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A Study of Difference between Period of Investment of the Respondents and Their Overall Influencing Factors of Investment Decision

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Abstract – This study purpose to advance knowledge about key factors that influence investment behavior and ways these factors impact investment risk tolerance and decision making process among people and among different period. The individuals may be equivalent in all aspects, may even be living next door, but their financial planning needs are very various. It is by using various period along with objective, source of information that synergism between investors can be generated. In this context, demographics alone no high suffice as the basis of segmentation of personal investors. Hence keeping this in mind, the current study is a try to find out factors which affects individual investment decision and differences in the perception of investors in the decision of investing on basis of period. The study concludes that investors' duration predominantly decides the risk taking capacity of investors.

Keywords: Investment Options, Perception of Investors, Objective, Source of Information, Economic/Market, Industry, Company Qualitative, Company Quantitative, Duration

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1. INTRODUCTION

Many individuals find investments to be fascinating because they can compete in the decision making process and see the results of their choices. Not all investments will be profitable, as investor wills not always make the correct investment decisions over the period of tenure; However, you should gain a positive return on a diversified portfolio. Investing is not a game but a sincere subject that can have a big impact on investor's future wellbeing. Basically everyone makes investments. Even if the individual does not choose specific assets such as stock, investments are still made through participation in sukanya yojna, pension plan, kisan vikas patra, public provident fund, bond, I.P.O and employee saving programmed or through purchase of life insurance or a home or by some other mode of investment like investing in gold (Jewelry) or in Banks or in saving schemes of post offices like R D account or Fixed deposit. Each of this investment has common characteristics such as potential return and the risk you must bear. The future is uncertain, and you must determine how much risk you are willing to bear since higher return is associated with accepting more risk.

The individual should start by specifying investment target. Once these targets are established, the individual should be aware of the mechanics of investing and the environment in which investment decisions are made. These include the process by which securities are issued and subsequently purchase and sell, the regulations and income tax laws that have been enacted by various levels of government, and the sources of information concerning investment that are available to the individual.

Today the field of investment is even more dynamic than it was only a decade ago. World event fast events that alter the values of specific assets the individual has so many assets to select from, and the fund of information available to the investors is staggering and continuously growing. The key to a successful financial plan is to keep apart a bigger amount of savings and invest it intelligently, by using a longer period of time. The turnover rate in investments should exceed the inflation rate and cover taxes as well as allow you to earn an amount that compensates the risks taken. Savings accounts, fund at low interest rates and market accounts do not contribute significantly to future rate accumulation. While the highest rate come from stocks, bonds and other types of investments in assets such as gold. Nevertheless, these investments are not absolutely safe from risks, so one should try to understand what kind of risks are related to them before taking action. The lack of understanding as how stocks work makes the myopic point of view of investing in the stock market (buying when the tendency to increase or selling when it tends to decrease) perpetuate. To understand the characteristics of each one of the various types of investment you must have enough financial knowledge.

Furthermore, inflation has served to increased awareness of the value of financial planning and wise investing. More Inflation is a worry for each and every individual. Due to Inflation value of your fund in future will decrease. To Cope up this, Investors wants to invest their fund and gain certain rate of return which is more than rate of Inflation. Having clear reasons or purposes for investing is critical to investing successfully. Like training in a fitness club, investing can become difficult, tedious and even serious if you are not working toward a goal and monitoring your improvement.

LITERATURE REVIEW

Earlier studies have been carried out to determine the pattern of Institutional investors Investment but Studies dealing with Investment pattern of personal investors are very few. Previous Studies mainly concentrate on Differences in individual investing pattern on the basis of period. Differences on the basis of period in Investment pattern is new avenue for research. Earlier studies conclude that women invest their asset portfolios more conservatively than their male counterparts. Women's investment has historically been lower than men's for several reasons, including Social and various demographic concerns. However the differences continue to be significant even after controlling for personal Characteristics (Schmidt & Sevak, 2006).In making any Investment Decision Risk Aversion and Financial Literacy is a major factor. Although different literature available on risk define it variedly but in common the word risk refers to situations in which a decision is made whose consequences depend on the outcomes of future events having known probabilities.

Dunham (1984) admits that although personality factors can change over an extended period of time, the process is slow and tends to be stable from one situation to another. Therefore, these factors are expected to influence the decision making behavior of an individual.

Barnewall (1987) finds that an individual investor can be found by lifestyle characteristics, risk aversion, control orientation and occupation.

Statman (1988) observed that people trade for both cognitive and emotional reasons. They trade because they think they have information, when in reality they make nothing but noise and trade only because trading brings them joy and pride. Trading brings pride when decisions made are profitable, but it brings regrets when they are not. Investors try to avoid the pain of regret by avoiding realization of losses, employing investment advisors as scapegoats and avoiding stocks of companies with low reputations.

Barnewall (1988) suggests the use of psychographics as the basis of determining an individual's financial services needs and takes one closer to the truth from the customer's perspective of need to build a marketing program.

Harlow and Brown (1990) observes that psychologists tend to believe that an individual's choice is primarily determined by factors unique to the particular decision setting, whereas economists assume that there is some individual-specific mechanism playing a common role in all economic decisions.

Warren *et al.* (1990) and Rajarajan (2000) predict individual investment choices (e.g., stocks, bonds, real estate) based on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behavior (Rajarajan, 2002).

Gupta (1991) argues that designing a portfolio for a client is much more than merely picking up securities for investment. The portfolio manager needs to understand the psyche of his client while designing his portfolio. Risk tolerant investors behave as though they can control risk. This suggests that risk tolerance servesas a proxy for an 'illusion of control' and thus overconfidence.

The present study aims to put on some knowledge about key factors that influence investment behavior and ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups. The individuals may be equal in all aspects, but their behavior is different in same situation. Earlier studies did research but they did this only gender wise, in this study we are trying to find out the factors which affects individual investment decisions by considering both age and gender wise. 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.

METHODOLOGY

This study follows the survey research methodology. Based on previous research in related areas, a questionnaire was constructed to measure the investment pattern of individuals on the basis of Duration. After pilot testing, the questionnaire was administered to a group of people whom age is more than 25 years. Here we are using minimum age as 25 years since we are considering that an individual starts earning after this age. The data were analyzed using standard techniques of factor analysis, ANOVA test basic techniques. The remainder of this section gives a brief description of the sample, the survey instrument and the survey procedure.

SAMPLE

The selected society pick for this study were the investor, who usually invests. They will invest fewer funds but invest usually according to their earning. The selected societies include different types of Investors such as on the basis of areas whether they belong to city areas. On the basis of Profession whether they are working in Government or Private Sector and On the basis of yearly income and yearly fund they invest.

The total sampling size of the study is 300 samples. The sample size was arrived based on the following equation through the standard Deviation from the pilot study.

RESEARCH HYPOTHESIS

There is a significant difference between period of investment of the respondents and their overall influencing factors of investment decision.

BASIS OF PERIOD

From the above analysis it was observed that the factors objective, Industry, company qualitative, company quantitative influence the investment pattern. So, to get excellent picture of factors influencing the investment pattern it is superior to analyze the whole result based on period wise. It has been proposed hypotheses that there are no significant differences of factors on the basis of period. We have applied ANOVA 'f' test.

INFLUENCE OF PERIOD OF INVESTMENT ON THE INVESTMENT DECISION FACTORS

Table No. 1

Difference between period of investment of the respondents and their overall influencing factors of investment decision

S. No.	Period of investment	Mean	S.D	SS	Df	MS	Statistical inference
1	**Objective**						
	Between Groups			854.26	4	213.56	F = 18.94 P < 0.05 Significant
	Below 5yrs (n=150)	17.79	3.22				
	6 to 10yrs (n=72)	18.43	2.83				
	11 to 15yrs (n=36)	17.42	4.87				
	16 to 20yrs (n=21)	18.57	3.89				
	21yrs & above (n=21)	22.43	1.94				
	Within Groups			6706.70	297	11.27	
2	**Source of information**						
	Between Groups			445.89	4	111.47	F = 7.06 P < 0.05 Significant
	Below 5yrs (n=150)	21.21	3.49				
	6 to 10yrs (n=72)	22.31	3.21				
	11 to 15yrs (n=36)	20.42	4.32				
	16 to 20yrs (n=21)	22.14	4.70				
	21yrs & above (n=21)	23.86	7.08				
	Within Groups			9401.96	297	15.80	
3	**Economic/ Market**						
	Between Groups			354.51	4	88.62	F = 5.16 P < 0.05 Significant
	Below 5yrs (n=150)	24.95	4.39				
	6 to 10yrs (n=72)	23.62	4.04				
	11 to 15yrs (n=36)	22.92	3.99				
	16 to 20yrs (n=21)	25.00	2.86				
	21yrs & above (n=21)	24.71	4.15				
	Within Groups			10237.35	297	17.21	
4	**Industry**						
	Between Groups			427.43	4	106.86	F = 14.96 P < 0.05 Significant
	Below 5yrs (n=150)	11.96	3.90				
	6 to 10yrs (n=72)	12.58	2.14				
	11 to 15yrs (n=36)	10.67	2.98				
	16 to 20yrs (n=21)	13.14	1.26				
	21yrs & above (n=21)	14.29	1.17				
	Within Groups			4252.57	297	7.15	
5	**Company qualitative**						
	Between Groups			1683.04	4	420.76	F = 17.58 P < 0.05 Significant
	Below 5yrs (n=150)	25.90	5.09				
	6 to 10yrs (n=72)	29.19	4.12				
	11 to 15yrs (n=36)	25.33	6.13				
	16 to 20yrs (n=21)	28.71	4.18				
	21yrs & above (n=21)	29.71	4.15				
	Within Groups			14242.11	297	23.94	
	Within Groups			14242.11	297	23.94	
6	**Company quantitative**						
	Between Groups			1255.92	4	313.98	F = 12.36 P < 0.05 Significant
	Below 5yrs (n=150)	32.46	5.18				
	6 to 10yrs (n=72)	32.25	5.71				
	11 to 15yrs (n=36)	30.83	4.29				
	16 to 20yrs (n=21)	33.43	4.71				
	21yrs & above (n=21)	37.43	2.35				
	Within Groups			15119.94	297	25.41	
7	**Overall influencing investment decision**						
	Between Groups			19175.73	4	4793.93	F = 14.82 P < 0.05 Significant
	Below 5yrs (n=150)	134.27	18.85				
	6 to 10yrs (n=72)	138.37	15.24				
	11 to 15yrs (n=36)	127.58	23.18				
	16 to 20yrs (n=21)	141.00	15.39				
	21yrs & above (n=21)	152.43	11.24				
	Within Groups			192348.27	297	323.27	

FINDINGS

The table 1 reveals that there is a significant difference between period of investment of the respondents and their overall influencing factors of investment decision. Hence, the calculated value is less than table value. So the research hypothesis is accepted. So period of investment influences on overall influencing factors of investment decisions.

CONCLUSION

It can be concluded that the modern investor is a mature and decently groomed human. In spite of the phenomenal improvement in the equity market and quality Initial Public Offerings (IPOs) in the market, the personal investors pick investments according to their risk preference. For e.g. Risk averse human pick life insurance policies, fixed deposits with banks and post office, PPF and NSC R.D account. Occasions of blind investments are scarce, as a bulk of investors is found to be using some source and reference society for taking decisions. Though they are in the trap of some kind of cognitive illusions such as overconfidence and narrow framing, they consider various factors and seek diversified information before executing some kind of investment transaction. The purpose of this study was to determine whether the variables such as demographic characteristics and investment patterns could be used personally or in combination to both differentiate among levels of women and men investment decisions and risk tolerance and develop some guidelines to the investment managers to design their investment program by considering these views of individuals.

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