years)	Below 20	0	0
	Between 20-30	56	30.5
	Between 30-40	24	13.5
	Between 40-60	96	52
	Above 60	8	4
Total		184	100
Annual Income (In Rs.)	Less than 100000	8	4.3
	100000-300000	24	23
	300000-500000	32	17.4
	500000 & above	120	65.3
Total		184	100
Annual Saving (in Rs.)	Below 10%	24	13
	10-20%	88	48
	20-50%	56	30
	50% & above	16	9
Total		184	100
Occupation	Service	136	74
	Business	16	9
	Any Other	32	17
Total		184	100

The majority of respondents (48%) wish to use the money for a mix of requirements, including providing for their children's education (9%) and housing (9%) and future rewards (22%), in the form of capital appreciation or monthly income after retirement. Some respondents, mostly those in their twenties and thirties (13%) said that they were saving or investing for extravagant holidays. See Table 2 for details.

**Table 2:** The objective for either Saving or Investment

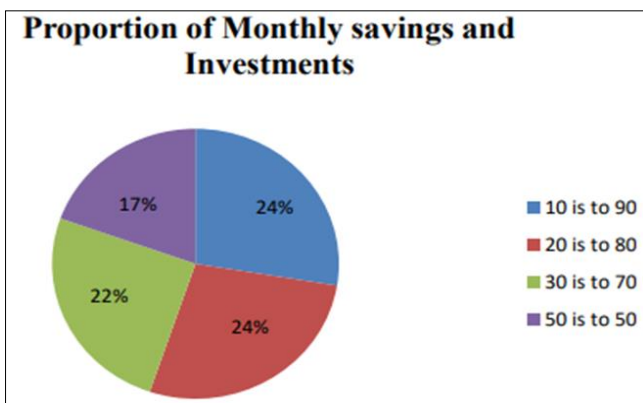
Particulars	Number of Respondents (Percentage)
House	16 (8.7)
Education	16 (8.7)
Retirement Plans	40 (21.7)
Combination of these	88 (47.8)
Any Other Option	24 (13.0)

According to the results, people's ideal toolkits have evolved throughout the years. In terms of investing characteristics, 52.4% of respondents value tax efficiency with good returns and safety. Although 13% value high returns more than tax-efficiency, 17.4% place a premium on the former. Please use Table 3 for relevant data.

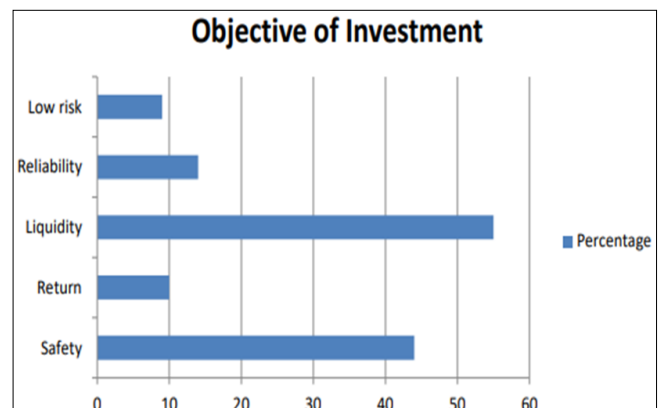
**Table 3:** Factors influencing investment decisions

Factors	Frequency (Percentage)
Tax Saving	32 (17.4)
High Yield	24 (13)
Security	8 (4.3)
Combination of these	96 (52.4)
Any Other	0 (0)
Tax Saving & Security	8 (4.3)
Tax Saving & High Yield	8 (4.3)
High Yield & Security	8 (4.3)
Total	184 (100)

Among those who were asked why they chose a particular investment vehicle, 52% cited a need for security, followed by 46% who favored savings accounts and 39% who favored PPF. Seventeen percent of those polled said that after considering all the options, they would choose any combination as a future safety measure. Still others (8%), hoping to capitalize on mutual funds' rapid expansion, were considering equity or debt investments. (Table 4).



**Fig 1:** Savings



**Fig 2:** Objective of investment

**Table 4:** Preference for Investment Options

Particulars	Number of Respondents
Savings Account	24
Fixed Deposits	32
PPF	24
Savings, FD & PPF	8
FD and PPF	24
Savings, FD, PPF, and Others	8
Equity, Debt, Savings & PPF	8
Equity, Debt, RD & FD	8
Savings, RD & FD	16
Any Combination	32
Total	184

Eighty-two percent of respondents favor trading in cash, whereas just seventeen percent favor trading in the future. Among those who answered "yes" to the question of whether or not they had ever invested in mutual funds, 102 (55.4%) said they had, with 51% saying they would allocate between 10 and 20 percent of their investment assets to such a purpose and 26% saying they would allocate less than 10

percent. Of the remaining 82 respondents, 20.7% said they would put money into mutual funds if given the chance, 40.2% said they could put money into mutual funds, and 39.1% said they would never do so.

However, things play out a little differently when alternatives are involved. Of those surveyed, just 29 respondents (15.8%) reported ever having money in options. Seventy-five-point nine percent of those who have ever invested in options have liked both the call and put option, while twenty-four-point one percent have preferred solely the put option. Of the remaining 155 respondents, 25% have stated they would invest in options in the future, while 75% have claimed they will never invest in options.

Swap agreements are a unique case. Swap agreements have never been dealt with. There is a clear lack of financial literacy among the local population, as the vast majority of respondents (73%) express no interest in utilizing it at all, while another 21.7% express a possible interest in the future and just 4.3% express a strong interest. See Table 5 for details.

**Table 5:** Particulars on Mutual Funds, Options, Swap

Mutual Funds			
Particulars			
Dealings with Mutual Funds	Yes (102)	No (82)	
If no, future preference	Yes (17)	No (33)	May Be (32)
Options			
Particulars			
Dealings with Options	Yes (29)	No (155)	
If no, future preference	Yes (0)	No (116)	May Be (39)
Swap Contracts			
Particulars			
Dealings with Swap	Yes (0)	No (184)	
If no, future preference	Yes (8)	No (136)	May Be (40)

Table 6 shows that when a one-way analysis of variance (ANOVA) is performed to determine whether or not there is a correlation between saving and income, a significant relationship is found at the 5% level of significance (F=3.055); however, when an analysis of covariance

(ANCOVA) is performed, which controls for the effect of age, income, and gender, the result is still significant (F3, 180 = 13.895) and influences the factor by 19.1%. See Table 7 for details.

**Table 6:** Association between annual saving and income

S. No	Income (in Rs.)	Annual Saving (in Rs.)					Total
		Less than 20000	20000- 50000	50000 - 80000	80000-100000	More than 100000	
1	Less than 100000	8	0	0	0	0	8
2	100000-300000	0	16	8	0	0	24
3	300000-500000	4	12	0	8	8	32
4	500000 and above	0	4	4	0	112	120
	Total	12	32	12	8	120	184

**Table 7:** Association between Saving and Income with Covariates Age, Gender and Occupation Dependent Variable: Household income saved

Source	Type III Sum of Squares	D f	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	33.058 <sup>a</sup>	6	5.510	9.434	.000	.242
Intercept	5.525	1	5.525	9.460	.002	.051
Occupation	7.666	1	7.666	13.126	.000	.069
Gender	.350	1	.350	.599	.440	.003
Age	3.434	1	3.434	5.880	.016	.032
Saving	24.344	3	8.115	13.895	.000	.191
Error	103.372	177	.584			
Total	1203.000	184				
Corrected Total	136.429	183				

One-way MANOVA tests the difference between sexes in terms of economic knowledge and competence. In order to

determine how much gender matters in instrument selections, we look at factors including the riskiness of

securities, the frequency of transactions, and the types of investments made via mutual funds and options. Priority in instrument selections, favored features, riskiness of securities, and mutual fund deals are all significantly impacted by a person's gender. However, it has been determined to have a negligible effect on the volume of

options trading. (See Table 8 for details). The results of Pillai's Test indicate that gender accounts for 33% of the variation in the dependent variable. At the 5% level of significance, Box's Test of equality of covariance matrices is significant, indicating that the dependent variables all have the same amount of covariance.

**Table 8:** Impact of Gender on Select Variables

	Levene's		Anova			Male		Female	
	F (1, 182)	P	F (1,182)	P	ETA	M	SD	M	SD
Priority in Instruments	15.20	0	3.94	0.049	0.021	9.22	2.95	8.22	3.75
Preferred Features of Instruments	0.07	0.79	5.52	0.020	0.029	3.34	1.77	4.00	1.88
Riskiness of Securities	7.47	0.007	4.46	0.036	0.024	2.40	0.82	2.65	0.68
Dealing in Mutual Funds	2.36	0.126	55.13	0.000	0.232	1.27	0.45	1.78	0.42
Frequency of Transaction	1.90	0.17	2.47	0.118	0.013	4.21	0.45	3.83	1.67
Dealing in Option Contracts	6.82	0.01	1.56	0.214	0.008	1.82	0.39	1.89	0.32

## Conclusion

This research shows that educating individuals about money may help them reach their objectives by allowing them to better balance risky and safe investments. High schools, colleges, and universities may all benefit from hosting financial literacy workshops and seminars to help students develop appropriate money management skills. This should make it easier for investors to evaluate Investment Avenue from every conceivable perspective and come to their own conclusions. Investors might strive to retain their savings while still making a profit in the market by combining a cautious strategy with speculative investments. How to entice investors in projects with extended gestation periods may be gleaned by studying people's spending and investing habits. Capital markets investments in long-term, country-building initiatives may be incentivized via well-crafted tax breaks. As a result, it will contribute to greater financial inclusion. For a growing nation like India, saving and investment are crucial macro factors with micro-foundations that may play a crucial role in maintaining and fostering employment, inflation, economic growth, and development.

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