

FACTORS INFLUENCING THRIFT AND INVESTMENT PATTERN AMONG THE HOUSEHOLDS

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Abstract

Money attitude of the people towards money in today's world is that everybody wants to enjoy the benefits of money because they have earned by hard work and efforts made on it. That's great but spending all your money is not the smartest thing to do saving of money help people in the long run. There could be the uncertainties of future which resist people to save for future. This study examines the factors influencing thrift and investment patterns among Indian households. A survey of 80 households was conducted. The results indicate that income, education, occupation, and financial literacy are significant factors influencing thrift and investment patterns among Indian households. The study provides insights for policymakers and financial institutions to promote financial inclusion and encourage households to adopt prudent thrift and investment habits.

Keywords: Thrift, Investment Patterns, Households.

Introduction

The term investment refers to exchange of money wealth into some tangible wealth. The money wealth here refers to the money (savings) which an investor has and the term tangible wealth refers to the assets the investor acquires by sacrificing the money wealth. By investing, an investor commits the present funds to one or more assets to be held for some future return in terms of interest (revenue) or capital gain. The different investment avenues are:

Safe/Low Risk Avenues: Savings account, Bank fixed deposits, Public provident fund, Government securities etc.

Moderate Risk Avenues: Mutual funds, Life insurance, Debentures, Bonds.

High Risk Avenues: Equity share market, Commodity market, FOREX market.

Traditional Avenues: Real estate, Gold/silver, Chit funds.

Objectives of the Study

- ❖ To study about the saving and investment pattern of the respondents.
- ❖ To analyze the factors influencing the savings and investment habit of the respondents.
- ❖ To study about the various savings and investment avenues.

Saving Schemes

1. Unit Linked Insurance Plan (ULIP)

A unit linked insurance plan is an integrated plan when offers investors insurance cover along with the investment under the same plan. The insurance company invests plan towards the life insurance cover and remain portion is invested in debt / equity funds.

- i. The tenure of unit linked insurance plan ranges between 5years and 20years and is different for different insurance companies.
- ii. You need to invest a minimum Of \$2500 in a unit linked insurance plan. There is no limit for maximum investment in a ULIP.

- iii. Investors can get tax exemption upto Rs. 50 lack u\s 80c rate of returns of ULIP is not fixed on fund performance.

Investors	Policy Tenure	Annual Premium	Nominee Receives 4%/8% Plan	Assumed Returns At 4%/8% P.a
Age:30 Years (m)	30 Years	Rs 30,000	Rs. 4.94Lakh/ Rs. 6.64 Lakh	Rs. 13.6 Lakh/ Rs. 27.3 Lakh

2. Equity Linked Saving Scheme (ELSS)

ELSS or Equity linked savings scheme is also known as tax saving funds. It is a form of mutual fund that has a compulsory lock-in-period of 3years. It is the only mutual fund that allows tax deductions upto 1.50 lack in a financial year u\s 80c of income tax Act.

3. Government Savings Schemes

The saving schemes backed by the government are reliable, have low risk and secure. There are various saving schemes launched by the government that are mostly known for providing long-term benefits, attractive interest rates and also provide tax exemptions on investment, some of the popular government-backed investment schemes are/is ted below.

4. Public Provident Fund (PPF)

Public provident funds are one of the most popular retirement benefit schemes aimed at encouraging the habit of savings for

the long run. To deposit a minimum of Rs 500 in a financial year in your PPF account. The lock-in period of investing in PPF accounts is 15 years. However you can extend the term in a batch of 5years.

5. Atal Pension Yojana (APY)

Atal pension yojana is a pension scheme launched to cater to the financial needs of individuals in the unorganized sector. Under this scheme, the individuals can opt to get a pension of Rs 1000, 2000, 3000, 4000 and 5000 after the age of 60 years according to the amount invested in the pension scheme.

6. National Savings Certificates (NSC)

National savings certificates is a fixed investment scheme that can be opened at the post office to get guaranteed returns along with tax exemptions on investment.

7. Post Office Savings Account

Post office savings accounts are similar to regular savings account in a book except that they can be opened at a post office. The funds invested in the post office savings account can be transferred from one post office to another.

8. Post Office Time Deposit

Post office time deposit is one of the most popular saving scheme offered by Indian post office, particularly in rural and remote areas that are relatively under-backed and have limited access to investment products. Post office time deposit comes with different tenure option for investment. Current rate of interest applicable is below:

S.No	Tenure	Rate
1	1 Year Time Deposit	7.0%
2	2 Years Time Deposit	7.0%
3	3 Years Time Deposit	7.0%
4	4 Years Time Deposit	7.0%

2.3. Investment Schemes

1. Long Term Investment

A long term investment is between one year and several years. In this case, the rules of portfolio management apply. If you use technical analysis, you will view weekly or monthly charts.

2. Medium Term Investment

A medium term placement is between one week and several months we can then call it an investment you can then integrate the notion of fundamental analysis as a complement to technical analysis.

3. Sort Term Investment

A short term investment is between one hour and one week. We are not talking about investment but trading. Below one hour we talk about very short term trading which includes scalping and also some day trading positions.

4. Stocks

Investment in equity markets or stocks provide avenue for wealth creation over a long period of time. It takes a great deal of research and prudence to identify the right stocks to invest in you also need to time your entry and exit prudently, and it involves continuous monitoring of investment. Capital appreciation happens over long period of time and is dependent up to market volatility. The good news is that in the long run, some of the stocks has been shown to deliver greater inflation -adjusted returns when compared with many other classes of assets.

5. Certificate of Deposits

Certificate of deposit is a money market instrument which is issued against the funds deposited by an investor. It is invested with the bank in a dematerialized form for a certain period of time certificate of deposit is issued by federal deposit insurance corporation (FDIC) and regulated by the reserve bank of India (RBI).

Review of Literature

(Ganapathi & Madhavan, 2022) Aimed to study during the COVID 19 lockdown period, the saving objectives, identify the investment preferences of individual's households over various investment avenues. Significant relationship exists between the saving objectives in relation to age, occupation and income of the individual investors.

- Because of modernization, urbanization and the growth of IT hubs, the younger generation (20-30 years old) are exposed with good amount of financial knowledge which helps in choosing the investment avenues that would result in multiplying the returns.
- Not many of the individual investors have knowledge about the various schemes offered by the post offices and government secured schemes or avenues.

(Kaur & Kaur, 2020) To examine the perception of the individuals regarding saving and investment pattern and to know the mode of investments and factors that influence investment behavior of the individuals in Ludhiana district, India. It was found that more than half of the respondents like to invest in the low risk avenue i.e. savings, PPF etc. in which they get the fixed return with lesser risk.

- Only risk taker respondents choose the equity share market and commodity market with higher risk.
- Awareness needs to be created regarding new investment avenues entered in the market.

Research Methodology

Research methodology deals with the definition deals of research problem, design methods of data collection sampling design and interpretation of the survey data, design of the present study is descriptive, analysis and conclusion.

Sample Size

If refers to the number of people survey for this topic in study of 80 people where survived response.

Tools for Analysis

The tools applied for the data analysis are

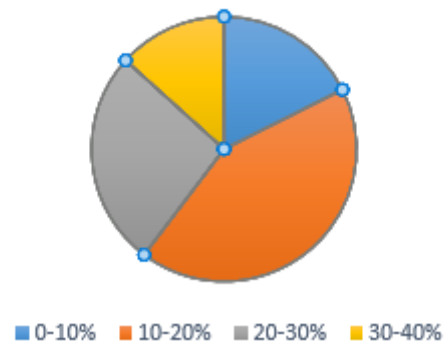
- ❖ Percentage Analysis
- ❖ Tabulation

Simple Percentage Analysis

Table 1: Percentage of Income save

S.NO	SAVING PERCENTAGE	NUMBER OF RESPONDENTS	PERCENTAGE%
1	0-10%	14	17.5%
2	10-20%	34	42.5%
3	20-30%	21	26.25%
4	30-40%	11	13.25%
	Total	80	100%

PERCENTAGE OF INCOME SAVE



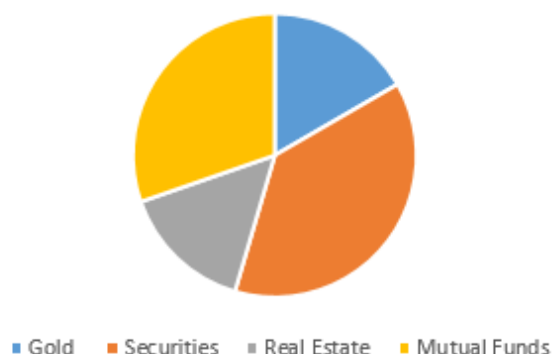
Interpretation:

From the above table it can be inferred that 34(42.5%) of the respondents are save their income in 10-20 percentage.

Table 2: Investment Methods

S.No	PARTICULARS	NUMBER OF RESPODENTS	PERCENTAGE%
1	Gold	13	16.5%
2	Securities	30	37.5%
3	Real Estate	12	15%
4	Mutual Funds	24	30%
	Total	80	100%

INVESTMENT METHODS



Interpretation:

From the above table it can be inferred that 30(37.5%) of the respondents are invest in securities.

Conclusion

Today the living standard of the people increasing day by day so the community has started realizing the importance of savings and proper investment of their savings. They avoid spending money on heavy luxurious life style and preferring the normal living standard. It is evident from the study undertaken that most of the people are saving their money for children's education, marriage and to fulfill the other goals of life. There is bright changes to increase the saving and investment habits of people at Madurai city.

References

- 1) (Sathvara, 2020) To identify the preferred investment avenues. To know the awareness level of salaried persons of north Gujarat region, India. The result of the study gives insight to the investors regarding 'No Pain, No Gain principle.
- 2) Investors preferred to invest in insurance policies, bank deposit, real estate, mutual funds, metals (gold).
- 3) Most of the investors are doing savings for children's education, marriage and other goals of life
- 4) (Dhawan & Mehta, 2019) Identify the preference of investors for different investment instrument. Gender have a impact on financial literacy and awareness.
- 5) People prefer safe and liquid investments with tax benefits, higher returns and fewer lock-in-periods.
- 6) (Singh & Kaur, 2018) To identify the behaviour of individual investors of Mohali vis-à-vis available investment avenues in the Indian financial markets and where do they prefer to invest whether in equity, fixed deposits, post office, insurance policies, bonds, mutual funds etc. This study has led to conclude that most of the investor of Mohali prefer to invest in public sector and that too for the short and medium period which is



low at risk. All the residents who have no formal budget are mostly students and are unmarried.

- 7) Women are less confident than men about their financial futures, about their knowledge.