A Study of Youth Behaviour in Investment Decision Making: With Reference to Arunachal Pradesh

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Abstract

Every individual has a different inclination and constructs distinguishable investment alternatives based on their risk and return ability. An individual investor's investment behavior reveals how they allocate their excess capital across the various available financial instruments. This paper is about the youth behaviour in investment decision making to identify the most preferred investment alternatives, factors influencing the youth in investment decision-making, and to find the degree of correlation between age and gender in investment activities in Arunachal Pradesh. Youth choices concerning their investments are based on their individual impressions, contingent on geographical region. To comprehend how young people decide what investments to make, a statistical analysis was conducted using SPSS for factor analysis and hypothesis testing. Purposive sampling techniques are used to gather data from a structured questionnaire with a sample size of 250 respondents, whose ages span from 15 to 29, as per the national youth policy of 2024. This study also emphasizes how crucial financial awareness and literacy are to compose instructed investment decisions for the youth future.

Keywords: Youth Investment decision, Investment avenues, Age, Gender

Introduction

Modern finance suggests that behavioral finance research, which has been flourishing for decades, governs market investment choice behavior, which implies that investing entails giving up something to reap future leveraging. Not all investment decisions are made logically, for various studies have connected behavioral biases to how youth make investing decisions. Previous studies have indicated a significant correlation between decision-making on important investment concerns and the advancement of financial management education (Chen and Volpe, 1998). Furthermore, making investment decisions is the most significant obstacle that young investors must overcome.

Factors like age, gender, income, educational achievement, and socio-economic context are among the demographic characteristics that distinguish the investment behavior of young investors. Individual investors consider their financial goals, risk tolerance, emotional

decision-making, social impact, and financial knowledge while creating their investment portfolio. A few of the many factors that encourage young investors in the early stages of their careers/ freelancer to invest their hard-earned money in a variety of financial options include lowering financial insecurity, feeling financially independent, and the propensity to have one's own standard of living at a young age while immeasurable and immaterial factors control most of the investment market. As a result, behavioral finance has become an essential component for young investors lives in the current investment environment by applying decision-making techniques to assist them in choosing the greatest financial alternatives that can offer them the benefit of financial product diversification.

Youth Behavior in Investment Decision Making of Arunachal Pradesh:

According to the National Youth Policy 2024, youngsters between the ages of 15 to 29, who make up approximately 40% of India's population, can make investment decisions based on the various circumstances. The rise of the younger generation as a major factor influencing the Arunachal Pradesh investment markets has had a massive impact on the investment environment in recent years. One of the significant demographic groups that is steadily rising to prominence in the investment market is young people. In order to better understand youths' investment choices, this study will advance both theoretical and practical knowledge of the factors influencing investment decisions. The study's findings increase to cognizance of how to make financial investment decisions, in addition to examining the important aspects influencing youth investing behavior and also offer insightful information about their goals, priorities, and investing approaches.

The Structure of the paper is designed in the following way: 1. Introduction, 2. Literature Review, 3. Objectives of the study 4. Research methodology, 5. Analysis and interpretation 6. Results, Discussion & Findings, 7. Conclusion 8. References.

Literature Review

Through investigations carried out by numerous researchers in the past, literature aids in my thorough understanding of the study's depth. I have reviewed the following earlier studies to gain insight into how investment decision-making helps various stakeholders to understand their behavior.

Ajzen (2002) This study looks at how attitudes can affect a person's behavior in relation to different investment options. It uses purposive sampling techniques and has a sample size of 500 respondents. It also looks at the idea that past behavior is the best indicator of future behavior in young people.

Iqbal & Usmani (2009) The decision-making process for investments is examined using economic viewpoints that arise from the interplay of lifestyle, behavioral activity, and demographic traits. The analysis in this paper demonstrates that the behavioral variables and utilitarian elements are merged to carry out a comprehensive inquiry for this research. Thirty

components from a variety of investment choice criteria were chosen in order to incorporate this research into the study.

Rubaltelli & Slovic (2010) This study examines how people's emotional states can affect their investing decisions, specifically how they assess an occurrence based on the factors that influence their choices. According to the publication, Emotion is unable to evaluate market conditions without cognitive evaluation or subjective interpretation.

Chandra & Kumar (2012) This article made clear that the primary objective of this research is to examine the behavioral traits of an individual's investments and the connection between risk and behavior. The study examines a variety of aspects of behavior in the context of decision-making, including the psychology of investors. Results show that investors are not always rational in their investing choices, which is contrary to traditional finance theories.

Gambetti & Giusberti (2012) According to this study, it is essential to modifying how preferences are evaluated among potential possibilities for the future decision-making process in any investment. By holding onto failed assets, people who are risk averse are actually engaging in risk search behavior. According to the results, a person's assessment of the wealth maximization criteria was influenced by their investing habits.

Shanmugham (2012) Investors' perceptions of various investing approaches, aspects, and factors influencing their choices were made public by this study. The study included a sample size of 201 individual investors. The psychological concept of individual style was highlighted in this study using behavioral finance principles, specifically in relation to individual investors and their decision-making process while choosing between different investment routes.

Lakhani & Gaikar (2019) The study discovered that, particularly when paired with financial knowledge, income and gender affect the behavior of different stakeholders but not the social environment. The only way to improve one's future level of living in the market is to make wise investment choices.

Painoli (2019) This study takes into account several factors while examining investment behavior, such as the need for financial institutions, to provide them with motivation and growth in any investment. Though it influences decision-making, there was no statistically significant difference between the length of the investment and the selection of various investments.

Upadhyay & Shah (2019) This study pointed out how crucial it is to improve an individual’s financial analytical abilities and suggested measures to help them in the context of emerging markets, according to this research paper. With a sample size of 640, the study indicates that both rational and irrational factors, especially an individual's financial activities during decision-making.

Tolani & Chandak (2020) According to this study, investing decisions are influenced by goals and have statistically correlations with age, gender, income, work experience, and marital status. Nevertheless, with a sample size of 428, no correlation was seen between household income and the type of employment in investment. Moreover, the study will employ purposive sampling strategies.

Anastasia & Basana (2021) According to this study, people make financial decisions by forgoing short-term benefits in the hopes of obtaining larger returns down the road. Every investment has certain specified goals that must be met. This paper stated that investing has various goals, including protection from inflation as well as the ability to choose between risk and return.

Objectives of the Study:

- To identify the most preferred investment alternatives among the youth.
- To identify the factors influencing the youth in investment decision-making.
- To find the degree of correlation of age and gender in investing activities

Research Methodology

The study's design makes it both exploratory and descriptive. A standard questionnaire was provided to the targeted population as part of a field survey for the current study to gather data on youths from various regions of Arunachal Pradesh:

- Targeted Population: The youth within the age group of 15-29 years as per the National Youth Policy 2024
- Area of the study: The youths from the five districts of Arunachal Pradesh, i.e., Papumpare, Keyi panyor, Lower Subansiri, kamle and Upper subansiri are included in the study.
- Sampling unit: From the five above districts, Itanagar capital complex (ICR), Yazali, Ziro, Raga, and Dapo Rijo are the sampling unit for the study.
- Sampling Techniques: Purposive sampling procedures have been employed for the current investigation.
- Sample Size: The current study included a sample size of 250 (two hundred fifty only).
- Source of Data Collection: Both primary and secondary sources provided information for the survey. By their scheduled appointment, the researcher visited youths and completed the questionnaire (Dichotomous &Open, and closed-end questions) that was given to them by using the respondents' comments. The study's generated statistical conclusions by statistical packages for social science (SPSS).

Research Hypothesis:

Based on factors found in the objectives, the hypothesis is formulated.

Hypothesis 1: There is no association between the investment and age.
Hypothesis 2: There is no association between the investment and gender.

Analysis and Interpretation

In accordance with the methodical survey utilized to collect information for the Study of Youth Behavior in Investment Decision Making: Analysis and interpretation are done in relation to Arunachal Pradesh. The analysis that follows is based on the facts and how they were interpreted, as well as the study's goals.

Objectives 1: To identify the most preferred investment alternatives among the youth.

By arranging the variables according on their means, it is possible to determine which variable the respondents valued most. It is useful to use the answer value to identify the most and least significant. To ascertain the respondents' preferred returns, a ranking of investment options was carried out among the youth of Arunachal Pradesh.

Table no :5.1 Most preferred investment alternatives among the youth

	N	Minimum	Maximum	Mean	Std. deviation	Rank
Mutual Fund	250	1	5	2.35	1.139	IX
Equity shares	250	1	3	1.89	.884	XI
Real Estates	250	1	5	3.80	1.221	IV
Chit funds	250	1	5	3.51	1.473	VII
Public Provident Fund	250	1	4	2.56	.997	VIII
Employee Provident Fund	250	1	5	3.64	1.126	VI
Bank deposits	250	4	5	4.37	.484	II
Post office deposits	250	4	5	4.25	.432	III
Insurance policies	250	4	5	4.49	.501	I
Company deposits	250	1	5	3.73	1.334	V
Others	250	1	3	2.26	.499	X
Valid N (listwise)						

Source: Field study, compiled by the author

Inferences: The above table lists the different investment avenues that are available in the targeted area of Arunachal Pradesh. According to the study, the majority of youths put their hard-earned money into Insurance policies which are traditional investments with low-risk characteristics. The majority of Youths are also aware of and comfortable with investing in these Investment avenues.

Objectives 2: To identify the factors influencing the youth in investment decision-making:

To study this objective the factor analysis has been done to identify the relevant factors for the current research paper, as per the youth behaviour.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.840
Bartlett's Test of Sphericity	Approx. Chi-Square	7534.353
	df	215
	Sig.	.000

Table no :5.2 KMO and Bartlett's Test

Source: Field study, compiled by the author

Inferences: With a score of .840, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy demonstrated good adequacy for factor analysis. Significant findings using Bartlett's Test of Sphericity ($\chi^2 = 7534.353$, df = 215, $p < .001$) confirmed that the dataset was suitable for factor analysis.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.676	39.268	39.268	6.676	39.268	39.268	6.000	35.296	35.296
2	5.919	34.820	74.089	5.919	34.820	74.089	5.015	29.500	64.796
3	2.436	14.330	88.419	2.436	14.330	88.419	4.000	23.530	88.326
4	1.020	6.001	94.419	1.020	6.001	94.419	1.036	6.093	94.419

Table no:5.3 Total Variance Explained

Extraction Method: Principal Component Analysis. Source: Field study, compiled by the author

Inferences: As can be seen from the breakdown of variation explained by the variables, the major component accounts for the largest portion of variance (39.268%), with subsequent components contributing to the cumulative explanation. Collectively, these four factors account for 94.419 percent of the variability in the dataset.

	Initial	Extraction
I have a consistent saving habit and set away money for future objectives.	1.000	.799
I am dedicated to achieving my savings goals	1.000	.797
I periodically assess and modify my saving tactics in light of changes in my financial circumstances.	1.000	.719
I think having access to real-time market data via digital platforms affects my investment timing and strategies.	1.000	.697
I modify my lifestyle to save and invest more for the future.	1.000	.789
Compared to conventional approaches, I have greater faith in investment advice made by AI.	1.000	.687

I keep up with the most recent technological developments in the investment industry.	1.000	.697
Because of mistrust, I favor alternative investment possibilities over traditional institutions.	1.000	.799
Because of previous cases of poor management or unethical behavior, I am apprehensive about making investments with traditional financial institutions.	1.000	.715
The transparency of fees and charges related to traditional and financial institutions worries me.	1.000	.640
I am cautious to diversify my investments because I am concerned about the possible hazards.	1.000	.726
Even if they have less growth potential, I am more likely to prefer low-risk, guaranteed return options.	1.000	.773
I feel that my investment options are limited because of budgetary constraints.	1.000	.823
I am comfortable accepting greater risks in order to earn larger prospective returns.	1.000	.673
Until I have greater financial stability, I am more likely to put off making investment decisions	1.000	.700
I weigh the social and environmental effects of my investment before making choices.	1.000	.771
Socially responsible investments, in my opinion, should be taken into account while making investment decisions.	1.000	.601

Table no :5.4 Communalities

Extraction Method: Principal Component Analysis. Source: Field study, compiled by the author

Inferences: The Communities with none falling below the widely accepted cutoff of 0.6, it falls between 0.601 to 0.823, suggesting that all variables are sufficiently represented by the extracted factors. This implies that the variance in the variables provided has been adequately captured by the PCA, negating the need to eliminate any variables based on low communalities. All variables therefore, provide valuable information and ought to be kept for further analysis

	Component			
	1	2	3	4
Socially responsible investments, in my opinion, should be taken into account while making investment decisions.	.772			
Even if they have less growth potential, I am more likely to prefer low-risk, guaranteed return options.	.816			

I feel that my investment options are limited because of budgetary constraints.	.746			
I am comfortable accepting greater risks to earn larger prospective returns.	.601			
Until I have greater financial stability, I am more likely to put off making investment decisions	.679			
I weigh the social and environmental effects of my investments before making choices.	.641			
I periodically assess and modify my saving tactics in light of changes in my financial circumstances.		.775		
I modify my lifestyle to save and invest more for the future.		.805		
Because of mistrust, I favor alternative investment possibilities over traditional institutions.		.785		
Because of previous cases of poor management or unethical behavior, I am apprehensive about making - investments with traditional financial institutions.		.675		
I have a consistent saving habit and set away money for future objectives.		.755		
I keep up with the most recent technological developments in the investment industry.			.616	
Compared to conventional approaches, I have greater faith in investment advice made by AI.			.760	
I am dedicated to achieving my savings goals			.866	
I think having access to real-time market data via digital platforms affects my investment timing and strategies.			.796	
I am cautious about diversifying my investments because I am concerned about the possible hazards.				.846
The transparency of fees related to traditional and financial institutions worries me.				.758

Table no :5.5 Rotated Component Matrix[a]

Source: Field study, compiled by the author

Inferences: This rotated component matrix shows that when youths are making investment decisions, they prioritize achieving saving goals with 0.866, followed by worrying about potential risks, when it comes to diversifying the investments with 0.846. The above table provides a clear outline of the structure inside the dataset and highlights the strong links between variables and underlying causes.

Analysis of identified 4 (four) factors:

Component 1	Factor loadings - 0.601 to 0.816	Investment conservatism
Component 2	Factor loadings - 0.675 to 0.805	Investment budgetary restriction
Component 3	Factor loadings- 0.616 to 0.866	Investment technology
Component 4	Factor loadings- 0.758 to 0.846	Investment apprehension

Table no :5.6

Source: Field study, compiled by the author

Objectives 3: To find the degree of correlation of Age and Gender in investing activities.

The questionnaire that the respondents completed served as the basis for developing the hypothesis. One of the study's goals is to determine the degree to which age and gender correlate with investment activities. To test a hypothesis, the Chi-Square test, a non-parametric test, was employed to collect the data using SPSS.

Hypothesis 1:

Null Hypothesis H0: There is no association between the investment and age.

Alternative Hypothesis H1: There is an association between the investment and age

			Factors considering before investing							Total
			Capital appreciation	liquidity	Maturity Period	Return on investment	Risk	Safety of principal	Tax benefits	
Age Groups	15- 19	Count	5	13	3	1	4	39	3	68
		% of Total	2.0%	5.2%	1.2%	0.4%	1.6%	15.6%	1.2%	27.2%
	20- 24	Count	8	14	33	8	26	12	0	101
		% of Total	3.2%	5.6%	13.2%	3.2%	10.4%	4.8%	0.0%	40.4%
	25 - 29	Count	2	15	14	6	15	28	1	81
		% of Total	0.8%	6.0%	5.6%	2.4%	6.0%	11.2%	0.4%	32.4%
Total		Count	15	42	50	15	45	79	4	250
		% of Total	6.0%	16.8%	20.0%	6.0%	18.0%	31.6%	1.6%	100.0%

Table no :5.7 Age-groups * Factors considering before investing -Crosstabulation

Source: Field study, compiled by the author

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	64.167[a]	12	.000
Likelihood Ratio	71.342	12	.000
Linear-by-Linear Association	27.268	1	.000
N of Valid Cases	250		

Table no : 5.8 Chi-Square Tests

Source: Field study, compiled by the author

Inference: The Chi-Square test was performed at a 5% level of significance. The result of the Chi Square test is presented in table no.5.8 as the P-value is 0.000 less than 0.05 at a 5% level of significance and the degree of freedom is 12. Consequently, the null hypothesis is rejected.

Hypothesis 2:

Null Hypothesis H0: There is no association between the investment and Gender.

Alternative Hypothesis H1: There is an association between the investment and Gender.

			Factors considering before investing							Total
			Capital appreciation	Liquidity	Maturity Period	Return on investment	Risk	Safety of principal	Tax benefits	
Gender	Male	Count	4	27	32	7	34	29	2	135
		% of Total	1.6%	10.8%	12.8%	2.8%	13.6%	11.6%	0.8%	54.0%
	Female	Count	11	15	18	8	11	50	2	115
		% of Total	4.4%	6.0%	7.2%	3.2%	4.4%	20.0%	0.8%	46.0%
Total		Count	15	42	50	15	45	79	4	250
		% of Total	6.0%	16.8%	20.0%	6.0%	18.0%	31.6%	1.6%	100.0%

Table no: 5.9 Gender * Factors considering before investing - Crosstabulation

Source: Field study, compiled by the author

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.590[a]	6	.000
Likelihood Ratio	27.291	6	.000
Linear-by-Linear Association	15.907	1	.000
N of Valid Cases	250		

Table no: 5.10 Chi-Square Tests
Source: Field study, compiled by the author

Inference: The Chi-Square test was run with a significance threshold of 5%. table No. 5.10 displays the results of the Chi Square test, with a degree of freedom of 6 and a P-value of 0.000 less than 0.05 at a 5% level of significance. The null hypothesis is thus disproved.

Results and Discussions

Findings of the study:

- The interpretation and analysis of data revealed four (four) distinct factors—investment conservatism, investment budgetary constraint, investment technology, and investment apprehension—that are necessary to improve young people's investment behavior in decision-making.
- The study found that most young people save their money in traditional investments with guaranteed returns and little risk, such as insurance policies and bank deposit plans as per descriptive statistics. However, some young people are also aware of and at ease with investing in medium- and high-risk investment opportunities.
- Due to their impulsive behavior, targeted awareness programs should be planned to increase knowledge of responsible financial practices and the variety of information sources available, enabling young people to confidently and competently negotiate the complicated world of investment decisions.
- It is also crucial to encourage foster exploration and financial literacy in Arunachal Pradesh's youth, stressing the usage of trustworthy information sources and having access to financial advisors to make acquainted decisions.
- All of the hypotheses are rejected after the chi square test is used, indicating that gender and age have an impact on investment. The age and gender of young individual investors influence their investment activities significantly while making financial decisions.

Limitation of the study:

- **Geographic and cultural Limitations:** Due to its primary focus on a specific geographic region, the study may not adequately take into consideration the nuanced cultural and economic elements influencing young people's investment choices in mainland India.

- **Time sensitivity:** Investment tastes and behavior of the youngster are subject to sudden changes; therefore, results could soon become antiquated.

Future scope of research:

- Technology's influence on how young people approach investing
- Using behavioral finance theories to investigate psychological aspects and cognitive biases could improve comprehension of young people's investment choices outside the confines of conventional economic models.
- Increasing the sample size and extending it outside particular regions.

Conclusion

Behaviour in investment decisions made by young people are influenced by four key elements, according to the study's findings: investment conservatism, financial constraints, technology, and apprehensions. Although some youngster opens to medium- and higher-risk investing options, it shows that young people have a propensity to favor low-risk traditional investments. Age and gender also had a greater impact on young people's investment behavior, indicating that these demographic characteristics have a big impact on financial decisions. The study highlights the need for focused financial awareness programs to enhance youngsters' financial knowledge and decision-making abilities, enabling them to successfully negotiate the intricacies of the investing landscape in Arunachal Pradesh.

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