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A STUDY ON FACTORS INFLUENCING EMPLOYEES INVESTMENT DECISION.

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Abstract: This study aims to explore the factors influencing employees investment decisions, With the growing importance of financial independence and investment planning, understanding the role of financial literacy, risk tolerance, and demographic factors in shaping investment behavior is crucial. A structured questionnaire was administered to 201 employees using simple random sampling. Both primary and secondary data were collected and analyzed using non-parametric tools (Kruskal-wallis H test, Mann-whitney and correlation). The findings reveal that financial literacy and risk tolerance significantly impact employees investment decisions, while demographic factors such as age, income, education, and marital status also play a critical role. The study concludes that higher financial literacy and risk-taking ability lead to more confident and diversified investment behaviors.

Index Terms – financial literacy, risk tolerance, demographic factors, non-parametric tools, investment decisions.

I. INTRODUCTION

An investment decision is the process of determining the amount of capital required to achieve the desired level of output while accounting for optimal profitability and investment expenses. Investment decisions entail allocating a company's diverse resources in order to optimize the return on investment for its shareholders. There are two types of investing decisions: long-term and short-term. A strong foundation in financial literacy enables people to discriminate between needs and wants, make sound spending decisions, and avoid excessive debt. Employees risk tolerance plays a significant role in shaping their investment decisions, especially when deciding how to allocate their resources and Demographic factors such as age, income, education, gender, marital status, and even cultural background play a significant role in shaping employees investment decisions. These factors influence how employees perceive risk, their financial goals, and their general approach to saving and investing.

II. OBJECTIVES

- To evaluate the level of financial literacy of the employees.
- To explore how employees risk tolerance affects their financial decisions.
- To explore how demographic factors affect employees investment choices.
- To analyse the key factors that influence employees investment decisions.

III. SCOPE

This study seeks to identify and analyze the important elements influencing employee investment decisions in a manufacturing organization. It seeks to investigate how factors such as financial literacy, risk tolerance, age, income level, educational background, and access to financial resources influence employees' investing and retirement planning choices. By getting insight into these aspects, the study hopes to make recommendations for building more effective and individualized employee benefit programs, such as retirement plans and financial wellness initiatives.

IV. REVIEW OF LITERATURE

"Financial literacy in predicting investment decisions: do attitude and overconfidence influence?". H. Maheshwari, Anup k. Samantaray, Rashmi Ranjan Panigrahi, Lalatendu Kesari Jena(2025) This study delves into the crucial role of financial literacy (FL) in shaping investment decisions (ID) among individual investors within emerging markets, specifically India. Employing a structured questionnaire and gathering data from 311 investors through convenience and snowball sampling, the research utilizes Partial Least Square Structural Equation Modelling (PLS-SEM) via SMART PLS 4.0 to analyze the complex relationships.

"Retail Investors' Financial Risk Tolerance and Risk-taking Behaviour: The Role of Psychological Factors". Pragati hemrajani, rajni, Rahul dhiman(2024) This study examines the influence of two psychological factors, emotional intelligence and impulsiveness, on both financial risk tolerance (FRT) and financial risk-taking behavior (FRB) among individual investors. It further investigates the mediating role of FRT in the relationship between these psychological factors and FRB.

"**Unraveling the impact of financial literacy on investment decisions in an emerging market". Sumita Jagdishprasad, Udai Lal Paliwal, Narayanage Jayantha Dewasiri (2024)** This study contributes to this existing body of literature by examining the relationship between financial literacy and investment decisions among a sample of 384 investors in India. By utilizing a multi-dimensional construct to measure financial literacy and employing both simple linear and binary logistic regression analyses.

"May Financial Literacy, Risk Tolerance, and Demographic Factors Influence the Investment Decisions of Customers?". Ninuk Puji Lestari, Lulu Nurul Istanti(2023) The reviewed study employed a quantitative research approach, utilizing a purposive sampling method to select Bank BCA Malang customers meeting specific criteria. It then used Structural Equation Modeling with Partial Least Squares (SEM-PLS) analysis to statistically examine the direct impact of financial literacy, risk tolerance, and demographic factors as independent variables on investment decisions as the dependent variable.

V. RESEARCH METHODOLOGY

Accurately and methodically describing a population, circumstance, or phenomena is the goal of descriptive research. It can respond to inquiries about what, where, when, and how, but not why. Numerous research techniques can be used in a descriptive research design to examine one or more variables. In contrast to experimental research, the researcher merely observes and measures the variables without controlling or modifying any of them.

5.1 DATA COLLECTION

For the current study both primary as well as secondary data were used.

5.2 SAMPLE SIZE

A sample size of 201 and the population is 420, is determined using Morgan's table, was deemed appropriate for this study.

5.3 SAMPLING METHOD

Simple random sampling (SRS) has been employed in this investigation. Because it is a probability sampling technique, each individual in a population has an equal chance of being chosen for the sample. It is intended to reduce bias and guarantee that the sample is typical of the general population.

VI. DATA ANALYSIS AND INTERPRETATION

6.1 KRUSKAL WALLIS-H TEST

	FL	RT	ID
Kruskal-wallis H	4.886	2.661	58.568
df	3	3	3
Asymp.sig	.180	.447	.000

- Kruskal Wallis Test
- Grouping variable: AGE

INFERENCE

The Kruskal-Wallis test was conducted based on the sample data, and it was found that the significant value (*p*-value) is less than 0.05 for Investment Decision ($p < 0.05$). Therefore, the null hypothesis (H_0) is rejected. This indicates that there is a significant difference in the median ranks of Investment Decision among the different groups. However, for Financial Literacy and Risk Tolerance, the *p*-values are greater than 0.05 ($p > 0.05$), so the null hypotheses for these variables are accepted. This suggests that there is no significant difference in the median ranks of Financial Literacy and Risk Tolerance across the groups.

6.2 MANN WHITNEY U-TEST

Ranks				
	INCOME	**N**	**Mean Rank**	**Sum of Ranks**
FL	1	143	72.33	10343.00
	4	1	97.00	97.00
	Total	144		
RT	1	143	72.19	10323.50
	4	1	116.50	116.50
	Total	144		
ID	1	143	72.02	10299.00
	4	1	141.00	141.00
	Total	144		

Test Statistics[a]

	FL	RT	ID
Mann-Whitney U	47.000	27.500	3.000
Wilcoxon W	10343.000	10323.500	10299.000
Z	-.595	-1.062	-1.656
Asymp. Sig. (2-tailed)	.552	.288	.098
Exact Sig. [2*(1-tailed Sig.)]	.667[b]	.389[b]	.056[b]

a. Grouping Variable: INCOME

b. Not corrected for ties.

INFERENCE

The Mann-Whitney U test was conducted to examine whether there are significant differences in Financial Literacy, Risk Tolerance, and Investment Decision between income groups. The results showed that the p-values for all three variables were greater than 0.05 (FL: p = .667, RT: p = .389, ID: p = .056). Therefore, the null hypothesis (H_0) is accepted for all variables. This indicates that there is no statistically significant difference in the median ranks of Financial Literacy, Risk Tolerance, or Investment Decision between the income groups.

6.3 PEARSON CORRELATION

		FL	RT	ID	D
FL	Pearson Correlation	1	-.018	.290**	.092
	Sig. (2-tailed)		.804	.000	.193
	N	201	201	201	201
RT	Pearson Correlation	-.018	1	.265**	-.249**
	Sig. (2-tailed)	.804		.000	.000
	N	201	201	201	201
ID	Pearson Correlation	.290**	.265**	1	.008
	Sig. (2-tailed)	.000	.000		.915
	N	201	201	201	201
D	Pearson Correlation	.092	-.249**	.008	1
	Sig. (2-tailed)	.193	.000	.915	

	N	201	201	201	201

INFERENCE

The correlation analysis reveals that FL and RT are significantly and positively associated with ID, while RT is negatively associated with D. Other correlations, including those between FL and RT, FL and D, and ID and D, are not statistically significant.

VII. FINDINGS

- A Kruskal-wallis test showed a significant difference in median ranks for investment decision (p>0.05), but no significant differences for FL and RT (p.>0.05). thus the null hypothesis was rejected.
- The mann-whitney u test revealed no significant differences in the median ranks of FT(P=.667), RT(P=.389) and investment decision (p=.056) between income groups as all p-values were greater than 0.05. therefore, the null hypothesis was accepted foe all three variables.
- The correlation analysis reveals that FL and RT are significantly and positively associated with ID, while RT is negatively associated with D.

VIII. SUGGESTION

- Implement a financial wellness program with workshops, personalized advice and payroll integrated tools.
- Offer risk assessment training covering diversification, time horizon and the necessity of some risk.
- Integrate financial wellness into employee growth goals with incentives for participation.
- Develop simple simulation tools for practical financial education.

IX. Conclusion

A Study on the Factors Influencing Employees Investment Decisions, was undertaken to understand the critical elements that shape how employees make financial investment choices. This research focused on three key variables: financial literacy, risk tolerance, and demographic factors each playing a significant role in influencing investment behavior. To foster a financially empowered and investment-ready workforce, company should take proactive steps such as offering structured financial literacy programs, risk management education, and goal-based investment planning support. By doing so, the company can not only improve employees financial well-being but also enhance job satisfaction, reduce financial stress, and support a more engaged and future-ready workforce.

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