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# A Study on the Investment Pattern of Corporate Employees in the City of Bengaluru

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***Abstract: The advent of alternative investment avenues coupled with an increased rate of financial literacy could have led to a possible change in the traditional forms of investment preferred by employees. This study is an effort to identify if there has indeed been a shift from traditional forms of investment among corporate employees in the city of Bengaluru. A survey was conducted amongst employees between the age group 21–40, the data collected was then interpreted using a T-Test, through which we were able to ascertain that traditional forms of investment such as bank deposit and mutual funds were still the most preferred investment avenues. It was seen that the risk appetite of the respondents were generally low, in addition, the economic scenario in the country proved to be a key deciding factor in determining the form of investment. Therefore, the inclination towards traditional forms of investment remained higher in comparison to the latest forms of investment available.***

***Keywords: Investment Pattern, Corporate Employee, Traditional investment, Investment avenues, Gender and investment, age and investment.***

## I. Introduction

An investment can be of various forms, it can be the investment of time, energy, or effort spent in the hope of future benefits in return for the sacrifices made today. It is a term that may be used in various contexts.

For the purpose of this research, the term investment is studied from a financial point of view, where it refers to the act of purchasing assets such as stocks, bonds, real estate, mortgage, gold, insurance, bank deposits etc.

In this study we seek to understand the investment pattern of employees and identify the various factors that influence an investor's decision.

### Need and importance of investment

Investments play a crucial role in ensuring the financial health of the economy, it assists in the mobilisation of idle resources and thereby resulting in capital formation within the country.

Investors also see investments as a means of availing tax breaks and ensuring that the effects on inflation on the value of money is neutralised through the returns generated.

### Types of investment

During the course of this study certain investment avenues have been identified that are popular among respondents, these investment avenues are –

a) Government securities

b) Gold

c) Bank deposit

d) Stock Market

e) Mutual funds

f) Insurance policy

## II. Review of Literature

(Nagpal & Bodla, 2009) The study 'Impact of Investors' Lifestyle on Their Investment Pattern: An Empirical Study' concluded that the modern investor prefers low risk investments, such as Life insurance policies, fixed deposits, PPF and NSC, over the more risky IPO's. Though there are a few investors who prefer to undertake greater risks, they appear to consult reference groups prior to making their investments.

(Joseph & Prakash, 2012) in their 'A study on preferred investment avenues among the people and factors considered for investment' find that investors in the city of Bangalore prefer investment avenues such as Insurance, bank deposits, post office savings deposit and other conventional means of investment and are not well informed with regard to the various investment avenues available to them.

(Dr.V.Ramanujam & Devi, 2012) in their study 'A Study on Impact of Socio –Economic Profile on Investment Pattern of Salaried & Business People in Coimbatore City'(2012) have identified that age, gender, income, education, and occupation greatly influence the investment pattern of the respondents, who comprise of employees and entrepreneurs. There appears to be little or no difference between Government employees and salaried employees of the private sector, both classes of employees are unaware of the various investment opportunities available, and therefore resort to more traditional forms of investments.

(Patel & Prof. Cs Charul Y. Patel, 2012) in their study 'a study of investment perspective of salaried people (private sector)' sought to study the behavioural pattern of investments among salaried people working in the private sector, identify the difference in perception of an individual related to various investment alternatives and gain insight into factors considered for an appropriate investment. Through their study they identified that young investors prefer to invest in mutual funds and other modes, and not keep their investments idle in savings bank accounts, and mutual funds have emerged as the favourite investment avenue among the youth.

(Ansari & Dhamija, 2011) in their study 'An empirical assessment of investment patterns of investors' sought to know the profile of the investor and the characteristics of the investors so as to know their preference with respect to their investments and develop some guidelines to suggest investors in their investment related activities. The study also tries to highlight on the risk tolerance level of the investors and suggestion of the best portfolio in this regard. The individual investor still prefers to invest in financial products which give risk free returns. This confirms that Indian investors even if they are of high income, well educated, salaried, independent, are conservative investors and prefer to play safe. The investment product designers can design products which can cater to the investors who are low risk tolerant and use TV as a marketing media as they seem to spend long time watching tvs. This research endeavour was successful in addressing the purpose of the study as investments habits were found to be effective among the investors. Secondly these findings may help the investment managers in guiding their investors to utilize the benefits of securities to their fullest extent.

(Tuli & Khatri, 2012) in their study 'A study of investor's behaviour towards investment in financial securities' concluded that government securities and fixed income securities are very popular among investors in comparison to other avenues such as mutual funds. This study found that an investor primarily wishes to find safety when it comes to investments, closely followed by liquidity.

## III. Research Design

**Title of research:** "A Study on the Investment Pattern of Corporate Employees in the City of Bengaluru"

**Statement of problem:** Over the past few decades there have been a slew of measures introduced in India to encourage savings and investment in the country, In the past studies have indicated that Indian investors choose to invest in traditional avenues such as bank deposits and insurance, this study aims to identify the investment pattern among corporate employees in the city of Bengaluru.

**Objectives of the Research**

- Identify the preferred investment avenues of the investor.
- Understand degree to which various factors namely age, gender, marital status and income of the respondent, influences the respondent's investment.

**Sample size:** The study has a sample of a 100 respondents, selected on a random basis comprising of 50 men and 50 women between the age group 21 – 40. All of whom reside in the city of Bengaluru and are currently employed in the corporate sector.

**Data Collection Method**

**Primary data collection:** Primary data was collected through questionnaires distributed to the respondents

**Secondary data Collection:** Secondary data for this study was got from sources like online information like pro quest, text books, and Jstor.

**Data processing:** Data collected was checked for completeness, categorized and coded and entered into a computer where it was summarized and interpreted.

**Data analysis:** The data got was analyzed using SPSS (Statistical Package for Social Sciences). The SPSS package was opted for, because it handles a large number of variables. In this study, the tools used for data analysis and interpretation are T-Test and percentile.

**Limitations of study**

- The sample size is limited to a 100 respondents from the City of Bangalore and therefore represents a relatively small portion of the investors in Bangalore.
- The duration of the study conducted is limited.

## IV. Data Analysis and Interpretation

Primary data was collected through questionnaires on a random basis, A 100 respondents currently employed in the corporate sector were selected from the city of Bangalore. The Correlation tool was used to establish the relationship between the following factors and their impact on investor behavior:

The factors reviewed under this study that may influence the investor's behaviour are as follows:

a) Age and investment

b) Gender and investment

c) Marital status and investment

d) Income and investment.

We have analyzed the relationship between the above factors and the percentage of saved income that is invested.

In the analysis -

H0 – The factor does not have a significant influence.

H1 – The factor does affect the investment of the respondent.

### A. Age and investment

| Group Statistics | | | | | |
|---|---|---|---|---|---|
| | Age | N | Mean | Std. Deviation | Std. Error Mean |
| Invested | 21-30 | 84 | .5952 | .87975 | .09599 |
| | 31-40 | 16 | .5000 | .89443 | .22361 |

Fig 1

| Independent Samples Test | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| Invested | Equal variances assumed | .090 | .765 | .396 | 98 | .693 | .09524 | .24059 | -.38220 | .57268 |
| | Equal variances not assumed | | | .391 | 20.909 | .699 | .09524 | .24334 | -.41095 | .60142 |

Fig 2

**Interpretation:** The P value for the two tailed T-test is 0. 693 between the age of the respondent and the amount invested, therefore we accept H0 and reject H1 establishing that the age of the respondent does not affect the investment of the respondent.

### B. Gender and amount invested

| Group Statistics | | | | | |
|---|---|---|---|---|---|
| | Gender | N | Mean | Std. Deviation | Std. Error Mean |
| Invested | M | 44 | .5909 | .94790 | .14290 |
| | F | 56 | .5714 | .82808 | .11066 |

Fig 3

| Independent Samples Test | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| invested | Equal variances assumed | .129 | .720 | .110 | 98 | .913 | .01948 | .17782 | -.33339 | .37235 |
| | Equal variances not assumed | | | .108 | 85.886 | .914 | .01948 | .18074 | -.33982 | .37878 |

Fig 4

**Interpretation:** The P value for the two tailed T-test is 0. 913 between the age of the respondent and the amount invested, therefore we accept H0 and reject H1 establishing that the gender of the respondent does not affect the investment of the respondent.

### C. Marital status and investment

| Group Statistics | | | | | |
|---|---|---|---|---|---|
| | marital | N | Mean | Std. Deviation | Std. Error Mean |
| Invested | single | 68 | .5000 | .81954 | .09938 |
| | married | 32 | .7500 | .98374 | .17390 |

Fig 5

| Independent Samples Test | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| invested | Equal variances assumed | 10.422 | .002 | -1.333 | 98 | .186 | -.25000 | .18754 | -.62216 | .12216 |
| | Equal variances not assumed | | | -1.248 | 51.990 | .218 | -.25000 | .20030 | -.65193 | .15193 |

Fig 6

**Interpretation:** The P value for the two tailed T-test is 0. 186 between the age of the respondent and the amount invested, therefore we accept H0 and reject H1 establishing that the marital status of the respondent does not affect the investment of the respondent.

### D. Income and investment:

| Group Statistics | | | | | |
|---|---|---|---|---|---|
| | income | N | Mean | Std. Deviation | Std. Error Mean |
| Invested | 1L-5L | 82 | .5854 | .91559 | .10111 |
| | 5L+ | 18 | .5556 | .70479 | .16612 |

Fig 7

| Independent Samples Test | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| invested | Equal variances assumed | .932 | .337 | .130 | 98 | .897 | .02981 | .22974 | -.42610 | .48572 |
| | Equal variances not assumed | | | .153 | 31.035 | .879 | .02981 | .19447 | -.36680 | .42642 |

Fig 8

**Interpretation:** The P value for the two tailed T-test is 0. 897 between the income of the respondent and the amount invested, therefore we accept H0 and reject H1 establishing that the income of the respondent does not affect the investment of the respondent.

## V. Findings, Conclusion and Suggestions

a) From the data analysed we see that investment avenues in order of their preference among respondents are:

   a. Bank deposits (50%)

   b. Mutual funds (20%)

   c. Gold (12%)

   d. Insurance policy (8%)

   e. Stock market (6%)

   f. Government (4%)

   From the above investment pattern we observe that a majority of the respondents prefer traditional avenues of investment over relatively riskier investments in stock markets.

b) A majority of the respondents (70%) prefer to take a moderate level of risk with regard to their investments, though a majority of the respondents (86%) belong to age category 21-30, and 74% of them are unmarried, the risk appetite among the respondents was at an average level.

c) Using the T-Test we ascertain that age, gender, marital status, and the level of income did not affect the investment of the respondents.

d) The majority of the respondents (58%) invested for a period between 1-2 years while 26% invested for a period of 2-5 years. This indicated that a majority of the respondents do not wish to make relatively long term investments.

e) The past performance, credit rating, company analysis, industry analysis and the prevailing economic scenario influence the respondent's investment decision to a great extent.

**Suggestions:**

a) A majority of the respondents (54%) want access to detailed information with regard to the types of investments they can make, therefore awareness programmes among investors can be encouraged in order to help the investors make an educated decision.

b) Respondents prefer investment advice provided by finance professionals, and consider this as the best source of information with regard to investment decisions, this indicates that there is demand for professional financial advice and this demand can be explored to a greater extent by finance professionals.

c) Financial institutions must bear in mind the needs and preferences of investors and design financial products in accordance with these expectations.

d) Further studies can be undertaken to represent a greater portion of the population by increasing the sample size.

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