Research topic : Role of behavioral finance in Investment behaviour of individual in Karnataka.

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Abstract

The investment and savings are the two important components of individuals which is depending upon the psychological factor and economical factor. The decision about investment is depending upon the surplus of individual and the lifestyle, psychology, spending pattern, future thinking, risk analysis and return analysis. the perception of individual depends on the knowledge about the ways of investment and savings which is having easily equity and expected Returns. in India there is Majority belongs to risk awarers. due to financial Technologies are playing very important role to reach the individual regarding investment and saving pattern. several Financial Institutions are concentrate on inclusion of every individual in a financial activities in one or other ways. The behaviour finance is an emerging field that understand the psychological factor which affects on decision making under uncertainty conditions. this is very important concept which have significant importance to know the people about there various investment avenues. This research article focusing on to find out the major influence factor which is impacting on perception and awareness regarding investment on different Finance avenues. The study will focus on the impact and relevance of behave Finance in investment decisions and understand the various factors influencing the invest hours while investment.

Key factor - Behaviour Finance, investor psychology, investor behaviour, personality , Savings

Introduction

Traditional finance holds the wealth in general and money in a particular must be regard as a conventional and every financial decision should be based on the rational calculation of its effects on overall wealth position. however the people do not have an competition skills and will power to evaluate decision in terms of their impact on overall wealth. after experienceing the game people are willing to make more risk. Emotions have bearing a risk tolerance and risk tolerance in fluences portfolia selection investors have a variety of emotions as the considered alternatives decide how much risk to take watch the decision play out access whether the strategy needs to be modification. The finance field was reluctant to accept the views of psychologist who propose the Behavioural finance model. As the evidence of the influence of psychology and emotions on decision become more convenience behave finance has a received greater acceptance. All though there is agreement about when how and why psychology influence investment decision. However we all know that this is not how the word works in reality neither do all market participants have access to perform perfect

information nor can the rationally process all the information and make inform decisions the fact of matter is that the decisions made by invest hours in the stock market are based on the emotional factors. there are a wide variety of psychological process as well as bias at play that influence how the decision finally gets made. one of the thing that making prediction the behave of finance market impossible is the actual nature of markets this means that predictions about the future of market actually affect the future of the market. according to crowd behaviour that psychology is the stepping stone of the behave of finance the underlying assumption is that individuals behave differently as an individual as a compared to when they are in a group. since markets are formed of group of people the group tends to have and inordinate amount of influence on the behaviour of individual. investors need to be emotionally mature in order to ignore this peer pressure and peace the decision on facts.

Literature review : The Behavioural theory showing the influence of human behaviour on investing decision emerges not as a supplementary assumption, but as a contradictory approach. In this part of literature review, an attempt is made to present a brief review of relevant research studies carried out on the behavioral finance and its impact on Investment decision making. Lewellen (1977) through a research work concluded that age, sex, income and education affect investors' preferences. Ippolito and Bogle (1992) analyzed that selection of fund by investors is based on the past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds. Shefrin's (2001) analyzed that Behavioral Finance is the study of impact of psychology on financial decision making. Phillip (1995) analysed the changes in financial decision-making and investor behavior after participating in investor education programs. In India, SEBI organizes awareness program for small investors, which has started giving benefits, in terms of value investing and informed investing from retail investors. Madhusudhan and Jambodekar (1996) concluded that investors expect better services from the Company where they invest. The majority of investors invest for safety of principal, liquidity and capital gain. According to a survey conducted by SEBI (1998) investment objective of the investor, risk appetite, income or funds available for investment influences the investment behavior in securities market across different levels. Sewell (2005) concluded that Behavioural finance is the study of the influence of psychology on the behaviour of financial practitioners and the subsequent effect on markets. Tavakoli (2011) inspected the different factors influencing the decision of the investors. He analyzed the 13 factors to determine whether the investors consider these factors and decisions are influenced by these factors. He found that some of these factors are more influencing including financial statement, consulting with anybody, second hand information resources, financial ratios, reputation of the firm, profitability variable. Most important sub variable of profitability is the dividend. Kadariya (2012) investigated factors impact on the investor decision. These factors include capital structure, political and media coverage, luck and financial education and trend analyses in the Nepalese capital market. He concluded that majority of the investors are youngsters and they take decision considering the media coverage and friends recommendations as good source of information. Dividend, earning, equity contribution and government control are considered the most important factors while taking the decision. Investors when bears the loss blame to the market and when earns profit take whole credit to their own abilities. Keeping this background in mind, this paper is focused on the study of behavioral finance on Investment decisions in Uttarakhand especially focusing on Faculty members

as they can guide the future decision makers in a better manner . Although few research studies are available which highlights the Investment behavior of investors, but analysis of savings and investment decision making is still an area which needs to touch and require an empirical analysis. This research work is an attempt made to fill this gap in research. The main objective is to identify various behavioral factors influencing the decision of investor in Uttarakhand. Uttarakhand is a small state with limited number of options for earning. So how to manage or allocate money is a key area to focus.

Objectives

1. To understand the concept of behavior Finance in present situation
2. To analyse the impact of demographic factor influencing on investment decision.

Research methodology

My studies based on descriptive Research Design particularly survey method primary data was collected from the responded a will structured questionnaire was prepared to collect the data from the respondent, 4 point likert scale was used to collect the data. in the study non probability sampling with Combination of judgemental and convenience sampling is used. the respondents include fixed income group Businessman housewife any persons elder persons experienced investors from the city of Bengaluru.

Hypothesis

H0: There is no significant difference between Gender and choice of investment instruments.

H0: There is no significant difference between age of respondents and choice of instruments for investment.

H0: There is no significant difference between income of the investors and choice of instruments for investment.

Analysis

Table 1.0 Descriptive statistics of respondents

Demographic factors	Categories	Frequency	Percentage
Gender	Male	44	56%
	Female	34	44%
Age	15 to 25 years	33	42%
	26 to 35 years	27	34%
	36 to 45 years	9	12%
	Above 45 years	9	12%
Income Level	10000 to 30000	0	0%
	30000 to 60000	2	2%
	60000 to 90000	28	36%
	Above 90000	48	62%
Occupation	Employee	44	56%
	Retired person	22	28%
	Housewife	7	9%
	Business	5	7%
Marital status	Married	38	48%
	Unmarried	40	52%

(Source- primary data)

The above table shows that frequencies of demographic factors. This study administered two parts well-structured questionnaire. In that questionnaire part A belongs to demographic factors of respondents. Part B consists of statements regarding irritating advertisements.

1.1 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.780	0.828	17

(Source- primary data)

The reliability test indicated that Cranach's alpha is 0.828 which shows data is reliable and internal consistent for further study.

1.2 :One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Gender	35.420	77	0.000	7.41026	6.9937	7.8268

(Source- primary data)

The above table shows that mean differences in normally distributed data and this shows there is significant influence of gender on investment instruments. T value is greater than 1.96 and P value less than 0.05 therefore reject the null hypothesis and accept the alternative hypothesis.

1.3 : Correlation analysis

		Gender	Investment instruments
Gender	Pearson Correlation	1	0.729[**]
	Sig. (2-tailed)		0.000
	N	78	78
Investment instruments	Pearson Correlation	0.729[**]	1
	Sig. (2-tailed)	0.000	
	N	78	78
**. Correlation is significant at the 0.01 level (2-tailed).			

(Source- primary data)

From the above table identified that there is a positive correlation between gender of a respondents and investment instruments. The R value shows 0.729 and P value less than 0.05 which depicts there is a significant relationship between gender of a respondents and investment instruments.

1.4 Correlations		Age	Investment instruments
Age	Pearson Correlation	1	0.581**
	Sig. (2-tailed)		0.000
	N	78	78
Investment instruments	Pearson Correlation	.581**	1
	Sig. (2-tailed)	0.000	
	N	78	78
**. Correlation is significant at the 0.01 level (2-tailed).			

(Source- primary data)

From the above table identified that there is a positive correlation between age of a respondents and investment instruments. The R value shows 0.581 and P value less than 0.05 which depicts there is a significant relationship between age of a respondents and investment instruments.

1.5 Regression analysis between income of a respondents and investment instruments.

Independent variable		Investment instruments	
	Std Beta	T	P
Income of a respondents	0.581	6.226	0.000
Adjusted R^2	0.338		
F value	38.666		

(Source- primary data)

The regression coefficient analysis shows that the relationship between income of a respondents and investment instruments. The beta identified 0.581 which means 58% % of the total variance in income level of respondents explained by investment instruments . F value was 38.666 which is significant with P value 0.000. This result indicated that Income level has a strong influence on selection of investment instruments. Hence, reject the null hypothesis and accept the alternative hypothesis.

Findings:

1. This research study found that there is a strong relationship between gender of respondents and selection of investment instruments. At the same time gender of respondents influence 72% on selection of investment instruments.

2. In this research study found that there is strong relationship between age of respondents and selection of investment instruments. The analysis found that there is age influence of 58% on selection of investment instrument decision.

3. The respondents were asked about the purpose for Investment decision which they consider highly important. The respondents replied that they focus on assured returns, tax benefits, capital gain, low risk, safety of investment, secured future.

4. According to the response received the factors which have an impact on decision making includes Tax Advantage, Ease of Purchase, Familiarity, Liquidity, Suggestion by friend, Potential Risk, Potential Gain, Financial knowledge, Investment amount, Financial dailies, Information through Internet, Professional Investment Management.

Conclusion :

Investment decision in India is taken into consideration by perception,by word of mouth, by pass returns and honestly investment decision in India is not taking seriously and lack proper planning for the long term investment rather it is done quickly and no proper detail review regarding investment take place. So to over come this problem this study highlight the behavior of the different investor and how it impacted the investment decision in India. Behavioural finance is considered to be the important element in any investment decision in Indian capital market. avenue. The behaviour pattern of investing in capital makket is different from general human behaviour but there are certain common points like goal clarity, understanding the product, risk analysis, investment comparison, linkage with individual goals and requirements, time period of investment are some of the common factors which are generally acceptable key factors to judge an individual behaviour and link it with the capital market investment in particular.

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