

A STUDY ON INVESTMENT BEHAVIOUR OF INDIVIDUAL INVESTORS WITH REFERENCE TO BENGALURU

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ABSTRACT--Investment is used for productive purposes and it has a great prominence for being the crucial instrument for economic growth and development of a country. There are many investment avenues are opened today, some of them are direct equity, commodity and derivatives, debt, mutual fund, real estate and gold. Some of the investment instruments are highly risky whereas others are riskless. The behaviour of investors are influenced by many factors during the rational selection of investment such as attitudes, awareness, perception and willingness. An investor is a person who sacrifices the present in order to earn the benefit for the future. The benefits in the form of dividends, capital appreciation, retirement benefits, bonus and other benefits. This study is designed as an extension to the existing body of knowledge and fills the gap for analyzing the individual investment behaviour. The present study is done using a questionnaire for assessing the determinants of investment behaviour of individual investors. The statistical tool, ANOVA, Chi-square and Independent sample T-test, is used in for the study. The study concludes that the majority of the investor prefer to save money and the investor invest with the motto of safety. Professional bodies influence investors in investment decisions. Investors need to consult with the financial advisors for the investment decision.

Keywords--Individual Investors, Investment Avenues, Investor preference, Investor attitude, Investor awareness.

I. INTRODUCTION

In the capital market “investors” are the backbone. India is developing economy, it is essential for emergent amount of saving movements to corporate enterprises. India has gradually increased equity market participation of the retail investors over the past few decades. Investment is used for productive purposes and it has a great prominence for being the crucial instrument for economic growth and development of a country. (Anuradha and Anju, 2015) found that the proper behavioural strategies investors can increase personal wealth which will contribute to higher economic growth. There are many investment avenues are opened today, some of them are direct equity, commodity and derivatives, debt, mutual fund, real estate and gold. Some of the investment instruments are highly risky whereas others are riskless. The investors select the investment avenues depending upon their particular need, return expected and risk appetite. (Lubna and Moid, 2013) found the investor’s mindset not the same when they choose to investing in a specific investment instrument.

The Behaviour of investors are influenced by many factors during the rational selection of investment (Von Neumann, and Morgenstern, 1944), such as attitudes, awareness, perception and willingness. An investor is a

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person who sacrifices the present in order to earn the benefit for the future. The benefits in the form of dividends, capital appreciation, retirement benefits, bonus and other benefits. Sometimes individual investors choose irrational decisions about their investment (Barberis & Thaler, 2003). (Kim & Nofsinger, 2003) examine the individual investors in the Japanese markets, found that overall the poor performance by individual investors can largely be explained by this tendency to hold value stocks during advancing markets and high-risk stocks during a declining market. (Lim, 2004) found that a psychological error called mental accounting is likely to play a significant role in investors trading decisions.

II. REVIEW OF LITERATURE

This chapter deals with findings and insights of various researchers, who previously worked on related papers; collected and analyzed by the researcher.

Gupta L.C (2001) found that investors' perception changed from shares to risk-less bond. Investors believe that investing in shares safer than investing in bonds. The bondholder earning a higher income than the shareholder. The researcher suggests that investors' confidence are weakness due to corporate governance levels and volatility of secondary market operation.

Jospal Singh (2006) examine 400 investors to identify the level of preference of various investment avenues. The researcher identified mutual funds seems the lowest preference by most of the investors.

Sahni (2010) applied behavioural finance theories on Indian investors. The study found that the past performance of a stock market operation for three consecutive days is more influenced by market volatility, indicates that the Anchoring theory is appropriate for India investors. It also found investors perception is various in time to time, based on profit/loss.

Sharma et al. (2013) research paper is to study gender effects on risk aversion and overconfidence in investment decision making. The authors have found female are more conservative than their male counterparts in terms of risk aversion. In terms of overconfidence, they could not reach to any conclusion with certainty because research has shown mixed results.

III. RESEARCH GAP

A significant amount of research has been carried out both within and outside the country on investment behaviour. It has been observed from the review of literature that most research works are carried out to find saving habits, risk tolerance and the factors influencing investment decisions. However, there are hardly studies to find the knowledge of investors on investment avenues. Thus, this study is designed as an extension to the existing body of knowledge and fills the gap for analyzing the individual investment behaviour.

IV. STATEMENT OF THE PROBLEM

The development of any economy depends on healthy savings and proper allocation of capital for the developmental activities of any country. The reduction of disposable income increases the saving potential of individuals. The avenues of investment and the investor's opinion based on their preferences vary from person to

person. Liquidity and safety play a major role in the investment decision. Now related studies related to household investments are emerging and their investment behaviours are considered important to enhance the savings of the economy.

V. SIGNIFICANCE OF THE STUDY

It is essential to understand the investment behaviour of individuals as it forms the base for the development of the economy. If the savings and investment behaviour among the people is good, it is a symptom for the development of both the capital market and money market and also the economy. The main aim of every individual is to get a higher return with minimum risk.

VI. OBJECTIVES OF THE STUDY

- To identify the factors influencing the individual investor preference about the various investment avenues
- To assess the investor level of awareness on investment

VII. RESEARCH METHODOLOGY

The study is descriptive. The present study is done using a questionnaire for assessing the determinants of investment behaviour of individual investors. The research was conducted in Bangalore which is located in the southern part of Karnataka. The convenience sampling techniques is used to collect data, because the population is unknown. Since it is difficult to cross-examine all the beneficiaries, therefore sample size is confined to 175 respondents. The statistical tool, ANOVA, Chi-square and Independent sample T-test, is used in for the study.

VIII. ANALYSIS and FINDINGS

TABLE 8.1: LEVEL OF PREFERENCE ON THE FOLLOWING INVESTMENT AVENUES

	Mean	Std. Deviation	Rank
Bank deposit	2.91	0.930	VI
Public provident fund	2.68	1.034	IX
Company fixed deposit	2.41	1.012	XI
Post office saving scheme	3.01	0.986	V
Government securities	2.61	1.198	X
Mutual fund	2.84	1.198	VII
Insurance	3.02	1.444	IV
Debentures	2.75	0.995	VIII
Equity funds	3.15	1.486	III
Real estate	3.99	0.858	I

Gold/silver	3.56	0.938	II
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From Table 8.1 it is clear that the majority of investors prefer to invest in Real estate and have been ranked first with the mean of 3.99. Next Gold with the mean of 3.56, prefer to invest in Equity (3.15) because of highest return, followed by Insurance (3.02), Post office saving scheme (3.10), Bank deposit, Mutual fund, Debentures, Public provident fund, Government securities. The investors have given less preference for company deposit because of its security issues and regulations.

TABLE 8. 2: AWARENESS ON INVESTMENT

	Mean	Std. Deviation	Rank
Knowledge on investment avenues	3.42	1.036	VI
Track investment on Tv/newspaper	3.71	0.983	111
Often get advice from financial experts	3.67	0.985	1V
Usually visit to the website relate to investment	3.49	1.129	V
Usually review the reports of professional bodies	3.81	0.975	I
Review my investment progress	3.78	1.093	11

Table 8.2 shows the level of awareness on investment. Majority of the respondents stated that they usually review the reports of professional bodies for investment purpose with the highest mean of 3.81. To gain knowledge on investment avenues maximum number of respondent's track investment on TV/Newspaper with the mean of 0.983 and it has been ranked third. Knowledge of investment avenues is the least with mean value of 3.42.

TABLE 8.3: ATTITUDES TOWARDS INVESTMENT

	Mean	Std. Deviation	Rank
Save money to have a secure life	4.03	0.961	I
Investment offer an additional income	3.49	1.098	IV
Prefer to save, when compared to save	3.52	1.118	III

Safety is the main motto in investment	3.55	1.081	II
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Table 8.3 shows that majority of the investor prefer to save money to have a secured life. Investors invest in investment avenues with the motto of safety with the mean value of 3.55. Least of the respondents have an attitude that the investment offers an additional income.

TABLE 8.4: MOTIVATIONAL FACTORS IN INVESTMENT DECISION

	Mean	Std. Deviation	Rank
Spouse	3.66	1.076	III
Parents	3.60	1.165	V
Friends/Colleagues	3.45	1.173	VI
Financial advisors	3.63	1.186	IV
Professional bodies	3.98	1.075	I
Media and investment website	3.88	1.095	II

Table 8.4 shows that professional bodies are the major motivational factor in investment decision with mean value 3.98. Media and investment website is the second motivational factors for investment. Friends/Colleagues and financial advisors are the least motivational factors in investment decision with mean 3.45 and 3.63.

TABLE 8.5: ANALYSIS OF VARIANCE OF SOCIO-ECONOMIC FACTORS AND OVERALL LEVEL OF PREFERENCE OF PORTFOLIO

Factors	F value value	p	Significance
Age (in Years)	2.839	0.040	Significant
Educational Qualification	4.594	0.004	Significant
Savings Potential	7.993	0.000	Significant
Residential Area	10.822	0.000	Significant
No. of earning members in the family	6.743	0.000	Significant
Annual income	4.142	0.07	Significant

Table 8.5 clearly shows the analysis of variance result on socio-economic factors and preference of portfolio. It is found that all factors ‘p’ value is less than 0.05. It indicates that the null hypothesis is rejected at 5% level of significance. Hence, there is a significant difference between Socio-Economic factors (age, educational

qualification, saving potential, residential area, family earning and annual income) and overall level of preference of investors.

Table 8.6 : CHI-SQUARE ANALYSIS ON SOCIO-ECONOMIC FACTORS AND LEVEL OF AWARENESS

Fact ors	X ² value	P	Significance
Gender	21.44	0.006	Significant
Age (in Years)	46.56	0.004	Significant
Educational Qualification	50.31	0.001	Significant
Savings Potential	35.12	0.004	Significant
Residential Area	37.23	0.002	Significant
No. of earning members in the family	89.31	0.000	Significant
Annual income	57.52	0.000	Significant

Table 8.6 found the chi-square result on socio-economic factors and level of awareness. It is found that all factors ‘p’ value is less than 0.05. It indicates that the null hypothesis is rejected at 5% level of significance. Hence, there is an association between Socio-Economic factors (age, educational qualification, saving potential, residential area, a family earning and annual income) and level of awareness of investors.

TABLE 8.7: INDEPENDENT SAMPLE T-TEST FOR OVERALL PREFERENCE AND GENDER

t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
					Lower	Upper
3.122	173	.002	.316	.101	.116	.515
3.125	172.860	.002	.316	.101	.116	.515

Table 8.7 reveals that there is a difference in mean population between Overall preference of investor and factor Gender. The test reveals ‘p’ value is less than the significant value at five per cent level. Hence the null hypothesis is rejected at 5% level of significance and it is concluded that there is a difference in mean population between the overall preference of investor and gender.

IX. SUGGESTIONS

➤ Today there are so many special investment schemes are available for investment, so investor are suggested to diversify their portfolio towards profitable avenues.

- Investors should develop a habit of reading newspapers, magazines related to investments and other watching investment TV channels to make their investment as a profitable one.
- Investors could avoid taking suggestions from commoners. It is recommended to approach professionals such as tax consultants, chartered accountants and financial advisors to get dual benefits of investment as well as tax reduction.
- Recognition of bias in oneself is the first step to avoid behavioural bias in the process of investment decisions.
- Tracking or reviewing of investment would help them to have good knowledge about the present asset holding

X. LIMITATIONS OF THE STUDY

- ❖ The study is confined to 175 respondents only.
- ❖ The sample size chosen for the study may not be representative of the entire population.
- ❖ The investment behaviour may change from time to time; hence the study is valid for a specific period/time only.

XI. CONCLUSION

The study found that the investment tactics of investors are mainly determining by the socio-economic factors and moreover investment behaviour exposes play a crucial role in order to take rational investment. There are various forms of investments opportunity are existing in the market, before investing any investment investor should analyzed market position then select the investment avenue with minimum risk. The study also found the selected investors are not having sufficient awareness regarding the investment, therefore they desire to choose traditional risk-less financial products. The study concludes that the majority of the investor prefer to save money and the investor invest with the motto of safety. Professional bodies influence investors in investment decisions. Investors need to consult with the financial advisors for the investment decision.

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