

Investment Decision Making Among NRIs of Bhavnagar City

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Abstract: Indian economy is undergoing a significant structural change. There is a definite need to assess how more and more enterprises in India through NRI funds can be encouraged, and how investments can be channelized on a long-term or permanent basis. The role of NRIs in the industrial and economic development of the country is gaining importance day by day and the Government of India is continuously taking serious efforts towards liberalising the procedures and widening the scope of investment opportunities.

Every aspect of Saurashtra economy is influenced by the actions and reactions of the NRIs of Saurashtra, their educational levels, place of employment, place of residence, duration of stay etc... have an influence on investment decisions. In the present paper an attempt is made mainly to explore the influence of education on investment decisions of the NRIs of Bhavnagar.

Keywords: Education, Investment decision, NRIs

I. INTRODUCTION

International migration has become an important component of the economic and social structures of the Indian economy. The international migrant population stock is around 215 million. This population has been sending remittances amounting to close to USD 500 billion per annum – much higher than other capital flows such as FDI, portfolio investment and foreign aid. One third of migrants from developing countries across the world come from Asia, and they account for 62 per cent of total remittance flows to developing nations (World Bank 2011) of the Asian Countries, India has the second largest emigrant population and is the top remittance receiving nation. According to recent World Bank report, around 1 percent of the Indian population are emigrants (word Bank 2011) .These migrants send significant resources to India. According to the same report, international remittance flows to India in the year 2012 was around USD 72 billion. When compared to other forms of capital flows- FDI inflows were around USD 41.2 billion and official development assistant (ODA) USD 2.1 billion – the importance of international remittance as a source for foreign exchange becomes evident International remittance constituted about 21 percent of the total international currency reserves in India in 2011.

A. Objectives of the Study

- To study the influence of the educational background of the NRIs on their investment decisions.

B. Hypotheses of the Study

- Investment preferences are independent of educational levels of NRIs of Bhavnagar.

II. METHODOLOGY

The study has been based on a descriptive and analytical method, and it is a blend of primary and secondary data. The study is exploratory in nature and is meant to discovering new insights into the investment decision making among NRIs of

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Bhavnagar. Several issues related to the main aspects of the study were discussed in detail with experts, researchers and other eminent personalities in the field of finance, banking and investment to have an idea about the subject before the collection of data.

A. Sources of data

Both primary and secondary sources of data were collected for this study.

B. Primary data

The primary data have been collected through questionnaire method from 100 respondents.

C. Secondary data

The secondary data were collected from the books and periodicals, research articles, seminar reports, working papers, reports and records of various Government institutions and organisations like Census report, RBI report, Central and state Government Nodal agencies for NRIs, news papers, study reports of expert committees, plan documents, web sites etc....were surveyed. A careful survey of literature helped the researcher to collect and synthesise prior studies and to discover the important variables relevant to the problem.

D. Sampling design

The survey was carried out in Bhavnagar to know number of NRIs, their place of residence and their contact details. From the survey details around 220 NRIs were contacted through e-mail, face book, phone, friends and relatives. Out of the contacted NRIs 100 were given response and ready to fill questionnaire.

E. Collection of data

The data were collected through questionnaire method for the study. Open ended questions, multiple choice questions, ranking by the respondents and a five point ranking scale developed by the researcher especially for this study in conformity with statistical methods and principles were used wherever necessary.

III. ANALYSIS OF DATA

A. Age

Table 1.1: Age wise classification of respondents

Age	Less than 30	31-40	41-50	50 and above	Total
Number	25	50	20	5	100
Percent (%)	25	50	20	5	100

It is clear from the table that among the NRIs of Bhavnagar, the predominant age group (50%) is 31 to 40. The least number of respondents are of above 50 age group (5%). 20% of the respondents belong to the age group of 41 to 50.

B. Gender

The Gender wise distribution of the respondents in the present study is given in Table 1.2

Table 1.2: Gender wise classification

Gender	Number	Percent (%)
Male	84	84
Female	16	16
Total	100	100

It is clear from the table that the majority of the respondents are males. They form 84%(84), while the women form only 16% (16) of the total 100 respondents.

C. Marital Status

Marital status may influence the investment decision of the NRIs of Bhavnagar. The marital status of the respondents selected for the study is given in Table 1.3

Table 1.3: Marital status of the NRIs of Bhavnagar

Marital Status	Number	Percent (%)
Single	19	19
Married	81	81
Total	100	100

The survey reveals that out of the 100 respondents, 81(81%) are married and 19(19%) are unmarried. Majority of the respondents are married.

D. Education

The educational background of the NRIs of Bhavnagar may to a large extent, determine investment decisions. The ability to evaluate saving schemes, availing modern facilities for getting information on investment etc... also depends upon the level of education.

Table 1.4: Education wise classification

Educational Qualification	Number	Percent (%)
Up to HSC	25	25
HSC to Graduate	35	35
Post Graduate	10	10
Professional	30	30

E. Factors influencing investment decisions

There are several factors influencing the investment decisions of the NRIs of Bhavnagar. These priorities may differ from respondent to respondent. On the basis of the pilot study six influencing factors were identified and the respondents were asked to rank the identified factors. Table 1.5 shows the major factors influencing investment decisions.

Table 1.5 Factors influencing investment decisions

Sr.No.	Factors	Rank
1	Regular returns	1
2	Safety	2
3	Capital Appreciation	3
4	Liquidity	4
5	Uncertainties about future	5
6	Hedging against inflation	6

It is clear from the above table that the most important factor influencing the investment decision is regular returns. Investors are very vigilant on their investment and so the second priority is given to the safety of their investment. Third priority is given to capital appreciation. Fourth priority is given to liquidity. The least priority is given to hedging against inflation.

IV. INVESTMENT PORTFOLIO

Savings can be invested either in financial assets or in physical assets. Investments in financial assets (Financial investments) can be in the form of bank deposits, post office deposit accounts, NSS, NSC, Life insurance policies, Capital market investments and so on.

Table 1.6 Investment Portfolio

Sr.No	Items	Rank
1.	Bank deposits	1
2	Investment abroad	2
3	Shares	3
4	Insurance policies	4
5	Mutual funds	5
6	Post office savings	6
7	Chitty funds	7
8	Government bonds	8
9	Bonds of companies	9
10	Public provident fund	10

It is evident from the above table that the most popular investment is bank deposits and least popular investment is public provident fund.

A. Influence of education on investment preferences

The educational levels of the NRIs of Bhavnagar are different. It is important to study the influence of education on investment preferences of the NRIs. To study the influence of education on investment preferences, information has been collected from the respondents as shown in table 1.7

Table 1.7 Impact of education on investment preferences

Sr.No	Item	Rank			
		Up to HSC	HSC to Graduate	Post Graduate	Professional/technical degree
1	Bank deposits	1	1	1	1
2	Investment abroad	9	7	7	6
3	Shares	10	8	2	2
4	Insurance policies	2	2	3	3
5	Mutual Funds	8	10	5	5
6	Post office savings	3	4	6	7
7	Chitty funds	4	6	10	10
8	Government bonds	5	3	4	4
9	Bonds of companies	6	9	8	9
10	Public provident fund	7	5	9	8

It is evident from the table that investment preferences vary with educational levels. The priorities of the respondents having minimum education are different from that of other educational groups. Highest preference is given to bank deposits in the case of the respondents having education up to HSC. In the case of respondents having education between HSC to graduation, the first priority is bank deposits. In the case of education up to post graduation and also professionals have first priority of bank deposits. Professionals give second priority to shares and third priority to insurance policies. Professional gives least preference to chitty funds.

In the case of postgraduates, the second preference is given to shares. This is followed by investment in insurance policies as third preference.

In the case of respondents having education between HSC and graduation the second major investment is insurance policies. This is followed by Government Bonds. Least priority is given to investment in mutual funds.

It is clear from the above table that the investment priorities of respondents vary with their educational levels. Investment in bank deposits, insurance policies and post office savings constitute the major investment areas of respondents with high education levels.

For respondents having education up to HSC and HSC to graduate, their major areas of investment are bank deposits and insurance policies.

B. Rank correlation matrix of influence of education on investment priorities

In order to have an overall view of the influence of education on investment preferences, rank correlation matrix was calculated as shown in table 1.8

[6] of Investments. New York : West publishing company, 1992.

Table 1.8 Rank correlation matrix of education on investment preferences

Qualification	Up to HSC	HSC to Graduation	Post Graduation	Professional/ Technical degree
Up to HSC	1			
HSC to Graduate	0.824	1		
Post Graduate	0.266	0.486	1	
Professional/ Technical Degree	-0.037	0.262	0.899	1

Significant at 0.01 level

The rank correlation matrix shows that the highest correlation is between post graduate and professional/technical degree. But the correlation is negative between respondents having education up to HSC and Professional/technical degree. This implies that the investment preferences of respondents having minimum education are entirely different from the investment priorities of the professionals. Correlation is statistically significant between respondents having education up to HSC and HSC to graduate and between post graduate and Professional/technical degree. Wide differences exist between NRIs having high and low education regarding investment preferences.

V. FINDINGS

The rankings of the NRIs indicate that the investment preferences vary with educational levels. The investment priorities of the respondents having minimum education are different from those of other educational groups. The highest preference is given to investment in bank deposits by the respondents having education up to HSC, HSC to Graduate and Post Graduate.

The highest correlation of 0.899 is between post graduate and professional/technical degree, But there is a negative correlation (-0.037) between the respondents having education up to HSC and professional/technical degree. The correlation co-efficient substantiates that the hypothesis investment preferences are independent of educational levels of the NRIs of Bhavnagar is rejected and there is significant difference among the respondents having different educational background on investment preferences.

CONCLUSION

Bhavnagar, the land of infinite opportunities, can be changed into a developed state by proper channelization of NRI remittances to productive sectors. A group effort from the State Government, opposition parties, the Media and the general public can make Bhavnagar an investor-friendly city.

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