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Investors' Perception and Behaviour Towards Investment Schemes among Bank Employees: An Empirical Study

[1]Mrs. Priyamwada Saxena, [2]Dr. Madhuri Puranik

[1]Research Scholar Oriental University, Indore

[2]Associate Professor and Supervisor Department of Commerce Oriental University, Indore

Abstract

This study is concerned with the aspects of financial investment, risk-taking capacity, liquidity, expected returns and matching of investment decision with personal goals, that is, understanding investment objectives in relation to own goals. An individual in order to make effective investments should be aware of the different investment options in the Indian capital market and how to come up with a good decision to choose the most appropriate investment opportunity. While there are some commonalities and some differences, aspects such as clear objectives, knowledge of the product, risk analysis, investment assessment, personal goals and personal priorities and the time horizon of the investment influence the investment behaviour of bank employees in the same way as of the general public. These are some of the typical factors considered when evaluating an individual's actions and aligning those actions with his/her investment decisions. The purpose of this study is to answer the following questions: What is the effect of the demographic on the investment decision of bank employees and what are the differences in the motives, sources of inspiration and investor behavior in terms of investment preferences? The study explores the perception and behavior of the sample of bank staff of Indore on investment plans and was based on the responses received. Data analysis was carried out with the percentage analysis. The study indicates that age, gender and marital status are among the factors that affect bank employees' awareness of the investment instruments, the factors that influence their assumptions, and their preferences for certain instruments of investment. Financial security is found to be a major drive for investing with bank based savings schemes being a top investment priority among all respondents..

Keywords: The investor, perception, and demographics are the three key areas of focus. Investor, perception, and demographics are the three key areas of focus.

Introduction

Investment is any sacrifice of money or other resources now that will be returned in the future. Investment may also be defined as a net increase in a country's physical supply of, or capital in, a country. In today's financial market, numerous investment avenues are available to investors. The two elements of any investment are time and risk. The financial situation of our future is heavily reliant on the investment choices that we make, whether these are wise or unwise.

One of the world's richest men, Warren Buffett, famously said that investing is the easy part in theory, but not always easy in practice (Buffett, 2018, p. 49).

That's not a cliché: Buffett is one of the world's most successful investors, and there are others too who are successful investors. Investing is actually easy in that it is just the process of placing money aside to achieve it increase in value overtime. Investing is also tough because it's a conflict with fundamentals: The tendency to buy and enjoy something now, rather than later, even though it's more expensive. It is also tough because it takes a long time of patience and discipline, particularly when we see others around us enjoying their money without our patience and discipline. According to a classic theory in investment theory, investors are rational creatures who will always seek to maximize the expected utility, given their expectations for future returns. In this perspective, an investor's choice of action is considered a choice between current consumption and future consumption. Individual investor considers the benefits of today's spending against the benefits he/she may receive if he/she invests unused money to increase consumption sometime in the future. This theory assumes that when an individual makes a choice to delay gratification, he or she chooses the option most likely to give the highest return in long-term satisfaction.

Background of the Study

According to the expected utility theory by von Neumann and Morgenstern (2020, p. 65), investors are (1) completely rational, (2) able to make complex decisions, (3) risk averse, and (4) wealth maximizers.

Another assumption of utility theory is that all investors choose the option that has the highest expected satisfaction, which is associated with the highest expected return and the lowest risk. The way an individual invests is very important for what they are going to become in the future and there are many influences that can make a difference in the investment decision. Overconfidence has been put forward as one of the factors that could predict the investment decision making process. Previous research has indicated that greater financial literacy was strongly correlated with financial decision-making processes in key investment issues. It is important to grasp human behaviour in financial investment to maximize the return on investment. Also, investors must develop positive thinking, knowing their way around, strength and initiative. Demographic factors like socio-economic background, education, age, marital status and gender are the difference among the investors' financial behaviour. The main problem that investors have is the extent of investment choices. Investors will take into account their investment objectives, risk tolerance and other factors when deciding what to invest in. They also take into account the risk/reward balance. This strategy will generally work well for institutional investors rather than retail investors who are more likely to have behavioral biases. There are numerous factors which encourage young professionals early in their career to invest their hard-earned money in a range of financial instruments available (including shares, debentures, bonds, mutual funds and derivatives), and which lead them to be less confident in their finances and to be sensitive about it; and to prefer to save money as early in life as possible.

Rationale for the Study

People of all socio-economic statuses, educational and family backgrounds, and professions invest in a variety of monetary vehicles. If a person has extra money to spend that is not required for living expenses, then he can be a potential investor. Such an investor could put their surplus funds into savings schemes or other assets such as gold or real estate, or simply deposit it in a bank account. If an organisation has a surplus in its income and expenditure statements, it can invest it in growth or expansion of its business. All of these activities are broadly speaking investments. There are a few differences between professionals and institutional investors' investment behaviour. People invest relatively more in assets that are not traded in the market like real estate, hedge funds, or structured products. The term ‘institutional investor’ is commonly used to describe an organisation that invests on behalf of others, for example a pension fund, endowment or charitable organisation.

Investment is an activity in which income and/or money is invested in something that should provide an additional income. Various options in terms of assets are offered like bank deposit schemes that are still in high demand as the public has become aware about the importance of savings and investments. Growing uncertainty about health, security, financial status and social and family welfare pushes all of us to move from saving to investing for future returns. In 2008, with the financial crisis, investors have started moving from the stock market to fixed deposits. Return from fixed deposits decreased and interest rates dropped considerably from the early 2010s onwards, so the investors started shifting towards market-linked investment schemes once again. That doesn't stop doubts and uncertainty affecting investor behavior, however. Most young investors today invest in returns that turns into equity, and not the fixed income investment options. Today's investors are dynamic, well informed and rational – they do extensive research before choosing what to invest in and they want to get a good return with low risk on their investment, and are willing to accept higher risk for higher return if it is possible. Investment systems and investment managers, however, are not always able to fully incorporate the various investment behaviours, investment preferences, factors that influence behaviour and investment decisions, and, most importantly, attention to insights from behavioural economics.

Review of Literature

Research on the relationship between the lifestyle of the investors and their investment behaviour was done by Kasilingam (2021). The aim of the study was to find out whether a sense of security towards financial products and consumer behavior can contribute to predicting investors' choices of investment in the financial products. The researcher investigated whether this individual's ability to take risk was directly associated with his perceived lifestyle of financial security; whether a feeling of security affected his investment decision making; and whether this differed among the various demographic groups based on the ability to take risk.

It has been conducted a study on Financial Literacy and Saving Practice of IT Professionals in India by Gupte (2021). The aim of the study was to gain insight into investment and saving attitudes of professionals in the information technology industry. The author discovered that for investment, IT professionals perceived investment more as a supplement to their incomes rather than a source of financial stability and that they were ready to take more risk than other occupational groups, but also wanted more liquidity in their investments.

Kulkarni (2022) conducted a study on Investment behaviour on Demographic factors. The aim of this study was to gain a better understanding of an investment manager's clients' investment preferences so that they can accordingly advise their clients to make informed and positive changes to their investment portfolio. The study identified that there are varying preferences among different age groups, demographic groups, income groups, education groups, financial security groups, groups of occupation, gender groups and groups of dependents across the board and that people have vastly different investment preferences (e.g., there's a significant difference between a government employee and an IT professional).

A study by Malik (2022) was released about the preference of the people in investment behaviour. Today's investor is knowledgeable, rational and aware of the various investment schemes and options available to him ranging from equity to mutual funds, insurance, portfolio management services, and real estate.

Statement of the Problem

Today's investors are dynamic, informed and rational and engage in extensive research before making an investment decision, insisting that they get a good return from their investments at reasonable risk, and willing to take higher risk for higher return. But the investment scheme provider fails to stay abreast of investor changing behavior and investment activities and preferences. Investment pattern is not very certain in the context of changing population when it comes to identification and designing. There is a mismatch between behavioural differences among investors, and their incorporation into investment product design to satisfy investor demand. Thus this study investigated investors preferences derived from their different demographic attribute under the following title:

Investors' Perception and Behavior towards Investment Schemes among Bank Employees (An Empirical Study)

Objectives of the Study

The purpose of this study is to find out the factors that affect the investment behavior of bank employees and to understand the attitudes of different age groups towards different investment options and bank decisions whether it is due to gender, income, education or occupation.

The aims of the research are:

To find out saving and investment pattern of the bank employees in Indore city.

To investigate the connections between the demographic, environment, and city-expense factors and the investment behaviour of bank employees.

Hypotheses of the Study

1.According to the analysis there is no significant difference in personal saving and investment behavior among age groups and gender on bank staff of Indore city.

2.Age and other demographic factors at the level of bank employees in Indore city are not related with the practices of saving and investment of the bank employees in the city.

Limitations of the Study

There are the following limitations of the present study:

1. The study is confined to the people on the bank working in Indore City.

2. The responses given by the respondents on different aspects of investment behaviour may be subjective.

3. Only variables from previous studies have been included in the wide range of factors affecting investment decisions, risk aversion and risk appetite.

Research Methodology

This study is well-specified with objectives and a predetermined methodology. It is descriptive, rather than prescriptive. A description of the methodology of the study is provided below.

Profile of the Study Area

Indore is one of the prominent cities in Madhya Pradesh recognized as the business centres and trade centres.

Population

Bank employees of Indore city are the population for the study.

The study uses a sampling approach.The sampling approach is used in the study.

The sampling framework is the sample size and the procedure employed in sampling.

Determination of Sample Size

The study is carried out on sixty Bank employees of Indore city.

Source and Tool of Data Collection

According to the analysis there is no significant difference in personal saving and investment behavior among age groups and gender on bank staff of Indore city.

Age and other demographic factors at the level of bank employees in Indore city are not related with the practices of saving and investment of the bank employees in the city.

Data Analysis and Interpretation

The data gathered are analysed and presented below.

The socio-demographic analysis of the respondents is presented below:

The main data about age, gender and marital status are displayed in the tables below, which are derived from the responses of the 58 respondents.

Table 1 presents the age profile of the respondents:

S. No.	Age Group	Number of Respondents	Percentage (%)
1	21–35	22	37.93

2	36–50	21	36.21
3	50 and above	15	25.86

Table 1: Age Profile of the Investors

Table 2 presents the gender distribution of the respondents:

S. No.	Gender	Number of Respondents	Percentage (%)
1	Male	30	51.72
2	Female	28	48.28

Table 2: Gender of the Investors

Table 3 presents the marital status of the respondents:

S. No.	Marital Status	Number of Respondents	Percentage (%)
1	Married	42	72.42
2	Unmarried	16	27.58

Table 3: Marital Status of the Investors

There is one field of study that aims to explain people's sometimes irrational behaviour regarding money and investing, and that field is called behavioural finance. The above tables clearly show the investment behavior based on the age group, gender and marital status in terms of awareness about the investment instruments, influencing factors on investment, preference to investment instruments, information sources of investment schemes, risk-return preferences, and the preferred investment platforms.

Results and Discussion

From the analysis of the above mentioned data the following conclusions can be drawn:

The age group of the total investors population is 37.93% for 21-35 age group, 36.20% for 36-50 age group and 25.86% for above 50 age group.

51.72% of the overall number of investors is male while 48.27% is female.

About marital status, 72.41% of the total investors are married while 27.58% are unmarried.

The participants were asked about the factors that they believe are most important for investment decisions. They said they value guaranteed returns, tax benefits, capital growth, low risk, investment security, and financial security for future, children's education and children's marriage.

The influences of decision making are tax benefits, convenience of purchase, familiarity with them, liquidity, suggestions by acquaintances, growth potential, expected value appreciation, financial knowledge, amount to invest, financial newspapers, information available online, targetted investment organisations, general knowledge, liquidity, newspapers, past experience, investor skill, rules laid by investment advisors, TV networks, lack of confidence, and suggestions by family and peers.

Conclusion

Investors' decisions in India are influenced by perception, word of mouth, returns, and insufficient long-term planning; decisions are often taken on the spur of the moment and without proper due diligence. In order to resolve the issue, this study centered on the behaviour of various investors and the influence it has on their investment decision making in India. When comparing people aged 21 to 50 with those over 50, the majority of investors are aged 21-50 (60% or more). The most important investment consideration overall is financial security, and for those over 50, steady income is the most important. Most of the investors are married (72.41% of investors) and most of them do not take investment decisions on a whim; they involve in a proper investment planning process and know about the different kinds of investment products available. Marital status-wise, financial security is the top factor for both married and unmarried respondents as the next to top factor influencing married respondents to invest is tax savings. There is also no significant difference between male and female respondents; financial security is their top investment consideration, with steady income being the next important consideration for women, and tax saving being the next important consideration for men.

The results of this research indicate that there is significant role of behaviour in the making of sound investment decisions. To choose a specific investment choice, one should first understand the complete behavioural pattern of an investor, such as lifestyle changes, time horizon, attitude towards assets, thought processes, perception of the investments, incidental expenses, spending habits, life goals and their income.

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