CHAPTER- V
INVESTORS BEHAVIOUR AND INVESTMENT PATTERN OF FINANCIAL MARKET

5.1 Introduction

Investment portfolio can be viewed as portfolio of different financial instruments like shares, mutual funds, bank deposits, gold, and real estate. These investments can be viewed as portfolio of investments in different economic sectors such as IT, banking, infrastructure etc. The selection of such investment portfolio is based on its duration, size and kind of the financial market they are served: Primary market, secondary or both. Additionally, the most important factor regarding investment is the objectives of investors while investing. Some people might invest for their children's education, marriage or for buying a house whereas many others invest in certain instruments just to avoid excessive taxes. This there are different perceptions while undergoing a financial investment portfolio decision.

Following this, in the present chapter, the researcher analyzes the motivating factors for investor's decision within the financial market. It aims to identify the aspects of financial market which attract people to invest and their perception about investing in the same. The researcher investigates on the perception of the respondents in terms of the psychology, technology, risk, security, benefits and other factors in reference to their investment in the stock market.

5.2   Factors Influencing Investment Decisions

Amount of savings depends upon the type and level of motivation received by the investors (Chavara, 2014). Every respondent selects the investment avenue because of the many factors influence. The factor of influencing might vary from one respondent to another. The researcher has taken an effort to observe the different factors which influence the individuals while selecting particular investment avenue. The benefits provided to a consideration by an individual might not be exactly the same as in the situation of one more. Several of them could be affected with a single facet however, not affected along with other factors in choice of investment decision.

In the study the influencing factors are grouped into two categories, as factors motivating to make investment and factors influencing to make investment, to have an in-depth understanding of factors that influence in investment decision.

5.2.1   Factors Motivating to make Investment

The investor while making investment may be influenced by various social factors. Those social factors may guide the investors to choose the financial assets or motivate them to develop the habit of investment of social factors in investment has been categorized as motivational. The data have been collected by using Likert five point scaling technique and the score was allocated from 5 to 1 for 'very high influence' to 'very low influence'. The respondents who preferred 'very low influence' is assigned 5 scores through 'very high influence' who were assigned a score value of 1. The mean score values are obtained by calculating the total score divided by total number of respondents and based on the mean score value the most influential factors have been ranked.

Table 5.1: Motivational Factors to make Investment Decision

Factors	V.H.I	H.I	I	L.I	V.L.I	Mean	Rank
Spouse	121(25.2)	202(42.0)	60(12.5)	31(6.45)	68(14.16)	3.43	II
Parents	108(22.5)	255(53.12)	67(13.95)	9(1.8)	44(9.16)	3.66	I
Friends/ Relatives	27(5.62)	54(11.25)	136(28.3)	249(51.87)	14(2.91)	3.23	III
Colleagues	31(6.45)	246(51.2)	82(17.08)	93(19.3)	28(5.83)	3.22	IV
Financial Advisors	23(4.79)	212(44.16)	110(22.9)	62(12.91)	73(15.20)	3.11	VI
Professional Bodies	32(6.66)	232(48.3)	102(21..25)	48(10.0)	66(13.7)	3.12	V
Media and Investment Website	154 (32.08)	71 (14.7)	55 (11.4)	29 (6.04)	1713 (35.6)	3.01	VII

I-Influence, H-Highly Influence, VHI-Very Highly Influence, LI- Low Influence, VLI- Very Low Influence

Table 5.1 shows the motivation of social factors on respondent's to invest. For majority of the respondent's parents and spouse are the main motivating factors to invest in financial assets with a mean score of 3.66 and 3.43 respectively and have been ranked first and second. The third and fourth rank have been given to friends or relatives and colleagues, as the researcher has collected data from working people, they spend more time with their friends and colleagues hence they also motivate to invest and guide them to save for future. The financial advisors, professional bodies, media and investment related websites have been ranked fifth, sixth and seventh respectively. It is clearly understood that the family members are the main motivators for any person to save their earning in a fruitful manner.

5.3.2 Factors Influence to make Investment

The factor which manipulates the individuals to take investment decision is termed as influential factor. Every respondent are directed to get ranking the elements through a single to 9 dependent upon the level of importance in the purchase choices. To discover the most major elements that influence the respondents while creating

purchase, Garrett's Ranking Technique was utilized. As per this particular technique, respondents are required to designate the ranking for each one of the result and also the elements of that standing continues to be changed into rating worth. By referring the Garrett's dinner table, the % job believed is changed into scores. Next for every aspect the scores of every individual are included then imply values is regarded as the most crucial. Table 5.1 exhibits which, the variables which influence the investors on the specific purchase method in the research region. Table 5.2 illustrates Garrett's scores that really help deciding about the most crucial elements used by the respondents, while selecting the expenditure avenues.

Table 5.2 Garrett's Scores and Ranking

Factors		1	2	3	4	5	6	7	8	9	Total	Garret Mean	Rank
	Garrett's table value	81	69	62	56	50	45	38	31	19			
Safety of investment	N	147	95	5	26	175	9	4	19	0	30012	61.81	I
	Garrett's Score	1186	6623	310	1456	8750	405	152	589	0			
Cost of investment	N	37	50	57	78	35	186	37	0	0	26021	52.99	IV
	Garrett's	3076	3516	3534	4368	1750	8370	1406	0	0			
Economic indicators	N	8	42	72	28	38	101	173	18	0	2211	47.38	VII
	Garrett's S core	808	2898	4464	1568	1900	4545	6574	558	0			
Political factors	N	0	0	0	44	80	0	69	153	134	16476	33.21	VIII
	Garrett's Score	0	0	0	2576	4000	0	2622	4743	2546			
Perception on investment	N	82	62	119	67	15	88	38	9	0	28641	58.43	II
	Garrett's Score	6804	4278	7378	3752	750	3960	1444	279	0			
Trend in financial market	N	36	59	70	92	32	52	84	46	9	25321	52.59	V
	Garrett's Score	2916	4209	4340	5152	1600	2340	3192	1426	171			

Factor		1	2	3	4	5	6	7	8	9	Total	Garret Mean	Rank
	Garrett's table value	81	69	62	56	50	45	38	31	19			
Convenience to purchase	N	24	116	36	80	61	18	23	122	0	25221	52.57	VI
	Garrett's Score	2106	8004	2232	4480	3050	810	874	3782	0			
Tax benefits	N	148	53	52	47	46	19	45	0	69	27880	57.86	III
	Garrett's Score	12069	3726	3286	2632	2300	855	1710	0	1311			
Social prestige	N	0	27	41	18	0	0	19	115	270	14512	30.25	IX
	Garrett's Score	0	1932	2604	1008	0	0	342	3565	5130			

Table 5.2 exhibits Garrett's scores and ranking. The highest score is 62.81, for the factor 'safety of investment' and given first rank. 'Perception on investment' was ranked second with the garret score value of 59.43, followed by 'tax benefits' with mean score value of 52.57. 'cost of investment', 'trend in financial market', 'convenience to purchase' and 'economic indicators' are ranked fourth, fifth, sixth respectively. Political factors and social prestige are considered as least influencing factors in investment decisions. It is inferred from Table 52 that, the 'safety of investment' gives significant acquirement in investment decision; hence it is clear that before making any investment the investors wants to safeguard their capital. The respondents invest their money built on perceptions of them in directive to gratify their inner needs and they consider the prevailing tax saving benefits in investment to reduce their tax burden. Political and social prestige is the least considerable factors in investment decision. Factors influencing the respondents have been studied based on the motivational and influential factors. It is found that, under the motivational factors parents and spouse stimulate the respondents to take investment decisions. With regard to influential factor, the safety of the investment, perception on investment and tax benefits significantly influencing the respondents to make investment.

5.4 Investment pattern of the respondents

5.4.1 Preference of Investment Avenues

The respondents' partiality towards various asset avenues have been collected by using Likert five point Scaling Technique and the score is allocated from 5 to 1 for very high to very low. The respondents who preferred very high are assigned 5 scores through very low who are assigned score value of 1. The mean score values are obtained by calculating the total score divided through total number of respondents and based on the mean score value the highly preferable avenues are ranked and presented in Table 5.3.

Table 5.3: Preference of investment Avenues

S.No	Investment avenues	Very high	High	Neutral	Low	Very low	Mean	Rank
1	Bank deposits	97(20.2)	239(49.7)	121(25.2)	24(5.0)	0	3.84	III
2	Public provident funds	17(3.54)	174 (36.2)	213 (44.3)	76 (15.8)	0	3.28	IX
3	Company fixed deposits	8 (1.6)	135 (28.8)	225(46.8)	84 (17.5)	28 (5.8)	3.03	XI
4	Post Office savings schemes	44(9.1)	321(66.8)	92(19.1)	23(4.7)	0	3.81	IV
5	Government securities	7(1.4)`	114(23.7)	225(46.8)	134(27.9)	0	3.00	XII
6	Mutual fund	81(16.8)	293(61.0)	97(20.0)	9(1.8)	0	3.93	II
7	Insurance policies	135 (28.8)	234(48.7)	111 (23.1)	0	0	4.05	I
8	Debentures and Bonds	7 (1.4)	104(20.6)	233(48.5)	127 (26.4)	9 (1.8)	2.95	XII
9	Equity Share market	84 (17.5)	219(45.6)	151(31.4)	17(3.5)	9(1.8)	3.74	V
10	Real Estates	22 (4.5)	290(60.4)	120(25.0)	23(4.7)	25(5.2)	3.55	VI
11	Commodity market	0	107(22.2)	198(41.2)	158(32.9)	19(3.9)	2.82	XIV
12	Foreign Exchange market	0	47 (9.7)	210(43.7)`	131(27.2)	92(19.1)	2.45	XVI
13	Derivatives	0	78 (16.2)	191(39.7)	129(26.8)	82(17.0)	2.56	XV
14	National Savings Schemes	18(3.75)	257(53.5)	148(30.8)	48(10.0)	9(1.7)	3.48	XIII
15	Gold/Silver	50 (10.4)	156(32.5)	190(39.5)	45(9.3)	39(8.1)	3.28	IX
16	Chit Fung	45 (9.3)	232(48.3)	130(27.0)	64(13.3)	11(2.2)	3.49	VII

From Table 5.3 it is clear that majority of the investors prefer to invest in insurance policies and have been graded first with the highest mean score of4.05. Prefer to invest in mutual fund (3.93), because of the diversified risk associated with the financial asset and has been ranked second. Next, maximum number of investors prefers to have post office savings schemes followed by bank fixed deposits, chit funds, equity share market, national savings schemes and real estate respectively. The investors have given less preference to emerging investment avenues like commodity market, foreign exchange market and derivatives. It is concluded from Table 5.4 that majority of investors prefer to invest in traditional investment avenues when compared to new and emerging investment avenues even though those avenues provide high return for their investment. It is clear that the investors preferred to have safe investment when compared to high return and risk.
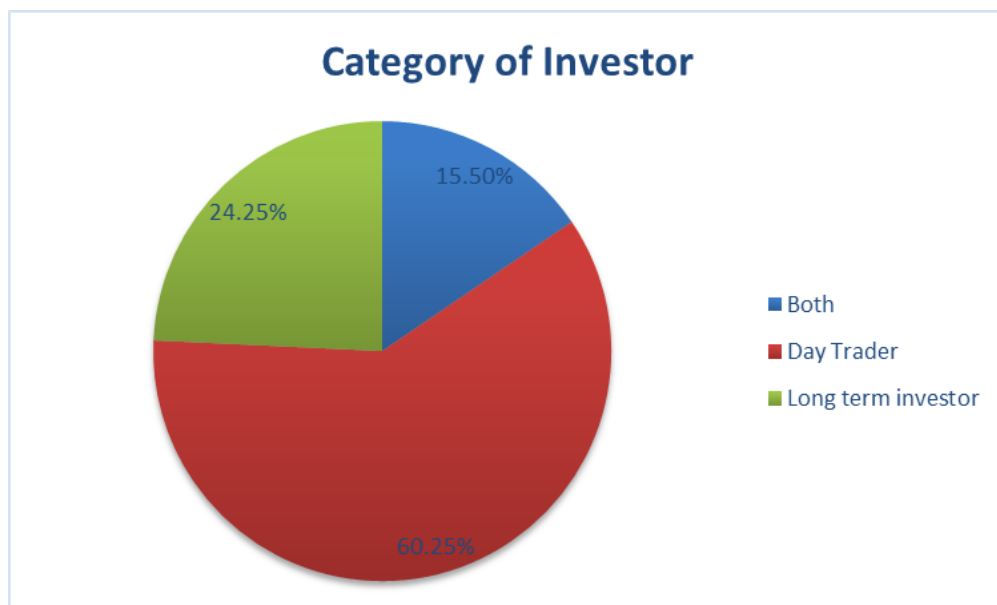

Figure 5.1: Category of Investor

The study also made an effort to determine the category of investors. There are two types of investors including the daily trader and the long term investors. It was found that there are majorly 60%day traders within the dataset, approximately 25% long term investors and 15% both of these. Thus the dataset captured investors entailing a short vision in financial investment.
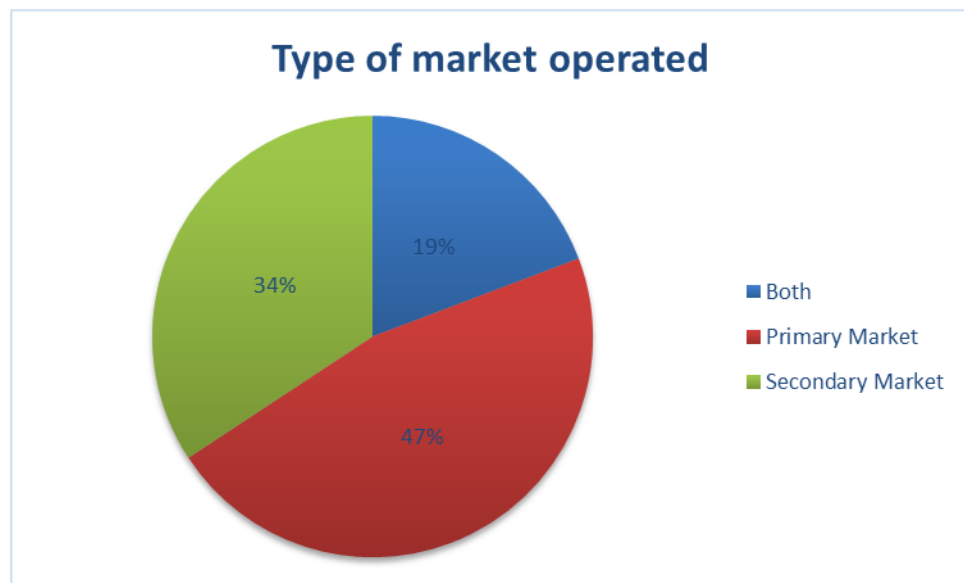

Figure 5.2:Type of Market

In terms of type of market, the investors are operating, the present study analyzed that around 47% respondents of the dataset opted on primary market, 34% on secondary market and 19% opted for both of them. These statistics indicate that the respondents of the dataset are alert on purchasing the stock at its first stage and at cheaper prices.

5.5   Preference of portfolio

Investing is a major issue which might have huge effect on investors' long-term wellbeing. Expenditure of hard-earned cash is an important task of each human being. Investors have various needs to cater to. This induces them to search for different avenues. Investment options varieties have been available, offering different risk and

reward and investors capitalize money that they hardly-earned in diversified assets to spread their risk and reward (Khaparde, et al, 2014).Understanding core concepts can help the investors to make a portfolio. Based on the risk and return perception the investors will select assets to form portfolio. The portfolio does not have all types of assets; it will differ based on the perception. The selection of portfolio will differ according to the socio-economic respondents influences (Volpe et al, 2002). Before selecting the nature of assets for a portfolio the investor will see the merits and demerits of the assets then enters into the selection process. Hence the following section presents the preference of portfolio by the respondents and the socio-economic factors influence on the preference of portfolio.

5.6 Nature of Portfolio

The respondents' preference on nature of portfolio has been presented in Table 5.4 reveals that, out of 480 respondents' preference for portfolio, 26respondents prefer to have 'low earnings with safe capital', 108 respondents (22.4 per cent) prefer to have 'high earnings with high risk', 183 respondents(38 per cent) prefer to have 'high earnings with moderate risk' level and 165respondents (34.2 per cent) prefer to have 'risk balanced' investment scheme. It is found that maximum number of respondents (38 per cent) prefers to have high earnings with moderate or balanced risk, it indicates that IT professional have awareness about the risk involved in investment avenues and that is why they like to reduce the risk involved in the various investment avenues diversified portfolio.

Table 5.4: Nature of Portfolio

Classification	Frequency	Percentage
Low earnings with safe capital	24	5.2
Risk balanced scheme	165	34.2
High earnings with moderate risk	183	38.0
High earnings with high risk	108	22.4
total	480	100.0

5.7   Demographic and Economic Factors and Preference of Portfolio

Individual investors choose to hold groups of financial assets rather than single asset. They usually believe that combination of assets will give beneficial result and also diversification of risk (Rustagi, 2007). A portfolio contains many investment vehicles, based on the investors' prerequisites and they select different assets and invest on that. But the preference of assets differs from one investor to another based on various factors and perceptions. Hence it is necessary to study the preference of portfolio of the respondents based on the Demographic and economic factors like age, gender, educational qualification, marital status, residential area, and annual income and savings potential.

A cross tabulation was carried out between the demographic and economic factors and the preference of portfolio. To identify the significant preference of portfolio of the respondents based on the various socio-economic factors. A comparative mean score is also calculated to identify the most significant variable among the different variables between the demographic and economic factors and preference of portfolio. The analysis has been presented in Table 5.5 with the mean score value

Table 5.5: Demographic and Economic Factors and Preference of Portfolio

Factors		Low earnings with safe capital	Risk balanced scheme	High earnings with moderate risk	High earnings with high risk	Mean score
Age	Less than 25	7(4.6)	80(54.0)	33(21.9)	29(19.2)	2.54
	25 to 40	11(7.0)	34(19.2)	70(39.5)	60(33.9)	2.9
	40-55	2(1.7)	31(28.4)	62(53.4)	19(16.4)	2.65
	Above 55	4(10.4)	16(42.1)	18(47.4)	0(0)	2.32
Educational qualification	Under graduate	15(12.9)	61(47.3)	10(7.8)	41(31.8)	2.54
	Post graduate	0	53(30.0)	108(60.3)	16(8.9)	2.78
	diploma	0	38(46.8)	13(15.3)	32(37.6)	2.90
	Professional degree	8(10.0)	8.(10.0)	52(58.4)	19(21.3)	2.91
Marital status	single	90(18.75)	60(12.5)	80(16.6)	10(2.08)	2.54
	married	80(16.6)	70(14.8)	60(12.5)	30(6.25)	2.98
	Separated	0	11 (2.29)	7 (1.45)	11(2.29)	3.06
Residential status	Rural	19(11.7)	30(19.8)	62(38.3)	49(30.2)	2.87
	Urban	7 (3.7)	48(25.1)	111(58.1)	25(13.1)	2.81
	Semi urban	0	85(65.9)	10(7.8)	34(26.3)	2.60
Annual income	Less than or equal to 3lakhs	30(6.25)	40(8.3)	17(3.54)	9(1.87)	2.15
	Between 3000001/- and 500000/-	30(6.25)	15(3.12)	21(4.37)	30(6.25)	2.90
	Between 500001/- and 800000/-	20(4.16)	30(6.25)	27(5.62)	19(3.95)	3.17
	Between 800001/- and 1100,000/-	20(4.16)	27(5.62)	30(6.25)	19(3.95)	3.17
	More than or equal to 1100,001/-	19(3.95)	20(4.16)	27(5.62)	30(6.25)	2.79
Saving potential	Below Rs 1,00,000	26(18.1)	73(50.7)	9(6.2)	36(25.0)	2.38
	Rs 1,00,000-Rs 2,00,000	0	36(28.6)	72 (57.1)	18 (14.3)	2.86
	Rs 2,00,001-Rs 3,00,000	0	28 (50.9)	10 (18.6)	17 (30.9)	2.80
	Above Rs 3,00,000	0	28(17.8)	92(58.6)	37(23.6)	3.04

The respondents who belong to all the categories of age group except 40- 55years prefer to invest in 'high earnings and moderate risk' portfolio. People who are in the younger age i.e. 25-40 years prefer to invest in risk balanced scheme, this may due to their lack of experience.

Respondents who are Under Graduates and Diploma holders prefer to invest in 'risk balanced scheme' and others prefer to invest in 'high earnings and moderate risk' portfolio. The respondents, who are under the marital status of married with children, wish to invest in high earnings and moderate risk and the remaining groups favour investing 'risk balanced scheme' The respondents who are in urban area also preferred to invest in 'high earnings and moderate risk'. The respondents whose income falls between Rs.5,00,001 and Rs. 8,00,000 per annum wish to have a 'high risk and high return' portfolio with the percentage of 58.7. Under savings potential maximum of respondents prefer to invest either in 'risk balanced' portfolio or 'high earnings and moderate risk' portfolio. It is concluded that maximum number of respondents prefers to have 'risk balanced' portfolio to have a secure investment.

5.8 Analysis of Variance for Demographic and Economic Factors and Preference of Portfolio

Preference of portfolio differs according to the socio-economic characteristics of investors. Hence the analysis of variance test was applied to study the relationship between the preference of portfolio and socio-economic factors and presented in the Table 5.6 based on the following hypothesis.

H_0: There is no significant difference between the Demographic and economic factors and preference of portfolio.

H₁: There are exits a significant difference between the Demographic and economic factors and preference of portfolio.

Table 5.6: analysis of variance of demographic and preference of portfolio

S.no	Factors	F value	P value	significance
1	Age	4.588	0.033	significant
2	Educational qualification	3.666	0.012	significant
3	Material status	8.959	0.000	significant
4	Annual income	16.989	0.000	significant
5	Saving potential	16.989	0.000	significant
6	Residential Area	3.730	0.025	significant

Table 5.6 clearly shows the analysis of variance result on Demographic and economic factors and preference of portfolio. For all factors such as gender, age, level of education, marital status, residential area, annual income and the saving potential the 'p' value is less than 0.05. Thus the alternative hypothesis is accepted and it is determined that the gender, age, level of education, marital status, residential area, annual income and savings potential have significant influence on the selection of portfolio at five per cent level.

5.9 Preference of Portfolio and Source of Fund for Investment

The fund availability for making investment is one of the influential factors in the selection of portfolio exhibits that, personal income contributed to the highest level in the entire portfolio and followed by the income of other family members. Out of 194 responses under 'high earnings with high risk' portfolio, majority of the responses (55.7 per cent) make investment out of their personal income. The source of fund for investing in 'low earnings with safe capital' is out of their personal income or

inherited amount. Personal borrowings and other family income are not at all used for investing in 'low earnings with safe capital'.

Table 5.7: Preference and Source of fund for Investment

Variable	Low earnings with safe capital	Risk balanced scheme	High earnings with moderate risk	High earning with high risk
savings	90	100	55	55
borrowings	40	20	20	10
both	20	30	15	15

5.10 Preference of Portfolio and Purposes of Investment

Investors want to ensure that, whether their assets in portfolio meet needs and whether it protects their financial needs against financial risk at all times portraits that, out of 2520 responses, maximum number of the responses i.e., majority of the respondents invest only in 'high earning with81moderate risk' portfolio to meet out various purposes of investment. Maximum of18.62 per cent prefers to invest in high earning with high risk is invest only for the wealth creation followed by 'to reduce tax burden'. To meet unanticipated expenses in future, maximum of 20.0 per cent invest in risk balanced scheme, due to their immediate requirement. It is concluded that, maximum number of responses prefer towards 'high return and moderate risk' for wealth creation followed by unanticipated expenses.

Table 5.8: Shows the Preference of Portfolio and Purpose of Making Investment

Statements	Low earnings with safe capital	Risk balanced scheme	High earnings with moderate risk	High earnings with high risk	Total
Wealth creation	24(30.23)	155(18.79)	183(17.45)	105(18.62)	467
Earn regular return	0	110(13.33)	128(12.20)	76(14.01)	315
To meet unanticipated expenses	26(30.23)	163(20.00)	183(17.45)	94(17.02)	468
For children education	0	71(8.61)	118(11.44)	46(8.16)	235
To payoff other investment	0	90(11.03)	125(12.01)	52(9.22)	267
To meet marriage expenses	17(19.77)	87(10.55)	129(12.39)	92(16.31)	324
To reduce tax burden	17(19.77)	146(17.70)	179(17.06)	92(16.67)	434
Total	84	824	1047	564	2520

5.11 Preference of Portfolio and Sources of Information

Sources of information are one of the influential factors in the selection of portfolio. The preference of portfolio and sources of information have been presented in it is clear that, out of total responses only 69 respondents refer various sources of information under 'low earnings with safe capital 'portfolio, hence it is clearly understood that maximum respondents refer one or other source to make investment. Those who invest in 'risk balanced scheme 'and 'high earnings with high risk' portfolio, maximum number of responses search in internet, because of the boom in information technology. Further, their job environment provided an opportunity to search information through internet.

Table 5.8: Source of Information and Preference of Portfolio

Variable	Low earnings with safe capital	Risk balanced scheme	High earnings with moderate risk	High earnings with high risk	total
FINANCIAL ADVISORS	0	85(12.37)	91(11.76)	43(10.09)	219
Friends and colleagues	24(37.68)	136(19.79)	174(22.48)	91(21.36)	427
Members of the family	17(24.64)	128(18.64)	173(22.48)	94(22.07)	412
Internet	17(24.64)	155(22.57)	140(18.09)	99(23.22)	411
Tv channel	0	83(12.08)	98(12.66)	44(10.23)	225
Journal and news paper	9(13.04)	100(14.55)	98(12.66)	55(12.91)	262
Total	69	687	774	426	1956

Nearly 49 percent of the respondent's search information through their friends, and relatives for investing in 'high earnings with moderate risk'. The internet is considered as the main source of information, of the respondents who invest in' high earning with high risk'. It is also identified that, financial advisors are not influencing at greater level for the formation of portfolio.

It is concluded that maximum number of responses under risk balanced scheme and high earnings with moderate risk are depends on friends and members of the family for monitoring their performance of investments.

If an investor is very young, he/she will not be very interested in ensuring comfortable retirement but in maximizing the return to their investment, getting education, marriage and house. Whereas middle age group people will be interested in ensuring a comfortable retirement. The married couples generally above age group 30 will be interested in education of their children. Thus the mixed responses obtained with

respect to the objectives of the respondents are perhaps a reflection of their current age group and pattern of investment decision.

5.12 Investment Profile and Preference of Portfolio

The behaviour exhibited by the investors while making investment has some influence on the selection of portfolio. Hence it is essential to study the relationship between the variables of investment behaviour and nature of portfolio preferred. Analysis of Variance test was applied to predict the relationship and the following hypothesis was formulated and the results are presented in Table 5.9:

H_0: **There is no significant difference between the investment behaviour and preference of portfolio.**

H_1: **There are exits a significant difference between the investment behaviour and preference of portfolio.**

Table 5.9: Analysis of Variance Investment Profile and Preference of Portfolio

Statements		F value	P value	significance
Purpose of investment	Wealth creation	4.385	0.005	significant
	Earn regular return	20.121	0.000	significant
	To meet unanticipated expenses	15.454	0.000	significant
	For children marriage	18.117	0.000	significant
	To pay off other investment	17.646	0.000	significant
	To meet marriage expenses	11.701	0.000	significant
	To reduce tax burden	11.732	0.000	significant
Source of investment	Financial advisors	9.398	0.000	Significant
	Friends and colleagues	6.606	0.000	Significant
	Member of the family	10.223	0.000	Significant
	Internet	11.625	0.000	Significant
	media	10.064	0.000	Significant

From the result of ANOVA, it is clear that all the variables underinvestment behavior significantly influenced the respondents in the process of selecting the portfolio except newspaper, journal and magazines under sources of information. Hence the alternative hypothesis is accepted and it is concluded that there is a relationship between the preference of portfolio and the variables of investment behaviour.

The section discussed about the socio-economic profile and investment behaviour of the respondents and given a wider view, about the respondent and their behaviour towards investment. It also discussed about the preference on various investment avenues and portfolio, ANOVA was applied test the significant relationship between demographic and economic factors with preference of portfolio and investment behaviour with preference of portfolio. With this preview the researchers discussed the remaining parts of the study.