

A RESEARCH STUDY ON FINANCIAL PLANNING AND INVESTMENT BEHAVIOR OF INDIVIDUAL INVESTORS OF TIRUPATHI TOWN, ANDHRA PRADESH

Raghavendra Rao Rentala¹

¹Assistant Professor, Department of GEBH,
Sree Vidyanikethan Engineering College, Tirupati,
Andhra Pradesh, India

Abstract: The range of Income and proportionate of Savings indicate a person's degree of standard of living in the society. It is not only the savings that one has to maintain, the proper channel to invest them in return oriented investment avenues so as the capital would be appreciated over a period of time instead of keeping idle. This invested money would be rotating throughout all the sectors viz., House hold sector, Private sector and Government Sector. The needy section of society will use the money by accessing to various financial assets. This would not only outcome into financial wealth creation but also accelerating various financial services in the economy. Also, every individual needs proper financial planning in the investment process. He or she should know the exact objective of their investments and the rate of return that is expected as well the boundaries they can be safe to face the risk levels. This paper is aimed at making a research to find out the financial planning awareness among the individual investors of Tirupathi Town, Andhra Pradesh and also their investment patterns with respect to different categories of investments according to their investment objectives. The data has been collected from analysis of questionnaires supplied to various sections of town that are based on Incomes, Educational qualifications, Employment nature etc. The analysis of Data has been done on two grounds. One is being the General analysis by using Number and Percentages and other one is by testing the Hypothesis for different investment parameters to know the level of correlation between them by using Chi-Square test (χ^2)

Key Words

Financial Planning, Investment Behavior, Investor Awareness, Financial Education

I.INTRODUCTION

Investment is considered as an art. It is generally defined in Economics that "Investment is the addition to the physical stock of capital." When it comes to common parlance, "It is the buying of Financial assets such as shares, debentures, mutual funds etc at a price with an objective of earning a return on funds deployed". For economic development, it is necessary to invest all the savings in a meaningful way. How much money is invested by people out of total savings, frequency of their investments, financial instruments in which they invest and risk aversion etc. show their investment behavior. To make financial decisions, people should be aware about all the investment alternatives. In the present day, the financial markets are quite complex, with each investor having his or her own specific financial needs based on his financial goals and risk appetite. But ultimately, every investor aims at maximizing returns on his/her investment, along with capital protection. Thus it is mandatory to have financial knowledge so that people can behave rationally while investing their money.

While savings are more in India, where the savings are invested is a cause for concern. Investments by households have been more into either bank fixed deposits, risk-free government-backed securities and low-yielding instruments, or in non-financial assets.

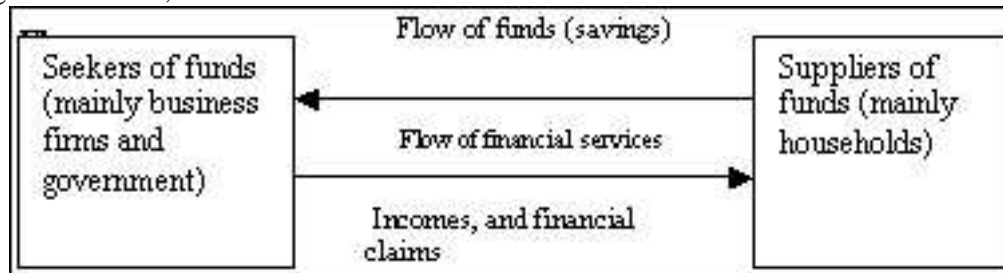


Figure 1: The Indian Financial System

Literally, savings and investments are equal. This can be explained in the way that when people save some money, it automatically flows for investments. But, some of the people do not know how to invest and where to invest, that brings a gap between savings and investments. This would lead to blocking of amounts idle. This may even interrupt the financial system structure and there by deterrent to the Economic development.

All over the world, the prosperity of any economy is reflected through its investments made by retail and institutional investors. If the percentage of these investments is increasing, that brings a greater stability for the country and the Gross Domestic Product (GDP) would be increased. But, the question arises here is whether the people are having the subject knowledge of how to save their money at first, and secondly where to invest this money for good returns. Generally, for a common investor and to know his behavior in this aspect, the following questions will arise:

- Do you make household budgets?
- How much do you save every month to meet all your financial goals?
- How should you change your asset allocation pattern with age and circumstances?
- What are the specific investment objectives and need for investments basically?
- Though they have an intention to save and invest money, are they guided for good investment options?
- Are they ready for taking higher risks for getting higher returns?
- What is the approximate and minimum rate of return a common investor wants after taking inflation into consideration?
- Do the investors getting proper information from the market and get protected from the unfair practices by some of the intermediaries?

There are several factors that affect the investment decision. Some of them are given below:

- ⇒ Liquidity
- ⇒ Risk
- ⇒ Return
- ⇒ Inflation rates prevailing in the Economy
- ⇒ Level of income and expenditure
- ⇒ Consumption habits and conditions etc.

The present study makes an effort to research into the various elements of investment habits and patterns of individual investors at Tirupathi town, Chittor District, Andhra Pradesh.

1.1 About Tirupathi Town

Tirupati is a major pilgrimage and cultural city in the Chittor District of Andhra Pradesh. It is the largest city in the Rayalaseema region and also the 4th largest growing city of the Indian state Andhra Pradesh next to Hyderabad, Vizag and Vijayawada. Tirupati is famous for Venkateswara Swamy temple dedicated to Lord Venkateswara located about 20 kilometers (12 mi) north west of Tirupati in the Tirumala hills at an elevation of 853 meters. One of the most important pilgrimage centers in the world, the temple draws millions of pilgrims and is the busiest pilgrimage center in the world. As per provisional reports of Census India, population of

Tirupati is 459,985 and is the 9th most populous urban agglomeration in Andhra Pradesh. The sex ratio of Tirupati city is 969 females per 1000 males.

1.2 LITERATURE REVIEW

V.R.Palanivelu & K.Chandrakumar (2013) highlights that certain factors of salaried employees like education level, awareness about the current financial system, age of investors etc. make significant impact while deciding the investment avenues.

Lalit Mohan Kathuria & Kanika Singhania (2012) concluded that private sector banking employees were investing a larger portion of their savings into safe and risk-free investment avenues, like employee provident fund, public provident fund and life insurance policy and only forty per cent of the respondents had high level of awareness regarding various investment avenues.

Sanjay Kanti Das (2012) summarized that the bank deposits remain the most popular instrument of investment followed by insurance and small saving scheme to get benefit of safety and security of their life and investment. It was found that there is a need for increasing the financial literacy among the middle class households.

Giridhari Mohanta & Sathya Swaroop Debasish (2011) states that people were ready to invest for meeting their financial, social and psychological need. But the investor always had a mindset of safety and security, higher capital gain, secured future, tax benefit, getting periodic return or dividends, easy purchase and meeting future contingency.

Rajakumar (2008) states that customers' attitude towards purchase of insurance products concludes that there is a low level of awareness about insurance products among customers in India.

Ranganathan (2006) noted that financial markets are affected by the financial behavior of investors and consumer behavior from the marketing world and financial economics had brought together a need to study an exciting area of 'behavioral finance' and thus studying the behaviour of investors holds importance.

Kar Pratip, Natrajan & J P Singh (2000) concluded that the household's investment in shares, debentures and mutual funds was below 10% and the equity investor household's portfolio was of relatively small value and undiversified. It was also found that one set of households, in spite of their lower income and lower penetration level of consumer durables, were in the securities market, while another set of household with higher income and higher penetration level of consumer durables did not have investment in securities market.

Sujit Sikidar & Amrit Pal Singh (1996) revealed that the salaried and self-employed formed the major investors in mutual fund primarily due to tax concessions.

2.0 Objectives of Study

The present paper has set the following objectives:

- 1) To understand the awareness of Financial Planning and Education among the individual investors.
- 2) To analyze the investment behavior of Investors and also to statistically test the interdependence of various attributes of investments.

3.0 Research Methodology

The data collected for this study is taken from Primary and Secondary sources. This type of study surely needs a comprehensive questionnaire type of observations and analysis and so a questionnaire consisting of 18 questions was prepared with multiple options to chose. Some of the questions are of attributes in nature and some are of variables in nature. Secondary data has been collected from various books, journals, magazines and also websites to understand the basic aspects of investment and savings in general.

3.1 Sample Design

The sample selected for the study is 100. This sample is randomly selected from Tirupathi Town at different locations namely Khadi Colony, MR pally, TK Street, Alipiri, LS Nagar, KT road, SV University Campus, Balaji Nagar Colony, Bhavani Nagar Colony etc. The sample is selected only from those people who are earning income by some source of employment. The Unemployed / Non-Earners/Housewives were not considered as

they do not have any source of income and thus will not be useful for the study. The testing of Hypothesis has been done by using Chi-Square (χ^2) test at 5% level of Significance.

3.2 Limitations of Study

- 1) The study is limited to Tirupathi Area that to some of the main centres only.
- 2) The sample size is moderate but not large (N= 100)
- 3) The study has taken time period of 2 months. (July, August & September 2017)
- 4) Only the salaried and income earned groups were considered as the study is mainly triggering about the Savings and Investment areas.

4.0 Data Analysis & Results and Discussions

The data analysis for this research has been divided into two models.

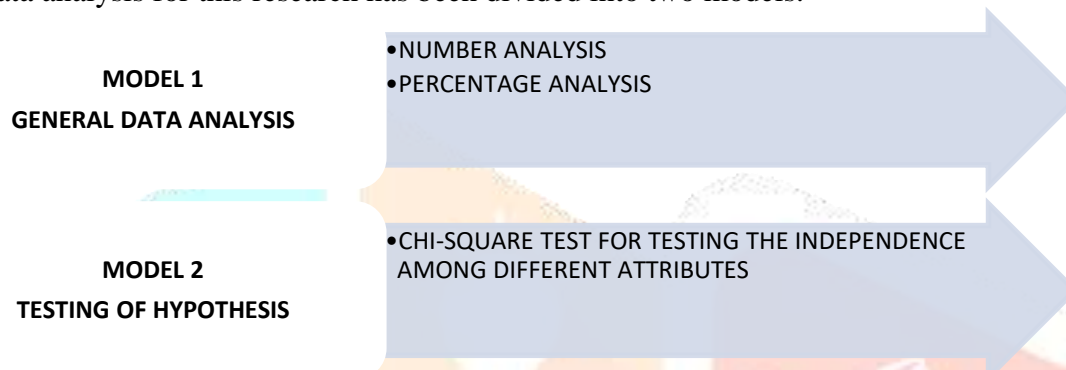


Figure 2: Data Analysis Models

In Model 1, the general information like age, sex, marital status etc are analyzed in number and in percentage so as to understand the basic structure of research. Later in Model 2, the correlation among different attributes was observed by testing the hypothesis using Chi-Square test.

4.1 Model 1: General Data Analysis

A total of 10 parameters were taken here for analysis purpose which will provide the basic information about the study. The data has been structured into the following analysis which is displayed both in numbers and in percentages.

Table 1: General Data Analysis of Questionnaire

Sl.No	Name of Parameter	Options	In Number	In Percentage (%)
1	Age	20-30 years	32	32%
		30-45 years	48	48%
		45-60 years	20	20%
2	Marital Status	Single	37	37%
		Married	63	63%
3	Gender	Male	78	78%
		Female	22	22%
4	Salary Range	1,00,000-1,50,000	24	24%
		1,50,000-3,00,000	65	65%
		3,00,000-5,00,000	8	8%
		>5,00,000	3	3%
5	Knowledge of	Very Good	36	36%

	Financial Planning	Good	43	43%
		Average	9	9%
		Poor	12	12%
6	Percentage of savings per annum	10-15%	58	58%
		15-25%	24	24%
		25-50%	11	11%
		More than 50%	7	7%
7	Percentage of expenditure per annum	85-90%	52	52%
		75-85%	20	20%
		50-75%	15	15%
		Less than 50%	13	13%
8	Investment Time Horizon	Less than 1 Year	35	35%
		1-3 years	52	52%
		3-5 years	13	13%
		More than 5 Years	0	0
9	Knowledge of Financial Markets and Procedures	Good	27	27%
		Average	49	49%
		Little	19	19%
		Poor	5	5%
10	Revision and Evaluation of Investments	Regularly	42	42%
		Fixed Intervals	43	43%
		Once in a year	12	12%
		Never	3	3%

4.2 Findings from General Data Analysis

1. There are 78% of Male Investors and 22 % of Female Investors. 63 % of the total investors are married.
2. Most of the investors are of 30-45 years (48%) followed by 20-30 years (32%)
3. It can be observed that 65% of the investors are having an Income range of Rs 1,50,000-3,00,000
4. The table clears that nearly 80% of the investors are having good knowledge on Financial Planning and vision.
5. It is evident that the percentage of savings and percentage of expenditure are positively correlated. It is also found that more than 50% of the investors are saving on an average 12% per annum by limiting their expenditure between 85% - 90%.
6. Though people are having good awareness about Financial Planning for future (80%) , they have medium knowledge on the working of financial markets and procedures (49%). This may restrict them to invest in capital market and they wish to play a safe game with their investments.
7. Nearly 85% of the investors are looking for the investments for about 3 years or less than 3 years. This may be because of the liquidity problem or the rate of return is same for 3 years and 5 years in some of the investment avenues.
8. It is observed that more than 80% of the people are revising and evaluating their investments frequently and regularly that helps them to change the portfolios for better returns or lowering of risks.
9. It is also found that many of the investors are induced to invest by their friends and relatives (66%)

4.3 Discussions on the Results

The Model 1 data analysis has discussed some important points about the nature and behavior of Investors. Most of the investors are male and middle aged group. Their financial planning knowledge is quite good and they are looking for short term period of investments. The salary range is also good that attracts tax slabs with good percentage of savings. Most of them are cautious about their money and investments and they are less patience about those investments which give less return to them.

4.4 Model 2: Testing of Hypothesis using χ^2 value and subsequent Discussions

The various investment attributes are tested to know their interdependence at a confidence level of 5 % using χ^2 test. These tests are given under:

Test 1**H0: There is no significant difference between educational qualification and awareness of financial planning.****Table 1: Testing of Hypothesis between Educational Qualification and awareness of Financial Planning**

	Very Good		Good		Average		Poor		Grand Total
	OBS	EXP	OBS	EXP	OBS	EXP	OBS	EXP	
PG	8	3.75	3	6.3	4	3.15	0	1.8	15
Graduation	10	11	21	18.48	9	9.24	4	5.28	44
Inter	5	6.75	13	11.34	4	5.67	5	3.24	27
S.S.C	2	3.5	5	5.88	4	2.94	3	1.68	14
Grand Total	25		42		21		12		100

Results and Discussion: This testing will analyze to find out the independence of two attributes namely, education and awareness of financial planning. It is generally felt that a more educated person will have more knowledge on financial planning than less educated one. Accordingly the null hypothesis (H₀) was framed. The results showed are reflected in table 2. The χ^2 table value for the given degrees of freedom (9) at 5% significance is **16.919** and the chi-squared P value for the same is **13.65856**. As the table value is more than the calculated value, the null hypothesis is rejected and **it is concluded that there is a significant difference between the two.**

Test 2**H0: There is no significant difference between Age and Investment Objective****Table 2: Testing of Hypothesis between Age and Investment Objective**

	Safety		Moderate Returns		High Returns		Tax Benefits		Grand Total
	OBS	EXP	OBS	EXP	OBS	EXP	OBS	EXP	
20-30 Years	10	8.96	4	7.36	6	3.52	12	12.16	32
30-45 Years	14	13.44	16	11.04	2	5.28	16	18.24	48
45-60 Years	4	5.6	3	4.6	3	2.2	10	7.6	20
Grand Total	28		23		11		38		100

Results and Discussion: As a person grows, his investment objective also changes. This is because of his increased financial needs and dependence. Accordingly the null hypothesis was framed. The results showed are reflected in table 3. The χ^2 table value for the given degrees of freedom (4) at 5% significance is 9.488 and the chi-squared P value is 7.247808. As the table value is more than the calculated value, **the null hypothesis is rejected and it is concluded that there is a significant difference between the two.**

Test 3**H0: There is no significant difference between Marital Status and Need for Investment****Table 3: Testing of Hypothesis between Marital Status and Need for Investment**

	Future Benefits		Retirement Benefits		Children Education		Own House		Grand Total
	OBS	EXP	OBS	EXP	OBS	EXP	OBS	EXP	
Single	5	3.42	6	7.22	8	9.5	19	17.9	38
Married	4	5.58	13	11.78	17	15.5	28	29.1	62
Grand Total	9		19		25		47		100

Results and Discussion: The need for investment takes an important aspect in financial planning process and that again depends on the marital status mainly. A single person need not worry about his future or children education etc. Accordingly the null hypothesis (H₀) was framed. The results showed are reflected in table 4. The χ^2 table value for the given degrees of freedom (3) at 5% significance is 7.815. The chi-squared P value for

the same is 2.006. As the table value is more than the calculated value, **the null hypothesis is rejected and it is concluded that there is a significant difference between the two.**

Test 4

H0: There is no significant difference between expected rate of return and risk tolerance level

Table 4: Testing of Hypothesis between rate of return and risk tolerance level

	High		Medium		Low		Nil		Grand Total
	OBS	EXP	OBS	EXP	OBS	EXP	OBS	EXP	
8-10%	4	6.27	3	7.79	10	4.37	2	0.57	19
10-13%	14	15.18	25	18.86	6	10.58	1	1.38	46
13-15%	7	7.26	8	9.02	7	5.06	0	0.66	22
>15%	8	4.29	5	5.33	0	2.99	0	0.39	13
Grand Total	33		41		23		3		100

Results and Discussion: The general tendency in the investments is “High Risk- High Return and Low Risk- Low Return”. The risk and returns are positively correlated as far as the investments are concerned. . Accordingly the null hypothesis (H0) was framed. The results showed are reflected in table 5. The χ^2 table value for the given degrees of freedom (9) at 5% significance is 16.919 and the Chi-squared P value is 27.87716. As the table value is less than the calculated value, the null hypothesis is accepted and **it is concluded that there is no significant difference between expected rate of return and risk tolerance level**

Test 5

H0: There is no significant difference between nature of employment and organs of investment.

Table 5: Testing of Hypothesis between rate of return and risk tolerance level

	Shares		Mutual Funds		Gold		Real Estate		Chits		Bank Deposits		Insurance		Grand Total
	OBS	EXP	OBS	EXP	OBS	EXP	OBS	EXP	OBS	EXP	OBS	EXP	OBS	EXP	
Self Employed	0	0.9	0	3.6	0	2.52	0	0.36	3	3.6	8	3.42	7	3.6	18
Private	4	2.45	9	9.8	7	6.86	0	0.98	12	9.8	7	9.31	10	9.8	49
Government	1	1.65	11	6.6	7	4.62	2	0.66	5	6.6	4	6.27	3	6.6	33
Grand Total	5		20		14		2		20		19		20		100

Results and Discussion: The nature of employment (Permanent or temporary) also decides the type of investment. A Permanent employee may be interested in risky investments than that of the temporary employee. Accordingly the null hypothesis (H0) was framed. The results showed are reflected in table 6. The χ^2 table value for the given degrees of freedom (12) at 5% significance is 21.026 and the Chi-squared P value is 29.79285. As the table value is less than the calculated value, the null hypothesis is accepted and it is concluded that **there is no significant difference between nature of employment and organs of investment.**

5.0 Conclusion

From the above all discussions, the research study shows that many of the investors have a wider range of financial planning and this in turn depends on the educational qualification and as well the age factors too. As and when the needs of the investors are increased (after marriage/retirement), the need for the investment too changes. However, there is no relationship between expected rate of return and the risk tolerance levels and the same is applicable to the nature of employment and the organs of investment.

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