

A STUDY ON INVESTMENT BEHAVIOUR OF PROFESSIONALS

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Abstract: This study deals with the Investment Behaviour of Professionals with special reference to Ernakulum. According to Henry Ford "The highest use of capital is not to make more money, but to make money do more for the betterment of life". This study aims to understand the difference in perception of professionals to various investment alternatives. The present study cover various factors related to investment behaviour such as the level of awareness, motivational factors, factors influencing the investment decisions, the long and short term goals of investment and recent trend of investments of professionals . The study reveals the fact that the majority of the respondents have only low level of savings. Besides, they are given more importance to bank deposit and government securities. The short term goal of investment is return and long term goal is children future. So there is high scope for innovative financial products among the professionals.

Key words: Investment, Professionals, Interest Rate, Return.

Introduction

Investment is an economic activity carried down with the objective of getting return. It is the commitment of funds which have been saved from current consumption with the hope that some benefits will accrue in future. Thus, it is a reward for waiting for money. So the first step to investment is savings.

The main factors influencing investment are safety, return, growth of capital, risk, liquidity, tax benefits and convenience. Various investment options are available with differing risk-reward trade -offs. An understanding of the core concepts and a thorough analysis of the options can help investor create a portfolio that maximizes returns while minimizing risk exposure.

Statement of the Problem

The main issue related with investment is to make a decision about how much to invest and where to invest. While investing money the investors are having a lack of awareness about the investment alternatives. The investors have to pay more attention to safety, liquidity, returns, risks, tax benefits and so on in addition to amount of investments. They should exercise their skill, knowledge and experience in choosing the investment opportunity. The above factors will confuse the investors while investing the money.

Scope of the Study

This project aims to study the behavioral pattern of investment among the professionals. The present study covers level of awareness about various investment alternatives, factors influencing investment decisions, investment portfolio and the long and short term goals of investment.

Objectives of the Study

The objectives of the study are:

- To study the investment preferences of professionals.
- To study the various factors influencing investment.
- To study about the satisfaction level of respondents.

Hypothesis

1. H_0 : There is no significant difference between goals of investment
2. H_0 : There is no significant difference between various investment avenues.
3. H_0 : Social factors have no significant relation to quality of life.
4. H_0 : Economic factors have no significant relation to quality of life.
5. H_0 : Economic factors have no significant relation to social factors.

Methodology

Primary data have been collected by using Google form from samples of 110 respondents. The respondents were professionals employed in various companies in manufacturing, trading and service sectors who are employed at Ernakulum District.

Secondary data is collected from various reports, books, journals, records, etc. and various websites.

Tools for Analysis

The collected data were classified, tabulated and analyzed by using statistical and mathematical tools and techniques like percentages, mean, mode and standard deviation, Correlation analysis, Freedman's test was used to test the hypothesis. The statistical results were derived with the help of the software called Statistical Package for Social Sciences (SPSS).

Review of Literature

Panjali and Kasilingam (2015) state that lifestyle is an important factor which influences the investment behavior of the people. **Rastogi (2015)** strongly supports the presence of behavioral aspects in investment decisions of the investors. **Shah and Verma (2011)**, reveals that it is important to analyze the sentiments of the investors in valuation of the stocks. **Chandra and Kumar (2012)**, pointed out the fact that Indian individual investors are more prone to psychological biases while making financial decision making. **Sireesha and Laxmi (2013)** and **Prabha and Malarmathi (2015)** states that reference groups plays an important role in making investment in

the equity market. **Gour (2013)**, study found that the investment decision of the investors is influenced by other factors like friendly suggestions, advertisements, annual accounts, dividend policies, and foreign market crisis. **Sultana and Prardhasaradhi (2011)**, **Anbar and Eker (2010)** **Sulaiman (2012)**. **Sindhu and Rajitha (2014)** and **Kher and Shende (2013)** reveals that risk tolerance considered as an important factor in saving and investment choices in financial planning. **Sireesha and Laxmi (2013)** It has been found from the study that generally the investors are risk averse and they don't want to put their hard earned money into risky portfolio. **Das (2012)** and **Mistry (2015)** reveals the fact that there is need to enhance the awareness about the financial products to the general public. **Kaur and Kaushik (2016)** state that mutual funds in India have not been as favorable investment alternatives as compared to developed countries. **Sindhu and Kumar (2013)**, points out that participation of Indian households in the equity market either directly or indirectly is very less. **Gour (2013)**, study found that there is no significant association between profile of the retail investors, qualification, age, occupation and decision of investment avenues.

Major portion of the respondents (68.20%) are male and 31.80% are female. Besides most of the respondents are below the age of 30 years are also unmarried. Among the respondents 46.36% respondents are having professional qualification.

Demographic Factors	Item	Frequency	Percentage
Gender	Male	75	68.20
	Female	35	31.80
Age Group	Below 30	57	51.80
	30-40	23	20.90
	40-50	16	14.60
	Above 50	14	12.70
Marital Status	Married	56	50.90
	Unmarried	54	49.10
Qualification	Graduate	11	10.00
	Post Graduate	48	43.64
	Professional	51	46.36

Job Characteristics

The analysis points out the fact that most of the respondents constitute Government employees working in health services. Majority of the respondents are working in middle level position with less than 5 years of experience.

Job Characteristics	Item	Frequency	Percentage
Type of Organisation	Private	37	33.6
	Government	73	66.4
Nature of Organisation	Banking	28	25.5
	Education	28	25.5
	Health	31	28.2
	IT	23	20.9
Designation	Top Level	5	4.5
	Middle Level	75	68.2
	Lower Level	30	27.3
Experience	Below 5 Years	57	51.8
	5-10 years	24	21.8
	10-15 Years	3	2.7
	Above 15 Years	26	23.6

Income Related Factors

Income Level	Item	Frequency	Percentage
Annual Income	Below 2.5 Lakhs	57	51.8
	2.5-5 Lakhs	23	20.9
	5-10 Lakhs	21	19.1
	Above 10 Lakhs	9	8.2
Source of Income for Investment	Own Funds	93	84.5
	Borrowed Funds	1	0.9
	Both	16	14.5
Savings of Income	Below 15%	46	41.8

	15-30%	37	33.6
	30-45%	14	12.7
	Above 45%	13	11.8
Investment of Saved Income	Below 15%	61	55.5
	15-30%	29	26.4
	30-45%	12	10.9
	Above 45%	8	7.3
Source of Information of Investment	Media	24	21.8
	Friends & Relatives	59	53.6
	Bank	22	20
	Brokers	5	4.5
Period of Investment	Short Term	25	22.7
	Medium Term	59	53.6
	Long Term	26	23.6
Short Term Goal of Investment	Return	44	40
	Liquidity	17	15.5
	Safety	40	36.4
	Tax Saving	9	8.2
Long Term Goal of Investment	Retirement Corpus	25	22.7
	Children's Future	44	40
	Dream House	31	28.2
	Others	10	9.1
Investment Decision	Economic Scenario	50	45.5
	Industry Analysis	8	7.3
	Company Analysis	23	20.9
	Credit Rating	29	26.4
Expected Rate of Return	Below Market Rate	50	45.5
	Above Market Rate	60	54.5
Risk & Return	High Risk & High Return	20	18.2
	Medium Risk & Medium Return	57	51.8
	Low Risk & Low Return	33	30
Satisfaction Level	Highly Dissatisfied	0	0
	Dissatisfied	8	7.3
	Neutral	29	26.4
	Satisfied	68	61.8
	Highly Satisfied	5	4.5

More than 50% of the respondents have annual income below 2.5 lakhs. Above 80% of the source of investment is owned funds and only a merge portion of investment is from borrowings. The analysis clearly points out the fact that saving habit is comparatively very poor among the respondents. The main source of information regarding investment avenue among the respondents is friends and relatives (53.60%). Majority of the respondents have medium term investments. The main short term goal of investment is return and long term goal of investment is children's future need. The investment decision of the respondents are mainly depend on the economic scenario of the nation. Majority of the respondents expect a rate of return more than the prevailing market rate for their investment. The study points out the fact that more than half of the respondents prefer moderate risk with moderate return from the investment. More than 60% of the respondents are satisfied with their investment.

Factors Influencing Investment Behaviour

Descriptive Statistics	Item	Mean	SD
Awareness Level	Equity & Mutual Funds	2	0.635
	Bank Deposits & Govt. Security	2.42	0.581
	Insurance	2.27	0.523
	Precious Metals	2.13	0.637
Trend of Investments	Equity & Mutual Funds	2.15	0.792
	Bank Deposits & Govt. Security	2.35	0.851
	Insurance	2.01	0.840

	Precious Metals	1.89	0.839
Rate of Risk	Equity & Mutual Funds	4.16	0.991
	Bank Deposits & Govt. Security	2.72	1.174
	Insurance	3.06	1.078
	Precious Metals	2.99	1.062
Rate of Return	Equity & Mutual Funds	3.76	1.013
	Bank Deposits & Govt. Security	3.3	0.991
	Insurance	3.11	0.902
	Precious Metals	3.27	1.066

Awareness Level of Respondents

The respondents' awareness level about various investment alternatives such as equity and mutual fund, bank deposits, insurance and precious metals have a significant impact on investment decision. Analysis shows that respondents have fairly aware about all alternatives especially about bank deposits and government security. (Awareness Level regarding : Equity and Mutual Funds (AEM), Bank Deposits and Government Security (ABG), Insurance (AI), Precious Metals (APM))

Recent Trend of Investments.

Recent trend of various investment alternatives such as equity and mutual fund, bank deposits, insurance and precious metals have a significant impact on investment decision. Respondent's investment trend is increasing recent years except in precious metal. (Awareness Level regarding: Equity and Mutual Funds (AEM), Bank Deposits and Government Security (ABG), Insurance (AI), Precious Metals (APM))

Expected Risk of Investments.

Expected risk in various investment alternatives such as equity and mutual fund, bank deposits, insurance and precious metals have a significant impact on investment decision. Respondents risk perception on equity and mutual funds is very high and low for bank deposits and government security.

Expected Rate of Return.

The respondents' expected rate of return on various investment alternatives such as equity and mutual fund, bank deposits, insurance and precious metals have a significant impact on investment decision. Respondents expect high rate of return for equity and mutual fund and low return for insurance

Reliability Analysis

A Reliability Test was carried out using Cronbach's Alpha, which measures the internal consistency of research constructs

Reliability Analysis	Item	Frequency	Cronbach's Alpha
Cronbach's Alpha	Social Factor	5	0.70
	Economic Factor	5	0.67
	Quality of Life factor	5	0.77

Reliability test instrument can be done by using Cronbach's Alpha. The instrument has a high degree of reliability if the value of Cronbach's Alpha obtained as follows:

1. If Cronbach's Alpha > 0.90 = very high reliability
2. If Cronbach's Alpha 0.70 to 0.90 = High Reliability
3. If Cronbach's Alpha 0.50 to 0.70 = Reliability is quite high

Since the Cronbach's Alpha value is more than 0.60 the questionnaire items dictated reliable.

Economic Factors

Economic factors like increase of family income, high standard of living, availing of tax exemption, acquire financial and physical assets and provide higher / professional education and training to children are considered. The analysis states that respondents are of the opinion that savings and investment increase family income.

Increase Family Income (EF1), Maintain High Standard of Living (EF2), Availing Tax Exemption (EF3), To Acquire Assets (EF4), Plan about the Higher Education of the Children (EF5).

Social Factors

The social aspects of investments like sense of independence in future, confidence about future, social recognition, financial advice to friends and relatives and participation in social welfare activities are considered. The analysis points out the fact that respondents agree the fact investment allows them to enjoy a sense of independence.

To Enjoy Independence (SF1), To create a sense of confidence about future (SF2), To Enjoy Social Recognition (SF3), To give Financial Advice to Friends and Relatives (SF4) and To Participate in Social Activities(SF5)

Quality of Life

The factors influencing the quality of life such as to meet unexpected expenditure, provide better qualification to children, decorate and furnish house, purchase gold and precious ornaments and social recognition are considered. The analysis discloses the fact that investment enable to meet medical expenditure

Enables to meet medical expenditure (QF1), Enables to provide better education to children (QF2), Enables to construct new house (QF3), Enables to purchase precious metals (QF4) and Enables to maintain financial position (QF5).

Measures	Item	Mean	SD
Economic Factors	EF1	4.30	0.761
	EF2	3.94	0.881
	EF3	3.60	0.931
	EF4	4.04	0.877
	EF5	4.15	0.966
Social Factors	SF1	4.29	0.746
	SF2	4.30	0.685
	SF3	3.63	0.994
	SF4	3.79	0.779
	SF5	3.85	0.960
Quality of Life Factors	QF1	4.39	0.679
	QF2	4.24	0.867
	QF3	3.80	0.896
	QF4	3.59	1.086
	QF5	3.60	1.940

Correlation Analysis

Correlation analysis is carried out to know the relationship between variables like economic, social and quality of life. Each correlation appears twice: above and below the main diagonal. The correlations on the main diagonal are the correlations between each variable and itself.

Measures	Correlation		
	Eco	So	QL
Economic Factors	1	0.46**	0.457**
Social Factors		1.00	0.5582**
Quality of Life Factors			1.000

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

Testing of Hypothesis

H₀: Economic factors have no significant relation to social factors.

Since correlation coefficient is significant at 1% level null hypothesis is rejected. So there is significant relation between economic factors and social factors.

H₀: Economic factors have no significant relation to quality of life.

Since correlation coefficient is significant at 1% level null hypothesis is rejected. So there is significant relation between economic factors and quality of life.

H₀: Social factors have no significant relation to quality of life.

Since correlation coefficient is significant at 1% level null hypothesis is rejected. So there is significant relation between social factors and quality of life.

This table shows the correlation between independent variables like economic factors, social factors, and quality of life. Correlation coefficient should always be in the range of -1 to 1. A correlation is statistically significant if it is "Sig. (2-tailed)" < 0.05. Based on the coefficient of correlation in the above table it is inferred that there exists a high positive correlation between all the variables.

Investment Avenues

H₀: There is no significant difference in the mean rank of various avenues of investments.

Since P value is less than 0.01, the null hypothesis is rejected at 1% significant level, which means that there is significant difference between mean ranks of various investment avenues. So H₀ is rejected and H₁ is accepted.

Fredmen's Test	Item	Mean
Investment Avenues	Equity & Mutual Funds	3.08
	Bank Deposits & Govt. Security	1.45
	Insurance	2.73
	Precious Metals	2.74

The test result give the lowest mean rank of 1.45 for bank deposits and government security followed by insurance with 2.73, precious metals with 2.74 and equity and mutual funds with mean rank of 3.08. The analysis concluded the fact that bank deposits and government security is the most preferred investment avenue.

Goals of Investments

Ho: There is no significant difference in the mean rank of goals of investments

Fredmen's Test	Item	Mean
Goals of Investment	Equity & Mutual Funds	1.93
	Bank Deposits & Govt. Security	2.87
	Insurance	1.56
	Precious Metals	3.64

Since P value is less than 0.01, the null hypothesis is rejected at 1% significant level, which means that there is significant difference between mean rank of goals various investments.

The test result shows lowest mean rank of 1.56 for safety and confidence followed by return with 1.93, liquidity with 2.87 and services with 3.64. The analysis concluded that safety and confidence is most important goal in the selection of various investment alternatives.

FINDINGS & CONCLUSION

The economy is growing significantly and has various investment options. The pattern of Investment will be different for different groups of people. In India there is growing tendency among people to make investment a habit because of their desire to earn additional income for future needs and to enjoy tax advantages.

1. Respondents have fairly aware about all alternatives especially about bank deposits and government security.
2. Respondent's investment trend is increasing recent years except in precious metal.
3. Respondents risk perception on equity and mutual funds is very high and low for bank deposits and government security.
4. Respondents expect high rate of return for equity and mutual fund and low return for insurance.
5. Since the Cronbach's Alpha value is more than 0.60 the questionnaire items dictated reliable.
6. Respondents are of the opinion that savings and investment increase family income.
7. Respondents are of the opinion that savings and investment increase family income.
8. Savings and investment allows them to meet unexpected medical expenditure.
9. Bank deposits and government security is the most preferred investment avenue.
10. Safety and confidence is most important goal in the selection of various investment alternatives.
11. H_0 : Economic factors have no significant relation to social factors.
 H_1 : Economic factors have significant relation to social factors.
 H_0 is rejected and H_1 is accepted.
12. H_0 : Economic factors have no significant relation to quality of life.
 H_1 : Economic factors have significant relation to quality of life of life.
 H_0 is rejected and H_1 is accepted.
13. H_0 : Social factors have no significant relation to quality of life.
 H_1 : Social factors have significant relation to quality of life.
 H_0 is rejected and H_1 is accepted.
14. H_0 : There is no significant difference between mean ranks of investment avenues.
 H_1 : There is significant difference between mean ranks of investment avenues.
 H_0 is rejected and H_1 is accepted.
15. H_0 : There is no significant difference between mean ranks of goals of investment.
 H_1 : There is significant difference between mean ranks of goals of investment.
 H_0 is rejected and H_1 is accepted.

Conclusion

The study titled "Investment behavior of salaried persons" reveals that the majority of the respondents have only low level of savings. Besides, they are given more importance to bank deposit and government securities. The short term goal of investment is return and long term goal is future of their children. Major factors influencing the investment decision is economic scenario. More than half of the respondents prefer medium term investment with moderate risk having moderate return Majority of the respondent are satisfied with the present return at the same time they expect increase in return. Respondents got information regarding the investment from the family members and friends. . So educate the professional to invest more and there by development of the economy.

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