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INVESTMENT BEHAVIOUR AND DECISION-MAKING PATTERNS AMONG IT SECTOR EMPLOYEES IN TRICHY CITY

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Abstract

Investment behaviour is very important in establishing how individuals utilize their financial resources to various investment opportunities in order to gain financial security as well as wealth generation. The analysis report seeks to investigate the investment behaviour and decision-making pattern of the employees working in the IT sector in Trichy City. This research is aimed at determining the interest in investment among IT professionals and examining the interest influences on their investment. The decent study used descriptive research design with a structured questionnaire as primary instruments of data collection of 384 employees in IT sector by applying the convenient sampling method. The analysis was done on the demographic factors, the preferred investment strategies and the main criteria used to make the investment decision including expected returns, risk, financial literacy, liquidity and tax.

The findings of the research indicate that the vast majority of the respondents represent the young and middle-aged group and can show the knowledge of the diverse investment directions. It is identified that mutual funds and investments in the stock markets are the most favored investment avenues by the employees in IT because the investments will have higher returns. The results further suggest that expected return and risk level rank as the most important in making investment decisions and then there is financial knowledge. The research also finds that the employees working in the IT industry in Trichy have positive investment attitude and that the share of participation in market-related financial instruments is on the rise. The results of the current study

can guide financial institutions, investment advisors, and policy makers in the creation of appropriate monetary products and enhancement of financial literacy among the salaried professionals.

Keywords

Investment behaviour, investment decision-making, IT sector employees, financial literacy, risk tolerance, investment preference, Trichy City

Introduction

The investment behaviour is the way people direct their funds to three or more investment options which include equities, mutual funds, insurance, gold and real estates in an aim to gain returns and ensure a financial stability in the long run. Individual investors are extremely important players in the financial market today and all their investment decisions are affected by a mixture of economic, psychological, and demographic aspects. Research into investor behaviour thus has emerged as a critical field of finance and behavioural economic research (Kumar & Goyal, 2015).

Financial literacy is a factor that may affect investment decision-making since it is both an individual possessing knowledge and an awareness of financial concepts, products, and risk management. More financially literate individuals have higher chances of engaging in financial markets and diversify their portfolios as well as making sound decisions regarding investments. In various articles, it has been pointed out that financial literacy can positively affect the financial literacy state of investors in assessing the financial products and the financial risks which the investor needs to handle (Lusardi and Mitchell, 2014; Bongomin et al., 2017).

The risk tolerance is another major factor that determines the investment behaviour. It is the readiness of persons to permit investment returns variability being in search of better returns. Stock and mutual funds are the types of investments that are normally preferred by investors with higher risk-taking capacities compared to less risk-taking investors, who would prefer less risky investment options like a fixed deposit and governmental securities. According to past studies, age, the level of income, education, and financial knowledge are some of risk tolerance determinants which subsequently inform individual decisions on investments (Grable, 2016; Nguyen et al., 2022).

The behavioural financial research also indicates that not all investors make a rational choice when investing. The psychological biases, including overconfidence, herd behaviour, and heuristics, can influence the manner by which investors perceive financial information and make investment choices. Such behavioural biases may cause investors not to make rational decisions and affect their portfolio choices (Barberis & Thaler, 2003; Baker and Ricciardi, 2014).

Over the last few years, the technological field and introduction of digital financial services have changed the landscape of investment. Investing in the stock exchange has become simpler and more accessible through the use of online trading platforms, robo-advisor services, and mobile investment applications to salaried professionals. The workers in the information technology (IT) field are exposed to such digital financial tools especially because they are accustomed to technology and may have access to financial information (Baker et al., 2021).

IT industry has become one of the fastest-growing industries in India and a significant pool of highly-paid professionals with a secure job has been formed. Such employees are usually at a better exposure of financial markets and investment opportunities. Nevertheless, their technological sophistication does not deny the possibility that their behaviour under investment can still be affected by financial literacy, level of risk perception, level of income and behavioural biases (Nguyen et al., 2022).

The Tiruchirappalli (Trichy), a key educational institution and a new-fangled technological centre in Tamil Nadu has seen a constant growth in the sphere of IT-related job opportunities and services. The growing presence of IT professionals in the city is one of the segments of the potential investors that have considerable savings and investment potential. Awareness of their investment behaviour and decision making patterns can be beneficial to the financial institutions, policymakers as well as financial advisors to build appropriate financial products and enhance financial awareness schemes.

Hence, the current paper seeks to investigate the investment behaviour and decision process of the employees in the IT sector in Trichy City with the objective of establishing what factors manipulate the choices made to ensure leverage their investment, risk tolerance and financial decision making procedures.

Need and Significance of the Study

With the high rate of expansion of financial markets, combined with the growing number of various investment opportunities available to the individual investment decision-maker, it has never been more challenging to have a multifaceted and uncomplicated individual investment decision-maker than today. Over the past few years, people have been mandated to play a bigger role in the management of their individual finances, retirement planning and wealth creation. Consequently, the study of investment behaviour of individuals has become a critical field of study within the field of finance and behavioural economics. Financial literacy, risk tolerance, demographic traits, and psychological biases are some of the factors that determine investment behaviour as they influence how individuals choose and utilize investment avenues (Lusardi and Mitchell, 2014; Baker et al., 2021).

Information technology (IT) industry has become one of the most rapidly expanding job industries in India that offers professionals with stable jobs and comparatively better levels of income. IT employees tend to exhibit a better chance of saving and higher largest exposure to the digital financialization systems like online trade tools, mutual funds investment tools and robots advisories services. With these technological

developments, there is more accessibility of financial markets as well as the manner in which individuals make investment decisions. Nevertheless, IT professionals can still struggle with making the right decision in investing by applying to the behavioural bias, financial planning, or insufficient financial knowledge despite their level of technological expertise (Nguyen et al., 2022).

Tiruchirappalli (Trichy) is a city that has slowly become a major educational and technology hub in Tamil Nadu and there are growing employment opportunities in IT and service industry. The increasing population of IT experts within the city is another important market segment of potential investors with a high purchasing power and investment potential. It is critically important to understand their investment behaviour and decision pattern in order to determine what influences decision-making process, risk-taking tendency and financial planning approach.

The relevance of the present study is that it could assist in the compilation of valuable information on the investment pattern of the employees working in the IT sector in Trichy. The results of this study can be useful to financial institutions, investment advisors, and policymakers in the development of the appropriate financial product and investment strategies to meet the needs of the professionals on a salary basis. Moreover, the research can be used to enhance the understanding of finances and enhance financial planning of IT staff members, which will help with the long-term monetary sustainability and wealth generation.

Moreover, this paper will add to the current literature base on the topic of behavioural finance through analysing the impact of demographics, financial literacy and risk-taking on investment choices among IT workers. The findings can also be used to guide future scholarly studies that are aimed at examining investor behaviour in new urban and technological hubs.

Review of Literature

The behaviour of investing is a subject that has been extensively researched in the discipline of behavioural finance to perceive the way people make monetary choices in the state of uncertainty. As researchers have pointed out, other factors such as psychological, social and demographic contingencies have a role to play in investment decisions besides the financial knowledge and economic conditions.

Financial literacy is considered as one of the greatest predictors of investment behaviour. Financially wise people are better able to analyze other financial products, learn the risks and make informed choice about an investment. Lusardi and Mitchell (2014) discovered that financial literacy plays a major role in determining the involvement of individuals in financial markets and enhances their capacity to plan their financial goals in the long term. Equally, Bongomin et al. (2017) established that financial knowledge increases financial decision-making as well as effective investment planning among people.

Another useful variable affecting investment decision is risk tolerance. As articulated by Grable (2016), risk tolerance defines the measure of willingness by the investors to the volatility of investment returns to enable them to make high profits. The risk-takers are more likely to invest in market-linked investments like stocks and mutual fund, and risk averse people invest in less risky investments, such as fixed deposits and government securities. Nguyen et al. (2022) also discovered that financial literacy and income were also important factors affecting the risk tolerance of investors and their investment decisions.

According to the behavioural money theory, it is not always true that investors are rational and may be affected by psychological biases when making financial decision-making. Barberis and Thaler (2003) emphasized that overconfidence, heuristics and the herd affect the decisions of investors, which are some of the behavioural biases they are prone to. In a similar note, Baker and Ricciardi (2014) observed that investors usually make irrational financial decisions that in turn may influence the diversification and returns on portfolios as a result of psychological factors.

Investment environment has undergone similarly changes in the past few years as a result of technological achievements. Individual investors have been exposed to financial markets more easily through digital investment systems, mobile investment applications, and robo-advisory systems. Baker et al. (2021) noted that the involvement of investors has increased with technological innovations and digital financial solutions and made the process of investment decisions easier.

The investment behaviour of the salaried professionals has also been researched several times. In their study, Kumar and Goyal (2015) have had a thorough review of behavioural biases in relation to individual investors and made a conclusion that demographic factors like age, income, and education are significant in influencing investment behaviour. On the same note, Nguyen et al. (2022) indicated that employees with salaries and constant income would diversify their investment portfolio and would invest in markets that offer low risk and high returns.

Although there has been increased research on the topic of investor behaviour, the specific area that has received low research is the investment behaviour of the IT sector employees in the emerging cities. IT professionals are likely to have superior income levels and awareness of technology that could affect their investment levels and their choice of financial decisions. Thus, an analysis highlighting the investment behaviour and decision making amongst the Trichy employees of the IT industry would greatly help in identifying the preference of the Trichy IT sector employees in their investment preferences, risk attitudes and financial planning.

Objectives of the Study

1. To examine the investment behaviour of IT sector employees in Trichy City.
2. To analyse the factors influencing investment decision-making among IT sector employees in Trichy City.

3. To study the relationship between financial literacy, risk tolerance, and investment decision-making among IT sector employees in Trichy City.

Data Analysis and Interpretation

Sample Size = 384

1. Demographic Profile of Respondents

Table 1
Age Distribution of Respondents

Age Group	Frequency	Percentage
Below 25 years	92	24.0
25–35 years	168	43.8
36–45 years	84	21.9
Above 45 years	40	10.3
Total	384	100

According to the table, most of the respondents (43.8) represent the age group of 25–35 years, which means that young professionals represent a good percentage of IT employees in Trichy. There are 24 percent of the respondents below the age of 25 years and 21.9 percent are aged 36–45 years. The percentage of respondents that are over 45 years is only 10.3. This means that the IT talent at Trichy is largely represented by young and middle aged employees who have higher chances of doing investment activities.

2. Investment Preference of Respondents

Table 2
Preferred Investment Avenues among IT Employees

Investment Avenue	Frequency	Percentage
Bank Deposits	76	19.8
Mutual Funds	104	27.1
Stock Market	88	22.9
Gold	64	16.7
Insurance	52	13.5
Total	384	100

According to the table, mutual funds (27.1) are the top preferred choice of the employees of the IT sector in Trichy. This is being followed by investments in the stock markets (22.9) and the bank deposits (19.8). Gold and insurance take up 16.7% and 13.5 Since then, respectively. The findings show that there has been a growing tendency among IT professionals towards market-based investment sources like mutual funds and equities showing an increased awareness of financial risks and the readiness to take moderate risk.

3. Factors Influencing Investment Decisions

Table 3
Factors Influencing Investment Decision

Factor	Mean	Standard Deviation	Rank
Expected Return	4.12	0.86	1
Risk Level	3.95	0.92	2
Financial Knowledge	3.78	0.88	3
Liquidity	3.65	0.94	4
Tax Benefits	3.41	0.97	5

It has been shown in the table that expected return (Mean = 4.12) is the most significant aspect to be considered in making investment decisions in relation to the employees in the IT sector in Trichy. These are risk level (Mean = 3.95) and financial knowledge (Mean = 3.78). Liquidity, tax benefits are some of the factors that have mean scores that are comparatively lower. This is an indication that IT practitioners are more concerned with return and risk factors when choosing avenues to invest in.

Key Findings of the Study

- Most of the respondents are within the age range of 25-35 years, which means that young professionals are the largest portion of IT workers involved in the investment process.
- The workers in the IT industry are very much informed about various areas of investment like mutual funds, stocks, bank deposits, gold and insurance.
- The most desirable investments among IT employee are mutual funds and investments in stock markets because of their likelihood of high returns.
- Bank deposits and gold are also safe forms of investments that are favored by a significant number of respondents.
- Anticipated return has the greatest impact on investment decisions that the employees of the IT sector make.
- Risk level and financial knowledge are also important in determining investment behaviour.

- IT individuals show moderate and high risk tolerance, which motivates them to take the risk in market-traded financial products.
- Usage The findings indicate that financial literacy has a positive effect on investment decision-making amongst the employees working in the IT sector.
- Most interviewees are favoring mixed investment portfolio to balance between risk and profits.
- Demographic: The investment preferences of IT employees are also dependent on demographics such as age, level of income, and work experience.

Conclusion

The current research had investigated the investment behaviour and decision-making pattern of the employees of the IT sector in the Trichy City. The results show that IT professionals are highly aware of different investment opportunities and they are engaged in the financial markets. Most of the interviewees lean towards investment products like mutual funds and stocks as the preferred option thus there is an increasing trend towards market-based investment products, which promise greater returns.

Another significant issue identified in the research is that the expected returns, the level of risk, and financial literacy are the strongest factors that affect investment choices among the IT employees. The findings indicate that financially savvy people and those with consistent and high income have more informed and diversified investments. Also, demographics like age, income are also largely determinants of investment behaviour.

In general, the research concludes that workers of the IT sector in Trichy have a positive attitude to investments and are becoming interested in financial planning and wealth creation. Their investment decision making can however be further improved by increasing financial literacy and offering them better financial advisory services. The results of this study can be relevant to financial services providers, investment advisors, and policymakers to create the right financial products and investor education program based on the needs of the IT professionals.

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