

Investment Behaviour of Non-Government Employees in Uttar Pradesh: An Empirical Study

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ABSTRACT

This study investigates the investment behavior of non-government employees in the Indian state of Uttar Pradesh. The purpose of the study is to identify key factors that influence the investment decisions of this demographic group. Using data from the 2011 Census of India and other relevant sources, the COVID-19 pandemic has brought unprecedented challenges to the global economy, with India significantly affected. India's economy shrank by 7.3% in fiscal 2020-21 the worst contraction since independence, according to Statistics India (NSO). The pandemic has disrupted economic activity, affecting employment, income levels and financial stability of millions of households. Consequently, understanding the changes in investment behavior of Indian household's post-pandemic has become crucial for assessing the broader economic recovery and financial soundness. This study provides a comprehensive analysis of socio-demographic variables, investment preferences, and determinants of investment risk behavior among non-government employees in Uttar Pradesh

Key word: *Risk Tolerance, Digital Financial Products, Savings Rate, Financial Resilience, Demographic*

Introduction

Growth of any economy depends on the Rate of capital formation, capital formation comes from investment where financial intermediaries play important role to induce saving in to investment. Investment is the use of money to generate more income. The term “investment” generally refers to the purchase of a financial instrument or any other valuable good with the expectation of receiving favorable returns in the future. The only way to maximize investment returns is planning investments carefully, setting deadlines for achieving financial goals, researching different investment options, and distributing money wisely among the chosen investment options. The economy will be significantly impacted by how people convert their saving in to different investment opportunities. A propensity for saving in real estate or livestock, or an excessive amount of informal investment, may indicate a lack of financial investment for long-term growth. Financial market instability might result from a reliance on foreign investment funds looking to make a rapid profit. People are completely perplexed when trying to determine where to spend their money in today's competitive climate because so many public and private financial institutions offer investment opportunities. The investing decisions will be influenced by a number of factors. Understanding these aspects would allow the investors to make correct investment decisions and also guide the Non-Government and financial organizations to create the investment avenues suitable for various classes of investors hence improve the capital creation. One significant group of investors is those who work in Non-Government. There is a need to research their behavioral approach to making investing decisions because they have high levels of money and education. They are guaranteed a high income, and have a high percentage of savings and their high purchasing power allows them to make larger investments. They act differently than self-employed professionals, businesspeople, or farmers whose income is uncertain, whereas the salaried class has a regular source of income that is certain, which results in different attitudes about saving and investing. An attempt is made to examine the investment behavior of private employees in Uttar Pradesh State, especially the factors that influence their investment decisions by making use of various statistical tools. Although several factors affect the investment behavior, the focus here is on the impact of economic, psychological and market factors on investment decision making

Swati Prasad et al (2021) examined the gender-specific effects of behavioral, socioeconomic, and financial literacy characteristics on the investing choices of Indian retail investors. The model created using the multivariate technique partial least squares-structural equation modeling (PLS- SEM) demonstrates that both genders' investing decisions are highly influenced by behavioral, socioeconomic, and financial literacy characteristics

Leena Shantanu Chakraborty (2020) found Roy Mallick that an individual's life is greatly impacted by their financial decisions. Despite having convenient access to information and formal investment routes today, ordinary investors occasionally make poor investment choices that frequently lead to substantial losses. According to the results, it can be said that the interaction and synchronization of the different investor behavior dimensions—propriety, financial literacy, savings attitude, and risk attitude—influences how investors behave.

Sarthak Goswami et al (2020) attempted to determine whether Indian investors exhibit biases such as Overconfidence Bias (Self Deception), Loss Aversion Bias (Heuristics), Framing Bias (Heuristics), Representative Bias (Heuristics), Herding Mentality, and Herding Behavior (Social Influence). It can be seen that investors do not blindly follow what everyone around them is doing, but they are likely to blindly follow what those who they view as successful do

Pawankumar S Hallale & Manjiri Gadekar (2019) found in their study that the NSE & BSE Stock Exchange's individual investors' financing decisions are influenced by five behavioral factors: herding, market, prospect, overconfidence-fallacy, gamblers and anchoring-ability bias.

Bashar Yaser Almansour & Yaser Ahmad Arabyat (2017) in a study found how psychological factors affect people's willingness to take risks while making investing decisions are examined. Psychological influences, such as

herding, heuristics, prospect, market, self-attribution bias, and familiarity bias, may affect investment choices.

Devika Jayaprakash et al (2017) made an effort to pinpoint employee investment habits in both the public and private sectors. The majority of investors choose to keep their money in places like insurance, bank accounts, and provident funds. Economic variables like the GDP, inflation rate, Non-Governmental policies, unemployment rates, etc. influence investors' decisions. The review of literature reveals that a variety of factors and biases affect a person's behavior when making investing decisions. For the current study, the following variables are taken into account:

Economic Factors (EF): The term “economic factor” as used in the study refers to a person's excess of investable assets. The investible excess is crucial in choosing which asset class to invest in due to the variations in the minimum investment amounts, risks, and returns. An individual makes investment decisions using the discretionary money that is still available after spending. A person's economic and financial stability may have a big impact on their investment decisions.

Emotional Factors (EM): Emotions have a significant impact on decisions and decisions themselves. Emotion can influence decision both before and after they are made. Feeling before making decision can be positive or negative. Negative emotion promotes internal focus and prevent us from finding

Influencing factors: The concept of cognition refers to the way we think when making decisions. Persistent patterns of judgment that deviate from reality or reason and lead us to draw incorrect conclusions about other people or situations are called cognitive distortions. Mental methods known as heuristics allow us to quickly estimate the probability of an unknown event. Heuristics are easy for the brain to calculate, but can lead to all and systematic errors

External Factors (MF): External factors such as market conditions influence investor behavior. The media and the Internet have become important tools for exchanging information and ideas.

Experts advise investors to have systematic investment habits that link investments to financial goals when planning their personal finances, but no scale has yet been developed to measure this behavior. Sanjay Rastogi and Saurabh Gupta (2019) attempted to create a scale by performing exploratory and confirmatory factor analysis and provided evidence that the scale is reliable in identifying goal-oriented investment behavior. The study analyzed cross-sectional data from 200 investors collected using the new scale and found that most investors do not exhibit goal-oriented behavior. Results showed that fund allocation and investment choice did not align with participants' financial goals.

Objectives of the Study: The objective of this analysis is to observe the impact of economic, psychological and external factors on the investment behavior of non-government employees of Uttar Pradesh.

Hypotheses: The following Five hypotheses were formulated for empirical testing in the present study.

H01: There is no direct effect of Economic Factors on the Investment Behavior of Non-Government Employees.

H02: There is no direct effect of Influencing factors on the Investment Behavior of Non-Government Employees.

H03: There is no direct effect of Emotional Factors on the Investment Behavior of Non-Government Employees

H04: There is no direct effect of Heuristic Factors on the Investment Behavior of Non-Government Employees

Research Methodology

Sources of Data: The primary data were used for the study. The primary data was collected through a structured questionnaire of 200 respondents from different non-government employee in Uttar Pradesh.

Sampling Techniques: Non – government employee working private sector in different industry in Uttar Pradesh are the target population for this study. The sampling technique used for the study is Non-Probabilistic Convenience sampling method. 200 employees working in various Non- Government Organization who have invested in any of the investment avenues like shares, debentures, bank deposits, etc. irrespective of the investment amount were

selected for the study.

Research Instrument: A questionnaire with short, direct questions was employed as the research instrument. There are two sections in the questionnaire. In the first half of the questionnaire, demographic information is collected, and in the second, respondents are asked to rate how much they agree with various statements on the impact of various factors on investment decisions using a 5-point Likert scale with five possible responses, with 1 being the strongest disagreement and 5 being the strongest agreement. In order to examine the impact of various factors on investment behavior the following constructs were developed from review of various studies.

Table-1

Economic factors	EF1	I accept full responsibility for how my investing choices turned out.
	EF2	Never do I take my investment out before it matures.
	EF3	I receive returns that are at or above the going rate in the market.
	EF4	I didn't ever engage in any speculative business.
Emotional factors	EMF1	I steer clear of risk following a loss
	EMF2	I'm anxious about potential losses.
	EMF3	I have faith in my ability to manage my investment.
	EMF4	My usual fear is investing in opportunities that will guarantee a profit.
	EMF5	When the market is performing poorly, I won't raise my investment.
Influencing factors	IF1	My investment choices are influenced by the investment strategies used by other investors.
	IF2	Like my friends, I would invest in similar financial items.
	IF3	I make my financial judgments by copying the buy and sell decisions of other investors.
	IF4	I promptly alter my investing choices after assessing how other investors respond.
Heuristic factors	HF1	I invest in markets that have recently experienced rapid expansion
	HF2	I consistently outperform the market by using my foresight.
	HF3	Like to invest in domestic rather than international avenues since domestic avenues have more readily accessible information
	HF4	When the market is booming, I am upbeat and I think the trend will last.
	HF5	I usually handle each component of my investment portfolio differently.
Environmental factors	ENF1	I pay close attention to the current market trend in the sector I typically invest in
	ENF2	When the investment market moves, I overreact.
	ENF3	For me to make an investment decision, market information is crucial.
	ENF4	When the interest rate is higher, I save more money.
	ENF5	I search the internet for investment-related information.
Investment behavior	IB1	Before making an investment, I decide what my goals are.
	IB2	For the accomplishment of each of my investment goals, I create a timetable.
	IB3	I make investing decisions based on my investment goals.

	IB4	With my future financial goals and expectations in mind, I invest my money in a variety of possibilities
	IB5	To reflect the changes in my investment goals, I update my investment portfolio.
	IB6	I adjust my investing quantities in accordance with my shifting projected needs for money.

Data Analysis Technique: Path analysis using Amos 26 is a method for identifying and estimating the influence of a set of latent factors that act on a given outcome through multiple causal paths. Path analysis allows for the analysis of more complex and realistic models than multiple regression. In this study, path analysis is used to identify the paths through which economic, heuristic, emotional, influential and environmental factors affect the investment behavior of non-governmental employees.

Table- 2 (Demography Analysis)

S.NO	Variable	Number		Percentage
1	Gender	Male	117	58.5%
		Female	83	41.5%
		Total	200	100%
2	Age	Below 25	32	16%
		25 to 35	56	39.72%
		Above 35	112	56%
		Total	200	100%
3	Marital status	Married	141	70.5%
		Unmarried	49	24.5%
		Divorced/separated/widowed	10	5%
		Total	200	100%
4	Qualification	Non-matriculation	15	7.5%
		intermediate	36	18%
		Graduate	50	25%
		Postgraduate	109	54.5%
		Total	200	100%
5	Annual income	Less than Rs.5.00 lakhs	65	32.5%
		Rs.5.00 lakhs to rs.10.00 lakhs	86	43%
		Rs.10.00 lakhs to rs.20.00 lakhs	45	22.5%
		Above rs.20.00 lakhs	25	12.5%
		Total	200	100

Reliability of the Instrument: The reliability of the questionnaire was tested by calculating the Cronbach alpha test in SPSS21 which is an established method to check the internal consistency of data. Fornell and Larcker (1981) recommended a Composite reliability test demonstrates good reliability of questionnaire. This test show that items included in the factors are reliable for further study

KMO AND BARTLETT TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.877
Approx. Chi-Square	3548.420
Bartlett's Test of Sphericity	df
	300
	Sig.
	.000

Table-3

Factor	No.of items	Cronbach's Alpha	Composite Reliability
Economic factors	4	.850	.675
Emotional factors	5	.838	.653
Heuristic factors	5	.878	.789
Environmental factors	5	.869	.690
Investment behavior	6	.897	.783

Reliability Statistic

Cronbach's Alpha	N of Items
.870	25

The results of Cronbach's alpha reveals that all the variables included in the investment behavior analysis is above the standard level 0.60 recommended by the social researchers. Especially, the variables sources, economic factor, emotional factor Heuristic factors and investment behavior are registering the reliability results more than 0.80, which explores the high level of reliability

Bartlett's Test of Sphericity: "The Bartlett's test of sphericity, a statistical test for the presence of correlations among the variables, is one such measure. It provides the statistical significance that the correlation matrix has significant correlations among at least some of the variables" (Hair et al., 2015). p value = 0.000 which further depicts the appropriateness of data for applying confirmatory factor analysis.

Table-4

Acronym	Explication	Accepted Fit	Observed Value
Likelihood Ratio	P-value	≥ 0.05	.0001
CMIN/DF	Chi-square divided by Degree of Freedom	≤ 3 = acceptable fit ≤ 5 = reasonable fit	415.229/26 5=1.56
RMR	Root Mean Squared Residual	≤ 0.05 = acceptable fit ≤ 0.07 = acceptable fi	.043
GFI	Goodness of Fit Index	1 =perfect fit ≥ 0.95 = excellent fit ≥ 0.9 = acceptable fit	.708
CFI	Comparative Fit Index	1 = perfect fit	.96
RMSEA	Root Mean Square Error of Approximation	≤ 0.05 = reasonable fit	.05

SRMR	Standardized Root Mean Squared Residual	≤ 0.05 = acceptable fit	.03
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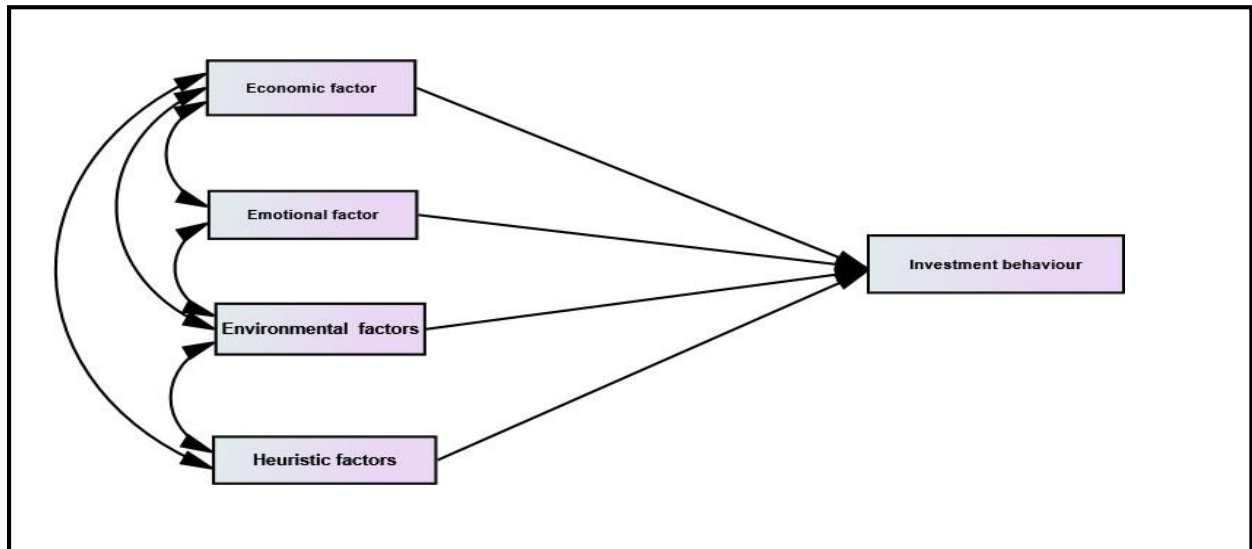


Figure1: Path Diagram

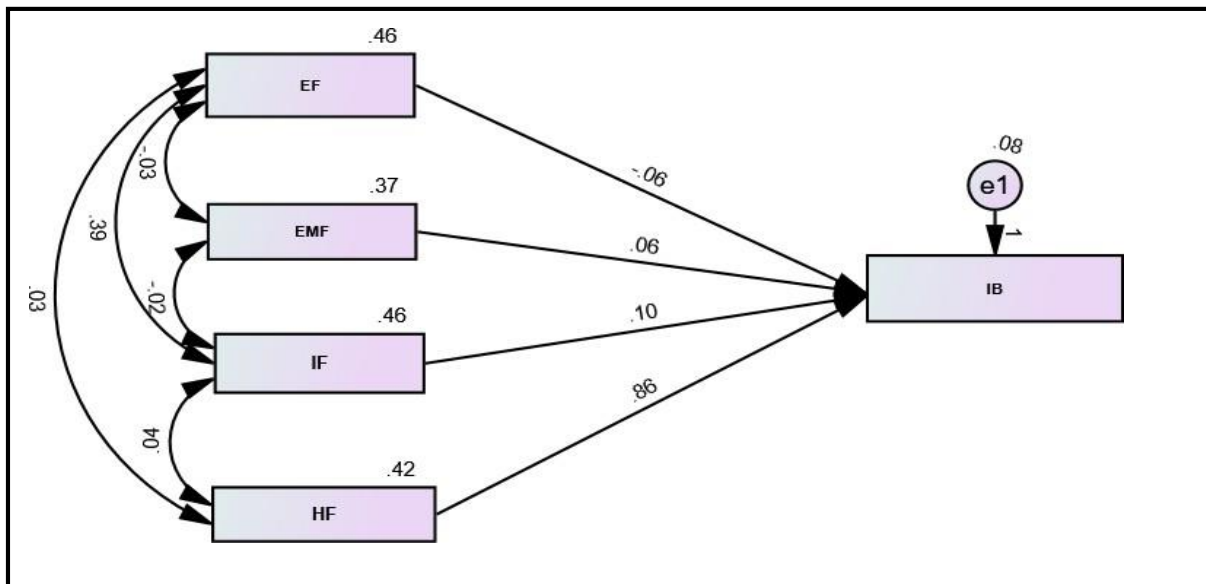


Figure 2: Path Analysis with Unstandardized Regression Co-coefficient for investment behavior

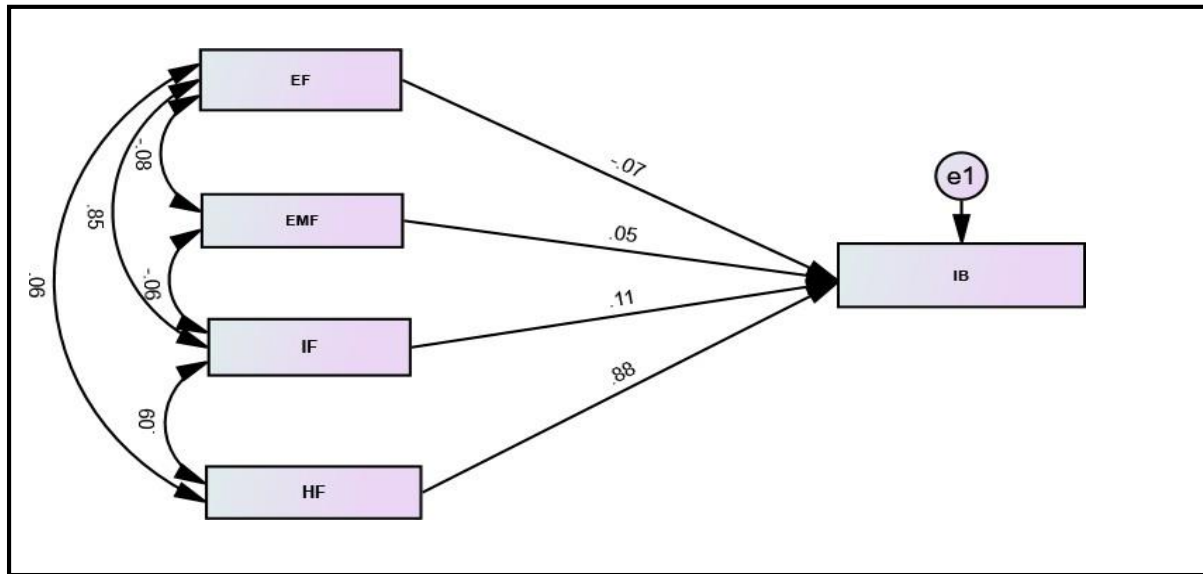


Figure 3: Path Analysis with standardized Regression Co-efficient for Investment Behavior

Assessment of Model Fit: A preliminary analysis was conducted to test the validity of the measurement portion of the model using Confirmatory Factor Analysis (CFA) using AMOS 26 and SPSS 21 Software (Table 3). The model if Standardized root mean square (RMR) is less than or equal to 0.05 is considered a Good Fit. So, the present model is perfect. Standardized parameter estimates representing direct and indirect effects were obtained at baseline. Significance level was 0.05 considered a Good Fit., the present model is perfect. Standardized parameter estimates representing direct and indirect effects So were obtained at baseline. Significance level was 0.05

Table-5 Model Fit Analysis

Regression Weights (Maximum Likelihood Estimates)							
Regression Paths			Estimate	S.E.	C.R.	P	Hypothesis
Investment behavior	<---	EMF	0.055	0.033	1.652	0.098	Accepted(HO3)
Investment behavior	<---	IF	0.103	0.058	1.795	0.073	Accepted(HO2)
Investment behavior	<---	HF	0.856	0.031	27.233	***	Rejected(HO4)
Investment behavior	<---	EF	-0.062	0.057	-1.078	0.281	Accepted(HO1)

Table 4 presents the Path Coefficient values, which are known as the Unstandardized Regression Weights that determine the probable causal relationship among statistical variables, that is EMF, EF, IF, HF, and IB. The P-values determine the insights regarding the rejection or acceptance of hypotheses. A threshold for a P-value greater than .05 (for two-tailed tests) indicates that the Null hypothesis is accepted. In this model three factors are found to have no impact on the investment behavior: Economic Factors, Emotional factor, Environmental factor of the Investor, have a no significant impact on investment behavior of Non-Government Employee (IB) whereas heuristic factor Investor have significant impact on investment behavior. The environmental factors have the negative impact with the regression estimate of .062 (P =.000) followed by Economic factors with regression estimate of .253(P =.000) and financial knowledge (β =.138, p1.96). Hence the results indicate that H01, H02and H03(P> .05). are rejected and alternate hypotheses are accepted. On the other hand, Herding Factors have to significantly influence investment behavior (P<.05). Hence the results indicate that H04 accepted. Thus Herding

Factors have significant impact on the investment behavior of Non-Government Employees in Uttar Pradesh state

Findings & Conclusion:

According to the study, **Economic Factors or External factor** have a no influence on investment behavior of non-government employee. When economic situation is not volatile, they fully accept responsibility for their investment choices, never withdraw money from an investment before it reaches maturity, and patiently wait to see a return on their investment. On the other hand, if the employees' financial situation is poor, they will not have extra money to invest or diversify their investments. Regret aversion, loss aversion, and mental accounting are some of the mental states that have an impact on a person's decision-making processes, according to the Prospect Theory (Waweru et al., 2003). According to the current study, **Emotional Factors** have a positive and little impact on the investment behavior of non-government employees.

The study has discovered a direct link between **Influencing factors** and investment behavior and a similar link was found by M. Balaswamy & R. Priya, (2016). It can be concluded that employee's investment decisions not influenced by the investment strategies used by other and never follow the investment behavior of friend and colleague their investment behavior are completely done by own

Heuristics Factor are generally highly helpful, especially when time is restricted (Waweru et al., 2008), however they can occasionally result in biases (Kahneman & Tversky, 1974 & Ritter, 2003). The study finds that non-government employees' investment behavior is significantly impacted by heuristics. They use caution when making investing decisions, avoiding biases or short cuts.

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