STUDY ON INFLUENCE OF BEHAVIOURAL FACTORS TOWARDS INVESTMENT IN COIMBATORE DISTRICT.

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ABSTRACT

Investments are choices made by individuals to put in their specific amount of money in a specified investment avenue for a specified period of time in anticipation that they will get more at the end in the form of returns. Such decisions are usually taken by individuals, but the behavioural factors of the individuals play a very important role in deciding about the investments. In this paper an attempt has been made to find the influence of behavioural factors towards investments. A structured questionnaire was used to collect data from 527 respondents in Coimbatore city. Factor was used to identify the most influencing behavioural factors in deciding about the investments. Study revealed that Family, Friends, sources of information and annual income of an individual to a large extent influence the individuals.

Key Words: Investment, Behavioural factors, Factor analysis

1. INTRODUCTION

India is expected to have a growth rate of 7.3% by December 2018. India has taken significant initiatives to make the Indian economy as one of the strongest economies in the world. India’s gross savings rate was measured at 30% in March 2017 compared with 31.3% in the previous year. The average savings rate is 18.8%. According to the latest report India’s GDP has expanded to 7.2% YoY in December 2017. The government has taken several
measures to minimize structural & political bottlenecks, to attract higher investment. According to the Securities and Exchange Board of India (SEBI), [1] the total number of investor accounts with 43 active mutual fund houses rose to a record 64.9 million at the end of November 2017 as against 55.4 million in March 2017, backed by a strong participation from retail investors. During 2017 Investments made by domestic mutual funds in the equities market have crossed the 1 lakh crore (US$ 15.6 billion) mark. By 2025, The Association of Mutual Funds in India (AMFI)[2] is targeting more than three times growth in investor’s accounts to 130 million & nearly five-fold growth in assets under management (AUM) to Rs 95 lakh crore (US$ 1.47 trillion). According to The World Bank [3], the Indian economy is likely to grow at 7.4 per cent in 2019-20. This is done in favor of India’s attempt to implement reforms and to unlock the country’s investment potential which ultimately brings an improvement in the business environment, liberalized FDI policies, quick solution to the corporate disputes, simplified tax structure, and a boost in both public and private expenditure.

2. REVIEW OF LITERATURE

2.1 Literature Review

In a study by [4] investigated the preference of stocks chosen by equity managers in Australia. The study consists of monthly portfolio holdings of 36 Australian Institutional equity managers from a period between 2000 to 2001. Fund holdings include all stocks, derivative products and cash positions. Institutional managers preferred stocks exhibiting high price variance, stocks having large market capitalization, low transaction cost and lower variability in earnings forecasts.[5] studied about attitude of respondents towards different investment choices from different parts of Kurumbalur district by using a structured questionnaire and applied simple percentage analysis. In the study they found about the awareness level of investors towards various avenues of investment and found that respondents gave ore importance to insurance products, PPF and bank deposits and suggested that awareness program can be conducted by broking firms so as to investment in other instruments of stock market.[6] in their study on investment preferences among urban investors in Orissa studied the factors influencing investment behavior of urban investors, investment decision-making process, the attitude of investors towards different investment avenues and analyze the different factors and motives that motivates for acquisition of investment avenue. This study was based on primary data obtained through a structured questionnaire containing 35 questions. From analysis it is observed that investment in equity share is regarded as the risky avenue as compared to other available avenues as it is directly
associated with the capital or stock market. It shows that the field workers or the daily workers are more involved in safety investment avenues like recurring deposits in banks and post offices instead of preferring investment in share market. The study reveals that investors invest in different investment avenues for fulfilling financial, social and psychological need. [7] in their study on investors preferences towards various investment avenues in Dehradun district aimed to understand the awareness towards investment products and found that most of the investors prefer bank deposits followed by gold investment in the study Area. [8] studied the influence of psychological factors on investor behavior in equity investment and found that the investment sentiment of the investor is influenced by the four factors such as individual expectation, individual optimism, individual ability and individual confidence to a large extent. [9] studied about the Preferred Investment Avenues Among Salaried People With Reference to Pune, India and found that major features considered before making investment was safety of principal amount, liquidity, income stability, appreciation and easy transferability and concluded that Investors are aware about investment avenues available in India but still investors are preferred to invest in bank deposit, real estate, metals and other commodities. [10] in their study on Perception of Household Individual Investors towards Selected Financial Investment Avenues made an attempt to find out the level of awareness and attitude of the individual towards investment in various financial instruments. General perception of the respondents towards investment avenues factors revealed that capital appreciation factor strongly accepted commonly by all four avenues, but particularly in bank deposit affordability factor, shares liquidity factor, mutual fund safety and security factors are strongly accepted by the investors. [11] tried to assess the investors attitude towards various investment avenues and found that investors preferred to only in safer investment avenues with low risk and moderate return and hesitant to take up risk. [12] in their study on investment Preference and Behaviour of Individual Investors in Coimbatore city adopted convenience sampling and analysed the data using factor analysis and garret ranking. The study revealed that education of investors and awareness towards collecting information from various sources played a major role in deciding about the investment avenues. [13] aimed to understand the awareness of people towards various investment avenues and to analyze the investor’s preference towards various investment avenues in contrast with the demographic factors in the Namakkal district and concluded that among the various investment alternatives the investors in rural and urban area still prefer bank deposits and only few investors prefer investment on stock market. [14] studied about the factors influencing investment choices of individuals. In this study they tried understand the effects of several demographic factors, investment decision criteria and financial literacy level on more preferred investment
alternatives in Turkey. Results indicated that men preferred to invest more in stocks than women. In another study by [15] studied about the investment preference of working women of North Gujarat Region and found that it is evident that working women invest in various investment avenues and it was found that there is no relationship between education with investment while there is significant relationship between Age and Income. In a comparative study by [16] compared the investment pattern and the factors influencing the investors in selecting mutual funds and equity. [17] Data analysed by using chi-square and factor analysis revealed that mutual funds are considered as the better option for the investors to that of equity.

Savings and appropriate allocation capital to [18] the developmental activities, shows the development of an economy. Increase in per capita income and decrease in disposable income automatically contributes to savings. The avenues of investment and the investors’ opinion based on their preferences vary from person to person. Thus this study is an attempt to study about the investors preferences towards investment in Coimbatore district.

2.2 Objectives of the study

To assess the behavioural factors influencing investment preferences of investors in Coimbatore District.

3. METHODOLOGY AND SAMPLE

Research Design used in the study is descriptive in nature. The study was conducted in the Coimbatore city, a non-metropolitan city in Tamilnadu is a fast acquiring investment culture across India. Respondents for the study were employed people, professionals, business people and housewives belonging to different age groups with various income levels, either they have made a gain or loss in their investment activities, had different investment experiences. The sample of investors from whom the data has to be collected was selected based on the convenience sampling by using a structured questionnaire among 227 respondents including. A structure questionnaire was used to collect the data by using Likert five-point scale in which 1= “Strongly disagree”, 2= “Disagree”, 3= “neutral”, 4= “agree”, 5= “Strongly agree”. Variables were coded in such a way that high scores were equated to high levels of interest of the construct.
4. RESULTS

2.3 Reliability Analysis

The reliability of the constructs was checked by using reliability analysis.

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s alpha</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk taking ability</td>
<td>.880</td>
<td>17</td>
</tr>
<tr>
<td>Behavioral factors</td>
<td>.945</td>
<td>15</td>
</tr>
</tbody>
</table>

Influencing investments

2.4 Factor Analysis

In order to find out the various factors influencing investors preference, application of factor analysis was considered as an appropriate technique to simplify the complex and diverse relationships that exist among the set of observed variables. Using SPSS software, the analysis was conducted. Kaiser-Meyer-Oklin measure was applied to test the sample adequacy which yielded 0.848 and the Bartlett’s test of sphericity had the following scores.

<table>
<thead>
<tr>
<th>KMO and Bartlett’s Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser-Meyer-Oklin Measure of Sampling Adequacy.</td>
</tr>
<tr>
<td>Bartlett’s Test of Sphericity</td>
</tr>
<tr>
<td>Approx. Chi-Square</td>
</tr>
<tr>
<td>Df</td>
</tr>
<tr>
<td>Sig.</td>
</tr>
</tbody>
</table>
It is evident from the above table that the most influencing factor in first component was because my friends and relatives had made investments so I also started investing my money. In second component was understanding investment is beneficial to meet my future financial requirements and in the third component annual income of an individual influences the investors preference towards investment and the factors extracted are named as below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Factor Component</th>
<th>Renamed variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>My friends and relatives had made investments so I also started investing my money</td>
<td>.737</td>
<td>Family and friends influence</td>
</tr>
<tr>
<td>I expect sufficient amount of cash inflows to happen in near future, so I decided to take up investment</td>
<td>.617</td>
<td></td>
</tr>
<tr>
<td>I take investment decision based on my intuition</td>
<td>.588</td>
<td></td>
</tr>
<tr>
<td>I usually take advice from my close sources before making investments</td>
<td>.584</td>
<td></td>
</tr>
<tr>
<td>My family members insist me to make investment</td>
<td>.558</td>
<td></td>
</tr>
<tr>
<td>I decide to make investment based on reliable sources of information</td>
<td>.514</td>
<td></td>
</tr>
<tr>
<td>Investment is beneficial to meet my future financial requirements</td>
<td>.826</td>
<td></td>
</tr>
<tr>
<td>Making Investment is a wise decision I had made</td>
<td>.776</td>
<td></td>
</tr>
<tr>
<td>I usually analyze technically before making investments</td>
<td>.520</td>
<td></td>
</tr>
<tr>
<td>I am willing to hold the investments for certain period of time as it promises me good returns</td>
<td>.426</td>
<td></td>
</tr>
<tr>
<td>Annual income</td>
<td>.948</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.
I expect sufficient amount of cash inflows to happen in near future, so I decided to take up investment. 

I usually analyze technically before making investments .514

I decide to make investment based on reliable sources of information .826 F2 Sources of Information

I usually take advice from my close sources before making investments .776

I am willing to hold the investments for certain period of time as it promises me good returns .520

I take investment decision based on my intuition .426

Annual income .948 F3 Income of investors

Of all the factors identified, friends and family members play a vital role in deciding about the investments, sources of information and Income are the major factors influencing investments.

5. CONCLUSION

Making investment is a riskier activity. The study shows that education of investors is immensely important for the present day investors in Coimbatore. Investors, before making investments, need and are willing to collect more investment related information from the internet and discuss with friends, peers and investment experts before making investments.

As an investor, the individual should think thrice before making investment. Continuous process of identifying important factors influencing investment decision provides signal to industry to take corrective measure when there is significant shift in preferences of investors towards investment.

6. REFERENCES


