

Investment Avenues Available for Teaching Professionals – An Empirical Study

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Abstract

Competitive pressures have triggered massive shifts in the style and speed of business across the globe. In this situation, financial sector has offered various avenues for investments. Investment avenues are widening in the world to create a positive sources of income. Under these circumstances, investors have their own time and choice to invest their hard-earned savings in available avenues like bank deposits schemes, postal savings scheme, provident fund (PF), share market both primary and secondary, life insurance policies (like LIC), government security or bonds (like NSC), mutual funds, real estate, gold, company deposits and other avenues for investment. Teaching professionals earn handsomely (**especially after the implementation of sixth pay commission**), but they seldom find time to get information about the various investment avenues. Thus, lack of financial education sets aside their disposable income in low safety, profitability and marketability of investments. As investors, teaching professional do have right to expect a good rate of return from their investment. For all these, they need adequate flow of information. Wealth creation is not an art. It is an attribute of one's attitude towards money. How does one know whether investors have the right kind of attitude towards money? To answer this question, the present study entitled "**INVESTMENT AVENUES AVAILABLE FOR TEACHING PROFESSIONALS – AN EMPIRICAL STUDY**" has been taken up to understand their a) awareness level; b) investment objectives; c) preference over investment avenues, duration, financial institutions and sources of information; and d) problems in current investment decisions.

1. Introduction

Investment avenues are widening in the world to create a positive sources of income. One can invest disposable income in domestic or offshore market. Though few people in society are investing their savings in a systematic manner and many are not doing so. A systematic investment plan always yields a fair return. People are earning handsomely, but they do not know where, when and how to invest. Every one should realize that financial planning is a must today in order to know where one stands financially and also to focus on one's financial efforts in the right direction. A proper understanding of money, its value, the available avenues for investment, various financial institutions, the rate of return and risk, et., are essential to successfully manage one's finance for achieving life's goal. Increasingly, over the past several years, competitive pressures have triggered massive shifts in the style and speed of business across the globe. In this situation financial sector have offered various avenues for investment. Markets whether organized or unorganized are flooded with various financial instruments/avenues to enable the investors to invest their disposable income freely. The financial institutions are clearly stating their conditions and regulations subject to market risk to the investors.

Under these circumstances, investors have their own time and choice to invest their hard-earned savings in available avenues like bank deposits schemes, postal savings scheme, provident fund (PF), share market both primary and secondary, life insurance policies (like LIC), government security or bonds (like NSC),

mutual funds, real estate, gold, company deposits and other avenues for investment. The key to successful investing is to know what level of future financial performance is embedded in today's investment opportunity and be able to revise one's expectations. Investment constantly peers into an uncertain future and anticipate change. Although, specifically for investment practitioner, students and other groups such as individual investors will find that this paper will enable them to have more information about available avenues for investment and alternative forms of financial institutions.

2. Need for the Study

Investment is the most important thing today but many do not have financial education. Teaching professionals are earning handsomely but they do not have required knowledge and information on financial/investment opportunities. They have all rights to save (invest) and splurge (spend) to some extent. But lack of financial education, put them (investors) in much more difficult situation. At present, a lot of investment avenues are available in the market with investor education. Investors can choose from a variety of instruments and assets. While making the choice, they should also consider the rate of return and risk of the respective investment. There are institutions which offer attractive packages to investors. Medias like TV, newspaper, magazines etc., help the investors to access their available avenues for investment. Majority of teaching professionals, being educated elites, know the available avenues of investment and institutions. Thus, it is important to ascertain teaching professional's psychology over various investment avenues offered by various financial

institutions and its implications. Investment consultants, teaching professionals, students and other individual investors will find this paper very useful.

3. Statement of the Problems

In the investment process, it is essential that the investor should have knowledge about the investment alternatives and the markets. The rate of return on investment is highly fluctuating but at the same time, investors have to analyze the rate of return/risk on investment. Financial institutions have been playing a key role to attract investors. Investors are being affected because of the middle agents like broker, jobber etc. Teaching professionals earn handsomely (especially after the implementation of sixth pay commission), but they seldom find time to get information about the various investment avenues. Thus, lack of financial education sets aside their disposable income in low safety, profitability and marketability of investments. As investors, teaching professional do have right to expect a good rate of return from their investment. For all these, they need adequate flow of information. Wealth creation is not an art. It is an attribute of one's attitude towards money. How does one know whether investors have the right kind of attitude towards money? To answer this question, the present study entitled "INVESTMENT AVENUES AVAILABLE FOR TEACHING PROFESSIONALS – AN EMPIRICAL STUDY" has been taken up.

Objectives of the Study

Following are the objectives of the present study:

1. To study the awareness level of teaching professionals about the various investments avenues.
2. To find out the various investment objectives of teaching professionals.
3. To know the preference of teaching professionals over a) investment avenues; b) their duration; c) financial institutions; and d) sources of information.
4. To study and rank the factors considered by teaching professionals while investing.

5. To explore the problems faced by teaching professionals in the current investments.

4. Research Methodology

This is an empirical research study. It used both primary and secondary data. The primary data were collected by using a structured questionnaire (with 31 questions), which was framed with utmost care to fulfill the objectives of the study. Secondary data were collected from books, journals, magazines, business dailies, reports of various agencies, and relevant websites.

Cuddalore is a historical place (formerly capital of Tamil Nadu) situated on East Coast between Puducherry and Chidambaram. This town limit alone is having four colleges (Arts & Science, Engineering) in which more than 500 teaching professionals work. The questionnaire was administered to 250 teaching professionals working in all the four Arts & Science and Engineering Colleges at Cuddalore town and hence, the sample size is 250 which accounts for 50% of the population. Convenient sampling method was used. To arrive at meaningful conclusions, data collected were compiled and analysed by using the following statistical tools. For quantitative aspects, simple percentage, analysis of mean, standard deviation, standard error, and Karl Pearson's co-efficient of correlation were used. For the qualitative aspects, ranking method was adopted.

5. Results and Discussions

The analyses of the data collected and compiled are presented below:

Table 1 clearly shows the awareness of teaching professionals about the various investment avenues. Majority (95%) of the respondents know about life insurance, which was followed by bank deposits (90%), postal savings scheme (83%), provident fund (79%), mutual fund (65%) and gold (60%). A low level of awareness only is found for other avenues like NSCs, chit funds, government securities, share market (IPOs and Secondary), company FDs, and real estate. Majority of the teaching professionals are unaware about derivatives (3%) and venture capital (2%).

Table-1 : Awareness about the various Investment Avenues

Investment avenues	Awareness (% of Respondents)	Investment avenues	Awareness (% of Respondents)
Life Insurance	95	Govt. Securities	38
Bank deposits	90	Share market (IPO)	35
Postal savings scheme	83	Share market (Secondary market)	35
Provident Fund	79	Company FDs	28
Mutual Fund	65	Real Estate	24
Gold	60	Derivatives	3
NSCs	42	Venture capital	2
Chit Funds	39		

Source: Primary data

Table – 2 : Investment Objectives of Teaching Professionals

Factor	Monthly Income				Total	% of Respondents	Rank
	Below Rs.5,000	Rs.5,000 to Rs.10,000	Rs.10,000 to Rs.15,000	Above Rs.15,000			
Regular Income	35	44	62	48	189	76	II
Capital appreciation	-	6	56	46	108	43	VI
Both a & b	-	28	54	46	128	51	V
Just for Parking excess cash	-	-	-	-	-	-	-

For further plans (like marriage, Kids Education)	42	54	65	49	210	84	I
Contingencies Meeting out	38	42	58	48	186	74	III
Tax savings	-	38	85	50	173	69	IV

Source : Primary data

The adage “you can’t avoid death and taxes” is questionable, because the above table shows that 69% of teaching professionals in Cuddalore use investment to avoid or reduce income tax. Besides, they have more responsibility towards their family, which is evident from table 2 that 84% of the people have invested their savings for their future plans (like, marriage, 74% invest to meet out contingencies (Emergency) and 43% invest for capital

appreciation. It is also known from the above table that none of the respondents had the objective of just for parking excess cash. Thus, it can be concluded that people belonging to lower income levels have invested their savings for their future commitments while higher income levels have invested their savings to save tax and for future contingencies.

Table – 3 : Preference over various Investment Avenues

Avenues Invested	Monthly Income				Total	% of Respondents	Rank
	Below Rs.5000	Rs.5000 to Rs.10000	Rs.10000 to Rs.15000	above Rs.15,000			
Bank Deposits	30	36	59	48	173	69	II
Post Office Schemes	18	28	38	38	122	49	IV
LIC	42	49	68	62	221	88	I
PF	3	35	57	50	145	58	III
NSC & Govt. Bonds	-	18	21	12	51	20	VI
Shares	-	-	2	2	4	2	IX
Mutual Funds	-	18	20	21	59	24	V
Gold	2	6	4	1	13	5	VII
Real Estate	-	-	1	1	2	1	X
Chit Funds	3	5	2	1	11	4	VIII

Source : Primary data

Table 3 clearly shows the preference of teaching professionals over the various investment avenues. Majority (88%) of the respondents preferred life insurance because it covers life risk as well as gives investment appreciation and tax savings. This was followed by Bank Deposits (69%), Provident Fund (58%), Post Office Savings (49%), mutual fund (24%) and NSC & Government Bonds (20%). Only few respondents preference investments in Gold (5%), Chit Funds(4%), Shares (2%), and

Real Estate (1%). From risk point of view, majority of the respondents felt that the share market and chit funds are the riskiest investment. However, they opined that post office schemes and bank fixed deposits are less risk avenues for investment. Thus, it is concluded that life insurance is the preferred investment which was followed by bank deposits, provident fund and post office savings.

Table – 4 : Preference over Investment Duration

Duration	Income				Total no. of respondents	% of respondents
	Below Rs.5000	Rs.5000 to 10000	Rs.10000 to 15000	Above Rs.15000		
Short term - below 1 Year	26	14	-	-	40	16
Medium term (1-5 Years)	22	53	68	47	190	76
Long term (above 5 years)	-	-	17	3	20	8
TOTAL	48	67	85	50	250	100

Source: Primary data.

Table 4 clearly shows the duration of investment preferred by teaching professionals. The income group, i.e., below Rs.10,000 prefer generally short term (below 1 year) and medium term investment, while Rs.10,000 and above group prefer medium term

and long term investments. However, majority (76%) of the respondents prefer the medium term investment. Hence, it is concluded that the majority of the respondents prefer medium term investment i.e. from 1 year to 5 years.

Table -5 : Preference over Institutions

Institutions	Rank					Overall Rank
	Rank I	Rank II	Rank III	Rank IV	Rank V	
Bank	72	79	44	12	2	2
Post Office	60	64	42	51	16	4
Finance Institution LIC, UTI, ICICI, etc.,	83	60	63	12	18	1
Company	5	6	43	36	28	5
Mutual Funds	30	41	58	65	66	3

Source: Primary data.

Table 5 clearly portrays the preference of teaching professionals over various institutions. Majority preferred financial institutions like LIC, UTI, ICICI, etc., (due to higher rate of return and attractive package of investment) which was followed by banks (rank 2), mutual funds (rank 3), and post office (rank 4). Final preference was given to companies. Further, according to

respondent, the main reasons for preference given over institutions include life coverage, safety, trust, guaranteed return, and liquidity. 99% of the respondents do not prefer re-investment plan (RIP) as they are not satisfied with current investment rate of return at 8.5%. Majority of the respondents prefer the rate of return ranging from 12.5% to 24%.

Table – 6 : Preference over Sources of Information and Advice for Future Investment

Sources of Information & Advice	Rank
Own idea	1
Media	2
Relations & friends	3
Colleagues	4
Investment consultants	5
Banks	6

Source : Primary data

Table 6 shows the ranking for preferred sources of information and advice for future investment. Majority of the respondents given first rank to own ideas, which was followed by media,

relations & friends, colleagues, investment consultants and finally banks.

Table – 7 : Factors considered while investing

Factor	Rank					Overall Rank
	Rank I	Rank II	Rank III	Rank IV	Rank V	
Security (Safety)	65	129	24	-	-	2
Profitability	35	42	110	21	-	3
Marketability	10	27	22	128	14	4
Less Procedure	11	7	64	56	42	5
Value added services (Insurance & Tax benefits)	129	45	30	45	-	1

Source: Primary data.

Table 7 clearly portrays the ranking of factors considered by teaching professionals while investing. Majority of the respondents gave first rank to value added services, which was followed by security, profitability, marketability and less

procedure. Hence, it is concluded that most of the respondents prefer attractive value added services with safety-oriented investments.

Table – 8 : Problems faced in Current Investments

Problems	Rank							Total	Rank
	I	II	III	IV	V	VI	cannot say		
Not Marketable	42	18	112	10	28	10	30	250	3
Not safe	18	20	76	14	21	33	68	250	5
Not profitable	96	108	16	14	8	2	6	250	1
Cumbersome procedure	68	52	32	27	13	18	40	250	4
Inadequate and untimely Information	21	93	32	38	26	8	32	250	2
Poor Documentation	35	26	12	20	18	12	127	250	6

Source: Primary data.

Table 8 clearly brings out the problems faced by the teaching professionals in their current investments. Majority of the respondents opined that the investments are not profitable (rank 1) and which was followed by inadequate and untimely information (for revising decisions). They also opined that the

investments are not marketable (rank 3), they involve cumbersome procedures (rank 4) for liquidating or revising and they are not safe (rank 5). In the light of the above problems, most of the respondents felt the need for switch over from the existing to new investments.

Table – 9 : Source of Information or Advice for Current Investments

Age Via -Media	Below 25 Years	25 – 35 Years	35 – 45 Years	45 - 55 Years	Above 55 Years	Total	Percentage
Own	15	52	71	73	39	250	100%
Investment Consultant	5	18	41	54	32	150	60%
Banker	-	2	26	38	30	96	38%
Relation and Friends	12	48	67	65	28	220	88%
Colleagues	8	31	42	52	30	163	65%
Media	11	46	65	71	39	232	91%

Source: Primary data

Table 9 clearly portrays the sources from which the teaching professionals got information or advice for their current investments. It is clear that all (100%) the respondents take their own decisions. At the same time, media plays vital role in investor's education now a days, hence majority get information from the media (93%), followed by advice from relations and friends (88%), advice from colleagues (65%) and advice from consultant (60%). Only 38% of respondents sought advice from banks. Thus, it is clear that most of the respondents take their own decisions after getting information from media, relations & friends and colleagues.

6. Findings of the Study

- Teaching professionals save but do not save wisely.
- Majority (95%) of respondents are awareness about life insurance followed by bank fixed deposits, postal schemes, provident funds and mutual funds
- Venture capital and derivatives were the most unpopular category of investments among respondents.
- Most of the young professionals are working in private colleges but they are earning very small amount of salary, hence their investment habits are very poor.
- The percentage of savings invested by respondents in Cuddalore is 27% to 32%.
- 69% of respondents in this area resort to invest for avoiding income tax.
- 84% of the respondents have invested their savings for future plans (like social ceremonies, kids education, old age etc.) and 76% to make regular income.
- A large majority of respondents perceives life insurance, fixed deposits in banks, postal schemes, and provident funds as the safest investment avenues.
- The majority (76%) of the respondents prefers medium term investment i.e., from one year to five years.
- The majority (52%) of the respondents like attractive services with safety oriented investments.
- Majority of the respondents like financial institutions (like LIC, UTI, ICICI etc.) which are offering higher rate of

interest as well as attractive package of investment avenues with safety and profitability.

- 99% of respondents do not prefer reinvestment plan (RIP) but their expected rate of return range from 12.5% to 24%.
- The problems faced by the respondents in the current investment avenues include: they are "not profitable", "inadequate and untimely", "not marketable", "poor documentation".
- At the time of investing majority (100%) of the respondents take their own decisions after getting information from media, relations, friends and colleagues.
- Most respondents felt shares and chit funds were the riskiest investment.
- Most respondents felt postal schemes and bank fixed deposits were the less risk investment.

7. Suggestions

The following suggestions are offered based on the teaching professionals' responses, which may be considered by the policy makers, the finance institutions and the investors.

- There is a need for financial literacy and instilling confidence among investors.
- Government should stress the financial institutions to conduct investor guidance workshops about available avenues for investment.
- Financial sector i.e., banking, financial services and life insurance industries will have to work with government.
- Industry associations and NGOs should come forward to educate the investors on the need for saving and saving wisely.
- Financial institutions should create awareness about available avenues for investment and should educate the people what is the meaning of risk and how it could be mitigated.
- They should also educate the Indian population both on ways of meeting their financial objectives through financial protection and wealth creation.

7. To overcome the problems faced by the investors, adequate policy reforms in financial sector is the need of the hour.

8. Limitations

Following are the limitations of this study:

1. The study confines only to the teaching professionals working in colleges at Cuddalore. Hence, the findings cannot be generalized.
2. Due to shortage of time the sample size is limited to 250 only.
3. The information provided by the respondents is spontaneous and they may not be consistent.

9. Conclusion

The liberalization of Indian economy opened up several new investment opportunities and the growing disposable income made Indians less averse to risk. India has a relatively high national savings rate compared with other countries. Indians are among the highest savers in the world but do not save wisely. Over the years, much of the mysteries about financial markets have been removed "layer by layer". Besides, Indian markets are now one of the best regulated markets in the world. Hence, it is also the time that along with increasing the overall literacy, India as a country also focuses on increasing financial literacy. This would turn India from a country of good savers to a country of wise savers and help build a financially strong and secure India.

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