IJNRD.ORG ISSN : 2456-4184
INTERNATIONAL JOURNAL OF NOVEL RESEARCH AND DEVELOPMENT (IJNRD) | IJNRD.ORG
An International Open Access, Peer-reviewed, Refereed Journal

Assessment of Investment Pattern of Government Employee in Uttar Pradesh

Dr. Ajay Dwivedi
Professor
(Department of Financial studies)
Purvanchal University
Jaunpur

Chandra Ketu Singh
Research Scholar
(Department of Financial studies) Veer Bahadur Singh
Veer Bahadur Singh Purvanchal University
Jaunpur

Abstract

The growth of an emerging economy is fueled by domestic and foreign capital investment, which is financed through domestic savings of households and financial institutions. India is one of the emerging economies and is a land of investment opportunities like stocks, bank deposits, bonds, mutual funds, post office deposits, real estate, derivatives, gold, insurance and many more. According to the Economic Survey, India's gross capital formation has reached 11.8% in 2022 from 10.7%. according to rating agency CRYSIL Bank, deposits, which represent the largest part of gross financial savings, grew by 13.5% in fiscal 2024 compared to 9.6% in the previous year. Also, the banking system's deposit rate grew faster than nominal GDP growth of 9.1% in FY2024,"

"household India is also a major part of their savings, investment in the mutual fund industry grew at a faster rate in FY2024 compared to the recent past. it will increase in FY2024," he added. Bank retail credit growth remained relatively strong at 17.7% in FY24, although it declined from 21% in FY23, but even so, pro-investment policies need to be stimulated to recover the economic slowdown in India's saving-investment ratio. An attempt is made to understand the investment pattern of Uttar Pradesh government employees as they receive a regular monthly income which can be put to good use by channelizing it into an effective investment channel. The study examined the influence of demographic factors on their

investment preferences and their overall investment pattern. It is found that gender and time of investment affects their investment pattern and time of investment such as bank deposits, insurance and postal schemes and investors least prefer equity and debt instruments.

Keywords - Investment, savings, economy, civil servants, demographic factors. JEL classification: G11

Introduction: Savings is the portion of disposable income that individuals keep aside for future use. These savings, which are sacrificed in anticipation of future benefit, become investment is the act of allocating funds to an asset or putting a sum of capital into an Endeavor with the expectation of generating income/profits in the future. Savings and investment are two macroeconomic variables that support the mobilization of capital supporting employment opportunities, price stability, thereby contributing to the economic growth of a nation. In general, investors use their savings for investments with objectives such as capital appreciation, maximization of returns, liquidity, utilization of tax benefits, minimization of risks, safety, etc. Understanding these objectives leads to adequate accumulation of funds from various classes of investors and channeling them into of Indian capital. market. A country's economic progress is heavily based on its capital accumulation, which in turn is based on savings and investment (Asia's Journey to prosperity Book, 2020). To achieve a higher level of financial growth, the Indian economy needs to strengthen its capital market by attracting sufficient capital in the form of investment from various classes of investors. Investor-friendly financial instruments can induce investors to sacrifice their current income in anticipation of future returns. Money earned from investing is greater than money saved. The fear of loss is greater than the probability of profit for most investors. (Prospect theory 2010). Financial literacy is one of the influencing factors that build financial resilience in investors. Consistent financial education and policy builds financial literacy that helps individuals be financially resilient in times of crisis (Erdem & Rojahn 2022). Both government and private sector employees have been found to be risk averse and take less than 10% risk in investments (Jaya Prakash, et.al 2017). In this context, understanding the investment objectives and patterns of different classes of investors will strongly support financial institutions in building financial plans and products accordingly.

Statement of the Problem

Investor’s decisions are driven by economic, behavioral, psychological and many other factors. Previous studies

say that, Indian financial market has numerous investment opportunities, but still majority of the investors are inclined towards the traditional investment alternatives like bank deposits, insurance and other safe avenues. As government employees earn regular and steady income, their savings can be efficiently routed to right and profitable investment options, but not much survey has been conducted for this investor class. So this study identifies the investment pattern of government employee of Uttar Pradesh and the demographic factors affecting their investment decision**.**

Review of literature

Sangeetha D (2013) gave a clear picture about the importance of savings and investment on the Indian economy based on statistical survey released by financial bodies. For a developing country like India, increased accumulation of domestic savings in the form of investments leads to increased GDP and supports the growth of an economy. The author suggested the investors to invest in risky assets in order to earn higher returns as well as to reap the benefits of derivatives products which are used to hedge the risk. Inflation also acts as an indicator to understand the return that has to be generated to match with inflation rate. Long period of investment holding generates higher return and avoids risk of volatility. According to the statistics, only 5% of individual income is been converted into investment which is not a good sign and majority of the funds are going to bank deposits, insurance and PPF channels. Investors should increase their

savings percentage and invest in diversified portfolio (combination of risky and risk less securities) to earn better returns.

Vinod (2013) pointed out that even after being in the bracket of regular income from central government, railway employees at Gwalior chooses the insurance as the safest investment avenue that too specifically public sector insurance company like LIC followed by bank deposits. Majority of the respondents are risk averse and have least awareness about the capital market products like equity, mutual funds, derivatives etc. Employees avoids brokers/ investment consultants for their decision and they are back of tax saving and return oriented instruments. As railways are the largest revenue generator of India, it is prudent for the financial intermediaries to attract savings from the salaried employees and Route it to modern financial instruments which sequentially results in country's capital formation and income generation for the investors.

Shinde & Zanvar (2015) tested whether demographic traits have a determinant effect on the investment selection of the investors. Age, education and income influences the investment decisions to a greater extent when compared to other factors like gender occupation and marital status. Similar to other studies, here also it is proven that majority of the respondents irrespective of age prefers less risk investment alternatives like NSC, PPF, Bank deposits and insurance. Only few investors in high income group have shown interest in the portfolio of risky and risk less alternatives. When it is evident that demographic traits have a determinant effect on the investment decisions, it is easy for the financial bodies to track the investment behavior and move the financial products to them.

Das & Kumar (2016) analyzed savings and investment behavior of Indian middle-class households with special concentration towards discretionary savings. Savings pattern of investors are not influenced by investor's employment as well as monthly income but the investment behavior is significantly affected by the investor's monthly income. If majority of the

Indian households sufficiently converts their discretionary savings into investment, then it increases the standard of living as well as improves economic development of the country. Financial institutions, fund houses, policy makers have to respond to middle class investors by understanding their investment goals and frame the strategies accordingly.

Jayaprakash et.al (2017) highlighted the investment pattern of government and private employees in Kerala with special reference to Ernakulum city. The selected respondents have shown common investment pattern like choosing safe and tax saving investment avenues like insurance, post office deposits and provident funds. Both government and private employees are found to be risk averse and takes less than 10% risk in investments. Most of the investment practices are found to be similar between government and private sector employees and they agree that the return on investment grow at a faster rate than inflation. Economic factors like inflation rate, GDP, unemployment rate and government policies influences the investor's investment decision. Even though financial literacy is found among few investors, inadequate stock market knowledge is keeping the Investors out of stock market investments.

Sah (2017) India is witnessing the increase in the percentage of working women which results in increased savings

and investment activities in the economy. The study underlines that majority of the women surveyed in Hyderabad are responsible for their family expenditures for which they expect short term gains from the investment and depend mainly on their family / friends circle for investment information. It is a good sign that women are more interested to learn about various innovative financial products to earn maximum returns with minimum risk. As still many female investors are involved in conventional form of investment it is the responsibility of financial institutions and policy makers to create awareness among them which leads to wealth creation for both individuals and the society as a whole.

Mubarak and Ramesh (2020) exhibited that majority of the investors belonging to the professional class, channel their funds into the equity and derivatives (futures and options) instruments for capital appreciation as well as to hedge the risk. Avenues like debentures, real estate, and exchange traded funds are least preferred. Mutual fund attracts the tax savers whereas gold and pension funds attract long term investors and insurance will be usually selected by the risk averse investors. Modern day investors are knowledgeable and cautious about various high risky and profitable capital market instruments.

Gaikar & Lakhani (2020) explained the relationship between financial investments with demographic variables of individuals residing in the major areas of Mumbai. It is quite evidential that most of the Mumbai investors under the study have opted for investments which have high growth opportunities and insurance oriented products to hedge against future uncertainties. Except gender and nature of employment other variables like age, income, educational qualification, work experience has an impact on the selection of investment schemes especially on growth and insurance oriented products. Urban investors with high income are high risk taker sand prefer stock market securities and low income individuals cannot face the negative returns from the risky securities.

Sondhi (2020) in her paper studying preferences of the government employees towards savings and investment proved that selected respondents from the Mandi district of Himachal Pradesh opt for risk free and safe avenues to invest their savings and major funds channelizes to private sector. Well qualified employees with high income and having access to various information sources depend more on friends and Relatives for financial guidance. It is identified that stock market investors tend to wait for improvement to cover up the losses. The study suggests investors to conduct investment analysis to build a good portfolio and recommends institutions to attract the

untapped savings with investor friendly instruments.

Veena & Chitra (2022) attempted to find out how societal factors, personal factors and government policy influences the investment pattern of Indian women investors. Women Investors in India have employed in their funds in both traditional as

well as modern instruments but still many of the female investors are getting influenced by family member's opinion and societal differentiation in respect of their investment decisions. It is fortunate that RBI and other financial institutions have initiated an exclusive strategies and programs to attract more number of women investors into capital market instruments. As women are becoming financially literate, they are ready to take higher risk to earn maximum returns so it is the financial institutions that have to come out of the stereotype opinion about them and should encourage investments into contemporary instruments from women investors.

Objectives of the study:

1. To study the investment pattern of government employee in Uttar Pradesh.
2. To understand the influence of demographic factors on the investment preference of government employee
3. To analyses the factors influencing the investment decision of Government employee

Type of research: Descriptive type of research is being adopted for the study to understand the investment behavior of employees working in various government departments of Uttar Pradesh and influence of demographic factors on their investment decision. Sources of data collection The study is based on primary data which is collected through a structured questionnaire from the investors working in different government departments.

Types of sampling: Judgmental sampling technique are used in the study wherein the Data is collected from those respondents who are involved in investment activity. The sample size for the study is 200. Employees working in different government departments of Uttar Pradesh, have considered for the study. Questionnaires were distributed to those respondents who were involved in investment activity.

Hypotheses

H01: There is no significant relationship exists between investment preference and Gender of investors.

H02: There is a significant relationship between investment preference and the demographic factors of investors

H03: There is a no significance difference between the investment period of males and females to analyses the factors influencing the investment decision of Government employee

Data Analysis and Interpretation-

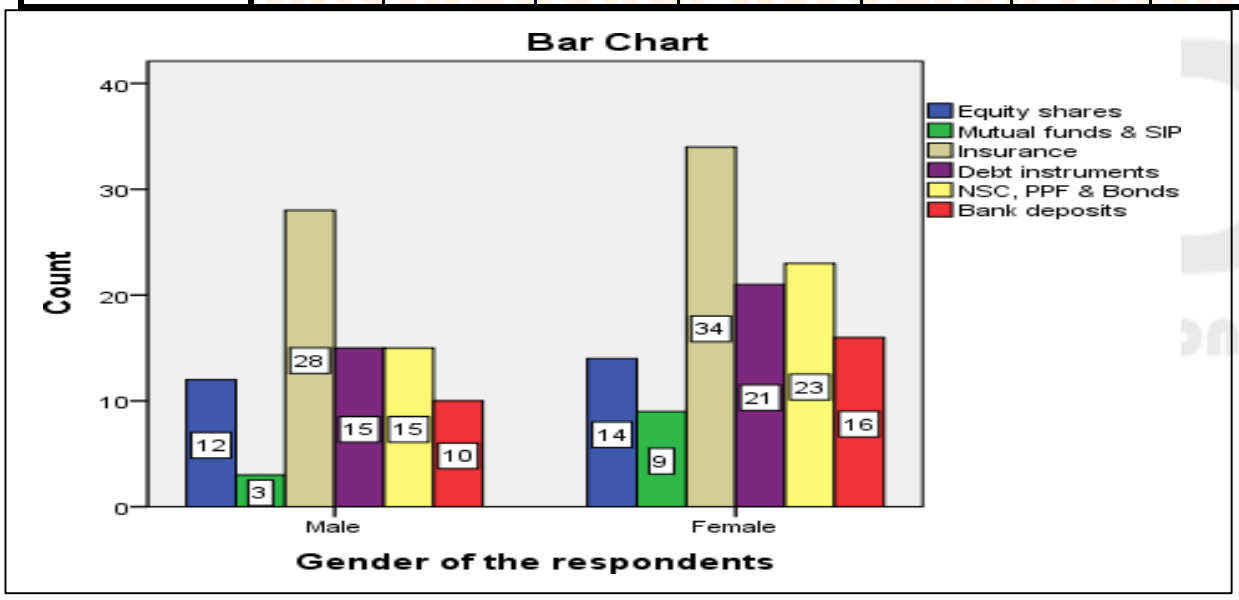
H01: There is no significant relationship exists between investment preference and Gender of investors

Case Processing Summary

	Cases					
	Valid		Missing		Total	
Gender	N	Percent	N	Percent	N	Percent
	200	100.0%	0	0.0%	200	100.0%

Gender & Investor's preferences

Gender		Investor Preferences						Total
		Equity shares	Mutual funds & SIP	Insurance	Debt instruments	NSC, PPF & Bonds	Bank deposits	
Male	Count	12	3	28	15	15	10	83
	Percent	46.2%	25.0%	45.2%	41.7%	39.5%	38.5%	41.5%
Female	Count	14	9	34	21	23	16	117
	Percent	53.8%	75.0%	54.8%	58.3%	60.5%	61.5%	58.5%
	Count	26	12	62	36	38	26	200
	Percent	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



From the above table it is seen that majority of government employee 62% employee invest their saving in

insurance after that 38% employee invest their saving in traditional mode of investment like NSC, PPF, MUTUAL FUND after that 36% employee invest in debt instrument, 26% employee invest in equity and bank deposit and rest of person invest in mutual fund.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.084[a]	5	.837
Likelihood Ratio	2.166	5	.826
Linear-by-Linear Association	.164	1	.685
N of Valid Cases	200		

a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 4.98.

The above test table shows that the chi- square value .837 at 5 degree of freedom which is more than the significant value 0.05 which results in accepting the null hypotheses that there is no significant relationship between the gender and the investment preference. Both male and female investors have shown similar investment pattern while investing decision in different investment preferences

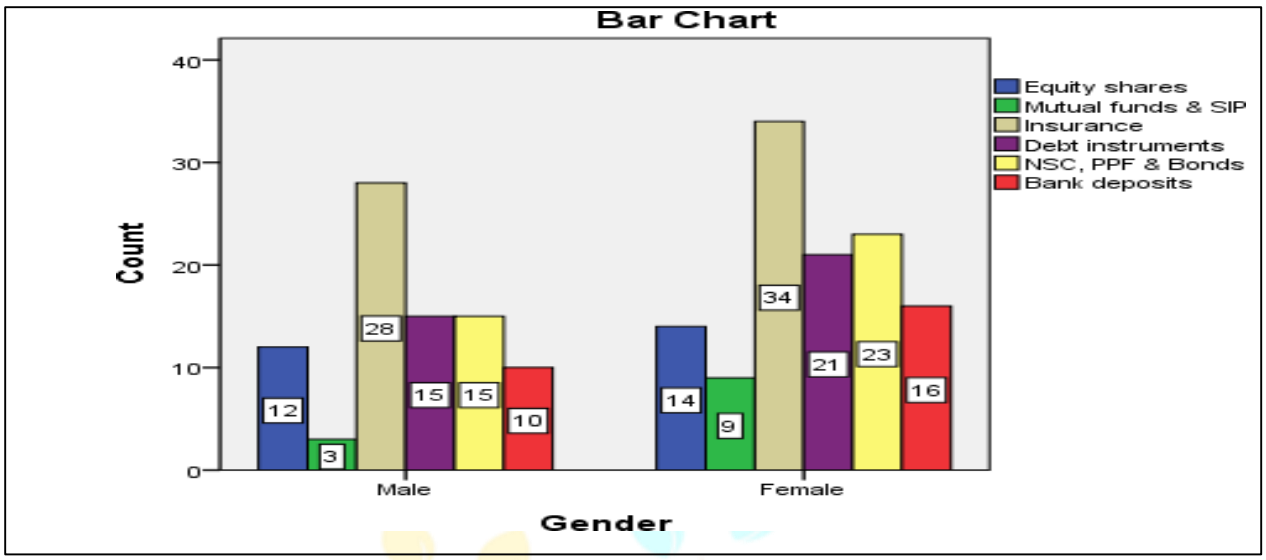
H0: There is a no significance difference between the investment period of Males and Females.

Case processing summary

Gender & Period of investment	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
	200	100.0%	0	0.0%	200	100.0%

Gender & period of investment

		Period of investment				Total
		Monthly	Quarterly	Half Yearly	Yearly	
Male	Count	35	9	22	17	83
	% within Period of investment.0%	47.9%	36.0%	40.7%	35.4%	41.5%
Female	Count	38	16	32	31	117
	% within Period of investment	52.1%	64.0%	59.3%	64.6%	58.5%
Total	Count	73	25	54	48	200
	% within Period of investment	100.0%	100.0%	100.0%	100.0%	100



Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.305[a]	3	.512
Likelihood Ratio	2.307	3	.511
Linear-by-Linear Association	1.700	1	.192
N of Valid Cases	200		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 10.38.

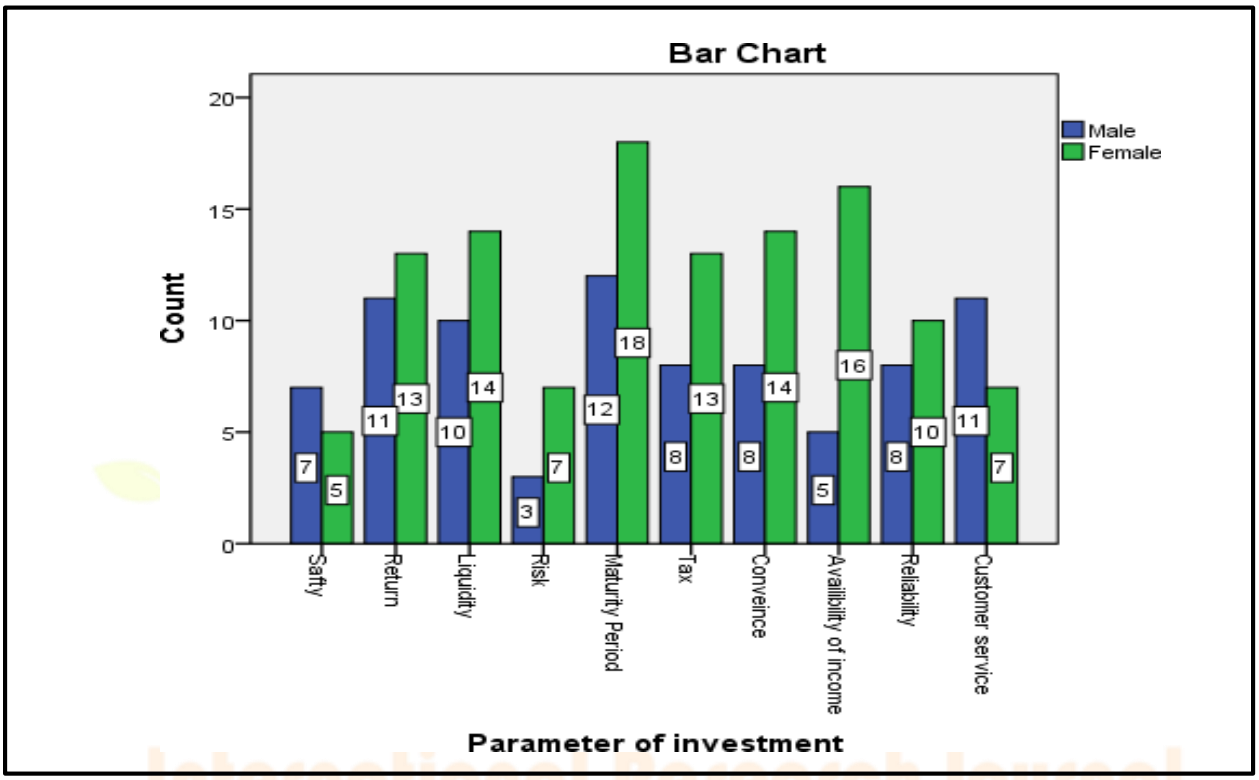
The above test table shows that the chi- square value .512 at 3 degree of freedom which is more than the significant value 0.05 which results in accepting the null hypotheses that there is no significant relationship between the period of investment and the gender. Both male and female investors have shown same period of investment.

H02: There is a no significance difference between the parameter of investment of Males and Females

Parameter of investment * Gender Cross tabulation

Parameter of investment		**Gender of the respondents**		**Total**
		Male	**Female**	
Safety	Count	7	5	12
	% within Gender	8.4%	4.3%	6.0%
Return	Count	11	13	24
	% within Gender	13.3%	11.1%	12.0%
Liquidity	Count	10	14	24
	% within Gender	12.0%	12.0%	12.0%
Risk	Count	3	7	10
	% within Gender	3.6%	6.0%	5.0%
Maturity Period	Count	12	18	30
	% within Gender	14.5%	15.4%	15.0%
Tax	Count	8	13	21
	% within Gender	9.6%	11.1%	10.5%
Conveyance	Count	8	14	22
	% within Gender	9.6%	12.0%	11.0%
Availability of income	Count	5	16	21
	% within Gender	6.0%	13.7%	10.5%

Reliability	Count	8	10	18
	% within Gender	9.6%	8.5%	9.0%
Customer service	Count	11	7	18
	% within Gender	13.3%	6.0%	9.0%
Total	Count	83	117	200
	% within Gender	100.0%	100.0%	100.0%



Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.121[a]	9	.522
Likelihood Ratio	8.255	9	.509
Linear-by-Linear Association	.055	1	.814
N of Valid Cases	200		

a. 2 cells (10.0%) have expected count less than 5. The minimum expected count is 4.15.

The above test table shows that the chi- square value .522 at 9 degree of freedom which is more than the significant value 0.05 which results in accepting the null hypotheses that there is no

significant relationship between the parameter of investment and the gender. Both male and female investors have shown same parameter of investment.

Conclusion: The study figured out the effect of demographic factors on the investment preference of government employees working in Uttar Pradesh Age, income and experience no influences Understanding the investor's demographic factors, risk and return profile and factors that influence their investment decision is a crucial aspect while designing the financial products hence the financial institutions has to come up with various investor friendly investment tools, websites, awareness camps, financial services to attract funds from varied class of investor groups

This study also focusses the gender discrimination between ten investment parameter safety, return, liquidity, period of investment, tax, conveyance, reliability and availability of income has same impact in government employee investment behavior. Investment period of male and female has no significant difference

Imitations of the study

1. Government employees working in Uttar Pradesh were only considered for the study.
2. Behavioral aspects are not considered in the study.

References:

- **Sangeetha, D. (2013).** The importance of savings and investment on the Indian economy. *Journal of Financial Studies*, 8(2), 45-67.
- **Vinod. (2013).** Investment preferences of central government railway employees in Gwalior. *Journal of Public Sector Economics*, 12(3), 78-91.
- **Shinde, M., & Zanvar, R. (2015**). Determinants of investment selection: The role of demographic traits. *International Journal of Finance and Economics*, 10(1), 99-112.
- **Das, S., & Kumar, P. (2016).** Savings and investment behavior of Indian middle-class households. *Indian Economic Journal*, 64(3), 22-39.
- **Jayaprakash, D., Ajayan, L., & Jayashankar. (2017).** Investment patterns of government and private employees in Kerala. *International Journal of Economic Research*, 14(15), 112-125.
- **Sah, R. (2017).** Increasing women's investment activities in India: A study from Hyderabad. *Journal of Gender and Economic Development*, 15(2), 101-117.
- **Mubarak, M., & Ramesh, S. (2020**). Investment preferences of professional class investors: Equity and derivatives. *Journal of Capital Market Studies*, 12(4), 142-158.
- **Gaikar, S., & Lakhani, R. (2020).** Financial investments and demographic variables in Mumbai. *Asian Journal of Finance*, 22(1), 35-50.

- **Sondhi, N. (2020).** Government employees' investment preferences in Himachal Pradesh. *Journal of Investment and Portfolio Management*, 17(3), 87-104.

- **Veena, P., & Chitra, K. (2022).** Societal and personal factors influencing investment patterns of Indian women. *Journal of Women and Finance*, 20(2), 77-92.