Impact on Financial Decision Making due to Investor's Attitude

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Abstract

Investment is the commitment of funds in present for a profitable return in future. An individual could become a potential investor when left with ample amount of funds after current consumption. The main purpose of this research is to determine the impact of the variables on the attitude of the investors towards financial investments. The variables included in the study are investor awareness, advertisement, income of the investor and occupation. The reliability analysis and factor analysis were carried on all the variables. Regression analysis was done to determine the impact of the variables on the attitude of the investors towards financial investments.. The findings of the project could help financial institutions to better understand the investor's perception. Financial institutions could focus on improving advertisements and creating awareness amongst the people to encourage them to invest their money.

Key words: Investment, Investor attitude, Investment Alternative, Investor Awareness

Introduction

An asset is where we put our money in with the hope that it will grow or appreciate in due course of time is called a financial investment. The main idea is to sell the asset after a certain period of time when its value has increased or obtain a certain amount of money when the investment has matured. The potential of making more money entirely depends on the amount of risk we take. Higher the risk, more likely it is to obtain a higher value for the asset.

Investment is the acquiring of a product or an item of value with an expectation of getting a favourable return. The root of happiness in today's world is money. Everybody is running for money. People start saving money from their earnings to ensure a better and secure future for themselves. People place their savings into assets that they think would be profitable and help them get a higher return in the future.

People all across the world invest money and many have made big fortunes out of it too. The difficult aspect of investment is deciding the type of investment and the amount of money to invest. Investment profitability changes along with the economy. The objectives behind an investment could differ from person to person. For someone it could

be to buy a car, for another it could be to obtain more money out of it to secure his or her future. The basic elements of an investment includes Return, Risk, Liquidity, Time and Tax saving

Investment Alternative

In India a wide variety of investment alternatives are available. An investor can study the merits and demerits of an investment before making an investment. There is an array of investment opportunities from which the investor can choose. Some of them are as follows:

Share market: Securities are bought and sold through transactions here. It involves a hundred percent capital risk. Profits depend on the economic condition. The profit margins would vary for different inflation rates. The profits are covered under the capital gain as well.

Mutual funds: It is an investment where a pool of money is collected from many investors. It has various shareholders. The collected money is then invested into securities or bonds. The returns are not guaranteed. Liquidity is reduced, as the money cannot be withdrawn before the time period. The profits made through mutual funds are taxable

Post office: The post office is another investment sector. It has a centralized system that is controlled by the government. The returns are very low and fund blockage happens as well. Money cannot be withdrawn conveniently before the maturity of the investment.

Real estate: These are investments that are in terms of houses, buildings and land. This also includes blockage of funds once invested. The return amount depends on the economic condition of the country. There is no security of this investment as well.

Bank (fixed deposit): The interest rates offered by banks are relatively low. The maturity amount is taxable and is not covered under section 80Cand 80D. The fixed deposits invested have high liquidity.

Provident fund: It is type of pension fund. The objective is to provide an employee with a certain amount of money when they exit the organisation. The employee during his or her tenure at the organization has a certain amount of money deduced from his monthly salary.

Public provident fund: It is a type of saving which provides for income tax saving. The main objective is to encourage people to invest their money while providing them a reasonable rate of return. The government benefits by having increased cash availability. The benefits of section 80C and 80D are available to the investor.

Life insurance: This is an investment where an insurance policy holder and insurer are bound in a contract. The insurer or the assurance is supposed to pay the beneficiary a certain sum of money upon the death of the policyholder.

Investor's Financial Behaviour

Financial behaviours refer to human behaviours relevant to money management (JJ, (2008)) Hilbert et al., (cited in Shim, Tang, & Xiao, 2009) state that cash, credit, and saving management are the part of practices in common financial behaviour. The bad behaviour in managing personal finances can have serious long-term, negative social and societal consequences (Perry Vanessa G., 2005).The financial behaviours that college students learn during these years are likely to influence the decisions they make in the future (Xiao, 2009).(Kumar & Watung , 2015),Research has shown that positive financial behaviours are related to improved financial well-being, decreased financial stress and higher self-esteem (Selcuk, 2015).Regarding these far-reaching consequences of financial behaviours, it is important to investigate which factors have a significant impact on them in order to increase students' general quality of life in later years (Gutter &Copur, 2011; Xiao, Tang, & Shim, 2008).

Review of Literature

(MR., 2012) in his paper concluded that to ensure success in today's competitive business environment the behaviour of the investor has to be clearly understood. Many scholars have given the definition of investor behaviour. Investor behaviour is the study of customers and processes they use to choose, consume and dispose of products and services that satisfy their needs and influence their experience. In order to better managerial decisions, organisations try and understand the underlying mechanism that directly or indirectly affect customers' responses

(Fatima, 2011) has found that the amount of money an individual earns can certainly affect their investment intentions. There is positive correlation between income and investment frequency. Income plays an important role in affecting the investment decision of an investor. Income, inflation and dependency ratio lead to a decline in life insurance consumption.

(Underwood, T, & Hasting, 2015) concluded from his research that the investor's decision can be influenced due to many reasons. Advertising is another aspect that can influence the decision of an investor. Advertising strategy does influence the investment intention of an investor in relation to mutual funds The investment products of mutual

funds are promoted through an array of advertising appeals.

(Kaur.I, 2016) has revealed that the advent of technology has made advertising and creating awareness much easier than it used to be back in the days. The investment behaviour of an individual could be explained with awareness, perception and socioeconomic characteristics of the investor The occupation, income level and educational level of an investor have an impact of the awareness level of the investor about mutual funds (Kaur and Kaushik, 2016).

(tarakpaul & siteshbajaj, 2012)through his paper concluded that awareness programs about equity investment affect the decisions of investors. The government authorities such as SEBI, AMFI and IRDA should take appropriate steps to enhance investor knowledge on mutual fund investment as it plays an important role in influencing their decisions (Rao, 2011).

(Desigan Gnana , Kalaselvi S, & Ansuya , 2006)It is only logical that investors having sufficient knowledge would be confident and sure about their investment decisions. So, awareness about financial investments does shape the decisions of investors. Women investors generally avoid mutual fund investment due to lack of awareness, investment procedures and the entry and exit move

(MacCrimmon, K. R., & Wehrung, D. A., 1986)Occupation is the activity from which people obtain their pay. Individuals that make money from their own business have a higher risk taking ability in comparison to people in other professions. The occupation of an individual will have an impact on the investment intention of the individual. Investment decisions are shaped as a result of the individual's income, occupation and education level. (Patel, B & Modi, V, 2017)

Objectives of the Study

- To understand the different financial investments available.

- To understand the factors that affects the attitude of investors while investing.

- To determine the impact of the factors on the attitude of the investors towards decision making.

Research Methedology

This study is carried out through the descriptive research design. Descriptive research design requires a clear specification of what, who, where, when, how and why the research is to be carried out. A theoretical framework was designed for the study. Hypotheses were formulated for each

of the variables as well. The data for the study was collected through an online questionnaire. A total of 63 respondents filled the questionnaire in July 2018. Statistical analysis was carried out on the data using SPSS software. The reliability analysis and factor analysis were carried on all the variables. The loadings for each of the variables were tested. Regression analysis was done to determine the impact of the variables on the attitude of the investors towards financial investments.

Sampling Design

A structured questionnaire was used to collect primary data. The questionnaire was personally administered in order obtain proper responses. The respondents filled the questionnaire online that was generated through Google Docs. Sample survey was used in the study to collect primary data. A total of 63 respondents completed the survey. Sample survey was used to collect data, as it is a very efficient and convenient way of collecting data. This method reduces potential biases from the study

Sampling techniques

This study makes use of non-probability sampling technique. Non-probability sampling is a sampling technique wherein the samples are collected in such a way that it does not give an equal chance to all the members of the population of being selected

Hypothesis

The hypothesis included in the study are mentioned as below:

H-1 Occupation has a positive impact on the attitude of investors towards financial investments.

H-2 Awareness has a positive impact on the attitude of investors towards financial investments

H-3 Income has a positive impact on the attitude of investors towards financial investments.

H-4 Advertisement has a positive impact on the investment intention of investors towards financial investments.

DATA ANALYSIS
Figure 1: Theoretical framework of the study
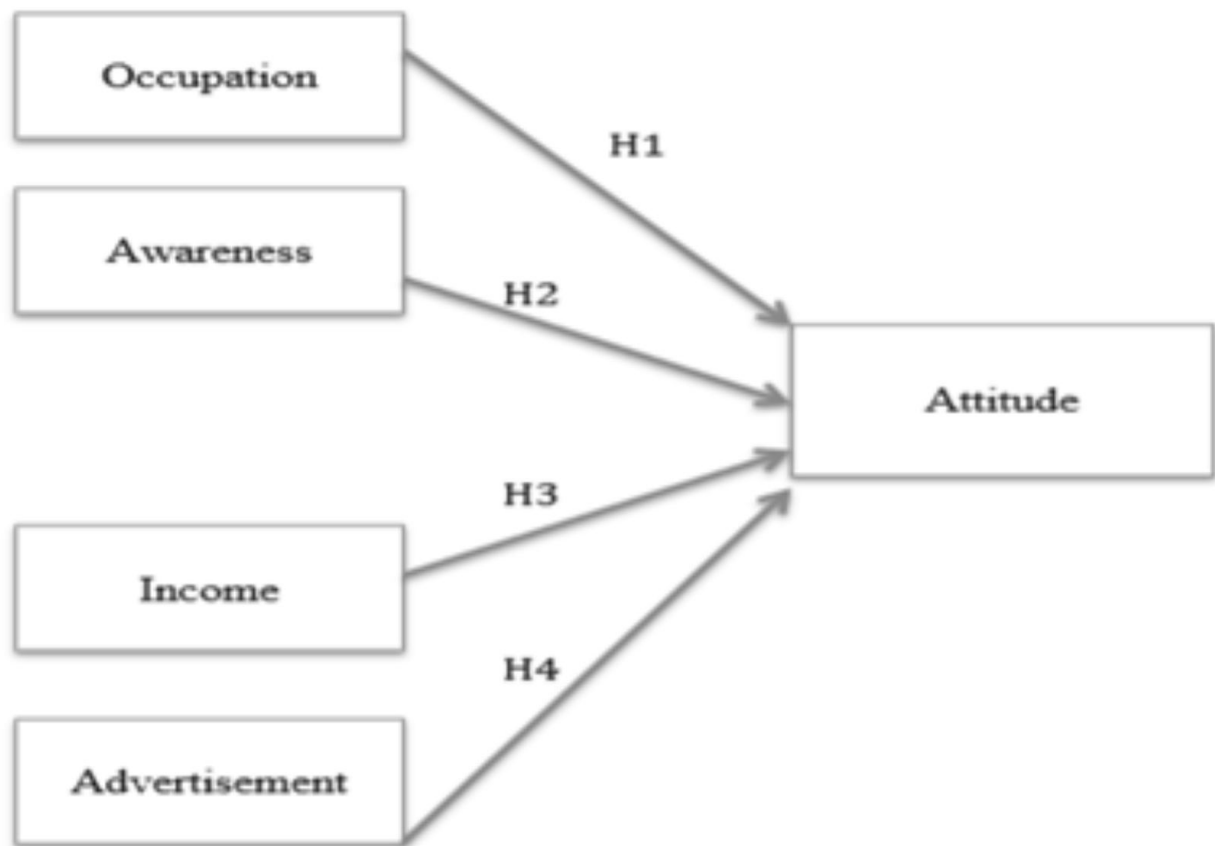
Attitude - The measure reflects the consumer's attitude towards financial investments. The perception of customer towards financial investments.

Income - The earnings or gross profit of an individual.

Occupation- It is the job or profession of an individual.

Awareness – It is the knowledge or perception of a particular situation or a fact.

Advertisement – It is an announcement or notice made with regard to a particular product, service or event for its promotion.

Reliability Analysis

Based on the collected data, a reliability test was carried for all the variables that were included in the study. The Cronbach's Alpha Value obtained was 0.734. The value obtained is above 0.6 that indicates that the questionnaire is reliable.

Factor Analysis

The data obtained for all the variables in the study are tested using factor analysis. The variables are attitude, income, occupation, awareness, and advertisement. The loadings of each of the sub variables are checked. The rotated component matrix allows us to check for the loading values of each sub variable. The minimum required loading value taken was 0.6. The rotated component matrix is shown below in the table. It includes the values for the loadings of each variable.

Table 1: Factor Analysis

Rotated Component Matrix[a]

	Component			
	1	2	3	4
A1	.900	.006	−.136	−.132
A2	.478	.076	.380	.396
A3	.155	.834	.298	.199
V1	−.144	.357	−.019	.779
V2	.197	−.216	.011	.828
V3	.059	−.693	−.032	.327
V4	.620	.224	.548	.063
V5	.306	.783	−.113	.169
V6	.056	.185	.706	.201
V7	.604	.509	.141	.136
V8	−.036	−.108	.856	−.242
V9	.908	.127	.071	.134

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

The rotated component matrix clearly shows that the loading for the sub variable of attitude, which is denoted by A2, has a loading less than 0.6. Hence, it is rejected and not considered further in the study. The next step of the study is to derive a relationship between the variables considered in the study. The objective is to determine a relationship between the variables defined in the study. To obtain a relationship between the variables, correlation analysis was carried out .

Correlation

The average of the sub variables of income, awareness, occupation and advertisement was obtained. Correlation analysis was carried out between the variables and the attitude of the investor towards financial investments. The test was carried out on SPSS software. The results are shown below in the table.

Table 2: Correlation

		income	occupation	awareness	advertise ment	attitude avg
income	Pearson Correlation	1	.254*	.215	.081	.171
	Sig. (2–tailed)		.044	.091	.526	.181
	N	63	63	63	63	63
occupation	Pearson Correlation	.254*	1	.166	.578**	.506**
	Sig. (2–tailed)	.044		.192	.000	.000
	N	63	63	63	63	63
awareness	Pearson Correlation	.215	.166	1	.483**	.295*
	Sig. (2–tailed)	.091	.192		.000	.019
	N	63	63	63	63	63
advertise ment	Pearson Correlation	.081	.578**	.483**	1	.623**
	Sig. (2–tailed)	.526	.000	.000		.000
	N	63	63	63	63	63
attitudeav g	Pearson Correlation	.171	.506**	.295*	.623**	1
	Sig. (2–tailed)	.181	.000	.019	.000	
	N	63	63	63	63	63

*. Correlation is significant at the 0.05 level (2–tailed).

**. Correlation is significant at the 0.01 level (2–tailed).

The inferences drawn from the table are as follows:

There is a significant association between attitude and occupation. There is a significant association between attitude and advertisement. There is a significant association between attitude and awareness. There is no significant association between income and attitude.

Regression

Regression is done on the variables that show a significant association with attitude. The income variable is dropped for regression, as it does not show any association with the attitude of investors towards financial investments. The results of regression are shown below in tables:

Table 3

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin–Watson
1	.649[a]	.421	.411	.58574	2.035

a. Predictors: (Constant), advertisement, awareness, occupation

b. Dependent Variable: attitudeavg

The model summary table shows that there is no autocorrelation present in the data collected as the Durbin-Watson value is between the required ranges of 1.8-2.2. The table also tells us that the independent variables, occupation, advertisement and awareness explain the variances in the dependent variable, attitude to an extent of 42.1 percent.

Table 4

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.694	3	4.898	14.277	.000[b]
	Residual	20.242	59	.343		
	Total	34.937	62			

a. Dependent Variable: attitudeavg

b. Predictors: (Constant), advertisement, awareness, occupation

The Anova table is used to determine whether the model is a good fit or not. The hypothesis for anova in regression is:

Ho: The model is not a good fit.

Ha: The model is a good fit.

The significance value is less than 0.05 and so the null hypothesis is rejected. The alternate hypothesis, themodel is a good fit is.accepted.

Table 5

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.665	.587		1.132	.262
	occupation	.329	.180	.225	1.827	.028
	awareness	.026	.118	.025	.216	.009
	advertisement	.581	.167	.481	3.475	.001

a. Dependent Variable: attitudeavg

The coefficients table is used to know the impact of each variable on the attitude of the investor towards financial investments. The hypothesis for each of the variable is shown below along with the impact they have on attitude.

Occupation: Ho (Null hypothesis): Ao = 0   Ha (Alternate hypothesis): Ao ≠ 0 The significance value for occupation is 0.028, which is less than 0.05. So, the null hypothesis is rejected. Hence, occupation has an impact of 32.9 percent on the attitude of investors towards financial investments. Similarly, the significance values for awareness and advertisement are less than 0.05. So, the null hypothesis is rejected in both the cases. Therefore, awareness has an impact of 2.6 percent and advertisement has an impact on 58.1 percent on the attitude of the investors towards financial investments.

Findings of Study

The hypotheses framed at the start of the study have now been tested and it shows that occupation, awareness and advertisement have a positive impact on the investment intention of investors towards financial investments. Therefore, awareness has an impact of 2.6 percent and advertisement has an impact on 58.1 percent on the attitude of the investors towards financial investments.

Income does not have any impact on the attitude or investment intention of investors. The reason for that is the surveyed sample primarily comprises of people who lie in the age group of 18-25 who are students.

Conclusion

The financial sector of the country has grown over the last decade. People have started investing more now. The development and implementation of policies has also helped to create awareness amongst the people about various investment plans. The study was aimed at determining the factors that affect the investor's investment intention towards financial investments. The results obtained show that advertising has a clear impact on the investor. Awareness level of a investor also influences the decisions of a customer.

Income although has been known to influence a investor's decision was not indicated in the results of this paper. The findings suggest that financial institutions should lay their focus towards increasing awareness about their plans and schemes regarding the investment opportunities available.

Recommendations

The advent of technology has certainly come as a boon to the financial sector of the country. Transactions and processes can be very conveniently carried out online. There is a requirement of creating awareness amongst the people. There is a large amount of scepticism among the people whether to use these online portals or not.

Banks and other financial institutions should focus on creating innovative and attractive advertisements to draw the attention of people and encourage them to invest their money. There is a huge opportunity of the financial sector to create awareness and educate people and get them to invest their money. This would not only benefit the banks, it would be beneficial for the investor, as they would get a higher return on their investment. There is scope for further study in the field as well. Variables such as market sentiment and religion can be considered for carrying out further study.

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