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### Financial awareness among Middle East NRI's of Malappuram district with special reference to Perinthalmanna taluk

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#### **Abstract**

A major driver of the local economy is the remittances of the migrants residing in the Middle East, by which banking sector in Malappuram has huge NRI deposits. And so, it's natural for Malappuram to hold 9th position in Top Ten Towns with highest per capita bank deposits in India. In the 1970s, huge oil reserves of the Persian Gulf were opened to commercial extraction, and thousands of unskilled people migrated to "the Gulf" seeking fortunes. They sent money home, propping up a sleepy rural economy, and by the late 20<sup>th</sup> century the region had achieved first-world health standards and near universal literacy. The present development, both economic and social, of the Malappuram District owes to the Kerala Gulf diaspora. Perinthalmanna is a town and municipality in Malappuram district of Kerala

**Keywords:** Investment, risk, return

#### **Introduction**

Keralites had been going abroad in large numbers long before the country opened up its economy. This section of the diaspora is different from that in the rest of the world; the people were semi-skilled or unskilled, hailed from the lower and middle classes, and went mainly to the Gulf countries where they suffered serious hardship and deprivation. In spite of that, they sent home small amounts of money like clockwork. The Kerala you see today is a product of that money. The amount of funds the Gulf workers send in each year is estimated to be almost equal to the state's budget. This money actually pays for a quarter of the state's development. The rest is saved in individual recipient and NRE accounts. The Keralites shift their culture from agrarian (mainly cash crops) to consumerism, sustained by money from remittances. Many people have given up scratching for a livelihood to enjoy the benefits of their children slaving abroad. This means, if the remittances dry up many will be left with nothing to fall back on. 25% of the state budget will vanish and the money that is being spent on development and infrastructure will dry up if NRI remittances to Kerala stopped. Labor unrest has crippled industrial development in the state for several decades and new money removed some of the discontent. If this was to dry up, industries will go elsewhere again. The services sector has boomed, like the rest of the country. The hospitality, tourism, and alternative healing industries have greater exposure now, with more tourists from India and abroad. The inevitable IT and ITES presence has helped too.

Malappuram (literally, a land a tops hills) is situated 50 kms south-east of Kozhikode, bounded by the Nilgiri Hills in the east, the Arabian sea in the west and Thrissur and Palakkad districts in the south. Malappuram is enriched by three great rivers flowing through it - the Chaliyar, the Kadalundi and the Bharathappuzha. Malappuram has a rich and eventful history. It was the military headquarters of the Zamorins of Kozhikode since ancient times. This district was the venue for many of the Mappila revolts (uprisings against the British East India Company in Kerala) between 1792 and 1921. It was a famous center for Hindu - Vedic learning and Islamic philosophy and a place of cultural heritage. Malappuram is a city in the southern Indian state of Kerala, spread over an area of 33.61 km (12.98 sq mi). The first municipality in the district formed in 1970, Malappuram serves as the administrative headquarters of Malappuram district. Divided into 40 electoral wards, the city has a

population density of 2,083 per square kilometer (5,390 per square mile). As per the 2011 census Malappuram Urban Agglomeration is the fourth largest urban agglomeration in Kerala state with a total population of 1,698,645.

**Objectives of the Study**

- To identify major financial/investment products available at Malappuram district.
- To study the habits and awareness of NRI’s towards investment products.
- To analyze the level of financial literacy among NRI’s.
- To suggest various financial literacy programs to NRIs for inculcating financial awareness.

**Significance of the Study**

The power of local economy of Malappuram district is the remittances of the migrants residing in the foreign countries especially in Middle East. So NRIs plays an important role in Malappuram’s economic and social environment. Present investment behavior of NRIs is limited to some traditional ways. Today we have pool of investment opportunities. We have to channelize these NRI funds to more profitable modern financial products. In this context, the scope of study has been aroused to see the present financial literacy of NRIs in Malappuram district.

**Research Methodology**

**Sources of Data Collection**

Two sources of collecting data have been employed i.e. primary data and secondary data.

**Primary Data**

A questionnaire is used as a tool for the systematic collection of relevant information. A well questionnaire consisting of simple questions has been prepared and directed to the respondents. The questionnaire prepared consists of closed-ended questions which include multiple choice Rating scale. The questionnaire also consists of open-ended questions. The first section of questionnaire is prepared mainly for collecting the personal information about the respondents. The second section contains multiple choice questions. It is prepared to collect the information about customer perception. The close- ended questions are very easy to answer from the questionnaire responded by the respondents.

**Secondary Data**

We collected secondary data from different reference books, magazines, journals, newspapers and websites.

**Sample Size**

100 NRIs in Malappuram district.

**Sampling Method**

Sampling technique used for this research work is convenient sampling.

**Limitations of the Study**

- The research is conducted on the basis of samples, so it would have sampling error.
- The respondents may not give their actual financial and personal data.
- The present study is limited to NRI’s of Perinthalmanna

Taluk.

- Another limitation is respondent’s selection, which is based on convenience.
- Much interaction has not been possible with the customer due to
  1. Indifference or uninterested of the customers to interact with me
  2. Different perceptions about the investment options
  3. The non-availability of time to them

**Result and Discussion**

**Table 1:** Level of Awareness about Investment and Returns

Level of Awareness	Respondents	Percentage
Too High	7	14%
High	10	20%
Average	17	34%
Low	3	6%
Too Low	13	26%
Total	50	100%

Source: Primary Data

The above-mentioned chart represents that about 14% of respondents have too high awareness about their investments and its returns. And another 20% NRIs have high awareness and 34% have average awareness. Another 6% respondents have low awareness and 26% respondents are too low awareness about their returns and risks.

**Table 2:** Factors that Influence the Investment Behavior

Factors	Respondents	Percentage
High Liquidity	3	6%
Regular Return	10	20%
High Return	10	20%
Capital Appreciation	10	20%
Prestige Value	7	14%
Others	10	20%
Total	50	100%

Source: Primary Data

Different types of investors look forward to different investment objectives. Most of the investors prefer high and regular return and capital appreciation for their investment. 6% of the investors prefer high liquidity and 1% prefer tax some prestige values.

**Table 3:** Major Priorities of Investment

Priorities	Respondents	Percentage
Children's Education	5	10%
Children's Marriage	10	20%
Construction Of House	13	26%
Status And Prestige in Society	3	6%
Health Care	4	8%
To Lead Comfortable Life	9	18%
To Meet Contingencies	4	8%
Others	2	4%
Total	50	100%

Source: Primary Data

The above table shows that majority of the investors, that is 26% are investors uses their fund for construction of house. And another 20% of NRIs are using their fund for children’s

marriage and 10% uses their fund for children’s education. Major part of NRI fund is used for nonproductive purposes like construction of house and children’s marriage.

**Table 4:** Major Investment Avenues

Investment Avenues	Respondents	Percentage
Securities	5	10%
Deposits	17	34%
Postal Schemes	3	6%
Insurance	3	6%
Real Estate	7	14%
Bullions	10	20%
Pension Funds	3	6%
Others	2	4%
Total	50	100%

Source: Primary Data

The major investment avenues that NRIs are using for their investment is that deposits like NRI accounts or any other bank deposits. It is nearly 34% of total respondents. 20% of total respondents invest their fund in bullions. Only 6% respondents are investing their funds in post office schemes, pension funds and insurance. Another 14% invest

in real estate.

**Chi Square Test**

**Table 5:** Age Wise Classification of Respondents

Age	Respondents	Percentage
Below 25	17	34%
25-35	13	26%
35-45	13	26%
Above 45	7	14%
Total	50	100%

Source: Primary Data

**Table 6:** Level of Interest to Invest in Home Country

Level of Interest	Respondent	Percentage
Yes	28	56%
No	22	44%
Total	50	100%

**Hypothesis (H<sub>0</sub>)**

There is no significant relationship exists between the age of NRIs and the decisions about the place of investment.

**Table 7:** Relationship between Age and Interest of Investment in Home Country

Age Wise Classification	Interest of Investment in Home Country		Total
	Yes	No	
Below 25	10	7	17
25-30	7	6	13
30-35	6	7	13
Above 35	5	2	7
Total	28	22	50

Source: Primary Data

**Table 8:** Chi Square Calculation

O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
10	9.52	0.48	0.2304	0.0242017
7	7.28	-0.28	0.0784	0.0107692
6	7.28	-1.28	1.6384	0.2250549
5	3.92	1.08	1.1664	0.297551
7	7.48	-0.48	0.2304	0.0308021
6	5.72	0.28	0.0784	0.0137063
7	5.72	1.28	1.6384	0.2864336
2	3.08	-1.08	1.1664	0.3787013

$$\chi^2 = \sum_i \frac{(O_i - E_i)^2}{E_i}$$

Degrees of freedom = (r-1) (c-1)  
 = (4-1) (2-1)  
 = 3×1 = 3

Let us take 5% level of significance.  
 Table value = 7.815  
 Table value > calculated value

So, we accept H<sub>0</sub> and reject H<sub>1</sub>  
 There is no significant relationship exist between the age of NRIs and their interest of investment in home country.

**Findings**

- In this present scenario, the gulf sector jobs become more difficult. At the same time my study finds that our

young generation is more depend upon gulf sector jobs. Because 34% of respondents are in the age group of below 25.

- 46% of respondent still works in a foreign country more than 10 years as NRI. So due to the financial reasons NRIs can’t return and settle their home country easily
- Most of NRIs with secondary school level educational qualification. In my study its around 42% of total respondents.
- Most (46%) of NRI have 10-20% of savings on their monthly income. Only 14% NRIs have above 30% savings.
- 50% of respondents interested to invest their funds in different available investment opportunities by expecting future financial returns.
- 32% of NRI don’t have enough awareness about their investments and its returns.
- Majority of investors invest their funds in medium term investment avenues.
- Majority of investors expecting regular return and capital appreciation from their investments.
- 60% of NRIs believe that they didn’t get enough return from their investment as compared to the risk.
- As per my study reveal that majority of NRIs used their funds for conducting luxury marriage of their children’s and constructing he houses. These two things are nonproductive in nature. It makes them poorer at their retirement life.
- Only 26% of respondents are ready to take high risk in

their investment.

- The majority of respondents are aware about the traditional investment avenues like NRI/NRO, bank fixed account, chit funds etc.
- Majority of respondents says that they needed financial literacy improvement program from the government authorities.

### Suggestions

- The awareness of different investment opportunities should be increased among the NRIs by proper advertising, promotion and conducting investor's meets or any other programs and seminars.
- As per the study NRIs have preferred to invest in real estate. But this would block large fund for a longer period of time. At the same time with equity investments in stocks fetch better returns in a shorter span of time, with high liquidity. This also improves our nation's economy and GDP.
- Government should take an initiation to help NRIs to invest their funds in deferent profitable investment opportunities.
- NRIs must reduce to use their funds in the nonproductive uses like construction of huge house, luxury marriage functions etc.
- NRIs should also be allowed to open various accounts such as Savings, Current, Recurring, etc., in FCNR scheme, by which the cost of FCNR funds can be further reduced, and the investment inflow can also be increased.

### Conclusion

There are different investment options available for different types of investment needs. The NRI on the basis of his/her requirement and choice can choose the investment option. For this he/she needs to study the investment. The management of an investment portfolio requires knowledge, experience, constant research, appraisal and reappraisal of security markets, sector within the market, and individual securities. The investors must judge all the investment options and as per their convenience and choice they should select the options. So, the purpose of better productive utilization of funds government should take initiation to increase financial awareness of NRI. The participation of NRIs/PIOs in the country's industrial establishment and production should be encouraged, as there is immense pressure on the foreign exchange reserves.

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