

INVESTMENT PREFERENCES OF GOVERNMENT EMPLOYEES IN PAMBAKUDA

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Abstract

As the circulation of blood is necessary for the survival of the individual, savings are necessary for unpredictable future emergencies in life. Savings means sacrificing the current consumption in order to increase the living standard and fulfilling the daily requirements in future. The savings can be done in different ways and one of the best ways of saving is to create an automatic saving plan. Savings play important role in making of the household and the national economy. The present study examines the investment awareness, preferences and the factors that are most concerned by government employees while selecting an investment avenue.

Introduction

As the circulation of blood is necessary for the survival of the individual, savings are necessary for unpredictable future emergencies in life. Savings means sacrificing the current consumption in order to increase the living standard and fulfilling the daily requirements in future. The savings can be done in different ways and one of the best ways of saving is to create an automatic saving plan. Savings play important role in making of the household and the national economy. It is necessary to have saving plan because it will help in meeting financial goals like secure future, children's education, meeting the demands of the family etc (Harshvardhan, 2013).

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After meeting the basic requirements, the balance if any is kept as the saving which can be utilized for the future requirement. If the savings of the individual is kept in the home or locker, there will not be any return from the saving. Instead of keeping the savings idle without any income if it is invested outside, adequate income may be generated from the savings. Hence people try to invest the amount saved in various nature of investment to get maximum return (Ganapathi, 2014).

Investment refers to the commitment of funds to one or more assets that will be held over some future time period. Anything not consumed for today and saved for future use can be termed as investment (Deepak & Navdeep, 2015). Investment is the employment of funds with the aim of earning income or capital appreciation. It involves the commitment of resources which have been saved or put away from the current consumption in the hope that some benefits will accrue in the future. The investment avenues available can be categorized into financial investments and real investments. Real investments are represented by tangible assets like residential house, gold etc. and financial investments include shares, debentures, mutual funds etc (Suchitra, 2015). The attitude of people towards investment varies with their age, educational level, occupation, income and so on.

Review of Literature

The early research on income and savings of government employees found that public employees on average earned a higher income than employees in the private sector at the same level (Bassett & Micheal, 1998). A large proportion of households do not save adequately for retirement; when assuming that they want to maintain their pre-retirement level of consumption (Bernheim, 1998). The socio economic profile of the government employees constitutes a significant component in understanding the social structure of the society. The ever changing scenario with regard to income, expenditure and savings reflects changes in standard of living of the employees and quality of life (Thulasipriya, 2015).

Certain factors like education level, age of investors, number of family members etc make significant impact while deciding on the avenues for investment. Many of the individuals are saving money as bank deposits for the safety of an unpredictable future (Sathiyamoorthy &

Krishnamurthy, 2015). Salaried women employees consider the safety as well as high return on investment on regular basis when they make investment (Santhi & Murugesan, 2016).

Teaching community has started realizing the importance of money and money's worth. They are initiated to prepare a budget for the proposed expenses and compare it with the actual expenses met by them, so that they are not influenced by other tempting and fashionable expenses (Umamaheswari & Suganthi, 2015). The income and investment are positively correlated and there is strong relationship between income and investment. Most of the individuals invest in tax saving investments (Ramanathan & Meenakshisunadaram, 2015). Indian investors even if they are of high income, well educated, salaried and independent are conservative investors prefer to play safe (Thulasipriya, 2015).

A bird eye view on the earlier studies shows that many studies were undertaken so far in the field of savings and investments of salaried class. But studies concerning the investment preferences of government employees in Pambakuda Grama Panchayath are rarely found in the literature.

Significance of the study

Pampakuda Grama Panchayath is a village on highlands and consists of rubber plantations. It has been declared as the first digitalized Panchayath in the state on 28.06.2014 by the then chief minister Sri. Oommen Chandy. It is an ISO 9001-2008 certified Grama Panchayth. The digital database of the Panchayath includes the personal details of all residents such as occupation, education level, bank account number, aadhaar number, blood group, phone number and the availability of drinking water among other things. The database helps in the implementation of development plans in the Panchayath (Business Line, 2014). The Panchayath authorities introduce various schemes as per the socio economic back ground of the residents. The Grama Panchayath (study area) is featured by a good number of salaried employees belonging to government educational institutions and revenue offices. The study is expected to help the salaried employees to plan savings and investment towards maximizing the returns. The result of the study will also help the Panchayath authorities to work out various feasible schemes to mobilize finances from public sector salaried class. Hence the study is highly relevant in such digitalized Grama Panchayth.

Statement of the problem and scope of the study

The economy is prospering, the job market is booming and salaries are touching a new high. The new breed of youth has its pockets full and is intelligent enough not to let its money rust in bank accounts. Investment is on their mind and an option that has the potential to multiply their savings and provide maximum tax rebate is the one they crave (Yogesh & Charul, 2012). Savings provide the financial protection to the individual saver at the time of emergency. It is necessary to have saving plan because it will help in meeting financial goals like secure future, children education, meeting the demand of the family etc. The number of family members of the government employees plays an important role in the selection of investments. The investment objectives may tend to vary with variations in the number of family members of government employees. The scope of the present study covers the level of awareness, the factors most concerned and investment preferences of government employees in Pampakuda Grama Panchayath.

Objectives of the study

1. To analyse the level of awareness of government employees as regards various investment avenues.
2. To identify the factors those are most concerned by the government employees while selecting a particular investment avenue.
3. To analyse the investment preferences of government employees.

Hypotheses of the study

1. The respondents possess a moderate level of awareness as regards various investment avenues.
2. There is no significant difference between mean rank towards the factors that are most concerned while making investment.
3. There is no significant difference between mean rank towards the investment preferences of government employees.

Methodology

The study is empirical in nature and uses both secondary as well as primary data. The secondary data have been collected from articles and official websites. The primary data have been collected through the administration of structured questionnaire among 30 employees in various government offices in Pambakuda Grama Panchayath. Stratified random sampling technique has been applied to pick the samples. Initially, six government offices (six stratum) were arbitrarily selected (viz., (1) the Govt high school, Pampakuda, (2) Village Office Memmury, (3) Govt UPS Piramadam, (4) Govt HSS Pampakuda, (5) Govt UPS Onakkoor -north), Govt UPS, Onakkoor – south). Thereafter five employees each from all these institutions were picked (systematic sampling) and approached to gather primary data. The collected data have been analysed by using simple percentage, correlation, Friedman's test and one sample t-test.

Result and discussions

The general profile of the respondents is shown in table 1. The table reveals that 53.3 percent of the respondents are males. A considerable number (40 percent) of the respondents belong to the age category of 30-40 years. Majority (83.3 percent) of the respondents is married and has graduate level (40 percent) educational qualification. Majority (83.33 percent) of the respondents works in education sector and the majority's (70 percent) family size is three to six members. Many (60 percent) of them have up to two dependents and most (40 percent) of them earns up to Rs.30000 per month. The monthly family expenditure of the majority is in between Rs.25000 and Rs.30000. A considerable number (40 percent) of the respondents invest up to 15 percent of their disposable income.

Table 1: General profile of the respondents

Particulars		Frequency	Percentage
Gender	Male	16	53.3
	female	14	46.7
Age	Up to 30 years	6	20
	30-40 years	12	40
	40-50 years	9	30
	Above 50 years	3	10
Marital status	single	5	16.7

	married	25	83.3
Educational qualification	Higher secondary	9	30
	Graduation	12	40
	Post graduation	9	30
Occupation is in	Education sector	25	83.33
	Revenue	5	16.67
Family size	Up to 3	9	30
	3 to 6	21	70
Number of dependents	Up to 2	18	60
	2 to 4	12	40
Monthly family income	Up to 30000	12	40
	30000 to 35000	7	23.3
	35000 to 40000	8	26.7
	Above Rs. 40000	3	10
Monthly expenses	Up to Rs20000	4	13.3
	Rs. 20000 to Rs.25000	8	26.7
	Rs.25000 to Rs.30000	15	50.0
	Above Rs.30000	3	10.0
Percentage of savings out of disposable income	Up to 15	12	40.0
	15-20	5	16.7
	20-25	3	10.0
	25-30	7	23.3
	Above 30	3	10.0

Source: field survey

Relationship between income and percentage of investment

An attempt has been made check the relationship if any in the income and percentage of investment of the respondents. For such purpose correlation analysis has been made. The hypothesis formulated in this respect and the test result is shown in table 2 below.

Ho: there is no significant relationship between income and percentage of investment of the respondents.

Ha: there is significant relationship between income and percentage of investment of the respondents.

Table 2: Correlation between income and percentage of investment

	Income	Percentage of investment
Income (Pearson's Correlation)	1	.417
p-value		.022*
N		30

Source: Calculated from field data

Note: * denotes significant at five percent level of significance

From the table 2, it is clear that there is significant correlation between income and percentage of investment (correlation=0.417, p value=0.022). It means that one unit increase in income will lead to 0.417 unit increase in the percentage of investment of the respondents. Hence the null hypothesis is rejected at five percent level of significance.

Relationship between the number of dependents and percentage of investment

An attempt has also been made to check the relationship if any in the number of dependents and percentage of investment of the respondents. For such purpose correlation analysis has been made. The hypothesis formulated in this respect and the test result is shown in table 3 below.

Ho: there is no significant relationship between number of dependents and percentage of investment of the respondents.

Ha: there is significant relationship between number of dependents and percentage of investment of the respondents.

Table 3: Correlation between number of dependents and percentage of investment

	Number of dependents	Percentage of investment
Number of dependents (Pearson's Correlation)	1	-.243
p-value		.019*
N		30

Source: Calculated from field data

Note: * denotes significant at five percent level of significance

From the table 3, it is clear that there is a significant negative correlation between number of dependents and percentage of investment (correlation= -0.243, p value=0.019). It means that one unit increase in the number of dependents will lead to a 0.243 unit decrease in the percentage of investment of the respondents. Hence the null hypothesis is rejected at five percent level of significance.

Awareness about various investment avenues

In order to assess the level of awareness of the government employees regarding various investment avenues, one sample t-test has been administered. The hypothesis in this regard and the test result is presented below:

Ho: the respondents possess a moderate level of awareness as regards various investment avenues.

Ha: the respondents do not possess a moderate level of awareness as regards various investment avenues.

Table 4: Awareness about various investment avenues

<i>Investment avenues</i>	<i>Mean value</i>	<i>SD</i>	<i>t-value</i>	<i>p-value</i>
Pension schemes	4.23	.68	9.95	.001**
Stock market instruments	2.10	.96	5.13	.001**
Mutual Funds	3.23	1.22	1.04	.305
Insurance schemes (including postal life insurance)	4.63	.49	18.25	.001**
GPF/EPF/PPF	4.63	.49	18.25	.001**
Fixed/ recurring deposits (bank/post offices)	4.67	.48	19.03	.001**
Gold /precious metals	4.67	.48	19.03	.001**
Real estate	3.57	.93	3.31	.002**
KSFE/other Chitties	4.17	.75	8.55	.001**

Source: field survey

Note: ** denotes significant at 1 percent level of significance

Table 4 exhibits that the respondents possess good awareness as regards all investment avenues (p-value < 0.05 and mean value > 3.00) other than stock market instruments (p value = .305 and mean value < 3.00). Hence the null hypothesis is rejected and concluded that level of awareness of the government employees on various investment avenues is good. But they have only a poor level of awareness regarding the stock market instruments.

Factors most concerned by the government employees while making investment

In order to know about the factors that are most concerned by the government employees when they invest their hard earned money Friedman's test has been administered. The hypothesis formulated in this regard and the test result is presented below:

Ho: there is no significant difference between mean rank towards the factors that are most concerned while making investment.

Ha: there is significant difference between mean rank towards the factors that are most concerned while making investment.

Table 5: Factors most concerned while making investment

<i>Factors most concerned</i>	<i>Mean rank</i>	<i>Chi-square value</i>	<i>p-value</i>
Liquidity	1.00	75.88 (df:4)	0.001**
Return	3.03		
Safety of investment	3.63		
Capital Appreciation	3.68		
Tax consideration	3.67		

Source: field survey

Note: ** denotes significant at 1% level.

From table 5 it is seen that the factors that are most concerned by the government employees while making investment are capital appreciation (mean rank= 3.68), tax considerations (mean rank =3.67) and safety of investment (mean rank = 3.63). Hence the null

hypothesis is rejected at five percent level of significance (Chi-square value = 75.88, df =4, p-value = 0.001).

Investment preferences of government employees

In order to examine the investment preferences of government employees in Pampakuda Grama Panchayath, Friedman's test has been administered. The hypothesis formulated in this regard and the test result is shown below:

Ho: there is no significant difference between mean rank towards the investment preferences of government employees.

Ha: there is significant difference between mean rank towards the investment preference of government employees.

Table 6: Investment preferences of government employees

<i>Pattern</i>	<i>Mean rank</i>	<i>Chi-square value</i>	<i>p-value</i>
Pension scheme	2.95	143.389 (df:8)	<0.001**
Stock market instruments	1.90		
Mutual fund	3.63		
Insurance schemes	7.23		
Provident funds	6.85		
Fixed/ recurring deposits	6.32		
Precious metals	5.55		
Real estate	3.45		
KSFE/other chitties	7.12		

Source: field survey

Note: ** denotes significant at 1% level

From table 6, it is seen that the most preferred investment avenues by the government employees are insurance schemes (mean rank= 7.23), KSFE/other chitties (mean rank = 7.12) Provident funds (mean rank = 6.85) and fixed/ recurring deposits (mean rank = 6.32). Hence the null hypothesis is rejected at five percent level of significance (Chi-square value = 143.389, df =8, p-value = 0.001).

Conclusion

In the nutshell, the awareness level of the government employees regarding investment avenues like insurance schemes, pension schemes, provident funds, precious metals, real estate, KSFE chitties, etc are high. But their awareness level regarding stock market instruments are low. Majority of them invest only up to 15 percent of their disposable income. Moreover, their preference towards pension schemes is also low. This is not a good sign. As far as the government employees are concerned, during their service life, many of them will accomplish only two things- constructing a dream house and meeting the education and marriage expenses of their children. Thereafter the pension life of them may not be that much financially sound because of so many EMI payments and other obligations etc. It will be better if they would have participated in various pension schemes during their good days. Normally they require much money at their old age to meet their medical expenses and other health related things. Hence, keeping these facts in mind the government employees in Pampakuda Grama Panchayath should give little more preference towards various pension schemes which will automatically give them extra tax benefit also. Moreover they have to take measures to invest at least 30 percent of their disposable income in various investment avenues. As far as the Pampakuda grama panchayath is concerned, they can come up with attractive investment schemes especially for government employees or they can conduct awareness campaigns regarding investment avenues in collaboration with financial literacy centre in the concerned district.

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