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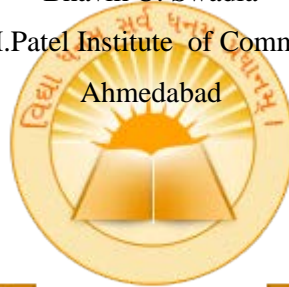
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## A STUDY ON PERCEPTIONS OF NRIs TOWARDS RETURN ON INVESTMENT IN CASE OF GUJARAT

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### ABSTRACT

Non Resident Indians or NRIs are looking more and more in the direction of their dwelling land to invest their money. NRI is characterised as any person who resides outside India for foremost part of the year because of his employment. Since 1950s, Indian economy has been growing steadily and investors from all over the world have conveyed interest in taking benefit of this growth. After the reforms of 1990 with the commencement of the era of liberalization, India has become one of the favourite investment destinations of NRIs. In this paper I would like to discuss about the perceptions of NRIs towards return on investment in case of Gujarat state also to see relation of factors like education, gender and marital status with the perceptions towards return on investment in case of Gujarat.

**Keywords:** NRIs, Indian, Gujarat, Investment,



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## INTRODUCTION

Gujarat the westernmost state of the Indian union was formulated on May 1, 1960. Since then its progress in various fields has been remarkable. With 1, 96,024 sq. kms of the area, and 1,600 kms of costal area, it now accommodates nearly 60 million people. Gujarat is also considered as a growth engine of India. The development experience witnessed by Gujarat for the last few decades often called the Gujarat model of development.

The model has attracted the attention of social scientists, planners and administrators across the world, including the international development agencies. The attraction of this model is its uniqueness, and it is in sharp contrast to the conventional development models followed by the developed countries of the world. The Vibrant Gujarat Summit has become an example of visionary approach of the State Government to investment promotion and advancement of economic and social development for many states. The event provides enormous prospects to the State to display its **strengths, progressive stand, initiatives taken to improve governance, investor friendly climate and art and culture of Gujarat.**

The conventional model of development devised by Collin Clark and Simon Kuznets implies that a country, in its course of development process, has to pass through three stages. In the initial stage, the entire economic activity of the country revolves around agriculture and other primary activities and large majority of people find their employment in the primary sector. As the economy grows, there may be a shift of both the economic activity and employment in favour of the secondary or Industrial sector. In the third stage, the economic activity and employment may further shift in favour of the service or tertiary sector.

### DEFINITION OF A NON-RESIDENT INDIAN (NRI)

An Indian Citizen who stays abroad for employment/carrying on business or vocation outside India or stays abroad under circumstances indicating an intention for an uncertain duration of stay abroad is a non-resident.

A Non-Resident Indian (NRI) is a citizen of India who holds an Indian passport and has temporarily immigrated to another country for six months or more for employment, residence, education or any other purpose.



## **RESEARCH METHODOLOGY**

The research design is the conceptual structure within which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data.

### Descriptive research

This study is descriptive in nature where the data is collected through well-structured questionnaire and from the information taken from the NRIs.

## **RESEARCH OBJECTIVE**

1. To identify the belief on getting return from Gujarat investment
2. To study the influence of the educational background of the NRIs on their investment decisions.
3. To study the relation between marital status and gender with the belief on getting return from Gujarat investment

## **SAMPLING DESIGN/TECHNIQUES**

Sampling is the process of selecting a sufficient number of elements from the population, so that a study of the sample and an understanding of its properties or characteristics would make it possible for us to generalize such properties or characteristics to the population elements.

Sampling design is to clearly define set of objects, technically called the universe to be studied. The sampling design used in this study is judgment sampling. Sampling technique used is Simple judgment sampling.

### Population:

Population for this research is set as NRIs of Gujarat state

### Sample size:

The research was conducted in Gujarat state with 512 respondents.

## **DATA COLLECTION METHODS**

Collection of data includes both primary and secondary data. The researcher has collected both of the



above data. The data collected constitutes both primary and secondary data.

#### Primary data

Primary datum are collected through observation, direct communication with respondent, and finally by distributing questionnaire to the investors using Random sampling technique the NRIs are selected to fill the questionnaire.

#### Secondary Data

Secondary datum is collected from the official record to obtain information's regarding the rate of absenteeism and the various reasons for absenteeism.

#### LIMITATIONS OF THE STUDY

Since the study is an individual effort, the investigator would like to point out some unavoidable limitations of the proposed study. They are as follows.

- 1) The primary data required for the study will be collected from sample respondents and therefore, subject to the normal errors inherent to such surveys such as the natural bias in the reporting of data and inadequacy of information. Common limitation of statistical analysis may also effect to the study.
- 2) The findings of the study will be based on the expressed opinions of the respondents, which may have their own limitations. The possibility of lack of information and overlooking of certain facts and developments on the part of respondents cannot be ruled out, although all possible efforts will be made to elicit correct and logical responses from the respondents.
- 3) The study will be carried out with limited number of respondents only. But it is difficult to draw conclusions from sample. Hence although much care has been taken to have a nice representation of population in the sample but then also a sample survey is not as good as a population survey. Hence the limitations of sample survey apply to this research also.

#### **REVIEW OF LITERATURE**

A P Pati and D. Shome in their article "Do Households Still Prefer Bank Deposits? An Analysis of shift in Savings and Savings Determinants" published in The IUP Journal of Bank Management, Feb-2011 concluded that financial reforms have, in the recent years, opened up several avenues for the households for



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savings. The study suggest that despite the reform, households are still preferring the safe channels of bank deposit schemes rather than switching over to high yielding but risky channels of savings. However, between the two phases (pre- and post- liberalization period) a significant structural shift of savings in bank deposit is observed. Variables like income and inflation are found to be statistically significant determinants of savings in bank deposit of Indian households.

A. Lalitha and M. Surekha in their article “Retail Investor in Indian Capital Market : Profile, Pattern of Investment and Profitability” published in The Indian journal of commerce, July-September 2008 concluded that the retail investor is here to stay and the capital markets may well emerge as strong contenders for traditional investment avenues like bank/post office deposits. They also focused on investor’s education and investment decision of retail investors.

Charlotte B. Beyer in his article “Investor Education: What’s Broken and How to Fix It” published in The Journal of Wealth Management, Summer 2010. In this article, the author argues that the traditional approach to investor education has failed and that radical reform is needed. After observing how one group of investors learned far more in experiential settings, the author submits that these investors might be convincing proof that experiential investor education is superior. Signaling good news for the investment advisory industry, the hiring, use, and retention of advisors by these same better-educated investors is stable. This group also expressed positive views of how well served they are by the industry overall. While the ultra-wealthy arguably might have easier access to superior advisors, the author believes that overhauling investor education will benefit all investors, not just the wealthiest.

Dhananjay Rakshit, in his article “Capital Market in India and Abroad – A Comparative Analysis”, published in Indian Journal of Accounting, December, 2008 concluded that Indian Market is being continuously preferred by the foreign investors and the only cause of concern is its high analyzed volatility.

Joseph Anbarasu D, Clifford Paul S and Annette B in their article “An Empirical Study on Some Demographic Characteristics of Investors and its Impact on Pattern of their Savings and Risk Coverage Through Insurance Schemes” published in The IUP Journal of Risk & Insurance, January 2011 concluded that The saving pattern of the people is crucial to the government in designing policies to promote savings and investment. Their study reveals that the people are aware about the importance of saving, but the awareness about investment opportunities is low. Steps have to be taken by the government and private





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companies to increase the awareness by advertising campaigns. Investment companies need to offer schemes that are affordable by the low income, uneducated, unsalaried and families with children. Investment companies should make the provision and increase benefits, for their schemes, to allow people to invest in the monthly mode, which is preferred by most investors. If people invest in long term saving schemes and infrastructure, the national saving rate will increase, which in turn will lead to a more prosperous India.

Kar Pratip, Natarajan I and Singh J P in their research paper “Survey of Indian Investors” published in SEBI-NCAER in June 2000 concluded that the households investment in shares, debentures and mutual funds was below 10% and the equity investor households portfolio was of relatively small value and undiversified. Further they found that one set of households, in spite of their lower income and lower penetration level of consumer durables, were in the securities market, while another set of household with higher income and higher penetration level of consumer durables did not have investment in securities market.

Kathryn M. McCarthy in her article “Engaging Investment Advisors for a Family Foundation” published in The Journal of Wealth Management, 2001. In this article, the author addresses the multi-faceted question of hiring investment talent for a foundation. She starts with a review of possible goals for an investment program and the kinds of assistance required to meet those goals. She continues with a description of what to expect from an investment advisor, including both investment services and periodic reporting, as well as ongoing communication. She concludes with a discussion of the circumstances under which an in-house advisor should be considered and the processes for finding, selecting, and working with an outside professional.

M. Zathik Ali in his article “Impact of The Budget on The Savings of The Small Investors” published in SOUTHERN ECONOMIST, June 15, 2000 concluded that, “It is the duty of government to safeguard the interest of the small investors who have no spokesmen to expose their problems”. Most of the small savers depend upon the interest accruing from their small investments for their living. Suitable changes must be made in the new budget so that the interests of the small investors are protected.

Mark S. Rzepczynski in his article “How Do Investment Managers Think? A Framework for Decision-Making Due Diligence” published in The Journal of Alternative Investments, Summer 2009, concluded that the quality of decision-making is often as important as the performance results when distinguishing



investment professionals, and it is fundamental for any due diligence analysis. The process or skill of decision making will be affected by the type of problem and information available. The traditional expected utility framework (EUF) explores decision- making through forming probabilities for the range of all outcomes. The traditional EUF can be contrasted with the cognitive approach of case-based reasoning (CBR) as an alternative framework for decision-making. Analyzing how decisions are made provides an enhanced framework to supplement the traditional three Ps approach of Performance, Philosophy, and Pedigree that is often used as the foundation for investment due diligence.

### DATA ANALYSIS

1. Distribution of respondents according to their belief on getting return from Gujarat investment

Believe	Frequency	Percent
Yes	320	62.5
No	192	37.5
Total	512	100.0

When respondents ask regarding their belief on getting expected return from investment in Gujarat, 320 (62.5%) out of 512 agreed on it whereas 192 (37.5%) are not satisfied with their return from Gujarat investment.

2. Distribution of male and female respondents according to their belief on getting return from Gujarat investment

Belief	Sex		Total
	Male	Female	
Yes	239	81	320
	56.9%	88.0%	62.5%
No	181	11	192
	43.1%	12.0%	37.5%
Total	420	92	512
	100.0%	100.0%	100.0%





Above table shows distribution of male and female respondents according to their belief on getting return from Gujarat investment. Out of 420 male respondents 239 (56.9%) believe that they got expected return from investment made in Gujarat whereas out of 92 female respondents 81 (88.0%) believe that they got expected return. To check the role of gender on belief of respondents towards getting expected return from investment in Gujarat, Pearson's chi-square test is run and its exact p-value is obtained as below.

Chi-square Value	Df	Exact P-value
31.222	1	<0.001

Table of chi-square test shows p-value <0.001 which infers significant association between gender and belief of getting as per expectation from investment in Gujarat. As p-value is less than 0.05, above null hypothesis is rejected and concluded that there is significant role of gender on belief of respondents towards getting expected return from investment in Gujarat. Females are more confident on investment return as compared to males.

H<sub>0</sub> : There is no role of marital status on belief of respondents towards getting expected return from investment in Gujarat

3. Distribution of respondents according to their belief on getting return from Gujarat investment and marital status

Belief	Marital Status			Total
	Married	Unmarried	Other	
Yes	218	101	1	320
	73.4%	50.0%	7.7%	62.5%
No	79	101	12	192
	26.6%	50.0%	92.3%	37.5%
Total	297	202	13	512
	100.0%	100.0%	100.0%	100.0%



Above table shows distribution of respondents according to their marital status and belief on getting return from Gujarat investment. Out of 297 married respondents 218 (73.4%) believe that they got expected return from investment made in Gujarat whereas out of 202 unmarried respondents 101 (50.0%) believe that they got expected return. To check the role of marital status on belief of respondents towards getting expected return from investment in Gujarat, Pearson's chi-square test is run and its exact p-value is obtained as below.

Chi-Square Value	df	Exact P-value
45.186	2	<0.001

Table of chi-square test shows p-value <0.001 which infers significant association between marital status and belief of getting as per expectation from investment in Gujarat. As p-value is less than 0.05, above null hypothesis is rejected and concluded that there is significant role of marital status on belief of respondents towards getting expected return from investment in Gujarat. Married respondents are more confident on investment return from Gujarat as compared to others.

H<sub>0</sub> : There is no role of education on belief of respondents towards getting expected return from investment in Gujarat

4. Distribution of respondents according to their belief on getting return from Gujarat investment and educational qualification

Belief	Education					Total
	SSC	HSC	Diploma	Graduate	Higher	
Yes	85	69	130	20	16	320
	100.0%	100.0%	62.8%	17.9%	41.0%	62.5%
No	0	0	77	92	23	192
	.0%	.0%	37.2%	82.1%	59.0%	37.5%
Total	85	69	207	112	39	512
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



Above table shows distribution of respondents according to their educational qualification and belief on getting return from Gujarat investment. Out of 154 respondents having lower education all (100%) believe that they got expected return from investment made in Gujarat whereas among educated respondents few (46.4%) believe that they got expected return. To check the role of education on belief of respondents towards getting expected return from investment in Gujarat, Pearson's chi-square test is run and its exact p-value is obtained as below.

Chi-Square Value	df	Exact P-value
195.3	4	<0.001

Table of chi-square test shows p-value <0.001 which infers significant association between education and belief of getting as per expectation from investment in Gujarat. As p-value is less than 0.05, above null hypothesis is rejected and concluded that there is significant role of education on belief of respondents towards getting expected return from investment in Gujarat. Respondents with lower level education are more confident on investment return from Gujarat as compared to educated respondents.

H<sub>0</sub> : There is no role of education on belief of respondents towards getting expected return from investment in Gujarat

### CONCLUSION

Overall results of present study tell there is an important contribution / role of NRIs in development of Gujarat. They are also socially and psychologically attached with their mother land. They are living away from their family and mother land for earning high currency. Majority of the NRIs are willing to invest more in their mother land (Gujarat). They also suggested improving quality of services in government offices. They want some attractive policy / schemes for NRIs so that they are more investing in Gujarat in various sectors.

Majority of the respondents said that their investments in Gujarat are looking after by their family members or their peer group (close friends). Many times decision on investment is taken by their family members or friends as they are more aware of present situation in Gujarat. Most favourite destination / investment options for NRIs are Land and Real Estate followed by Fixed Deposit, Commodities and equity market. Below table shows overview of null hypothesis tested during data analysis.

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