CHAPTER-II

Review of Literature

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2.1 Introduction:

Literature review is one of the best platforms where a researcher gets to the previous work on the similar line and identifies the gap of the research work. A literature review is a survey and discussion of the literature in a given vicinity of study. It is a concise overview of what has been deliberated, argued and established about a topic. A literature review is an organizational pattern and combines both summary and synthesis to give a new interpretation of old material or combine new with old interpretations. It tries to trace the intellectual progression of the field, including major debates, and depending on the situation, the literature review may evaluate the sources and advise the reader on the most pertinent or relevant.

The researcher has reviewed the some of the important earlier studies related to the savings and investment of the people, salaried people, government employees, graduates, post graduates etc. some of the important studies are as follows.

2.2 Literature Review

A number of studies were conducted to know the various factors which will influence individual's investment decision such as gender, age, education, income, etc. Most of these studies have however, concentrated on exploring on gender differences in invest choice: Women prefer low risk avenue. (Harlow and Keith 1990) Experimental evidence suggests that women are more aware about the risks in the life. (Harshey and Schoemaker, 1980). Women tend to prefer low risk avenues than men (a survey conducted the Investment Company Institute and SRI International 1996-97). Women hold less risky assets than men (Jainakopolos and Bernasek, 1998), and they also choose less risky alternatives (Powell and Ansic, 1997). Braynes and Miller (1999) have studied and investigated the relationship between risk and gender and concluded that women tend to take less risk to men.

However, the empirical investigation of gender difference in risk taking is inclusive (Charles and Gneezy, 2004). The majority of research conducted before 1980 are concluded that gender difference clearly exists, but recent research studies give mixed results (Changanti and Parasuraman, 1996and Powell and Ansic, 1997).The male and female are equally effective in the leadership role (Eagly et al. 1995 and Hudgen and Fatkin,1985)

A number of studies have been conducted to study savings and investment pattern of individuals and factors influencing the investment like-gender, education, income, age etc. Most of these studies have given more weightage to the relationship between age and risk tolerance level of investors along with gender. The researches that have been done by the social scientists such as Weber (1999), Shiller (2000) and Shefrin (2000) in the area of investors behavior reveals that the market information that governs stock market has the direct influence on the investor's behavior. Yoo (1994) found that there is no uniformity in risky asset holdings. Malkiel (1996) says that the investor's household situation, life cycle stage and subjective factors decide on individuals risk tolerance. Guiso , Jappelli and Terlizzese (1996) ,Bajtelsmith and VenDerchi(1997), Powell and Ansic(1997) ,Jianakoplos and Bernasek(1998), Hariharan(2000),Hartog, Ferrer-I-Carbonell and Jonker(2002) arrived the conclusion that males are more risk tolerance at the time of making investment then females. Investment Company Institute and SRI International (1996, 1997), Olsen and Cox (2001) revealed that Women tend to prefer lower risky assets then men. Mc Donald (1997) Women are less likely to invest in riskier but high return assets then men. Dwayer (2002) the impact of gender on risk taking is significantly weakned when investor knowledge of financial markets and investments is controlled in the regression education, the greater level of risk aversion among women, which is frequently documented in the literature, cannot be completely explained by knowledge disparities.

The impact of other factors like education, income, age and marital status on investment has not been investigated by many researchers. But earlier studies done suggest that these factors will affect the choice of individuals investment decisions such as risk tolerance, Riley and Chow (1992),and Schooley and Worden(1999). Aversion to realized losses, investors confusion between good companies and good stocks Fama and French (1992), Shefrin and Statman (1995) and Filbeck (2005)

Rajarajan.V. (1997, 1998, 2000, 2003) he found that the percentage of risky assets to financial investments had declined as the investors move up through various stages in life cycle. Riley and Chow(1992) found that risk aversion decreases with age until the period, five years prior to the retirement and then increases with age. Schooley and Worden (1999) found that investors with higher education hold more risky investments. Filbeck (2005) found that the percentage of equity holding in the portfolio increases with age until retirement and thereafter decreases with age.

Kalyani (1991) conducted a study on tax planning of salaried employees in Coimbatore city for financial year 1988-89. Tthe study reveals that older the age more is the tax liability. Educated and professionals have higher tax liability as they earn more. In case where private sector employees get higher income than the government employees, they have higher tax liability. At the same time, tax-payment decreases when tax-saving investments increase. Tax-saving investments increase along with the income and most of the employees preferred to invest in LIC, PF, NSC.

Job (1995) conducted a study on Investment Planning with Special Reference to State Government Officers in Palakad District. The study identifies the relationship between income and savings schemes and awareness of various avenues of investment. The study also analyses the reasons for referring a particular investment scheme and utilization of tax concession by the employees. The findings showed that the savings are made to get regular income in future .and investments are made to get profitability, liquidity, safety, tax concessions and capital appreciation.

Chen and Volpe (1998) examined the financial literacy of 924 college students from 13 various colleges in USA, they investigated the relationship between the financial literacy level and gender, age, income, race, work experience etc. The result of the study indicates that the non-business majors, women, students in lower class ranks, under age 30 years and with little work experience have lower levels of knowledge.

Volpe (2002) conducted the study to analyze the investment awareness of online investors, 530 investors were chosen, to study the differences in financial awareness level on the basis of age, income, education, experience, gender etc. The study came with the conclusion that the level of financial awareness varied with people's age, gender, income, education, experience. and online traders had higher knowledge than others.

An international OECD study (2005) to check the financial awareness of OECD countries. Australians and British were normally aware but Canadian consider it is very difficult to choose right investments, Koreans knowledge about savings and investment is very less and as Americans are considered their about their awareness of risk and the importance of insuring against it. Studies in USA 40% of the American workers are not saving for retirement.

A study conducted by Manish Mittal and R.K.Vyas (2007), highlight that investors with less education prefer high-risk investments, like- equity, mutual funds etc. The propensity to take risk decreases with increase in education level. Undergraduate investors have shown inclination to invest in high risk, high return investments. Graduates prefer moderate risk and moderate return while postgraduates and professionals showed an inclination to invest in mutual funds and equity.

Hussein A, Hassan Al- Tamimi and Al-Anood Bin Kallis (2009) on financial awareness in UAE, The study reveals that the financial awareness of UAE investors is very below than the needed.

Levellen (2010) has stated the relationship between age and risk factor, in his study in identifying systematic pattern of investment, they both are to be inversely related with major shifts taking place at age of 55 years and above.

Syed Tabassum Sultan (2010) has brought out the risk factor with the investors behavior by stating that Indian investors even if they are of high income, well educated, salaried are conservative investors who prefer to invest safe.

Therefore the researcher is interested to know whether the MBA teachers preferring high risk investments like equity, M.F, or they prefer safety investments.

2.3 Conclusion:

A number of studies have been conducted to study savings and investment pattern of individuals and factors influencing the investment like-gender, education, income, age etc. Most of these studies have given more weightage to the relationship between age and risk tolerance level of investors along with gender.

Some of the earlier studies are concluding that most of Indians highlight that investors with less education prefer high-risk investments, like- equity, mutual funds etc. The propensity to take risk decreases with increase in education level. Undergraduate investors have shown inclination to invest in high risk, high return investments. Graduates prefer moderate risk and moderate return while postgraduates and professionals showed an inclination to invest in mutual funds and equity. Indian investors even if they are of high income, well educated, salaried are conservative investors who prefer to invest safe.

Therefore the researcher is interested to know whether the MBA teachers preferring high risk investments like equity, M.F, or they prefer safety investments.