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Understanding Consumer Preferences in Indian Government Investment Schemes: A Behavioral Finance Perspective

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Abstract
In recent years, the Government of India has launched several investment schemes aimed at encouraging financial security and long-term savings among its citizens. Despite their economic benefits and guaranteed returns, participation rates vary significantly across demographics, suggesting that traditional financial theories may not fully explain investor behavior. This study explores consumer preferences for Indian government investment schemes—such as the Public Provident Fund (PPF), National Pension Scheme (NPS), Sukanya Samriddhi Yojana (SSY), and Sovereign Gold Bonds (SGB)—through the lens of behavioral finance.

The research investigates the influence of psychological biases, including **loss aversion**, **status quo bias** and **mental accounting**, on investment decisions. Using a structured survey administered to a diverse sample of urban and semi-urban investors, the study analyzes the interplay between financial literacy and behavioral tendencies. Key findings are expected to reveal the extent to which non-rational factors shape consumer choices and highlight the gap between awareness and action in investment behavior.
The results will offer insights for policymakers and financial institutions to design more effective communication strategies and user-centered investment products. Ultimately, the study aims to bridge the divide between policy intent and public adoption by aligning investment schemes with consumer psychology.

Keywords: Behavioral Finance, Investor Behavior, Indian Government Investment Schemes, Public Provident Fund (PPF), National Pension Scheme (NPS), Sukanya Samriddhi Yojana (SSY)

Introduction
The Indian government has introduced various investment schemes like the **Public Provident Fund (PPF)**, **National Pension Scheme (NPS)**, **Sukanya Samriddhi Yojana (SSY)**, **Senior Citizen Savings Scheme (SCSS)**, and **Sovereign Gold Bonds (SGB)**, aiming to foster savings and long-term financial planning. While the financial merits of these schemes are evident, consumer behavior does not always align with rational economic choices.
Behavioral finance examines how psychological, emotional, and social factors influence investors' decisions. This research seeks to explore how these behavioral biases shape consumer preferences and decision-making patterns regarding government investment schemes in India.

Research Problem
Despite the availability of various government-backed investment schemes in India—such as

the Public Provident Fund (PPF), National Pension Scheme (NPS), Sukanya Samriddhi Yojana (SSY), and Sovereign Gold Bonds (SGB)—a large section of the population either underutilizes these options or chooses them based on non-rational factors like social influence, emotional attachment, or habitual behavior rather than informed financial decision-making.
Traditional economic theories assume that individuals make rational investment choices aimed at maximizing returns. However, real-world data shows a disconnect between scheme availability and actual investor participation. This discrepancy points toward the influence of **behavioral biases**—such as loss aversion, inertia, mental accounting, and herd behavior—that shape consumer preferences and decision-making.

The central research problem, therefore, is:
"Why do Indian consumers prefer certain government investment schemes over others, and to what extent are these preferences influenced by behavioral biases rather than rational financial considerations?"
This problem is critical because understanding these behavioral patterns can help policy makers design better investment schemes, improve communication strategies, and enhance financial inclusion by aligning product offerings with actual consumer psychology and behavior.

Objectives Of The Study
- To identify the most preferred Indian government investment schemes among different demographics.
- To analyze behavioral finance factors (e.g., loss aversion, mental accounting, status quo bias) influencing scheme selection.
- To examine the gap between financial literacy and actual investment behavior.
- To provide insights for policy makers to align investment product design with consumer psychology.

Research Questions
- What are the most preferred government investment schemes among Indian retail investors?
- What behavioral biases influence consumers' choice of investment schemes?
- How do psychological factors override rational investment decisions?
- To what extent does financial literacy moderate the influence of behavioral biases?

Hypotheses
$H_0 1$: There is no significant impact of gender on consumer's behaviour in selection of Government of India's investment schemes.
$H_A 1$: There is significant impact of gender variables on consumer's behaviour in selection of Government of India's investment schemes.
$H_0 2$: There is no significant relation between the qualification of consumers and their preference with respect to the benefits of Government of India's schemes
$H_A 2$: There is significant relation between the qualification of consumers and their preference with respect to the benefits of Government of India's schemes

Research Methodology
a. Research Design
Quantitative, supported by behavioral surveys and scale-based assessments.

b. Sample Design

- **Sample Size:** 581 respondents from urban and semi-urban regions. Total 525 responses were received but 581 were valid and taken for the study
- **Demographic Segments:** Age (20–60), Income level, Occupation, and Education.

GENDER					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	334	57.5	57.5	57.5
	Female	247	42.5	42.5	100.0
	Total	581	100.0	100.0	

Table 1

AGE					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 – 25	242	41.7	41.7	41.7
	26 – 40	233	40.1	40.1	81.8
	41 – 59	106	18.2	18.2	100.0
	Total	581	100.0	100.0	

Table 2

Qualification					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	a. Up to Higher Secondary	99	17.0	17.0	17.0
	b. Graduation	163	28.1	28.1	45.1
	c. Post-graduation	164	28.2	28.2	73.3
	d. Doctorate	90	15.5	15.5	88.8
	e. Professional	65	11.2	11.2	100.0
	Total	581	100.0	100.0	

Table 3

Annual Income			
Frequency	Percent	Valid Percent	Cumulative Percent
179	30.8	30.8	30.8
181	31.2	31.2	62.0
93	16.0	16.0	78.0
33	5.7	5.7	83.6
95	16.4	16.4	100.0
Total 581	100.0	100.0	

Table 4

c. Data Collection Tools

- Data collected from Primary as well as Secondary Sources. Well Structured questionnaire was designed for collection of Primary Data. Interview and schedule methods were also used to collect the primary data.

d. Data Analysis Tools:

SPSS and Excel were used for the analysis of the data

Findings

Awareness of Various Government Schemes

	N	Minimum	Maximum	Mean	Std. Deviation
q2.2.1 National Saving Certificates (NSC)	581	1	5	2.76	1.415
q2.2.2 Sukanya Samruddhi Yojana (SSY)	581	1	5	3.07	1.347
q2.2.3 Public Provident Fund (PPF)	581	1	5	2.26	1.294
q2.2.4 National Pension Schemes (NPS)	581	1	5	3.08	1.142
q2.2.5 Atal Pension Yojana (APY)	581	1	5	3.83	1.384
Valid N (listwise)	581				

Table 5

		N	Mean	Std. Deviation	df	Mean Square	F	Sig.
1 Awareness level of following government Investment schemes-National Saving Certificates (NSC)	18 - 25	242	1.01	.700	2	11.024	21.590	.000
	26 - 40	233	.89	.752				
	41 - 59	106	1.43	.662				
	Total	581	1.04	.739				
2 SukanyaSamruddhi Yojana (SSY)	18 - 25	242	.98	.666	2	1.380	2.600	.075
	26 - 40	233	.90	.790				
	41 - 59	106	1.09	.724				
	Total	581	.97	.730				
3 Public ProvidentFund (PPF)	18 - 25	242	1.51	.599	2	4.395	11.959	.000
	26 - 40	233	1.36	.657				
	41 - 59	106	1.71	.497				
	Total	581	1.49	.618				
4 National Pension Schemes (NPS)	18 - 25	242	1.40	.632	2	9.763	21.446	.000
	26 - 40	233	1.08	.727				
	41 - 59	106	1.53	.650				
	Total	581	1.29	.698				
5 Atal Pension Yojana (APY)	18 - 25	242	1.16	.740	2	7.491	13.575	.000
	26 - 40	233	.82	.757				
	41 - 59	106	1.10	.716				
	Total	581	1.01	.759				

Table 6

Table 5 and Table 6 reflects the awareness level of various schemes. Table 5 shows the mean value of most of the schemes is around 3 or more i,e more than the neutral fit value. It indicates awareness level is satisfactorily. Mean value 2.76 and 2.26 of NSC and PPF schemes were below the neutral value 3, it shows the awareness level of these schemes are less in comparison to the other schemes.

Table 6 reflects the awareness level of schemes among the respondents of different age groups. The mean value of the all the schemes of the age bracket 41-59 years is highest which reflects the awareness of the schemes for the age group 41-59 years is highest. It may be because of the responsibilities of the family during these ages.

Hypothesis Testing

H1: Impact of Gender variable on consumer's behaviour in selection of Government of India's investment schemes

	GENDER	N	Mean	Std. Deviation	t-value	df	Sig. (2-tailed)
1 National Saving Certificates (NSC)	1 Male	334	3.20	1.402	.757	579	.450
	2 Female	247	3.29	1.432			
2 Sukanya Samruddhi Yojana (SSY)	1 Male	334	2.85	1.360	1.658	579	.098
	2 Female	247	3.04	1.325			
3 Public Provident Fund (PPF)	1 Male	334	3.84	1.273	2.190	579	.029*
	2 Female	247	3.61	1.311			
4 National Pension Schemes (NPS)	1 Male	334	2.86	1.108	1.458	579	.145
	2 Female	247	3.00	1.184			
5 Atal Pension Yojana (APY)	1 Male	334	2.25	1.415	1.549	579	.122
	2 Female	247	2.07	1.337			

Table 7

Table 7 reflects that the calculated t-value is more than the critical value 0.05, which shows that the Null Hypothesis is accepted. The Mean values related to all the schemes are close to the neutral value 3, which shows the responses are significant

The study also reflects that the mean value of Male and Female in most of the schemes are close to each other, which mean no much variation in buying behaviour of these schemes.

H2: Impact of qualification on consumer's behaviour in selection of Government of India's investment schemes

		N	Mean	Std. Deviation	df	Mean Square	F	Sig.
1 National Saving Certificates (NSC)	Up to Higher Secondary	99	3.09	1.506	4	5.343	2.701	.030*
	Graduation	163	3.48	1.513				
	Post-graduation	164	3.27	1.470				
	Doctorate	90	2.91	1.205				
	Professional	65	3.22	1.008				
	Total	581	3.24	1.415				
2 Sukanya Samruddhi Yojana (SSY)	Up to Higher Secondary	99	2.65	1.272	4	6.038	3.382	.009**
	Graduation	163	3.12	1.241				
	Post-graduation	164	3.07	1.341				
	Doctorate	90	2.66	1.508				
	Professional	65	2.92	1.395				
	Total	581	2.93	1.347				
3 Public Provident Fund (PPF)	Up to Higher Secondary	99	3.64	1.289	4	6.278	3.824	.004**
	Graduation	163	3.65	1.274				
	Post-graduation	164	3.60	1.481				
	Doctorate	90	3.94	1.053				
	Professional	65	4.23	.996				
	Total	581	3.74	1.294				

4 National Pension Schemes (NPS)	Up to Higher Secondary	99	3.53	.885	4	19.165	16.229	.000**
	Graduation	163	2.75	1.013				
	Post-graduation	164	2.67	.960				
	Doctorate	90	3.30	1.276				
	Professional	65	2.48	1.491				
	Total	581	2.92	1.142				
5 Atal Pension Yojana (APY)	Up to Higher Secondary	99	2.10	1.460	4	3.382	1.776	.006**
	Graduation	163	1.99	1.354				
	Post-graduation	164	2.39	1.438				
	Doctorate	90	2.19	1.365				
	Professional	65	2.15	1.176				
	Total	581	2.17	1.384				

Table 8

From Table 8, it reflects that the calculated t-values for various schemes are less than the critical value 0.05, which inferred that the Null Hypothesis is accepted i.e Qualification influences the decision-making behaviour of consumers while selecting Govt of India's Investment schemes.

Conclusion

This study concludes that consumer preferences in selection of Indian government investment schemes are influenced not only by financial factors like returns and security but also by behavioral biases such gender, qualification, lifestyles etc.

The study finds that financial literacy significantly reduces the impact of biases, enabling more rational and diversified investment behavior. However, even educated investors are prone to certain emotional influences, indicating the pervasive nature of behavioral tendencies. The findings suggest that policymakers should not solely rely on the economic merits of schemes to drive adoption. Instead, marketing strategies and scheme designs should incorporate behavioral insights—such as framing returns more clearly, using nudges, offering defaults, and simplifying processes.

Ultimately, this research contributes to the emerging field of behavioral finance in India and offers practical recommendations to enhance participation in government investment schemes through psychologically informed policymaking.

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