

AN ANALYTICAL STUDY ON INVESTMENT BEHAVIOUR OF NRIs IN KERALA WITH SPECIAL FOCUS ON MALABAR REGION

¹Praveen M V

¹Assistant Professor

¹Post Graduate and Research Department of commerce

¹Government College Madappally, Vadakara, India

Abstract: *The Kerala model development or Kerala phenomenon has gained wider acceptability and much acclaim across the country. One of the deciding factors that contributed substantially to the socio-economic progress of Kerala is the remittance of NRIs. A substantial financial investment in infrastructural sector in Kerala is the contribution of NRIs. The present study aims at investigating the investment behaviour and decision factors of NRIs in Kerala with special reference to Malabar region. Adhering to the technique of multi-stage stratified random sampling 150 respondents each were selected from South Malabar and North Malabar regions. As per data has been collected, it is seen that most of the NRI investors are using conventional or traditional investment alternatives like residential property, real estate, bank deposits, insurance policy, bullions etc. There are five hypotheses emanate under this study. The statements are tested with the help of one way ANOVAs and Chi-Square test to study the influences of religion, age, educational statuses, employment statuses etc. on the investment decision and portfolio of NRIs of Malabar region in Kerala. Important suggestions are made to attract the attention of Government and related agencies to recognize NRIs remittances with due consideration, channelize it towards productive investment sectors and to take efforts to attract NRIs investment to modern investment sectors also which are scanty now.*

Key words: *NRIs, NRKs, Investment Behaviour, Investment Portfolio, Remittances, Migration, Faith Based Investment.*

Introduction

It is widely acknowledged that NRIs are really the strongest foundation of Kerala's economy. The human development index (HDI) in terms of health, education and standard of living is always above the national average and even higher than that of most developed countries. Kerala has attained a near total literacy along with negligible dropout rate in primary and secondary education. The infant mortality rate is the lowest in Kerala together with a higher life span. Many a great factors worked behind this exemplary social and economic growth. One of the deciding factors that contributed substantially to the socio-economic progress of Kerala is the remittance of NRIs. A major chunk of NRI population of India is Keralites who contributes around 25% of the economic output of the state thereby participating in the growth process of Kerala economy. The Gulf countries altogether had a Keralites population of more than 2.5 million. In 2015 remittance from NRIs crossed an all time high of INR 1,00,000 crores. The number of Non Resident Indians and their quantum of remittances in the Kerala state have been increasing at a remarkable rate. The surveys conducted by the Directorate of Economics and Statistics, Kerala (Pravasi Malayali Census-2013) and the Kerala Migration Survey (KMS-2014) by Prof Zachariah and Prof. Irudaya Rajan (CDS, Kerala) reveals that remittances sent by the NRIs provides exodus support to at least one-sixth of the total population of the Kerala state. Kerala state receiving an alarming quantity of remittance of NRIs but it is sure that these contributions are not productively channelised by concerned government. The lion's portion of NRIs remittances are merely goes to discernible consumption like palatial houses, luxury cars, liquor, gold, expensive weddings etc. at the same time, when the state is flush with NRI money, infrastructure projects in the state are in struggle due to lack of funds. The state's agro-sector is limping and the manufacturing sector is drooping for want of investment and political favour. All these facts indicates that there is a requirement of structural framework for diverting this "Alibaba's remittance" to the productive and active investment avenues. In order to get an idea in this behalf, a detailed study of investment behaviour of NRIs, the factors influencing such behaviour, mediating role of various socio- economic variable is essential

Problem Statement

The present topic is mainly selected to analyse the investment behaviour of NRIs in Keralites with special focus on Malabar region. According to official data, NRI deposits in Kerala have now crossed the magic figure of Rs 1 lakh crore, increasing quickly by more than 17% from Rs 93,884 crore to Rs 1.1 lakh crore at the end of 2014-15. Remittances from NRIs are the foundation stones of the Kerala economy. However despite an inflow of Rs1 trillion, Kerala is one of the least industrialized states in India and has one of the highest unemployment rates in the country. "Keralites are rich but Kerala is poor in terms of industrialization and employment". The quantum of remittances that flowed into Kerala is almost three times the money that flowed into Maharashtra, four times the inflow into Tamil Nadu and almost 10 times the inflow into Gujarat in the form of NRIs remittance. All these states have efficiently used these remittances to build a strong, growing economy, why is it that the mass NRIs remittance into Kerala has not channelised into productive investments in the state?

Objectives of the study

The purpose of this study is to identify the relationship of the factors that affect the investment behaviour of Non Resident Indians of Kerala with special focus on Malabar region. The objectives of the study are:

General objective: To analyze the investment behaviour of NRIs in Kerala Economy especially in Malabar region.

Specific objectives

1. To analyse relation between NRIs' Investment behaviour and decision factors.
2. To analyse the influence of education, age, religion and employment status in the investment portfolios of NRI's in Kerala..
3. To explore the importance of channelizing NRIs Investment into productive sectors.

Hypotheses of the study

There are four hypotheses set for the study:

1. H₀: There is no significant religious influence on investment portfolio of NRIs.
2. H₀: There is no significant difference in investment portfolios of NRIs according to their educational status.
3. H₀: There is no significant association between employment status of NRIs and investment timing.

Scope of the study

The Scope of the study limited to the NRIs of Malabar region who have invested their money in various investment venues in India. The Malabar region consists of 6 districts such as Palakkad, Malappuram, Kozhikode, Wayanad, Kannur and Kasaragode. The study was conducted on 300 respondents selected on the basis of multistage random sampling.

Research methodology

This study will be quantitative as well as qualitative in nature for interpreting the issue in a comprehensive way. Besides it will be based on descriptive research design. Descriptive research design will be applicable to the existing problem. Here is an attempt to study the investment behaviour of NRIs in Malabar region of Kerala

- The sample size is limited to of 300 number of NRI investors selected from various villages of Malabar region.
- The Multistage Stratified Random Sampling technique is used for the study so as to have an adequate representation of various groups of NRI investors of Malabar region of Kerala state.
- Primary and secondary sources of data were used for this study.
- Primary data for this study was collected from NRIs of Kasaragode and Malappuram districts who have invested their fund in various venues of investment in India. The secondary data for the study was collected from published reports and websites (DES Kerala, KSPB and other relevant sites), books, magazines, and newspapers.
- Data for this study was collected by using structured interview schedule.
- The collected data were analysed with the help of scientific statistical tools such as: a. Percentages b. Graphs c. Chi-square test d. ANOVAs.

Review of Literature

The Dept. of Economics and Statistics, Kerala , Pravasi Malayali Census Report (PMC 2013) revealed that in 2013, there are 16.26 lakh people are working abroad and there are at least 50 lakh people of Kerala (1/6th of total population of Kerala are depend on NRIs and their remittance. The report also revealed that out of total NRIs in Kerala, approximately 78% are youngsters. The report also indicates that out of total NRIs 35% working at UAE and 28% are working at Saudi Arabia.

Zachariah and Irudaya Rajan, 2014, KMS., revealed that there has been a slow but steady northward shift in the origin of emigrants and receipt of remittance within Kerala. And there has been slow but steady hinduisation of emigration in Kerala. As per the report there are 24 lakh emigrants in Kerala and their remittance amounts to Rs 71.14 lakh Crores during 2014.

Mishra & Dash, 2010, People living in the same society and having same income level are different in their investment behaviour. The research indicated about factors influencing the decisions in India used two factors age and gender. People with different age and gender have different investment behaviours. The risk level of people of different age differs as well as gender also contributes to the level risk tolerance in decision making of investments.

Gnani, Ganesh & Santhi, 2012. Factors that affect the investor's behaviour have their intensity to affect. The study used five factors self-image or firm-image, accounting information, neutral information, advocate recommendation and personal financial needs. They admit that all these variables affect the investor's decision makings but with different intensity.

Pandiyam&Aranganathan, 2012. The study described the attitude of the salaried person towards investments. Investment is very important factor in the economic development of any country. The salaried person needs security and guaranty of the investments

he made out of his salary. Many new salaried people make wrong decision regarding their investments. The need appropriate guidelines for the proper investments.

Antony (1988) has stated that 70 percent savings of NRKs is used for the purchase of land and construction or repair of buildings which is used for residential purpose. The study also stated that only 19 % of the savings are invested in any type of income earning or productive assets.

Prakash (1978) in a micro level study attempted to examine the impact of Gulf remittances in Kerala. The study reported that the migrants' families receiving remittances enjoyed a pretty good consumption level and pointed out that the entire income earned by the persons working abroad was either being used for consumption or invested in land and houses.

Gopinathan Nair (1988) reported that in the case of some individuals, migration has resulted in higher income and asset levels and more comfortable living conditions for the households concerned, and better health for their members, more and better education to their children and more rational utilisation of resources.

In an article, Thomas Isaac (1997) Argues that it was the Gulf boom of the mid 1970s that catapulted Kerala into becoming a front ranking state in international migration along with Punjab and Goa. Isaac underlines the fact that unlike the migrants to Western countries the Gulf workers neither aspired to become permanent residents in the host country nor was there any possibility of their becoming so; Gulf migration is usually, a purely, temporary migration and workers have time horizons, fixed in their labour contract, within which they attempt to maximize savings and remit them home.

Prakash, (1998), A study on the economic impact of large scale labour migration from Kerala to the Gulf found that Gulf migration and the migrants' remittances have been one of the major factors which had greatest impact on Kerala economy since 1970s. Prakash argued that even though gulf migration has helped the migrant households to attain higher levels of income, consumption and acquisition of assets, resulting in overall reduction of poverty in Kerala, it also pushed up the price level including the expenses on health care.

Suresh K Chadha (2000) indicates that, foreign capital is the engine of economic development. Traditionally various sources of capital for developing countries were either the demand for their output by industrial countries or foreign aid or loans from foreign banks or FDI.

Data Analysis and Interpretation

Information supplied by 300 NRI respondents from Malabar region are carefully processed, systematically sorted, grouped and classified and tabulated and interpreted scientifically. By adhering the research objectives, collected data is studied in multidimensional by considering various factors determining investment behaviour of NRI investors viz. income, awareness or knowledge, attitude, experience, investment portfolios, educational status, religious affiliation etc.

Table 1: Individual Profile- NRI Investors in Malabar Regions

Sl.No	Investors Particulars	Number of respondents	Per cent	
1	Gender	Male	259	86.33
		Female	41	13.67
2	Marital Status	Married	232	77
		Unmarried	68	23
3	Age	Less than 25	78	26
		26 -40	143	47.67
		41-55	69	23
		56 and above	10	3.33
4	Education Level	Up to SSLC	57	19
		HSE to Graduate	134	44.67
		Post graduate	34	11.33
		Professional	43	14.33
		others	32	10.67
5	Religion	Hindu	116	38.66
		Muslim	149	49.67
		Christians	35	11.67
6	Place/Nation of employment	USA	8	2.67
		Canada	4	1.33
		UK	6	2

		UAE	83	27.67
		Saudi Arabia	61	20.33
		Kuwait	43	14.33
		Oman	25	8.33
		Qatar	28	9.33
		Beharain	22	7.33
		OtherAsian countries	14	4.67
		Other Countries	6	2
7	Duration of NRI status	Less than 5 years	54	18
		5 to 10 years	67	22.33
		10 to 15 years	89	29.66
		15 to 20 years	61	20.33
		Above 20 years	29	9.67
8	Employment Status	Professionals	52	17.33
		Business	32	10.67
		Skilled workers	54	18
		Semi-skilled workers	72	24
		Salaried staff (Govt, banks)	14	4.67
		Others	76	25.33

Out of total NRIs in Malabar, prominent age group is 26 to 40 (47.67%).3.33 percent NRI Investors are still doing job abroad even after the average retirement age of Kerala. It is interesting that out of 300 respondents, 243 NRI investors have good educational qualifications. In education-wise classification of respondents dominant group is HSE to graduation. NRI investors in Malabar region are relatively well educated. Among 300 respondents in Malabar, nearly 50 percent belongs to Muslims (149 in number)As per data collected, nearly 86 percent NRI investors belongs to Gulf countries. The study proven the general fact that most of the remittances in Kerala are flowing from Gulf countries. In connection with employment status of NRI investors in Malabar it is found that most of the respondents belongs to "Others" which consists of office staff, clerks, accounting staff, salesmen/women, catering workers, field staff, factory workers etc., Second position goes to semiskilled workers, out of total respondents, number of semi skilled workers is 72 in numbers which consists of drivers, plumbers, electricians, construction workers etc,

Table 2:Investment Profile of NRIs in Malabar

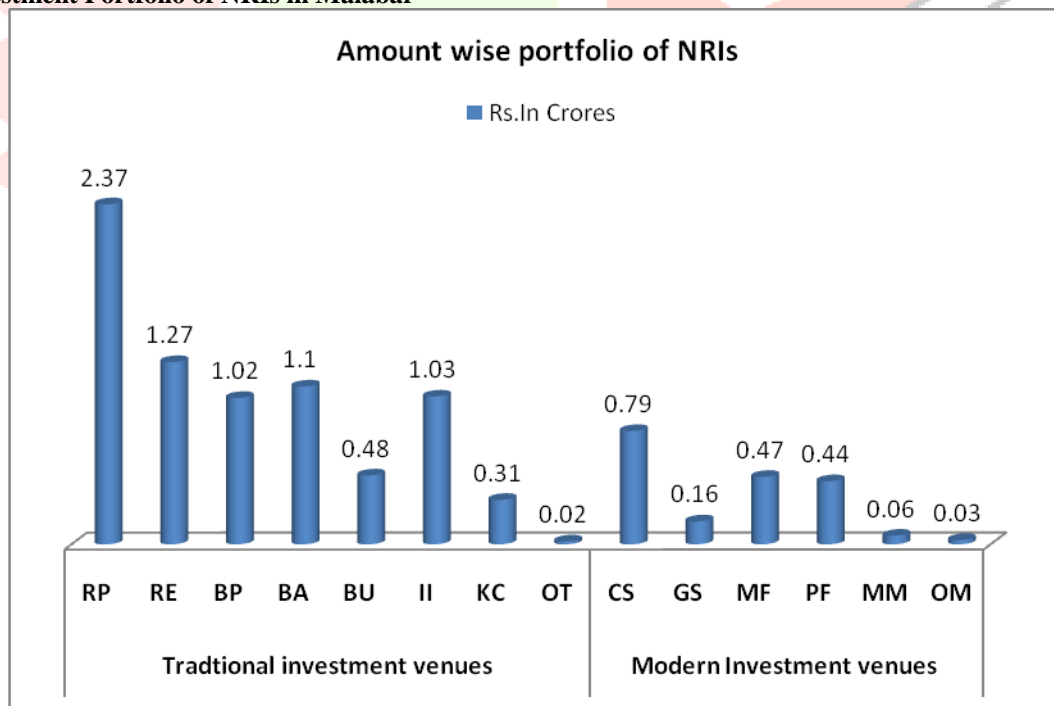
	Investment particulars	Number of respondents	Per cent	
1	Average Annual Investment	Up to 1lakh	44	14.67
		1.to 2 lakh	63	21
		2 to 3 lakh	111	37
		3 to 4 lakh	55	18.33
		Above 4 lakh	27	9
2	Investment Timing/frequency	weekly	19	6.33
		Monthly	107	35.67
		Quarterly	74	24.67
		Half yearly	26	8.67
		Annually	74	24.67

It is found that among 300 total respondents, majority of NRIs investing an annual amount ranging from Rs.2 lakh to 3 lakh. 27 number of NRIs investing annually more than 4 lakh rupees (out of 27respondents, 5 NRI's average annual investment is more than 20 lakh). 55 respondent's investment range is 3 to 4 lakh pa. Out of the 300 respondents, most of the respondents make investment monthly.35.67 percent (107 in number) making monthly investment. 24.67 percent each making quarterly and annual investments. 26 respondents following half yearly investment plan and last 19 respondents were following weekly investment.

Table 3: Investment Portfolio of NRIs in Malabar

	Venues	Amount in Crores	Per cent	Rank
Traditional Investment venues	Residential properties	2.37	24.82	1
	Real Estate	1.27	13.3	2
	Bank/PO deposit	1.02	10.68	5
	Business	1.1	11.52	3
	Bullions	0.48	5.03	7
	Insurance policies	1.03	10.79	4
	Kuris and Chits	0.31	3.25	10
	other traditional venue	0.02	0.21	14
	Total	7.6	79.58	
Modern Investment Venues	Corporate securities	0.79	8.27	6
	Govt. Securities	0.16	1.68	11
	Mutual Fund	0.47	4.92	8
	Pension/provident fund	0.44	4.61	9
	Money market	0.06	0.63	12
	Other Modern venues	0.03	0.31	13
Total	1.95	20.42		
Grand Total	9.55	100		

Out of total investment Rs.9.55 crores, 2.37 crore invested in residential properties which claims 1st rank in all investment venues followed by investment in real estates, investment in business, investment in insurance and bank / post office deposits respectively in descending order. Among the ranking of 14 alternatives first five ranks goes to traditional investment a venue. Even if financial literacy in Kerala is high, most of the NRI investors still follow traditional investment practices.

Figure 1: Investment Portfolio of NRIs in Malabar

Testing of hypotheses of the Study

In this study there are three hypotheses related to investment behaviour and its influencing factors are put forth. In order to test these hypotheses ANOVAs and Chi-square tools are used.

Test 1 (one way Anova)

H0: There is no significant religious influence on investment portfolio of NRIs

Table 4: Religion and investment portfolio of NRIs in Malabar

Religion	Venue-Wise Investment portfolio (in lakh Rs)														Total
	RP	RE	BP	BA	BU	II	KC	OT	CS	GS	MF	PF	MM	OM	
Hindus	98	34	65	28	14	42	26	2	30	8	22	17	5	2	393
Muslims	120	85	16	74	30	54	2	0	33	2	22	22	0	0	460
Christians	19	8	21	8	4	7	3	0	16	6	3	5	1	1	102
Total	237	127	102	110	48	103	31	2	79	16	47	44	6	3	955

Table 5: One way Anova table

Source of Variation	Sum of Squares	Degree of freedom	Mean square
Between Column	SSC=18074	K-1=13	MSC=1390
Within Column	SSE=14956	N-k=28	MSE= 534
Total	SST=33030	N-1=41	F= 2.60

The table value of F at 5% level of significance for (13, 28) degree of freedom is 2.08. The calculated value of F (2.60) is more than table value of F. Therefore H₀ is rejected. Hence, "there is significant religious influence on investment portfolio of NRIs". Composition of investment portfolio of NRI investors in Malabar seems to be "Faith Based Investment". Religious affiliation, belief, religiosity etc influencing the investment preference and behaviour of investors.

Test 2 (one way Anova)

H₀: There is no significant difference in investment portfolios of NRIs according to their educational status.

Table 6: Educational Status and Investment portfolio.

Educational Status	Venue-Wise Investment portfolio in lakh														Total
	RP	RE	BP	BA	BU	II	KC	OT	CS	GS	MF	PF	MM	OM	
Up to SSLC	28	21	13	19	12	25	10	2	0	0	0	1	0	0	131
HSE to Degree	120	61	46	56	19	40	18	0	27	3	19	19	1	0	429
Post graduation	37	14	16	9	9	13	0	0	21	8	15	16	5	2	165
Professional degree	31	19	14	8	3	9	0	0	23	4	9	4	0	0	124
Others	21	12	13	18	5	16	3	0	8	1	4	4	0	1	106
Total	237	127	102	110	48	103	31	2	79	16	47	44	6	3	955

Table 7: Anova table (one way)

Source of Variation	Sum of Squares	Degree of freedom	Mean square
Between Column	SSC=10844	K-1=13	MSC=834
Within Column	SSE=12822	N-k=56	MSE= 229
Total	SST=23666	N-1=69	F= 3.642

The table value of F at 5% level of significance for (13, 56) degree of freedom is 1.905. The calculated value of F is more than table value of F. Therefore H₀ is rejected. Hence, "there is significant difference in investment portfolios of NRIs according to their educational status". Education level of investors is one prominent factor which affecting investment behaviour of NRIs and selection of investment mix. Even though there enormous modern and innovative venues for investment, less educated NRI investors are still parking their hard earned money in conventional investment avenues like residential property, real estate, gold, bank deposits etc.

Test 3 (Chi-Square)

H0: There is no significant association between employment status of NRIs and investment timing.

Table 8: Observed frequency

Employment status	Timing of Investment					Total
	Weekly	Monthly	Quarterly	Half yearly	Annually	
Professionals	0	26	8	1	17	52
Business	12	12	8	0	0	32
Skilled workers	0	19	12	7	16	54
Semi-skilled workers	0	23	27	8	14	72
Salaried staff (Govt, banks)	0	10	2	0	2	14
Others	7	17	17	10	25	76
Total	19	107	74	26	74	300

Table 9: Expected frequency

Employment status	Timing of Investment				
	Weekly	Monthly	Quarterly	Half yearly	Annually
Professionals	3	19	13	5	13
Business	2	11	8	3	8
Skilled workers	3	19	13	5	13
Semi-skilled workers	5	26	18	6	18
Salaried staff (Govt, banks)	1	5	3	1	3
"Others"	5	27	19	7	19

Degree of freedom = (c-1) (r-1) = (5-1) (6-1) = 20

Level of significance = 5%

Table value = 31.41

Calculated value = 104.98

Since calculated value is more than table value, null hypothesis (H0) is rejected. Therefore, there is significant association between employment status of NRIs and investment timing. Timing of receiving salary, remuneration and wages of NRIs are depending upon the nature of employment and there by influencing the timing of their investment.

Suggestions

- ⇒ Government and related agency should frame policy measures and mechanisms to direct NRI remittances to productive investment venues.
- ⇒ Government should offer incentives and tax benefits to those NRI investors who take part in public infrastructural development activities of the state.
- ⇒ Government and public Companies/corporations should engineer new securities and instruments which specifically suitable for NRI investors.
- ⇒ State Government should take measures to bring investment in residential property, real estate and other conventional venues into regulatory frameworks.
- ⇒ State Government and its agencies should conduct "A village level investment awareness campaign" in order to nurture investment culture in urban as well as rural areas.
- ⇒ We know that most of the NRIs are well educated but have less investment attitude and experience. So in order to inculcate investment habits in youngsters as early, schools and colleges should set up "Investment Club" as functioning of ED club.
- ⇒ Political parties and local people should approach positively towards industrial concerns set up by NRIs with their hard earned money.
- ⇒ NRIs remittances are to be properly accounted and contribution made by NRIs should be duly recognized.
- ⇒ Government and other investment related agencies has to provide more value added services to NRIs investors and should resort single window clearance system to solve problems related to NRI's investment.
- ⇒ Government should charge slab-wise 'luxurious tax and duties' on extravagant/unproductive spending like marriage, house warming and other vanity events.

- ⇒ There should be an Investment Consultancy organization under the control of government to provide necessary advises and guidelines to NRIs and other investors of the state.
- ⇒ Efforts should be taken to design a flexible investment options to cater the need of various segment of NRI investors like religious segment, age segment, educational segment, gender segment etc.
- ⇒ Since NRIs are visiting their home place after few years interval most of their investment are managed by their spouse and near relatives. There should be proper platform to provide training and guidelines to these investment agents of NRIs. Kudumbasree, Ayalkoottam and other similar entity can be used for this sake.

Conclusion

The study is carried out on the topic "An Analytical study on Investment Behaviour of NRIs with a Special Focus on Malabar Region". Adhering to the technique of multi-stage stratified random sampling 150 respondents each were selected from South Malabar and North Malabar regions. As per data has been collected, we noticed lot of investment behaviour and investment pattern of NRIs in Malabar. There are number of investment opportunities opened in front of NRIs which consists of conventional investment venues and modern or innovative venues. Most of the NRI investors are using conventional or traditional investment alternatives like residential property, real estate, bank deposits, insurance policy, bullions etc. Related agencies are required to take efforts to attract NRIs investment to modern investment sectors also which are scanty now. Majority of respondents were male, relatively educated, semiskilled workers. A lion's portions of NRIs were working in Gulf countries especially in UAE and Saudi Arabia. study clearly revealed that there is significant religious influence on investment portfolio of NRIs in Malabar, there is significant difference in investment portfolios of NRIs in Malabar according to their educational status and there is a close association between employment status of NRIs and their investment timing .Everyone knows the role of NRIs in development of Kerala Economy is not negligent. However to recognize their remittance with due consideration and channelize it towards productive investment sectors some important suggestions are offered as an output of this study.

References:

Anna, Andreas, George & Prasad(2004),Economic Factors and Individual investment Behaviour, Journal of applied research, V.20(4),Pp.93

Directorate of Economics & Statistics, Kerala ,(2013) Pravasi Malayali Census Report, Vol.1 & 2 Pp.7.28-47

Gnani, Ganesh & Santhi,(2012): *A study on Individual Investors behaviour with special reference to Geojith, IRACST, Volume 2,2.Pp.243.*

Josiah Aduda, Odera Eric Oduor and Mactosh Onwonga (2012)*The Behaviour and Financial Performance of Individual Investors* , Journal of Finance and Investment Analysis, 2012, vol. 1, issue 3, Pp.34

Mishra & Dash,(2010) : *Factors influencing investment generations in India*, Asian journal of Management Research,Pp.308

Nair, P.R. Gopinathan, (1986): *Asian Migration to Arab World: Migration from Kerala (India)*, Working Paper No.181, Centre for Development Studies, Trivandrum, p.7.

Pandiyan& Aranganathan (2012).An Assessment Study on the "Factors Influencing the Individual investor decision making Behaviour" ISOR journal of Business and Management,V9,I5,p.37

Prakash, B.A, (1998): "Gulf Migration and Its Economic Impact: The Kerala Experience", *Economic and Political Weekly*, Vol.33, No.50, December, 12, p.3210.

Thomas Isaac TM (1997) "Economic Consequences of Gulf Migration." In Kerala's Demographic Transition: Determinants and Consequences. Edited by Zachariah, KC and Rajan, S Irudaya. New Delhi: Sage Publications

Zachariah K.C. and S. Irudaya Rajan, (2014): CDS-Kerala Migration Survey, 6th series. Working Paper 463,(CDS).Pp 34-64