LOCUS OF CONTROL OF GOVERNMENT SCHOOL TEACHERS ON INVESTMENT DECISIONS – AN OVERVIEW OF MAHABUBNAGAR

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ABSTRACT

Locus of Control is a psychological term that refers to a person's belief about what causes the good or bad results in life (Julian. B. Rotter). In this study, the analysis of locus of control and its impact on investment decisions of the government school teachers. For this study, a survey was conducted with a structured questionnaire among 70 government school teachers working in Mahabubnagar town who were involved in investment activities. The collected data were analyzed with the help of SPSS software. The results indicate that: 1) locus of control has a significant effect on investment decisions; 2) demographic factors have a significant effect on investment decisions. Locus of control and demographic variables of the teachers will influence investment decisions; Out of the two variables, the demographic factors are the most dominant variable in affecting investment decisions of the teachers.

Key Words: Locus of Control (LOC), Savings, Investment Decisions

INTRODUCTION

In day-to-day life, one can feel good for some events and bad for some events due to external and internal factors. Locus of Control is a psychological term that refers to a person's belief about what causes the good or bad results in life (Julian. B. Rotter). Expected and unexpected needs will happen like the purchase of basic needs, entertainment, house ownership, and vehicle ownership, often rise along with the requirement for huge funding sources. The unpredictable needs motivate people to collect funds from others to fulfill such needs people have to work for their present and future lives. Many options are available as avenues to fulfill such needs, one of them is savings and another one is investing funds. According to Tandelilin (2010), investment is a commitment to invest a certain amount of funds or other resources that one has at the moment to gain some benefits in the future. Every individual needs to invest because the objective of an investment is to make more money. There are various reasons why a person invests: to earn more income in the future, to remedy the bad effects of inflation, to meet future contingencies, and to save tax amounts. However, investment is a wise activity; one should be enough literate to avoid future losses and being struck in a bad investment. Therefore, to be a good investor, one should be aware of the types of investments that are available in the market along the risks associated with each of them.

Investment decisions made by investors can be influenced by the rational and irrational behavior of the market environment. Rational and irrational behaviors mingle with behavioral finance. It is concluded that behavioral finance is an approach that explains how a person invests.

REVIEW OF LITERATURE

Kasilingam R, Sudha S (2010)1 Locus of Control is a term in psychology that refers to a person's belief about what causes the good or bad results in his or her life (Julian. B. Rotter). Locus of control, according to Rotter's approach, can be divided into two separate sources of control: Internal and External. People with Internal Locus of Control believe that they control their destiny. They also believe that their own experiences are controlled by their skills or efforts. On the other hand, people who tend to have an External Locus of Control tend to attribute their experiences to fate, chance, or luck. This study is done to know how the investors approach investment management which is a part of their life based on personality characteristics, sources of information, period of investment, and their savings level with the help of Rotter's Locus of Control Scale with a point Likert Scale. Personality characteristics are taken as the main factors in finding out the investment behavior of the respondents.

Pia Pinger (2018)2 The study is that an internal locus of control can be hindering in financial market situations, where short-term outcomes are determined by chance. The reason is that internally controlled individuals may tend to react to random outcomes. The evidence is based on an experiment in which subjects repeatedly invest in two identical, uncorrelated, risky assets and observe previous outcome realizations. Under mild restrictions, the optimal strategy is to make the same choice in each period. The effect size of the locus of control is comparable with that of cognitive ability. Among inconsistent subjects, average switching behavior is in line with the gambler's fallacy. However, the choices of very internally controlled individuals tend to correspond to the hot hand fallacy.

Pranadya Tania Putri (2020)3 This study aims to compare and analyze the effect of motivation, locus of control, and financial literacy on investment decisions in the families of the baby Boomers generation, generation X, and Generation Y by applying a direct interview method with a questionnaire as a data collection tool. Thirty housewives from each generation were interviewed. The results showed a significant difference in motivation and financial literacy between the three generations and all variables had a significant effect on investment decisions in each generation. The locus of the control variable has no significant effect on investment decisions. Based on this, the government together with investment service providers needs to formulate an appropriate program. Apart from the education provided through educators and consultation services, either directly or indirectly. Development of supporting infrastructure and public access to financial institutions, products, or services according to their needs and capacities also need attention.

Agus Zainul Arifin, Indra Widjaya (2022)4 The purpose of this study was to verify the theory about the relationship between independent variables, Financial Knowledge, Financial Experience, and Locus of Control toward the dependent variable Investment Decision. Problem-solving uses the Theory of Planned Behaviour approach. The subject of research was investors in a series of non-depositories throughout Indonesia by distributing online questionnaires. The results of data collection obtained 420 respondents. Analysis of the data used is SEM-path Analysis by testing the outer and inner models. The research findings proved that Financial Knowledge, Financial Experience, and Locus of Control positively affect investment decisions. The implications of this finding prove that the Theory of Planned Behaviour approach is appropriate to explain the relationship between research variables which is by the existing hypothesis.

Willy Sanjaya (2023)5 The article is that aimed to build a research hypothesis on the influence of inter-variables to be used in further research, within the scope of Financial Management. The method of writing this Literature Review article is the library research method, which is sourced from online media such as Google Scholar, Mendeley, and other academic online media. The results of this article are that: 1) Financial Literacy affects Investment Decisions through the Locus of Control; 2) Financial Behaviour influences Investment Decisions through the Locus of Control; and 3) Financial Technology affects Investment Decisions through the Locus of Control. Apart from these 3 exogenous variables that influence the endogenous investment decision variables through Locus of Control, there are many other factors including motivational variables, macroeconomics, and risk profiles.

Research Gap: From the above literature review, a few studies were found on how Investment management, Financial Literacy, financial behavior, and financial technology affect Investment Decisions through Locus of Control; No studies were found on investment decisions of government teachers through locus of control. Hence, to fill that research gap the study has been taken into consideration as entitled locus of control of government teachers on investment decisions-An overview.

Statement of the Problem: For this study, the statement of the problem is the locus of control of government teachers on investment decisions overview of Mahabubnagar.

Significance of the Study: In day-to-day life, rational and irrational behavior of human beings on purchases and investment activities throughout life. Locus of control is one of the factors that determines how an individual behaves. The investor already has the confidence to control all the events related to investment decisions. The effect of internal locus of control on investment decisions is that the higher the level of a person's internal locus of control, they tend to be more confident in choosing to invest. High-confidence investors have the right to make investment decisions based on consideration of the risk and returns. This is supported by the results of research conducted by Ariani et al., (2016) which states that the higher the level of locus of control a person has a positive impact on increasing investment decisions. Teachers are role models to the society. Government school teachers will get secured monthly income. It is assumed that their behavioral attitude towards expenses, savings, and investment decisions will follow a systematic plan. Such behavioral attitudes of teachers will influence the people living in the society and the future citizens. Hence the study has been taken as an overview of the locus of control of government school teachers on investment decisions for those who are working in Mahabubnagar town.

Investment Options Available: Most people invest in the above avenues at their convenience with bearable risk. The following investment options are available in the market for investors. 1) Bank Savings/Fixed Deposit Accounts, 2) Public Provident Fund, 3) Mutual Funds, 4) Life Insurance, 5) National savings Certificates, 6) Post office Savings, 7) Government Securities, 8) Debentures/Bonds, 9) Equity Share Market, 10) Gold and Silver, 11) Virtual currencies, 12) Real Estate

OBJECTIVE OF THE STUDY:

1) To study the Locus of control of government school teachers.

2) To know the priorities of government school teachers on investment decisions.

HYPOTHESIS:

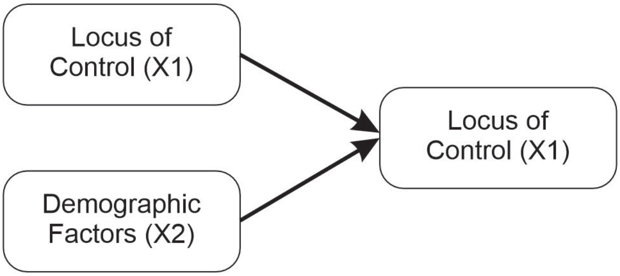
H0: There is an impact of Locus of control on the teachers.

H1: There is no impact of Locus of control on the teachers.

H0: There is a significant effect of the annual income of the teachers on investment decisions.

H1: There is no significant effect of the annual income of the teachers on investment decisions.

RESEARCH MODEL:



Operational Definition of Research Variables

i) Locus of Control: The concept of locus of control is categorized as internal and external control. The locus of control is expressed as the linking of good or bad events that they have experienced throughout their lives to themselves, others, fate, and luck (Rotter, 1966).

ii) Demographic Factors: Demographic factors are factors that are inherent in a person and distinguish one individual from another. The demographic variable used in this study is Ethnic.

iii) Investment Decisions: Investment decision-making is a process for arriving at conclusions or making decisions about a variety of topics or problems, deciding between two or more investment alternatives, or as a component of transforming inputs into outputs or outcomes (Welly et al., 2012)

RESEARCH METHODOLOGY

Population and Sample

The population for this study is the Investment behavior of Government School Teachers who are working in Mahabubnagar town. Some of the teachers are selected for the study as a sample which is called purposive sampling (Sugiyono, 2015). Because the data is collected based on the availability of the teachers. The sample criteria in this research are: i) Government School Teachers working in Mahabubnagar Town. ii) The teachers who are involved in investment activities. The data is collected from 70 respondents through Google Forms and the questionnaire is coded using a 5-point Likert scale.

In this study, statistical tests are used including descriptive statistical tests and chi-square tests with the help of SPSS software.

DATA ANALYSIS:

The primary data is collected from 70 government school teachers working in different positions as primary teachers, upper primary teachers, and high school teachers in Mahabubnagar town.

Table – 1: Profile of the Teachers

Factors	**Sub-Classification**	**Frequency**	**Percent**
Age group	31-40 years	8	11.4
	41-50 years	8	11.4
	51-60 years	54	77.1
	Total	70	100
Gender	Male	32	46%
	Female	38	54%
	Total	70	100
Working Position as	Primary Teacher	11	16%
	Upper Primary Teacher	29	41%
	High School Teacher	30	43%
	Total	70	100
Annual Income	Below Rs.5,00,000	3	4.3
	Between Rs.5,00,001 to Rs.7,50,000	10	14.3
	Between Rs.7,50,001 to Rs.10,00,000	51	72.9
	Between Rs.10,00,001 to Rs.12,50,000	5	7.1
	Above Rs.12,50,001	1	1.4
	Total	70	100
Spouse Employment	Government Teacher	5	7.1
	Other Government Department	10	14.3
	Private Employee	13	18.6
	Business	10	14.3
	Home Maker	28	40
	None of the Above	4	5.7
	Total	70	100

Source: Primary Data

Table – 1 shows the Profile of the respondents (teachers), based on the age of all the teachers are segregated as 31-40 years, 41-50 years, and 51-60 years. Between 51 to 60 years of age group teachers (78.6%) are given more responses than the other age group teachers. The second factor is based on gender, male (46%) and female (54%) is working in this town. The third factor is the working position of the teachers based on the appointment as Primary Teachers, Upper Primary Teachers, and High School Teachers, upper primary (41.4%) and high school teachers (42.9%) have given more responses than primary teachers (15.7%). The fourth factor is the annual income of teachers, the segregation of annual income is below Rs.5,00,000, between Rs.5,00,001 to Rs.7,50,000, between Rs.7,50,001 to Rs.

10,00,000, between Rs.10,00,001 to Rs. 12,50,000, and above Rs. 12,50,001. Here most of the teachers (72.9%) earning in between Rs.7,50,001 to Rs.10,00,000. The fifth factor is the status of spouse employment, most of the spouses of male teachers are working as homemakers whereas spouses of female teachers are working in different organizations as income earners. Annual Income and spouse employment of the teachers are influential demographic variables for the investment decisions.

Table 2: Influencing Factors of the Teachers on Investment Decisions

Factors	**Gender**		**Total**	**Rank**
	Male	**Female**		
Liquidity	1	1	2	5
Income	5	9	14	3
Safety	15	13	28	1
Capital Gains	7	4	11	4
Tax Savings	4	11	15	2
Total	32	38	70	
Low Risk	17	22	39	1
Moderate Risk	14	12	26	2
High Risk	1	4	5	3
Total	32	38	70	

Source: Primary Data

Table 2 exhibits the influencing factors of the teachers on Investment Decisions. The teachers have invested based on the factors of safety, tax savings, income, capital gains, and liquidity. In general, any investor prefers low risk and expects high returns. But investment yields in the market low returns with low risk and high returns with high risk. Most of the influencing factors of the teachers for investment is safety whereas regarding to risk, investments with low risk are opted for by most of the teachers.

Annual income* Locus of Control

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	83.626[a]	76	.257
Likelihood Ratio	56.755	76	.952
Linear-by-Linear Association	.498	1	.480
N of Valid Cases	70		
a. 98 cells (98.0%) have an expected count of less than 5. The minimum expected count is .01.			

Annual Income*Investments

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	108.540[a]	104	.361
Likelihood Ratio	71.799	104	.993
Linear-by-Linear Association	1.608	1	.205
N of Valid Cases	70		
134 cells (99.3%) have an expected count of less than 5. The minimum expected count is .01.			

Spouse Employment*Locus of Control

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	107.932[a]	95	.172
Likelihood Ratio	96.722	95	.432
Linear-by-Linear Association	1.861	1	.173
N of Valid Cases	70		
a. 120 cells (100.0%) have an expected count of less than 5. The minimum expected count is .06.			

Spouse Employment*Investments

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	145.074[a]	130	.173
Likelihood Ratio	118.590	130	.754
Linear-by-Linear Association	5.105	1	.024
N of Valid Cases	70		
a. 162 cells (100.0%) have an expected count of less than 5. The minimum expected count is .06.			

LIMITATIONS OF THE STUDY

The study is restricted only to Government school teachers who are working in Mahabubnagar town.

FINDINGS

Most of the teachers (54) out of 70 belonging to the age group of 51-60 years are working in the town area.

Most of the teachers (51) out of 70 are earning salaries between Rs. 7, 50,001 to Rs. 10, 00,000.

In this study, as per their working position primary teachers (11), upper primary teachers (29), and high school teachers (30) have been responded to the questionnaire.

Spouse employment of the teachers will influence Investment decisions. Spouse employment is categorized as government teachers (5), other government departments (10), private employees (13), business (10), homemakers (28), and no spouse (4).

Regarding risk, most of the teachers (39) preferred low-risk only, teachers (29) preferred moderate risk only, and fewer teachers (4) preferred high-risk investments.

Investment decisions are taken by the teachers based on safety as the priority, income tax deductions as the second priority, income returns as the third priority, capital returns as the fourth priority, and followed by liquidity as the fifth priority.

CONCLUSION

Teaching is a noble profession and receiving a salary is a monthly income. From such an amount the teacher and his/her dependent family members have to meet their livelihood. Moreover from the amount of salary, one should meet the future needs of the family. For that save from the present income and invest to meet future needs. At this juncture, locus of control will take a vital role further in investment decisions. Teachers will get a predetermined amount, and most of the teachers are not ready to take high risks in the process of investments and preferred safety and tax deduction avenues in the market.

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