A STUDY ON FACTORS INFLUENCING INDIVIDUAL INVESTORS INVESTMENT DECISION

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Abstract: The present study aims at analyzing factors responsible for investment decision of individual investors. Therefore, the researcher applied convenience sampling method to obtain the responses from individual investors in Chennai city through a structured questionnaire. The researcher collected 300 responses from all the 15 zones of Chennai city and applied factor analysis and one-way analysis of variance to derive the findings. It is concluded that maximum risk in their investment decision, maximum returns expectation with high profit are the primary factors influencing the investment decision of the individual investors.

Key Words: Investment Decision, maximum returns, risk bearing, futuristic decision, tax saving.

1.INTRODUCTION

Investment may be defined as a commitment of funds made in the expectations of some positive rate of return , expectation of returns is an essential element of an investment. In the financial sense investment is the commitment of a person's fund to derive future income in the form of income, dividend premium , pension benefit , or appreciation , in the value of their capital example :- purchasing of shares , debentures , post office saving certificates , insurance policies are all investments in the financial sense such investment generates financial assets. **D. Harikanth and B. Pragathi (2013),** the study aims to investigated the to study the factors which influence the investors to make an investment, to analyze investors savings and risk attitude towards different investment avenues and to offer suitable suggestions to the investors to make their investment in better way. The final result of this study it is seen that there is significant relationship between income and occupation on investment avenues in order to satisfy safety, periodic return, liquidity, better future and future contingency needs, etc. Risks bearing capacity and educational level of investors are also the two main factors which affect in investment avenues selection.

In the midst of liberalization and globalization of Indian economy since 1991, every Indian is able to generate the income with smooth flows and transformation to the empowerment process. This sort of transition from lethargic economic to active economic bring the various avenues for the futuristic investment decision for every households and individuals in both rural and urban population. Therefore, this study plays an important role to identify the mind set of individual investors and their psychology towards futuristic benefits.

Decision making is a process of choosing best alternatives among a number of alternatives. This decision has come out after a proper evaluation of all the alternatives. Decision making is the most complex and challenging activity of investors. Every investor differs from the others in all aspects due to various factors like demographic factor, socioeconomic background, educational level, sex, age and race. An optimum investment decision plays an active role and is a significant consideration. A study is an attempt to know the profile of the investors, so as to know their preference with respect to their investment. In today's fast changing and highly competitive world, it is quite difficult to earn an impressive rate of return on investment. This study will also help investor to earn better profits from the investment option in this current market situation.

Investment option available: Plenty of investment avenues available for the investors make their decision making process more critical and complex. There are a number of factors which influence the people to make their investment decisions. Demographic factors of investors such as gender, age, education, family size, annual income, and savings have much significance in the investment decision making process. The people has to choose proper avenue among them, depending upon his specific need, risk preference, and return expected Investment avenues can broadly categories under the following heads. 1. Equity 2. Debenture /Bonds 3. Stock futures and options 5. Bank Fixed deposits 6. Insurance policies 7. Post Office-NSC/ PPF 8. Gold/Silver 9. Real Estate 10. Mutual Fund 121. Others.

II. REVIEW OF LITERATURE

Shunmugathangam.P (2017) the study investigate small individual investors preferences on investment avenues. The study conclude that investors behavioural factors influence by preferred more than one investment avenues.

Aruna P and H.Rajashekar (2016) examined the factors influencing investment decisions of an individual. The study found that the individual's investment decision is not based on a particular factor and each variable of the factors playing a significant role in determining the investment style of an investor.

Jeet Singh and Preeti Yadav (2016) studied the factors influencing investors decision in investing in Equity shares. Technical and financial analysis of the company along with the fundamental analysis of the economy has been taken into account while investing in the capital market. The researchers have selected 60 male investors and 40 female investors. The study uses independent t-test, mean scores to test the hypothesis. The study concluded that age is major factor

influencing risky or less risky investments.

Murlidhar Ananda Lokhande (2015) explained the investment awareness and patterens of savings and investments by rural investors. The study found that there was no significant difference in awareness levels of rural male and female investors and their educational qualifications. The investment preference order of the respondents indicated that they wished to park their investments in safe options only. Bank deposits, gold and jewelry. Real estate were popular investment avenues for a majority of the investors.

Josiah Aduda and Odera Eric Oduor (2013), the study found that how the individual investors make their investment decisions.The study concluded that Some investors exhibited rational behaviour in making their investment decisions. This can be seen in investors who decided to go for stocks from companies with good financial performance and dominant niche the stocks market.

Sreepriya and Gurusamy (2013) conducted research on the investment pattern on 150 salaried persons. The investment securities considered in this study are equity, municipal bonds, corporate bonds, real estate, gold post offices and bank deposits. They also measured investment level according to educational qualification. Major findings of this research paper are salaried persons always invested to secure their future. They preferred increments on their investments but they were possessive about their investments rather than high returns or gains on investments. These preferences vary from one another because every individual investor has different level of investments, savings, needs and returns requirements.

Babita Yadav; **Anshuja Tiwari(2012**) a study on factors affecting customers investment towards life insurance policies. The paper concludes with that demographic factors of the people play a major and pivotal role in deciding the purchase of life insurance policies.

Bhagaban Das,. Sangeeta Mohanty, Nikhil Chandra Shil (2008) observed that investors with the graduate and postgraduate level of academic qualification are investing more in life insurance and the professionals are investing more in mutual fund.

Meenu Verma (2008) found that Young investors find investing in equity shares/derivatives more comfortable, while old investors prefer PPF as their first choice. Middle aged investors prefer investing in mutual funds and NSC

Manish Mittal and R K Vyas, (2007) found that males and females differ significantly in their choice of investment. Females prefer bank /post office deposits and least prefers equity shares and vice versa with male

Hussein et al 2006, retail investors usually consider their investment needs, goals, objectives and constraints in making investment decisions, but it is not possible to make a successful investment decision at all times. Their attitude is influenced by variety of factors such as regular dividend, get rich quickly strategy, stories of successful investors, online trading, investor awareness programme, experience of other successful investors etc.

Karthikeyan (2001) has conducted research on Small Investors Perception on Post office saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for Kisan Vikas Patra (KVP), National Savings Scheme (NSS), and deposit Scheme for retired Employees (DSRE),and the overall scores are confirmed that the level of awareness among investors in the old age group was higher than in those of young age group. Thus it can be concluded that that as age increases, the ability to take risks decreases and people go towards safer investments,

III. RESEARCH GAP

After reviewing the national and international literature on investor's behavior, the researcher found two predominant issues still remain unanswer.1. Is there any exhausting number of factors determine the investment decisions. 2. Is it possible to determine the relationship of demographic variables with the exhaust number of investment decision making of individual investors. Earlier studies have been carried out to determine the pattern of institutional investor's investment but studies dealing with investment pattern of individual investors are very few. Previous studies mainly concentrated on difference in individual investing pattern based on gender. Demographic variables and investment patterns are new avenue for research. Thus, this research has been designed to investigate the factors influencing investment decisions

IV. OBJECTIVES OF THE STUDY

1.To study and validate factors responsible for investment decisions of individual investor.
2.To measure the influence of demographic variables on investment decision factors.

V. HYPOTHESES

• There is no significant influence of gender on investment decision.
• There is no significant influence of age on investment decision.
• There is no significant influence of educational qualification on investment decision.
• There is no significant influence of occupation on investment decision.
•There is no significant influence of income on investment decision.

VI. RESEARCH METHODOLOGY

This study is based on the primary data obtained from individual investors who have the inclination towards shares, debentures/Bonds, Stock Futures and options, Mutual funds, National saving certificate/Public Provident Fund, Fixed deposits, Insurance policies, Real estate, Gold/Silver and others. These individual investors are widely distributed over the metropolitan city of Chennai which is divided into 15 zones. The responses are obtained through a well structured questionnaire which consists of five parts namely, 1.Demographic & Investment details 2. Investor's awareness 3. Investor's influences 4. Investor's decision making 5. Investor's satisfaction. In this questionnaire, the first part is completely based on optional type questions, whereas the remaining four parts are completely composed of Likert's five point scale. Since the researcher mainly focused on factors influencing investment decision a separate care is taken to obtain the investment decision pattern of investors.

VII. DATA COLLECTION

The researcher applied convenience sample method to obtain the responses from individual investors from all 15 zones of Chennai city. The researcher collected 20 responses each from all the 15 zones of Chennai city. Hence the sample size of the research is 300

VIII. DATA ANALYSIS

After collecting 300 respondents from individual investors, the researcher systematically coded them to analyze it anatomically. The Researcher used exploratory factor analysis, confirmative factor analysis, one-way analysis of variance and Linear multiple regression analysis to analyze the data.

IX. ANALYSIS & DISCUSSION

The main aim of this research is to identified the predominant factors of investment decisions. The researcher considered 15 variables of investment decision, which are in Likert's five-point scale. The application of factor analysis by principal component method clearly derived the following tables.

Table : 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		
Bartlett's Test of Sphericity	Approx. Chi-Square	1526.154
	df	105
	Sig.	.000

From the above table it is ascertained that the KMO and Bartlett's test value is 0.619, Sphericity value with approximate Chi-Square is 1526.154 are statistically significant at 5% level. This shows that all the fifteen variables of investment decisions can be reduced into some predominant factors as shown below.

Table : 2 Total variance

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.198	21.321	21.321	1.989	13.257	13.257
2	1.787	11.910	33.232	1.751	11.673	24.930
3	1.687	11.248	44.480	1.669	11.129	36.059
4	1.405	9.368	53.848	1.667	11.110	47.169
5	1.026	6.840	60.688	1.603	10.689	57.858
6	1.009	6.728	67.416	1.434	9.558	67.416
7	.874	5.830	73.246			
8	.741	4.942	78.188			
9	.682	4.543	82.731			
10	.573	3.819	86.550			
11	.517	3.444	89.994			
12	.492	3.283	93.277			
13	.387	2.578	95.855			
14	.340	2.268	98.123			
15	.282	1.877	100.000			

From the above total variance table, the 15 variables are reduced into six pre-dominant factors with the cumculative variance of 67.416%. The six predominant factors are clearly derived and suitably named with the help of variable loadings. The first factor is called 1) risk involvement and it is followed by 2) profitable returns 3)Regular returns 4) Tax saving 5) Prudential benefits and 6) Term profit. These six factors are derived and further validated through the individual variances, 13.257%, 11.673%, 11.129%, 11.110%, 10.689% and 9.558% respectively.

These individual variances are useful to study and validated the six factors of the investment decision. Since each decision making factor consist of several underlying variables. The researcher found the average sum of those variables to represent the investment decision factors. In fact, they are continuous type of variables with the representations of rational number.

These six factors are considered as dependent variables and gender, age, educational qualification, occupation and income level are considered as independent variables. Therefore the researcher applied one-way analysis of variance as shown below.

Table :3 ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Risk Involvement	Between Groups Within Groups Total	26.605 505.913 532.518	4 451 455	6.651 1.122	5.929	.000
Profitable Returns	Between Groups Within Groups Total	1.301 269.908 271.208	4 451 455	.325 .598	.543	.704
Regular Returns	Between Groups Within Groups Total	10.154 241.212 251.366	4 451 455	2.538 .535	4.746	.001
Tax saving	Between Groups Within Groups Total	6.124 400.242 406.366	4 451 455	1.531 .887	1.725	.143
Prudential Benefits	Between Groups Within Groups Total	27.738 376.558 404.296	4 451 455	6.934 .835	8.305	.000
Term profit	Between Groups Within Groups Total	29.480 325.149 354.629	4 451 455	7.370 .721	10.223	.000

From the above table it is found that gender and age of individual investor influence the risk involvement of the investors (f = 5.929, p =0.000), income level and occupation influence the returns (f= 4.746, p = 0.001), a similar approach also revealed the prudential benefits (f – 8.302, p = 0.000) are found influence to by the demographic variables. Therefore, the researcher rejected all the three hypotheses of the research and stated there is a significant influence of demographic variables on investment decision making factors.

X. FINDINGS AND CONCLUSIONS

It is concluded that individual investor in Chennai city are able to take maximum risk in their investment decisions. In particular, they expect maximum return with high profit and same time they are able to satisfy the tax saving phenomenon. It is found from the study most of the individual investors in Chennai city are able to invest due to the prudential benefits and futuristic capital gains. It is also concluded that the demographic variables are found to influence the investment decision making process of individual investors. There is a large scale difference in the investment decision male and female investors. Age-wise and income-wise also there are differences in the decision making of individual investors.

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