

**FINANCIAL LITERACY AND INVESTMENT BEHAVIOUR AMONG
SALARIED CLASS- An Empirical Study in Mangalore City**

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ABSTRACT

In this research paper an attempt has been made to study the awareness and behaviour of salaried class employees. Man works to earn income to meet his own needs. Every man has unlimited wants and to satisfy these wants, he works continues for a long time. Income earning is the predominant and prime motive in everybody's life. Individuals normally take their own time to settle down in a job and to become successful investors. Though the prime objective of income earning is to pay for his demands, still income has got a different role to play. The desire to earn and save for future needs dominates the minds of the income earners. Further, there is no guarantee that surplus will result into savings.

Financial markets are the backbone of an economic system and aids in the allocation of share capital across the productive sectors of the economy. This allocation of resources helps to sustain healthy climate for savings and investment. The financial system has to be more dynamic than the real system as it has to continuously respond to the needs of the economy to help it to achieve its goals. In the modern financial system there are so many investment avenues to choose from today in financial market and it has become difficult for anyone to decide about these avenues. Some of these investment avenues offer attractive returns but with high risks and some offer lower returns with very low risks.

The study reveals that that the majority (60%) of the respondents behave in a positive way while choosing their investments. It is found that majority of the respondents have less awareness about the marketable securities and only (4%) of the respondents have awareness about the marketable securities. It is observed that majority of the respondents do not have complete awareness about the all non-marketable securities. It is also found that majority (96%) of the respondents have awareness about the physical assets.

INTRODUCTION

Savings and Investments are activities important and integral to men and women. Every individual has a tendency to save for various reasons. They may be for short term purposes like paying for a holding or for buying a car or they may be made for long term purposes such as constructing a house or providing for retirement. Sometimes savings are made simply to meet unknown contingencies. Apart from the above, there are two types of organization namely manufacturing industry and service industry, which are existing in our country to cater to the needs and wants of the people and which helps on the economic growth of the nation. Whatever may be the type of the organization, they need capital to carry their business activity. At the same time, the capital available is not sufficient to run their organization. Modern technology and growing expectations of the people call for a heavy dose of capital investments in these areas. But the capital formation is a difficult task and depends upon the people's willingness and their capacity to save. According to David Ricardo "there are two ways in which capital may be accumulated; it may be saved either in consequence of increased revenue or of diminished consumption. Whether it is individual savings or corporate savings, it must be available for development purposes. Adequate savings and its employment in manufacturing and service sector is the need of the hour. Estimates of international funding agencies and earlier studies confirm that countries can never sustain development unless they have adequate savings. Actually, financial intermediaries undertake the work of channelizing the savings of public into productive assets. Bank, non-banking finance companies, post offices, share markets and governments are some of the important intermediaries. If enough savings are accumulated, the next important thing is to invest them in constructive assets so as to generate further value. All savings are not an investment. Savings only become investment if a person makes decision to forego the use of the money saved for a period of time, in the hope of earning a return. At the same time, these investments do not always originate from savings. There are many people who sometimes quite unexpectedly receive lump sums which are surplus to their immediate requirement. This investment is more important than savings to create further value and achieve the economic development of individual and nation. Thus, prosperity of the economy is closely linked with the ability of the public to save and invest in productive assets for an

uninterrupted supply of capital. To survive and develop in this competitive business world, capital must be made available at a reasonable rate without conditions attached to it.

Financial markets are the backbone of an economic system and aids in the allocation of share capital across the productive sectors of the economy. This allocation of resources helps to sustain healthy climate for savings and investment. The financial system has to be more dynamic than the real system as it has to continuously respond to the needs of the economy to help it to achieve its goals. In the modern financial system there are so many investment avenues to choose from today in financial market and it has become difficult for anyone to decide about these avenues. Some of these investment avenues offer attractive returns but with high risks and some offer lower returns with very low risks.

STATEMENT OF THE RESEARCH PROBLEM

Man works to earn income to meet his own needs. Every man has unlimited wants and to satisfy these wants, he works continues for a long time. Income earning is the predominant and prime motive in everybody's life. Individuals normally take their own time to settle down in a job and to become successful investors. Though the prime objective of income earning is to pay for his demands, still income has got a different role to play. The desire to earn and save for future needs dominates the minds of the income earners. Further, there is no guarantee that surplus will result into savings. Willingness to save is more important than capacity to save. It is true say that when there is willingness to save, the capacity to save can be created. Savings by itself do not provide any return. It merely provides safetyman would like to see that this savings yields some return. Further, he has reached a stage where the rate of return decides the investments. In the Indian context, savings from all quarters are the need of the hour. Though 70 percent of our population lives in villages and mainly depends on agriculture, the savings from the agriculture sector is not enough due to uneconomic operations of the farms and same is the situation of public sector undertakings. Further, savings of businessmen and the self-employed are not stable and unassured because it is subject to the condition of business. The salaried class has fixed sources of income and supplemented by additional income from other sources. The salaried class investors with assured monthly income could be regular savers. Various studies at micro level confirm the role of salaried class investors in providing the financial resources to the industrial sector. But the level of savings can be still being augmented from salaried class if

the financial system is made more attractive to them. Keeping in view of the potential savings of salaried class investors, this study is promoted to understand the behaviour of salaried class investors.

OBJECTIVES OF THE STUDY:

The primary objective of this paper is to study the investment behaviour among salaried employees working in different government in Mangalore City. The following are specific objectives of the study

1. To assess awareness levels of salaried class employees towards various investment avenues.
2. To study the investment behaviour of the salaried class employees.
3. To give some useful suggestions.

RESEARCH METHODOLOGY

This study is focusing on the awareness and behaviour of Investments by salaried class people and it will be helpful to identify the better investment options in the market. The study is based on primary and secondary data. Primary data have been collected from 100 respondents through a structure questionnaire covering salaried employees in Mangalore City. A sample of 100 respondents was selected from Mangalore City using convenience-sampling technique. Out of the 100 respondents, 68 respondents working as a teaching professions, 12 are in managerial level, 8 respondents coming under the professionals (lawyer, Doctor, Engineer) and remaining respondents are under the clerical, technical and others. In order to measure a level of awareness, respondents were asked to indicate their awareness toward marketable, non-marketable and physical assets.

RESULTS AND DISCUSSIONS

It is found from the table given below that out of 100 respondents, 96% of them are lies below the average and 4% of them lie above the average in case of level of awareness about marketable securities. It concluded that the majority of the respondents **don't have** much awareness about the marketable securities.

Investment Avenues (Marketable Securities)	Not aware	Just I know	I know it as Government /Private schemes	I know all its features	I have an understandin g
1. Corporate Bonds/Debentures	12(24%)	16(32%)	8(16%)	4(8%)	8(16%)
2. Public sector Bonds	8(16%)	20(40%)	8(16%)	2(4%)	2(4%)
3. Preference shares	12(24%)	10(20%)	8(16%)	8(16%)	4(8%)
4. Equity shares	14(28%)	16(32%)	2(4%)	8(16%)	6(12%)

As far as non-marketable security is concerned, majority of the respondents reported to have under below the average awareness about the instrument. Out of the 100 respondents many are **just aware** about the non-marketable securities.

It is found that out of 100 respondents, 4% of them are lies below the average and 96% of them lie above the average in case of level of awareness about the physical assets. In short most of the salaried class employees would invest in physical asset

Table 1: Awareness Level of Salaried Employees towards Financial Products

Investment Avenues (Non – Marketable Securities)	Not aware	Just I know	I know it as Government /Private schemes	I know all its features	I have an understandin g
National Savings Scheme	12(24%)	14(28%)	8(16%)	4(8%)	12(24%)
National Savings Certificates	12(24%)	10(20%)	12(24%)	4(8%)	8(16%)
Provident Funds/Pension Funds	14(28%)	18(36%)	14(28%)	0	4(8%)
Bank Deposits	20(40%)	20(40%)	6(12%)	4(8%)	0
NBFC Deposits	12(24%)	6(12%)	6(12%)	6(12%)	6(12%)
.Post Office Savings Bank Account	18(36%)	12(24%)	10(20%)	0	8(16%)
Corporate Fixed Deposits	14(28%)	10(20%)	4(8%)	4(8%)	6(12%)
Life Insurance Policies	20(40%)	18(36%)	6(12%)	6(12%)	0
Mutual Funds and Unit Trust of India	20(40%)	14(28%)	10(20%)	8(16%)	0

Private Limited Companies Shares	8(16%)	6(12%)	6(12%)	6(12%)	4(8%)
Chit Funds	8(16%)	12(24%)	12(24%)	12(24%)	6(12%)
Foreign Currency	12(24%)	6(12%)	6(12%)	4(8%)	2(4%)
Commodity Markets	16(32%)	6(12%)	6(12%)	4(8%)	2(4%)
Investment Avenues (Physical Assets)	Not aware	Just I know	I know it as Government /Private schemes	I know all its features	I have an understanding
1.Precious Metals/Stones	14(28%)	14(28%)	0	10(20%)	6(12%)
2.Consumer Durables	12(24%)	10(20%)	2(4%)	10(20%)	8(16%)
3.Vehicles	14(28%)	20(40%)	0	2(4%)	8(16%)
4.Vacant land	14(28%)	12(24%)	0	4(8%)	10(20%)
5.House property	22(44%)	16(32%)	0	10(20%)	2(4%)
6.Agricultural land	14(28%)	18(36%)	2(4%)	8(16%)	2(4%)
7.Teak growing and Animal breeding schemes	14(28%)	22(44%)	2(4%)	2(4%)	4(8%)
8.Capital in own business	14(28%)	26(52%)	0	0	4(8%)
9.Art objects and collectibles	24(48%)	18(36%)	2(4%)	2(4%)	0

Source: Primary data

Table- 2: Salaried Class Employees Behaviour towards Investment

Behavior Of The Investor	SDA	DA	N	A	SA
	1	2	3	4	5
I take decision on saving after getting full information.	0	0	4(8%)	30(60%)	16(32%)
I consult my family members before taking investment decision.	6(12%)	2(4%)	4(8%)	28(56%)	10(20%)
I make my investment decision on my own.	4(8%)	10(20%)	10(20%)	20(40%)	4(8%)
I make investment only at the end of the year.	4(8%)	4(8%)	18(36%)	12(24%)	0
I prefer investment where there is no loss in capital.	4(8%)	0	4(8%)	26(52%)	14(28%)
I review my investment decision frequently.	0	10(20%)	6(12%)	28(56%)	4(8%)

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I feel I am making good investment decision.	0	2(4%)	22(44%)	14(28%)	10(20%)
I borrow money for making investment.	4(8%)	14(28%)	6(12%)	16(32%)	0
Investment decision will have impact on life style.	0	4(8%)	10(20%)	24(48%)	10(20%)
I prefer investment opportunities with potentially large return even if they are more risky.	4(8%)	22(44%)	10(20%)	8(16%)	4(8%)
I am getting good return because I have taken calculated decision.	0	6(12%)	16(32%)	22(44%)	2(4%)
Return is determined by external and uncontrollable factors.	0	10(20%)	12(24%)	24(48%)	4(8%)
Having the right investment is important for being accepted.	0	6(12%)	14(28%)	24(48%)	4(8%)
Publicity gives information and helps us to take good investment decision.	0	2(4%)	6(12%)	28(56%)	12(24%)
Publicity and agents are pushing me to make investment.	0	4(8%)	10(20%)	28(56%)	6(12%)
I do save more as and when I get extra income.	0	2(4%)	6(12%)	34(68%)	6(12%)
Increase in income is not helping to increase investment.	4(8%)	22(44%)	10(20%)	8(16%)	2(4%)
Saving will increase only when there is an increase in stable permanent income.	0	8(16%)	10(20%)	22(44%)	8(16%)
I save more when the interest rate is more.	2(4%)	12(24%)	8(16%)	20(40%)	6(12%)
I forgo my present consumption for the purpose of future consumption.	6(12%)	14(28%)	14(28%)	10(20%)	2(4%)
I forgo my present consumption for the purpose of setting future return.	0	4(8%)	8(16%)	32(64%)	4(8%)
Good investment opportunities induce me for making investment.	2(4%)	4(8%)	14(28%)	20(40%)	6(12%)
Technology provides me investment information at finger tips.	0	6(12%)	12(24%)	26(32%)	0
My investment decision has changed	4(8%)	8(16%)	10(20%)	22(44%)	4(8%)

over period of time.					
I never withdraw my investment before maturity.	2(4%)	12(24%)	6(12%)	22(44%)	4(8%)
I never indulged in any speculative transactions.	2(4%)	8(16%)	8(16%)	22(44%)	8(16%)
I never put all money in a single investment option.	4(8%)	2(4%)	16(32%)	24(48%)	2(4%)
I feel my investment decision should not be criticized.	2(4%)	12(24%)	20(40%)	14(28%)	0
Once I decide about my investment option I will choose that option again and again.	6(12%)	14(28%)	12(24%)	6(12%)_	4(8%)
The feel of thrill is essential while making investment.	2(4%)	4(8%)	10(20%)	28(56%)	4(8%)

Source: Primary data

Major Findings

1. Majority of the respondents (40%) are in the age group of below 30 years and 36% of the respondents are in the age group of 30-40 years.
2. It is found that 60% of the respondents are male and the remaining female.
3. It is identified that 72% of the respondents are married and the remaining (28%) of the respondents are unmarried.
4. It is found that (60%) of the respondents are post-graduates.
5. It is observed that all the respondents are working in government sector.
6. It is observed that (68%) of the respondents are teachers and (12%) of the respondents are Managers.
7. It is identified that (44%) reside in urban areas and (32%) respondents reside in semi-urban areas.
8. It is found that respondents 28% belong to the family size of 4 members, (24%) belong to the family size of 5 members and rest of the respondents belong to the family size of 3 members.
9. It is observed that 36 % respondents are from families with single earning member and rest respondents are from a family of 2 earning members.

10. It is identified that the majority (60%) of the respondents behave in a positive way while choosing their investments.
11. It is found that majority of the respondents have less awareness about the marketable securities and only (4%) of the respondents have awareness about the marketable securities. In short, only limited numbers of respondents have complete knowledge about the marketable securities.
12. It is observed that majority of the respondents do not have complete awareness about the all non-marketable securities.
13. It is found that majority (96%) of the respondents have awareness about the physical assets.

Suggestions

Based on the study, the following suggestions are offered:

1. Investment procedures must be clear and simple to attract more investors.
2. Financial Institutions must put up some “financial literacy campaign” as many people still unaware about the marketable and non-marketable securities.
3. Financial Institutions have to provide better facilities to the investors as many people are not satisfied with their investments in marketable and non- marketable securities.
4. The financial institutions should enhance the quality of service and more personalized service should be given to investors to build trust and long run relationship.
5. The financial institutions and companies must also provide more value added services to investors.

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