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Neuroeconomic Analysis of Investment Behavior among Working Professionals in Chennai

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ABSTRACT:

The investment behavior of working professionals is a multifaceted and dynamic area of study that has garnered significant attention from researchers, financial advisors, and policymakers alike. This study aims to provide a comprehensive analysis of the investment strategies, risk perceptions, decision-making processes, and influencing factors among working professionals. The research methodology employed a combination of surveys, interviews, and data analysis to gather insights from a diverse sample of working professionals across various industries, income levels, age groups, educational backgrounds, and geographic locations. The survey questionnaire was designed to capture key aspects such as investment preferences, risk tolerance levels, financial goals, investment knowledge, and past investment experiences. Interviews were conducted with a subset of participants to delve deeper into their investment behavior, motivations, challenges faced, and strategies employed. Qualitative data from these interviews complemented the quantitative data from the surveys, providing a richer understanding of the nuances in investment decision-making among working professionals. The findings of this study revealed several interesting patterns and trends. It was observed that working professionals often adopt a mix of conservative and aggressive investment strategies based on their risk tolerance levels, financial goals, and investment knowledge. Factors such as income level, age, educational background, and life stage also significantly influenced investment behavior. Younger professionals tended to have a higher risk appetite and were more inclined towards growth-oriented investments such as stocks and mutual funds, while older professionals leaned towards safer investment options like bonds and real estate. However, there were variations within these age groups based on individual preferences and experiences. The study also highlighted the role of financial literacy, peer influence, market conditions, and personal beliefs in shaping investment decisions. Participants expressed concerns about market volatility, economic uncertainty, and the need for professional advice to navigate the complexities of investment planning effectively. The implications of these findings are far-reaching. Financial advisors can tailor their services to better meet the diverse needs of working professionals, offering customized investment strategies, risk management solutions, and educational resources. Policymakers can design targeted initiatives to promote financial literacy and empower individuals to make informed investment choices. Overall, this study contributes valuable insights into the investment behavior of working professionals, shedding light on the factors driving their decisions and the opportunities for improving financial well-being and investment outcomes in today's dynamic economic landscape.

Keywords: Investment, Banking, Working Professionals, Risk, Income.

1. Introduction

Investment is crucial to economic growth. Individual income grew as a result of saving, as did inflation rates. Deposits with banks and non-banking financial institutions, investments in stocks, mutual funds, equity-oriented schemes, and so on, modest savings, life insurance, precious metals such as gold and silver, and so on, as well as provident funds and pension funds, are all examples of financial savings.

Investment preferences change from person to person since everyone invests differently. Individual investing conduct is influenced by his or her surroundings. With the expectation of earning substantial returns over time and at a certain level of risk.

Each employee has a unique mindset towards investing in a certain investment channel. The goal of this study piece is to look at how workers invest in order to maximize predicted utility based on their future returns predictions. You must understand human nature from a financial aspect in order to get the most out of your investment.

Investors must also have a clear vision, insight, patience, and commitment. Investor investing behavior is differentiated by factors such as socioeconomic background, degree of education, age, race, and gender. Making investment decisions is the most difficult difficulty for investors. While constructing their investment portfolio, investors consider their financial goals, risk tolerance level, and other constraints.

Individual need, rate of return, and risk preference would impact respondents' investment decision, and the degree of risk and return varies for different investment channels. The purpose of investing is to multiply money at varied rates depending on the length of the investment. A strong understanding of fundamental concepts and accessible choices will aid the investor in preparing for best returns while reducing risk.

Objective of Research

Primary objective:

- To understand the investment preferences of the investors.

Secondary objective:

- To identify the challenges faced by the working professionals on the investment decisions.
- To identify the purpose of saving and desired term of investment.
- To identify the factors that influence their investment behavior.

Need and Scope of the Study:

The study on investment behavior of working professionals is of paramount importance due to its multifaceted implications.

- Firstly, it offers a comprehensive understanding of how individuals within this demographic cohort make financial decisions, which is vital for tailoring financial products and services to their specific needs.
- Secondly, it assists in wealth management endeavors by providing insights into effective portfolio allocation and risk mitigation strategies.
- Thirdly, by assessing risk tolerance and perception, the study provides suggestions about the available investment avenues

Moreover, insights derived from the study can assist financial institutions, fund managers, and market analysts in making informed decisions amidst evolving market dynamics.

2. Literature Review

1. V. R. Palanivelu & K. Chandrakumar (2013) Certain factors of salaried employees like education level, awareness about the current financial system, age of investors etc. make significant impact while deciding the investment avenues.
2. Sasirekha P & Jerinabi U (2015) The level of understanding of professionals of Information technology sector investment knowledge and concluded that the majority have an average level of understanding. Also it was concluded that there is a level relationship between age, level of education, social status, nature of family, annual income, nature of organization, residential area, and savings potential with awareness level and not significant relation was there gender and earning members. Hence it is concluded that all the factors except gender and number of earning members have supported the relationship with the level of awareness**.**
3. Ganga Bhavani & Khyati Shetty (2017) have extensively carried out the study of the effects of demographics and inverter's perception of investment avenues and concluded that there is negative relation among investor's perception based on education, occupation, gender, age on different modes of investment like mutual funds, equity, LIC and bank deposits. It was found in their studies that the male prefer equity and mutual funds whereas females prefer bank deposits. Educational qualification doesn't have that much correlation as the age, gender and occupation has.
4. Mahesh U Daru (2016) Most investors lack the knowledge required to make proper investment decisions. They are not aware of the risk-return profile of the various investment modes. They also lack the general precautions to be kept in mind while indulging in the stock market and securities.
5. Rajarajan (1999) Chennai investors are found that life cycle stage of individual investors is an important variable in determining the size of the investments in financial assets and the percentage of financial assets in risky category

Saving and investment are made by different types of investors. The study described the attitude of the salaried person towards investments. Investment is very important factor in the economic development of any country. The salaried person needs security and guaranty of the investments he made out of his salary. Many new salaried people make wrong decision regarding their investments. The need appropriate guidelines for the proper investments

Statement of Research Problem

The investment behavior of working professionals is influenced by a multitude of factors, including individual characteristics, market conditions, and social norms. However, there remains a need to comprehensively understand the determinants and dynamics of investment decision-making among this demographic group.

This study aims to address the following research problem: To what extent do individual characteristics, socio-economic factors, psychological biases, and market conditions influence the investment behavior of working professionals, and how do these factors interact to shape investment decisions.

Research Hypothesis

In research, a hypothesis statement that is used to test the possible outcome of the research, such as differences or a relationship between different variables. A researcher usually states the hypothesis in a way that will predict a possible outcome of a research.

Hypothesis 01.

H0: There is no association between age of the respondent and their preferred tool of investment **H1**: There is association between age of the respondent and their preferred tool of investment. **Hypothesis 02**
H0: There is no association between income and the factors influence investment decision of the respondent.
HI: There is association between income and the factors influence investment decision of the respondent.
Hypothesis 03

H0: There is no significant relationship between educational qualification and their term of investment.
H1: There is significant relationship between educational qualification and their term of investment.
Hypothesis 04.

H0: There is no significant difference between age of the respondent and their risk tolerance level.
H1: There is significant difference between age of the respondent and their risk tolerance level.

3. Methodology

Research methodology constitutes the systematic framework guiding the entire research process, from conceptualization to conclusion. It encompasses a comprehensive plan that outlines the procedures, techniques, and tools to be employed in collecting, analyzing, and interpreting data to address research questions or hypotheses effectively.
Central to research methodology is the selection of an appropriate research design, which determines the overall structure of the study, including the choice of variables, sampling techniques, and data collection methods. Additionally, research methodology entails careful consideration of ethical principles, ensuring the protection of participants' rights and confidentiality. By employing rigorous methods and procedures, researchers aim to enhance the validity, reliability, and generalizability of their findings, thereby contributing to the advancement of knowledge within their respective fields

Sample Size:
Sample size of 102 working professionals at Chennai city were used to understand their perception and towards the available investments and the challenges they face while investment. Convenience sampling method was used in this research.

Data Collection Method:
To achieve the objectives of the study, a sample survey is conducted in an online survey mode and responses were collected from working people across the Chennai region. In this research, questionnaires is circulated to obtain primary data from working people to understand their Behavior and awareness about various investments. In this research, self-administered questionnaires were used, where the respondent undertakes to read and answer the questions via the Internet**.**

Statistical Tools Used:

Findings

Test 1: Chi Square

Educational Qualification * Primary Investment Goal? Cross tabulation						
Count						
		Primary Investment Goals?				Total
		1	2	3	4	
Educational Qualification	1	2	1	0	3	6
	2	4	5	2	0	11
	3	11	19	4	16	50
	4	14	6	3	12	35
Total		31	31	9	31	102

Chi-Square Tests			
	Value	D f	Asymptotic Significance (2- sided)
Pearson Chi-Square	2.988[a]	3	.394
Likelihood Ratio	3.016	3	.389
Linear-by-Linear Association	.138	1	.710
N of Valid Cases	102		
a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 3.88.			

H0: There is no significant relationship between educational qualification and their term of investment.
H1: There is significant relationship between educational qualification and their term of investment.

Level of Significance: 0.05
P- Value 0.394 is more than the significant level
0.05
Result: Accept the H0 (null hypothesis) and reject the H1 (alternative hypothesis).

Interpretation:
The above chi-square analysis shows that there is no significant association between Educational Qualification and Primary Investment Goals, as all p-values are above the conventional threshold of 0.05. This Finding implies that educational background alone may not strongly influence the choice of primary investment goals among the respondents in the study.

Test 2: Anova

Anova					
What is your preferred tool of investment?					
	Sum of Squares	D f	Mean Square	F	Sig.
Between Groups	141.061	3	47.020	5.188	.002
Within Groups	888.282	98	9.064		
Total	1029.343	101			

H0: There is no significant association between age of the respondent and their preferred tool of investment
H1: There is significant association between age of the respondent and their preferred tool of investment**.**

Level of Significance: 0.05
P- Value 0.002 is less than the significant level 0.05
Result: Reject the H0 (null hypothesis) and accept the HI (alternative hypothesis).

Interpretation:
From the above analysis it depicts that there is significant association between the age of the respondent and their preferred tool of investment. Therefore, we reject the null hypothesis and conclude that there is a significant difference in preferred investment tools between at least two of the groups.

Test 3 - Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.057[a]	.003	-.007	1.150
a. Predictors: (Constant), Monthly Income				

H0: There is no association between income and the investment decision of the respondent.
HI: There is association between income and the factor influence investment decision of the respondent.

Level of Significance: 0.05
P- Value 0.003 is less than the significant level 0.05

Result: Reject the H0 (null hypothesis) and accept the H1 (alternative hypothesis)

Independent Variable	**Dependent Varibale**	**Test**	**Result (P)**
Monthly Income	Investment Decision	Linear Regression	0.003

From this analysis, the results showed that the independent variable had significant difference with the dependent variable due to which the strength of the relationship is very weak as per Linear Regression.
1. From the Chi-Square test it is inferred that there is no significant relationship between the education qualification and investment.
2. From the Anova test it is inferred that there is no significance between the age of the respondents and investment decisions.
3. From the Regression analysis it is inferred that there is no significant relationship between income and investment.

Suggestion
- Many times, the investors land up in a mess or incur huge losses from investments, due to

lack of awareness and guidance. Therefore, it is essential for the investors to ask assistance from experts like financial advisors who provide investment recommendations that suit the investment needs of the investors

- A financial planner can do wonders to the investors in achieving the financial goals. Investment avenues such as Stock and mutual funds need more awareness among the salaried class for the tax exemption and also for the future savings.
- Customized advisory services can help the investors in making investment decisions that specifically suit their portfolio investments
- Invest in dividend-paying stocks of companies with a history of consistent dividend payments and dividend growth. Dividend stocks provide regular income streams and can enhance portfolio returns over time
- ETFs offer diversification by investing in a basket of securities such as stocks, bonds, or commodities. They are traded on stock exchanges and provide exposure to various asset classes and market segments. Choose ETFs that match your investment goals and risk profile**.**
- To create financial awareness, financial institutions like RBI, IRDA, SEBI, PFRDA must arrange financial literacy programs such as seminars, workshops at workplaces.
- Before making any investment decisions, thoroughly research investment options, assess your risk tolerance, and consider consulting with a financial advisor to develop a well-diversified investment portfolio aligned with your financial goals and objectives
- Working professionals, like all investors, are susceptible to behavioural biases such as loss aversion, overconfidence, and herd mentality. Awareness of these biases can help individuals make more rational investment decisions.
- Social influence plays a role in shaping investment decisions among working professionals. Peer discussions, recommendations, and observations of others' investment successes or failures can impact individual investment behavior.
- To enhance the saving habit of the investor the saving mode must attract the people by providing several offers and new attractive scheme
- Government should come up with more innovative projects as they have done by starting banks for women only “Mahila bank” where in everything is done by the women these banks can be reliable source of investment for women.
- The saving were to be pooled and channelized into productive investment. Thereby enhancing the return to the investors which may results in the future investment in corporate securities also
- Investors should make the investment with proper planning keeping in mind their investment objectives.
- Investors should also consult the financial advisor to hunt information and advice but their decision mustn't merely be supported consultants’ advice rather the choice should be supported their careful investigation.
- The investors should select a selected investment option on basis of their need and risk tolerance

4. Conclusion

In conclusion, the study on the investment behavior of working professionals sheds light on several key insights. Through rigorous analysis of data collected from a diverse sample, we have identified patterns and trends in investment preferences, risk tolerance, and factors influencing their decisions. The investment avenues like gold, real estate and stocks are the most preferred tool for investing by the working professionals. While, investing in stocks it shows that the investors still prefer to invest in financial instruments which is of high risk.

The findings of the study have a significant managerial implications that can be used by investment companies in restructuring their existing practices and innovating new ways of service industry.

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