
An examination of the factors that affect investors' investment behaviour

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Abstract

Every person wants to multiply its income as soon as possible and investment is one of the shortest ways to multiply income. Those who decide to make contribution in capital formation of a company and try to multiply their income in very short period or in a specified time, called investors. Investors are influenced through different variables at the time of investment decisions.

The investors take their investment decisions rationally and search and research about the available information and react accordingly.

Study is based on primary and secondary both the sources of information. The primary information has been gathered through structured questionnaire while secondary information has been collated through authentic published reports. The data have been analysed through cross tabulation analysis and chi-square test.

The study focuses to describe about factors or variables having major impact on the investment decisions. After analyzing the relevant information it has been concluded that there are different fundamental, financial and technical variables influence the investors' behaviour at the time of investment.

Keywords: Equity investment plans in mutual fund and influencing variables of investors' behaviour especially financial literacy.

INTRODUCTION

Investment markets offer a variety of financial products like mutual funds, bonds and available stocks for favourable movement in their income through investment decisions. An investor analyzes most of the related variables with financial benefits. These variables can be categorised as psychological, demographical, sociological and behavioural factors. An individual always wants to invest his savings to maximize his income through maximizing return on investment.

The investment decisions always differ for each investor according to his risk tolerance that is why he always evaluates all determinants of investment decisions. An investor analyzes all factors related to investment decisions which are mutual funds, equity, bonds, commodities, fixed deposits and other derivatives, because he does not want negative return. The paper explains about the factors affecting the investors' behaviour at the time of investment decisions.

REVIEW OF LITERATURE

A study done by Shyan, Gow & Hui in 2010 for determining the past experiences of investors and outcomes got by them, exposing them economic signals. The study found that there were no significant difference in their gender and risk bearing capacity. According to the study the risk perceptions had been found interdependent with the investors past experiences.

For examining the role of different socio-economic and demographic variables factors affecting the investment decisions, Iqbal Mahmood had tried to evaluate this association through past experiences, regulations, gender, marital status and decision of reinvestment etc. He concluded that the risk perception and regulations made by regulatory bodies plays the key role in the process of investment decisions.

Rana et al. in 2014 had analysed the mediatory role for searching the information regarding the behaviour during investment decisions. He found that investors having enough wealth were more concerned with the information getting from financial experts, while the investors having low

wealth had not been found very concerned with the financial information which increases the return on investment.

Qadri & Shabbir had concluded in 2014 about influencing the investment decisions and found that the investors having skills, experiences, Knowledge and overconfidence made transaction regarding investment rapidly.

Natalie, Cameron and Chrisann had found in their study regarding the assessment of the financial literacy and investment decisions, that the lack of financial literacy had been one of the important variables influencing the investment decisions and those investors having no experience or interest in this field had been facing problems regarding the selection of investment choices.

SIGNIFICANCE OF THE STUDY

The study will be found as a guide in the field of investment decisions, based on different variables influencing the investing decision of an individual. This will also help at the time of determining the better investment decisions which may be based on the investors` experiences, age group, investment preferences and financial literacy. The study will also help the new researchers for further studies related to the factors influencing investors decisions in different investment choices.

OBJECTIVES OF THE STUDY

There are some important following objectives in this study, which are going to be tested and achieved:

- To study about the variables (Specially Financial Literacy, Past Experience and Financial accounting information) affecting investment decisions of individual investors.
- To examine the influence of these variables on investment decisions.

RESEARCH METHODOLOGY

The study focuses on the analytical research designed casually and for this the primary data is required and have been collected through questionnaire filled through online Google form. The sample size is 50 respondents residing in Lucknow (Capital of Uttar Pradesh, India). Here the dependent variable i.e. individual investment decision has been measured by percentage of return on investment.

The analysis of this study is based on cross tabulation analysis and non-parametric test i.e. Chi-square test, while some important figures have been plotted through clustered bar charts. The significance level has been assumed at 5% under the study.

HYPOTHESIS FORMULATION

H₀₁ There is no significant association between financial literacy and individual investment decisions.

H₀₂ There is no significant association between past experience and individual investment decisions.

H₀₃ There is no significant association between financial accounting information and individual investment decisions.

ANALYSIS AND INTERPRETATION

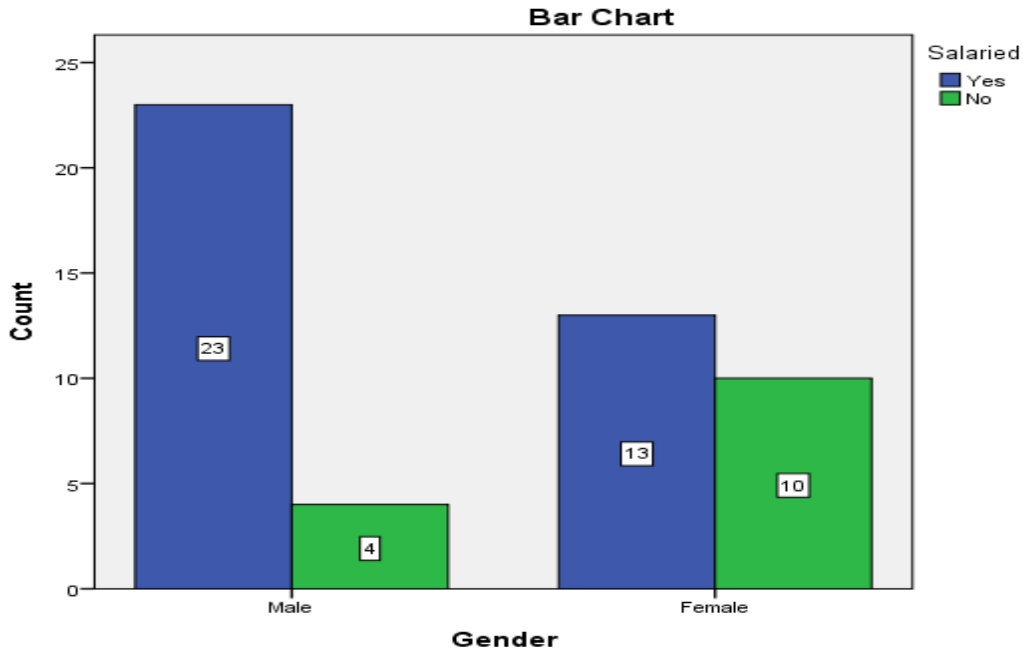
Gender * Salaried Crosstabulation				
Count		Salaried		Total
		Yes	No	
Gender	Male	23	4	27
	Female	13	10	23
Total		36	14	50

Sources: Based on primary source of information through questionnaire.

Table no. 1

FINDINGS

The above table shows that out of 50 respondents there are 27 male and 23 are female. Out of 27 male 23 are employed and getting salary, while out of 23 female only 13 female have been found who are getting salary which is only about 56 % of total female respondents.



Sources: Based on primary source of information through questionnaire.

Figure no. 1

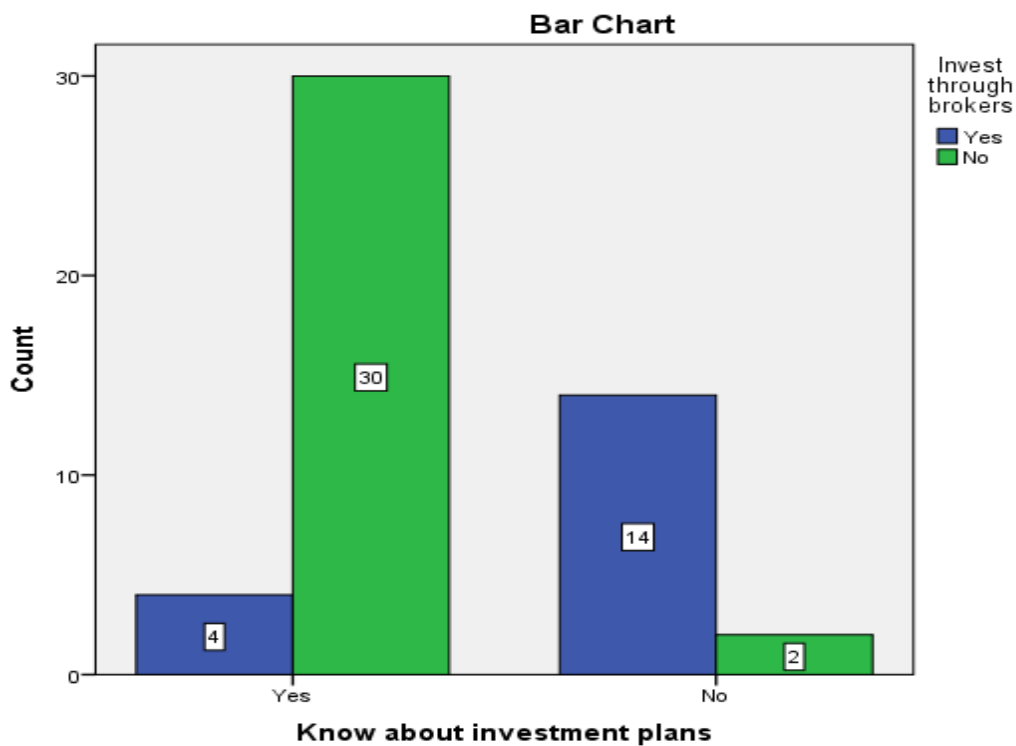
Know about investment plans * Invest through brokers Cross tabulation				
Count				
		Invest through brokers		Total
		Yes	No	
Know about investment plans	Yes	4	30	34
	No	14	2	16
Total		18	32	50

Sources: Based on primary source of information through questionnaire.

Table no. 2

FINDINGS

The above table shows that out of 50 respondents, 34 knows maximum information about financial literacy i.e. related to investment, which makes the investors independent and that is why we found that out of 34 only 4 respondents have been found dependent on brokers and investing their money through brokers. While 16 respondents have been found who do not know about different investment plans and most of them i.e. 14 respondents are investing through brokers i.e. about 87.50%.



Sources: Based on primary source of information through questionnaire.

Figure no. 2

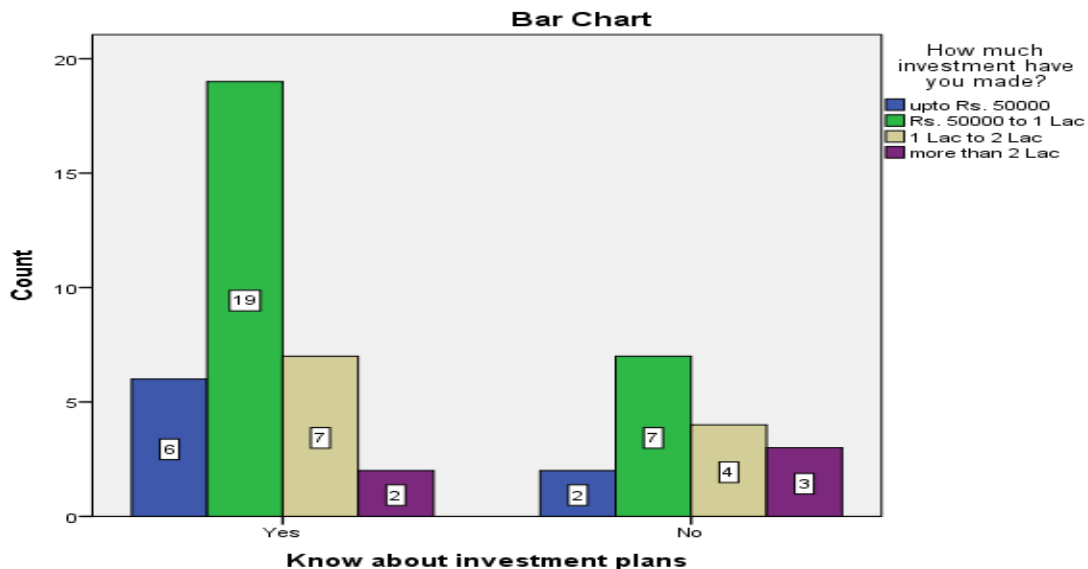
Know about investment plans * How much investment have you made? Crosstabulation						
Count						
		How much investment have you made?				Total
		upto Rs. 50000	Rs. 50000 to 1 Lac	1 Lac to 2 Lac	more than 2 Lac	
Know about investment plans	Yes	6	19	7	2	34
	No	2	7	4	3	16
Total		8	26	11	5	50

Sources: Based on primary source of information through questionnaire.

Table no. 3

FINDINGS

The above table reflects that most of the respondents have been found that they are investing in between Rs. 50000 to Rs. 1 lakh under the study, which is about more than 50% of total sample size.



Sources: Based on primary source of information through questionnaire.

Figure no. 3

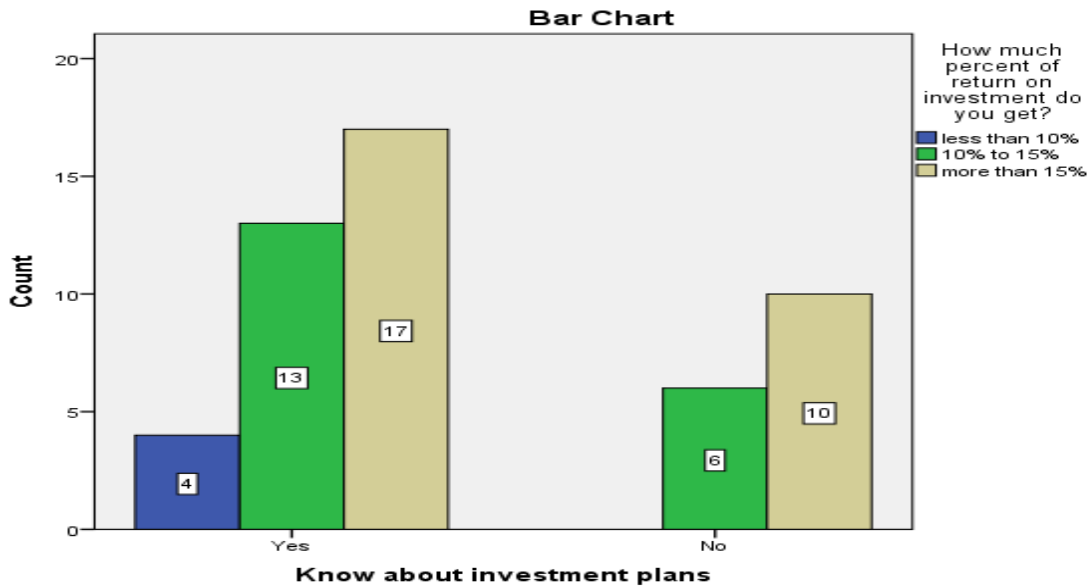
Know about investment plans * How much percent of return on investment do you get? Crosstabulation					
Count					
		How much percent of return on investment do you get?			Total
		less than 10%	10% to 15%	more than 15%	
Know about investment plans	Yes	4	13	17	34
	No	0	6	10	16
Total		4	19	27	50

Sources: Based on primary source of information through questionnaire.

Table no. 4

FINDINGS

The table shows that out of 34 respondents 30 investors have been getting the return on investment i.e. between 10% and more and the investors who do not know about investment plans have also been getting 10% or more return on invested amount.



Sources: Based on primary source of information through questionnaire.

Figure no. 4

Always search information related to my new investment plans * Accounting information related to your new investment is beneficial? Crosstabulation			
Count			
		Accounting information related to your new investment is beneficial?	Total
		Yes	
Always search information related to my new investment plans	Yes	50	50
Total		50	50

Sources: Based on primary source of information through questionnaire.

Table no. 5

FINDINGS

The table shows that all of the respondents have been found satisfied with the information getting from the authentic sources and getting benefited with the financial information. This rejects the third null hypothesis that there is a significant association between past investment experiences and its benefits in future investment plans.

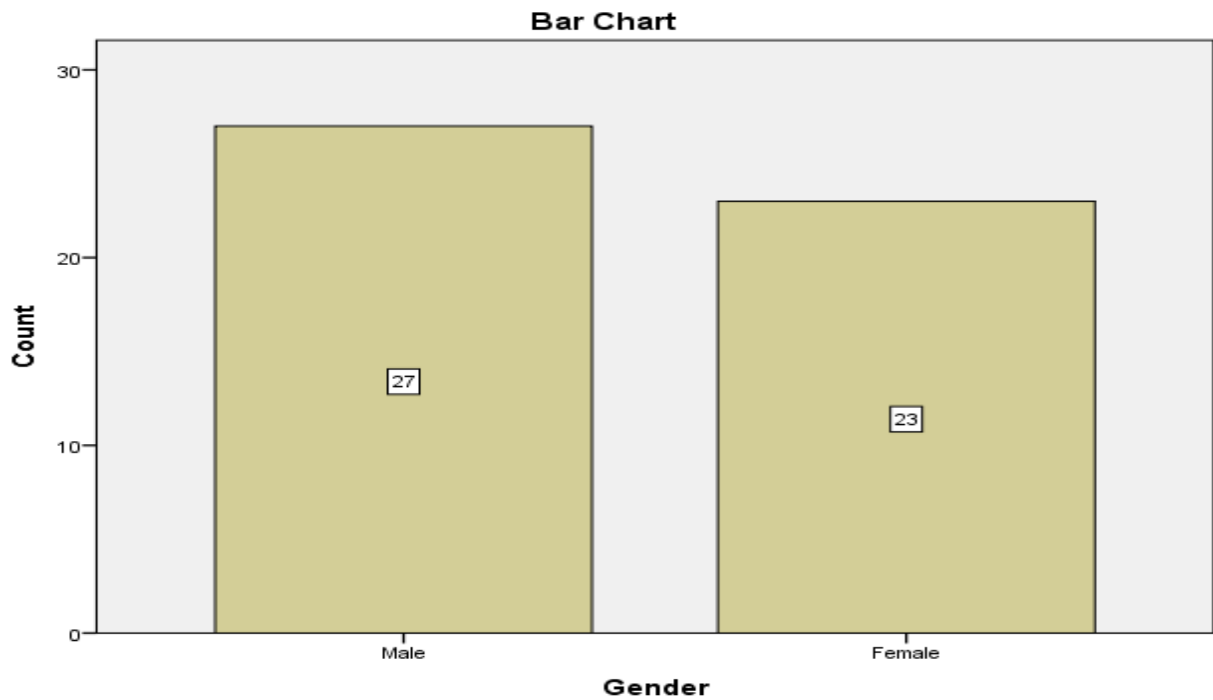
Gender * Is there any benefit of your past investment experience? Crosstabulation				
Count				
		Is there any benefit of your past investment experience?		Total
		Yes		
Gender	Male	27	27	
	Female	23	23	
Total		50	50	

Sources: Based on primary source of information through questionnaire.

Table no. 6

FINDINGS

The above table is based on the relationship between gender and their past experiences regarding their past investing habits. The study found that all male and female investors have been found satisfied with their past investment experiences.



Sources: Based on primary source of information through questionnaire.

Figure no. 5

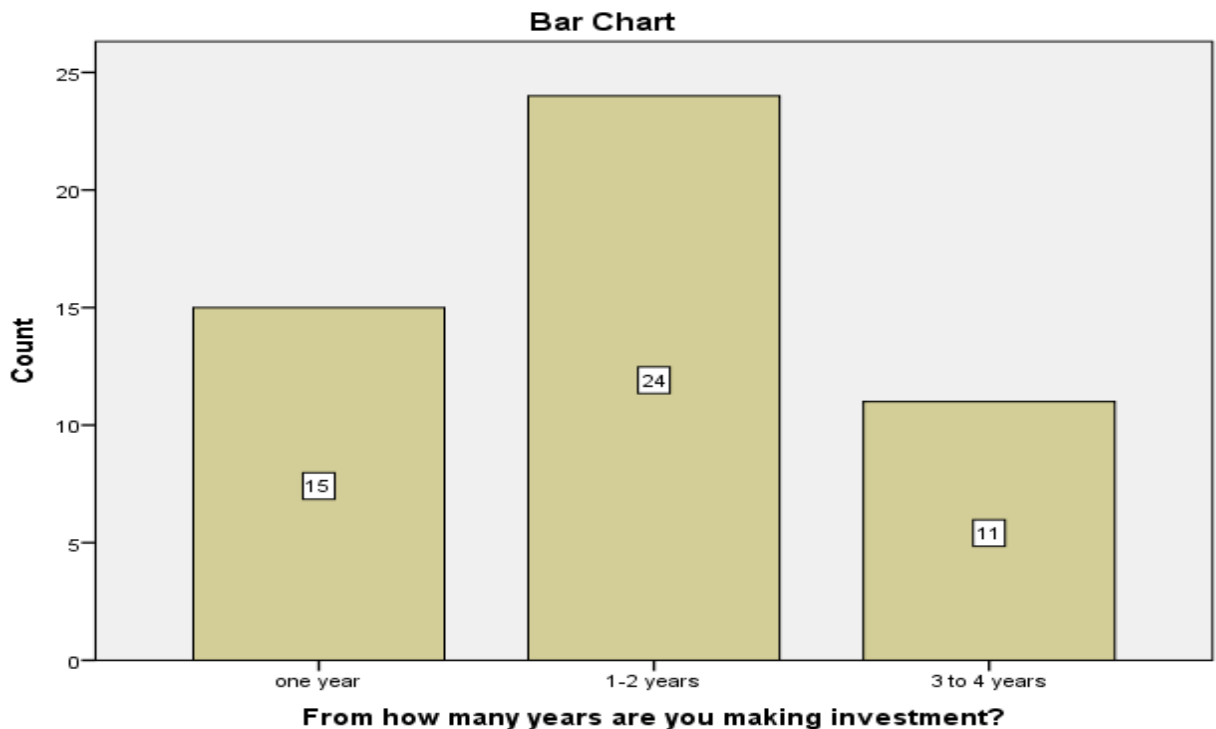
From how many years are you making investment? * Is there any benefit of your past investment experience? Crosstabulation			
Count			
	Is there any benefit of your past investment experience?		Total
	Yes		
From how many years are you making investment?	one year	15	15
	1-2 years	24	24
	3 to 4 years	11	11
Total	50		50

Sources: Based on primary source of information through questionnaire.

Table no. 7

FINDINGS

The above table reflects about the relation between years of investing and benefits from past experiences. The study found that all investors investing have been getting benefited through their past experiences. It indicates that there is a significant association between past investments and benefits through its past experience in new investment plans and rejects second null hypothesis.



Sources: Based on primary source of information through questionnaire.

Figure no. 6

How much percent of return on investment do you get?			
	Observed N	Expected N	Residual
less than 10%	4	16.7	-12.7
10% to 15%	19	16.7	2.3
more than 15%	27	16.7	10.3
Total	50		

Sources: Based on primary source of information through questionnaire.

Table no. 8

Chi-square Test Statistics		
	Know about investment plans	How much percent of return on investment do you get?
Chi-Square	6.480 ^a	16.360 ^b
Df	1	2
Asymp. Sig.	.011	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.		
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 16.7.		

Sources: Based on primary source of information through questionnaire.

Table no. 9

FINDINGS

The above chi-square test table reflects that there has been a significant association between financial literacy and investment decisions measured through return on investment and rejects the first null hypothesis with its sig. value which is .000 (less than 5%).

CONCLUSION & SUGGESTIONS

The study analyses the selected variables affecting the individual investment decisions and these selected variables are financial literacy, financial information and past investment experiences. Here the dependent variable individual investment decision has been measured by return on invested amount by the investors. After the applying all required test the study found that all the three factors have been influencing the investment decisions (that means there has been significant association among all the three factors and investment decisions) and all null hypotheses have been rejected. It has been found that the financial literacy, accounting financial information and past experiences in the field of investment have been contributing its effective role in the process of investment decision.

After concluding the study suggestions may be considered regarding this field of study, which are:

- Financial literacy can be enhanced through different courses offered in educational institutions with different career opportunities to the learners, so that they may be motivated.
- There should be easy and less time consuming access in getting the required and important financial accounting information for the existing and prospect investors.
- There should be an attempt that can be made through different national and international seminars or conferences, where experienced investors can share their experiences free of cost or at reasonable and affordable charges.

References:

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