WWW.IJRPR.COM

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

A STUDY ON INVESTMENT PREFERENCE AMONG PRIVATE AND GOVERNMENT EMPLOYEES

KRUTHIKA A N

(1st year M.com student) KRISTU JAYANTI COLLEGE AUTONOMOUS COLLEGE, BANGALORE
24mcom61@kristujayanti.com

ABSTRACT :

This study analyses the preferences of private and government employees on investment options in Bangalore, focusing on the factors that influencing their financial decisions. This research analyzes different factors like educational qualification, occupation, financial literacy, and risk perception impacting the choices on investment. As per the study the educational background does not significantly affect investment knowledge and occupation does not strongly influence risk perception, which was found with the help of statistical tools such as Chi-Square, Correlation Analysis, and Factor Analysis. Some other factors like market conditions, tax implications, and return on investment, plays a very important role in shaping investment decision. The results of this study state that government employees prefer to have less risk with stable investment option but private employees choose higher risk with a growth-oriented investments. The findings of this study gave more importance for financial institutions, policy makers, and investors to analyses investment behavior and risk attitude among various employment sectors.

KEYWORDS: Investment Preferences, Risk Perception, Financial Literacy, Government Employees, Private Sector, Behavioural Finance, Economic Policies

INTRODUCTION :

Investing plays a crucial role in an individual's financial planning, ensuring future financial security and stability. It involves allocating money to different financial instruments with the expectation of returns. The choices investors make depend on several factors, such as their income, risk tolerance, financial knowledge, and market accessibility. In a growing economy like India, the investment behaviour of salaried employees, particularly those working in the government and private sectors, is an area of significant interest.

Employees in the public and private sectors have different investing choices because of variations in access to financial products, job security, and income stability. Employees of the government, who are typically thought of as having more secure employment and guaranteed pensions, frequently favor low-risk investments like life insurance, state provident funds, and fixed deposits. Employees in the private sector, on the other hand, are more likely to investigate diverse investment portfolios that comprise stocks, mutual funds, and real estate since they may be subject to greater income volatility.

REVIEW OF LITERATURE :

The financial literature has extensively examined investment preferences, emphasizing how economic, psychological, and demographic aspects influence investor behavior. Several studies indicate that financial knowledge, risk tolerance, job security, and income level all have a big impact on investment decisions.

A study by Balwant (2012) on salaried people revealed that a person's investing preferences are significantly influenced by their level of financial literacy. While employees with less financial understanding favor more conventional savings choices like provident funds and fixed deposits, individuals with more financial knowledge typically invest in market-driven products like mutual funds and stocks.

R.K.N. May (2022) investigated how government workers perceived risk and found that they strongly preferred safe investment options like insurance and pension plans. The study came to the conclusion that government employees' investing decisions are significantly influenced by retirement benefits and job security.

Due to income volatility and the lack of guaranteed pension benefits, personnel in the private sector exhibit a greater propensity towards riskier investment instruments (Kalpana Nandawar, 2015). This study highlighted how private employees' desire to accumulate wealth pushes them toward diversified investment portfolios that include stocks, bonds, and real estate.

While government employees rely on traditional investment channels, private employees are more aggressive in seeking out new investment options, according to B.R. Rao's (2017) study on investment knowledge among urban employees. Programs for financial education were suggested by the study as a way to narrow the knowledge gap on investments amongst various job sectors.

Even though a lot of study has been done on investment behavior, little is known about the particular investment preferences of Bangalore employees. By comparing government and private sector workers' financial literacy, risk tolerance, and demographic characteristics, this study seeks to close this gap.

OBJECTIVES :

1. To evaluate how risk-averse government and private sector workers perceive different investment options.
2. To investigate how investing preferences are influenced by financial literacy.
3. . To contrast the investment inclinations of private and public sector workers.

This study will help consumers, financial institutions, and regulators make wise financial decisions by providing insightful information about investment behavior.

HYPOTHESIS:

H0: There is no significant relation between respondents' educational qualifications and their self-assessed knowledge of various investment options.
H1: There is significant relation between respondents' educational qualifications and their self-assessed knowledge of various investment options.
H0: There is no significant difference between occupation of the people and level of risk.
H2: There is a significant difference between occupation of people and level of risk.
H0: There is no significant difference in the preference of government and private employees on investment avenues.
H3: There is a significant difference in the preference of government and private employees on investment avenues.

DATA AND METHODOLOGY:

1. **Research Design:** This study follows a quantitative research approach, utilizing both primary and secondary data to analyze investment preferences among salaried employees.

2. Data Collection:

- Primary Data: Collected using a structured questionnaire distributed to government and private employees in Bangalore.
- Secondary Data: Sourced from financial reports, scholarly articles, and investment-related publications.

3. **Sampling method:** A non probability judgmental sampling technique was used to select respondents from both sectors.
4. Research instruments:Statistical tools used for data analysis include:

- **Crosstabulation test** is used to analyse the dependencies between education qualification with choosing Investment option.
- **Pearson correlation** coefficient for measuring financial awareness and investment behaviour.
- **Factory analyses** used to identify the factors influencing the investment decision of private and government employees.

5. **Limitation of the Study:**

1. The study is conducted in Bangalore, a city with a diverse workforce comprising both government and private sector employees
2. Investment preferences may change due to economic conditions, making findings time-sensitive
3. The study focuses solely on Bangalore, limiting generalizability to other regions.This section establishes a methodological framework for examining the investment behaviors of salaried individuals, ensuring the reliability and validity of the research findings.

Data Analysis and interpretation :

1. Analysis of self-assessed knowledge of investors on various investment options:

- **H0:** There is no significant relation between respondents educational qualification and their self-assessed knowledge of various investment options.
- **H1:** There is significant relation between respondents educational qualification and their self-assessed knowledge of various investment options.

Cross tabulation on education qualification and investment options:

Cross-tabulation is a valuable method that enables researchers to visually detect patterns, associations, or dependencies between two variables. By examining how the distribution of one variable varies across the categories of other variables, researchers can gain valuable insights. Moreover, cross-tabulation can assist in computing various summary statistics, including row and column percentages, measures of association (such as the chi-square test), and other inferential statistics to evaluate hypotheses regarding the variables' relationship.

Table 1.1: Table showing education Qualification Visa-vis different options of investments

		Knowledge about different investment options					Total
		1	2	3	4	5	
Educational Qualification	**high school**	**1**	**2**	**7**	**0**	**0**	**10**
	bachelor degree	**3**	**6**	**27**	**8**	**1**	**45**
	masters	**1**	**6**	**29**	**6**	**1**	**43**
	PHD	**1**	**1**	**0**	**1**	**1**	**4**
Total		**6**	**15**	**63**	**15**	**3**	**102**

Interpretation:

The above cross tabulation table shows how people who are having various educational qualification rate their knowledge of different investment options. Most of the respondents, irrespective of their education qualification, rated their knowledge about investment option as **moderate i.e.,. 3 on a scale of 1 to 5.** The Respondents who are pursuing Bachelors degrees and masters degrees show bit higher level of self-assessed knowledge, but most of the respondents chosen 3 as their rating which is at moderate level. only few among them have rated their knowledge as 4 and 5, which can be said that higher education may help in contributing to a better investment knowledge, but not so significantly as expertise.

Other than that in this study the PhD holders are very few i.e., total of only 4, so it is difficult to give a strong conclusion about their investment knowledge. Overall this study tells that education qualification might have some influence about knowledge of investment. But, this canot not assure the deep understanding of investment options among respondents. Even though an individual having higher education qualification may not consider them self about having vary good knowledge about investment options.

To identify whether educational qualification truly affects investment knowledge or not, a Chi-square test is used further.

2. CHI-SQUARE TEST ON EDUCATIONAL QUALIFICATION AND INVESTMENT OPTIONS

Chi-square is a statistical test used to determine if there is a significant association between two categorical variables. This test compares the observed frequencies of each category with the expected frequencies, assuming that there is no association between the variables.

1.2 Table Showing Education Qualfication Visa-Vis different options of investment.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.236[a]	12	.181
Likelihood Ratio	15.339	12	.223
Linear-by-Linear Association	1.204	1	.272
N of Valid Cases	102		
a. 13 cells (65.0%) have expected count less than 5. The minimum expected count is .12.			

Interpretation:

This chi-square test outcomes offers valuable insights into relation between respondents education qualifications and their self-assessed knowledge of various investment options.

This study states that p-value of Pearson chi-square test is 0.181which is higher than 0.05, which clearly states that since the significance that is p-value is grater than 0.05, because of that there is no strong evidence to suggest that educational qualification will significantly affects the knowledge of investment option. the people with higher education qualification may not necessarily have a better self-assessed investment knowledge compared to those with lower educational qualification. Finally based on the above results **the 1st Null hypotheses is accepted and the alternative hypotheses is rejected**, that means there is no proper significant relation between respondents educational qualification and there self-assessed knowledge of various investment options.

3. ANALYSIS ON OCCUPATION AND RISK PERCEPTION AMONG RESPONCEDNTS

H0: There is no significant differences between occupation of the people and level of risk.

H1: there is a significant difference between occupation of the people and level of risk.

Correlation analysis test on occupation and Risk Perception

The Correlation analysis test is a statistical technique that can determine the strength of a link between two variables. Correlation analyses is mainly used for the detection patterns and trends in data to forecast future occurrences. It explains how variables are dependent on each other.

1.3 Table showing occupation and risk perception among various respondents

		Risk level	Occupation
Risk level	Pearson Correlation	1	-.068
	Sig. (2-tailed)		.500
	N	102	102
Occupation	Pearson Correlation	-.068	1
	Sig. (2-tailed)	.500	
	N	102	102

Interpretation:

The correlation analysis explores the connection between respondents perceived risk level related to investment and their occupation.

The Pearson correlation between risk level and occupation is computed as 0.068. This coefficient indicates a very weak negative correlation between the two variables, suggesting that as one variable increases, the other tends to decrease slightly. The correlation is not statistically significant, as evidenced by a p-value of 0.500.

The lack of significance in the p-value implies that the observed correlation between risk level and occupation could be attributed to random chance. Hence, there is insufficient evidence to support the existence of a meaningful relationship between respondents perceived risk level in investment and their occupation.

Overall, This correlation analysis reveals a very weak and statistically insignificant negative correlation respondents perceived risk level in investment and their occupation. This suggests that occupation alone may not be a significant predictor of individuals risk perception in the investment decision. Anyhow, since the p-value is greater than 0.05 which is 0.500, the null hypothesis (H0) can be accepted and the alternative hypothesis (H1) can be rejected.

4. ANALYSIS ON THE FACTORS THAT INFLUENCE THE INVESTMENT DECISION OF PRIVATE AND GOVERNMENT EMPLOYEES.

H0: There is no significant difference in the preference of government and private employees on investment avenues.

H1: There is a significant difference in the preference of government and private employees on investment avenues.

Factor analyses on the investment decisions of private and government employees

A statistical technique called factor analysis is used to find underlying correlations between a big number of variables. Strongly correlated variables are grouped into factors, which indicate the shared variance among the variables, and the dimensionality of the data is reduced.

Table showing factors influencing the investment decision of the employees.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.525
Bartlett's Test of Sphericity	Approx. Chi-Square	29.215
	df	10
	Sig.	.001

Interpretation:

The Kaiser-Meyer-Olkin (KMO) measure is used to assess the adequacy of the data for factor analysis.

The moderate KMO value of 0.525 tells that the dataset is somehow suitable for factor analysis even though it is not ideal.

Furthermore, Bartletts test of sphericity is employed to determine if the correlation matrix significantly differs from the identity matrix, which would indicate the presence of relationships between variables suitable for factor analyses. In this Bartletts test the p-value is 0.001 which is lesser than 0.05, which means it states that the variables have correlation suitability for recognizing factors that influence investment decisions.

Since the p-value of Bartlett test is clearly within the significance value, it is suggested to reject the null hypothesis (H0) and accept alternative hypotheses (H1). This analyses states that there is a significant difference in the preference of government and private employees on investment avenues.

4.11 Table of Component Matrix[a]

	Component	
	1	2
RETURN ON INVESTMENT	.541	-.342
RISK LEVEL	-.310	.495
MARKET CONDITIONS	.727	.426
TAX IMPLICATIONS	.720	.365
INVESTMENT DURATION	.326	-.717
Extraction Method: Principal Component Analysis.		
a. 2 components extracted.		

Interpretation:

The principal component Analysis (PCA) yields a component matrix that reveals the connection between the original variables and the extracted components. In this particular analysis, two components were extracted.

Component 1:

This component demonstrates high loadings for variables associated with RETURN ON INVESTMENT, MARKET CONDITIONS, TAX IMPLICATIONS, and to a lesser extent, INVESTMENT DURATION. In this the Market condition is 0.727 and Tax implication is 0.720 which are having high positive loading, which states that these factors strongly contribute to one category. Then the return on investment is averagely associated with is component that is 0.541. this states that this component will represents the financial and market-related factors influencing investment decisions.

Component 2:

Conversely, Component 2 displays high loading s for variables linked to RISK LEVEL and INVENTMENT DURATION. Here in investment duration has a strong negative loadings (-0.717) where It states that it plays an important role but the opposite role. Its risk level is at moderate positive loading and then Return on investment has a negative loading of -0.342. This analysis clearly states that the 2nd component represents risk and time-related factors that affect investment choices.

Findings:

Education and investment knowledge:

- Most of the respondents don't have a deep knowledge of investment options regardless of their education qualification.
- The respondents showed that postgraduate and undergraduate students have self-knowledge and very few people have a high knowledge regarding investment.
- In Chi-Square test output has shown that education doesn't have any significant impact on investment knowledge and moreover, having a higher degree doesn't mean that they should have knowledge regarding investment awareness.

Occupation and Risk Perception:

- The correlation between occupation and risk perception among people doesn't strongly affect the other.
- The p-value has shown that this result has no significant which means government and private employees have similar risk assumption and job type will not determine how much risk a person is willing to take in investment.

Factors Affecting Investment Decisions:

- Financial and Market related factors market conditions, tax implications, and return on investment are the factors that strongly impact how people choose their investments.
- Risk and time-related factors which means investment duration and risk level will affect decisions differently.
- KMO says that the data is suitable for moderate suitable for analysis. Since the significance level is significant, we reject the null hypothesis and accept the alternative hypothesis.

Conclusion :

This study reveals that investment decisions among private and government employees differ based on financial and market-related factors. The chi-square analyses states that educational background does not significantly impact investment knowledge, and also occupation does not strongly influence risk perception where both private employees and government employees have the same attitude towards risk. The government employees choose low risk and stable investment such as fixed deposits and provident funds due to job security, while the private employees preferred to explore higher-risk investments like stocks and mutual funds for better returns. The study suggests that financial literacy plays a very crucial role in investment decision-making. Further research could explore mor about how changing economy and emerging investment opportunities impact in investment behaviour.

REFERENCE:

1. Balwant, (2012). "Investment Behavior of Salaried Employees." Journal of Financial Studies.
2. B.C. Lakshmanna & Dowlath Ahammad, (2017). "Investment Patterns in Kurnool City." Indian Journal of Finance.
3. Dr. Kalpana Nandawar, (2015). "Financial Literacy and Investment Choices." Economic Review.
4. R.K.N, (2022). "Investment Preferences among Government Employees in Kerala." Finance & Policy Research Journal.