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CONTINGENCY ANALYSIS ON PERIOD OF SAVING AND INVESTING AND EXPECTED MATURITY PERIOD BY EMPLOYEE CATEGORY

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ABSTRACT:

In terms of personal finance, saving refers to preserving money for future use - typically by putting it on deposit - this is distinct from investment where there is an element of risk. Saving is closely related to investment. Saving is closely related to investment. Investment refers to the concept of deferred consumption, which involves purchasing an asset, giving loan or keeping funds in a bank account with the aim of generating future returns. It is an exploratory research to specifically know the contingency between investors saving and investing in relation with their period preferred for investment and expected maturity period. A non-probability sampling method of quota sampling has used to collect primary data. The study sample comprised salaried class people both in private and Government sector.



KEYWORDS: collect primary data , element of risk , investors saving.

INTRODUCTION

Income is the consumption and savings opportunity gained by an entity within a specified timeframe, which is generally expressed in monetary terms. However, for households and individuals, "income is the sum of all the wages, salaries, profits, interests payments, rents and other forms of earnings received... in a given period of time". It also means, money or other forms of payment (received periodically or regularly) from commerce, employment, endowment, investment, royalties, etc.

SAVING AND INVESTMENT:

In common usage, saving generally means putting money aside, for example, by putting money in the bank or investing in a pension plan. In a broader sense, saving is typically used to refer to economizing, cutting costs, or to rescuing someone or something. In terms of personal finance, saving refers to preserving money for future use - typically by putting it on deposit - this is distinct from investment where there is an element of risk. Saving is closely related to investment. By not using income to buy consumer

goods and services, it is possible for resources to instead be invested by being used to produce fixed capital, such as factories and machinery. Saving can therefore be vital to increase the amount of fixed capital available, which contributes to economic growth. "Investment refers to the concept of deferred consumption, which involves purchasing an asset, giving loan or keeping funds in a bank account with the aim of generating future returns." (Murithi Surya et al., 2012). In finance, the purchase of a financial product or other item of

value with an expectation of favorable future returns. In general terms, investment means the use of money in the hope of making more money. It also means money committed or property acquired for future income. There are basically two main classes of investment (1) Fixed income investment such as bonds, fixed deposits, preference shares, and (2) Variable income investment such as business ownership (equities), or property ownership. In economics, investment means creation of capital or goods capable of producing other goods or services. Expenditure on education and health is recognized as an investment in human capital.

METHODOLOGY:

It is an exploratory research. Primary data had collected. Moreover a non-probability sampling method of quota sampling has used to collect primary data. The study sample comprised salaried people both in private and Government sector. The respondents were Government as well as private salaried employees employed in various Government sector institution and Companies in manufacturing, trading and service providing sectors. **Data Collection:** Both primary and secondary data have been collected for the research work. **Primary Data:** The study is primarily based upon primary data collected from a structured survey through questionnaire. The survey was administered on 834 salaried class people working at various office at tiruchirappalli District. The questionnaire comprised of ten questions. The personal and demographic variables such as, Gender, Age, Marital Status, Education and Income were measured with nominal and ratio scale. To ascertain the period of investors on their saving and investment and their expected period were measured ratio scale.

SAMPLE DATA:

Out of 834 sample respondent, 68 percent of sample respondent are male and remaining 32 percent are Female. Majority respondents are male. Out of 834 sample respondent, 66 percent are married and remaining 34 percent are unmarried. Among the six level classification of respondent age, 38 percent of respondent age are in between 30 – 35 and 31 percent of respondent age are in between 35 – 40. 45 percent of respondent are completed up to school level of education. Regarding the monthly income of respondent, out of 834 sample respondent, 38 percent of respondent income is in between 20,001 – 40,000 and 26 percent of respondent income are in between 40,001 – 60,000.

CONTINGENCY ANALYSIS:

Contingency tables (also called crosstabs or two-way tables) are used in statistics to summarize the relationship between several categorical variables. A contingency table is a special type of frequency distribution table, where two variables are shown simultaneously. The two categorical variables such as, Duration of saving and investing and expected maturity period by employee's category were taken into consideration for carrying out the cross analysis.

Table No.1 Contingency Table shows the duration of saving and investing by employee's category

Count Total % Col % Expected	Below years	2-4 yrs	4-6 yrs	6-8 yrs	8-10 yrs	Above 10 yrs	Total
Government Sector	99 11.87 100.00 55.0791	84 10.07 100.00 46.7338	101 12.11 100.00 56.1918	180 21.58 85.31 117.391	0 0.00 0.00 84.5659	0 0.00 0.00 104.038	464 55.64
Private sector	0 0.00 0.00 43.9209	0 0.00 0.00 37.2662	0 0.00 0.00 44.8082	31 3.72 14.69 93.6091	152 18.23 100.00 67.4341	187 22.42 100.00 82.9616	370 44.36
Total	99 11.87	84 10.07	101 12.11	211 25.30	152 18.23	187 22.42	834

The above table shows the respondent response over their duration of saving and investment habit. The researcher wants to know the respondents investment and saving period. The period of engaging saving and investment are classified into six. It is clear that out of 834 sample respondent, 25.30 percent of respondent are having saving habit about 6 – 8 years, among that, 21.58 percent are government sector employees and remaining 3.72 percent are Private sector employees. Marjory of government sector employees are having saving and investment habit around six to ten years. The above table also clearly indicates that the private sector employees are engaging in saving and investment for more than eight years, where as none of the government sector people engaging for long term saving and investment. The Chi-square anlysis was done to know whether there is any significant relationship between Respondent duration of saving habit and their employee category. The following hypothesis was constructed to test the relationship between two categorical variables.

Ho: Selected category of sample Respondent and their duration of saving and investment habit are independent irrespective of Job category.

H1: Selected category of sample Respondent and their duration of saving and investment habit are dependent with respective of Job category.

Table No.2 Test Result of Likelihood Ratio and Pearson - the duration of saving and investing by employee’s category

Test	ChiSquare	Prob>ChiSq
Likelihood Ratio	969.440	<.0001*
Pearson	726.857	<.0001*
-LogLike 484.71988	RSquare (U) 0.3354	N = 834 DF = 5

Since P-values are lesser than 0.0001, concluded that there is a significant relation in the probability of respondents duration of saving and investment habit with respective of employees job category. It is further concluded that Selected sample Respondent and their duration of saving and investment habit are dependent with respective of Job category.

Diagram No.1 Mosaic Plot shows the duration of Saving and Investing By Employee Category

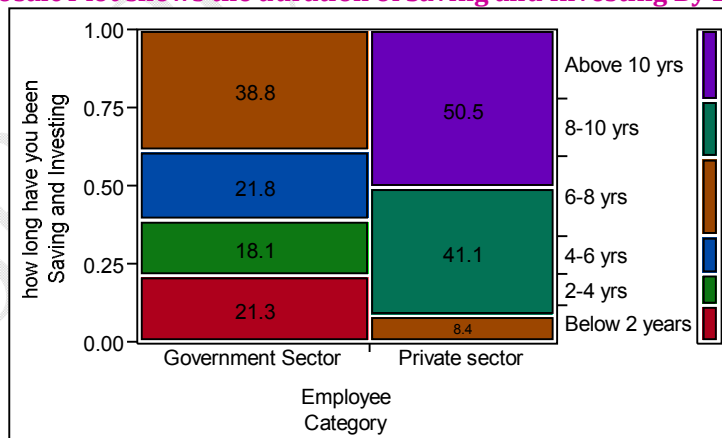


Table No.3 Cross table shows the response of expected maturity period of their saving by employee category of sample area

Count Total % Col % Expected	Less than 1 year	1 - 3 years	3 - 5 years	5 - 7 years	7 - 9 years	Above 9 years	Total
Government Sector	51 6.12 56.04 50.6283	129 15.47 55.60 129.074	90 10.79 54.55 91.7986	42 5.04 56.76 41.1703	97 11.63 56.07 96.2494	55 6.59 55.56 55.0791	464 55.64
Private sector	40 4.80 43.96 40.3717	103 12.35 44.40 102.926	75 8.99 45.45 73.2014	32 3.84 43.24 32.8297	76 9.11 43.93 76.7506	44 5.28 44.44 43.9209	370 44.36
Total	91 10.91	232 27.82	165 19.78	74 8.87	173 20.74	99 11.87	834

The above table shows the respondent response over expected maturity period of their saving by employee category in sample area of the study. The researcher wants to know the respondents expected maturity period of their saving by employee category of sample area. Among the six level classification of respondent expected maturity period of their saving, 27.82 percent of respondent are expected of their maturity period of saving by maximum three years at a highest among the six level of classification of maturity period. 20.74 percentage of respondent are expected the maturity of their saving in between seven to nine years. The above table also clearly indicate that 27.8 percent of government and private sector employees are equally expect their maturity of saving between one to three years. It is observed that both the category of employees is more or less equally expecting the maturity period of their savings. The Chi-square analysis was done to know whether there is any significant relationship between Respondent expected maturity period of their saving by their employee category. The following hypothesis was constructed to test the relationship between two categorical variables.

H₀: Selected category of sample Respondent and their expected maturity period of saving are independent irrespective of Job category.

H₁: Selected category of sample Respondent and their expected maturity period of saving are dependent irrespective of Job category.

Table No. 4 Test Result of Likelihood Ratio and Pearson- the expected maturity period of saving by employee's category

Test	ChiSquare	Prob>ChiSq
Likelihood Ratio	0.137	0.9996
Pearson	0.137	0.9996
-LogLike 0.06838777	RSquare (U) 0.0000	DF 5, N 834

Since P-values are greater than 0.05, concluded that there is a insignificant relation in the probability of respondents expected maturity period of saving by their respective of employees job category. It is further concluded that Selected sample Respondent and their expected maturity period of saving are independent with respective of Job category.

Diagram No.2 Mosaic Plot shows the the expected maturity period of saving by employee's category



MANAGERIAL IMPLICATION:

Saving and investment policies sustain to be a highly progressive curve at all times irrespective of their strata of society. However, the saving and investment interest of salaried middle class seems to be extremely high and undoubtedly they have an indispensable role in their investment choices of their hard earned money. The portion of investments that get segregated to various financial and investment policies of the salaried class of Tiruchirappali district on whom this study was made, due to several reasons like enjoying the benefits of the best investment schemes, tax exemption, foresight of their/ their children's future, emergency medical needs of the family and security reasons for risk coverage.

CONCLUSION:

At national as at individual level the excess of income after consumption level savings as funds for investment. Surplus funds can be invested in either real asset or in financial assets. Purpose of investment is to protect one's wealth against erosion of value due to inflation and to earn risk adjusted return. Today, the living standard of the people increasing day by day so salaried class community has started realizing the importance of savings and proper investment of their savings. There are bright chances to increase the saving and investment habits of salaried class people at this study area.

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