Impact of Socio-Economic Factors on Investor's Behavior towards Different Investment Avenues

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Abstract: The financial environment has undergone tremendous and spectacular change over last two decades. The frequent rise and fall of inflation rate, the volatility of interest rates, stock prices and foreign exchange rates, the technological developments in the processing and dissemination of information, etc. have contributed to the financial revolution sweeping across the globe today.

In this study the researches has tried to explain the impact of social and economic factors on the investment decisions. For the analysis of data total 400 respondents were selected and concluded that the dimensions of social-economic such as, income level, future planning, security etc. are contributing in shaping the mind of investors towards investment. The study is confined to Indore city. The study provides to other researchers about the current issues prevailed in the market.

Keywords: Socio-Economic Factors, Investment Decision, Financial Revolution, Security, Income segment

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Introduction

Due to the emergence of globalization era, the abilities of financial markets to mobilize more savings have improved. A large share of domestic savings in India is contributed by the household sector represented by individual investors. But, the individual investors who occupy a strategic place among various economic units in a country are confronted with complex set of investment alternatives. This is because of the innovations with respect to financial instruments. The individual investors have to choose the institution and instrument classes from many varieties. The important financial instruments include mutual fund units, equity share, debentures, bonds, pension schemes, fixed deposits with banks, and tax saving alternatives like provident funds, life insurance policies national saving certificates, infrastructure bonds, etc. Again for each alternative instrument category, he has to make decisions regarding institution, amount to be invested, period for investment etc.

The investors with investible funds are selective in investing. The investment behaviour of individuals is in fact, very much a direct and systematic function of personal circumstances and market conditions as well. Investment attitudes results in portfolio decisions. How the investor tries to balance various considerations in his choice of financial assets will be understood better if empirical data on such choices are available. Therefore, the proposed study has thrown an interesting light on trends in investment preference of investors in recent years as well as their future behaviour. They consider own study and Observation as important factors for the investments. Most of investors like to get the information from the financial news papers and magazines in accordance with Reviewed Literature, the major determinates of portfolio composition were found as age, income, education, home ownership, household size, occupation, pension status and marginal tax rate. Most of the earlier studies on investor portfolio composition have focused on the impact of the above-mentioned variables; however there are very few studies which were focused on the financial product awareness and financial planning of the investors. Very few studies, particularly in the U.S. have tried to study the relationship between financial knowledge, financial planning and individual portfolio composition.

A few among the Indian studies quoted in the literature review were focused towards the investors in capital market and not the households who did not invest in the capital market instruments. The reforms in Indian financial sector led to the development of financial market in a complex manner and the shift from- Defined return financial instruments such as insurance, pension plans, and post office schemes, defined contributory pension plans, to variable return financial instruments like ULIPs, Mutual Funds, Equity shares, Derivatives and Commodities etc., As a result, Indian investors facing a great challenge in managing their self directed investment

Significant Determinants of Investment:-

To find out the association between significant determinants and savings pattern of individual investor in Indore. Investments in Clearly Safe Assets, Regularity and time interval of saving, Minimum Amount of Savings. Type of Savings, Frequency of saving, Contingency planning, Investments in Fairly Safe assets. Investments in government bonds. Investments in Mutual funds, type of Mutual fund schemes, Investment mechanism, Investment in Insurance, Duration of investment, Type of insurance policy own, Investment in Stock market, Duration of Investment, How have they invested, Opinion about stock market, Number of companies in the portfolio, Investment in corporate bonds etc.,

Review of Literature

Many scholars have made studies on investors' behaviour, and many studies are going on. From the available studies from secondary sources the literature is reviewed here to have better clarity of investors' behaviour and the study. Thereafter the empirical studies done on the similar areas of research in international context as well as in Indian context were highlighted. The purpose of literature survey in any study is to help the researcher, to find out the gap between the research that has already been conducted and the theoretical linkage of the research.

Kaur Mandeep & Tine Vohra (2012) focused on the diversification of the financial services has provided the individual investor with wide range of opportunities to invest in their study '**Understanding Individual Investor's Behaviour: A Review of Empirical Evidences'.** The individual's decision to invest in the financial market is greatly influenced by the variety of benefits each individual wants from owning a particular stock. This study builds up a strong conceptual framework for the researchers by thoroughly analyzing the empirical studies on the investor behaviour in different countries. The study demonstrates that there are several variables that govern an investors' decision to invest. This study suggests that understanding the individual investor behaviour could be of great help in order to explain the stock market anomalies and to help the policy makers, the investment agencies, the researchers as well as managers of firms to prepare themselves to respond to the varying moods of an investor.

Dr. Dhiraj Jain Mr. Nikhil Mandot (2012) in their study 'Impact of Demographic Factors on Investment Decision of Investors in Rajasthan' stated that the markets have been moving from statist to more of dynamism and are continuously changing the exposure to risk. As the level of risk has been increasing, more and more money is at stake among different demographic profiles. This study explores relationship between level of risk and demographic factors of investors' confined to Rajasthan state.

Meenakshi Chaturvedi And Shruti Khare (2012) conducted research ' A study on saving pattern and investment preferences of individual household in India'. The objectives of the study were to study the saving pattern of the individual household in India, to analyze the Investment preferences of individual household in India, to study relation of saving pattern and investment preferences to social, economic, educational and occupational background of the individual household & to give suggestions for evolving better investor awareness and educational programs. It is concluded from the study that Majority of the respondent (79.6%) stated that they had a high degree of awareness about bank deposits as investment avenues. It is found from the study that level and extent of awareness varies with the level of income.

A study on Investment behaviour of working women of Punjab was conducted by **Dr. Sarita Bahl (2012).** The purpose of the analysis was to study the investor behaviour & investor preference. The objectives of the study were to study the investment behaviour among the working women in Punjab & to know the level of agreement of working women of Punjab on various aspects of investment planning. The study reveals that 33 % of the women have a well developed plan for investment. It also infer that 48 % of the working women think that one should start to invest whenever they find a new job or occupation. 18 % of the working women have invested in shares & stocks.

A study of investor behaviour on investment avenues in Mumbai Fenil was undertaken by **Brahmabhatt, P.S Raghu Kumari, and Dr. Shamira Malekar (2012)**. In this study they analyzed the investor behavior and their preferences. The objectives for their study were to understand about various investment avenues available in the market, to understand the pattern of investors while making the investments, & to find out the factors that investors consider before investing. Through their study it was revealed that people like to invest in stock market. The percentage of income they make as investment depend on their annual income.

A study on people's preference in investment behaviour was made by **N.Geetha & Dr M. Ramesh (2011)**. The objectives were to analyse the factor that influence investment behaviour of the people & to study the attitude of the respondents towards different investment choices. In this study they concluded that the respondents were medium aware of the available investment choices, but they were not aware of the stock market, equity & debentures. The study has been concluded that the income level of the respondents affects the portfolio of the respondents.

Aregbeyen & Mbadiugha (2011) study on Nigerian investor say 20 variable grouping under social, economical, psychological and cultural factors influences investment decisions. The ten most influencing variables based on the ranking of the investor are motivation by people who have attained financial security through share investment, future financial security, recommendations by reputable and trusted stock brokers, management team of the company, awareness of the prospects of investing in shares, composition of board of directors of the companies, recent financial performance of the company, ownership structure of the company and reputable predictions of future increment in share value. Social factor was ranked as most influencing factor next to economic factors followed by psychological and cultural factors.

Manoj Kumar Dashl (2010) Factors Influencing Investment Decision of Generations in India: An Econometric Study This study aims to gain knowledge about key factors that influence investment behaviour and ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups. In this context, demographics alone no longer suffice as the basis of segmentation of individual investors. Hence keeping this in mind, the present study is an attempt to find out Factors which affects individual investment decision and Differences in the perception of Investors in the decision of investing on basis of Age and on the basis of Gender. The study concludes that investors' age and gender predominantly decides the risk taking capacity of investors.

Syed Tabassum Sultana (2010). This study while discussing the characteristics of the Indian individual investors along makes an attempt to discover the relationship between a dependent variable i.e., Risk Tolerance level and independent variables such as Age, Gender of an individual investor on the basis of the survey. Indian investors are high income, well educated, salaried, and independent in making investment decisions and conservative investors. Hence, this study can facilitate the investment product designers to design products which can cater to the investors who are low risk tolerant.

PhilipR.Brown, AndrewFerguson, SamSherry (2010) in this study author calibrates the effect of Australia's Capital Gains Tax (CGT) on share prices and market activity. Based on a large sample drawn from all listed Australian companies for the years 1994–2007, we find significant tax-loss selling (TLS) of shares that lost value over the financial year, which is reflected in unusually high trading volume and more sell orders in June and a rebound in July. There is some evidence that small mining stocks are particular targets for TLS. Interestingly, the 1999 CGT reforms, which introduced concessions for long-term capital gains, did not reduce the incidence of TLS.

Saurabh singh (2009) Investors' Behaviour at Indian Capital Markets Investment decisions made by the investors' are not solely dependent upon price movement and stability of the markets. The study has resulted in listing, factors as age, sex, education, family, and the past performance of a company's securities as variables or attributes, having significant influence and impact on the investor's investment decision making process. Risk evasiveness was found to be the case with majority of investors', very much unlike the present day young investors' who happen to be comparatively skilled, informed with access to all kind of sources of information, and having more appetite for risk.

Ashok Khurana Vikas Chaudhary (2009) An Empirical Study of Retail Investor's Attitude towards Investment in Mutual Funds. The concept of 'Mutual Fund' is a new feature in Indian capital market but not to international capital markets. A mutual fund in the most suitable investment for the retail investors as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. At the retail level, investors are unique and are a highly heterogeneous group. A large number of investment options are available to investors. With this significance an attempt is made to study the attitude of mutual fund investors.

Mahabaleswara Bhatta H.S. (2009) made an attempt to throw light on the investors' biases that influence decision making process. The researcher opined that the studies on the unpredictable human behaviour would help the investors to critically inspect their investing decisions.

Objectives of the Study

- To measure the impact of socio-economic factors on investor's behaviour
- To examine the future directions and suggest for the same.
- To know the different avenues

Hypothesis of the Study

H_{01}: There is no significant impact of socio-economic factors on investor's behavior.
H_{11}: There is a significant impact of socio-economic factors on investor's behavior.

Research Methodology

Research Design: In this study descriptive approach has been applied to measure the variables of investor's behavior.
Universe: 400 Respondents have selected from Indore (Madhya Pradesh)
Sampling Technique: Random Sampling method has used for the data collection
Instrument Scale: Self-structured questionnaire was used containing 20 questions based on the objectives of the study ranging from strongly agree to strongly disagree. The scale is based on the Likert Scale. The reliability of the scale id found .91. Hence, it is considered for further analysis.
Data Collection: Data collected through questionnaire were tabulated using excel and SPSS software, Interpretation of data were based on tabulation and analysis. Statistical methods were used for data analysis, such as Mean, percentage, standard deviation, correlation etc. The statistical conclusions thus drawn have been followed by logical interpretation. The hypothesis was tested with the help of statistical technique. The conclusions were drawn on the basis of data analysis. A few suggestions were made at the end for better management of Individual investor's portfolio.
Findings and Results:
Table 1.1: (a) Descriptive Statistics

	Mean	Std. Deviation	N
Investors'' Behaviour	215.5400	26.45919	400
Social & Economic Factors	24.5800	4.48822	400

Table 1.1 (b) Correlations

		Investors' Behaviour	Social & Economic Factors
Investors' Behaviour	Pearson Correlation	1	.854**
	Sig. (1-tailed)		.000
	N	400	400
Social & Economic Factors	Pearson Correlation	.854**	1
	Sig. (1-tailed)	.000	
	N	400	400

**. Correlation is significant at the 0.05 level (1-tailed).

Above table shows the correlation .854 is significant at the p-value 0.000 which is less than 0.05 so null hypotheses is rejected and it can be concluded that there is a significant association between social & economic factors and Investors' behaviour.
Furthermore, since the value of correlation coefficient r suggests a positive correlation, we can use a regression analysis to obtain a relationship between variables.

Regression Analysis
Table 1.1 (c) : 1Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854[a]	.729	.729	13.79086

a. Predictors: (Constant), Social & Economic Factors

Table 1.1 (d) :ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	**Regression**	152650.488	1	152650.488	9.271	.000[a]
	Residual	56676.032	399	142.051		
	Total	209326.520	400			

a. Predictors: (Constant), Social & Economic Factors

b. Dependent Variable: Investors' behaviour

Table 1.1 (e) :Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	91.766	4.440		20.677	.000
	Social & Economic Factors	5.033	.178	.854	28.330	.000

a. Dependent Variable: Investors' Behaviour

Over all model summary shows the value of correlation coefficient R=.854which is the linear correlation and indicates the strong relationship. R2 the coefficient of determination is the squared value. Adjusted R2=0.729 and R2 change=0.729 and these values are significant which shows that overall strength of association is noteworthy. The coefficient of determination R2 is 0.729 and therefore 72.9% of variation in investors' behaviour is explained by an appropriate social and economic factors. The alternate hypothesis is accepted and it may conclude that social and economic factors are an important factor in influencing the investors' behaviour.

ANOVA table gives result of Analysis of Variance. Since the p value is less than 0.01 and 0.05 it is significant at both the levels of significance and it lead to reject the hypothesis of all model coefficients being zero or we can say that variation explained by the model is not due to chance. And we should conclude that the entire model coefficients differ significantly from zero social and economic factors can be used as predictor for investors' behaviour.

From the table of coefficients, the regression equation can be obtained as:

Investors' Behaviour=91.766+5.033* Social & Economic Factors

Discussion and Conclusion: It has been revealed from the study that there is a positive relation between socio-economic factors on investment decision. As the income, security, expenditure, all these factors are important for any person to take a decision. Today people are more aware about the avenues through advertisements, schemes, internet etc. But the thing is that they should provide a proper guidance by the companies a part of social responsibility so that they know what kind of risk they are taking. These companies should come forward with full support for the investors in terms of advisory services, participation of investor in portfolio design, ensure full disclosure of related information to investor, proper consultancy should be given by private or public sector companies to the investors in understanding terms and conditions of different investment schemes, such type of fund designing should be promoted that will ensure to satisfy needs of investors, proper information should be published in investor friendly language and style, proper system to educate investors should be developed by companies to analyze risk in investments made by them, etc.

On the other it is required from government and regulatory bodies point of view that more laws should be there to secure the funds of investors to be exploited, more tax rebate should be given on different investment avenues , proper and effective grievance system, right of investor education, and more control on asset management companies should be there.

The findings were in line with Littere (1965): Ricciardi (2008) where interpretations of information by investors about the market is seen to differ and can be influenced by factors such as their knowledge, socio-economic factors and their feelings/ attitudes among others. What one person perceives can differ from what another person perceives, even though the information is the same (Litterer 1965; Ricciardi 2008). And this makes investor awareness a more realistic determinant of investor behaviour compared to subjective evaluations of perceived risk attitudes.

The implication is that the level of awareness, that is, the knowledge and information one has on a particular company stock/ about the stock market, greatly affects the investor behavior than the perceived risk attitudes. The more knowledgeable one is, the more likely one is to invest.

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