International Journal of Advanced Research in Commerce, Management & Social Science (IJARCMSS) ISSN :2581-7930, Impact Factor : 7.270, Volume 08, No. 02(I), April-June, 2025, pp 177-184

A Statistical Analysis of Government Employees' Investment Behaviour in Chhattisgarh State

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ABSTRACT

The foundation of any nation's economy is savings and investment. Capital creation, which they help to create, is what keeps a country's economy going. A nation's capacity to generate income, spend it, save some, and invest it is the bedrock of its economic growth and development. Purchasing an item with the expectation of future financial gain is known as an investment. A key ability that may contribute to financial success for investors is the ability to make sound investment decisions. Research on investment behaviour aims to shed light on the reasoning behind investors' choices by bringing together the fields of psychology and micro-level investing (the decision-making process of people and organisations) with macro-level investing (the function of financial markets). This report makes an effort to investigate the investigate how different elements and biases, such as economics, emotions, financial knowledge, cognitive biases, herding, markets, and risk-taking abilities, affect investor behaviour. Researchers, policymakers, and designers of financial goods and services may all benefit greatly from the study's conclusions.

Keywords: Investor Behaviour, Economy, Item, Purchase, Financial Markets.

Introduction

When people manage and distribute their personal resources across various financial and nonfinancial assets, their attitudes, preferences, decision-making styles, and financial habits are referred to as their investment behaviour. Government workers in India make up a sizable portion of the salaried class and are seen as financially solid since they are guaranteed a steady salary, permanent employment, and benefits after retirement. Given this, it is crucial to investigate the investing habits of government workers in Chhattisgarh, a relatively new state that was founded in 2000, in order to comprehend their methods for managing their finances and making plans for the future. [1]

Many individuals in Chhattisgarh, a state renowned for its abundant natural resources, tribal culture, and expanding industrial infrastructure, are employed by the government. They include workers in state government agencies, public sector enterprises, schools, local government agencies, law enforcement, and other statutory organisations. State government workers are a significant group for financial institutions and legislators because they get retirement benefits, promotions based on length of service, and stable salaries. Numerous socioeconomic and psychological characteristics, including income level, age, education, marriage status, family obligations, job stability, risk perception, and financial knowledge, have a significant impact on this group's investing behaviour.

Like in most other regions of India, government workers in Chhattisgarh have always shown a preference for safe and low-risk investment options. These consist of choices such as National Savings Certificates (NSC), Life Insurance Corporation (LIC) policies, General Provident Fund (GPF), Public Provident Fund (PPF), fixed deposits, and post office savings plans. Capital safety, guaranteed returns,

and tax advantages are the main justifications for selecting these paths. Instead of investing for wealth growth or risk-taking, employees often see investments as a way to save for retirement, their children's education and marriage, and other long-term financial objectives. [2]

However, a gradual but noticeable change in the investing habits of Chhattisgarh government workers is being seen as a result of rising financial product knowledge, higher literacy levels, and the impact of digital financial platforms. Nowadays, a lot of people are looking at market-linked investment choices such as shares, debentures, mutual funds, real estate, and Systematic Investment Plans (SIPs). Younger workers in particular have been urged to diversify their investment portfolios and strike a balance between classic and new investment instruments due to the ease with which financial information is accessible via internet platforms, smartphone apps, and financial advising services. [3]

Important information about how different variables influence government workers' investing choices may be gleaned from a statistical examination of their investment habits. Their choice of investing options is greatly influenced by factors including gender, age, number of dependents, job duration, monthly income, and educational background. While elderly workers approaching retirement are inclined to continue with safer, fixed-income schemes, younger employees with more discretionary money and fewer dependents may be more ready to participate in riskier but higher return choices like stock and mutual funds. [4]

Furthermore, government regulations can have a significant impact on how people invest. Financial planning choices are directly impacted by programs like the National Pension System (NPS), Section 80C tax exemptions, and employee welfare programs. For new government workers, the transition from a pension-based retirement system to contributory pension plans has further necessitated proactive financial planning, which promotes engagement in long-term investment possibilities. [5]

In conclusion, although Chhattisgarh government workers have historically been cautious investors who value safety over large returns, shifting market dynamics, economic conditions, and growing financial literacy are all gradually changing their investment habits for the better. In order to create customised financial products, investment awareness initiatives, and advisory services that meet the unique requirements of this significant workforce segment and advance improved financial security and investment culture in the state, financial institutions, government policy planners, and investment advisors must have a thorough understanding of these trends.[6]

Aim of the Study

This research aims to look at how government workers in Chhattisgarh State spend their money based on economic, psychological, and market factors.

Hypotheses

This investigation set out to examine the following seven theories.

- Ho1: There is no effect of economic factors on government employees' investment behaviour
- H_{02} : There is no correlation between government workers' level of financial literacy and their investment decisions.
- H_{03} : There is no correlation between an investor's risk-taking capacity and the investment behaviour of government employees.
- H₀₄: There is no effect of emotional factors on government employees' investment behaviour.
- Hos: There is no effect of herding factors on government employees' investment behaviour.
- Hos: There is no influence of cognitive factors on government employees' investment behaviour.
- Hor: There is no effect of market factors on government employees' investment behaviour.

Research Methodology

Data Collection

The research made use of both primary and secondary sources of information. A systematic questionnaire was used to gather the main data. Articles in journals, on websites, and in other digital databases comprised the secondary data set.

Methods for Sampling

Personnel employed by the government of Chhattisgarh State are the focus of this research. The research used the Non-Probabilistic Convenience sampling approach for its sample strategy. We

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chose 210 government personnel from different departments who had invested in shares, debentures, bank deposits, etc., regardless of the amount they had invested, and we worked our way up.

Tools for Study

We used a questionnaire with brief, to-the-point questions as our study tool. The questionnaire is divided into two parts. After collecting basic demographic information, the survey asks participants to rate their level of agreement with statements regarding the influence of different factors on investment decisions on a 5-point Likert scale, "where 1 indicates strong disagreement and 5 indicates strong agreement.

We generated the following constructs from a survey of several research to explore the influence of various variables on investing behaviour.

Economic Factors - 4 item scale

- I am completely accountable for the outcomes of my investment decisions.
- I never withdraw my investment money until it has fully grown.
- I get returns that are competitive with or higher than the market rate.
- I never dabbled in any kind of business speculation.

Employee's familiarity with financial concepts- 5 item scale

- Bank interest rates, lending rates at financial institutions, and corporate credit ratings are all topics that I am well-versed in.
- The goals of different investing methods are known to me.
- I understand that money loses purchasing power due to inflation.
- I diversify my investments rather than relying on a single strategy, which ensures that my finances are safe.
- The investing business is something I'm well-versed in.

The Investor's Capacity to Take Risks- 4 item scale

- I am prepared to invest regardless of how the market is doing.
- Risky investments are something I like doing.
- I believe that my profits can be increased if I am willing to take risks.
- I am not worried about my stocks' lacklustre performance.

Prospect Factors/Emotional Factors – 5 item scale

- After suffering a loss, I avoid taking any risks.
- I have anxiety if there is a possibility of suffering a loss.
- I am confident in my capacity to oversee my investment.
- Typically, I am afraid to invest in possibilities that promise a profit.
- I will not increase my investment while the market is doing badly.

Herding Factors - 4 item scale

- The investing methods used by other investors impact my decision-making process.
- I would also put my money into comparable financial assets, just like my buddies.
- When it comes to money, I base my judgements on what previous investors have bought and sold.
- I quickly change my investment decisions once I see how other investors react.

Neural and Cognitive Elements- 5 item scale

- I put my money into markets that have been growing at a quick pace lately.
- Through the application of my intuition, I reliably surpass market performance.
- I like to put my money into local channels instead of foreign ones since the information in the former are easier to get to.

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- When the market is doing well, I feel optimistic and believe that the trend will continue.
 - Every part of my investing portfolio is typically managed in a unique way by myself.

Market Factors - 4 item scale

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- I usually invest in a certain industry, so I keep a careful eye on the market movement there.
- My reaction times are too short whenever there is a change in the financial market.
- Market knowledge is vital for me to make an investing choice.
- The amount of money I put away increases as the interest rate rises.
- I look for information on investments on the internet.

The goal-oriented investment behaviour of government personnel- 6 item scale

- I determine my objectives before putting money into anything.
- A schedule is devised by myself in order to achieve all of my investing objectives.
- I base my investment selections on my investment objectives.
- I invest my money in many alternatives while keeping my future financial objectives and aspirations in consideration.
- I adjust my investment portfolio to reflect any changes in my investing objectives.
- I modify the amounts I invest based on my changing anticipated financial need.

Method for Analysing Data

The purpose of path analysis is to identify and evaluate the interplay between a collection of factors and a result by following the chain of events that led to that conclusion. Models that are more intricate and grounded in reality than multiple regression may be examined using path analysis. To find out how Economic, Psychological, and Market Variables affect government workers' investing behaviour, this research used Path Analysis.

Respondents' Demographic Profile

In Table 1 we can see the responder demographics. The data shows that most people who filled out the survey are men (65%), between the ages of 31 and 45 (41.5%), married (95%), with a bachelor's degree or above (64.5%), and earning between 10 and 20 lakhs rupees per year (38%).

S. No	Factors	Ν	Percent (%)
1	Gender		
	Male	130	61.9
	Female	80	38.1
	Total	210	100
2	Age		
	Below 30 years	69	32.9
	31 to 45 years	83	39.5
	Above 45 years	58	27.6
	Total	210	100
3	Marital Status		
	Married	190	90.5
	Unmarried	14	6.7
	Divorced/Separated/Widowed	6	2.8
	Total	210	100
4	Highest Educational Qualification		
	Non-Matriculation	6	2.9
	SSC/Intermediate	11	5.2
	Graduate	54	25.7
	Postgraduate	139	66.2
	Total	210	100

Table 1: Respondents' Demographic Profile

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5	Annual Income		
	Less than ₹5.00 lakhs	54	25.7
	₹5.00 lakhs to ₹10.00 lakhs	28	13.3
	₹10.00 lakhs to ₹20.00 lakhs	76	36.2
	Above ₹20.00 lakhs	52	24.8
	Total	210	100

Results and Findings

Instrument Dependability

An established approach for determining internal consistency, the Cronbach alpha, was used to examine the reliability of the questionnaire. The optimal CR, according to Fornell and Larcker (1981), is 0.60 or higher. Reliability for the study's included measures is strong, with values over 0.60 (Table 2)." The inclusion of these indices in the factors demonstrates their reliability for future usage.

Table 2. Vernication mutings using Cronbach's Alpha									
Factors	Money Matters	Competence in Taking	Financial Risks	Affective Elements	Herding Elements	Mental Elements	Characteristics of the Market	Asset Allocation Practices	
No of items	4	5	4	5	4	5	5	6	
Cronbach's Alpha	0.689	0.822	0.841	0.653	0.751	0.731	0.76	0.906	
Composite Reliability	0.672	0.832	0.845	0.677	0.773	0.737	0.78	0.863	

Table 2: Verification findings using Cronbach's Alpha

Evaluation of Fit for the Model

To ensure the measurement part of the model was valid, a preliminary analysis was carried out using Confirmatory Factor Analysis (CFA) (Table 3). Assuming the Standardised RMR is 0.05 or below, the model is deemed to be a Good Fit. The current model is ideal, then. By the time we left the starting line, we had standardised parameter estimates for both the direct and indirect impacts. We used a 0.05 significance threshold.

Acronym	RMSEA	CFI	SRMR GFI		CMIN/DF	Likelihood	RMR		
						Ratio			
Accepted	≤ 0.05 =	1 = perfect	≤ 0.05 =	1 =perfect	≤ 3 =	≥ 0.05	≤ 0.05 =		
Fit	reasonable	fit	acceptable fit	fit	acceptable		acceptable		
	fit	≥ 0.95 =		≥ 0.95 =	fit		fit		
		excellent fit		excellent	≤ 5 =		≤ 0.07 =		
		≥ .90 =		fit	reasonable		acceptable		
		acceptable		≥ 0.9 =	fit		fi		
		fit		acceptable					
				fit					
Explication	Root Mean	Comparative	Standardized	Goodness	Chi-square	P-value	Root		
	Square	Fit Index	Root Mean	of Fit	divided by		Mean		
	Error of		Squared	Index	Degree of		Squared		
	Approximati		Residual		Freedom		Residual		
	on								
Observed	0.05	1	0	1	0	0.05	0		
Value									

Table 3: Overview of Model Fit

Summary of the Hypothesis Evaluation

With an R-squared value of 68.7, the model's independent variables account for 68.7 percent of the variation in IB, according to the Model Estimate.

Both the standardised regression coefficients (Figure 2) and the unstandardised regression coefficients (Figure 1) are used to graphically represent the causal connection among the study's variables.



Figure 1: Incorporating Unstandardised Regression into Path Analysis Efficiency Ratio for Financial Action



Figure 2: Investment Behaviour Path Analysis using Standardised Regression Coefficient

To ascertain the likely causal association among the statistical variables—EK, EF, FK, RA, CF, HF, MF, and IB—Table displays the Path Coefficient values, also called the Unstandardised Regression Weights. Information about whether hypotheses are accepted or rejected is determined by the t-values. In two-tailed testing, a t-value larger than 1.96 is considered to be significant enough to accept the null hypothesis.

The model identifies five factors—economic conditions, financial literacy, investor risk tolerance, investor emotions, and market conditions—that influence investing behaviour.

There is a positive and statistically significant relationship between economic factors, financial knowledge, and market factors and government employee investment behaviour (IB), and a negative and statistically significant relationship between investor risk tolerance and investment behaviour.

Based on the regression estimate of 576 (P =.000), the market factors are the most influential, followed by economic factors with a regression estimate of 253 (P =.000), and finally, financial knowledge (β =.138, p<.005, t>1.96).

Based on the data, we may conclude that alternative hypotheses are correct and reject H01, H02, H03, and H04.

Conversely, it does not seem that Cognitive Factors or Herding Factors have a substantial impact on investing behaviour (P>.05). Thus, H05 and H06 are accepted based on the findings. Therefore, government employees in Chhattisgarh state are unaffected by cognitive and herding factors when it comes to their investing behaviour.

Regression Paths	$EF \to B$	$FK \rightarrow IB$	$RA \rightarrow IB$	$EM \rightarrow B$	$HF \rightarrow B$	$CF \rightarrow IB$	$MF\toIB$
Standardized Co-efficients (β)	0.253	0.138	-0.081	-0.076	-0.038	-0.038	0.576
Regression Co-efficients (B)	0.407	0.278	-0.145	-0.122	-0.062	-0.055	0.649
S.E.	0.059	0.064	0.05	0.046	0.049	0.041	0.041
P-Value	0	0	0.004	0.008	0.209	0.182	0
t-value	6.879	4.313	-2.883	-2.643	-1.256	-1.335	15.909
Results	H01	H02	H03	H04	H05	H06	H07
	Rejected	Rejected	Rejected	Rejected	Accepted	Accepted	Rejected

Table 4: Factors Influencing Regression and Their Coefficients

Findings

Economic factors positively affect investing behaviour, as shown in the research. Employees who are financially secure are more likely to wait patiently for their investments to mature, take full responsibility for their investment decisions, and never remove funds from an investment before it achieves maturity. Conversely, if workers are strapped for cash, they won't have any spare change to put towards investments or diversification. The Prospect Theory posits that many mental states influence decision-making, including loss aversion, regret aversion, and mental accounting. This research found that government workers' investing behaviour was negatively affected by emotional factors. [7]

Similarly, the research revealed a clear correlation between financial literacy and investing activity. Workers who are well-versed on interest rates, investment possibilities, diversification's benefits, and investment markets are able to make quicker and more informed investment choices than those who aren't. The investor's willingness to take risks has a detrimental effect on employee investing behaviour. [8]

Although heuristics are sometimes quite useful, particularly in situations when time is limited, they may also lead to prejudices. [9] According to the research, heuristics have little effect on the investing behaviour of government workers. They avoid biases and shortcuts by exercising vigilance while making investment selections. [10]

If investors believe that herding will help them get useful and reliable information, they may favour it. An investor's reliance on their personal information for investing choices is directly proportional to their confidence level. [11] According to the research, government workers' investing behaviour is unaffected by the decisions made by other investors. Unlike the herd, people think for themselves while making purchases and sales.[12]

Conclusion

The study found that government employees in Chhattisgarh State are influenced by economic factors, market factors, and financial knowledge when making investment decisions. Cognitive biases and herding factors, on the other hand, were found to have a limited impact. Investors' emotional intelligence and comfort level with risk have a detrimental effect on workers' investing decisions.

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