

Investment Patterns and Investor's Behavior: A study of Himachal Pradesh

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ABSTRACT

This study investigates the investment patterns and behaviors of individual investors in Himachal Pradesh, India. By analyzing the influence of demographic and psychological factors on financial decision-making, the research aims to provide insights into the saving habits, investment preferences, and the application of behavioral finance among the state's residents. Utilizing both primary and secondary data, with a sample of 736 respondents, the study employs statistical tools such as ANOVA and T-tests to examine the impact of variables like age, education, source of livelihood, and family income on investment behavior. The findings reveal significant correlations between these factors and investor behavior, highlighting the importance of financial literacy and psychological factors in shaping investment decisions. The study underscores the need for tailored financial education programs to enhance investment efficacy and financial planning among diverse demographic groups in Himachal Pradesh, ultimately contributing to more informed and prudent financial behaviors.

Keywords: Investment Patterns, Investor Behavior, Financial Planning, Investment Avenues

INTRODUCTION

Human financial decision-making is often irrational, which can lead to disengagement from economic activities. Economic activity drives people to engage in vocations to earn and save, often without a thorough understanding of finance. Financial literacy can foster financial prudence, enabling individuals to make better decisions about earning, saving, and investing for various needs such as housing, education, and retirement. Savings and investment are distinct concepts; investment involves purchasing assets like stocks and real estate with the expectation of earning returns. Investments are typically long-term and aimed at achieving financial goals, unlike one-off purchases such as furniture. Finance involves managing the flow of funds within an entity, forming a financial system that transfers money from investors to borrowers. Personal finance encompasses all financial decisions and activities of an individual or household, including budgeting, insurance, saving, investment, and retirement planning. Financial planning involves estimating financial needs and strategically procuring and investing funds to meet these needs. Personal finance is a relatively recent field where economists and analysts assess individuals' financial positions and needs. Investor behavior is influenced by personal psychology and perception, necessitating the study of behavioral finance. Behavioral finance examines how psychological factors affect investor behavior, recognizing that individuals are not always rational, have limited self-control, and are subject to biases. This contrasts with traditional finance theories and underscores the importance of understanding behavioral finance.

LITERATURE REVIEW

The studies reviewed focus on saving and investment behaviors across different demographic groups, highlighting key trends and factors influencing financial decisions. Sanjay Kanti Das (2012) found that middle-class households prefer bank deposits, with tax benefits and high returns being primary considerations, though high-income groups aim for significant corpus building. E. Leppinen (2013) explored behavioral finance, noting the impact of herding, anchoring, prospect theory, and regret aversion on individual investors. Lubna Ansari and Sana Moid (2013) observed that young professionals' investment activities depend on income and age, with a major emphasis on risk aversion. Naela Jamal Rushdi (2014) concluded that psychographic factors significantly influence investment decisions, underscoring the uniqueness of each investor. Navjot Kaur (2015) emphasized the importance of financial literacy in managing household finances, particularly for women. Yann Massol and Alexis Molines (2015) noted that student investors exhibit high-risk tolerance, unaffected by nationality, gender, or religion. Amlan Jyoti Sharma (2016) suggested that behavioral finance requires further refinement despite its theoretical contributions. J. Fieger (2017) highlighted the utility of behavioral finance for financial advisors in

understanding client behavior. Kumari Asmita (2017) found that teachers prefer safe bank deposits and government investments. Jyoti Kumari (2017) reported minimal demographic impact on risk tolerance but identified various barriers to equity investment. D. Srijanani and T. Vijaya (2018) revealed gender differences in risk-taking behavior. Simon Garima (2019) identified challenges in product comparison among British consumers. Bharti Wadhwa et al. (2019) noted limited investment knowledge among Indians, who are cautious and often overconfident about their financial acumen.

NEED OF THE STUDY

The evaluation of the literature highlights the research gaps, which in turn highlights pertinent research questions for the current study. The primary goal of the research is to determine the investment habits and behavioral patterns of the people living in Himachal Pradesh. It is crucial to understand how state residents allocate their money based on psychological and demographic variables. Since every person is unique in their behavior and perspective, it is important to understand how behavioral finance affects and is relevant to investor decision-making. The ratio of an individual's income to their savings and investments must be determined to examine the investing behavior of Himachal Pradesh investors.

OBJECTIVES OF THE STUDY

The present research study is conducted to achieve the following objectives:

1. To study the need, saving behavior and investment pattern of individual investors of Himachal Pradesh and also certain the ratio of income, saving and investment of investors.
2. To study the impact and relevance of behavioral finance in investment decisions of investors of Himachal Pradesh.

HYPOTHESIS OF THE STUDY

The following hypothesis was constructed to measure the influence of demographic variables on the behavior of individual investors of Himachal Pradesh.

Ho: *Demographic factors do not significantly influence the behavior of individual investors of Himachal Pradesh.*

Ha: *Demographic factors significantly influence the behavior of individual investors of Himachal Pradesh.*

RESEARCH METHODOLOGY

The present research study is a descriptive study which has been conducted in Himachal Pradesh. As per the Administrative division, Himachal Pradesh has been divided into three divisions viz., Shimla, Mandi, and Kangra. Both Primary and secondary data were used for the study. For primary data, 736 random individuals from different areas of Himachal Pradesh were taken as respondents, and data from these respondents was collected through well-designed questionnaires. The data analysis tools used for the present study are percentage, Mean, Standard Deviation, one-way ANOVA, and independent sample T-test.

RESULTS AND DISCUSSIONS

Data Analysis in the present research has been done through various statistical methods using SPSS 23. After filling up the questionnaires, tabulation has been done to draw meaningful inferences from them.

Hypothesis Ho1 is further divided into eight sub hypotheses which are tested below.

A. Influence on the behavior of individual investors based on age.

Ho1(i): Age does not significantly influence the behavior of individual investors of Himachal Pradesh.

Ha1(i): Age significantly influence the behavior of individual investors of Himachal Pradesh.

Table 1 shows the results of ANOVA on the influence on the behavior of individual investors based on age.

Table 1: ANOVA results about the influence on the behavior of individual investors based on age

Financial Planning, Risk, and Investment * Age							
Financial Planning, Risk, and Investment variables	Sources of Variance		Sum of Squares	df	Mean Square	F	Sig.
Financial Planning, Risk, and Investment * Age	Between Groups	(Combined)	7.521	4	1.880	6.747	.000
	Within Groups		203.725	731	.279		
	Total		211.246	735			

Since the p-value (Sig.) associated with the F-statistic is less than the significance level (commonly set at 0.05), we reject the null hypothesis. In this case, the p-value is 0.000, indicating that there is very strong evidence against the null hypothesis. Therefore, we accept the alternative hypothesis, concluding that age does have a significant influence on the behavior of individual investors in Himachal Pradesh. In summary, based on the ANOVA results, we reject the null hypothesis and accept the alternative hypothesis, indicating that age does indeed have a significant influence on the behavior of individual investors in Himachal Pradesh.

B. Influence on the behavior of individual investors based on gender.

Ho1(ii): Gender does not significantly influence the behavior of individual investors of Himachal Pradesh.

Ha1(ii): Gender significantly influences the behavior of individual investors of Himachal Pradesh.

Table 2 shows the results of the Independent Sample T-Test about the influence on the behavior of individual investors based on gender. Since the p-values associated with both t-tests are greater than the significance level (commonly set at 0.05), we fail to reject the null hypothesis. In both cases, whether assuming equal variances or not, the p-values are 0.691 and 0.681 respectively. These p-values indicate that there is no significant difference in financial planning, risk, and investment scores between male and female individual investors in Himachal Pradesh. In summary, based on the t-test results, we fail to reject the null hypothesis. Therefore, there is no evidence to suggest that gender has a significant influence on the behavior of individual investors in Himachal Pradesh.

Table 2: Independent Sample T-Test results about the influence on the behavior of individual investors based on gender

Financial Planning, Risk, and Investment * Gender										
Financial Planning, Risk, and Investment variables	Sources of Variance	Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Financial Planning, Risk, and Investment * Gender	Equal variances assumed	2.326	.128	-.397	734	.691	-.01659	.04175	-.09855	.06537
	Equal variances not assumed			-.411	552.812	.681	-.01659	.04033	-.09581	.06263

C. Influence on the behavior of individual investors based on marital status.

Ho1(iii): Marital Status does not significantly influence the behavior of individual investors of Himachal Pradesh.

Ha1(iii): Marital Status significantly influences the behavior of individual investors of Himachal Pradesh.

Table 3 shows the results of the Independent Sample T-Test about the influence on the behavior of individual investors based on marital status.

Table 3: Independent Sample T-Test results about the influence on the behavior of individual investors based on marital status

Financial Planning, Risk, and Investment * Marital status										
Financial Planning, Risk, and Investment variables	Sources of Variance	Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Financial Planning, Risk, and Investment * Marital Status	Equal variances assumed	.594	.441	1.570	734	.117	.06353	.04048	-.01593	.14299
	Equal variances not assumed			1.565	603.683	.118	.06353	.04059	-.01619	.14325

Since the p-values associated with both t-tests are greater than the significance level (commonly set at 0.05), we fail to reject the null hypothesis. In both cases, whether assuming equal variances or not, the p-values are 0.117 and 0.118 respectively. These p-values indicate that there is no significant difference in financial planning, risk, and investment scores between married and unmarried individual investors in Himachal Pradesh. In summary, based on the t-test results, we fail to reject the null hypothesis. Therefore, there is no evidence to suggest that marital status has a significant influence on the behavior of individual investors in Himachal Pradesh.

D. Influence on the behavior of individual investors based on educational level.

Ho1(iv): Educational Level does not significantly influence the behavior of individual investors of Himachal Pradesh.

Ha1(iv): Educational Level does significantly influence the behavior of individual investors of Himachal Pradesh.

Table 4 shows the results of ANOVA on the influence on the behavior of individual investors based on educational level.

Table 4: ANOVA results about the influence on the behavior of individual investors based on educational level

Financial Planning, Risk, and Investment * Educational Level							
Financial Planning, Risk, and Investment variables	Sources of Variance		Sum of Squares	df	Mean Square	F	Sig.
Financial Planning, Risk, and Investment * Education Level	Between Groups	(Combined)	7.645	4	1.911	6.862	.000
	Within Groups		203.600	731	.279		
	Total		211.246	735			

Since the p-value (Sig.) associated with the F-statistic is less than the significance level (commonly set at 0.05), we reject the null hypothesis. In this case, the p-value is 0.000, indicating that there is very strong evidence against the null hypothesis. Therefore, we accept the alternative hypothesis, concluding that educational level does have a significant influence on the behavior of individual investors in Himachal Pradesh. In summary, based on the ANOVA results, we reject the null hypothesis and accept the alternative hypothesis, indicating that educational level does indeed have a significant influence on the behavior of individual investors in Himachal Pradesh.

E. Influence on the behavior of individual investors based on source of livelihood.

Ho1(v): Source of Livelihood does not significantly influence the behavior of individual investors of Himachal Pradesh.

Ha1(v): Source of Livelihood significant influences on the behavior of individual investors of Himachal Pradesh.

Table 5 shows the results of ANOVA on the influence on the behavior of individual investors based on source of livelihood. Since the p-value (Sig.) associated with the F-statistic is less than the significance level (commonly set at 0.05), we reject the null hypothesis. In this case, the p-value is 0.043, which is less than 0.05. Therefore, we reject the null hypothesis and accept the alternative hypothesis. This indicates that the source of livelihood does have a significant influence on the behavior of individual investors in Himachal Pradesh. In summary, based on the ANOVA results, we reject the null hypothesis and accept the alternative hypothesis, indicating that the source of livelihood does indeed have a significant influence on the behavior of individual investors in Himachal Pradesh.

Table 5: ANOVA results about the influence on the behavior of individual investors based on source of livelihood

Financial Planning, Risk, and Investment * Source of Livelihood							
Financial Planning, Risk, and Investment variables	Sources of Variance		Sum of Squares	df	Mean Square	F	Sig.
Financial Planning, Risk, and Investment * Source of Livelihood	Between Groups	(Combined)	2.341	3	.780	2.734	.043
	Within Groups		208.905	732	.285		
	Total		211.246	735			

F. Influence on the behavior of individual investors based on individual income.

Ho1(vi): Individual Income does not significantly influence the behavior of individual investors of Himachal Pradesh.

Ha1(vi): Individual Income significant influences on the behavior of individual investors of Himachal Pradesh.

Table 6 shows the results of ANOVA about the influence on the behavior of individual investors based on individual income.

Table 6: ANOVA results about the influence on the behavior of individual investors based on individual income

Financial Planning, Risk, and Investment * Individual Income							
Financial Planning, Risk, and Investment variables	Sources of Variance		Sum of Squares	df	Mean Square	F	Sig.
Financial Planning, Risk, and Investment * Individual Income	Between Groups	(Combined)	.435	3	.145	.504	.680
	Within Groups		210.810	732	.288		
	Total		211.246	735			

Since the p-value (Sig.) associated with the F-statistic is greater than the significance level (commonly set at 0.05), we fail to reject the null hypothesis. In this case, the p-value is 0.680, which is higher than 0.05. Therefore,

we fail to reject the null hypothesis, indicating that there is no significant evidence to suggest that individual income has a significant influence on the behavior of individual investors in Himachal Pradesh. In summary, based on the ANOVA results, we fail to reject the null hypothesis. Therefore, there is no evidence to suggest that individual income has a significant influence on the behavior of individual investors in Himachal Pradesh.

G. Influence on the behavior of individual investors based on family income.

Ho1(vii): *Family Income does not significantly influence the behavior of individual investors of Himachal Pradesh.*

Ha1(vii): *Family Income significant influences on the behavior of individual investors of Himachal Pradesh.*

Table 7 shows the results of ANOVA about the influence on the behavior of individual investors based on individual income.

Table 7: ANOVA results about the influence on the behavior of individual investors based on family income

Financial Planning, Risk, and Investment * Family Income						
Financial Planning, Risk, and Investment variables	Sources of Variance		Sum of Squares	df	Mean Square	F
Financial Planning, Risk, and Investment * Family Income	Between Groups	(Combined)	2.821	3	.940	3.302
	Within Groups		208.425	732	.285	
	Total		211.246	735		
						.020

Since the p-value (Sig.) associated with the F-statistic is less than the significance level (commonly set at 0.05), we reject the null hypothesis. In this case, the p-value is 0.020, which is less than 0.05. Therefore, we reject the null hypothesis and accept the alternative hypothesis. This indicates that family income does have a significant influence on the behavior of individual investors in Himachal Pradesh. In summary, based on the ANOVA results, we reject the null hypothesis and accept the alternative hypothesis, indicating that family income does indeed have a significant influence on the behavior of individual investors in Himachal Pradesh.

H. Influence on the behavior of individual investors based on region.

Ho1(viii): *Region does not significantly influence the behavior of individual investors of Himachal Pradesh.*

Ha1(viii): *Region significantly influences the behavior of individual investors of Himachal Pradesh.*

Table 8 shows the results of ANOVA on the influence on the behavior of individual investors based on individual income. Since the p-value (Sig.) associated with the F-statistic is greater than the significance level (commonly set at 0.05), we fail to reject the null hypothesis. In this case, the p-value is 0.087, which is higher than 0.05.

Therefore, we fail to reject the null hypothesis, indicating that there is no significant evidence to suggest that the region has a significant influence on the behavior of individual investors in Himachal Pradesh. In summary, based on the ANOVA results, we fail to reject the null hypothesis. Therefore, there is no evidence to suggest that the region has a significant influence on the behavior of individual investors in Himachal Pradesh.

Table 8: ANOVA results about the influence on the behavior of individual investors based on region

Financial Planning, Risk, and Investment * Region							
Financial Planning, Risk, and Investment variables	Sources of Variance		Sum of Squares	df	Mean Square	F	Sig.
Financial Planning, Risk, and Investment * Region	Between Groups	(Combined)	1.401	2	.700	2.447	.087
	Within Groups		209.845	733	.286		
	Total		211.246	735			

FINDINGS OF THE STUDY

The major findings of this study on the behavior of individual investors in Himachal Pradesh are as follows:

- Age:** Age significantly influences the behavior of individual investors. The ANOVA results indicate a strong relationship between age and investment behavior, with a p-value of 0.000, leading to the rejection of the null hypothesis.
- Gender:** Gender does not significantly influence the behavior of individual investors. Independent Sample T-Test results show p-values of 0.691 and 0.681, indicating no significant difference in investment behavior between male and female investors.
- Marital Status:** Marital status does not significantly influence the behavior of individual investors. The p-values from the Independent Sample T-Test are 0.117 and 0.118, suggesting no significant difference in investment behavior between married and unmarried investors.

4. **Educational Level:** Educational level significantly influences the behavior of individual investors. The ANOVA results show a p-value of 0.000, leading to the rejection of the null hypothesis and indicating a strong relationship between educational level and investment behavior.
5. **Source of Livelihood:** The source of livelihood significantly influences the behavior of individual investors. The ANOVA results have a p-value of 0.043, indicating a significant relationship between livelihood sources and investment behavior.
6. **Individual Income:** Individual income does not significantly influence the behavior of individual investors. The ANOVA results show a p-value of 0.680, leading to the conclusion that there is no significant impact of individual income on investment behavior.
7. **Family Income:** Family income significantly influences the behavior of individual investors. The ANOVA results show a p-value of 0.020, indicating a significant relationship between family income and investment behavior.
8. **Region:** Region does not significantly influence the behavior of individual investors. The ANOVA results show a p-value of 0.087, suggesting no significant impact of the region on investment behavior.

In summary, age, educational level, source of livelihood, and family income are significant factors influencing the investment behavior of individual investors in Himachal Pradesh, while gender, marital status, individual income, and region are not significant factors.

CONCLUSION

In conclusion, personal financial planning is essential for individuals and families to assess their current financial situation and project future needs while remaining within their means. It encompasses a broad range of topics, including personal banking and the acquisition of financial products like credit cards, insurance, mortgages, and retirement plans. Despite being a relatively new field, personal finance is critical for both individual well-being and the macroeconomic performance of a country. The study highlights that having sufficient funds when needed is crucial to achieving one's financial goals and meeting personal desires. Additionally, the research reveals various factors influencing investment behavior, with age, educational level, source of livelihood, and family income playing significant roles, while gender, marital status, individual income, and region are less impactful. This understanding of personal finance and investment behavior can help individuals make informed financial decisions and contribute to overall economic stability.

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