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Savings and Investments Attitude of Salaried Class in CUDDALORE District

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Abstract: The status of attitude of the salaried people on savings / investments is evaluated in this article. From the factor analysis of the opinion data, seven underlying dimensions of savings / investments, viz., "Secured Life", "Avoiding investments in Private parties / Companies", "Lack of guidelines to children about saving", "Tough Task but good for future", "Creation of Awareness about saving habit by Government", "Savings Requires Experience" and "Wrong investment decision by many". From descriptive analysis, it is found that the respondents have high the status of attitude about all aspects except "Tough Task but good for future" are high. Regarding "Tough Task but good for future", the respondents are found with moderate attitude.

I. Introduction

There is a need to improve productivity and which for the application of modern technology. Modern technology in turn calls for heavy dose of capital investment. The prosperity of an economy is closely linked with the ability of the public to save and invest in productive assets for an uninterrupted supply of capital. To survive and develop in this competitive business world, capital must be made available at a reasonable rate without conditions attached to it. Investment climate must attract the people to save from their income at times even by forgoing the enjoyment of comforts and luxuries. Countries can never sustain development unless they have adequate savings.

In this article, the attitude of the salaried people towards savings and investment is assessed. Attitude of the respondents plays an important role in their decision making process on saving and investments. Also, changes in attitude likely to affect the overall savings habit of the people. Therefore, the attempt is made to assess the attitude of the respondents towards savings and investments. The study area for the present research is Cuddalore district as this district comprising the population with both agriculture and salaried as major profession. This district accommodates Neyveli Lignite Corporation, a giant public sector company under Central Government of India, a reputed century old Annamalai university, and large size industrial units in SIPCOT industrial area.

II. Review of Literature

There are several pioneering models in behavioral finance theory. Amos Tversky and Danial Kahnerman (1986)4 stated that the investors become more risk averse when making profits and more risk taking when making a loss. Rober J Shiller (1989)5 stated that the attitude changes among the investors' with two basic attitudes are explored: bubble expectations and investors confidence. They concluded that the investors' confidence has remained vary flat.

Yoo (1994) said that the diminishing of risky assets over an individual' s lifetime is not uniform and individuals appeared to increase their investment in risky assets throughout their working lifetime and decrease their risk exposure once they retire. He also used regressions and found that age was a significant factor in determining the portfolio composition.

Warren et.al.(1990) used lifestyle characteristics to differentiate investors by the size and the nature of their investment holdings. He found that the failure to use lifestyle characteristics for further egmentation blurs some real differences between individual investors and their financial service needs.

Karthikeyan (2001) has conducted research on Small Investors Perception on Post office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for kisan vikas patra (KVP), National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE),and the Overall Score Confirmed that the level of awareness among investors in the old age group was higher than in those of young age group. NO differences were observed among male and female investors except for NSS and KVP.

Nasir and Khalid (2004) assessed behavior of saving and investment in Pakistan using appropriate econometric and statistical technique and attempted to generate a model on the basis of fundamental theories of saving and investment. They used data from 1971 to 2003, collected from Economic Survey of Pakistan. Ordinary Least Square Method was used as an estimation technique. The study concluded that Government Expenditures, Growth rate of Gross Domestic Product and Remittances Growth were positively and significantly influencing National Savings.

Lewis A Sanders (2004) believes that people, irrespective of their location, have their own bias and react differently when investing in financial assets.

Krishnamoorthy,c,(2008).in his study has analyzed the profile and awareness of salaried class investors and their attitude and satisfaction towards investment. In has been concluded that all salaried people were aware of bank deposits, PF schemes, insurance schemes, post office savings schemes, gold and however only few were aware 0f UTI.

III. Objective of study

The main objective of study is assessed the attitude of the salaried people towards savings and investment in the study area.

Methodology

TThe study is based on primary and secondary data. Primary data have been collected from 520 respondents through a structure questionnaire covering different groups of salaried class among cuddalore district. The secondary have been collected from various books, magazine, journals, news papers and websites. The samples sizes of 520 respondents were taken for the research work among in cuddalore district. The sampling technique followed in this study is multistage sample. Simple random techniques are used to select the respondent from the available database.

Analysis of Savings and Investment Attitude

To assess the attitude of the respondents towards savings and investments, a measurement scale consisting of 20 items with values ranging from 1 for 'strongly disagree' to 5 for 'strongly agree' and 2, 3, 4 for 'disagree', 'neutral (neither disagree nor agree)' and 'agree' opinion in between is included in the questionnaire. The data thus collected are subjected to reliability / item analysis to elicit the validity and reliability of the scale measuring respondent's attitude. After eliciting the validity and reliability, the data are again subjected to Principal component method of factor analysis with varimax rotation in order to identify the major aspects of savings and investments.

Table 1

Cronbach's Alpha Reliability Coefficient	0.8017

Source: Primary Data

From the table 1, it can be observed that overall Cronbach alpha reliability coefficient (all 20 items together) is very high at 0.8017, indicating 'Good' reliability among the items in the scale. The correlation of each item with their total sum score is more than 0.30 for 15 out of 20 items. Though the item to total correlation for five items is below 0.30, removing these items is not likely to increase the overall reliability coefficient.

Therefore, all 20 items in the scale measuring various aspects of savings and investments are considered to be valid and reliable. As the data are highly reliable and valid (internally consistent), they are subjected to principal component method of factor analysis with varimax rotation. The results of the factor analysis are presented in Table 2 and 3.

From Table 2, which shows eigenvalue before varimax rotation for all factors underlying the measurement scale, it is understood that eigenvalue is more than one for first seven factors. This, in turn, indicates that there are seven major aspects underlying savings and investments attitude of the salaried people.

From percentage of total variance, it is understood that all seven factors together possess 65.75 per cent of the characteristics of the actual data. Individually, characteristics of the actual data possessed by first, second, third, fourth, fifth, sixth and seventh factors are 24.51 per cent, 9.88 per cent, 7.64 per cent, 6.91 per cent, 6.02 per cent, 5.65 per cent and 5.15 per cent respectively.

Table 2
Eigenvalue of Factors Underlying Savings and Investment Scale

Factors	Eigenvalue	% of Total Variance	Cumulative % of Total Variance
1	4.9018	24.51	24.51
2	1.9752	9.88	34.38
3	1.5281	7.64	42.03
4	1.3816	6.91	48.93
5	1.2040	6.02	54.95
6	1.1308	5.65	60.61
7	1.0293	5.15	65.75
8	0.9182	4.59	70.34
9	0.8565	4.28	74.63
10	0.7521	3.76	78.39
11	0.6962	3.48	81.87
12	0.6236	3.12	84.99
13	0.5696	2.85	87.83
14	0.5016	2.51	90.34
15	0.4162	2.08	92.42
16	0.3839	1.92	94.34
17	0.3689	1.84	96.19
18	0.3241	1.62	97.81
19	0.2523	1.26	99.07
20	0.1861	0.93	100.00

Source: Primary Data

In order to find out which factor possess the characteristics of which items in the scale, factor loadings produced by the factor analysis, which are presented in Table 5.3, are used.

Table 5.3

Item No	Description of Scale Items	Major Factors						
		1	2	3	4	5	6	7
1	Savings of money ensures secured life	**0.84**	-0.05	-0.05	0.03	0.16	0.16	0.08
7	I have always in inner urge to make additional income to save for a better future	**0.78**	0.16	0.05	0.04	-0.13	0.09	0.16
8	I am even prepared to cut my expenses for savings	**0.52**	-0.08	0.17	-0.14	0.14	0.05	0.39
16	I will never invest my hard earned money with private parties/companies	-0.13	**0.81**	-0.11	0.02	0.07	0.11	-0.18
18	Genius investors are after cheated by unscrupulous person in the field	0.14	**0.67**	-0.01	-0.05	0.23	0.00	0.32
14	My investments give satisfactory returns	0.32	**0.61**	0.21	-0.08	-0.25	0.33	0.14
3	Now a days habit of saving is not properly taught to the children in families	0.00	-0.01	**0.86**	0.06	0.04	0.07	-0.06
2	Saving is an inborn habit to many people	-0.04	-0.30	**0.56**	0.00	-0.13	0.13	0.23
4	Present days increase in wants considerably reduce the savings	0.33	0.27	**0.49**	-0.10	0.31	-0.18	0.37
6	Save today smile tomorrow a mantra of salaries class	0.08	0.24	0.25	**0.74**	0.24	-0.20	0.20
5	Savings is certainly a tough task but it is a must	0.06	0.43	0.17	**-0.72**	0.15	-0.15	0.08
19	Governmental agencies should create awareness among the investors	0.08	0.03	-0.05	0.05	**0.82**	0.06	0.13
20	Government securities are not attractive because of their low yielding nature	-0.04	0.16	0.26	0.07	**0.60**	0.27	0.17
10	Investment practice certainly requires experience	0.14	0.17	0.12	-0.05	0.12	**0.71**	0.16
9	It is my best belief that if there is will anyone can save	0.22	-0.07	0.13	-0.19	0.35	**0.61**	0.15
15	I have invested in government securities only for tax benefits	0.16	0.26	-0.15	0.19	-0.07	**0.58**	0.37
11	Many people are wrong in making investment decisions	0.12	-0.02	0.04	0.03	0.12	0.13	**0.78**
13	It is really difficult to the salaried class to invest in landed property	0.20	-0.09	0.06	0.11	0.21	0.20	**0.78**
17	I also had bad times in my investment practices	0.02	0.38	-0.10	0.02	-0.10	0.04	**0.62**
12	Safety of investment has no compromise	0.19	0.20	0.26	-0.10	0.12	0.28	**0.50**
Explained Variance		2.03	2.24	1.69	1.21	1.63	1.69	2.66
% of Total Variance		10.17	11.19	8.46	6.07	8.14	8.44	13.28
Cumulative % of Total Variance		10.17	21.36	29.82	35.89	44.03	52.47	65.75
Factor Label		Secured Life	Tax Benefits	Inborn Habit	Tough Task	Should Create	Savings is due to a Will	Savings Requires Experience

Source: Primary Data. Boldfaced are high factor loadings.

Factor Loadings of Items with Major Factors of Savings and Investments (After Varimax Rotation)

An observation of the table shows that loadings of items 1, 7 and 8 with first factor, 16, 18 and 14 with second, 3, 2 and 4 with third, 6 and 5 with fourth, 19 and 20 with fifth, 10, 9 and 15 with sixth, and items 11,13, 17 and 12 with seventh factor are higher than that of those items with other factors. At the same time, the loadings of item 1 (Savings of money ensures secured life), 16 (I will never invest my hard earned money with private parties/companies), 3 (Now-a-days habit of saving is not properly taught to the children in families), 6 (Save today smile tomorrow a mantra of salaries class), 19 (Governmental agencies should create awareness among the investors), 10 (Investment practice certainly requires experience), 11 (Many people are wrong in making investment decisions) and 13 (It is really difficult to the salaried class to invest in landed property) with first, second, third, fourth, fifth, sixth and seventh factor are higher than that of other items in the respective factors. That is, first, second, third, fourth, fifth, sixth and seventh factor is highly characterized by "Savings of money for secured life", "not investing hard earned money with private parties/companies", "lack of proper guidance to children about saving habit", "saving for better future", "role of Government agencies in creating awareness about saving among investors" and "need of experience in saving, making wrong investment decisions" respectively. Hence, based on the above, first factor is named as "secured life", second one as "Avoiding investments in Private parties / Companies", third as "Lack of guidelines to children about saving", fourth as "Tough Task but good for future", fifth as "Creation of Awareness about saving habit by Government", sixth one as "Savings Requires Experience" and seventh factor as "Wrong investment decision by many".

The score for each major factor is obtained by averaging the scores of highly loaded items with that factor. As opinion of respondents ranges from 1 (strongly disagree) to 5 (strongly agree), the opinion of entire sample or a respondent group is considered to be 'strongly disagree', 'disagree', 'neutral (neither disagree nor agree)', 'agree' and 'strongly agree' if the mean score is "< 1.50", ">= 1.50 and < 2.50", ">=2.50 and < 3.50", ">=3.50 and < 4.50" and ">= 4.50" respectively. Table 5.4 presents the mean degree of satisfaction of the entire respondents in the sample with seven aspects of savings and investments.

Table 5.4
Attitude towards Major Factors of Savings and Investments

Factors of Savings and Investment	Mean	SD
Secured Life	4.24	0.56
Avoiding investments in Private parties / Companies	3.53	0.83
Lack of guidelines to children about saving	3.79	0.64
Tough Task but good for future	3.32	0.78
Creation of Awareness about saving habit by Government	4.07	0.71
Savings Requires Experience	3.75	0.66
Wrong investment decision by many	3.95	0.67

According to the table, the mean scores are above 3.50 for all aspects (ranges between 3.53 and 4.24) except for "tough task but good for future" of savings and investments. That is mean scores for six out of seven savings and investments aspects are in 'agree' range. For "tough task but good for future", the mean score of 3.32 is in 'neutral' range. From the above picture, it is found that salaried people intend to save for secured life and better future though saving is moderately a tough task but avoid investments in private parties / companies. At the same time, they perceive lack of guidelines to children about savings, more involvement of Government in creating awareness, wrong investments decision making by many investors and savings requires experience.

To find out whether there is any change in above attitude among respondent groups with different socio-economic characteristics, the mean opinion scores under all seven aspects of savings and investments are compared using t-test when the groups are two and using one-wan ANOVA (F test) if the comparable groups are more than two. The results of the analysis are tabulated and discussed hereunder.

Table 5.5
Sew-wise Attitude towards Savings and Investments

Major Aspects of Savings and Investment	Sex		t Value
	Male	Female	
Secured Life	4.30 (0.52)	4.10 (0.62)	3.75***
Avoiding investments in Private parties / Companies	3.44 (0.76)	3.71 (0.94)	3.47***
Lack of guidelines to children about saving	3.87 (0.62)	3.61 (0.64)	4.41***
Tough Task but good for future	3.30 (0.77)	3.37 (0.80)	0.91
Creation of Awareness about saving habit by Government	4.12 (0.64)	3.96 (0.84)	2.39**
Savings Requires Experience	3.76 (0.61)	3.73 (0.75)	0.42
Wrong investment decision by many	4.02 (0.57)	3.81 (0.83)	3.25***

Figure in brackets are standard deviation; Degrees of freedom = 518 for t values.
Table value for 518 df @10 = 1.64, @5%=1.96; @1% = 2.58
**Significant at 5% level; ***Significant at 1% level

Table 5.5 presents the results of the analysis comparing the level of attitude towards savings and investment between male and female respondent groups. As per the table, the mean scores of male group are in 'agree' range for all except for "Avoiding investments in Private parties / Companies" and "Tough Task but good for future". For female group, the mean scores are in 'agree' range for all except "Tough Task but good for future". From the comparison between two gender groups, it is understood that there is no significant change in the level of attitude towards "Tough Task but good for future" and "Savings Requires Experience" between two gender groups (t values are insignificant). At the same time, perceiving the savings and investments as 'secured life', 'Lack of guidelines to children about saving', 'Creation of Awareness about saving habit by Government' and 'Wrong investment decision by many' among male respondent group is significantly higher than that of female groups. Only in respect of "Avoiding investments in Private parties / Companies", the attitude of the female group is notable higher than that of male counterparts. In sum, it is found that there is a significant difference in attitude towards savings and investments between male and female salaried groups.

Table 5.6
Age wise Attitude towards Savings and Investments

Major Aspects of Savings and Investment	Age (in Years)				F Value
	Up to 30	30-40	40-50	>50	
Secured Life	4.18 (0.33)	4.48 (0.46)	4.17 (0.65)	4.19 (0.46)	8.46***
Avoiding investments in Private parties / Companies	3.31 (0.82)	3.48 (0.83)	3.47 (0.89)	3.72 (0.69)	3.85***
Lack of guidelines to children about saving	3.98 (0.51)	3.94 (0.49)	3.56 (0.73)	4.01 (0.46)	20.91***
Tough Task but good for future	3.61 (0.50)	3.34 (0.67)	3.19 (0.89)	3.46 (0.68)	5.29***
Creation of Awareness about saving habit by Government	4.21 (0.57)	4.11 (0.80)	3.95 (0.77)	4.20 (0.53)	4.70***
Savings Requires Experience	3.78 (0.43)	3.70 (0.71)	3.64 (0.68)	3.97 (0.56)	8.36***
Wrong investment decision by many	3.79 (0.60)	4.33 (0.41)	3.72 (0.77)	4.09 (0.47)	27.29***

Figure in brackets are standard deviation; Degrees of freedom = 4, 515 for F values.
Table value for 4, 515 df @10 = 1.95, @5%= 2.35; @1% = 3.35
***Significant at 1% level

Table 5.6 reports the F-test results comparing the mean scores across respondent categories by age. An observation of the table shows that the respondents of all age groups except those in the age above 50 years are with neutral opinion about "Avoiding investments in Private parties / Companies". Similarly, all age groups except those in the age up to 30 years are 'neutral' about 'Tough Task but good for future'. That is, intention of avoiding investment in private parties / companies is significantly more among salaried group with above 50 years ($F = 3.85$, $p < 0.01$). Similarly, perceiving the savings and investments as 'tough task (but good for future)' is notably more among younger group ($F = 5.29$, $p < 0.01$). Regarding other aspects of savings and investments, all age groups have expressed their 'agreement', but there is a remarkable difference in the level of agreement (F values are significant). Overall, it is found that there is a significant change in the level of attitude towards savings and investment among salaried groups with different age levels. It is further found that intention of avoiding investment in private parties / companies is significantly more among elders while perceiving the savings and investments as 'tough task (but good for future)' is notably more among younger.

Table 5.13
Attitude towards Savings and Investments– Compared Family Size

Major Aspects of Savings and Investment	Family Size			F Value
	Up to 3	4-5	Above 5	
Secured Life	4.23 (0.54)	4.24 (0.52)	4.28 (0.85)	0.16
Avoiding investments in Private parties /	3.70	3.48	3.18	8.11***

Companies	(0.72)	(0.82)	(1.12)	
Lack of guidelines to children about saving	3.87 (0.58)	3.85 (0.60)	3.00 (0.65)	40.77***
Tough Task but good for future	3.47 (0.68)	3.32 (0.81)	2.81 (0.70)	12.62***
Creation of Awareness about saving habit by Government	4.09 (0.82)	4.15 (0.55)	3.37 (0.95)	24.55***
Savings Requires Experience	3.89 (0.53)	3.69 (0.63)	3.60 (1.10)	6.44***
Wrong investment decision by many	4.16 (0.49)	3.93 (0.59)	3.31 (1.21)	30.55***

Figure in brackets are standard deviation; Degrees of freedom = 3, 516 for F values.

Table value for 3, 516 df @10 = 2.09, @5%= 2.62; @1% = 3.81

***Significant at 1% level

Respondents' attitude towards savings and investments is compared across categories by family size to find out the relationship between family size and savings habits. Table 5.13 reports the results of comparative analysis. From the observation of the table, it is apparent that F values are significant for all aspects except "secured life" underlying savings and investment. Every one whether belong to small, medium or large families have felt savings and investments as secure for life. At the same time, the respondents from small families (up to 3 members) perceive high whereas those from large families (with number of members above 5) perceive less about "Avoiding investments in Private parties / Companies", "Lack of guidelines to children about saving", "Tough Task but good for future", "Savings Requires Experience" and "Wrong investment decision by many"

More briefly, it can be said that the attitude about various aspects underlying savings and investments decline with increase in family size. That is, there is inverse relationship between family size and attitude towards savings and investments among the salaried people. Based on the opinion with each aspects, it is found that the salaried people from small families, whose attitude differ significantly from that of large size family groups, is more likely to avoid investments in private parties / companies, perceive lack of guidelines to children about saving, savings as tough task but good for future, require experience and wrong investments decision by many.

The relationship between savings / investment and size of earning members is evaluated using F test and the results of the test are shown in Table 5.14. As shown in the table, there is no notable difference in the mean perception scores among three groups in respect of 'secured life', "Lack of guidelines to children about saving" and "Creation of Awareness about saving habit by Government". While, the level of attitude towards "Avoiding investments in Private parties / Companies" (Mean = 2.99) and "Savings Requires Experience" (Mean = 3.52) is significantly less, it is high towards "Tough Task but good for future" (Mean = 3.69) and "Wrong investment decision by many (Mean = 4.35) among respondent group belong to families with earning member three and above compared to that those belong other earning member groups. From the inferences of the results, a moderate relationship between savings / investments and earning members is found.

The relationship between respondents' income and their attitude towards savings / investments is tested by one-way ANOVA and the results of the test are depicted in Table 5.16.

Table 5.14
Attitude towards Savings and Investments– Compared by Earning Member

Major Aspects of Savings and Investment	Earning Member			F Value
	Only One	Two	3 & above	
Secured Life	4.26 (0.55)	4.23 (0.53)	4.13 (0.84)	0.78
Avoiding investments in Private parties / Companies	3.45 (0.83)	3.68 (0.81)	2.99 (0.78)	11.89***
Lack of guidelines to children about saving	3.73 (0.72)	3.84 (0.54)	3.79 (0.69)	1.80
Tough Task but good for future	3.23 (0.79)	3.38 (0.72)	3.69 (1.00)	6.09***
Creation of Awareness about saving habit by Government	4.05 (0.73)	4.07 (0.66)	4.16 (0.94)	0.31
Savings Requires Experience	3.68 (0.65)	3.85 (0.66)	3.52 (0.57)	6.19***
Wrong investment decision by many	3.93 (0.70)	3.93 (0.62)	4.35 (0.58)	5.88***

Figure in brackets are standard deviation; Degrees of freedom = 3, 516 for F values.

Table value for 3, 516 df @10 = 2.09, @5%= 2.62; @1% = 3.81
***Significant at 1% level

According the to table containing the results of F-test comparing the attitude by monthly income of the respondents, it is apparent that the state of attitude about "Secured Life", "Lack of guidelines to children about saving", "Creation of Awareness about saving habit by Government", "Savings Requires Experience" and "Wrong investment decision by many" is high among respondent groups with all range of monthly income. However, the degree of such high attitude towards the above aspects of savings / investments vary significantly by income level of the respondents (F values for the difference in group means are significant highly at 1% level). The state of attitude towards "Avoiding investments in Private parties / Companies", "Tough Task but good for future", which vary from 'neutral' to 'high', differ significantly by monthly income of the respondents. From inferences of the overall results, it is concluded that attitude of the salaried people towards savings and investments is significantly related to their income level.

Table 5.16
Attitude towards Savings and Investments– Comparison by Income

Major Aspects of Savings and Investment	Monthly Income					F Value
	Up to Rs.20000	20001-30000	30001-40000	40001-50000	Above Rs.50000	
Secured Life	4.16 (0.35)	4.13 (0.55)	4.27 (0.59)	4.48 (0.44)	4.15 (0.59)	6.83***
Avoiding investments in Private parties / Companies	4.00 (0.63)	3.09 (0.83)	3.63 (0.80)	3.56 (0.67)	3.65 (0.86)	12.38***
Lack of guidelines to children about saving	3.94 (0.63)	3.66 (0.70)	3.67 (0.67)	4.05 (0.48)	3.79 (0.60)	7.05***
Tough Task but good for future	3.10 (0.54)	3.06 (0.94)	3.42 (0.74)	3.51 (0.74)	3.35 (0.69)	5.81***
Creation of Awareness about saving habit by Government	3.95 (0.99)	4.15 (0.57)	4.00 (0.81)	4.33 (0.64)	3.93 (0.66)	5.83***
Savings Requires Experience	3.75 (0.55)	3.77 (0.47)	3.58 (0.75)	3.84 (0.61)	3.84 (0.71)	3.57***
Wrong investment decision by many	4.21 (0.26)	3.99 (0.58)	3.99 (0.68)	3.87 (0.49)	3.89 (0.83)	2.01**

Figure in brackets are standard deviation; Degrees of freedom = 5, 514 for F values.

Table value for 5, 514 df @10 = 1.86, @5%= 2.23; @1% = 3.05
**Significant at 5% level; ***Significant at 1% level

IV. Conclusion

Investment climate must attract the people to save from their income at times even by forgoing the enjoyment of comforts and luxuries. Countries can never sustain development unless they have adequate savings. So,Favourable climate is to be assured by the government to provide investment climate guaranteeing acquisition, maintenance and liquidation of assets. Since savings is the main factor for investment, the government though legal measures encourage savings accumulation. For the growth of a disciplinant investment market a well organized monetary system though protecting the investments against the eves of inflation or depletion is to be kept by government.

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