

Salaried Vs. Self-Employed: A Study On The Factors Influencing Investment Patterns

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Abstract. The Individuals make investments to achieve their financial objectives. The availability of several traditional and new investment avenues in the current context provides a wide range of options at all risk levels. Traditionally it has been considered that the investment preferences, objectives and factors influencing investment vary between the salaried and the self-employed. This study was undertaken to understand if there are differences between the two categories of respondents. The study was conducted in Coimbatore District, India with 410 respondents. The study found that fixed deposits were the preferred investment option whereas high-risk avenues such as crypto and derivatives were the least preferred. The study also found that the two respondent groups differ significantly in their investments.

Keywords: Investment, Influencing factors, investment avenues, Salaried, Self-employed.

1 Introduction

Investments not only maximize the wealth for an individual but also are vital for capital formation and economic development of a nation. The investment facilitates financial independence of individuals by increasing the wealth, fulfilling personal goals and reducing future risk. The fast paced growth in technology has opened up several new avenues for investment along with traditional investment channels. Each avenue has its own level of risk and investors make their choice based on their risk-appetite. The risk-taking ability is influenced by various factors such as income, socio-economic status, education family size and occupation. Also, the extent of awareness about the investment choices and the perceptions of investors on the risk and return of the options play a significant role in investment decisions. This study identifies how these factors change or set the decision making process of the investors.

2 Objectives of the Study

This study seeks to

- Identify the factors influencing investment pattern of salaried and self-employed individuals in Coimbatore

- Understand the preferred channels of investment

3 Literature Review

The factors influencing investment is both an internal & external factor. Several studies have found that demographic factors are significant determinants of investment decisions (Chaurasia, 2017; Kumawat and Parkar, 2020). Among them the education of the investor and their occupation decides a major part of their investment decision. Investment preferences of individuals are influenced by their occupation (Bhatt and Bhatt, 2012) and income (Ramanujam and Chitradevi, 2012). The study also found that the extent of scrutiny about a particular investment avenue is also driven by the occupation of the respondent. Gender has also been found to be a significant factor influencing investment decisions (Bajtelsmit, & Bemasek, 1996) as psychological differences between men and women differ. The risk preference and risk tolerance level is determined not just on income but also on how the psychological factors affect the investment decision-making process. Besides gender, culture, socio-cultural factors and consumption levels were also found to influence the behavior of Indian investors (Ramanujam and Chitradevi, 2012; Jain and Joy, 1997). Every individual's risk tolerance differs when being alone than in those of groups. When in groups an individual's decision making is influenced by the members of the group. The possibility to observe the others and make wise choices is available when an individual is a part of a group. Learning from the mistakes of others is an added advantage in such circumstances (Viscusi et al., 2011).

Studies examining investment in stocks have found that historical stock performance, dividend and bonus announcements, possibility of quick growth and stock-splits as the most influencing factors on investment decisions. An attempt to investigate the importance of certain external factors on the investment decision has been made in (Bialowolski and Weziak-Bialowolska, 2013) found that law-related factors and expected future developments of an economy impacted investment pattern (Antonides and Van Der Sar, 1990).

Studies examining the preferred investment choices in India have found that fixed deposits, debt instruments (Chaurasia, 2012), purchase of home (Shukla, 2016), gold are the most preferred investment choices. However, as financial literacy increases the choice of investment was also found to broaden to more risky options such as mutual funds and equity investments (Awais et al., 2016).

4 Methodology

The research is descriptive in nature. Since the research is about investment behavior of salaried and self-employed investors regardless of their income or education level, the population consists of all the self-employed and salaried individuals in Coimbatore District. Convenient sampling technique was used to select the respondents based on the convenience of the study. The final sample for the study consisted of 410 respondents. The demographic profile of the respondents is presented in Table 1.

The first step in the study was the design of the questionnaire to be used for data collection. A focus group was done with 10 experts who were aware of the numerous investment options to prune the questionnaire to be used for the study. These experts were

financial consultants. The final questionnaire consisted of questions related to the demographic variables and the various aspects of respondent's income, awareness on investment avenues, societal factors, their age and occupation.

Table 1: Demographic Profile of the Respondents

Gender		
	Male	61%
	Female	39%
Income		
	<5 Lakhs	26.3%
	5-10 Lakhs	36.3%
	10-15 Lakhs	28%
	> 15 Lakhs	9%
Age		
	20-30	36.3%
	31-40	24%
	41-50	24%
	51 & Above	16%
Education		
	Secondary School / Diploma	16%
	Under Graduate	41%
	Post Graduate	34%
	Others	8%
Risk-Return		
	High Risk, High Return	25%
	Low Risk, Low Return	33%
	Moderate Risk	42%

5 Analysis and Results

An analysis of the investments made by the respondents (Table 2) shows that higher investments were made by respondents in the age group of 41-50 years. They are financially settled so the investment percentage also rises in relation to their income earned. Also, respondents in the highest income bracket also had a higher proportion of their income allotted to investments. Among the investors earning <5 lakh, around 2% do not invest as they have just started their earning. Also, it is evident that not all investors increase their investment as their income increases.

Table 2: Percentage of Investments

AGE	INVESTMENT (%)	INCOME INVESTMENT	INVESTMENT (%)
20-25	15.46%	<1 LAKH	31.0%
26-30	16.7%	1-10 LAKH	34.5%
31-35	20.4%	10-20 LAKH	36.0%
36-40	22.5%	>20 LAKH	35.5%
41-50	25.9%		
51-60	29.9%		
61 & above	32.5%		

Table 3: Preferred Investment Avenues

AGE	Self-Employed		Salaried	
	Avg. Investment (%)	Major Investment Avenues	Avg. Investment (%)	Major Investment Avenues
20-25	20.0%	Deposit, shares	9.3%	Deposit, gold
26-30	24.3%	Deposit, insurance	11.4%	Deposit, insurance, mutual fund
31-35	24.9%	Mutual fund, insurance, real estate	12.1%	Deposit, shares
36-40	8.9%	Insurance	13.6%	Deposit, insurance, mutual fund
41-50	31.1%	Deposit, mutual fund, real estate	18.0%	Deposit, insurance
51-60	27.6%	Real estate, gold	22.0%	Deposit, insurance

The major investment channel (Table 3) tends to be deposits & insurance regardless of age. Mutual fund has been a growing investment among the self-employed in the recent years. Unlike other channels of investment, self-employed show a personal desire to increase their investment under real estate once they age and with an improvement in their income.

Factors Influencing Investment Decisions

Table 4: Factors Influencing Investors

FACTORS	Self-employed (Mean Value)	Salaried (Mean Value)
Newspaper / Media	3.2	3.3
Friends & Colleagues	3.7	3.9
Prior Investment Experience	4.3	3.1
Family	4.1	2.9
Financial Advisor	2.4	1.5

Among both salaried and self-employed, the role of a financial advisor was limited in influencing the choice of investment avenues (Table 4). For the salaried respondents, friends and colleagues had the highest influence followed by newspaper and media. For the self-employed, prior investment experience was found to be the largest influencer followed by family members.

6 Reasons for Investments

There was a stark contrast between the reasons for investment among the two category of respondents (Table 5). The self-employed were more oriented towards investments for the purpose of generating returns and tax savings. The salaried however had tax savings as the primary reason for their investment followed by purchase of house. Both the category of investors however considered health related issues as the least important reason.

Table 5: Reasons for Investments

FACTORS	Self-employed (Rank)	Salaried (Rank)
Returns	1	3
Tax Savings	2	1
Family Security	3	4
Retirement Period	4	5
Wealth Accumulation	5	7
Education Reasons	6	6
House	7	2
Health Issues	8	8

Table 6: Investment Preference of Respondents

FACTORS	Self-employed (Rank)	Salaried (Rank)
Fixed Deposit	1	1
Post Office Schemes	7	2
Life Insurance	2	3
Mutual Funds	3	4

Stocks	6	5
Gold / Silver	4	6
Real Estate	5	7
Debt Instruments	8	8
Derivatives	9	9
Crypto, Bit coin etc	10	10

An analysis of the preferred investment avenue (Table 6) showed that among both salaried and self-employed, Fixed deposits were the most preferred investment avenue. The salaried respondents were inclined towards post-office schemes whereas the self-employed did not show great interest towards the same. Riskier investments such as crypto, derivatives and debt instruments were not on the top of the priority list for both the category of respondents.

To analyze the relationship between the demographic variables and the percentage of investments a chi-square tests were performed.

Table 7: Results of Chi-Squared Tests

Demographic Variables	Value	Asymp. Sig. (2-sided)
Income	2.332E2	.000
Gender	23.4578	.078
Age	2.452E2	.000
Family Status	7.385	.001
Education	2.4567	.000

The results of the chi-squared tests (Table 7) shows that there is a relationship between income, age, education and family status of an individual on the investments. However, gender was not found to have any relationship to investment.

A t-test was performed to determine if there was a significant difference between the respondent groups and their investments. The results (Table 8) show that there is a significant difference between the respondent groups and their investments.

Table 8: Independent sample T test between respondent groups & investment

Groups	N	Mean	Std. Deviation	Std. Error Mean
Investment				
Salaried	254	1.84	.247	.154
Self-Employed	173	1.54	.303	.234

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Equal variances assumed	132.6	0.000	-4.75	408	0.000	-0.627	0.104	-0.714	-0.32
Equal variances not assumed			-3.83	382.83	0.000	-0.527	0.132	-0.793	-0.262

7 Findings and Conclusion

The study was conducted to determine the investment preferences and the factors that influence the investments of individuals. The study focused on two category of respondents, namely salaried and non-salaried class. The findings from the study show that income, age, family status and education influence the investment of respondents. Gender was however not an influencer. The study also showed that there were significant differences between the salaried and the self-employed in terms of the investments. The most preferred investment option by both the salaried and self-employed was fixed deposits. Despite the growth in technology and information availability about technology based investments, avenues such as crypto and derivatives were not preferred by the respondents. The primary motive for investment for the self-employed was generation of return whereas for the salaried it was tax-savings. Increasing the level of awareness about the new avenues that are available for investments will help investors to gain better returns. High risk seekers could be more educated over the share market opportunities to appreciate theirwealth.

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