CHAPTER 1

INTRODUCTION

Preview

This chapter presents an introduction to the topic "Study of Investment intentions of Agrarian Class: A Perspective from Rural Punjab". It covers a general overview, historical outlook, conceptual framework, meaning and definitions, approaches, significance and implications of Investment. Contemplating further, it also discusses importance of the study and its significance in Indian context.

1.1 Concept of Investment: An Overview

Investment is the giving up of a definite present worth in exchange for an unsure higher future gain. Choosing the right type, mix, amount, time, grade, and otherfactors while making investments and withdrawals are all part of the process. Such decision-making also needs to be ongoing and reasonable. Choosing an investment typically involves balancing risk and profit. Every investment selection is made takinginto account an unpredictably future as well as the individual investment goals.Investment goals become transitory and the investing environment unpredictable due to the revocability of investments in securities. The firm basis for reasonable expectations gets hazier the further into the future one looks. Stockholders therefore routinely reappraise and reevaluate their various investment obligations in light of new information, updated expectations, and amended investment goals. The process of investing money in stocks, bonds, certificates of deposit, gold, homes, life insurance, etc. is referred to as investing. Investment assets are these places where the money is placed. Investment management is the analysis, decision-making, and procedure used in allocating funds to these various assets, and more precisely, in choosing one asset over another. An investor may have to answer the following queries:

a) How much money is available overall for investments?

b) How much money should be put into long-term investments and

c) How much money should infuse into liquid ones?

d) How much is made up of shares, other securities and of actual assets?

Three distinct but linked kinds of factors are discovered to influence investment decisions. The first set of premises might be categorized as factual or informative. Numerous data sources provide the factual foundations for investment decisions. Together, they stand in for the investor's visible environment, the two general and specific characteristics of the stocks or businesses he may invest in. Expectation premises can be used to characterize the second class of considerations taken into consideration for investment decisions. Although expectations for the results of alternative investments are inherently speculative and subjective, the environmental and financial realities that are readily available to investors serve as their necessary underpinnings. These impose restrictions on the kind of investments that may be made as well as the properly contemplated results. The valuation premises make upthe third and last category of criteria. These criteria include the design, safety, and negotiability of particular investments or combinations of assets, as these are periodically evaluated for investors (Bhalla V.K., 2008).

Indians are well recognized for their preference for prudent investments and saving. However, not all investors are savers. Since India gained independence, savings rates have been rising steadily. In the recent past, numerous new instruments have been launched to draw in the public and encourage them to make safer investments. Despite the fact that there are more and more possibilities for investing your money, any investment vehicle can be readily divided into three categories based on security, income, and growth, which also pertain to various investment goals. Although an investor may have more than one of these goals, the accomplishment of one goal should not come at the price of another because doing so will defeat the primary goal of investing.

1.1.1 Objectives of Investment

Every individual set its own investment objectives as per his/her financial motives. Some of the major investment objectives are as follows:

a) **Safety**: Safety is when a scenario has a lower risk than what is considered to be acceptable. In other words, there is no immediate threat in this situation (Taerwe 2007). The safest investments can typically be found in the money market, where they can be found in the form of treasury bills (T-bills), commercial paper, certificate of deposits (CDs), or bankers acceptable slips, or in the fixed income

(bond) market, where they can be found in the form of corporate and municipal bonds as well as other types of bonds issued by other governments and by other governments.

b) **Income generation**: Each person's definition of income is unique. Ross, Burgess, and Chan (2001) found that income and gain are equal in economics to gains in wealth. Financial income is the revenue produced by the short-term surplus cash invested in marketable securities and short-term investments. The investments with the lowest rates of income return, or yield, are the safest ones. If investors want to boost their yields, they may have to give up some level of safety. Under normal circumstances, safety often declines when income rises and vice versa. This is the inverse relationship between safety and income.

c) **Growth of Capital**: In contrast to income, capital gains are only realized when the price at which a security is sold exceeds the amount at which it was initially purchased. A capital loss occurs when you sell for less than you originally paid. Because of this, investors looking to make capital gains are more interested in long-term growth prospects than they are in the immediate return on their investments. Growth of capital is typically linked to the acquisition of common stock, especially growth securities, which offer low yields but significant potential for growth in net value of the asset. Due to the fact that their return depends on events in the uncertain future, common stocks are therefore often regarded as speculative investments.

These objectives may be for fulfilling other personal goals, having cash on hand for unforeseen events, providing for the children's education, sustaining a family's standard of living, planning for retirement, buying a business, buying a home, or reaching other goals. In order to accomplish these life goals, one must adopt the greatest investment strategy and utilize the assets of that strategy effectively, both of which will result in a solid financial future. For savers in India, there are several different investment opportunities. Some of them have a marketable and liquid focus, while others don't; some are very dangerous, while others are nearly risk free.

1.1.2 Investment: An Integral Pillar of a Financial System

Any economy's development relies heavily on its financial system. The financial system promotes capital formation through the "transfer process," which involves

moving savings from saving surplus units to saving deficit units. The process of constructing capital consists of three distinct but related actions, namely Finance, investment, and savings. The financial system serves as a conduit for savings and investment. The act of investing involves placing money into a chance or instrument in the expectation that its value will rise and that investors will receive favorable returns. In its larger sense, investment can be considered as sacrificing present possessions or current cash to achieve benefits in the future."

A healthy rate of return with minimal risk is the main objective of investing. Goals like liquidity, hedging, and safety against inflation should be viewed as supplemental objectives. Time and risk are the two key components of any venture. The investment has already been made and is secure. Future expectations and uncertainty surround the advantage. In a select few assets (government bonds), the time component can be viewed as a dominant quality. The risk component in investments like stock options might be viewed as a dominant attribute. Time and risk are regarded as qualities of supremacy in additional investments like equities shares.

1.2 Investment Decisions Making

A decision is made by choosing one course of action from among several alternatives after carefully weighing each one. The biggest obstacle for investors is making an investment selection when their profiles are different, such as in terms of age, gender, race, socioeconomic status, and educational standards. Investors traditionally make financial choices based on how best to balance risk and return. The contemporary theory of investor decision-making, however, demonstrates that investors do not always act logically while making investment decisions. The two basic categories of investment in India are risky and risk-free asset classes. Direct shares, mutual funds, life insurance, commodities, and real estate are examples of risky asset classes. The risk-free asset category includes fixed deposits, NSC, post office, PPF and bonds."

a) Equity

Equity offers investors a high rate of return. However, suffer the highest level of investment risk. Investors have two options for investing in equity: either directly from the market by purchasing shares, or indirectly through mutual funds, in which case the investment is made in mutual fund units, and the fund assembles a portfolio of successful equity shares. Both of these strategies have a

variety of rewards and hazards, and it is up to the investor to decide which is best.

b) Debt

There are numerous debt instruments on the market today, ranging from bank fixed deposits to corporate fixed deposits. "Debt is a straightforward instrument where investors receive a specified percentage of their investment back at the moment the investment matures or is redeemed," says the author.

c) Mutual Fund

This is a growing area for investment, and the market is flooded with offers and schemes to meet the needs of a sizable population. A mutual fund is a particular kind of expertly and effectively managed investment vehicle that collects funds from numerous people to purchase securities.

d) Corporate Debenture

In essence, the credibility, acceptability, and creditworthiness of the issuing corporation support corporate debentures. This kind of loan instrument is not secured by real property or any other form of collateral. Debentures are a way for a firm to raise credit, but they are not included in the share capital, even though the funds raised are also included in the capital structure of the company.

e) Company Fixed Deposit

A corporation fixed deposit is a deposit made by investors to a business for a specific amount of time at a specific rate of interest. Company FDs are carried out as a result of their cautious Investors, who do not want to bear the danger of stock market ups and downs.

f) Bank Fixed Deposit

Term deposits are another name for bank fixed deposits. Bank FDs have a 30-day minimum investment term requirement. Because of the rules set by the RBI and the guarantees provided by the deposit insurance corporation, deposits in banks are regarded as being quite safe. Fixed deposit interest rates vary depending on the term of the deposits. High liquidity is ensured through bank deposits. Bank deposits may be used as collateral for loans.

g) Post Office Saving

Any Post Office can participate in the Post Office Monthly Income Scheme, a low-risk savings programme. Additionally, interest rates are a little bit higher

than those of banks. Interest on savings in post offices is calculated and paid yearly every half year.

h) Life Insurance

Insurance firms provide investors a variety of investing plans. These tools encourage saving and also provide insurance protection. The biggest life insurance provider in India is LIC. Life insurance, convertible whole life insurance, endowment insurance, unit linked plans, term insurance, money back policies, instant annuities and delayed annuities are among the most popular types of plans. These plans offer the benefit of earning a sizeable interest on the investment insurance payments while also addressing the risk compensation that investors will need to deal with in the future.

(i) Public Provident fund

A Public Provident Fund account may be opened with a nationalized bank at any time of the year, and it is available for deposits throughout the year. It is done to take advantage of tax benefits for the invested money and tax-free interest.

(j) Real Estate Investment

Real estate investments are done when the predicted profits are highly desirable. Property acquisition is a difficult investment choice. Investment in real estate frequently has anything to do with the local area's growth ambitions. There are many investment choices available to investors who are directly or indirectly investing in real estate at the moment because the market for real estate assets is now booming. Additionally, the more extravagant and wealthy investors are primarily drawn to various types of real estate, such as agricultural land, commercial property, resorts, and semi-urban land.

(k) Gold/Silver /Other Metals

The "bullion offers the possibility to invest in the forms of gold, silver, precious stones, artwork (paintings, antiques), and other metals (valuable products), with particular categories of metals exchanged in the metal exchange". An investor must choose an acceptable investing strategy that meets his unique needs and risk tolerance. Numerous elements play a role in the decision of which investment route to take. For instance, demographics like gender, age, income, marital status, and educational variations play a major impact when making decisions about investing in risky assets because people who fall into different

categories may have different viewpoints and inclinations from their counterparts.

1.2.1Theories of Investment Decision Making

There are essentially two investment theories:

(i) Traditional Finance/Efficient Market Hypothesis (EMH)

When a market has "many well-informed agents," or traders, Eugene Fama claimed in his dissertation for his PhD in the 1960s that the current price always reflects all of the information that is currently available. The first of his three publications, "Efficient Capital Markets: A Review of Theory and Empirical Work," was the Efficient Market Hypothesis, or EMH, which he initially proposed in 1970. In fact, from the early 1960s to the mid-1990s, EMH dominated and had major influence on the thinking of academic financial economists. "EMH was widely considered as the dominant investment theory and was widely embraced by everyone. EMH was first introduced by Markowitz in 1952, and in 1970 Fama gave it its current name. The underlying premise of this hypothesis is that because financial markets take into account all information, market share prices appropriately reflect all information.

"Efficient markets" are those, says Fama, "where there are numerous rational profit-maximizing competitors actively contending with one another to predict future market prices of individual assets" (1970). According to him, "competition will typically lead to the whole effects of new knowledge on intrinsic values to be reflected instantaneously in actual prices" in a functioning market.

Eugene Fama asserts that there are three distinct and important types of market efficiency:

(a) Strong Form: Since stock prices accurately reflect all information, including both public and private as well as confidential information, the stock market precludes investors from getting a competitive edge throughout the investment process in this area.

b) Semi-strong Form: In this kind of market efficiency, stock prices accurately reflect all of the information that is currently available. Examples of publicly available

financial information includes company balance sheets, other financial statements, and announcements of listed corporations.

b) Weak Form: At this level of market efficiency, all previous prices are reflected in the stock prices as of today. Therefore, predicting future price changes based on prior prices is impossible.

(ii) Behavioral Finance

When behavioral finance was first developed in the early 1990s, research researchers and the financial markets lost sight of the importance of EMH. From that point on, attempts have been made to include more behavioral science in finance. The idea of behavioral finance was developed as a counterintuitive approach, not as an addition. Contrary to the Efficient Market Hypothesis, it emphasizes how investors make judgments and take actions in the market based on how they interpret the information at hand.

Thus, behavioral finance aids in comprehending the types of investors who participate in the market as well as the actual procedures that are in place and adhered to there. Investors eventually deal with the difficulties and complexity of the financial market, but behavioral finance aids them in making wise financial choices. To be explicit and specific, behavioral finance is the endeavor to understand how human psychology, and particularly human behavior, affects financial decision making.

Business professionals and academics have diverse interpretations on what is meant by the phrase "Behavioral Finance." The study of how psychology affects financial markets and financial decision-making is known as "behavioral finance." "Behavioral Finance is the study of the impact of psychology on the behavior of financial practitioners and the subsequent impact on markets," claim Shefrin (2001) and Sewell (2011). Because it explains the mechanisms that create and are impacted by market inefficiencies, behavioral finance is fascinating. Psychologists DanielKahneman and Amos Tversky are regarded as the pioneers of behavioral finance. They created Prospect Theory in their work and promoted the idea that heuristics and biases influence judgement under uncertainty in 1974.In his article "MentalAccounting and Consumer Choice," Thaler—another significant contribution to the subject of BF—argued that prospect theory may serve as the foundation for an alternative descriptive model (1985).

In order to "understand how and why people and markets do what they do," researchers in behavioral finance "bridge the gap between classical economics and psychology." It seeks to close the gap between investors' actual activities and what they ought to be doing in terms of decision-making.

1.3 Investor’s Behavior

Two individual investors can be distinguished based on a variety of factors, including their culture, age, geography, income, marital status, gender, education, occupation, socioeconomic class, religion, life cycle, family type, character, personality, emotions, motives, level of risk tolerance, learning, media exposure, and more. Other factors to consider include their culture, family type, age range, and geographic location. However, in this circumstance, their investing methods ought to take precedence. Iqbal Mahmood, Habib Ahmad, and Mansoor Anjum conducted extensive research on the effects of various socioeconomic, demographic, and attitude characteristics on investors' market investing decisions (2011).

Although investors have a variety of options and avenues to choose from when investing their money. The process each investor uses to choose an investment strategy "clearly reflects the difference in their level of financial literacy, expectations of returns to be earned, and comprehension of the financial system" (Jain & Mandot, 2012). Numerous research studies have looked at both the preferred investment channels used by investors and the variables that determine and influence investing behavior (Kesavan et. al. 7, 2012). Researchers Abhijeet Chandra and Ravinder Kumar (2012) found that a variety of psychological heuristics and biases are responsible for the overall behavior of individual investors.

1.3.1 Approaches of Investor’s Behavior

(i) Traditional Approach to Investor Behavioral

The idea and concept of utility were first established sometime in the middle of the eighteenth century, which is known as the classical period in economics. John Stuart Mill coined the phrase "rational economic man," commonly referred to as "homo economics," in 1844. It was an effort to maximize a person's financial well-being while taking into account their constraints and the effects they had already endured. The following are the three main hypotheses for this agent:

1. Perfect rationality

2. Perfect self-interest

3. Perfect information

By dividing the weighted total of utility values by the related probabilities, one may calculate the projected utility, which illustrates how people use their reasoning abilities to maximize their utility. This hypothesis suggests that investors can be categorized as risk-loving, risk-neutral, or risk-averse.

(ii) Behavioral Finance Approach

Researchers have regularly observed that traditional ideas do not have a substantial impact on market conditions. "The significance of standardized financial theories is broken down into four pillars.

The following statements are true:

a) Investors are rational
b) Markets are efficient
c) Investors should design their portfolio in accordance with the mean variance portfolio rules
d) Expected returns are solely a function of risk and return.

Behavioral finance suggests an alternative for each of the aforementioned blocks in order to demonstrate that investors are both rational and irrational, that markets are not fully efficient even when they are difficult to beat, that investors do not build their portfolios in accordance with the mean variance theory, and that expected returns are measured by more than just risk analysis. (M. Statman 1999)

1.4 The Behavioral Biases of Investors

It is crucial to research and comprehend the significance of behavioral biases since they have an impact on how investors make investing decisions. Such studies contribute to advancing our understanding of how investors make decisions and even address the subject of why investors' behavior deviates from rationality.

The study mentioned above makes it very clear that the focus has shifted from EMH to behavioral finance. Understanding human psychology has expanded with the

advent of behavioral finance, but studying it has also gotten simpler. It focuses on the ways in which investors can avoid making illogical financial decisions and gives them advice on how to invest securely and wisely.

1.4.1 Theoretical framework of Behavioral Biases

Researchers and psychologists have conducted several studies in an effort to identify certain systematic bias patterns that influence how people form opinions and make judgments. This demonstrates how these biases affect how investors make investment decisions as well as how decision makers create their judgments on investments. Despite the fact that information processing may be correct and accurate, people tend to use that information to make less logical conclusions. However, the majority of financial decisions are influenced by people's emotions and the related unconscious desires, anxieties, and psychological features that are shared by all humans.

As a result, prejudice develops, which can be classified into three categories: I Prospect theory and framing; (ii) heuristics; and (iii) miscellaneous biases. All sorts ofinvestors, including professionals and individual investors, are impacted by thesebiases since they are ingrained in our psyche and are fundamental components of human nature.

(i) Prospect Theory

Along with using heuristics, it has been found that investors' conduct is frequently influenced by delusions that are described in the Prospect Theory.

The idea was first presented by Kahneman and Tversky in 1979, and Daniel Kahneman later won the Nobel Prize in Economics as a result. In the field of behavioral finance, the work of both authors is recognized as groundbreaking and innovative. The idea behind prospect theory was developed through research ondecision-making under risk. This concept is revolutionary in the realm of behavioral finance. As a substitute model for anticipated utility theory; it was designed in this manner. It illustrates how a person assesses and analyses gains or losses.

a) People are more risk-averse for losses than for wins, according to research. Kahneman and Tversky (1984) stated that "Losses loom greater than gains." Loss aversion is the term for this.

b) Mental accounting is a different phenomenon. It states that people have a propensity to establish various mental accounts and log occurrences in each one separately.

c) People have a tendency to delay selling stocks so as not to fully realize losses since investors have a strong desire to avoid suffering as a result of a badinvestment decision. The term for this is regret aversion.

Prospect theory thus denotes a group of delusions that might affect decision-making, such as loss aversion, mental accounting, and regret aversion.

(ii) The heuristic

Heuristics is defined as "the process of acquiring knowledge or a desired result by making educated guesses as opposed to following predetermined formulas. Heuristics are shortcuts or general rules of thumb for solving problems that were created based on experience. Investors utilize heuristics to help them make decisions, especially when it is challenging to do so because of incomplete information, complex investment conditions, or market instability. Humans often choose mental shortcuts with such methods. They might also influence poor investment choices.

According to the definition given above, "Heuristics is a technique or an approach that may be used to solve a range of issues and frequently yields the right answer." Heuristics are generally used by people to simplify judgmental operations whentackling difficult problems (Tversky and Kahneman 1984). Investors use heuristic decision-making to learn things for themselves, often through trial and error that leadsto the development of rules of thumb. In other words, it alludes to broad principles that people employ to decide what to do in challenging, ambiguous circumstances (Brabazon 2000)." Since there are more instruments and information available than ever before, heuristics are crucial in today's trading. Quicker decisions are made feasible as a result. Since heuristics are not included in conventional financial models,it can be inferred that only logical statistical approaches should be applied when making decisions. (Shefrin2000)

1.4.2 Other biases

Biases are short cuts in the decision-making process that call for the wise use of time and money. When making quick and easy financial decisions, investors usually have

rational discussions. These decisions are known as biases. When collecting and compiling data regarding investments, investors purposefully make these biases. They affect resources, costs, time, and capability. To help you comprehend the study, key aspects of behavioral finance are given below.

(i) Overconfidence

Over confidence is a typical human inclination to have a positive outlook on life. Investors sometimes make the judgement error of overestimating their own abilities while simultaneously underestimating the difficulty of a task, potential risk, or other possibilities. The most prevalent and constant psychological trait among investors is this prejudice. Overconfidence biases are frequently studied in a significant number of literature reviews. The following are some traits of this bias,

- I have a much better understanding of the market than most people do.
- I keep up with market and business news frequently, so I am aware of the state of the economy.
- As I can anticipate the market better than most, I think I can reduce the risks associated with investments.
- I have a wealth of financial knowledge, experience, and forecasting skills.

(ii) Herding

Investor behavior patterns that are grouped together or connected are known as herding (group behavior). As conscious beings, humans strongly believe in social behavior. Herding claims that investors seek for information from outside sources because they do not trust their own knowledge and information. These results in the investor making an investment decision based on data gathered from other investorsin the same group as the one they value. Investor opinions are biased due to herd behavior.

- When making investing decisions, I frequently consider the prevailing opinion to be my own.
- Personal investment selections, in my opinion, should be guided by"investment research conducted by a large number of investors for Investments."

- I am constantly worried about what other people would think of my investment choices.
- In terms of financial investments, I am susceptible to "pressure from or influence by peers."
- I don't think I need to operate in the same way as a lot of Investors.

(iii) Heuristic

Investors learn and develop independent thought in the heuristic process, typically through trial and error and speculative work. It can be thought of as a generalprinciple that investors develop to make investing decisions in a challenging and unpredictable environment. Heuristics, according to Gigerenzer and Brighton (2009), are an effective cognitive process that does not take into account the most recent information. Some characteristics of this prejudice include the following:

- These days, the investments I've made have brought me enormous riches.
- I frequently repeat the financial strategies that have proven successful for me.
- According to me, a company's success can be directly related to the performance of its stock.

(iv) Regret Aversion (Avoidance)

The behavioral bias in which investors avoid taking actions that could cause them to feel regret for making bad investing decisions. Investor opinions can occasionally exhibit the following regret aversion behavior:

- For better options, I will continue to hang onto my possessions (stocks, gold, my house, and my property).
- I've sold some of my stuff in the past, but I lost money.
- I recently missed a chance to get wealthy because I was unable to decide. I lost a lot of money as a result of sticking onto a losing position for too long.

(v) Loss-Aversion

It means that the suffering brought on by loss is worse than the joy brought on by an equal gain. The majority of research contends that losses have twice the potency of gains. Investors are more prepared to take on risk to prevent loss than to realize gain.

(vi) Risk aversion

When faced with uncertainty, investors display risk aversion, which is the behaviorof trying to reduce the uncertainty. When offered with two investments that have comparable anticipated returns but a varying amount of risk, investors often opt for the investment with the lower level of risk.

(vii) Mental accounting

Investors have a tendency to divide their assets into two groups; however, this division is illogical and is known as mental accounting. Investors divide their funds into several accounts depending on a number of subjective criteria, such as the origins of the funds, suggested investments, etc. The investors do not receive any direct or indirect benefits through mental accounting. Investors' opinions can occasionally display their mental accounting behavior, as shown below.

- I will not enter the housing market, regardless of how much the rates are down.
- I have clearly defined investing heads, and I won't stray from them.
- I will not diversify my income into the growing investments.
- Shares are intended to be lost.

(viii) Gambler fallacy

The law of small numbers is connected to the gambler fallacy (gut instinct). The idea that a random event is more likely to occur after a single event or a sequence of related events is nonsensical. This might never occur since past actions cannot alter the likelihood of future actions. For instance, flipping a coin. The "gambler fallacy" frequently occurs in the world of finance. It occurs when investors incorrectly forecast the reversal of a specific trend. It is the idea that as a process is repeated, thelikelihood of something happening with a fixed probability increases or decreases. Investors' opinions can occasionally display the biases of the gambler fallacy, as shown below:

- I think the stock market will rise this year after falling for years on end.
- If there are reasonable odds for a commodity's rise, I will purchase it.
- The strongest foundation for making financial decisions should be probability.
- I'm willing to wager that buying gold will turn out to be a poor investment.

(ix) Home biases

Despite wanting to diversify into overseas equities, investors often have apredisposition to put the majority of their money in domestic equity shares. The propensity of investors to favor factors like geography, occupation, language, etc. while making investment selections.

(x) Disposition effect

The "disposal effect" is the tendency of an investor to sell profitable stocks too soon and hold onto losing stocks for an unduly long time. These behavioral biases reveal the investor's mindset, which is to sell shares with rising prices while holding assets with declining values. Avoid realizing losses in this investor and aim to realize again.

1.5 Need and purpose of the research

1.5.1 Why does the investment behavior of the farmers need to be studied?

Researchers are interested in studying the investment intentions of the agrarian class (also known as farmers) as a result of the agrarian class's recent emergence as a unique investing category (Ihli et. al, 2018; Donkor and Anane, 2016). A review of prior research on farmers reveals that they are insufficiently knowledgeable about the types of investments that are accessible and how they choose risk and return. They are unaware of the investing choices available in the market because of their low level of education. They favor making bank deposits and purchasing real estate and don't follow investment advisor recommendations while making investments. S. U. Nwibo and B. N. Mbam (2013) found that demographic parameters such farmers' levels of literacy, income, gender, marital status, and household size have an impact on how much they save and invest. In addition to other factors, poor weather conditions like flooding, thunderstorms, and heavy rains have a considerable impact on farmers' income. Crop diseases, seed quality, and groundwater levels, to name a few aspects, have an impact on agriculture productivity and the livelihoods of farmers (Ihli et. al, 2018). Farmers are reluctant to make significant expenditures in such uncertain times, according to the available evidence. Farmers have access to a variety of investment and income options, but many of these opportunities lack predictability in terms of returns (Cadot, Dutoit, and Olarreaga 2006). Farmers from rural areas still have an unchanging investment mindset to a large extent. To the best of our knowledge, there is no seminal work that focuses their research endeavor on investigating the

investment attitude of rural population, notably engaged in farming profession, in the extant literature. It is crucial to comprehend farmers' investment behavior in order to conduct a meaningful policy impact evaluation. A sufficient and comprehensive rural savings plan that will encourage farmers to use their resources in productive ways has not been developed by policymakers (Odoemenem et al., 2013)

1.5.2 Why is the problem important?

Farmers' incomes can take a serious hit from things like floods, thunderstorms, and heavy rains, as well as from illnesses affecting their livestock. Crop diseases, seed quality, and groundwater levels are just a few of the factors that affect agricultural output and the livelihoods of those who rely on it (Ihli et. al, 2018). According to the available data, farmers are hesitant to make large-scale investments during these economically volatile times (Kabunga et al., 2012; Hill, 2010a). Because the financial decisions made by these rural residents are significant, it is crucial to understand how they invest and save their money. If investors in this area can find a financial instrument that satisfies their needs, the country's financial markets will gain significantly. Many of the investment and livelihood options available to farmers come with a significant level of unpredictability (Cadot, Dutoit, and Olarreaga 2006). By providing an answer to this question, the current study adds a fresh perspective to the body of knowledge and could be helpful in the growing discussion about behavioral influences and the investment practices of individual investors globally, particularly in relation to the investor class of agrarians. Agrarians' saving and spending habits, spending patterns, and financial needs must all be carefully examinedin order to ascertain their investment preferences, willingness to invest, and risktolerance.

1.5.3 Why the problem needs to be studied in the Indian context?

In India, agriculture is the primary economic sector. About 60% of India's population relies on agriculture for their livelihood. India's GDP is primarily derived from agriculture, which is important for economic growth. Utilizing farmer income from farming is essential to the development of India's agricultural industries. As a result of the fact that farmers in India are vulnerable to the dangers and ambiguities that are inherent in the production environment, in addition to the unpredictability of the market forces, when faced with such difficult circumstances, it is only natural that a farmer's income would be low and unpredictable. The agrarian people of India, also known as farmers, have experienced a shift in their investment preferences and

mindset as a direct result of demographic shifts, rising levels of disposable income, and advances in technological innovation (Kalra Shahi and Arora, 2012). In light of these changing conditions, it is crucial to understand the mindset of potential investorsamong agrarian class so that financial service providers may create a distinctiveprofile of each client. Due to the fact that India's economy has grown to be among the most dynamic in the world, it is essential for both local and international financial service providers to thoroughly understand the goals of the Indian agrarian class.

The present study has conducted a survey of rural areas of Punjab. The "Breadbasket of India" is an epithet applied to Punjab. 19 percent of all wheat, 11 percent of total rice production, 5 percent yield of total cotton, 10 percent supply of milk, 20 percent of all honey, and 48 percent of all mushrooms produced in the country is farmed in Punjab. It is predicted that by 2025, Punjab will rank among the top exporters of a number of agricultural goods (Latest report of IBEF). Numerous academic studies have been conducted to assess the trend in rural investment in various Indian states. ***(Kumar et al., 2020; Umesha and Neelakanta 2019; Vphani Kumar, 2018).***

1.5.4 What is the problem statement?

The high degree of fluctuation in the revenue of farmers makes them standout from other communities. Hence, it is important to conduct a study that explores their investment behavior. But the extent to which the social traits and behavioral aspects influence the attitude towards investment has largely remained investigated. The investment attitude of people hailing from rural areas is remaining untouched up-to a great extent. In the broader sense, the following questions are needed to be answered.

a) What is their motivational source of investment, despite high volatility in income?
b) What factors determine the investment behavior of farmers?
c) What is their investment pattern?
d) In which investment options do they prefer to invest? What factors drive their investment intentions?

e) Understanding farmers' investment behavior is important from the standpoint of policymakers in order to estimate future investment behavior and understand the dynamics of how uncertainty affects farmers' decision-making.

The focus is therefore on examining the likely impact of various behavioral, psychological, and socio-demographic aspects on farmers' investment because the arguments made above give us sufficient justifications to investigate the investing behavior of farmers. To the best of our knowledge, there is no seminal work that focuses their research endeavor on investigating the investment attitude of rural population, notably engaged in farming profession, in the extant literature. This study looks at the socio demographic characteristics and behavioral characteristics of lone investors from rural areas in an effort to provide an answer to that question.

1.6 Conclusion

The intention and behavior of the agrarian investor class to invest are influenced by several critical antecedents, including mindset, financial preparation, and a predisposition to take financial risk. Agrarian rural investors (farmers) cannot act rationally every time due to instability of earnings and a dearth of available information in the rural areas. The study has highlighted numerous other influential factors that may affect the individual investor’s decision-making, namely social interest, personality traits, financial knowledge, and self-efficacy, which incline towards their cognitive and emotional investment behavior. Due to the constraints onthe dissemination of financial knowledge, a lack of awareness of various investment options among agrarian investors is evident. They tend to give preference towards their conventional investments, i.e., buying more agricultural land. The development of positive investment intentions is catalyzed by the financial knowledge, the personality characteristics, and the financial self-efficacy.

References

Bhalla, V. K. (2008). Investment Management. S. Chand Publishing.

Brabazon, J. (2000). Albert schweitzer: A Biography. Syracuse University Press.

Chandra, A., & Kumar, R. (2012). Factors Influencing Indian Individual Investor. Behaviour: Survey Evidence. *Decision*, 39(3), 141-167.

Donkor & Anane, E. (2016). Saving behaviour of citrus farmers in Ghana: implications for rural enterprise development, *Development in Practice*, 26(8),1037-1046.

Fama, F. E. (1970). American Finance Association Efficient Capital Markets: A Review of Theory and Empirical Work. *Journal of Finance*, 25(2), 383-417.

Gigerenzer, G., & Brighton, H. (2009). Homo Heuristicus: Why Biased Minds Make Better Inferences. *Top Cogn Sci*., 1(1), 107-143.

Ihli, H. J., Gassner, A., & Musshoff, O. (2018). Experimental insights on the investment behavior of small-scale coffee farmers in central Uganda underrisk and uncertainty. *Journal of Behavioral and Experimental Economics* , 75,31–44.

Jain, D.,&Mandot, N. (2012). Impact of Demographic Factors on Investment Decision of Investors in Rajasthan. *International Refereed Research Journal*, 3, 81-92.

Kabunga, N. S., Dubois, T, & Qaim, M. (2012). Heterogeneous information exposure and technology adoption: the case of tissue culture bananas in Kenya. *Agricultural Economics,* 43, 473–486.

Kahneman, D. & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47, 263–291.

Kahneman, D., & Tversky, A. (1984). Choices, values, and frames. *American Psychologist*, 39(4), 341-350.

Kalra S. S., & Arora, A. P. (2012). Individual investor biases: a segmentation analysis. *Qualitative Research in Financial Markets*, 4(1), 6–25.

Kesavan, S., & Mani, V. (2012). The Relationship between Abnormal InventoryGrowth and Future Earnings for US Public Retailers. *Manufacturing and Service Operations Management*, 15(1), 1-18.

Mahmood, *A*., Khan, & *Anjum* (*2011*). Behavioral implications of investors for investments in the stock market. *European Journal of Social Sciences,* 20(2), 240-247.

Nwibo, S. U., Mbam, B. N. (2013). Determinants of savings and investment capacities of farming households in Udi local government are of Enugu state, Nigeria. *Research Journal of Finance and Accounting*, 4 (15), 59-68.

Odoemenem, I. U., Ezihe, J. A. C. ,& Akerele, S. O. (2013). Saving and Investment Pattern of Small-Scale Farmers of Benue State, Nigeria. *Global Journal of Human*-Social Science Research, 13, 7-12.

Olarreaga, M., Cadot, O., & Dutoit, L. (2006). How costly is it for poor farmers to lift themselves out of poverty? *Policy Research Working Paper Series* No 3881.
https://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-3881

Ross, Y., & Burgess, P. (1996). Income tax : a critical analysis (2nd ed.). *LBC Information Services.*

Sewell, M. (2011). History of the Efficient Market Hypothesis. *London: UCL Department of Computer Science*, *Research Note No. RN/11/ 04*, 2-14.
http://www.cs.ucl.ac.uk/fileadmin/UCLCS/images/Research_Student_Information/RN_11_04.pdf

Shefrin, H., & Statman, M. (1985), The disposition to sell winners too early and ride losers too long: theory and evidence. *Journal of Finance*, 40 (3), 777–790.

Shefrin, H. (2000). Beyond Greed and Fear - Understanding Behavioral Finance and the Psychology of Investing. *Harvard Business School Press.*

Statman, M. (1999). Behaviorial Finance: Past Battles and Future Engagements. *Financial Analysts Journal*, 55(6), 18-27.

Taerwe, L. (2007). 5th International Probabilistic Workshop, Ghent, Belgium.

Tversky, A. & Kahneman, D. (1981). The Framing of Decisions and the Psychology of Choice. *Science*, 211, 453-458.

Umesha H.S. and Neelakanta B.C. (2019). Saving and Investment Behavior of Rural Households With special reference to Mandya District). *International Journal of Information movement*,3 (IX), 1-5

Vphani Kumar. V. (2018). Factors Influencing the Investment Behaviour of Rural Households in Coastal Districts of Andhra Pradesh, India. *Saudi Journal of Business Management Studies*, 3(2), 192-196