

SAVING AND INVESTMENT PERSPECTIVE OF BANK EMPLOYEES IN JIND CITY

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ABSTRACT: *Saving is the sacrifice done at present for the fulfillment of needs and wants of future. The channelization of saving to investment is very important for the economy, at macro level as well as micro level. Under this research on “Saving & Investment perspective of Bank Employees in Jind city”, the prime focus is to know about the saving behaviour of bank employees and the perspective of bank employees towards investment.*



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Keywords: Saving, Investment, Investment Avenue, Bank Employees, Gold ETF, MCX, FMCG, Real Estate

[1] INTRODUCTION

1.1 SAVING

Saving differs from savings in that the first refers to the act of putting aside money for future use, whereas the second refers to the money itself once saved. In terms of personal finance, saving refers to preserve money for future use. Saving is closely related to investment. Instead of spending income in consumer goods and services, save money and invest it for future.

Therefore, saving is vital to increase the amount of fixed capital available, which contributes to economic growth.

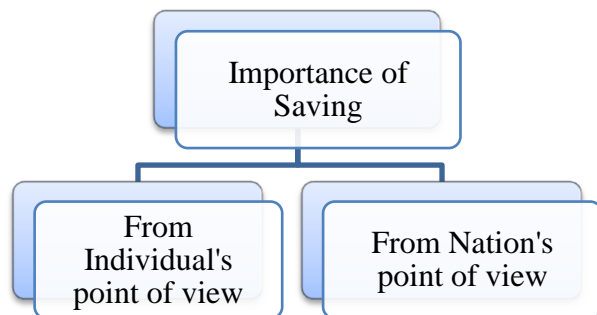


Fig 1 Importance of Saving

A. From Individual's point of view

- To meet the emergency needs of future such as accident etc.
- To secure future such as after retirement from job.
- To meet monetary needs for children education.
- To meet personal needs like marriage of children.
- To meet any specific future goal.

B. From Nation's point of view

- **Investment** is the most important factor for the development of an economy, it is savings which provides the basis for investment.
- Savings play a very important role in building up and **development of the national economy**.
- In the situation of **economic crisis**, savings can be of great help to bring economy back on track.

1.2 INVESTMENT

Investment is the employment of funds with the aim of getting return on it. **The main objective of investor is to invest in different investment avenues that derive expected returns and help to meet the risk in future.** An efficient financial sector mobilizes savings and allocates it to those investments which yield the highest rate of return.

Importance of Investment from microeconomic viewpoint:

- Investment provides financial independence.
- With increase in investment, wealth also increases.
- It helps to fulfill personal goals and desires such as to use luxurious apartment and luxurious goods.
- Investment helps to reduce future risks or to cope with uncertainties.

Investment plays following macroeconomic roles:

- Investment contributes to current demand of capital goods, thus it increases **domestic expenditure**.
- Investment enlarges the production base, increasing production capacity.
- Investment **modernises** production processes and improves cost effectiveness.



- Investment **reduces** the labour needs per unit of output.
- Investment provides funds for the R & D.
- Investment helps to **incorporate** the international world-class innovations and quality standards.

1.3 INVESTMENT AVENUES

In India, there are various avenues of investment: Bank deposits, post office schemes, insurance, share market, precious metals, property etc. A broad categorization of investment avenues, covered in this research, is given hereby:

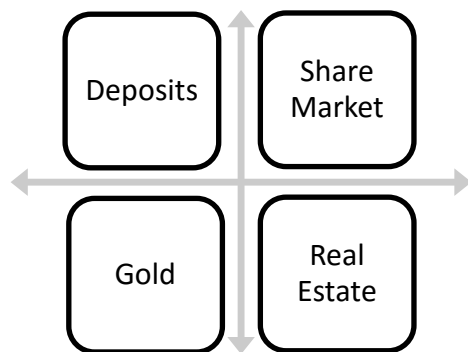


Fig 2 Investment Avenues

1.3.1 DEPOSITS

Deposits are the most popular and conventional investment avenue. Deposits may be in the form of Bank deposits, Post-Office Deposits and Insurance based deposits.

(A) BANK DEPOSITS

- **Fixed Deposit (FD)**
- **Recurring Deposit Accounts (RD)**
- **Savings Bank Account**
- **Current Account**

(B) POST-OFFICE DEPOSITS

Savings in the Post Office is the oldest and largest banking system in the country, serving the investment need of both urban and rural people. These services are controlled by the Ministry of Finance, Government of India.

- **Savings Bank account (SB)**
- **Recurring Deposit account (RD)**
- **Monthly Income Scheme (MIS)**
- **Public Provident Fund (PPF)**
- **National savings certificates (NSC)**

(C) INSURANCE BASED DEPOSITS

Life Insurance is a contract providing for payment of a sum of money to the person assured or, following him to the person entitled to receive the same, on the

happening of a certain event. Insurance premiums represent the sacrifice and the assured sum the benefit. The different types of insurance policies are as follows:

- **Endowment policy**
- **Money Back policy**
- **Whole life policy**
- **Term Assurance policy**

1.3.2 SHARE MARKET

The share market deals with the transactions relating to shares. Shares can be fully paid or partly paid. A share confers certain rights and obligations to the investor.

Investors can classify stock on the basis of Type of Business. Such as

- (A) **Banking Shares**
- (B) **Power Shares**
- (C) **FMCG Shares**

1.3.3 GOLD

Investment in gold is the most conventional form. But with passage of time investment in gold has taken varied forms beyond just physical purchase of the metal.

(A) Buying Gold in Physical form

The most traditional way of investment in gold is buying its ornaments. Gold coins and bars is also a better option over buying jewellery.

(B) Buy Gold Fund:

Gold fund is a Fund which will invest in Gold ETFs on behalf of investor. Gold Exchange Traded Funds are also known as paper gold.

(C) Through MCX:

In Commodity Trading, investors or brokers purchase & sell products through the exchange MCX (Multi Commodity Exchange) with the help of Internet/Online. Major Commodity products are: Gold, Silver, Copper, Aluminum, Nickel, Zinc, Lead, Crude oil, Natural gas.

1.3.4 REAL ESTATE

Real estate investment involves the commitment of funds to property with an aim to generate income through rental or lease & to achieve capital appreciation.

(A) Investment through Actual Property:

In addition to a residential house, the more affluent investors are likely to be interested in the following types of real estate: agricultural land, semi-urban land, farm house and commercial real estate investments.

(B) Investment through Infrastructure Mutual Funds:



Investment in real estate can be undertaken through mutual funds such as HSBC, HDFC property fund and Franklin Build India etc. Also, Securities and Exchange Board of India (SEBI) has issued guidelines on real estate mutual funds (REMFs).

(C) Investment in Shares of Infrastructure Companies:

Investment in real estate can be undertaken by investing in the shares of real estate companies such as OMAXE, Unitech etc. which undertake construction and contracting in real estate.

[2] LITERATURE REVIEW

Following is a list of past studies conducted on Saving & Investment Perspective:

Rajarajan V. (1999)¹ in his article “Stage in Life Cycle and Investment Pattern” published in Finance India, 1999 studied Chennai investors’ financial investments and showed that life-cycle stage of individual investor was an important variable in determining the size of the investments in financial assets and the percentage of financial assets in risky category.

Mittal M. and A. Dhade (2007)² in their research paper “Gender Difference In Investment Risk-Taking: An Empirical Study” published in The ICFAI Journal of Behavioral Finance, 2007, Observed that risk-taking involves the selection of options that might result in negative outcomes. While present is certain, future is uncertain. Hence, all investment involves risk. Decourt (2007) indicated that the process of making investment decisions is based on the ‘behavioral economics’ theory which uses the fundamental aspects of the ‘Prospect Theory’ developed by Kahneman and Tversky (1979).

Mittal M. and R. K. Vyas (2008)³ in their article “Personality Type and Investment Choice: An Empirical Study” published in The ICFAI UNIVERSITY Journal of Behavioral Finance, 2008. It was observed that investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. According to them, over the past few years, behavioral finance researchers have scientifically shown that investors do not always act rationally. They have behavioral biases that lead to systematic errors in the way they process information for investment decision. Many researchers have tried to classify the investors on the basis of their relative risk taking capacity and the type of investment they make. Empirical evidence also suggests that factors such as age, income,

education and marital status affect an individual’s investment decision.

Saptarshi Purkayastha (2008)⁴ in his article “Investor Profiling and Investment Planning: An Empirical Study” published in The ICFAI journal of Management Research, Dec 2008 concluded that younger investors and those with high income are willing to take more risk.

Krishnamoorthi C. (2009)⁵ in his research paper “Changing Pattern of Indian Households: Savings in Financial Assets” published in RVS Journal of management, 2009 concluded that irrespective of the developments in the capital market/economic conditions, investors like to invest regularly and this investment behavior is highly related to educational background. Their occupation, reading habit of investment news and the time taken for investment decision making process.

Sofia Jasmeen (2009) in her article “Investment choice of Individual Investors” published in The Indian journal of commerce, October-December 2009, A study revealed that though majority of investors have preferred low risk investments, considerable investors have gone for high risk investments.

Syed Tabassum Sultana (2010)⁶ concluded that individual investor still prefer to invest in financial products which give risk free returns. The study confirmed that Indian investors even if they are of high income, well-educated, salaried, and independent are conservative investors who prefer to play safe in the market.

Lalit Mohan Kathuria and Kanika Singhania (2010)⁷ in their research paper “Investor Knowledge and Investment Practices of Private Sector Bank Employees” published in The Indian journal of commerce, July-September 2010 concluded that The present study was conducted with an objective to analyze the level of knowledge regarding various investment avenues and present investment practices of employees of private sector banks in Ludhiana city. A sample of 150 respondents was selected from 19 private sector banks in Ludhiana.

The Findings of the study revealed that print media and websites were the two most important sources of information that helped the respondents to make investment decisions. Thus, the marketers of investment avenues should keep advertising in the print as well as electronic media. It was surprising to note that a large majority of the respondents had invested in secured mode of investments like



employee provident fund, public provident fund, and post office saving schemes. Another highlighting finding of the study was that even the bank employees considered insurance as an investment tool rather than risk coverage instrument. Also, another significant finding was that only four per cent of the respondents made their investment decisions with the help of investment planner. There is an immense need to raise the level of awareness about the various investment avenues among the bank employees, as based upon the scoring model; only forty percent of the respondents had high level of awareness regarding various investment avenues.

Joseph Anbarasu D, Clifford Paul S and Annette B (2011)⁸ in their article “An Empirical Study on Some Demographic Characteristics of Investors and its Impact on Pattern of their Savings and Risk Coverage Through Insurance Schemes” published in The IUP Journal of Risk & Insurance, January 2011 concluded that The saving pattern of the people is crucial to the government in designing policies to promote savings and investment. Their study reveals that the people are aware about the importance of saving, but the awareness about investment opportunities is low. Steps have to be taken by the government and private companies to increase the awareness by advertising campaigns. Investment companies need to offer schemes that are affordable by the low income, uneducated, unsalaried and families with children. Investment companies should make the provision and increase benefits, for their schemes, to allow people to invest in the monthly mode, which is preferred by most investors. If people invest in long term saving schemes and infrastructure, the national saving rate will increase, which in turn will lead to a more prosperous India.

A P Pati and D. Shome (2011)⁹ in their article “Do Households Still Prefer Bank Deposits? An Analysis of shift in Savings and Savings Determinants” published in The IUP Journal of Bank Management, Feb-2011. He concluded that Financial Reforms have, in the recent years, opened up several avenues for the households for savings. The study suggest that despite the reform, households are still preferring the safe channels of bank deposit schemes rather than switching over to high yielding but risky channels of savings. However, between the two phases (pre- and post-liberalization period) a significant structural shift of savings in bank deposit is observed. Variables like income and inflation are found to be statistically significant determinants of savings in bank deposit of Indian households.

Meenakshi Chaturvedi & Shruti Khare (2012)¹⁰ revealed that most investor preferred Bank Deposits as their first choice of investment, secondly small saving scheme followed by the life insurance policies.

[3] RESEARCH METHODOLOGY

Particulars	Research Design
Type of Research	Descriptive
Sample Size	50
Sampling Technique	Random Sampling
Method of Data Collection (Source)	Primary Data (Bank employees in Jind city)
Tool of Data Collection	Questionnaire

Table 1: Research Design

[4] AREA OF RESEARCH

For research, the field of study is Banking Sector. In Jind City, the employees of various banks have been contacted for research study on “**Saving and Investment perspective of Bank Employees in Jind city**”, during February 2015.

1. Punjab National Bank
2. Punjab and Sind Bank
3. IDBI
4. State Bank of India
5. Allahabad Bank
6. State Bank of Patiala
7. Axis Bank
8. Yes Bank

[5] OBJECTIVES OF RESEARCH

- ❖ To study the saving behaviour of bank employees in Jind city.
- ❖ To study the perspective of bank employees about various avenues of investment.



- ❖ To examine about saving and investment decision of bank employees.

[6] DATA ANALYSIS

Saving Pattern of Bank Employees	No. of Respondents	%
Save as per planned schedule	28	56
Save something every month	4	8
Save whatever is left after meeting expenses	14	28
Do not save regularly	4	8
Total	50	100

Table 2: Saving Pattern of Bank Employees

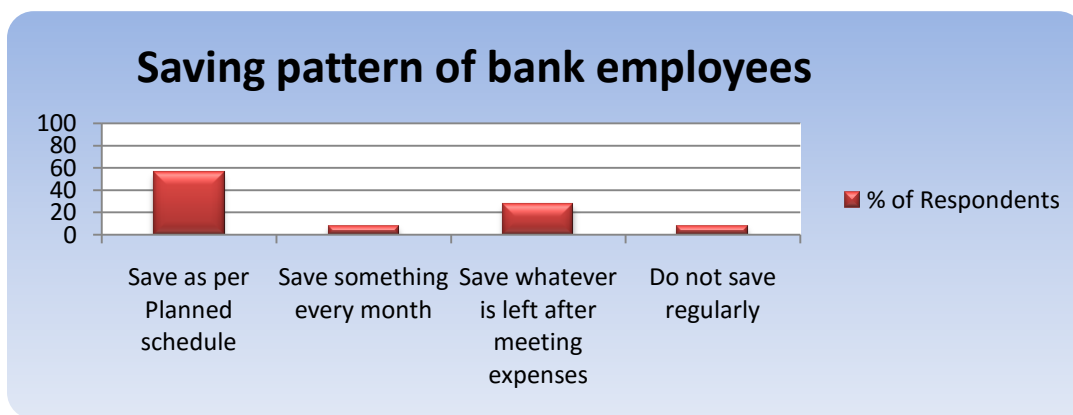


Fig 3: Saving Pattern of Bank Employees

Investment Avenues	No. of Respondents	%
Deposits	29	58
Share Market	12	24
Gold	3	6
Real Estate	6	12
Total	50	100

Table 3: Investment Avenues



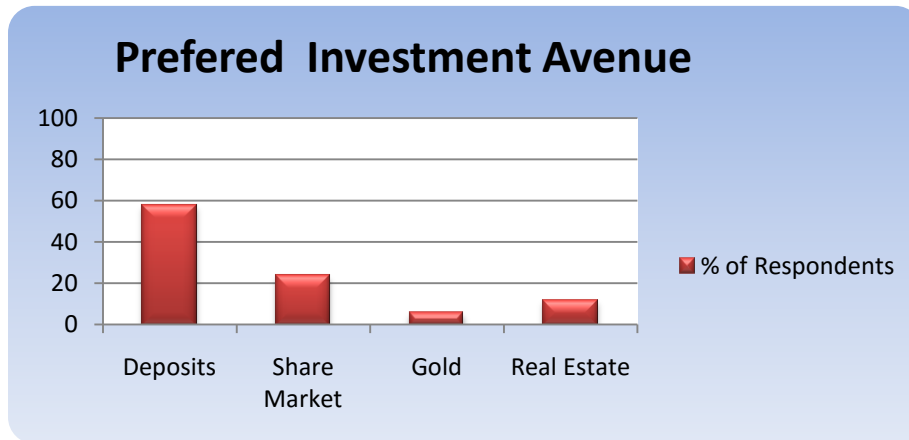


Fig 4: Investment Avenues

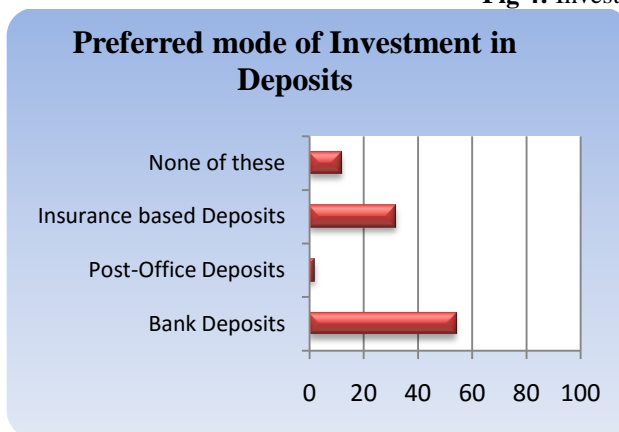


Fig 5: Investment in deposits

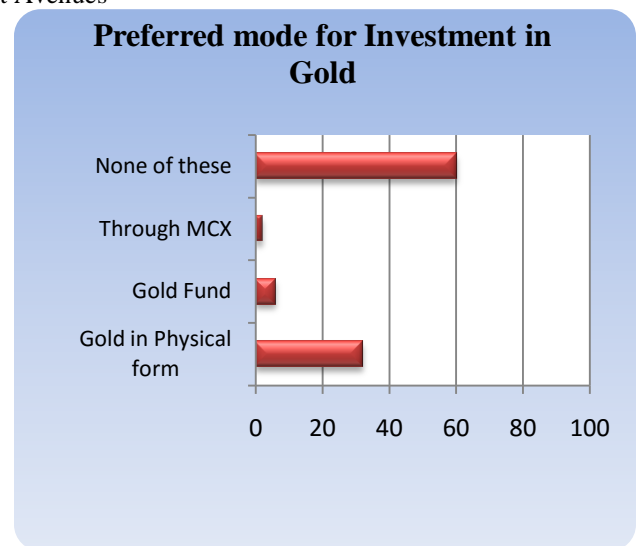


Fig 7: Investment in Gold

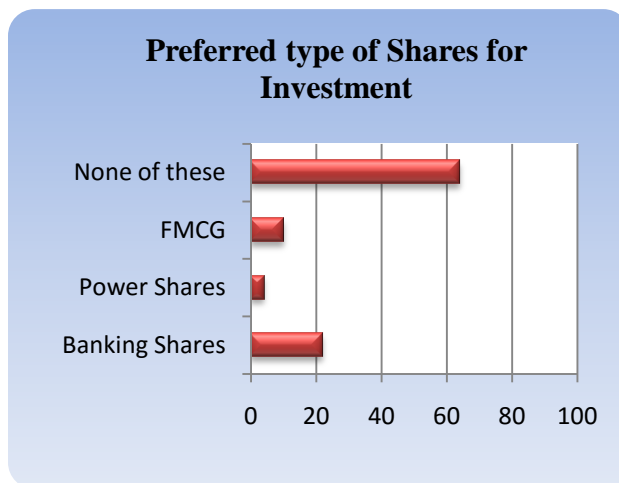


Fig 6: Preferred Types of Shares for Investment

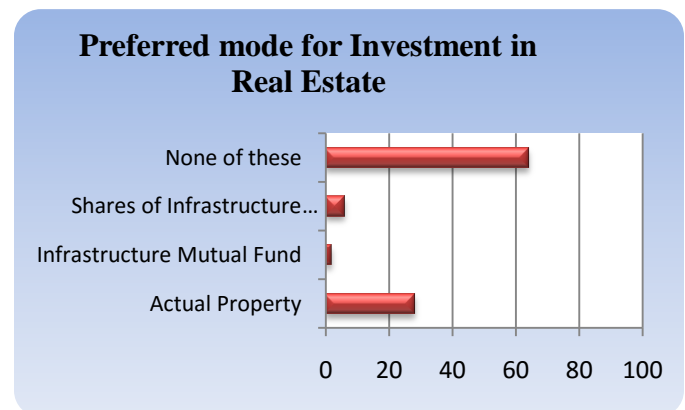


Fig 8: Investment in real Estate

[7] CONCLUSION



The research revealed that in Jind Bank Employees are well versed with the importance of regular saving and they are more inclined toward investment in deposits rather than risky or modern avenues of investment.

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