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INVESTMENT BEHAVIOR OF INDIVIDUALS ACROSS DIFFERENT EMPLOYMENT STATUS

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ABSTRACT

The study examines how employment status influences investment behavior among business owners, salaried employees, and students in India. Investment behavior refers to how individuals allocate financial resources, and this research focuses on how employment categories affect these decisions. The study uses a structured questionnaire to collect primary data from 150 respondents across various employment statuses. Convenience and purposive sampling methods were employed to ensure diverse representation. The data was analyzed using descriptive statistics and regression analysis to identify patterns and the significance of employment status in shaping investment behavior.

Findings indicate that approximately 49.3% of respondents believe their employment status significantly influences their investment decisions, while 26.7% do not perceive a direct impact, and 24% remain uncertain. The regression analysis suggests that although employment status is an important factor, other variables—such as income stability, financial literacy, and personal goals—also play a substantial role in determining investment behavior. Full-time employees with stable incomes tend to engage in long-term investment strategies due to predictable earnings and access to employer-sponsored benefits. Conversely, part-time and self-employed individuals prioritize liquidity and short-term investments due to income variability and financial uncertainty.

The research underscores the importance of tailored financial strategies to accommodate the unique needs of different employment groups. Policymakers and financial institutions should focus on improving financial literacy and designing inclusive investment products to bridge gaps in financial decision-making. By addressing these disparities, they can foster broader participation in financial markets and support more informed investment practices. This study contributes to the understanding of how employment status influences investment behavior, offering valuable insights for future research and policy development.

Keywords: Investment Behavior, Employment Status Influence and Tailored Financial Strategies

1. INTRODUCTION

Investment behavior refers to how individuals make decisions regarding the allocation of financial resources across asset classes, combining psychological insights with traditional investment practices. It involves both quantitative and qualitative factors influenced by cognitive and emotional processes. Understanding investment behavior requires examining behavioral finance, which highlights psychological biases like overconfidence and loss aversion, and the efficient market hypothesis, which suggests asset prices reflect all available information. Investment behavior is crucial for individual wealth accumulation, economic growth, and retirement preparedness. Early and consistent investing allows individuals to benefit from compound interest, leading to greater financial security. Financial literacy is essential in shaping investment behavior, as informed individuals are better equipped to diversify portfolios and manage risks. Policymakers monitor investment trends to design effective fiscal and monetary policies that foster inclusive economic growth. As retirement planning shifts from employer-provided pensions to individual contribution plans, understanding investment behavior is vital for long-term financial stability. Employment status significantly impacts investment behavior through income variability, access to financial resources, and risk tolerance. Full-time employees with stable incomes are more likely to engage in long-term investment strategies and benefit from employer-sponsored plans. In contrast, part-time and self-employed individuals face irregular incomes, leading to cautious investment approaches and a focus on short-term liquidity. Unemployed individuals prioritize immediate financial needs, while retirees emphasize income generation and capital preservation. Psychological factors, such as anxiety from income instability, further shape investment decisions. Financial advisors must tailor strategies to different employment categories to ensure inclusive wealth-building opportunities. Technological advancements have transformed investment behavior by making financial markets more accessible. Online trading platforms and robo-advisors allow broader participation, though increased access can lead to speculative behavior. Modern investment strategies emphasize diversification and risk management, moving beyond traditional buy-and-hold approaches. Theories like Modern Portfolio Theory and the Life-Cycle Hypothesis explain how individuals balance risk-return trade-offs and adjust investment strategies across their lifetime.

Addressing investment behavior disparities requires overcoming accessibility issues and psychological barriers. Full-time employees benefit from structured plans, while others face challenges like high investment thresholds and limited financial education. Inclusive investment practices and tailored financial products can empower diverse employment groups to engage in wealth accumulation. Policymakers and financial institutions must address structural barriers to foster equitable access to financial resources and improve long-term financial outcomes.

2. REVIEW OF LITERATURE

Hussain Khan (2024), assessed how changes in tax laws affected Saudi Arabian corporations' investment decisions using a desk study strategy to collect secondary data. The study found that lower corporate tax rates encourage business investment by increasing funds available for expansion and R&D, while higher taxes reduce after-tax profits and discourage investment. However, the relationship between tax policy and investment is influenced by the specifics of tax changes, industry characteristics, and broader economic conditions.

Chiranjibi Timalsena and Netra Prasad Nyaupane (2024), explored undergraduate students' investment behavior in initial public offerings (IPOs) through structured questionnaires with 321 respondents. Management students and third- and fourth-year students were more likely to invest in IPOs, and male students participated more actively than female students. Parental education or occupation had no significant impact on investment behavior. The study emphasized the importance of targeted financial education programs to enhance students' financial literacy and informed decision-making.

Adetola Adewale Akinsulire and Courage Idemudia (2024), highlighted the importance of strategic planning and investment analysis for affordable housing projects. Effective planning involves clear objectives and aligning development goals with community needs. Investment analysis evaluates financial feasibility, including funding sources and risk assessment. These processes help optimize resources, address financial challenges, and ensure the sustainability of affordable housing developments.

Hyungjin Ko and Jaewook Lee (2024), examined ChatGPT's capabilities in asset selection and portfolio diversification. Their findings indicate that ChatGPT's asset choices led to statistically significant improvements in diversification compared to random selections. Portfolios created using ChatGPT's recommendations outperformed those formed randomly, suggesting that large language models can support portfolio managers in asset selection and diversification.

Nishi Sangwan and Shweta (2024), investigated how individuals allocate savings across various assets based on risk preferences, financial security, and available options. The study emphasized that domestic savings are crucial for economic development, particularly in developing countries like India. It also highlighted the need to focus on enhancing public awareness and understanding of investment behavior, particularly among women.

Dongyang Zhang and Yurun He (2023), examined how central bank communication affects corporate investment decisions. Using data from Chinese listed companies (2011–2022), the study found that corporate investment is highly responsive to perceptions of monetary policy. Energy-intensive firms are particularly sensitive to policy changes, as clear communication reduces financial risks and external financing pressures, encouraging investment.

Kunal Gaurav and Aishwarya Suraj Ray (2023), studied corporate professionals' investment behavior toward mutual funds. Data from 175 respondents identified seven key factors influencing mutual fund decisions, using exploratory factor analysis (EFA). The study highlighted the growing preference for professionally managed, diversified portfolios and emphasized the importance of understanding factors that shape investment decisions.

Juliana Bernhofer and Francesco Costantini (2023), investigated the link between linguistic variation and risk attitudes. They introduced a linguistic marker showing that speakers of languages with frequent non-indicative moods exhibit greater risk aversion. This marker was used to measure risk preferences and distinguish between risk attitudes and time preferences in financial decision-making.

Qunwei Wang and Zining Fan (2023), explored how green finance supports renewable energy investment using a dynamic panel threshold model. Their findings revealed that green finance and high-quality economic development promote investment, but severe financing constraints can diminish these effects. Easing financial barriers and sustaining economic growth are essential to maximize green finance's role in supporting renewable energy enterprises.

Johannes Hagen and Amedeus Malisa (2022), analyzed investor behavior following financial fraud exposure in Sweden's pension system. About two-thirds of affected investors did not divest their holdings. Younger individuals from lower socioeconomic backgrounds displayed greater inertia, often remaining in underperforming funds. The study emphasized how consumer biases and inadequate government interventions contribute to investor inertia even in extreme cases of fraud.

RESEARCH GAP

Numerous studies explore factors like age, gender, and income in investment behavior, few examine how employment status—whether business owners, salaried employees, or students impacts decisions. Notably, students remain underrepresented in research despite their growing investment activity through fintech apps and easy market access, often with limited incomes.

STATEMENT OF THE PROBLEM

Investment behavior varies widely among individuals, influenced by factors such as financial literacy, risk tolerance, and personal goals. However, the extent to which employment status (business owner, salaried employee, or student) shapes these investment behaviors remains underexplored. Understanding these differences is crucial for financial institutions, educators, and policymakers to tailor investment advice and resources effectively. This study aims to investigate how employment status affects investment choices.

3. OBJECTIVE OF THE STUDY

To analyze the influence of employment status on investment behavior by comparing the patterns among different classes.

Hypothesis

H1: Employment status significantly influences investment behavior, with individuals in different employment categories exhibiting distinct investment patterns.

SCOPE OF THE STUDY

The scope of this study is to analyze and understand how employment status specifically, being a business owner, salaried employee, or student affects individual investment behavior. This includes examining key factor such as Investment Preferences: Exploring investments Preferences favored by individuals across different employment status.

4. RESEARCH METHODOLOGY

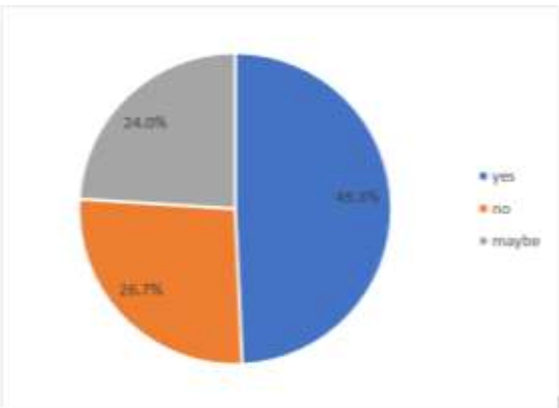
The research methodology involves collecting primary data of 150 respondents through a structured questionnaire designed to understand the investment behavior of individuals across different employment statuses in India. The questionnaire is based on prior studies and includes questions about investment patterns and preferences. Non-probability sampling methods are employed, specifically convenience and purposive sampling, to gather data from business owners, salaried employees, and students. This approach is chosen due to the practical challenges of accessing a comprehensive population list. The study focuses on surveying individuals from various employment backgrounds to analyze their investment habits, attitudes, and knowledge, aiming to identify patterns and trends in their investment behavior.

Analysis and Interpretations

Table 1: Does your employment status significantly influence your investment decisions?

Does your employment status significantly influence your investment decisions?	Frequency	Percentage
yes	74	49.3
no	40	26.7
maybe	36	24
Total	150	100

Figure 1: Does your employment status significantly influence your investment decisions?



Interpretation

The data reveals that 49.3% of respondents consider their employment status to have a significant impact on their investment decisions. In contrast, 26.7% believe their employment status does not influence their investment choices, while 24% are uncertain.

Table 2: Regression

Dependent variable: Occupation

Independent variable: Investment behavior

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.042	.330		6.191	.000
	My income stability determines the type of investments I prefer.	.071	.052	.116	1.383	.169
	I feel my employment status limits the variety of investment options available to me.	-.013	.058	-.019	-.217	.829
	I tend to prioritize investments that align with my employment-related financial goals.	.039	.057	.059	.691	.491
	Does your employment status significantly influence your investment decisions?	-.151	.085	-.150	-1.774	.078

Interpretation

From the above table we can infer that regression analysis is conducted on occupation and the influence of employment status on investment behavior by comparing the patterns among different classes. The first statement had significant value of more than 0.05 ie, .169. The second statement had significant value of more than 0.05 ie, .829. The third statement had significant value of more than 0.05 ie, .491. The fourth statement had significant value of more than 0.05 ie, .078.

The majority have more than significant value of 0.05 thus accepting hypothesis.

5. FINDINGS

About 49.3% of respondents believe their employment status influences investment decisions, while 26.7% do not perceive a direct impact. This finding suggests that while employment status has some influence, personal financial goals and knowledge also play some role.

Regression analysis results indicate that employment status have a statistically significant influence on investment behavior. This means that factors other than employment status, such as income, financial literacy, and personal preferences, play a small role in shaping investment decisions.

Respondents perceive their employment status as a limiting factor in their investment options, suggesting that personal financial goals and knowledge dictate investment choices in a less way than professional stability.

6. CONCLUSIONS

The study concludes that employment status significantly influences investment behavior, with business owners, salaried employees, and students exhibiting distinct patterns. Approximately 49.3% of respondents believe their employment status affects their investment decisions, indicating a notable relationship between occupational stability and financial choices. However, the regression analysis suggests that employment status alone is not the sole determinant of investment behavior. Factors such as income stability, financial literacy, and personal goals also play a significant role.

While full-time employees with stable incomes tend to engage in long-term investments, part-time and self-employed individuals often prioritize liquidity due to income variability. The study emphasizes the importance of tailored financial strategies to address the diverse needs of individuals across employment categories. Policymakers and financial institutions should focus on improving financial literacy and providing inclusive investment opportunities to enhance participation and informed decision-making.

7. LIMITATIONS OF THE STUDY

The data was gathered using a self-designed questionnaire, which could lead to response bias and potentially impact the reliability of the findings.

The study employed both quantitative and qualitative methods; however, the approach for integrating and analyzing data from these methodologies is not clearly specified.

Additionally, limited details on the sample size and demographic characteristics of participants may restrict the generalizability of the results.

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