



## A Study on Investment Pattern of Salaried Individual with Special Reference to Mumbai City

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### ABSTRACT

The report investigates investment patterns among salaried individuals in Mumbai, focusing on their preferences, risk perceptions, and factors influencing their investment choices. It highlights how financial awareness has grown, with individuals considering both safe, traditional options (like savings accounts and fixed deposits) and riskier investments (such as stocks and mutual funds). The study's aim is to understand the financial behavior of salaried employees and provide insights into their investment strategies, especially in a city with abundant investment options like Mumbai.

### INTRODUCTION

Investment, defined as the allocation of funds to generate future returns, is crucial for economic growth. The study targets salaried individuals in Mumbai to understand their investment tendencies, particularly as they often focus on savings due to fixed income sources. The objectives include identifying investment preferences, factors influencing investment behaviour, and analysing savings and risk attitudes.

#### Key Objectives

- To explore investment preferences among Mumbai's salaried workforce.
- To determine factors affecting investment behaviour.
- To analyse savings and investment patterns.
- To identify challenges faced by these investors.

### KEYWORDS

**Capital market:** A market in which buyers and sellers participate in the trading of financial assets such as stocks and bonds. Capital markets have multiple participants.

**Equity,** also referred to as equity or equity on a balance sheet, is the amount a business owner owns after accounting for all assets and liabilities. Using an accounting equation, equity can be found by subtracting total liabilities from total assets

**Return on investment** is a simple calculation used to determine the expected rate of return on a project or activity compared to the cost of an investment, usually expressed as a percentage. This metric is often used to evaluate whether a project is profitable for a business. ROI is calculated using the formula:  
$$ROI = [(Revenue - Cost) / Cost] * 100$$

### SCOPE OF STUDY

The understanding of the relationship between the savings and investment pattern is essential as savings form the basis for the development of the economy. If the savings and investment pattern among households is good, then it results in the development of both money and capital market and, in turn, the economy. The present study is an empirical study to identify the extent, nature and preferences of the investors in Mumbai and to ascertain their investment habits. The study area is featured by a good number of salaried employees belonging to both the government and the private sector and these employees have the ability to save and invest. This study will help salaried class employees to plan savings and investment towards maximizing returns. The in-depth analysis of the preference, risk perception, perception on return on investment and level of satisfaction will help the Government to work out the various feasible schemes to mobilize finance from salaried class investors. In addition, the purpose of this study is to compare and analyse public and private sector workers in order to find out the difference between demographic and socioeconomic factors and level of investment. Therefore, this

study will help a wide range of employees at various households, investment institutions, financial institutions, banks and governments to understand the dynamics and opportunities for savings for growth in the public and private sectors.

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## LIMITATIONS OF THE STUDY

1. Due to paucity of time and resources a countrywide survey was not possible. Hence only Mumbai city has been taken for the study.
2. Since a smaller sample was chosen so it may not be a true representative of the population under study.
3. The possibility of the respondent's responses being biased cannot be ruled out.
4. Most of the study was restricted to internet and published data because of the non-availability of primary data.
5. The information given by the respondents might be biased because some of them might not be interested to give correct information.
6. Some of the respondents could not answer the questions due to lack of knowledge.
7. Some of the respondents of the survey were unwilling to share information.

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## LITERATURE REVIEW

The review encompasses prior studies on investment preferences and risk perception. Key findings from various studies indicate that middle-class individuals prioritize safety and tax benefits in investments, while younger, higher-income groups show greater risk tolerance.

### Major Findings

**Preference for Safe Options:** Bank deposits and fixed income instruments are preferred, especially among older individuals.

**Awareness Gap:** Many are unaware of complex instruments like mutual funds or virtual investments.

**Risk Perception:** Individuals' risk tolerance varies by age and income, with younger investors being more risk-seeking.

**Sunil Gupta (2015)** the investment pattern among different groups in Shimla had revealed a clear and complex picture. The complex picture means that people were not conscious of the different investment avenues and they did not respond positively. It was difficult for them to understand the different avenues. The study showed that the more investors in the city favour depositing their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. The approach of investors towards securities in general was bleak, though service and professional class are going in for investment in shares, debentures and in different mutual fund schemes. As far as investments are concerned, people put their surplus in banks, post offices and other government agencies. Most growers in Shimla's apple belt are wealthy, but for reasons of safety and reasonable income, they tend to invest their surplus in bank term deposits, savings funds, post office savings, and real estate.

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## INVESTMENT OPTIONS AVAILABLE (SECONDARY DATA)

The report provides an extensive overview of various investment vehicles available to Mumbai's salaried individuals, each with distinct features and risk levels:

**Fixed Deposits:** Popular for their safety and guaranteed returns, fixed deposits offer various schemes (standard, tax-saver, cumulative).

**Recurring Deposits:** These accounts require regular deposits over a period, ideal for building savings systematically.

**Shares and Equity:** Equity investments carry higher risks but provide potential for growth. Different share types include preference and equity shares.

**Systematic Investment Plans (SIPs):** SIPs allow individuals to invest regularly in mutual funds, promoting disciplined investing.

**Public Provident Fund (PPF):** A tax-saving, government-backed scheme offering long-term returns, ideal for risk-averse investors.

**Gold and Silver:** Precious metals serve as a hedge against inflation and economic instability.

**National Pension Scheme (NPS):** This retirement-focused scheme is beneficial for long-term financial security.

**Life Insurance:** A dual-purpose investment offering financial protection along with returns.

**Real Estate:** Considered a high-value investment, though it requires significant capital and entails higher risk.

**1.Traditional investment avenues**

Real estate (Property)

Gold/ silver

**2.Safe and low risk investment avenues:**

Preference share capital

Fixed Deposits

Recurring Deposits

Public provident fund

Systematic investment plans

National Pension Scheme

**3.Moderate risk investment avenues**

Mutual funds

Life insurance

Debentures

**4.High risk investment avenue:**

Equity share capital

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**RESEARCH METHODOLOGY****METHODOLOGY:**

A Research methodology is a method for systematically solving a research problem. Research methodology includes a variety of research methods and techniques. Research is the art of scientific research. In other words, research is a scientific and systematic search for relevant information on one particular subject. The logic of considering research methodology is that it allows you to know the methods and procedures adopted to achieve the goals of the project

**SOURCES:**

There are many ways to collect data. This project is based on data collection from primary and secondary sources. Secondary information is collected from various publications such as books, journals, and websites, but primary data is collected through conversations with respondents using structured questionnaires. This study was conducted using primary data using a questionnaire as a tool to evaluate investments and their behaviour. The main purpose of a survey is to allow each person to express their opinion about an investment opportunity. A closed-ended questionnaire with multi-attribute characteristics was also prepared to analyse and evaluate the relative importance of each statement on a 5-point Likert scale. Secondary data was collected through various websites and published data sources. A study of the preferred investment options available and selected among the staff was conducted with the main goal of finding preferred investment areas and determining the level of investor awareness. The analysis of this study was conducted through a questionnaire survey.

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**DATA ANALYSIS AND INTERPRETATIONS**

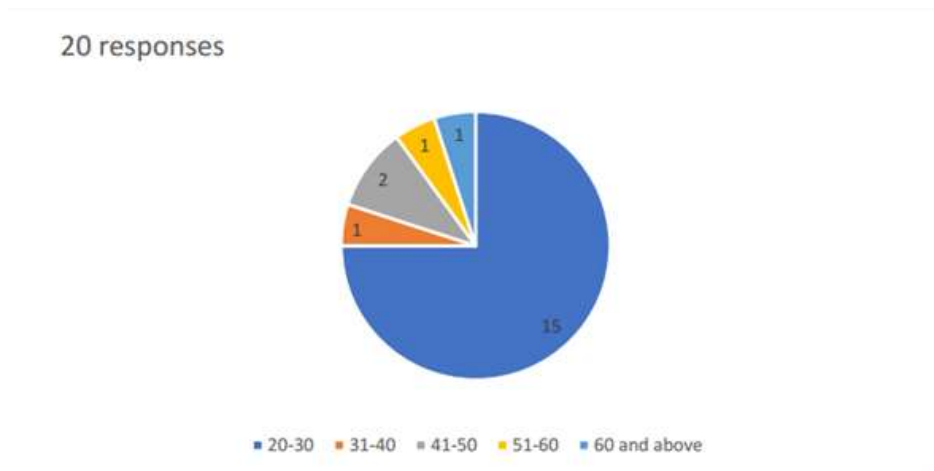
When I conducted the survey, I divided the questionnaire into 3 parts:

The first part included general questions like name, age, gender, qualifications etc., this was done to understand who the respondent is.

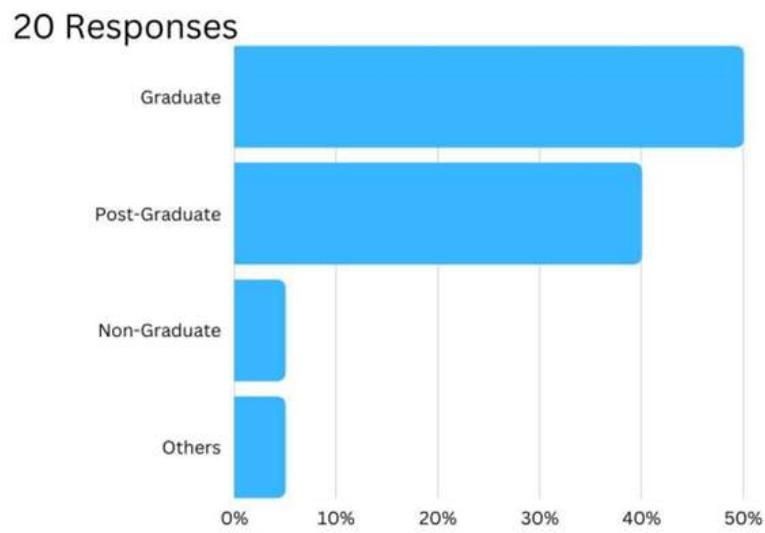
The second part included questions related to our research topic.

The third part included a conclusive question which was asked using the Likert scale. The following were the questions asked in the questionnaire:

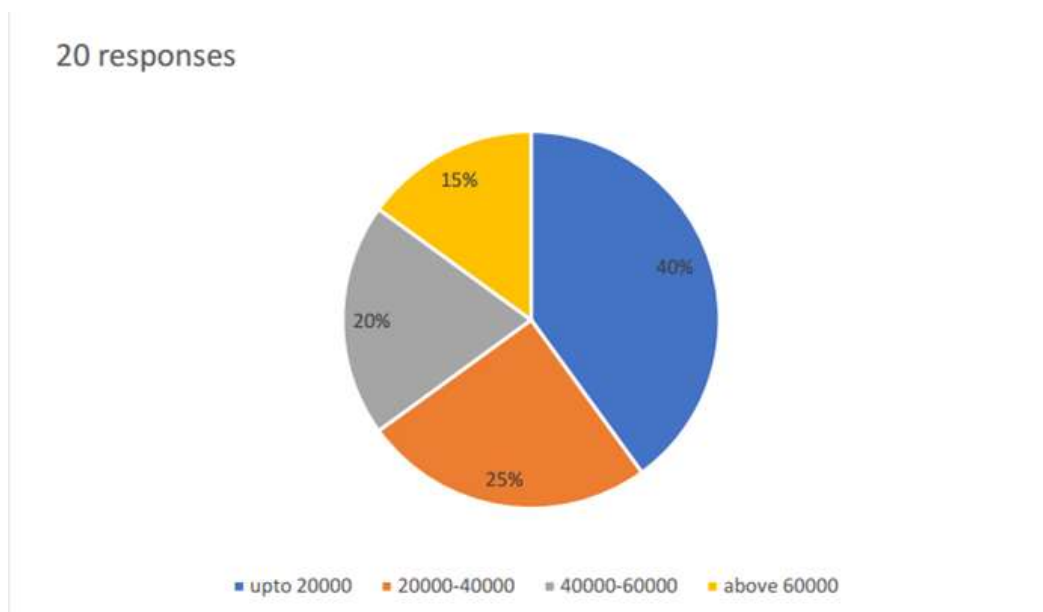
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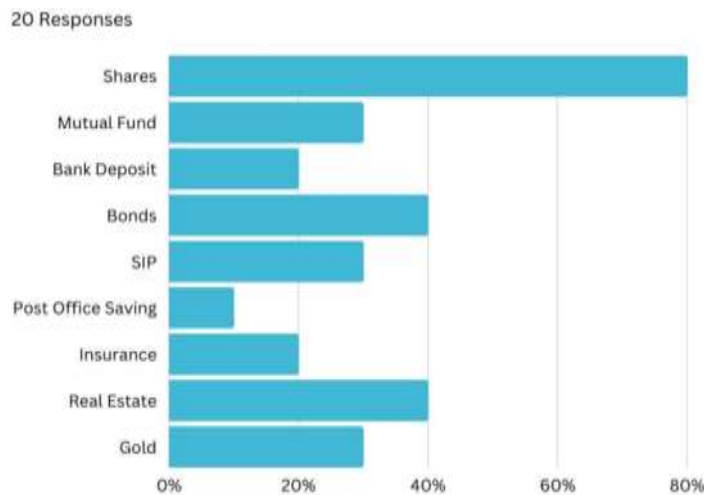
EDUCATIONAL QUALIFICATION:



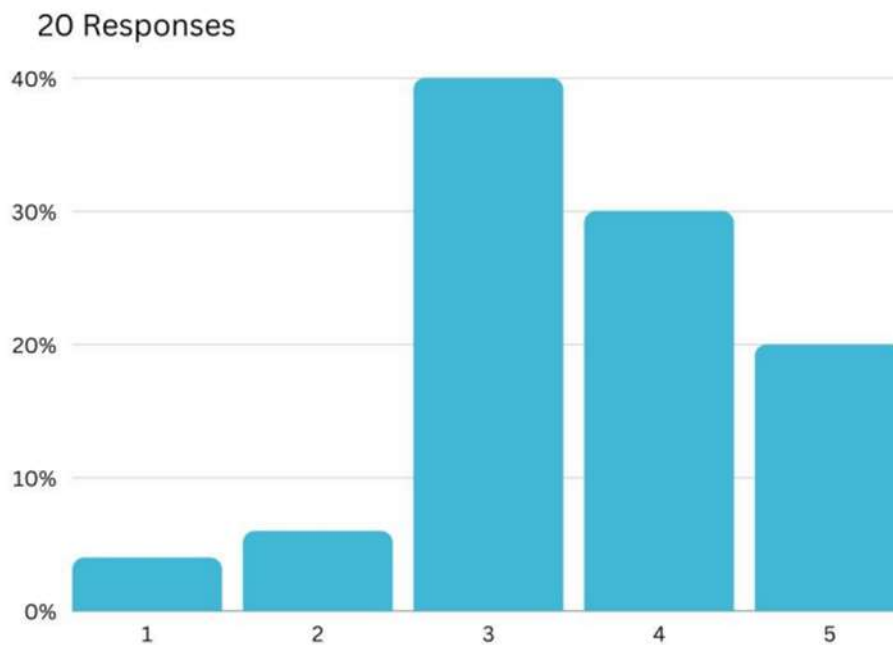
MONTHLY INCOME:



## WHERE HAVE YOU BEEN INVESTING?



How satisfied are you as a salaried individual, when you think about all the possible investment options available for investment in Mumbai?



## Key Findings

**Income Influence:** Higher income levels often correlate with a willingness to take on riskier investments.

**Investment Goal:** The primary goals for most individuals are capital preservation and moderate returns.

**Return Expectations:** Investors have varying return expectations, with most favouring stability over high returns.

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**SUGGESTIONS AND RECOMMENDATIONS**
**SUGGESTIONS TO INVESTORS**

- Investors who need safe investments should invest in government securities and government bonds, which are lower-risk securities and a good way for employees to use their savings. There is no possibility of default on these securities.
- With so many investments everywhere, investors need to understand their own risk tolerance.
- Capital market instruments such as stocks, debt and mutual funds units were not affected. Therefore, the policy should be to disseminate these and other financial instruments.

- Analysts say trained employees invest more. Therefore, measures are needed to provide investment education for the illiterate.
- Many of our employees are medium- to long-term investments. So, it is essential to let your employees choose safe and reliable investment methods.
- Saving money is a traditional employee habit. But this is blind economics. Save money for future benefits and maximize your profits. Employees are encouraged to save money for profitable destinations.
- Employees should turn to professionals such as accountants and auditors to double their profits. They should avoid listing trials or making independent decisions when they want to invest in a particular field. We recommend that you consult with an expert in this field.

#### **FINANCIAL INSTITUTION**

- The Company must inform investors of all available and up-to-date investment opportunities. less risky.
- Investors who have invested in postal, fixed deposits and insurance do not appear to be investing in stocks, mutual funds, bonds or other investment opportunities.
- The main reason is that investors have little awareness of the latest investment opportunities. Therefore, the company must inform. A major factor influencing investment choices is a higher annual rate of return, and a lower risk appetite may provide a different investment direction.
- We need to pay more attention to return on investment to meet investors' needs.
- The number of middle-class families is exploding due to the increase in dual-income and working women. Therefore, efforts are needed to attract female investors by providing accurate information and market knowledge through advertisements.
- Diverse groups of investors, such as professionals and businessmen, pay less attention to weighing the pros and cons of investing in different securities. It is necessary to explain to them the necessity and advantages of a systematic and analytical evaluation of various alternatives and competitive directions. Only then can surplus funds remain economically viable.

#### **GOVERNMENT**

- \* The government should make available more proper financial education consultants in order to educate investors about investing and about the various avenues available, namely stocks and bonds. It gives proper awareness and to know how security to invest in salaried individuals.
- Attractive and innovative investment avenues can be introduced for investors.
- \* The government can concentrate on introducing new attractive and feasible tax saving instruments.
- Gold and real estate are considered to be the most profitable investments. Some of the banks, like State Bank of India, sell gold in paper format, instead of buying the actual gold. It is valuable to salaried groups to purchase on an instalment basis.

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#### **CONCLUSION**

The study concludes that salaried individuals in Mumbai prefer safe and familiar investment options, though younger and higher-income employees are open to taking moderate risks. The findings underscore the importance of financial education to help investors make informed decisions and suggest further studies to assess the evolving investment trends in metropolitan cities.

The present analysis has important implications for investment managers as it has come up with certain interesting facets of the salaried individual. The individual investor still prefers to invest in financial products which give risk-free returns. This confirms that employees, even if they are earning high income, well educated, middle and lower age group, having minimum number of family members, are conservative and prefer to invest safely. The investment product designers of financial companies should cater to individuals who are low risk tolerant, tax savings and with high satisfaction with normal returns. The analysis also draws an important conclusion that the employees are keen to invest in midterm period. I. Etc. The investment period is 5 to 10 years and has both liquidity and illiquidity of investment.

#### **REFERNCES**

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