Awareness of Investment Avenues among Advocates

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Abstract

The productive capacity of every nation depends on a healthy capital formation. Healthy savings and good capital mobilization is the key to the economic development of the nation. Domestic savings play a significant role in economic growth because the domestic saving rate is directly related to the investment rate and the lending capacity of the banking system in the country. A good banking system is an important indicator of economic development. A nation's savings and investment capacity also play a key role in achieving dynamic stability in the capital market. Hence it is necessary to study and assess the saving and investment patterns of the citizens.

The present research is based on the micro financial approach in estimating the responses of the respondent's i.e. advocates practicing in civil and criminal courts in the Sangli city. The study at the savings and investment habits of the respondents. The objective of the study is to determine the relationship between the savings and investments pattern among the advocates. The present study is based on both primary and secondary data. Primary data is collected by distributing a structured questionnaire to 50 advocates practicing in district courts.

The major components of savings are the level of income of the advocates and their own objectives of savings. The research shows that the majority of the respondents are saving money and investing in traditional investment avenues. They believe that traditional investment avenues are safe. The main avenues of investment are Bank deposits, investments in gold, LIC. The main purposes of investment are marriage purpose, for the education of children and security after retirement.

Key Words

Annual income, Investment, Savings, Rate of Return.

Citation: Deshpande, N. (2018). Awareness of Investment Avenues among Advocates, *Ganpat University Journal of Applied Research In Social Sciences & Humanities, 7* (1), 1-10.

Introduction

The productive capacity of every nation depends on a healthy capital formation. Healthy savings and good capital mobilization is the key to the economic development of the nation. Domestic savings play a significant role in economic growth because the domestic saving rate is directly related to the investment rate and the lending capacity of the banking system in the country. A good banking system is an important indicator of economic development. A nation's savings and investment capacity also play a key role in achieving dynamic stability in the capital market.

The word investment has many interpretations as it gives a different meaning to the different person. If the investment is properly undertaken, the returns will commensurate with risk which an investor assumes. To survive in the competitive world people need to earn money and to invest in safe and reap the returns to the highest alone help them to improve the standard of living. This study is based on the responses by the respondent's investment pattern of advocates in Sangli city.

Research Methodology

The research study is based on both primary and secondary data. Primary data has been collected by conducting a survey among advocates practicing in Sangli city. The secondary data have been collected from books, journal, newspaper, periodicals, reports, internet etc.

Objectives of the study:

1. To understand the income and saving pattern among the advocates.
2. To know the mode of investment of advocates in various investment avenues.
3. To understand the rate of return which advocates expect from their investment.
4. To analyze the investment preferences of advocates.
5. To identify the key determinants of savings and investment behavior of advocates.

Statement of the problem

Many people are observed in a state of confusion by the excess wealth and rise of investment avenues. They become nervous by the fluctuations in financial prices, confounded by unusual instruments and complicated investment strategies. Common problems faced by individual investors while taking the decision of investment are lack of awareness and knowledge, blind faith, traditional thinking, Emotional attachment to money, fear of loss and many more. Hence to study the investment pattern of advocates practicing in court, this study is undertaken.

The scope of the Study:

The scope of the study is restricted to the survey of advocates practicing in courts in the city of Sangli with respect to their income and their investment pattern while doing their future financial planning.

Sample Size

For the purpose of research 50 advocates who are the members of Sangli Bar association and practicing in civil or criminal courts in Sangli were selected. The stratified sampling method was adopted.

Why Advocates

Practicing in court is one of the oldest professions. Senior advocates are earning satisfactory income but junior advocates are struggling for their career. Initially, they are practicing with senior advocates get to experience. in the initial stage of their career, they have to struggle more. As they set in their profession, they start earning. Generally, advocates practicing in criminal courts earn more than the advocates practicing in civil court. After being settled in the profession, advocates earn handsomely. In the profession of advocate's, monitory returns are not assured because their income is not fixed like a salary earner. So, the attitude of advocates towards consumption, savings and investment would reflect their economic behavior.

Importance of the study

Findings of the present study will immensely help the various financial institutions working in the state to formulate their investment policy in the economy.

Defining Savings

"Saving" means foregoing one's current consumption in favor of having an option to consume more in the future. Hence, saving is the tradeoff between consuming today and consuming tomorrow. Saving can be done for a multiplicity of purposes – guarding against future contingencies, for known events in the future (a child's marriage, to purchase a house), for acquiring wealth, etc.

Forms of Saving

Savings can be in two major forms:

1. Physical Savings – Savings converted into physical assets.
2. Financial Savings – Savings put into financial instruments like Bank Deposits, Shares, Securities, etc.

Meaning of Investment

Investment is "saving", to be used by another party for productive activity. It can be in the form of an advance or loan or contributing to the ownership capital or debt capital of a corporate or non-corporate business unit. In simple words, investment means conversion of cash or money into a monetary asset or a claim on future money for a return.

Elements of Investments

A. Return: Investors buy or sell financial instruments in order to earn a return on them. The return includes both current income and capital gain.

B. Risk: Risk is the chance of loss due to the variability of returns on an investment. In the case of every investment, there is a chance of loss. It may be a loss of investment; however, risks and returns are inseparable.

C. Time: Time is an important factor in investment. The time period depends on the attitude of investors who follow a 'buy' and 'hold' policy.

Factors affecting on Investor Profile

There many determinants which should be considered for investor's profile. Profile of an investor is determined by investor's investment objective, Investor's own income, Family Income, his/her Age, risk-taking capacity, nature of investor, the influence of other people in the society etc.

Investments

Investment means putting money into something with an expectation of profits, usually over longer Term.

Importance of investments

Financial freedom -: Proper investment makes the investor financially independent even after retirement.

When an individual starts investing he/she need not worry about their future financial needs. Reduction in future risk- Investments reduces future risk of sudden money loss. Emergency and Medical expenses, etc.

Increase in Wealth –Investment helps the investor to increase his/her wealth and makes them rich as well as financially independent. Regular investment for a long time shall definitely make an individual richer. Therefore, proper investment, in addition to increasing returns, makes an individual wealthy.

Fulfil personal goal-: Achieving personal goal is possible only through investments. Personal goals may be having a luxurious car, flat, foreign tours. Etc. Generally, educated investors will not keep all eggs in one basket. An investment deals with a basket of avenues like bank deposits, real estate, life insurance scheme, billions(commodity market), commercial papers, corporate security bonds, mutual funds, and equity preference shares.

Details of investments options

Equity: Equity is an investment opportunity which is able to offer the highest possible returns but is very risky equity market is volatile. One can purchase and sell the share through BSE/NSE by opening a d-mat account with a broker.

Mutual Funds: Mutual funds offer moderate returns but are less risky compared to equity investments. They can offer a return between 12-30% annually in good times. Maybe even higher in good times and negative returns of 5-10 and annually.

Bonds: Higher the risk higher will be returns. Bonds have very fewer risks so offers lower returns. The return from bonds ranges between 7-10% annually.

Commodities: Many investors in India deal in the commodity market. These investments are made in commodities such as rice, wheat, metals. This is a very tricky investment. Return from these investments varies between 10-35%. The investor, who wants to invest in this avenue, should aware and understand the weather, crop cycle and market dynamics.

Bullion: Bullion is part of commodities. One can invest in gold, silver, and platinum. These fetch high returns but are also very volatile.

Futures and Option: These investments can offer 5-10% return even in a day. This market is also very tricky.

Real Estate: One can also invest in real estate. This investment offers an attractive return. Buying land and dividing into plots and selling those NA plots after developing the land and providing the basic facilities. But the price fluctuation in bad times is very high. And one needs crores of rupees to get started in this market.

Govt. and RBI Bonds: These offers fix rate of return over a period of time. There is 0 risk in investing in this avenue.

Company Bonds: These are same as govt. bonds. The only difference is that these are riskier.

Post Office Investments: Generally, post office schemes are also like commercial bank Schemes. Originally institutions called trustee savings banks were operating the savings bank Account. These institutions became extinct gradually and the postal department took up the task of providing a facility to save through their post savings accounts. As this account became Popular, the Government of India could collect crores of rupees through this account. Apart from this savings bank account, post office offers various schemes which prove to be attractive for the Investors who attach utmost importance to the safety aspect.

Insurance: Insurance has become one of the most important investment avenues in India. Unit Linked Insurance Plans are very popular in India besides the traditional endowment policies. Provident Funds: This one of the safest long-term investment option. This is mainly for retirement purpose.

Data Analysis and interpretation:

In following all tables primary data is collected and analysis and interpretation based on the primary data is presented.

Table No. 1: Socio-Economic Status of the Respondents

Sr.No.	Status	No of respondents	% of
		Gender	
1)	Male	33	66
2)	Female	17	34
	Total	50	100
		Experience	
1	Less than 1 year	8	16
2	1 to 5 years	6	12
3	5 to 10 years	16	32
4	More than 10 years	20	40
	Total	50	100
		Marital status	
1	Married	23	46
2	Unmarried	27	54
	Total	50	100

From the above table, the socioeconomic status states that 66% of the respondents belong to Male and rest belongs to the female. 12% of the respondents having work experience of 1 to 5 years. 46% of the respondents got married and remaining are unmarried.

Table No. 2: Annual income per year.

Income in Rs	No of Respondents	% of Respondents
Less than 1 lakh	12	24
1-3 lakhs	20	40
3-5 lakhs	17	34
5-8 lakhs	1	02
Above 8 lakhs	-	--
Total	50	100

The above table depicts that, 24% advocates earn less than 1 lakh Rs per year. Only 2 % advocates earn more than 5 lakhs. 34% advocates earn 3 to 5 lakhs per year. Junior advocates are struggling as they are working in the offices of senior advocates, their income is very less.

Table No. 3:- Category where respondents practice

Nature	No. of respondents	% of respondents
Criminal court	21	42
Civil court	23	46
Other courts	06	12
Total	50	100

42 % advocates are practicing in criminal courts, 46% are practicing in criminal courts and remaining are practicing in other courts such as consumer courts, labor courts etc. The advocates practicing in labor courts are earning very less income as compared to advocates practicing in other courts.

Table 4.Classification of respondents on the basis of their Annual Savings SL.

Savings	No. of respondents	% of respondents
No more saving	15	30
Less than 50000	12	24
50000-100000	11	22
100000-200000	09	18
200000-300000	03	06
Total	50	100

The savings annually relate to the respondent's interest and willingness to save money. The above table explains the annual savings of the respondents. 30% advocates replied that due to their less income they could not save anything. It is imperative that 46 % of the respondents save less than 1 lakh for avoiding uncertainty in future. Only 6% of respondents save more than 2 lakhs per year.

Table 5: Classification of the expected rate of return

Expected rate of return	No of respondents	% of respondents
Below 5%	12	24.00
5-10 %	07	20.00
10-15 %	09	25.71
15-20 %	04	11.42
Above 25 %	03	08.57
Total	35	100

The above analysis indicates that 24 % expect less than 5% on their saving. Almost 20% of the respondents go for the expected rate of return ranging between 5 to 10%. Expecting between these percentages is moderate and they go for any mode or form of investment it is possible for them to get and only 8.57 % of the respondents go for the expected rate of return more than 25%. It is clear that people expect 25% and above returns are long period investors, as they wait for the time to reap higher returns.

Table 6: Expected Rate of return of respondents

Gender	Below 5%	5-10 %	10-15%	15-20%	Above 25 %	Total
Male	7	4	6	3	3	23
Female	5	3	3	1	--	12
Total	12	07	9	4	3	35

From the cross-tabulation analysis 5 female respondents expect returns less than 5%, 3 female Respondents expect returns of 5-10%. But to find the higher expectation of returns among the gender it is clear that male respondent’s expectations of returns are more than female respondents because they are the breadwinners of the family.

Table 7: Preference for saving of respondents

Form of saving	Frequency	% of respondents
FD in bank/post office	19	54.28
Shares	09	25.71
Bonds	----	----
Bullions	----	---
Mutual Funds	04	11.42
Any other form	04	11.42
Total	35	100

From the above table, it is proved that the majority of respondents go with the type of investment primarily on bank deposits or postal deposits. Less preferred investment opportunities are a mutual fund. Advocates do not prefer to invest in bonds and bullion market. Only 12 % of respondents preferred for Life insurance policies, gold & silver and other avenues in the market.

Table 8: Rationale behind preferring particular investment avenue:

Reasons	No of Respondents	%
Safety investment	19	54.28
Tax Concession	04	11.42
Convenience	05	14.28
Good Returns	07	20.00
Total	35	100

The above table clearly indicates that out of the total respondents 54% believes that their saving purpose is for safety followed by good returns with 20%, convenience and returns with 25%. For every individual human life is full of contingencies and uncertain in nature. To safeguard their family's future, they go for savings with proper form.

Table 9: Motive behind investment

Purpose	No of Respondents	% of respondents
Expenses for Marriage	07	20.00
Education of Children	12	34.28
To avail tax benefit	04	11.42
Security	08	22.85
For resale for capital gain	02	5.71
To meet contingency	02	5.71
Total	35	100

From the above data, it is clear that out of the total respondent majority of the respondents invest for their education of children and marriage followed by security purpose. 12% feels that their Investments and savings are to avail tax concession. for security purpose. Very few respondents invest for resale and Contingencies

Table 10. Investment decision makers

Particulars	No of Respondents	%
Self	20	57.14
Housewife	10	28.57
Father/mother	05	14.28
Total	35	100

From the above table, it is clear that the majority of the respondent's i.e. more than 57 % take their own investment decision. Only 28 % of respondents take investment decisions with the help of their spouse or family Member. In the case of 14% respondents, his/her father /mother takes investment decisions.

Findings

1. 20% of respondents earn less than 1 lakh per year. 74% respondent's income is below 5lakhs per year.
2. 54% of respondents save less than 50000/- p.y. only 6% save more than 2 lakh per year.
3. 44% of respondents expect a 10% rate of returns on their investment.
4. Male respondent's expectations of return on investment are more than female respondents.
5. More than half of the respondents prefer more 100 % safe and traditional Investment avenues.
6. No respondent prefer for bonds or bullions. Only 11% of respondents prefer mutual fund.
7. Majority of respondents save their money with strong motives for saving money for marriage purpose and children's education.
8. More than half of the respondents take their own decision of investing their savings.

Suggestion

Mr. J. Kenfield Morley said well that "In investing money, the amount of interest you want should depend on whether you want to eat well or sleep well". The individual should take advice from a chartered accountant, financial advisor or financial institution. They can go for investing in government securities which are 100 % risk-free and there is a guarantee of assured returns. Investment avenues like share market, mutual funds need more awareness among advocate class of investors. So it is recommended that there is scope for pulling out savings from these advocates. The brokers can arrange an awareness programme for these advocates. They can design a programme which will increase awareness about online trading, intraday trading investing in shares.

Conclusion

So from the above research, it is clear that money plays a vital role in every individual's life. The income of Advocates is not firm. They have started recognizing the importance of investment and savings. From the above research, study researcher came to know about how many advocates are aware of various avenues of investment. Both male and female advocates are investing their net savings for the purpose of their education of children, marriage purpose, Tax concession etc. Their most preferred avenues are all traditional investments like bank deposits and in postal schemes. They are not dealing with real estate. The reason behind selecting this avenue is the safety and security of their principal amount. They feel that traditional investment is more trusted and secured avenues. Very few advocates have concentrated on stock market options.

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International Research Journal Of Multidisciplinary Studies- Vol. 2, Issue 5, May 2016 ISSN (Online)

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