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INVESTIGATING THE IMPACT OF SOCIAL ECONOMIC STATUS, FINANCIAL LITERACY, AND BEHAVIORAL FACTORS ON CHENNAI INVESTORS' INVESTMENT DECISIONS.

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ABSTRACT

The purpose of this study is to investigate how socioeconomic background, behavioural traits, and financial literacy affect Chennai investors' investment choices. The study employs a descriptive research approach and focusses on how demographic characteristics including lifestyle, income levels and education affect investing decisions. The statistical software applications AMOS 23 and SPSS 27 were used to analyse a sample of 446 investors who were actively participating in investment decision-making processes. To investigate the connections between variables, structural equation modelling (SEM) and confirmatory factor analysis (CFA) were used. The findings suggest that behavioural factors (BF) have less of an impact on investing decisions than socioeconomic status (SE). Although both elements are important, SE stands out as the primary determinant. Interestingly, the model did not find that financial literacy (FL), which is frequently thought of as having a direct influence, had a direct effect on investing decisions. This suggests that FL's significance may be more situational or indirect. Investor activity was also found to be highly impacted by demographic characteristics, including age, gender, income, education, and employment position. The results highlight how crucial it is for future research on investment behaviour to consider the indirect effects of financial literacy and how it interacts with demographic factors.

Key words: Behavioural Factors (BF), Financial Literacy (FL), Socio-economic (SE) and Investment Decisions (ID)

I. INTRODUCTION

Interest in how Chennai investors' socioeconomic status, financial literacy, and behavioral characteristics influence their investment decisions has grown considering India's changing financial landscape. Behavioral factors that significantly influence investment decisions include herd mentality, cognitive biases, and emotional reactions. For example, investors who are overconfident or loss-averse may overestimate their knowledge or avoid taking necessary risks to avoid perceived losses, which often results in less-than-ideal decisions [1]. However, investors need to be financially literate to make wise choices. Longer horizons for planning and a more pronounced inclination towards diversification of investment are both linked with higher financial

literacy, both of which counteract the threats of volatility in the markets [2]. Since people belonging to higher income groups generally enjoy higher availability of financial resources and advisory services, allowing them to consider larger numbers of possible investment options, socioeconomic status further complicates these processes [3]. These elements work together to influence citizens' investment behavior in Chennai, a city that provides a blend of conventional and contemporary investment opportunities. According to recent studies, a sizable percentage of Chennai's urban investors continue to rely on conventional assets like gold and real estate, even though their usage of digital platforms is increasing. The socioeconomic and cultural elements that still have an impact are reflected in this. Improving the investment selection process and reducing behavioral biases and knowledge gaps could make the region more stable and financially inclusive.

I.2 Retail Investor Participation in India

Retail investors are now in command of most of the Indian financial markets. The demat accounts, that are needed for trading Indian securities, The number of people increased from around 40 million in fiscal year 2020 to over 150 million by fiscal year 2024. This expansion is a signal of increased domestic investment, because retail investors bring the market a much-needed liquidity and stability. But it is the derivatives chapter where it gets tricky. According to the Securities and Exchange Board of India (SEBI), only 7.2% of retail traders generated profit from futures and options trading between 2021 and 2024, losing 1.81 trillion rupees ($21.67 billion). It highlights how risky trading derivatives is, especially for beginners. Investor profile in India and Tamil Nadu has undergone great change in recent years because of increasing participation, technological shifts, and evolving market forces.

I.3 Retail Investor Landscape in Tamil Nadu

Tamil Nadu has emerged as a significant player in India's retail investment market. As of December 2024, the state had roughly 9.4 million retail investors, indicating that its citizens are becoming more financially active. The state's economic initiatives have provided additional support for this trend. Around 6.64 lakh crore rupees in investments were made at the Global Investors Meet (GIM), which took place in Tamil Nadu at the start of 2024. This influx is expected to generate over 26 lakh job opportunities, potentially enhancing the financial well-being of the populace and encouraging more investment activity.

1.4 Research Problem

Like many Indian cities, Chennai's investment environment is changing quickly because of several factors, with the rise of digital money channels, easier access to a wider range of financing options, and the expanding influence of behavioral economics. Notwithstanding these developments, a sizable section of Chennai's investor base still employs less-than-optimal investment practices, including an over-reliance on conventional assets (such as real estate and precious metals), a failure to diversify their holdings, and susceptibility to cognitive biases like herd mentality and overconfidence [1]. Socioeconomic disparities and a lack of financial literacy can make these practices worse by restricting access to formal financial education and advisory services [2]. Understanding how behavioral traits, financial literacy, and socioeconomic status interact is essential to resolving these issues and enhancing investment outcomes for Chennai residents.

1.5 Research Gap

While prior studies have considered the separate impacts of financial literacy, socioeconomic status, and behavioral determinants on investment choice, few studies consider the

interactions between these determinants in the specific context of Chennai. Existing literature often does not consider Chennai's specific cultural, economic, and social nuances in favor of focusing on large cities such as Delhi and Mumbai or urban India generally [4]. Additionally, there is a lack of empirical evidence showing how digital investment platforms are altering traditional investment approaches in this sector [5]. This study bridges these gaps by examining the interaction between socioeconomic status, financial literacy, and behavioral factors influencing investment choices in Chennai, as well as how digitization has affected these decision-making processes.

II. REVIEW OF LITERATURE

Investment decisions depend on several factors. These include how an individual thinks, his financial knowledge, the social and economic status he is in, and the impact of digital technology. It has been found that these factors relate to each other, particularly in developing countries like India. To be able to analyse effectively how the factors influence each other in specific places, such as Chennai with its unique culture and economy, more in- depth studies must be done.

II.1. Behavioural Factors on Investment Decisions

Behavioral factors have a significant influence in deciding investments, especially in the case of retail investors. Several studies have identified psychological factors and cognitive biases influencing the investment choice process and resulting in irrational market behavior. Barber and Odean (2001) [6], for instance, established that overconfidence, a prevalent behavioral bias, results in overtrading, the net effect of which is lower net returns. Likewise, Kahneman and Tversky (1979) [7], in their initial research on prospect theory, observed how people overestimate losses relative to gains, and it is on this basis that risk aversion has become the mainstream method of investment choice. Herding behavior is also one of the determinants that have a considerable influence on investment choices. Bikhchandani and Sharma (2000) [8] mentioned that investors, particularly those with poor financial literacy, follow, which may cause market anomalies and bubbles. Sias (2004) [9] also provided evidence for this, demonstrating that institutional and individual investors follow each other's transactions, generating momentum in stock prices that may not be fundamentals-based.

Anchoring bias, where investors make decisions largely based on an initial piece of information (e.g., an historical stock price) when they are making decisions, is also widely discussed. Kaustia et al. (2008) [10] illustrated that investors are likely to anchor on historical highs in the worth of stocks, which could result in investors holding onto losing investments longer than good financial analysis would dictate. This is in line with the disposition effect as outlined by Shefrin and Statman (1985) [11], where investors sell successful stocks early and do not sell losing ones in a timely manner. Risk tolerance is an important behavioral factor in investment decision-making. Grable and Lytton (1999) [12] constructed a scale of risk tolerance that has been employed extensively in research on individual investors. They established demographic variables such as age, income, and education to determine the extent to which investors are willing to take risks. Further, empirical evidence by Bajtelsmit and Bernasek (1996) [13] indicates that women tend to be more risk-averse than men and that gender differences in portfolio investment have implications from this.

The contribution of financial literacy to investment behavior cannot be overlooked. Lusardi and Mitchell (2014) [14] contended that investors with financial literacy are likely to participate in the stock market and diversify their portfolios, resulting in improved financial outcomes. Al-Tamimi and Kalli (2009) [15] also studied the financial literacy of UAE investors and observed a positive relationship between financial literacy and good investment choices. Behavioral biases also intersect with socioeconomic factors. Studies like those by Guiso et al. (2003) [16] and Calvet et al. (2009) [17] indicate that wealthier, more educated investors are less prone to behavioral biases such as overconfidence and herding, as they have easier access to information and financial expertise.

Emotional influence on investment has also been researched in the recent past. Nofsinger (2017) [18] contended that emotions of fear and greed are what dictate market sentiment, particularly in times of market volatility. The same is also concurring with Baker and Wurgler (2007) [19], who proved that investors' sentiment is a robust predictor of future stock returns, hence mispricing in the market. Lastly, the role of social and cultural factors in investment behavior has gained more traction in recent years. Chui et al. (2010) [20] examined how investors' behavior is influenced by social norms and cultural elements like individualism and uncertainty avoidance across different countries. The authors' conclusion is that investors' culture greatly influences the way they evaluate risk and make investment decisions.

II.2. Financial Literacy on Investment Decisions

Financial literacy is a key driver in investment choice creation sense it clearly illustrates individuals' capacity to comprehend financial markets, approximate risk, and make good choices. Based on Lusardi and Mitchell (2014) [21], individuals with higher financial literacy can make good investment choices that enable them to become better off and increase in wealth. Their research quotes that financial literacy influences investment in financial markets and steering clear of costly financial products, thereby promoting sound investment behavior.

Van Rooij, Lusardi, and Alessie (2011) [22] also quote that low financial literates do not invest in shares, as they believe that the financial markets are too complicated or risky. Their study on Dutch households proved that financial literacy is positively connected to participation in the stock market, where the more financially literate tend to diversify their portfolios and hedge risks. Likewise, Yoong (2011) [23], in his study on American households, discovered that financial literacy increases the likelihood of retirement planning and investment in higher returns significantly. Employing cross-country comparative analysis, Atkinson and Messy (2012) [24] enumerated the financial literacy gap among groups of populations to illustrate that financially literate country citizens have diversified portfolios and long-term investment. The financial education initiatives could offer the financial knowledge deficit to enable individuals to make better investment choices, the authors observed.

Financial literacy also diminishes the influence of behavioral biases on investment choices. Monticone (2010) [25] showed that financially literate investors are less susceptible to cognitive biases like overconfidence and herding behavior, which result in making suboptimal investment choices. In Italy, this study found that greater financial literacy is linked with more rational investment behavior and improved portfolio management, especially in times of market turmoil. Moreover, Hilgert, Hogarth, and Beverly (2003) [26] established a positive relationship between financial literacy and sound financial behavior, e.g., investment. Their American consumer survey

identified that consumers with higher financial knowledge are more inclined to adopt sound financial habits, e.g., budgeting, saving, and investing, which lead to long-term financial well-being.

Financial education's role in enhancing investment results has also been examined in other studies. Clark, Lusardi, and Mitchell (2017) [27] discovered that financial education provided at the workplace significantly enhances financial literacy among workers, resulting in better retirement saving and investment choices. Through an examination of US employee data, the study concluded that employers have a significant role to play in enhancing employees' financial literacy and financial behavior. In UAE's emerging economies, financial literacy remains a major indicator of investment behavior. Al-Tamimi and Kalli (2009) [28] conducted research into the UAE investor's financial literacy and observed that financially more aware investors were more inclined to invest in various classes of assets, for example, stocks and mutual funds. In the UAE, the research demonstrated how financial literacy is used to encourage more advanced investment product participation, even in emerging economies.

In addition, Grohmann, Klühs, and Menkhoff (2018) [29] studied finance data in 135 countries and discovered that greater financial literacy means more involvement in formal financial instruments, including the stock market, and less use of informal saving instruments. Their study illustrated how financial literacy is an influential driver of investment in formal financial instruments, especially in poorer nations. When making retirement plans, Lusardi, and Mitchell (2011) [30] discovered that financially literate people are more likely to do forward-looking retirement planning and can secure their future. Their research shows that increased financial literacy is associated with a diversified investment portfolio that includes stocks, bonds, and other long-term assets, which in turn increases retirement returns.

Financial literacy also affects attitude and tolerance towards risk. Guiso and Viviano (2015) [31] found that financial literacy is strong for a definite understanding of finance products and places people in the path of reasonable risk taking with good returns on investments. Researchers' work for the Italian nation identified how essential it is for people to have financial awareness for the implementation of more prudent risk-taking methods. Surprisingly, socio-economic determinants have also been associated with financial literacy. Research such as Xu and Zia (2012) [32] have indicated that higher income and educational levels are associated with higher financial literacy, which in turn affects their investment behavior. This study found that financial literacy programs for low-income households in developing countries could promote financial inclusion and bridge the knowledge gap in finance.

In a more extensive review, Hastings, Madrian, and Skimmyhorn (2013) [33] reviewed the financial literacy and investment behavior literature and concluded that financial literacy has an essential impact on financial decision-making. They concluded that more financially literate individuals can better evaluate the risk-return trade-offs among alternative investment products and make more rational and more educated investment choices. Finally, Bianchi (2018) [34] explained the contribution of financial literacy in reducing the impact of market shocks to investment portfolios. In this research, it was found that financially literate investors were stronger during the 2008 financial crisis as they could rebalance their portfolios effectively and prevent panic selling. This study emphasizes the contribution of financial literacy in facilitating long-term financial resilience during times of economic uncertainty.

II.3. Socio Economic Status of Investment Decisions.

Socio-economic status (SES) takes a central place in the selection of investment, as it dictates access to resources, risk tolerance, and financial behavior. Research shows that the higher socio-economic group tends to employ more sophisticated investment vehicles and long-term planning for finance. Socio-economic determinants of income, education, occupation, and social class have a significant effect on individuals' orientations towards investment prospects and risk-taking behavior.

For instance, a study in (2010) [35] by Christelis, Jappelli, and Padula1 showed that individuals who belong to wealthier socio-economic groups are financially more literate and more inclined towards investment in the stock market. The study, which looked at survey data from European nations, found that richer individuals invested more in diversified portfolios, therefore lowering risk and enhancing returns. This suggests that socio-economic circumstances play a part in deciding what type of assets individuals invest in and the strategy of investment. In a different study, Kadoya, and Khan (2020) [36] examined the influence of socio-economic determinants on investment behaviors in Japan and discovered that higher education and income levels have greater chances of investing in high-risk financial products such as stocks and mutual funds. This work illustrates how income and education shape financial choices by offering people information and confidence to invest in high-return assets. Praag and Ferrer-i-Carbonell (2008) [37] illustrated that socio-economic markers such as income and social class affect risk tolerance. In a Dutch study, they illustrated that respondents belonging to lower-income groups are risk-averse and opt for safer alternatives in the form of savings and fixed deposits, while higher-income groups take risk to get higher returns. Such risk aversion can result from the small financial buffer that is available to low-income individuals, thus such individuals become risk-averse when it comes to investing.

Moreover, Charles and Hurst (2003) [38] proved that high socio-economic individuals are more likely to be engaged in the stock market since they enjoy enhanced access to financial advisors and better financial literacy. Their study of U.S. households showed that those with higher education and income are more likely to seek professional investment advice, making them make more rational investment decisions. This shows that socio-economic status not only affects the type of investments individuals make but also the nature of investment advice they get. Socio-economic status has also been seen to impact investment decisions in emerging markets. Almenberg and Dreber (2015) [39] analyzed the socio-economic determinants of investment activities in Sweden and found that well-educated and high-income individuals are more likely to engage in equity markets, while lower socio-economic persons tend to shy away from such investments. The research found that low-income individuals perceive equity investments as risky, even though this stems partly from limited access to financial information and a lack of economic education.

A similar study by Osei-Assibey (2009) [40] analyzed the socio-economic determinants of investment behavior in Ghana and concluded that education and income levels have a significant influence on the probability of investing in stock and bonds. More affluent individuals are likely to diversify investments, while poorer individuals resort to informal savings instruments, for example, rotating savings and credit associations (ROSCAs), because they have poor access to formal financial institutions. Research by Grinblatt, Keloharju, and Linnainmaa (2011) [41] mentions the impact of socio-economic status on investment returns. From their observation of Finnish investors, it was observed that investors from richer backgrounds yield more from their

investments due to increased knowledge regarding finances coupled with use of sophisticated financial services. This explains how socio-economic factors decide not just investment activities but also success in investment.

A study by Demirgüç-Kunt, Klapper, and Singer (2013) [42] on financial inclusion found that those from lower socio-economic groups are less likely to participate in formal financial markets due to insufficient access to financial services. The study, conducted in 148 countries, revealed that socio-economic challenges like low incomes and poor financial literacy constrain people's ability to invest in formal financial instruments, thereby limiting their ability to accumulate wealth. Also, Bogan (2008) [43] examined how socio-economic status is connected to investment behavior by American families and found that poor individuals make low-risk, short-term investments while wealthy individuals utilize long-term investments with higher risk and reward. This study concludes that socio-economic status is correlated with time horizon and risk profile of the investment strategy by the individual.

In addition, Van Rooij, Lusardi, and Alessie (2011) [44] emphasized that more socio-economic individuals are prone to participate in financial markets due to higher financial literacy and better access to financial information. They, in their study of Dutch households, inferred that richer individuals are more inclined to invest in the stock market and other assets with high returns, while the poor invest in secure investments such as bonds and savings accounts. Another important research study by Jacobsen, Lee, and Marquering (2009) [45] established the role of socio-economic determinants on investment performance and demonstrated how wealthier individuals enjoy superior returns from investment since they can access sophisticated financial services and risk diversification in their investment portfolios. The study, which was established in the United States, indicated the contribution of socio-economic status to financial well-being and investment prosperity. Additionally, Ansong and Gyensare (2012) [46] examined how socio-economic status impacts investment practice among Ghanaian investors and discovered that income levels and educational status are major predictors of investment behavior. People who earn higher incomes are inclined to invest in higher-risk, high-reward securities, while less wealthy individuals prefer safety and liquidity when making investment choices.

In the context of retirement planning, studies by Lusardi and Mitchell (2007) [47] found individuals belonging to more affluent socio-economic groups are in higher probability to adopt proactive measures for retirement planning, investing in equities, bonds, and other long-term capital products. Their survey of U.S. households also arrived at the conclusion that wealthier individuals possess more diversified retirement portfolios, enjoying financial security in retirement. Lastly, Guiso, Sapienza, and Zingales (2008) [48] demonstrated that socio-economic determinants of income, education, and social class significantly affect risk preferences and investment choices. In a study they conducted in Italy, they determined that wealthier individuals are more likely to take risks in their investments, leading to higher returns and greater financial success.

III. RESEARCH QUESTIONS AND OBJECTIVES OF THE PRESENT STUDY

III.1 Research Questions

RQ1: Behavioral factors, financial literacy, and socioeconomic factors influence investment decisions in what ways?

RQ2: Investment decisions are heavily influenced by what factors?

III.2 Research Objectives

1. To Analyse the socioeconomic profile of investors.
2. To investigate the relationship between behavioural factors and socioeconomic factors, as well as financial literacy and investment decisions
3. Determine the most significant factor influencing investment decisions

III.3 Proposed Hypothesis for testing significant relationships

H_{01}: There is no significant relationship between behavioral factors and investment decisions.

H_{11}: There is a significant relationship between behavioral factors and investment decisions.

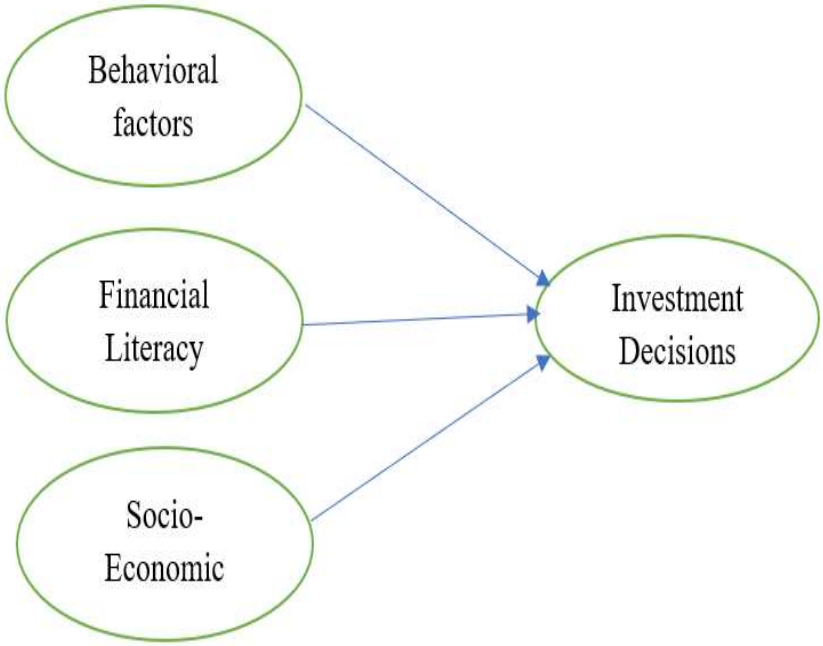
H_{02}: There is no significant relationship between socio-economic factors and investment decisions.

H_{12}: There is a significant relationship between socio-economic factors and investment decisions.

H_{03}: There is no significant relationship between financial literacy and investment decisions.

H_{13}: There is a significant relationship between financial literacy and investment decisions.

III.4 Proposed Research Model for Present Study



For this investigation, a research model was suggested. Its base is built upon four main pillars: behavioural factors, financial literacy, and socioeconomic status. The fourth is when choosing which investments to make. Biases and risk tolerance are examples of behavioural and psychological factors that influence investor decision-making. Similarly, financial literacy, which includes understanding financial markets and products, leads to the capacity to make informed judgments. Lastly, investment practices may be influenced by socioeconomic characteristics such as wealth, education, and social position. The graphic highlights the intricacy of investors'

financial decision-making by showing how the three interact and influence one another to influence investment choices.

III.4 Theory for the Study

The Theory of Planned Behaviour (TPB) served as the foundational framework for this study to gain a better understanding of the elements influencing the investment choices of ordinary investors in Chennai. The TPB is a well-known psychological theory that explains human conduct using three key components: attitude towards behaviour, subjective norms, and perceived behavioural control. This theory holds that the most direct determinants of activity are a person's behavioural intentions, which are influenced by their attitudes towards the behaviour, the social restrictions they face, and their sense of control over the action. Perception of Conduct: In this study, "attitude" refers to how investors evaluate investing activities, such as whether they think they are risky or beneficial. These opinions, which in turn affect their investment decisions, are heavily impacted by behavioural traits such as herd mentality, risk tolerance, and overconfidence. Subjective Norms: This refers to the ways in which social factors, such as friends, family, and peers, influence an investor's decision to make an investment. We can better understand how these social factors impact individual choices, such as how much investors follow the expectations of those in their immediate community, thanks to the TPB framework. Perceived behavioural control, which includes investors' confidence in their ability to make prudent financial decisions, is the third element in this study. Their general ability to manage investments effectively, financial literacy, and comprehension of financial products all play a part. This study employed the TPB framework to capture the interplay among behavioural attitudes, social influences, and perceived control over investing decisions. We were able to better comprehend the psychological and external factors influencing investor conduct in Chennai's socioeconomic situation by using a holistic strategy. The TPB provided a helpful framework for examining the ways in which these factors interact to affect people's investing intentions and ultimate choices.

IV. RESEARCH METHODOLOGY AND DATA COLLECTION

The investing attitudes of frequent investors in Chennai are investigated in this study, with an emphasis on how socioeconomic position, financial literacy, and behavioural traits affect their investment decisions. A systematic questionnaire with four sections intended to collect key information was used to collect data from 446 participants. Demographic data such age, gender, income, marital status, education level, and occupation were gathered in the first section. In the second section, behavioural aspects that could influence investment decisions were evaluated, including psychological characteristics like risk tolerance, overconfidence, and herding behaviour. The investors' comprehension of financial terms, familiarity with financial products, and capacity for prudent financial decision-making were all assessed in the third phase. The nature of investments—whether in shares, unit trusts, or real estate—as well as the factors influencing these choices were studied in the fourth section. With a sample size of 446 respondents, the study used a descriptive research design. Convenience sampling was utilised to reach investors in Chennai, while non-probability sampling was utilised to enrol participants. With choices ranging from "Strongly Disagree" (1) to "Strongly Agree" (5) on a 5-point Likert scale, the researchers were able to collect comprehensive information on the complex interaction between personal behaviour and financial decision-making.

IV.1 Sources of Data

The primary data for this study was collected directly from investors in Chennai. The use of online and offline distribution channels ensured a diverse sample of common people engaged in investment activities.

IV.2 Statistical Analysis Tools

SPSS 27 and AMOS 23 were used for the statistical analysis in this study. The associations between the independent variables (financial literacy, behavioural factors, and socioeconomic status) and the dependent variable (investment choices) were investigated using AMOS 23's Structural Equation Modeling (SEM). According to Hair et al. (2019) [49], SEM is a reliable multivariate technique that takes measurement errors into account and makes it possible to assess intricate relationships between several variables. This method is especially useful for studies that use latent constructs since it enables the simultaneous analysis of several interactions inside a single model.

Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM), carried out with AMOS (Analysis of Moment Structures) and SPSS (Statistical Package for the Social Sciences), are the main analytical methods used in this study. By analysing the relationships between observed indicators and their underlying latent components, CFA will evaluate the validity of the measurement model. SEM will next be used to test the hypotheses and structural correlations, providing a more thorough statistical analysis. The specialized SEM tool AMOS will assist in the investigation of complex links and routes inside the conceptual framework, while SPSS will support the early data analysis. The study can more accurately identify trends and correlations in the data by combining these techniques, which will help it comprehend the research variables better.

V. DATA ANALYSIS AND INTERPRETATION

V.1 Frequency Distribution

Table no.5.1 Socio-economic Profile of the Investors

S. No	Demographic	N	%	S. No	Demographic	N	%
1	**Gender**			**4**	**Marital Status**		
	Male	318	71.3		Married	124	27.4
	Female	128	28.7		Unmarried	322	72.2
	Total	446	100		Total	446	100
2	**Age**			**5**	**Income (Per Month)**		
	25-35	228	51.1		Below 20,000	131	29.4
	36-45	185	41.5		20,001 - 40,000	116	26.0
	Above 46	33	7.4		40,001-60,000	186	41.7
	Total	446	100		Above 60,001	13	2.9
					Total	446	100.0

3	Education			6	Employment Status		
	Diplomas or schools	39	8.7		Own Business	253	56.7
	Graduate	299	67		Public	39	8.7
	Postgraduate	108	24.2		Private	154	34.5
	Total	446	100		Total	446	100

Sources: Primary Data

The demographic analysis of the sample reveals several findings. The gender discrepancy, with 71.3% of respondents being male and 28.7% being female, indicates that men were more likely than women to engage in investment activities. This suggests that investment is more common among younger and middle-aged individuals. The age group of 25-35 years accounted for most responders (51.1%), with 41.5% falling into the 36-45 years age group. The low level of investment by elderly individuals is demonstrated by the fact that just 7.4% of respondents were over 46 years.

According to marital status, a significant portion of respondents (72.2%) were unmarried, suggesting that single persons are more inclined to invest because they could have fewer financial responsibilities. Conversely, only 27.4% of respondents were married.

The sample's income distribution offers information on the respondents' financial status. Since a sizable fraction of respondents (41.7%) make between ₹40,001 and ₹60,000 a month, middle-class individuals are the most active investors. There is a balanced representation throughout the various income levels, with 26.0% of respondents earning between ₹20,001 and 40,000 and 29.4% of respondents earning less than ₹20,000. But only 2.9% of respondents make more than ₹60,001, indicating that those with higher incomes are under-represented in the sample. This could suggest that middle-class individuals have a significant impact on the investment behaviours examined in this study. According to the research, income is a significant factor in investment decisions, with those with more modest incomes showing the highest level of engagement.

In terms of education, 24.2% of respondents held postgraduate degrees, while the vast majority (67.0%) had graduates' degrees. This implies a strong positive correlation between investing involvement and educational attainment. The fact that just 8.7% of those with less education had diplomas or school-level education was indicative of their reduced investment commitment. Finally, a significant degree of entrepreneurial activity among investors was indicated by the fact that 56.7% of respondents listed their own business as their employment status. While 8.7% worked in the public sector, another 34.5% were employed in the private sector. This implies that private sector workers and business owners are more likely to engage in investment activities.

V.2 Reliability Statistics

Consistency and reliability in measurements or data are evaluated with the assistance of reliability statistics. Cronbach's Alpha is among the most used statistics that are utilized within

research and psychometrics to calculate internal consistency dependability. This coefficient, originally used by Lee Cronbach in 1951, quantifies the degree to which the scale or test items measure a common construct. Whereas a low score increases the likelihood of reliability issues with the scale, a high Cronbach's Alpha measure (typically above 0.7) indicates that the items are strongly related to each other and consistently measure the same concept [50].

Table no: V.2 Reliability Statistics For Present Study

Cronbach's Alpha	Total number of items
0.849	20

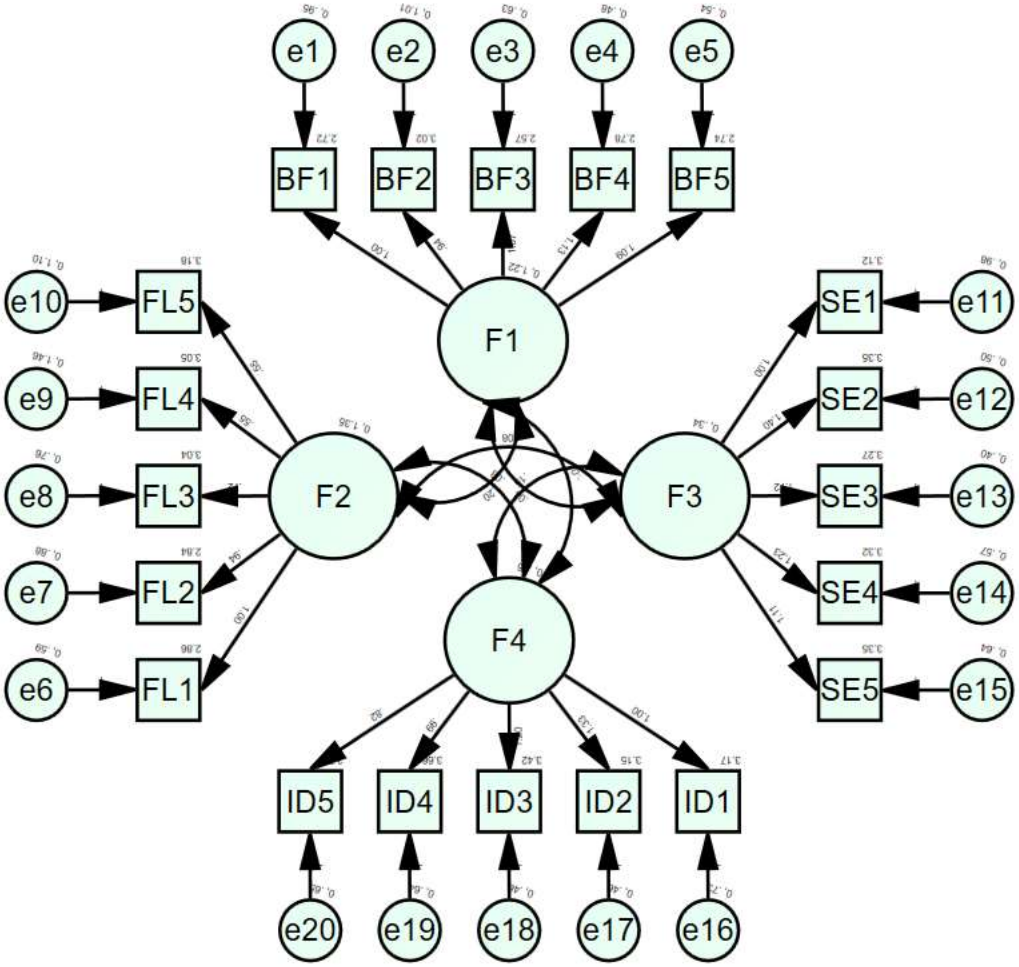
Interpretation

The test or scale has a very good internal consistency reliability, as indicated by its Cronbach's Alpha value of 0.883. It indicates the 20 scale items are highly correlated and equally measure the same latent construct consistently. Any Cronbach's Alpha value greater than 0.7 will suffice, while greater than 0.8 will be even better. Therefore, the scale demonstrates extremely good reliability, which means the items are reliable and suitable for measuring the intended construct.

V.3 Confirmatory Factor Analysis

Confirmatory Factor Analysis (CFA) is concerned with observed variable and their related latent constructs' relationships and determining the extent to which data aligns with a hypothesized measurement model. Structural Equation Modeling (SEM), however, goes one step further by examining the interrelationships between independent and dependent variables as well as latent variables to investigate how the constructs affect one another (Bryman, 2016) [51].

Figure 1: Confirmatory Factor Analysis



Source: Primary Data

A Confirmatory Factor Analysis (CFA) model, a statistical method used for estimating the correlation between observed and latent variables, is demonstrated in the figure. The latent variables in the model, presented in circles and unmeasurable directly, are behavior factor (F1), financial literacy (F2), socioeconomic (F3), and investment decision (F4). The relevant observed variables, represented by squares, are employed to estimate the variables, including BF1 to BF5 for behavior, FL1 to FL5 for financial literacy, SE1 to SE5 for socioeconomic, and ID1 to ID5 for investment choice. While double-headed arrows represent correlations or covariance among the latent variables, expressing interrelations like how Financial Literacy affects Behavior and in relation to Decision Making and Satisfaction, single-headed arrows represent directionality of the relationships between latent variables and indicators. Error terms (e1 to e20) ensure that the model well represents the underlying structure in ensuring the unexplained variance in the observed variables.

Table no:3 Confirmatory Factor Analysis Goodness-of-Fit Indicators (CFA)

Fit Index	Obtained Value	Recommended Threshold	Assessment	Reference
CMIN/DF (Chi-square/df)	1.838	< 2.00 (Excellent)	Good Fit	Kline (1998)
Chi-square (p-value)	2.848 (p = 0.08)	p > 0.05 (Non-significant)	Good Fit	Hair et al. (1998)
GFI (Goodness-of-Fit Index)	0.914	> 0.90 (Excellent)	Good Fit	Hair et al. (2006)
AGFI (Adjusted GFI)	0.967	> 0.90 (Excellent)	Good Fit	Daire et al. (2008)
NFI (Normed Fit Index)	0.904	> 0.90 (Good)	Good Fit	Gerbing & Anderson (1992)
CFI (Comparative Fit Index)	0.935	> 0.90 (Good)	Good Fit	Hu & Bentler (1999)
RMSEA (Root Mean Square Error of Approximation)	0.066	< 0.08 (Good)	Good Fit	Hu & Bentler (2006)
RMR (Root Mean Square Residual)	0.071	< 0.08 (Good)	Good Fit	Hair et al. (2006)

Source: Primary Data

The goodness-of-fit of the model used in this study, which gauges the correlation between factors impacting investment decisions, is shown by the fit indices in the table. According to Kline (1998), the Chi-square/df value (CMIN/DF) is 1.838, which is within the recommended limit of 2.00 and indicates an excellent match. Additional evidence of the model's strong fit, as per Hair et al. (1998), comes from the Chi-square of 2.848, p-value = 0.08, which satisfies the recommended criterion of $p > 0.05$ and shows that the model does not significantly differ from observed data. According to Hair et al. (2006), the Goodness-of-Fit Index (GFI) is 0.914, which is over the cutoff of 0.90 and is considered excellent. In keeping with Daire et al. (2008), the Adjusted GFI (AGFI) value of 0.967 likewise shows a strong model fit and is above the recommended threshold of 0.90. A satisfactory match is shown by the Normed match Index (NFI), which is 0.904; according to Gerbing and Anderson (1992), values above 0.90 are acceptable.

Hu and Bentler (1999) state that a satisfactory model fit is again established by the Comparative Fit Index (CFI), which is 0.935, substantially above the threshold level of 0.90. The model's fitness is further supported by the Root Mean Square Error of Approximation (RMSEA), which is 0.066 and well under the threshold level of less than 0.08 (Hu & Bentler, 2006). Finally, Hair et al. (2006) contend that a decent model fit is ensured by the Root Mean Square Residual (RMR), which is 0.071 and likewise falls within the 0.08 requirement. The model's validity and efficacy in explaining the investment decision-making process are confirmed by the outstanding fit indices it displays across all criteria.

Table no V.4 Table Analysis of Validity and Reliability Measures

Measures	CR	AVE	MSV	MaxR(H)	B	F	S	D
B	0.903	0.581	0.869	0.858	**0.808**			
F	0.795	0.681	0.816	0.892	0.932*	**0.791**		
S	0.820	0.652	0.102	0.905	0.058	0.687***	**0.764**	
D	0.861	0.611	0.204	0.893	-0.126†	0.147*	0.104	**0.742**

Source: Primary Data

Interpretation:

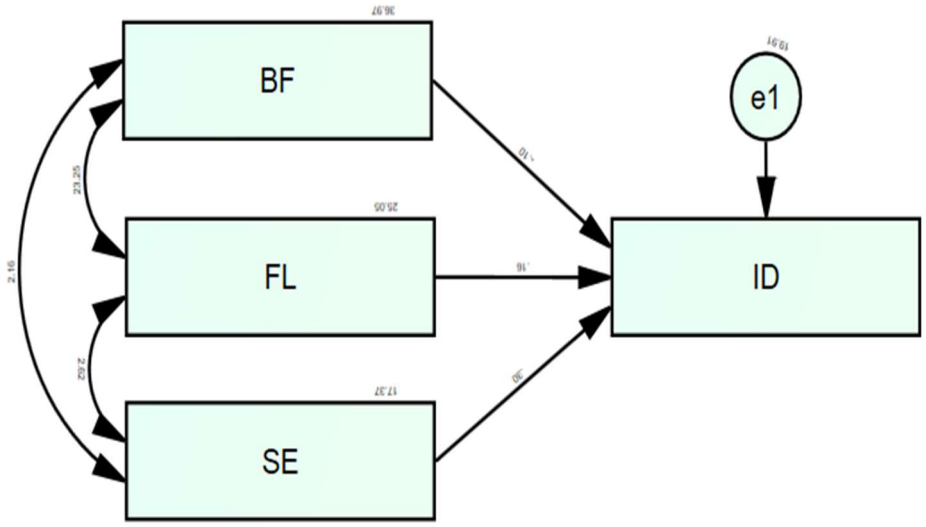
Important statistical metrics for evaluating the validity and dependability of the model's constructs B, F, S, and D are included in the table above. Composite Reliability (CR) ratings above the permissible cutoff value of 0.7 for all constructs indicate strong internal consistency. Each construct's Average Variance Extracted (AVE) values are higher than 0.5, indicating that the indicators of each construct account for a sizable amount of the variance. Construct S exhibits the lowest Maximum Shared Variance (MSV), indicating that it shares less variance with other constructs, whereas the greatest MSV values, especially for B and F, demonstrate considerable linkages across these constructs.

The Maximum Reliability (MaxR(H)) values, which display the overall reliability of each construct and all of them exceed the recommended threshold, provide further evidence of the model's dependability. The factor loadings, which reveal strong positive correlations between B and F (0.932*) and considerable correlations between F and S (0.764), illustrate the relationships between the components. The fact that B and D have a negative correlation (-0.126†) suggests that their effects are very different. Additionally, correlations between D and F (0.147*) and S (0.104) show their connection. The results show how resilient the constructs and their relationships are, with some constructs (like B and F) showing higher interdependence and others (like S) showing greater Independence in the model.

V.4 Path Modelling

Path Modeling is a specific type of Structural Equation Modeling (SEM) that examines the relationships between independent and dependent variables, identifying which factors have the strongest influence on the outcome of interest.

Figure 2: Path Modeling



Source: Primary Data

The illustration shows a path analysis model that examines the connections between three independent variables: socioeconomic status (SE), financial literacy (FL), and behavioural characteristics (BF), as well as the effects of these connections on the dependent variable, investment decisions (ID). The route coefficients demonstrate the strength of these correlations, while the arrows indicate the direction of influence. Investment decisions are directly and favourably impacted by behavioural factors (BF), even with the path coefficient's small value of 0.10. This suggests that although behavioural considerations are not as important as other factors, they do have an impact on investing decisions. Furthermore, BF is associated with both socioeconomic position and financial literacy, suggesting that behavioural traits are connected to and have some influence on both variables.

The association between investment decision and financial literacy (FL) is relatively favourable, with a path coefficient of 0.16. This suggests that financially astute individuals will make more intelligent and efficient investment decisions. Consequently, financial literacy is a key factor in determining investment behaviour, even though it is not the most significant element in this model.

Socioeconomic status (SE) has the most impact on investment choices, with a path coefficient of 0.30. To put it another way, the best predictor of an individual's investment decisions is their socioeconomic status. This variable is essential to the analysis since individuals with higher socioeconomic levels are more inclined to invest. To illustrate the unexplained variance in investment decisions by the three factors that the model considers, an error term (e1) is also included in the diagram. The double-headed arrows connecting BF, FL, and SE suggest that they are connected and impact each other to some extent. This model states that when it comes to affecting investing decisions, financial literacy is ranked second only to socioeconomic status. Behavioural factors also have a part, but not as much. The model emphasises the intricacy of investment behaviour, which is impacted by a combination of financial knowledge, socioeconomic factors, and individual behavioural proclivities.

Table no: V.5 Regression Weights for BF, FL, SE, and ID

DV	Path	IDV	Estimate	S.E.	C.R.	P
ID	<---	FL	0.159	0.066	2.416	0.016

ID	<---	SE	0.303	0.051	5.926	***
ID	<---	BF	-0.097	0.054	-1.8	0.072

Source: Primary Data

The table displays the findings of a path analysis that looks at how behavioral factors (BF), socioeconomic position (SE), and financial literacy (FL) affect investment decisions (ID). With an estimate of 0.159, the FL-ID pathway shows a positive and significant relationship, suggesting that increased financial literacy improves investment decisions. The p-value of 0.016 and the critical ratio (C.R.) of 2.416 demonstrate statistical significance and highlight how crucial financial literacy is to making informed investing decisions. In the case of SE, a p-value of 0.303, which is extremely significant (***), indicates a highly significant positive influence on ID. This implies that those with greater socioeconomic status typically make wise financial choices. The p-value of 0.072 suggests that the shift from BF to ID is not statistically significant, even if it is negative (-0.097). In this instance, behavioral factors do not significantly influence investing decisions, despite their tendency to have a negative impact. In conclusion, financial literacy and socioeconomic status have a significant impact on investing decisions, but the impact of behavioural factors is yet unknown.

V.6 Hypothesis Testing Table

Hypothesis	Path	Estimate	S.E.	C.R.	P-value	Result
H1: Financial Literacy (FL) has a significant positive impact on Investment Decisions (ID)	ID <--- FL	0.159	0.066	2.416	0.016	Supported
H2: Socio-Economic Status (SE) has a significant positive impact on Investment Decisions (ID)	ID <--- SE	0.303	0.051	5.926	***	Strongly Supported
H3: Behavioral Factors (BF) have a significant negative impact on Investment Decisions (ID)	ID <--- BF	-0.097	0.054	-1.8	0.072	Not Supported

In this study, the effects of Behavioral Factors (BF), Socio-Economic Status (SE), and Financial Literacy (FL) on Investment Decisions (ID) are investigated using three theories. According to the first hypothesis (H1), investment decisions should be positively impacted by financial literacy. With a statistically significant p-value of 0.016 and a critical ratio (C.R.) of 2.416, the estimate is 0.159, suggesting a positive connection. This supports the notion that people with greater financial literacy should be able to make better informed and prudent investing choices. The impact of socioeconomic position on investing choices is examined in the second hypothesis (H2). An extremely significant p-value (***) and a high C.R. of 5.926 provide strong support for the strong and positive correlation of 0.303. Higher socioeconomic standing ensures that people are more likely to make better investment choices since they often have greater access

to opportunities, financial resources, and education. The findings clearly validate this notion and show how important socioeconomic status is in influencing investing choices.

However, even though the estimate (-0.097) is negative, indicating a potential negative effect, the p-value of 0.072 and C.R. = -1.8 indicate that the relationship is not significant, indicating that there is insufficient data to conclude that behavioral factors significantly influence investment decisions in this model. Although there is a noted trend to the effect that biases and irrational choice may in fact impede investments, more evidence with other data is needed to support this claim. Overall, the examination finds that financial literacy and socio-economic status are significant determinants of investment choice, but the impact of behavioral factors is indeterminate in this study.

6.DISCUSSION

In the demographic analysis, significant trends in investment behaviour are identified. There is a significant gender gap and a need for gender-specific financial education, as men invest more than women (71.5%). People who are unmarried (72.4%) are more likely to invest, perhaps due to their lack of financial commitments. Younger and middle-aged people (ages 25 to 45) make most investments, possibly because of digital investing platforms. Those with middle-class earnings (₹40,001–60,000) are the most active investors, and higher education levels are positively connected with investing involvement (69.1% of respondents are graduates). Additionally, private sector workers are more likely to invest than public sector workers (59.5%). These findings highlight the need for targeted initiatives to boost investment across a variety of demographic categories.

The reliability of the measurement scale is strong, with a Cronbach's Alpha value of 0.883, ensuring internal consistency. The model's constructs (B, F, S, D) exhibit good composite reliability (CR) above the threshold of 0.7, and the Average Variance Extracted (AVE) values indicate sufficient variance explained by each construct. Path analysis results suggest that financial literacy (FL) has a positive and significant influence on investment decisions (ID) with a p-value of 0.016, and socio-economic status (SE) has an even stronger positive impact with a highly significant p-value (***). However, behavioral factors (BF) show a negative but statistically insignificant impact on investment decisions (p-value 0.072). Therefore, the analysis confirms that financial literacy and socio-economic status are critical drivers of investment decisions, while the influence of behavioral factors remains inconclusive and warrants further investigation.

VII. MANAGERIAL IMPLICATIONS OF THE STUDY

According to the report, financial institutions should develop specialised financial education programs since financial literacy influences investing decisions. These initiatives can help middle-class and young adults (ages 25 to 35) make better decisions by educating them. Second, since a sizable portion of investors are private sector workers, financial institutions must provide investment products tailored to their specific requirements, such as tax-saving plans and pension plans. The research's findings about gender inequality highlight the need for inclusion initiatives, financial products, and advisory services that cater more to female investors. Additionally, businesses can enhance user-friendly digital platforms that offer accessible investment options thanks to the popularity of online platforms among young investors. The strong influence of socioeconomic position also suggests that financial managers should focus on creating plans that offer appropriate risk-adjusted investment products to a range of income levels. Although behavioural aspects did not have a significant impact, advisors' decision-making

processes can be improved by correcting investor biases through behavioural finance training. Lastly, by expanding the scope of financial literacy programs for marginalised groups in society to include investment opportunities, authorities may guarantee financial inclusion.

Policymakers can utilise socio-economic status (SE) and behavioral factors (BF) to construct targeted financial literacy (FL) interventions. For example, they can design FL programs focussing on middle-income populations, emphasizing investing techniques like retirement planning and asset creation. By implementing bias-mitigation programs, policymakers can assist investors detect and overcome cognitive biases, such as herd behavior or overconfidence, which typically contribute to poor decisions. These programs could involve workshops, digital tools, or simulations to increase rational decision-making. This strategy improves financial inclusion and promotes more responsible, knowledgeable investing practices among various socioeconomic groups.

VIII.CONCLUSION

This study highlights how behavioural factors (BF) are less important in influencing investing decisions than socioeconomic status (SE). Although both SE and BF are important, socioeconomic status ultimately proves to be a more potent determinant. Interestingly, while being commonly accepted, financial literacy (FL) did not directly affect investing decisions in our model. This implies that FL's role might be more indirect or situational, requiring more contextual study. Demographic factors like gender, age, income, education, and work position largely influence the level of investor activity. The findings indicate that, while financial literacy may still play a role in some circumstances, socioeconomic factors and behavioural patterns are the primary drivers of investing decisions. This finding emphasises the need for additional study on the indirect effects of financial literacy and its interactions with other demographic characteristics.

IX.RECOMMENDATIONS

This study has several significant policy consequences. Developing focused financial education programs for different sociodemographic groups—by age, income, and occupation—remains crucial even though financial literacy (FL) did not show a direct impact on investment decision. Investment choices are significantly influenced by socioeconomic status (SE), suggesting the significance of measures like tax breaks and financial inclusion initiatives aimed at middle-class investors. Personalised financial advice is still essential for managing behavioural biases, even when behavioural factors (BF) did not directly influence investing decisions.

Age, gender, income, and education are important demographic factors that influence investing involvement. More investment engagement can be encouraged by customised financial solutions and corporate financial well-being initiatives. A structured survey of 400 investors was used in the study, and the results showed good data reliability (Cronbach's Alpha = 0.883). Income and age mitigated the impact of SE on investment decisions, while BF could mediate the effect of SE, according to path analysis and moderation/mediation analysis. To create more potent interventions for enhancing investment decision-making, future research must examine these indirect impacts. Future research must also examine gender disparities and perform mediation and moderation analysis on the variables found to gain more understanding.

X. LIMITATIONS

The study has some limitations that should be considered. First, the gender imbalance in the sample—having more men than women—might limit how well the findings apply, especially

regarding women's investment behaviors. Additionally, since the study focuses only on Chennai, it may not fully capture investment trends in other regions of India. The emphasis on middle-class investors also limits the study's ability to provide insights into the behavior of higher- or lower-income groups.

Another limitation is the reliance on self-reported data for behavioral factors, which may not accurately reflect their real influence on decision-making. Experimental methods could provide more precise results in this area. Finally, the study uses cross-sectional data, offering only a snapshot of investor behavior at a single point in time. A longitudinal study would be more effective in understanding how investment decisions change over time, especially in response to shifts in the economic environment.

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