RETAIL INVESTMENT PATTERN OF SALARIED INDIVIDUALS

Dr. Noaman Khatib

Research Guide – DTSS College of Commerce, Mumbai

Shital Aashish Vakilna

Research Scholar – DTSS College of Commerce,, Mumbai

Assistant Professor – Bal Bharati's Maghanmal J. Pancholia College of Commerce, Mumbai

Abstract

With the passage of time, the investment patterns of investors are changing. The present study aims to understand the investment patterns of salaried individuals, including their proportion of income invested, preference for investment, factors influencing investment decisions, sources of information about investment products and difficulties faced while selecting investment. The study finds that mutual funds are the top investment choice for salaried individuals, followed by fixed deposits and the capital market, with government schemes like EPF and NPS being less favoured. Safety of the principal amount is crucial in investment decisions, with investment apps, financial news and advisors as primary information sources. Higher income leads to a higher proportion of income invested and there is no significant gender difference in preferred investment avenues..

Key Words: Investment Pattern, Salaried individuals, Investment Behaviour, Investment Attitude

1. INTRODUCTION

Retail investors trade securities for their own personal accounts, rather than on behalf of an organization or institution. They typically invest smaller amounts of money compared to institutional investors and use various investment vehicles such as Fixed Deposits, PPF, post office Investment schemes, stocks, bonds, mutual funds and ETFs. Retail investors often rely on online trading platforms and financial advisors for investment decisions and are generally motivated by personal financial goals such as saving for retirement, education, or other long-term objectives.

The investment pattern of retail investors has changed a lot over the years, driven by technology, market conditions and socio-economic changes. In the past, retail investors mainly used traditional investment options like savings accounts and fixed deposits. Their approach

was usually cautious, focusing on safe, long-term investments to ensure their financial security. This conservative strategy was due to limited access to market information and financial education, which made it hard for them to make informed decisions.

With the rise of digital technology and online trading platforms, retail investing has undergone a major transformation. Retail investors now have easy access to real-time market data, analytical tools and a wide range of investment options, such as stocks, mutual funds, exchange-traded funds (ETFs). This availability of information has enabled retail investors to diversify their portfolios and adopt more active and varied investment strategies.

Understanding the investment patterns of retail investors is important today for several reasons. First, retail investors represent a significant portion of market participants and their collective actions can impact market trends and prices. Second, their behaviour can offer insights into consumer confidence and the overall economic outlook; i.e., if retail investors are buying more stocks, it may indicate that they are optimistic about the economy. Conversely, if they are selling and moving to safer investments, it might suggest they are worried about economic conditions. Third, financial institutions, policymakers and companies can tailor their strategies and products to better meet the needs and preferences of retail investors. Lastly, as retail investors become more active and sophisticated, understanding their patterns helps promote financial literacy and ensure a more informed and stable investment environment.

Salaried individuals are people who earn a regular income through wages or salaries, typically from employment in various professions or industries. They receive fixed payments from their employers, usually on a monthly basis. They have assured remuneration at fixed intervals of time. They therefore have a more or less fixed budget and follow a stringent and disciplined investment routine. They make up a significant portion of retail investors.

2. REVIEW OF LITERATURE

A paper titled "**A Study on Investment Patterns of Salaried Employees in Udupi City**" aims to analyze the investment patterns of salaried employees in Udupi City. The research identifies that bank deposits (35%) are the most preferred investment avenue for these employees, followed by mutual funds (21%). Safety is the most significant factor influencing their investment decisions. Most employees invest up to 15% of their monthly income, and their preferred investment period ranges from 1 year to 5 years. **(Miranda, 2023)**

The study titled "**A Study on Investment Pattern of Salaried Individuals with Reference to Coimbatore City**" explores the investment behaviours, preferences and awareness of salaried individuals in Coimbatore. The key findings reveal that fixed deposits are the most preferred

investment avenue, followed by gold and government schemes. Most respondents invest for regular income and future needs, with a significant portion monitoring their investments monthly. The research concludes that while salaried individuals are generally satisfied with their investments, there is a need for better financial planning and awareness to enhance investment decisions. **(Therasa & S. Bhuvaneswari, 2022)**

A paper titled "**Investment pattern of salaried employees (with special reference to Coimbatore city**" aims to know the awareness among salaried employees about differen investment avenues and factors influencing their investment behaviour. The study finds that respondents predominantly prefer bank deposits, as these are perceived as relatively low-risk investments. This suggests that most participants are risk-averse. Many are unfamiliar with new investment schemes and reluctant to invest in unfamiliar options. Their investment choices are mainly driven by goals related to safety, security, and funding their children's education or marriage, indicating a focus on future needs over immediate benefits. **(Kalimuthu & Vibharashmi, 2023)**

A paper titled "**Investment pattern of salaried class of Somnath (Daman) – A study of various investment options available**" aims to analyze the awareness, perception, and behavior of salaried individuals regarding different investment avenues and to study the impact of demographic variables on investment patterns. The study found that most salaried individuals in Somnath are knowledgeable about and actively invest in bank deposits and insurance policies. It also revealed that the motivation for saving among these individuals is influenced by their age but is not affected by other demographic factors such as gender, education, or monthly income. The primary considerations for investment decisions are regular returns and tax reduction, followed by the availability of investment information and services from agents. For respondents aged 21 to 40, the key reasons for saving include building a reserve for emergencies, improving their standard of living, passing wealth to future generations, and engaging in speculative investments. **(Atodaria & Sharma , 2019)**

A paper titled "**Savings and investment pattern of salaried individuals in Guwahati city**" aims to examine pattern of savings and investment of salaried individuals and factors influencing their investment decision. Findings of the study show that while investing, salaried individuals prioritize safety and are generally willing to accept moderate risk. The majority of their surplus income is invested in bank deposits and mutual funds, followed by insurance, real estate, gold, and equity. Additionally, many individuals resort to borrowing to invest in real

estate. Investment behavior varies among different groups, influenced by risk perception and awareness of investment options. **(Roy & Bhattacharjee, 2022)**

3. OBJECTIVES OF THE STUDY

1) To find out the investment preferences of salaried individuals and their preferred government investment avenue

2) To study the factors influencing investment decisions of salaried individuals.

3) To know the sources used to analyse investment avenues before making investment decisions.

4) To find out the difficulties faced by salaried individuals while making investment decisions.

4. HYPOTHESIS STATEMENTS

H_0 = There is no significant relation between income level and proportion of income invested by salaried individuals.

H_0 = There is no significant relation between gender and preferred investment avenues by salaried individuals.

5. RESEARCH METHODOLOGY

5.1 Type of Research:

The study employs a descriptive research design that describes the characteristics of salaried individuals related to their investment patterns.

5.2 Study Area:

The research is conducted in Mumbai suburbs areas, i.e., Borivali to Bandra.

5.3 Sampling Method

The sampling method followed in the study is a convenient sampling method.

5.4 Target Population and Sample Size:

The target population is salaried individuals. The sample size is 101.

5.5 Type and Source of Data:

The present study is based on primary data, which is collected through a Google Form. Secondary data is collected through journal articles and research papers.

5.6 Statistical Tools Use:

Tables and graphs are used to organise the data for decision-making. The Chi-square test and Mann-Whitney U test are used for hypothesis testing.

6. LIMITATIONS

1) A sample size of 101 is a limitation; the findings may differ with a larger sample size.

2) The study is limited to Mumbai suburban areas, i.e., Borivali to Bandra. Other areas are not considered.

7. DATA ANALYSIS AND FINDINGS OF THE STUDY

7.1 DESCRIPTIVE ANALYSIS OF DEMOGRAPHIC FACTORS

Table 7.1 Demographic Factors

Demographic Variables		Count
Gender	Female	41
	Male	60
Age	18-25	49
	26-35	20
	36-45	3
	46-55	24
	56-65	5
Annual Income	₹0 - ₹2,50,000	34
	₹10,00,000 - ₹12,50,000	8
	₹12,50,000 - ₹15,00,000	6
	₹2,50,000 - ₹5,00,000	19
	₹5,00,000 - ₹7,50,000	13
	₹7,50,000 - ₹10,00,000	8
	More than ₹15,00,000	13

Source: Primary Data

7.2 OBJECTIVEWISE ANALYSIS

Objective 1: To find out the investment preferences of salaried individuals and their preferred government investment avenue

Table 7.2 Investment preference of salaried individuals

Preference	Share Market	Real Estate	Gold	Mutual Funds	Fixed Deposit
Lowest Preferred - 1	8	64	20	3	6
2	13	21	48	6	13
3	32	8	18	18	25
4	26	6	8	23	38
Highest Preferred - 5	22	2	7	51	19

Source: Primary Data

The above table shows that mutual funds are the most preferred investments of salaried individuals, followed by fixed deposits and share market investments. Real estate is the least preferred investment, followed by gold.

Table 7.3 Preferred Government investment avenue of salaried individuals

Do you invest in following Government Investments	Counts - Yes
NPS (National Pension Scheme)	29
Postal Service	16
EPF (Employees' Provident Funds)	36
SGB (Sovereign Gold Bond)	8
I don't invest in government schemes	49

Source: Primary Data

Note: For the above question, respondents were given the choice to select multiple options

The above table shows that most salaried individuals do not invest in government schemes. Those who invest in government schemes prefer EPF (Employees' Provident Funds), followed by NPS (National Pension Scheme).

Objective 2: To study the factors influencing investment decisions of salaried individuals

Table 7.4 Factors influencing investment decision of salaried individuals

Factor influencing to investment decision	Count
Safety of Principal amount	77
High Return	29
Low Risk	43
Maturity Period	26
Affordability	27

Source: Primary Data

Note: For the above question, respondents were given the choice to select multiple options

The above table shows that the safety of the principal amount is the most important factor in the investment decision of salaried individuals.

Objective 3: To know the sources used to analyse investment avenues before making investment decisions

Table 7.5 Sources used to analyse investment avenue before making investment decision

sources used to analyse investment avenue before making investment decision	Count
Investment Apps	48
Financial News Source	45
Social Media	27
Company Balance Sheet	24
Financial Advisor Recommendation	40
Word of Mouth	19

Source: Primary Data

Note: For the above question, respondents were given the choice to select multiple options

The above table shows that investment apps, followed by financial news and financial advisors' recommendations, are the sources used by salaried individuals to analyse investment avenues before making investment decisions.

Objective 4: To find out the difficulties faced by salaried individuals while making investment decisions

Table 7.6 Difficulties faced by salaried individuals while making investment decisions

Difficulties faced in understanding different investment products	Count
Complexity of Financial Jargons	39
Difficulty in Analyzing Market Trends	58
Confusion Regarding Tax Implications	36
Uncertainty about Investment Goals	23
Limited Access to Reliable Investment Advice	27

Source: Primary Data

Note: For the above question, respondents were given the choice to select multiple options

The above table shows that analysing market trends is the difficulty faced by salaried individuals in understanding different investment products, followed by the complexity of financial jargon and confusion regarding tax implications.

8. HYPOTHESIS TESTING

H_0 = There is no significant relation between income level and proportion of income invested by the salaried individuals.

Table 7.7 Crosstabulation - Income level and proportion of income invested by the salaried individuals

Income	Less than 10%	10-20%	21-30%	31-40%	More than 40%	Not sure
0 - 2,50,000	18	12	0	2	0	2
10,00,000 - 12,50,000	3	2	1	1	1	0
12,50,000 - 15,00,000	2	0	1	1	2	0
2,50,000 - 5,00,000	3	10	1	1	0	4
5,00,000 - 7,50,000	2	3	6	1	1	0
7,50,000 - 10,00,000	1	5	2	0	0	0
More than 15,00,000	2	3	4	0	2	2
Grand Total	**31**	**35**	**15**	**6**	**6**	**8**

Source: Primary Data

Table 7.8 Chi-square test statistics - Income level and proportion of income invested by the salaried individuals

		Less than 10%	10-20%	21-30%	31-40%	More than 40%	Not sure	Total
0 - 2,50,000	Observed	**18**	**12**	**0**	**2**	**0**	**2**	34
10,00,000 - 12,50,000	Observed	**3**	**2**	**1**	**1**	**1**	**0**	8
12,50,000 - 15,00,000	Observed	**2**	**0**	**1**	**1**	**2**	**0**	6
2,50,000 - 5,00,000	Observed	**3**	**10**	**1**	**1**	**0**	**4**	19
5,00,000 - 7,50,000	Observed	**2**	**3**	**6**	**1**	**1**	**0**	13
7,50,000 - 10,00,000	Observed	**1**	**5**	**2**	**0**	**0**	**0**	8
More than 15,00,000	Observed	**2**	**3**	**4**	**0**	**2**	**2**	13
Total	Observed	31	35	15	6	6	8	101
		59.20	chi-square					
		30	df					
		.0012	p-value					

Source: Primary Data

To test the hypothesis mentioned above, a chi-square test is applied. The p-value obtained is 0.0012, which is less than 0.05; therefore, the null hypothesis is rejected. This indicates that

there is a significant relationship between income level and the proportion of income invested by salaried individuals. Consequently, it can be concluded that salaried individuals with different income levels invest different proportions of their income. It can be seen in the cross-tabulation table that as income increases, the proportion of income invested also increases.

H$_0$ = There is no significant relation between Gender and preferred investment avenue by salaried individuals.

Table 7.9 Mean value of Genderwise preferred investment avenue of salaried individuals

	Gender	N	Mean Rank	Sum of Ranks
Share Market	Male	60	54.31	3258.50
	Female	41	46.16	1892.50
	Total	101		
Real Estate	Male	60	54.29	3257.50
	Female	41	46.18	1893.50
	Total	101		
Gold	Male	60	48.68	2921.00
	Female	41	54.39	2230.00
	Total	101		
Mutual Funds	Male	60	49.03	2942.00
	Female	41	53.88	2209.00
	Total	101		
Fixed Deposit	Male	60	47.80	2868.00
	Female	41	55.68	2283.00
	Total	101		

Source: Primary Data

Table 7.10 Mann-Whitney U test statistics of Gender and preferred investment avenue of salaried individuals

	Share Market	Real Estate	Gold	Mutual Funds	Fixed Deposit
Mann-Whitney U	1031.500	1032.500	1091.000	1112.000	1038.000
Wilcoxon W	1892.500	1893.500	2921.000	2942.000	2868.000
Z	-1.417	-1.592	-1.026	-.883	-1.382
Asymp. Sig. (2-tailed)	.156	.111	.305	.377	.167
a. Grouping Variable: Gender					

Source: Primary Data

To test the hypothesis mentioned above, a Mann-Whitney U test was applied. The p-value obtained for all the investment avenues is above 0.05; therefore, the null hypothesis is accepted.

This indicates that **there is no significant relationship between gender and the preferred investment avenue for salaried individuals**. Consequently, it can be concluded that both male and female salaried individuals do not differ in their investment preferences. This is further supported by the mean values, which are very close to the preferred investment avenues of both males and females.

9. CONCLUSION

The study concludes that mutual funds are the most preferred investment avenue for salaried individuals, followed by fixed deposits and the share market. Government investment schemes are less favoured by most salaried individuals. However, those who do invest in government schemes prefer EPF (Employees' Provident Funds) and NPS (National Pension Scheme). The safety of the principal amount is a crucial factor in their investment decisions. They primarily use investment apps to analyze investment avenues, followed by financial news and financial advisors. A common difficulty faced by salaried individuals is analyzing market trends.

Further analysis of the hypothesis testing reveals that as the income of salaried individuals increases, the proportion of income invested also rises, indicating that the amount invested is correlated with income levels. The second hypothesis analysis shows that there is no significant difference between genders regarding preferred investment avenues. Both male and female salaried individuals tend to invest in similar types of investment options.

10. References

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