

Investors' Behaviour on Investment Avenues

R. Muneeswaran, M. Babu, J. Gayathri



Abstract: Investors are confronted with a set of investment avenues, to spend their savings, based on the risk and returns availability. The behavior of investors would differ with reference to time, personality and specific needs. Therefore, the study proposes to assess the influence of demographical factors and sources of information on the investors' awareness and risk attitude, towards various investment avenues. A structured questionnaire was prepared and administered to a sample of investors. It has been found that the rural and urban investors differed in their risk attitude and awareness towards various investment avenues. The Married and unmarried investors did not differ in their awareness but they differed in their risk attitude and risk levels faced by investors differ with respect to age and educational qualification of the investors. The study concludes that the recent technology development could provide knowledge to the investors about their investment options and risk level to take informed decisions on investment.

Keywords: Avenues, Decision, Risk, Return, Behaviour

I. INTRODUCTION

Investment is putting surplus money, on various alternative investment avenues, depending on the need for making additional income as per Gill, S. et al [1]. Investment behaviour is defined as how the investors evaluate, forecast, assess and reconsider the procedures for decision making by Lee, Y. J et al [2]. In the competitive business environment, various investment avenues or alternatives are available to the investors. As per Nilesh Kulkarni [3] all investment avenues have their own pros and cons. according to Banumathy, K., & Azhagaiah, R. [4] Indian investors are natural good savers, but they lack knowledge about the various investment avenues. Recently the investment scenario of Indian financial market wears a new look, with great response not only from within the India but also from Foreign Institutional Investors according to Aruna, P., & Rajashekar, H6 [5]. Decision making is part of routine life of common man, to take variety of investment decisions, depending on their income levels, age and appetite for risk etc as per Trehan, B., & Sinha, A. K. [6].

II. REVIEW OF LITERATURE

M.D Richard L. Peterson [7] in his study assessed the origin of feelings that can adversely affect the performance of financial practitioners, and to teach the investors community to make an effective financial decision. The study found that recent financial gains and losses could change the investor

behavior. The study suggested that investors' undisciplined decisions may trigger the development of bull and bear markets. Peter Mbaluka et al [8] found that investors reversed their decisions, based on the way the problems were presented and they were significantly influenced by loss than by gains in the market. Elizabeth Lucky Maretha Sitinjak & Imam Ghozal [9] in a study revealed that effect of disposition, during pre and post the behaviour of information's regarding accounting and generates a propensity to discharge their winner stock faster than loser stocks. Muskaan Arora and Santha Kumari [10] indicated that regret and loss aversion could facilitate as an intermediary variable, which would be affected by the demographic factors namely age and gender of the investors and also the risk taking ability of the investors. Filip-Mihai Toma [11] found the existence of representative bias among Romanian investors and aged investors tended to be more cautious with respect to investment decisions. A. Charles and R. Kasilingam [12] their study revealed that the selected behavioural bias factors have shown positive influence of investor's decision. Mumtaz Ahmad [13] in his study revealed that the neurotransmitters namely dopamine and epinephrine evidenced significant relation with the investment behaviour of the individual investors. Imran Umer Chhapra [14] in their study indicated that cognitive behaviour significant positive effect on investment decision.

III. METHODOLOGY

A. Objectives and Hypotheses

1. An assess the effect of demographical factors, on the investors' awareness and risk attitude, for choosing the investment avenues.
2. To test the impact of sources of information, on awareness and risk perception of the investors regarding investment avenues.

The following hypotheses are framed to test the Investors' Behaviour on Investment Avenues

H1: The relationship between the demographical factors of the investors and their awareness towards various investment avenues are not significant.

H2: The relationship between the demographical factors of the investors and their risk attitude towards various investment avenues are not significant.

H3: The difference among the sources of information and the awareness and risk attitude of the investors are not significant.

H4: The relationship between the demographical factors of the investors and their sources of information for investment are not significant.

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B. Data Collection

To assess the influence of demographical factors on the investors' awareness and risk attitude towards various investment avenues, data were collected through a structured questionnaire, from the investors of rural and urban areas, in Tiruchirappalli District, Tamil Nadu. The other information was collected from various national and international journals, books and magazines.

C. Sample Size

The questionnaires were distributed to 120 investors of rural and urban areas, in Tiruchirappalli District Tamil Nadu and

112 completed questionnaires were accepted. The remaining questionnaires were rejected, based on incomplete and non-receipt of responses by the sample investors.

D. Statistical Tools Used for the Analysis

Independent sample T-test

Analysis of variance

Chi-square

IV. RESULTS AND DISCUSSION

Table-1 Result of demographical factors of the investors towards their risk attitude on various investment avenues (Independent sample T-test).				
Demographic Variables	Risk		Awareness	
	T	Sig.	T	Sig.
Male	1.814	.072	- 1.219	.226
Female	1.813	.073	- 1.204	.232
Urban	- 2.375	.019	- 3.290	.001
Rural	- 2.410	.018	- 3.192	.002
Married	- 2.444	.016	-.225	.823
Unmarried	- 2.551	.014	-.256	.799

Source: Computed using SPSS 20

Table-2 Result of ANOVA for demographical factors of the investors towards their risk attitude on various investment avenues								
Variables		Awareness			Risk			
		Mean	F	Sig.	Mean	F	Sig.	
Age	41-50	2.6087	.738	.532	21-30	3.0490	4.864	.003
	Above 51	2.3043			41-50	2.6449		
Educational Qualification	School	2.7222	4.669	.002	PG	3.1863	9.154	.000
	Professional	1.7879			Diploma	2.5833		
Occupation	Housewife	3.0530	10.304	.000	Govt.	2.9267	1.030	.395
	Government	1.9333			Retired	2.5000		
Monthly Income	25001-50000	2.6944	6.942	.000	50001-100000	3.3333	4.159	.008
	Above 200001	1.0000			Above 200001	2.5000		

Source: Computed using SPSS 20

Table – 1 reveals that the risk attitude and awareness differ among male and female. The rural and urban investors differed in their risk attitude and awareness towards various investment avenues. The Married and unmarried investors did not differ in their awareness but they differed in their risk attitude. **Table-2** clearly indicates that the “P” values of

all factors were less than (0.05) and they were statistically significant, except the age of the respondent, which was statistically insignificant. It confirmed that awareness level of investors does not differ with respect to age.

Hence null hypothesis, “The relationship between the demographical factors of the investors and their awareness towards various investment avenues are not significant”, was rejected. In risk perspective, the P values were greater than 0.05, for occupation (.395) and less than 0.05 for monthly income (.008) of the respondents. It is clear from Table-2 that age and educational qualifications were less than P value and they were statistically significant. Hence risk levels faced by investors differ with respect to

age and educational qualification of the investors. Hence null hypothesis: “The relationship between the demographical factors of the investors and their risk attitude towards various investment avenues are not significant”, was rejected.

Table- 3 Result of ANOVA for sources of information towards the awareness and risk attitude of the investors

Variables	Information Sources							
		Mean		Sum of Squares	Df	Mean Square	F	Sig.
Awareness	Tele media advertisement	3.0595	Between Groups	7.130	5	1.426	3.130	.011
	News Paper & Business Magazines	2.2632	Within Groups	48.288	106	.456		
			Total	55.418	111			
Risk	Broking Firms	3.5000	Between Groups	3.578	5	.716	3.475	.006
	Friends & Relatives	2.6750	Within Groups	21.827	106	.206		
			Total	25.405	111			

Source: Computed using SPSS 20

Table-4 Results of Association between Demographic profiles of the respondent at the Source of Information.

	Pearson Chi-Square			N of Valid cases
	Value	Df	Asymp.sig	
Age	30.088	15	.012	112
Educational Qualification	63.420	20	.000	
Occupation	41.616	20	.003	
Monthly Income	32.362	15	.006	

Source: Computed using SPSS 20

Table – 3 summarizes the results of one way ANOVA, showing the differences in sources of information towards the awareness and risk attitude of the investors. The P value was greater than 0.05 revealing insignificant difference. It is clear from Table that source of information of the respondents did not differ with awareness and risk level. Hence the hypothesis: “The difference among the sources of information and the awareness and risk attitude of the investors are not significant.” was accepted. **Table-4** explains the results of Chi-square analysis, which was used to find out the association between age, educational qualification, occupation and monthly income of the respondents and their source of information for investment on various avenues. The calculated value was found to be statistically insignificant (.012) and (.006), which indicated that source of information was not associated with age and monthly income. The P value was found to be less than 0.05 and statistically significant on educational qualification (.000) and monthly income (.003). In other words, both were associated with source of information. Hence, the hypothesis namely “There is no significant relation between the

demographical factors of the investors and their use of information sources for investment”, was rejected.

V. CONCLUSION AND FUTURE SCOPE

The study tested the influence of demographical factors and sources of information on the investors’ awareness and risk attitude towards various investment avenues. Primary data were collected from the investors of rural and urban areas in Tiruchirappalli district. The independent sample T-Test results indicated that residential area of respondents differed regarding awareness and risk level while selecting investment avenues. ANOVA analysis was used to analyse the association between demographic factors of respondents and their awareness level. Modern technology development also created awareness and risk level of the respondents. The results of Chi-square test indicated that educational qualification and occupation of the respondents differed on source of information of investment.



The study concludes that the recent technology development could help the investors with knowledge about their investment options and risk level, to take informed decisions on investment. The future study can be made about the investment pattern, investor attitude, investor perception regarding various investment options.

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