A STUDY ON SAVINGS AND INVESTMENT PATTERNS AMONG WOMEN

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ABSTRACT

The field of investments is more dynamic when compared with past decades. The key factor for this is globalisation which mobilized the transfer of funds through several forms of investments. The increased financial literacy among the people made the financial markets rich with demand for several investment options. The investment will be successful only if it is wisely invested in sources which enhance it. The millennium also made its mark with more active participation of women in all sectors. The individuals may be equal in all aspects but their financial planning needs are very different. The contemporary world is travelling towards the women empowerment through financial independence and enhancing financial literacy among women. Hence keeping this in mind, the present study is an attempt to find out factors which affects women in making investment decisions and differences in their perception towards decisions of investing. The study concludes that age and educational qualification predominantly decides the risk taking capacity of investors influences their investment decisions.

Keywords: Financial literacy, risk taking investment, investment decisions
INTRODUCTION

Savings are significant part in the economy of any nation. The savings pattern of the people acts as the drive for growth of the country. The financial scene in India has many avenues to the investors. The investment is to earn return on the idle resources and generate a specified sum of money for a specific goal in life and make a provision for an uncertain future. One of the important reasons why one needs to invest wisely is to meet the cost of inflation.

The behaviour of the investors changed tremendously after the recession. Fear has struck the minds of the investor heavily and spending lavishly has lost its energy which has driven the people towards investing more than spending. The investment must always be proactive to match up the changes that are taking place in the market but at times it must also be reactive.

Financial sector in India has experienced a better environment to grow with the presence of higher competition. The financial system in India is regulated by independent regulators in the field of banking, insurance, and mortgage and capital market. Government of India plays a significant role in controlling the financial markets in India.

Ministry of Finance, Government of India controls the financial sector in India. Every year the finance ministry presents the annual budget on 28th February. The Reserve Bank of India is an apex institution in controlling banking system banking system in the country. Its monetary policy acts as a major weapon in India’s financial markets.

Investments are normally categorizes using the risk involved in it, risk is independent on various factors like the past performance, its governing body, involvement of the government etc., in this scenario Indian investments are classified into 3 categories based on risk. They are

1. Low Risk/ No Risk Investments.
3. High Risk Investments.

Apart from these, there are traditional investment avenues and emerging investment avenues.

Gender differences and investing

Male and female investors both trade excessively, but one category does it more. Women like to network when learning about investing; men prefer to go it alone. Despite the gains in gender equality over the past century, men and women have not achieved parity in the field of investing.
REVIEW OF LITERATURE

Daniel Kahneman and Amos Tversky (1979) originally described “Prospect Theory” and found that individuals were much more distressed by prospective losses than they were happy by equivalent gains. Some economists have concluded that investors typically consider the loss of $1 twice as painful as the pleasure received from a $ gain. Individuals will respond differently to equivalent situations depending on whether it is presented in the context of losses or gains.

Suman Chakraborhty and Dr. Sabat Kumar Digal (2010) found in their work, “A study of saving and investment behaviour of individual households – an empirical evidence from Orissa”, Women were found to be more disciplined, focused and usually more conservative than their male counterparts as they prefer to invest more in debt related instruments and in bullion. Study also revealed that as the income level of the respondent’s changes to higher / lower levels, percentage of saving on the total income also significantly changes. In one of the study conducted by Barclays Wealth and Ledbury Research in April’2012, found that female investors are financially more disciplined and are more open to investment strategies that involve self-control and planning.

Murithi Suriya, Narayanan and Arivazhagan (2012), in their study reveal that female investors dominate the investment market in India. According to their survey, majority of the investors are found to be considering two or more sources of information to make investment decisions. Most of the investors discuss with their family and friends before making an investment decision.

Shanmugasundaram and Balakrishnan (2011), they conducted research to analyse the factors influencing the behaviour of investors in capital market. They concluded that demographic factors influence the investors’ investment decisions.

Using their battery of financial knowledge questions (Lusardi and Mitchell, 2008; Lusardi, Mitchell et al., 2009b) find that women over 50 in the 2004 and 2008 Health and Retirement Study have significantly lower financial literacy than men. Similarly, evidence from Australia shows that women aged 70 years or over have significantly lower mean financial literacy scores than men of the same group, as well as women on average (ANZ Banking Group, 2008). These insights are echoed by qualitative studies such as those undertaken by Into (2003), which indicates that older women value financial independence but worry about their ability to retain it as they age.

Hirshleifer (2001) categorized different types of cognitive errors that investors make i.e. self-deception, occur because people tend to think that they are better than they really are; heuristic simplification, which occurs because individuals have limited attention, memory and processing capabilities; disposition effect, individuals are prone to sell their winners too quickly and hold on to their losers too long.
An attempt was made by the **NCAER in 1964** to understand the attitude and motivation for the savings of individuals, for which a survey of households was undertaken. Another **NCAER study in 1996** analyzed the structure of the capital market and presented the views and attitudes of individual shareholders.

**SEBI-NCAER survey (2000)** was carried out to estimate the number of households and the population of individual investors, their economic and demographic profile, portfolio size, and investment preference for equity as well as other savings instruments. This is a unique and comprehensive study of individual investors, for, data was collected from 3, 00,000 geographically dispersed rural and urban households. Some of the relevant findings of the study are: Households preference for instruments match their risk perception; Bank Deposit has an appeal across all income class; 43% of the non-investor households (estimated around 60 million households) apparently lack awareness about stock markets; and, compared with low income groups, the higher income groups have a higher share of investments in MFs signifying that MFs have not truly become the investment vehicle for small investors;

**Shanmugham (2001)** conducted a survey of 201 individual investors to study the information sourcing by investors, their perception of various investment strategy dimensions and the factors motivating share investment decisions, and reported that, psychological and sociological factors dominated economic factors in share investment decisions.

In the United States, low levels of financial knowledge among women have been found in surveys covering younger groups of the population (**Lusardi, Mitchell et al., 2009a; Lusardi and Tufano, 2009**). Using a sample of 924 US college students, Chen and Volpe (2002) found that male college students outperformed female students on general knowledge, savings and borrowing, and insurance and investment questions. In Canada, a 2008 survey of youth showed that young Canadian women were less likely to save, stick to their budgets, and have sole responsibility for day-to-day finances as compared with men in the same group. While they were more likely to own mainstream financial products such as checking and savings accounts and student loans, they were also more likely to hold credit card debt and report.

**NEED FOR THE STUDY**

Stock market has been subjected to speculations and inefficiencies, which are beached to the rationality of the investor. Traditional finance theory is based on the two assumptions. Firstly, investor’s make rational decisions; and secondly investors are unbiased in their predictions about future returns of the stock. However financial economists have now realized that the long held assumptions of traditional finance theory are wrong and found that investors can be irrational and make predictable errors about the return on investment on their investments. This analysis on Individual Women Investor’s behaviour is an attempt to know the profile of the investor and also know the characteristics of the Women Investors so as to know their preference with respect to their investments. The study also tries to unravel the influence of demographic factors like age and income on risk tolerance level of the investor.
OBJECTIVES OF THE STUDY

The objectives of the study are

- To assess the savings objectives among individual investors.
- To identify the preferred savings avenue among individual investors.
- To analyse the investment pattern of women investors to various capital market and financial market information.
- To analyse the financial literacy among the respondents.
- To study the suitable portfolio based on the level of risk tolerance.

Methodology

The present study is empirical in nature. The study identifies the nature & preferences of women about their investment habits. The study area is featured by a good number of salaried, self-employed women who have the ability to save & invest.

Sources of data

The major source of data for the present study is primary in nature.

Primary data

Primary data is collected by administering the questionnaire & through personal interaction with the women investors.

Hypothesis

- \( H_0 \): There is no significant association between the occupation of the investors and their risk tolerance level.
- \( H_1 \): There is a significant association between the occupation of the investors and their risk tolerance level.
- \( H_0 \): There is no significant association between the educational qualification of the investors and their investment preference.
- \( H_1 \): There is a significant association between the educational qualification of the investors and their investment preference.
- \( H_0 \): There is no significant association between the age of the investors and their risk tolerance level.
- \( H_1 \): There is a significant association between the age of the investors and their risk tolerance level.

LIMITATIONS OF THE STUDY

1. Sample size is limited to 120 educated individual investors in the city of Hyderabad.
2. The sample size may not adequately represent the national market.
Data Analysis
The data collected from the study was analysed by the SPSS (17.0) package by using Chi square test for association and non-association of variables.

### TABLE 1: PURPOSE OF THE INVESTMENT

<table>
<thead>
<tr>
<th>Purpose of the investment</th>
<th>No. of respondents</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Expenses</td>
<td>22</td>
<td>18%</td>
</tr>
<tr>
<td>Tax Savings</td>
<td>50</td>
<td>42%</td>
</tr>
<tr>
<td>Emergency Needs</td>
<td>16</td>
<td>13%</td>
</tr>
<tr>
<td>Future Expenditure</td>
<td>32</td>
<td>27%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>120</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

All the investors have very common purposes for investing, they have more than one purpose for investing their money. Salaried people mainly invest for Tax benefits, and for future expenditures. Business people invest for the purpose of earning returns.

### TABLE 2: FREQUENCY IN MONITORING THE INVESTMENT

<table>
<thead>
<tr>
<th>Frequency</th>
<th>No.of.investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>18</td>
<td>15%</td>
</tr>
<tr>
<td>Monthly</td>
<td>38</td>
<td>31%</td>
</tr>
<tr>
<td>Occasionally</td>
<td>64</td>
<td>53%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>120</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Due to the busy life schedule, many of the investors are not able to spend time in monitoring their investments. Many of them who invested in safe investment avenues do not bother about their investments, some of them forget about the investments for many years. Only 15% of the investors are monitoring their investments daily. 31% are monitoring on a monthly basis. 53%, the majority investors are monitoring their investments occasionally.

**OCCUPATIONS VS RISK TOLERANCE**

**H0:** There is no significant relation between the occupation of the investors and their risk tolerance level.  
**H1:** There is a significant association between occupation of the investors and their risk tolerance level.

**TABLE 3: OCCUPATIONS VS RISK TOLERANCE**

<table>
<thead>
<tr>
<th>OCCUPATION</th>
<th>Low risk</th>
<th>Moderate risk</th>
<th>High Risk</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaried</td>
<td>13</td>
<td>11</td>
<td>9</td>
<td>33</td>
</tr>
<tr>
<td>Self Employed</td>
<td>11</td>
<td>15</td>
<td>11</td>
<td>37</td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>24</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>50</strong></td>
<td><strong>31</strong></td>
<td><strong>120</strong></td>
</tr>
</tbody>
</table>

The calculated value of chi-square is 2.237  
The critical value at (3-1)(3-1)=4 df is 9.488  
Since the calculated value is less than the critical value we accept H0  
Hence we conclude that there is no significant association between the occupations and risk tolerance of the sample.

**Education Qualification Vs Preference in Investments**

**H0:** There is no significant association between the educational qualification of the investors and their preference in Investments  
**H1:** There is a significant association between educational qualification of the investors and their preference in Investments
### TABLE 4: EDUCATION QUALIFICATION VS PREFERENCE IN INVESTMENTS

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Traditional investments</th>
<th>Mutual funds</th>
<th>Shares</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduates</td>
<td>44</td>
<td>17</td>
<td>15</td>
<td>76</td>
</tr>
<tr>
<td>Post graduates</td>
<td>11</td>
<td>22</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>39</td>
<td>26</td>
<td>120</td>
</tr>
</tbody>
</table>

The calculated value of chi-square is 13.48178  
The critical value at (2-1)(3-1)=2 df is 5.991  
Since the calculated value is greater than the critical value we reject Ho  
Hence we conclude that there is significant association between the educational qualification and preference in investments.

### TABLE 5: AGE VS RISK TOLERANCE

**Ho:** There is no significant association between the age of the investors and their risk tolerance  
**H1:** There is a significant association between the age of the investors and their risk tolerance

<table>
<thead>
<tr>
<th>Age</th>
<th>Low risk</th>
<th>Moderate risk</th>
<th>High Risk</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-30</td>
<td>13</td>
<td>44</td>
<td>10</td>
<td>67</td>
</tr>
<tr>
<td>Between 31-40</td>
<td>10</td>
<td>12</td>
<td>9</td>
<td>32</td>
</tr>
<tr>
<td>Between 41-50</td>
<td>9</td>
<td>7</td>
<td>5</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>63</td>
<td>24</td>
<td>120</td>
</tr>
</tbody>
</table>

The calculated value of chi-square is 10.68821  
The critical value at (3-1)(3-1)=4 df is 9.488  
Since the calculated value is greater than the critical value we reject Ho  
Hence we conclude that there is significant association between the age and risk tolerance of the sample.

**FINDINGS OF THE STUDY**

- Most of the respondents are risk averse in nature.  
- Majority of the women investors have financial literacy but many of them are not regular in monitoring their investments.  
- Most of the respondents are beginners in investment i.e. they have 0-3 years of investment experience.  
- “Tax Benefits” form the major need for the investment for both salaried people and people who are self-employed.  
- The investment habit was noted in a majority of the people who participated in the study.  
- Many of the respondents prefer to park their funds in avenues like Gold, FDs, PPFs, NSCs, LIC and Mutual funds.
This confirms that Women investor even if they are of high income, well educated, salaried, and independent are conservative investors prefer to play safe.

CONCLUSION

There is significant association between the demlographic variables like age, educational qualification and risk tolerance. In all the age groups moderate risk avenues found to have better place. There is no significant impact of occupation on the preference in risky investments. The analysis of how an investment choice gets affected by demographic variables could help the financial advisors to better suggestions to their clients.

REFERENCES