



Salaried Strata Investment Behavior towards Financial Products- Review and Prospects for Future Research



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Abstract

The financial surface of the globe at all times reveals a weirdly balanced impact of the public investment preferences, their understanding of the investment requirements, their anticipation of returns on their investments etc. Perhaps forecasting the growth of the business world would be crucial without an opposite comprehension of the investment behavior of the key part of the society called salaried class. This paper covers appraisal of various financial instruments like equity/stocks, term deposits in banks, kisan vikas patra, national savings certificate, insurance policies, mutual fund and converse the factors persuading investment decision process. The major factors influencing the financial investment behavior are demographic factors (like age, income, qualification, gender, etc.) and socio-economic factors (like family income, tax benefits, the safety of fund, risk inclination, return on investment). This study aims to serve a channel to the need for a comprehension of the financial objectives of the salaried class investors with that of their determined desire for the investment returns. Certainly, this information could unwrap the prospect of predicting even the future of Indian Economy itself besides, providing span to fine-tuning the investment prudence of the public towards progressive and fruitful choices for themselves and the nation.

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1. Introduction

The financial system of India comprises financial institutions, financial markets, financial instruments, and services. Efficient transfer of resources from those having idle resources to others who have a pressing need for them is achieved through financial markets. Stated formally, financial markets provide channels for allocation of savings to investment. These provide a variety of assets to savers as well as various forms in which the investors can raise funds

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and thereby decouple the acts of saving and investment. The savers and investors are constrained not by their individual abilities, but by the economy's ability, to invest and save respectively. The financial markets, thus, contribute to economic development to the extent that the latter depends on the rates of savings and investment. Financial markets are full of imperfections, which make results inconsistent with the expectations. Genuine conditions apart, in the present world of finance, human greed, system failures or national afflictions can make things very unpredictable. This is where the risk comes into play and enroots to investor behavior in different manners. The behavior of the Investor can be affected by a number of factors. Demographical factors play a vital role in determining individual buying behavior for any goods or even service. Many types of research have been conducted to identify Investor buying behavior to identify how Investors specifically salaried strata are making financial planning to satisfy their future financial need as they have a fixed income flow. In the financial sector since reforms, many new private (domestic and foreign) players have had come up to influence the buying behavioral pattern of Indian Investors specifically for financial assets. Many of us have one simple approach to dealing with risk. That is to avoid it by all means. In financial investment matters, this may not be a good strategy. As risk and return are correlated, every risk you are avoiding possibly deprives you of a handsome opportunity to build your wealth. Balancing risk with a return in line with your individual circumstances is what financial market management is all about.

The aim of this study is to appraise various financial instruments like equity/stocks, term deposits in banks, Kisan Vikas Patra, national savings certificate, insurance policies, mutual fund and converse the factors persuading investment decision process and to analyze the impact of major factors influencing the financial investment behavior are demographic factors (like age, income, qualification, gender, etc.) and socio-economic factors (like family income, tax benefits, safety of fund, risk inclination, return on investment) by exploring and comprehending the diverse literature available worldwide for understanding the variables that governs an investor's decision to save and invest.

Over the last two decades, investor department has been put under the microscope for analyzing their decision-making process and the factors that impact their investment behavior. The assessment of behavioral finance leads researchers to examine the psychological traits of investors and how they induce their investment decision-making strategies in various investment instruments.

2. Research Methods

In the present study, a thorough review of the existing pragmatic literature from the has been conducted. Articles published in various online databases and search engines such as NBER, INDIASTAT, ProQuest, JSTOR, OECD library and Google Scholar along with relevant books on the topic were reviewed. The studies have been reviewed in terms of crucial measures like objectives, research methodology, sample and the factors that influence an investor's behavior. Studies were conducted to identify the research gap and to propose an empirical study to determine the relationship between the income, saving and investment behavior among the salaried class people.

3. Results and Analysis

Table 1
Existing Empirical Literature Focusing on Saving and Investment Behaviour

Author (Year of study)	Objective of research	Sample	Research Methodology	Findings of the study
Lal (1992)	[1]To know the profile of Indian investors	1200	Descriptive Analysis	The Indian investors preferred to invest in larger portfolios with more than five companies.
Gupta (1993)	To analyze the changing patterns of ownership of Indian Households	40998 unit holders and 165819 shareholders from over 19 states/union territories and 76 cities in	Descriptive Analysis	The study revealed a massive shift towards units/mutual fund products, a moderate continuing shift towards shares and debentures and a shift away from traditional financial assets.

Nage And Obenberger (1994)	To study the factors influencing the individual investor behavior	India 300	Factor Analysis	They developed a questionnaire that included 34 factors such as expected corporate earnings, diversification needs, feelings past performance of stocks, past performance of their own portfolio, stockbroker recommendations to name a few.
Embrey and Fox (1997)	To explore gender differences in the investment decision making process.	839 single-person households.	Descriptive Analysis	Women were more likely to hold risky assets if expecting an inheritance, employed and holding higher net worth; while men invested in risky assets if they were risk seekers, divorced, older, and college educated.
NCAER (2000)	[2]To study the primary considerations of the investors while choosing a financial instruments	288081	Descriptive Analysis	Safety and liquidity were the primary considerations of the investors while choosing an asset.
Athukorala And Sen (2001)	To examine the determinants of the private saving rate in India during the period 1954 to 1998	India	Case Study, Time Series Analysis	The saving rate rises with both the level and the rate of growth of disposable income and the magnitude of the impact of the former is smaller than that of the latter.
Rajarajan (2003)	[3]To study the determinants of portfolio choice of individual investors	405 individuals from Chennai	Multiple Regression Analysis	The expected rate of return on investments, the risk-bearing capacity of investors and investors loss avoidance behavior had a positive relationship while the locus of control had an inverse the relationship between the portfolio choice.
Kiran and Rao (2004)	To identify the investor group segments on the the basis of demographic and psychographic characteristics of investors	96 respondents	Multinomial Logistic Regression and Factor Analysis	Four major investor segments were identified based on demographic and psychographic characteristics. The risk bearing the capacity of an individual was strongly dependent on the demographic and psychographic characteristics
Wood and Zaichkowsk	[4]To identify and characterize individual	90	Hierarchical cluster analysis	Four segments of investors namely risk-tolerant traders,

y (2004)	investors into segments based on their investing attitudes and behavior.		linkage and ANOVA	confident traders, loss-averse traders and conservative long term traders were identified.
SCMRD (2005)	[5]To understand the problems and need of the investor	5908 household investors	Descriptive Analysis	Too much volatility and price manipulation were found to be the major cause of worries of the retail investors.
Gupta and Jain (2008)	To bring out the investors preferences among the various types of financial assets and also their problems concerning the stock market.	1463 households	Descriptive Analysis	The household investors preferred investing in shares as compared to mutual funds due to relatively lower returns because of entry loads and management fees charged by the funds.
Kibet <i>et al.</i> , (2009)	To investigate the factors that influence savings among households of teachers, entrepreneurs and farmers in rural parts of Nakuru District.	359	Regression	Household income, nature of businessmen occupation, gender, And education level of household head positively influenced the saving behavior of the rural households in Nakuru district, while credit access, age, and Dependency ratio negatively influences household saving.
Kabra, Mishra and Dash (2010)	[6] Difference in perception of An investor in the decision of investing on the basis of Age. Difference in perception of Investor in the decision of investing on the basis of Gender.	150	Factor and Regression analysis	Security, Opinion, Awareness, Hedging, Duration, and Benefits affect individual investment decisions.
Alleyeneand Broome (2010)	[7]To determine individual factors that are likely to influence the investment decisions of potential investors	104	Hierarchical Regression Analysis	Attitudes and referent groups (peers, family, and significant others) and beliefs about potential obstacles and opportunities significantly predict intentions to invest.
Rehman, Bashir and Faridi (2011)	[8]To explore the socio economic and demographic factors influencing household savings of various income groups	292	Multiple Regression Analysis	Savings of low and middle-income group is positively related to total dependency rate and total income. Higher income households are likely to save more due to age, spouse participation, total income and size of land holdings

Arti, Julee, And Sunita (2011)	To study the differences in the Investment Decision Making (IDM) process between female and male investors	200	Chi-square	A higher level of awareness for males than females for different investment avenues. Female investors tend to display less confidence in their investment decisions and hence have lower satisfaction levels.
NCAER (2011)	To understand the behavior of household investors in dealing with various financial instruments which were traded in markets regulated by SEBI	38000 households across 44 cities and 40 villages	Descriptive Analysis	The survey revealed relatively low rates of participation by the households in the securities market. The degree of risk aversion was found to be extremely high in Indian households and so commercial banks and insurance schemes were their primary choice for saving and investment.
Delafrooz And Paim (2011)	To examine determinants that influence financial wellness	2000	Descriptive Analysis	There is a relationship of savings behavior and financial problems to financial literacy, financial stress, and financial management practice.
Kothari (2012)	[9] To analyze investors' behavior towards investment avenues in Indore city.	100	Mean and Standard Deviation	The investors belonging to different age groups have different behavior while doing Investment and their selection of any investment avenue highly dependent upon their age.
Harikanth and Pragathi (2012)	[10]To explore the psychological concept of individual attachment style, especially individual investors to different available investment avenues and their investment preference process.	270	Descriptive Analysis	There is a significant role of income and occupation in investment avenue selection by the male and female investors.
Bahl (2012)	[11]To study the investment behavior among the working women in Punjab	100	Descriptive analysis	Working women invest their money in insurance plans. The less financially literate are less likely to engage in recommended financial practices, such as planning for retirement.
Kumar Vijayabanuan d Amudha (2012)	To analyze the influence of the financial literacy level on individual investment decisions.	469 investors from Tiruchirapalli	Descriptive analysis, Chi Square,	Except for the gender, there exists a the relationship between the socioeconomic factors and the level of financial literacy possessed by the respondents.

Bhatt and Bhatt (2012)	[12]To study preference level of individual towards various investment avenues, to find out the frequency and the factors that influence investments and to measure risk ability of different class of people.	200	Descriptive analysis, Two way ANOVA	Majority of investors prefer bank deposit because of less risk. Investors who have less education and income compared to other, they also prefer bank deposit, post office deposit and insurance because of easy to understand and less risk.
Samudra and Burghate (2012)	To know the preference of investment instruments, to know the various objectives of investment and to know whether there has been an increase in the savings and the reasons for the same.	300 households	Descriptive Analysis	Bank deposits, insurance and small saving schemes such as Public provident fund, Post office saving deposits are preferred investment options.
Jain and Ranawat (2012)	[13]To examine the association of demographic factors on investment choices.	100	Chi-Square test	There is an association of demographic profiles and personality type of investors with investment choice. Investors with higher income group prefer to invest in real estate and females prefer to invest in old/commodities. Females were conservative while Investing and males were aggressive.
Jain and Jain (2012)	[14]To determine the relationship between the savings and investments literacy among the school teachers.	100	Descriptive Analysis	In spite of low income, the teachers have been saving for future needs. The main avenues of investment is Bank deposits and the main purpose of the investment is for children education, marriage, and security after retirement.
Murithi, Narayanan and Arivazhagan (2012)	[15]To stud the investors behavior towards various investment avenues	100	Descriptive analysis and Correlation	The individual investors still prefer to invest in financial products which give risk-free returns
Sireesha and Laxmi (2013)	[16]To find out the impact of demographic factors on investment avenues selected by investors in the twin cities of Hyderabad and Secunderabad, India	165	Descriptive analysis	It is found that gender, age, and friends are mostly influencing the investment decisions of the respondents. It is concluded that the respondents of the study are conservative in nature and show less concern for money multiplication and liquidity.

Bhushanand Medury (2013)	To analyze the gender differences in investment behavior among employees	118	Chi-Square	There are significant gender differences that occur in investment preferences for health insurance, fixed deposits and market investments among employees.
Jayaraj (2013)	[17]To identify the factors which determine individual investor investment behavior. To know whether any psychological biases exist among Indian investors	300	Principle component analysis	The results reveal that the psychological axes conservatism, diligent and discreet, remorse abhorrence fall in line with the earlier research but prudence and underconfidence are the contrary behavior axes reported by the multivariate analysis.
Bashir <i>et al.</i> , (2013)	[18]To analyze the relationship of demographic variables with the investment preferences consisting of stock investment and gambling decisions of salaried individuals of finance teachers and bankers of Gujarat and Sialkot	120	Descriptive Analysis, Correlation	Females are more risk-averse than males. Young and educated people are attracted more towards new risky investment opportunities and are reluctant because of limited resources and lack of investment opportunities and absence of investment trends. The emergence of frequent religious issues, not conducive economic environment and culture has a negative relationship with gambling while making investment decisions.
Bhardwaj <i>et al.</i> , (2013)	[19]To throw light on the Investment behavior of the employees of Bahra University, Solan District	50	Descriptive analysis	Most of the employees are aware of investments in securities but they are not investing in it as they consider it as an unsafe investment.
Palaniveluand Chandrakumar (2013)	To analyze the investment choice of salaried class in Namakkal taluk, TamilNadu, India.	100	Chi-Square	Certain factors like Education level, awareness about the current financial system, the age of investors makes a significant impact while deciding the investment avenues. Awareness program has to be conducted by Stock Broking firms because of most of the respondents unaware of new services.
Chhabra and Mundra (2014)	[20] To understand and present a glimpse of research work done on the investment behavior		Literature review	Investment options opted by people are Currency, Bank Deposits, Non-Banking Deposits, Life Insurance Fund, Provident Fund& Pension Fund, Claims on Government, Shares

Raza (2014)	[21]To review the important developments in the field of behavioral finance and to present how behavior finance is the emerging field in the area of investment decision making.	50	Case Study, Descriptive Analysis	& Debentures, Units of UTI, National Saving Certificates. The perceptions of the investors do have a strong and significant impact on the financial decision making of the investors thus implying that behavioral finance in fact, duly challenges the conventional financial modeling and thus is an important emerging field of financial decision making that definitely needs to be explored and studied further
Geetha and Vimala (2014)	[22]To identify the popular perception of individual investors towards selected investment avenues and the predominant factors which influence individual to go for savings in that instrument	500	One sample t-test, Chi-Square	There is a remarkable change in the investment avenues due to the establishment of the different financial institution, credible source attractive return, good capital appreciation, and tax concession. From the investor's point of view changes in demographic factor such as age, income, education, and occupation have an influence in the investment avenue preference.
Bhushan (2014)	[23]To examine the awareness level and investment behavior of salaried individuals towards financial products.	516	Descriptive Statistics	Respondents are quite aware and park their money in traditional and safe financial products whereas awareness level of new age financial products among the population is low.
Monika <i>et al.</i> , (2016)	[24]To study the profile of the salaried personnel besides, understanding their awareness in association with the efficacy of the prevalent investment policies available.	350	Percentage Analysis, Mean and Standard Deviation analysis, Chi-square test, T-test	A major percentage of the salaried investors of Saharanpur know how to make good investment decisions. <input type="checkbox"/> One-third salaried people of Saharanpur do not pick e right financial plan due to lack of investment awareness. <input type="checkbox"/> Only 50% of the salaried people of Saharanpur has a realization about the percentage of savings they have to choose for future.

The above studies have investigated various demographic factors such as age, gender, income; education and experience influence the individual investor behavior. Some studies discovered that traditional and safe instruments are the most popular among investors. [Gupta and Jain \(2008\)](#) denoted that the household investors preferred investing in shares as compared to mutual funds due to relatively lower returns because of entry loads and management fees

charged by the funds. Alleyene & Broome (2010) suggested that attitudes and referent groups (peers, family and significant others) and beliefs about potential obstacles and opportunities significantly predict intentions to invest. Researchers identified that the investor's portfolio, preferences, risk perceptions, objective, the pattern of investment, their awareness level, factors affecting their investment behavior and the constraints faced by them are needed to be examined in order to understand their saving and investment behavior. The various study identified variables such as demographic factors, market factors, risk-bearing capacity, lifestyle characteristics, behavioral factors, and other factors are personal and financial needs, accounting information, neutral information, firm image and advocate recommendations that govern investor's decision to save and invest.

3.1 Research Gap

While investment behavior has been studied intensively in a general sense towards salaried strata of the economy, minimum research exists with respect to defense personnel (including Airforce, Army and Navy), and Pune, Hyderabad and Bangalore (Known as IT hub) based IT Professionals mindset towards investment as a subject. IT professionals are considered to be highly remunerated especially if we talk about private sector salaried people and it is becoming the talk of the world particularly among youngsters to opt for IT profession because it gives them mental satisfaction and able to improve their quality of life. Also, since Income and Savings are the foundation to Investment, it is essential to examine income, savings and investment behavior simultaneously. From this analysis, it follows that the "Domain of Income, Savings and Investment behaviour of defence personnel (including Airforce, Army and Navy) and Pune, Hyderabad and Bangalore based IT professionals" belongs to the under-researched area, and as such, it calls for an ample, reliable and well integrated empirical examination of the behavior of IT professionals towards their savings and investment activities.

3.2 Scope for Future Research

Researchers should focus on the impact of macro environmental factors on investment strategy. Also, they can focus the variables like gender, comparison of working and non-working females and geographical sites. Future research should also study possible association effects of gender and marital status on different aspects of financial behavior. It has been found that many of the studies were performed in a few Asian countries and in India; they have covered Andhra Pradesh, Tamil Nadu, Punjab, and Assam. So, the researcher can investigate the same for new geographical destination covering urban as well rural areas. Visa Global Financial Literacy Barometer survey's 2012th edition of has ranked India at 23rd in a list of 28 countries on the financial literacy facade, just ahead of Morocco, South Africa, and Vietnam. The survey which had total 923 respondents between the age of 18 and 64 also found that Indians are under-invested when it comes to saving for emergencies. Globally, 25 percent of respondents who report they don't have enough funds to cover a personal economic emergency fall into high-income categories. The saving rate of any country is a key indicator of economic development since the domestic saving rate is directly related to the investment rate and the lending capacity of the banking system. People are earning more, but they do not know where, when and how to invest it.

4. Conclusion

Today the financial services sector has become highly diversified tendering the investor with a wide range of investment avenues. With proper investment strategies and financial planning, an investor can increase personal wealth which will contribute to higher economic growth. The individual's decision to invest is greatly influenced by the various benefits each individual wants from owning a particular investment. This paper has examined the published work relating individual investor behavior. Understanding the saving and investment behavior could be of great relevance to the investors for their wealth management and to the policymakers, the investment agencies, the researchers as well as managers of the firms to prepare themselves to respond to the varying behavior of the investor.

Conflict of interest statement and funding sources

The author(s) declared that (s)he/they have no competing interest. The study was financed by the authors.

Statement of authorship

The author(s) have a responsibility for the conception and design of the study. The author(s) have approved the final article.



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