

A Study of Respondents on Level of Risk Associated and Pattern of Investment in Respect of Salaried Employees

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Abstract:

This study investigates the risk perceptions and investment habits of salaried individuals, looking at the variables that affect their financial judgment. The main goal is to examine how salaried individuals handle their financial portfolios, what kinds of investment instruments they favor, and the risks they attach to these decisions. Key patterns in investment preferences are identified by the study using a combination of quantitative surveys and qualitative interviews. These trends include the inclination towards low-risk assets like mutual funds and fixed deposits. The study also explores the socioeconomic and psychological elements that influence their risk tolerance, including family obligations, financial literacy, and income stability. Research indicates that people on salaries typically choose conservative investments since they want to be financially secure and don't have extensive financial knowledge. The study also identifies typical issues salaried investors deal with, such as low disposable income and inflation worries. In order to promote a more knowledgeable and diverse approach to investing, the study ends with suggestions for enhancing financial education and giving salaried people better access to risk-managed investment products.

Keywords: Risk, Salaried employees, Investment

INTRODUCTION:

A vital component of financial planning, investments enable people to accumulate money and safeguard their financial future. For paid people, reaching long-term financial objectives like retirement, home ownership, or school funding depends on making wise investment choices. However, risks are a part of the investment process and can vary in size and type based on the investment type. Among other things, these risks could include credit, inflation, liquidity, and market volatility. One of the most important aspects of deciding how to invest is being aware of the dangers connected to various financial products. Salaried people, unlike self-employed people or entrepreneurs, frequently confront distinct obstacles and limits when it comes to investing. Their income is often set and predictable, but their spare income for investment is frequently limited. This aspect, combined with a general lack of financial literacy, can have a substantial impact on their investing decisions and risk tolerance. As a result, many salaried individuals prefer conservative investment solutions that guarantee consistency, even if they yield lesser returns. These conservative investments could include fixed deposits, savings accounts, government bonds, and blue-chip equities.

Review of literature

Giridhari Mohanta, Dr. Sathya Swaroop Debasish The study found that male and female investors' income and work status significantly influence their investment decisions. Male investors are more likely to select routes than female investors, and their decisions are generally sounder.

Rajeev jain (2012) The study "Investors' Attitudes Towards Secondary Market Equity Investments and the Influence of Behavioral Finance" focuses on three key investor attitudes. Investors' expectations for the Indian stock market, confidence in their investments, and herd instincts all play a role in their behavior. This study compares investor preferences for traditional and internet trading.

Pandow,B(2017) Addressing these obstacles is necessary for the industry to fully realize its potential. To overcome these hurdles, it is necessary to expand into tier II and tier III cities. This will involve increasing investor awareness through strategic initiatives and education campaigns.

K V Ramanathan, K S Meenakshisundram (2015) This study aims to examine the foundation for bank employees' investment decisions as well as their comprehension of the selection criteria. Income and investment are strongly linked and positively associated. The poll also revealed that respondents are aware of the criteria for selecting investments and would choose those that provide a reasonable return on investment as well as those that help them grow assets for the future. The study contributes to a broader knowledge of how investors perceive various financial products. The vast majority of respondents invest in tax-efficient investments such as life insurance contracts. Implementing these awareness initiatives will make the investment climate more attractive and desirable.

Research Gap

In numerous crucial areas, research on risk and investment behaviors for salaried employees remains underexplored. There is little emphasis on how individual considerations such as fixed income, financial goals, and family responsibilities influence investment decisions and risk tolerance. Furthermore, the role of financial literacy and its impact on investing decisions has not been thoroughly investigated. Furthermore, the impact of macroeconomic conditions, technical improvements, and impediments to accessing varied investment products warrant further examination. Longitudinal studies and in-depth analyses of salaried individuals' changing investment patterns are required to close these gaps.

Objective of the Study

- To understand the basic concept of Investment.
- To research and evaluate the respondent's level of risk.
- To research and evaluate the investment pattern

RESEARCH HYPOTHESES:

H₀: There is no significant difference in level of risk associated and pattern of investment by the respondents.

H₁: There is significant difference in level of risk associated and pattern of investment by the respondents.

Research methodology

The structured questionnaire was distributed to 435 professionals in Udaipur; 343 completed it, but 17 were incomplete and hence were not considered.

The computer application "Rao Soft" calculated the sample size using the level of confidence (95%), margin of error (5%), and 70% answer distribution rate. The method used was simply random sampling. Professionals were chosen at random from various locations across the fifteen tehsils of Udaipur district.

Data Analysis

1.1 Normality Test:

Table 1.1: Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Bank deposit	.289	326	.000	.686	326	.000
Post office deposit	.218	326	.000	.824	326	.000
Provident funds	.295	326	.000	.793	326	.000
Insurance schemes	.277	326	.000	.832	326	.000
Certificate of deposits	.255	326	.000	.866	326	.000
Commercial Paper	.235	326	.000	.870	326	.000
Government Securities	.260	326	.000	.807	326	.000
Equity Share	.254	326	.000	.810	326	.000
Preference Share	.256	326	.000	.822	326	.000
Debenture	.239	326	.000	.849	326	.000
Mutual Fund	.248	326	.000	.868	326	.000
Real estate	.228	326	.000	.888	326	.000
Global depository Receipts	.211	326	.000	.887	326	.000
Derivatives	.218	326	.000	.881	326	.000
a. Lilliefors Significance Correction						

The table above summarizes the findings of the Kolmogorov-Smirnov and Shapiro-Wilk tests for normal distributions. The table reveals that all variables under examination are normally distributed at a 5% level of significance because the calculated p-value is greater than 0.05 using the Kolmogorov-Smirnov and Shapiro-Wilk tests.

Table: 1.2 Respondents Age Wise

Age	No. of Respondents	Percentage of respondents
Below 21	16	4.9
21-30	133	40.8
31-40	128	39.3
41-50	31	9.5
51-60	14	4.3
Above 60	4	1.2
Total	326	100

Observation: In this survey, total respondents are divided into six categories. The first category was below the age of 21, with 16 respondents, accounting for 4.9% of total respondents; the second was the 21 to 30 age group, with 133 respondents accounting for 40.8%; the third was the 31 to 40 age group, with 128 respondents accounting for 39.3%; the fourth was the 41 to 50 age group, with 31 respondents accounting for 9.5%; and the fifth was the 51 to 60 age group, with 14 respondents accounting for 4.3%.

Table:1.3 Employment of Respondents

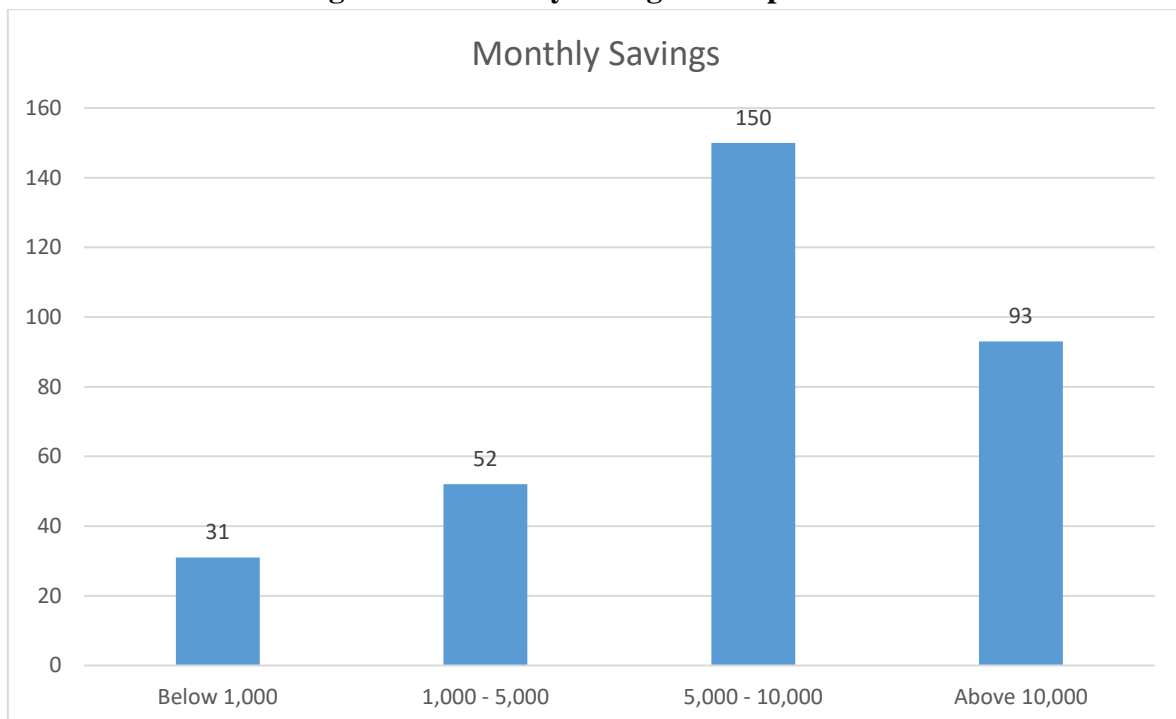
Employment	No. of Respondents	Percentage of respondents
Government Sector	65	19.9
Private Sector	261	80.1
Total	326	100

The type of employment is indicated in table 1.3. Employees in the government sector made up the first group with 65 responses (19.9%), followed by employees in the private sector with 261 responses (80.1%), the group with the greatest percentage.

Table: 1.4 Monthly savings of Respondents

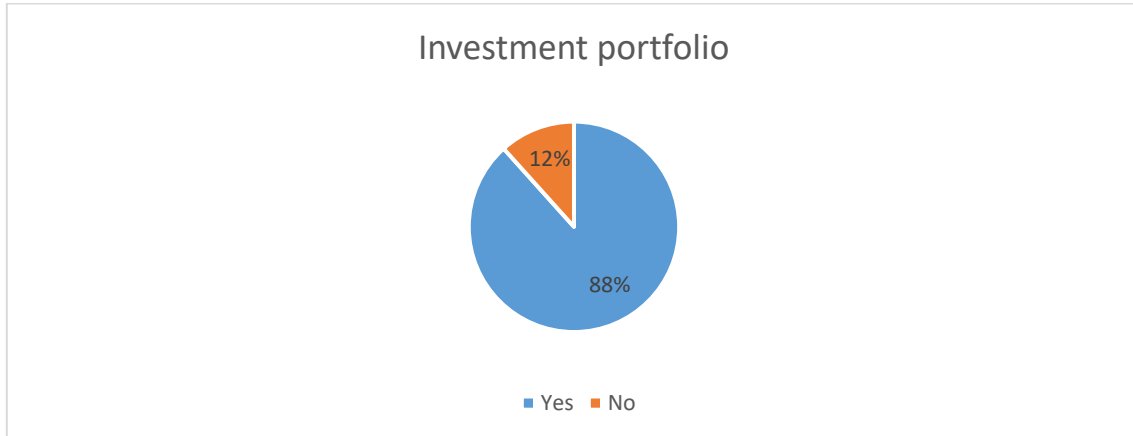
Monthly savings	No. of Respondents	Percentage of respondents
Below 1,000	31	9.5
1,000 - 5,000	52	16.0
5,000 - 10,000	150	46.0
Above 10,000	93	28.5
Total	326	100

Figure:1.1 Monthly savings of Respondents



Observation: The respondents' saving practices reveal how much money is left over after deductions from their salary and other sources of income. Typically, the savings are invested in preferred assets or utilized to fund other needs. Four categories were assigned for this investigation. Thirty-one respondents claimed to have saved less than 1,000 rupees in the first group. The second category, which included savings between 1,000 and 5,000 rupees, was mentioned by 52 respondents. The third category, which was between 5,000 and 10,000 rupees, and the fourth category, which was beyond 10,000 rupees, were the two categories into which 150 respondents said their money fell. Of those surveyed, 93% said that this led to savings.

Figure:1.2 Investment Portfolio of Respondents



Observation: This table shows the respondents' answers on income investing. 288 respondents (88.3% of the sample) agreed with the statement that they do not invest their money, whilst 38 respondents (11.7% of the sample) disagreed. There were many reasons given by respondents for not investing, but the main ones were that salaries were low (18 respondents agreed), household expenses were high (24 respondents agreed), inflation was high (26 respondents agreed), 10 respondents acknowledged the uncertainty of the future, and 15 respondents supported current spending.

Table:1.5 Safety and Risk of Investment Options

Particulars	Extremely Aware	Aware	Slightly Aware	Unaware	Extremely Unaware
Bank deposit	274	41	7	0	4
post office Deposit	120	188	12	0	6
Provident Fund	125	105	71	11	14
Insurance scheme	110	152	37	15	12
certificate of deposits	96	131	50	23	26
commercial paper	78	125	64	32	27
Government Securities	86	112	68	33	27
equity Share	120	113	50	14	29
Preference share	124	108	49	18	27
Debenture	116	107	47	24	32
Mutual Fund	103	110	63	25	25
Real estate	81	119	64	33	29
Bullion (Gold/Silver)	69	108	64	51	34
Global depository receipt	75	96	66	49	40
Derivatives	81	98	63	47	37

Each of the investment goal categories is examined. Bank deposits had the most responses (274), followed by provident funds (125), and preference shares (124), in the first group, which was extremely aware. With 188 responses for post office deposits, 152 for insurance plans, and 131 for certificates of deposit ranking first, second, and third, respectively, the second category was aware. Slightly aware was the third group, which was regarded as neither too much aware nor too little unaware. The highest, second-highest,

and third-highest replies for this category have been received from provident funds (71), government securities (68), and worldwide depository receipts (66). The fact that the fourth group was unaware indicates that the danger and safety levels are quite low. In this area, the first, second, and third most common replies were 51 for bullion (gold and silver), 49 for global depository receipts, and 47 for derivatives. The fact that the last group was extremely unaware demonstrates that the respondents had no idea what the danger and safety of this investment option were. The largest number of responses for this category were 40 for global depository receipts, 37 for derivatives, and 34 for bullion (gold or silver).

Table:1.6 Risk associated and pattern of investment Test Statistics

Particular	Chi-Square	Df	Asymp. Sig.
Bank deposit	439.552 ^a	4	.000
Post office deposit	164.920 ^a	4	.000
Provident funds	240.595 ^a	4	.000
Insurance schemes	135.380 ^a	4	.000
Certificate of deposits	96.669 ^a	4	.000
Commercial Paper	78.632 ^a	4	.000
Government Securities	144.951 ^a	4	.000
Equity Share	141.699 ^a	4	.000
Preference Share	114.399 ^a	4	.000
Debenture	102.344 ^a	4	.000
Mutual Fund	84.245 ^a	4	.000
Real estate	46.362 ^a	4	.000
Global depository Receipts	29.798 ^a	4	.000
Derivatives	37.681 ^a	4	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 65.2.

The value obtained by using the Chi Square test is displayed in the above table. The significant value, which is less than 0.05 at the 5% level of significance, is 0.000. As a result, the null hypothesis—which holds that there is a substantial variation in the risk and safety of the investment options—is rejected.

Conclusion

In conclusion, a complicated link influenced by a range of financial, psychological, and socioeconomic factors is revealed by the analysis of risk levels related to and investing patterns of salaried employees. Because of their set salaries and financial obligations, salaried people frequently show a preference for low-risk investing options like bonds, savings accounts, and fixed deposits. The necessity for financial stability and a need to prevent losses that would upset their steady revenue stream are the main motivations behind this cautious attitude. Risk tolerance, however, differs according to age, income, financial objectives, and financial literacy.

According to the report, salaried workers often prefer safer investments, but younger people and those with more financial education are becoming more aware of higher-return, higher-risk options like mutual funds and stocks. Despite this, a lack of knowledge or confidence in these products prevents many people from gaining access to more sophisticated investment products.

Improving financial literacy and offering specialized investment solutions that meet the particular requirements of salaried employees are crucial in addressing these issues. Salary workers will be better

able to reduce risks, make wiser decisions, and create more diversified investment portfolios for long-term financial success as a result.

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