

Demographic Influences on Rural Investors' Savings and Investment Behavior: a Study of Rural investor in the kangra district of Himachal Pradesh

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ABSTRACT: The diversification of financial service sector has provided individual with a wide range of opportunities to invest. Investment is the employment of funds on assets with the aim of earning income or capital appreciation. Investment is a part of individual savings, saving is the difference between income and consumption. Rural investors are different from their urban counterparts, this could be because of lack of information, less financially literate and lack of employment opportunities or sources of earning. In this paper we try to investigate individual's investor's behavior and various social demographic factors which influence their saving investment choices.

Keywords: Capital Appreciation, Rural Investors, Demographic, Investment behavior, financially literate.

1. Introduction

Investment behaviors are defined as how the investors judge, predict, analyze and review the procedures for decision making, which includes investment psychology, information gathering, defining and understanding, research and analysis. The whole process is "Investment Behavior" (Slovic, 1972; Alfredo & Vicente 2010). Individual savings and investments play an important role in growth of any economy since it is a major component of resource market. In recent paradigm shift has been observed in the strategies of service sector in India. With increase in purchasing power and demand of wide variety of products by rural consumers, the rural market offers new and great opportunities to manufacturer of several consumers industrial product in India. Earlier rural market was tough to access by companies because of huge numbers of infrastructural problems, low literacy rate, etc. But nowadays government has taken several initiatives to improve infrastructure and level of financial literacy and generating

new employment opportunities. With the increase in standard of living and earning capacity now rural people also start saving money that is the reason. Himachal is a pure rural market, here almost all people represent to rural India. Only 10% population of the state belong to urban area and these area are generally the extension of the rural villages and people are still rural by heart; resist taking change. So in Himachal as well as in India companies need to develop the investment plan which can benefit to the rural people.

2. Review of literature

Ramakrishna (Reddy & krishndu 2009) in their on investor behavior on rural investor states that investment culture among people if country is an essential prerequisite for capital formation and faster growth of an economy. (Vanjeko2010), Finance India on Indian investors' investment characteristics showed that the use of these characteristics for a better understanding of individual investors and their financial product needs. It also shows that investor's future preferences. The study reveals the increasing popularity of equity as an investment option among individual investors (Ramprasath & Karthikeyan 2013), on individual investors' behavior towards select investments, states that the most of the investors are giving much importance for the factor "safety". Similarly investment options like Bank deposits, LIC polices and Bullion has been preferred by the individual investors. (Sarangapani & Mamatha2011) on investment pattern of Indian investors revels in their research, investment pattern of sample investors indicates that the majority investors prefer to invest in equity shares than in other instruments. It is also revealed in analysis of the portfolio of investors that 72% investors prefer to invest in different types of instruments and the rest only in equity shares.(Bihari & Apoorv2013) Raj on investment behavior of the customers towards mutual fund and other products assessed in their research, commercial sources are attracting and helping more consumers to take decision. At the same time personal sources are also adding value to their decision making process. Magazines, newspapers, film, advertisement, display, demonstration, exhibition and colleagues play a vital role in searching meaningful information.(Kumar & Chandra 2010) on selection behavior of individual investors; Evidence from mutual fund investment shown in their research, performance ranking were rated as most

preferred source of information for individual mutual fund investors followed by recommendations by experts. Other sources of information such as print media like business magazines, and newspapers, electronic media like business channels and internet, friends and family recommendations, and seminars were respectively valued by individual mutual fund investors. As far as selection criteria is concerned, past performance of the fund was highly rated followed by investment pattern, management fees charged by the fund manager's reputation.(Shanmugam & Ramya 2010) in their research analyzed that, personality traits have greater impact on individual behavior. This research revealed that internals have high correlation with investment knowledge and successful investment behavior. Also it was found that investment knowledge of internals is higher than that of individuals with external locus of control. It was further found out that there is significant difference in investment behavior amongst individuals with high and low investment knowledge. Hence the study clearly shows that individuals with high investment knowledge show successful investment behavior.

3. Defining variables

In this study variables like socio-demographics of respondent age, gender, education level, income level, and marital status are taken as independent variables. The variables like saving (bank deposit and post office deposit), investment (mutual funds, real estate, government bonds and equity investment) and insurance are taken as dependent variables.

4. Objective of the study

1. To find the most preferred Investment Avenue among the rural investor community in kangra district.
2. To study the effect of investor background on investment behavior
3. To study the relationships that exists between the demographic characteristics of rural investors and the saving and choice of different investment avenues.

5. Hypothesis

H1: Mutual fund is the most preferred investment avenue among investors.

H2: There is no significant relationship between demographic characteristics and of rural investors and the saving and choice of different investment avenues.

6. Sample and methodology

Descriptive research design has been considered for collection of primary data through questionnaire. Secondary data about investment avenues and Indian economy was collected from website, book, journal, research paper etc. The respondents were from different villages of kangra district of Himachal Pradesh. A sample size of 110 customers was personally interviewed and data was collected for this statistical study. The sampling techniques used for study is non-probabilistic convenience sampling. The data was analyzed using SPSS and statistical test like Pearson correlation was used to check the relationship among variables.

.Table 1: Distribution of Sample on Socio-demographic Variable

Variables	No.	Percentage
Age Group		
20-30 yrs.	32	29.10
31-40 yrs.	30	27.20
41-50 yrs.	31	28.30
51 yrs. & above	17	15.40
Qualification		
under graduate	26	23.6
Graduate	40	36.4
post graduate	44	40
Income level		
below 10,000	33	30.00
10,001-20,000	37	33.60
20,001-30,000	19	17.30
30,001-40,000	12	10.90
above 40,001	09	8.20

Occupation		
Farmer	35	31.81
Housewife	12	10.90
Student	21	19.10
Doctor	11	13.00
Govt. employee	31	28.20

Source: Author compilation

Table 1: Represents the demographic profile of respondents. It is observed from table that 29.10% of respondent are in age group od 20-30, 27.20% of respondent are in age group of 31-40, 28.30% of respondent are in the age group of 41-50, and 15.40% of respondent are in age group of 51 and above.

As education level of respondent is concerned 23.6% are under graduate 36.4% are graduate and rest 40% are post graduate. Regarding occupation of the respondents 31.81% of total respondent are business man, 10.90% are housewife, 19.10% are students, 13% are doctor and 28.20% are retired person.

As income level of respondent is concerned 30% of respondents are below 10,000, 33.60% are between 10,001-20,000, 17.30% are between 20,001-30,000, 10.90% are between 30,001-40,000 and 8.20% are above 40,000.

Table 2: showing the most preferred to least preferred investment avenues.

	1	2	3	4	5	Sum wt. Avg.	Likert Score	Rank
Banks	00	00	06	63	31	425	3.86	3
Post Office Deposits	00	04	07	21	68	453	4.12	2
Mutual Funds	40	18	15	20	07	236	2.15	5
Equity Investments	50	30	07	13	00	183	1.66	7

Insurance	00	09	16	43	32	398	3.62	4
Real Estate	37	23	22	13	05	226	2.05	6
Government Bonds	01	02	04	26	67	456	4.15	1

Source: Author compilation

With the objective of finding the most preferred option for investment in general, an enquiry was made to the investor in survey. Table 2 shows the different investment preferences of the investor among various investment options. It reveals that most preferred sources of investment is government bonds with likert score of (4.15), followed by relatively post office deposit with score of (4.12), and bank deposit (3.86), next by insurance (3.62), mutual fund (2.15), real state (2.06),and least preferred is equity investment with (1.66).

TABLE 3: Pearson's Product Moment Correlations of Savings, Investment and Insurance against the Independent/Explanatory Variables

Correlations												
	X1	X2	X3	X4	X5	Y1	Y2	Y3	Y4	Y5	Y6	Y7
X1	1											
X2	.126	1										
X3	.083	.042	1									
X4	.189	-.068	-.171	1								
X5	.022	-.151	-.077	-.197	1							
Y1	.230	-.008	.058	.340*	.025	1						
Y2	.174	-.025	.136	.247	-.006	.357*	1					
Y3	.610	.695*	-.015	.048	.121	-.010	.193	1				
Y4	.463	.160	-.005	-.184	.108*	-.296*	-.228	-.311*	1			
Y5	.134	.719	-.078	-.238	-.104	-.465**	-.485*	-.215	.126	1		
Y6	.281*	.450	-.016	-.247	-.058	-.474**	-.596*	-.490**	-.290*	.323*	1	
Y7	.039	.182	.688	-.026	.062*	-.225	-.299*	-.643**	-.415*	-.124	.490**	1

Source: Author compilation

*. Correlation is significant at the 0.05 level (2-tailed)

**. Correlation is significant at the 0.01 level (2-tailed).

Key: x1,= monthly income of respondent, x2,= education level of respondent, x3, = marital status, x4, = income, x5, = age Y1, = bank deposits, y2, = post office deposit, y3, = equity investment, y4, = real estate, y5, = government bond, y6, = mutual funds, y7, = insurance

The relationship among dependent and independent variable like age, income, marital status, education level and income level of respondent were found. To find the relationships, independent variables of savings and investment were weighed against the dependent variables. Pearson's product moment correlation coefficient was used to establish the relationship between the independent and the explanatory variables. The relationships between the variables is shown in Table 1

7. Discussion

The data showed that there was a significant positive relationship between age and insurance, which means that, the increase in age of investor the investor more likely to buy an insurance policy. The relationship between age and savings and other types of investment was significant at 0.01. The correlation was however negative. This implies that the older the investor, the less likely that investor was to save and also invest. In other words, as the investor grows, there was a correspondent decrease in the amount of savings and investment that the household engaged in. Income level and education level shows a positive relationship with investment. It means people with high education level and high income level have positive impact on investment. Other variables like marital status, gender, age are negatively associated with investment. Data showed a moderate positive relationship between income level, education level and insurance. Data also shows a strongly positive relationship with marital status and insurance. A moderate relationship was found among gender, age and insurance. Based on the above findings, it is concluded that demographic factors influence rural investment choices in kangra district in one way or the other. So investment behavior can be changed by improving in level of education, income etc. so It was also recommended that financial awareness campaign be made available to the rural dwellers through community talks, radio

programmes and religious groups. As education shows some influence so basic financial management concepts in primary and Senior High School curricular was also recommended by the researcher.

8. Conclusion

The savings and investment behavior of rural households in the kangra district cannot be said or described as the best. The age distribution of the population, coupled with the income levels of the families, is a major determinant of the savings and investment behaviour of the families in the study area. Age of household head however influences the households' investment in contingent forms probably to secure the future of other family members in the event of death of the head. In general, various demographic characteristics exert some amount of influence on the savings and investment behavior of rural households in varied ways.

9. References

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