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A Critical Study on Investment Behavious with Special Reference to the Inducing Factors

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Abstract

In the present study project, researcher has explored the subtleties that influence investment behavior. The need to identify and examine the numerous elements impacting respondents' investment decisions led to the selection of this study subject. We carefully consider a broad range of factors that either encourage or discourage investing tendencies among our respondents within the scope of our study. Our study technique mainly relies on secondary data collected from many sources, giving our inquiry a broad viewpoint. This research paper takes a descriptive approach, setting the stage with theoretical foundations that act as a scaffolding for later practical applications, which will be discussed in the following parts. Investors come from a wide range of backgrounds, including differences in gender, age, marital status, place of residence, sources of income, and more. Each group boasts a distinctive collection of viewpoints, tastes in entertainment, information sources, and other distinguishing characteristics. Recognizing the complexity of these decisions, this essay aims to analyze the key elements that drive investors' decision-making processes.

Introduction

Throughout the history of civilization, savings, and investments have been reliable eyewitnesses. Investing was done in a completely different way back then compared to how it is done now. However, there are also examples of other investment vehicles that may be observed today. These include precious metals, land, and cattle. Nevertheless, there has been a significant expansion in investment vehicles recently. Investing may be done for a variety of different reasons. It differs from one historical period to another, from one location to another, and from one individual to another.

One way to think about investing is transforming one's resources into assets that give a return more significant than what would be achievable with the funds alone. To begin, a person's level of economic activity directly correlates to the amount of money that person makes. Because of this revenue, he can meet his requirements by devoting a certain amount to expenditures. There is some amount left over, which is referred to as savings, and he invests the money left over. The process of investing goes like this. In the past, investors faced various challenges, which might take the shape of information, methods, or other options. In today's world, all of these issues have been resolved thanks to the efforts of governments and investment institutions, and the investment process has grown more open.

Earning a higher income than one would typically get via an expected stream of earnings is one of the primary goals of investing. Depending on the characteristics of the financial instrument, an investment in an asset may provide a present or future return. Physical assets, such as precious metals, real estate, and diamonds, among other things, and financial assets, such as deposits, securities, and mutual funds, among other things, are the two categories that are used to classify assets that are used for investments. How the respondents spend their money will, in the end, determine the available investment opportunities. Because human nature differs from person to person, investor behavior cannot be consistent across the board. A diverse set of elements have a role in determining investing behavior. Some of these characteristics may have the dual impact of promoting and discouraging investment. For example, although some individuals find liquidity to be a feature that encourages them to invest, others find it to be a factor that discourages them from withdrawing from investment. Therefore, the variables impact the behavior of investors for investing purposes in this manner.

Review of Literature

An empirical investigation on the most popular types of investments made by rural and semi-urban families has been conducted by Sanjay K. (2011). As the researcher has said, the study aims to identify the link between the demographic parameters of respondents and the investment selection method. The investigation has led the researcher to conclude that the respondents' most popular choice for an investment vehicle is insurance.

Research conducted by Bhardwaj B., Sharma N., and Sharma D. (2013) examines the patterns of income, savings, and investments made by Bahara University Solan workers. Research scholars have identified three primary aspects of investment: environmental securities, the security market, and financial intermediaries. They have also included a variety of objectives to study income consumption saving patterns and patterns of investment in order to investigate in-depth investment avenues and to check the awareness level as well as the preferences of investors. These three aspects of investment are listed below. Researchers have used approaches such as the average, the percentage, and scaling, concluding that eighty percent of respondents are familiar with industrial securities. Nevertheless, just 8% of those funds were invested in them.

Research conducted by Sonali R. (2013) looked at the attitudes of investors regarding investing. Her research touches on several distinct categories of monetary holdings at different points. Her research study offers an analysis of investing behavior and a discussion of investment opportunities and behavioral finance.

Researchers Sathiyamoorthy C. and Krishnamoorthy K. (2015) conducted a study in the Tirruvannamalai district of Tamilnadu to investigate the investing patterns and levels of knowledge of salaried class investors. In their study, they discussed various investment opportunities with the goals of ascertaining the variables that drove investors, analyzing the aspects that influenced the perception and awareness of investors, determining the amount of pleasure investors had, and determining the challenges investors encountered. Researchers from the study field area recruited 960 individuals to fill out a questionnaire for data collection. They then used chi-square, T-test, ANOVA, and factor analysis as tools and methods for analysis and interpretation. They concluded that salaried-class people were investing in future advantages. Most of their investments were put into bank accounts, and their primary investing goals included providing for their children's education and marriage and their financial stability in retirement.

Research Methodology

1. Research Objectives

The following are the research objectives of the study

(1) To find the factors which influence investment behavior.

(2) To analyze the impact of these factors on the investment decision

2. Scope of the Study.

The current investigation is predicated on theoretical premises. The study being presented here is descriptive. In the study, the researcher attempts to identify the elements accountable for participants' investing behaviors. In most cases, many variables affect the investor all at once; however, the degree of their influence varies from situation to situation.

3. Data collection

The research is predicated on analyzing the behavioral patterns of investors when they are in the investing phase; however, secondary data is employed for the analysis since the research is theoretical. The research draws from various sources, such as books, journals, websites, etc.

4. Limitation of the Study

(1) This research uses a theoretical framework as its foundation.

(2) Only criteria related to academic performance are considered. The current research does not have the resources to investigate any potential practical ramifications.

Factors Influencing Investment

Several different variables impact the decisions that investors make about investments. These are the motivations or justifications for investing. In most cases, investors' goals for their investments serve as a set of guiding principles for the whole investing process. However, the variables that influence investment choices play an essential part in the whole process of investing. The effect or impact of the elements differs not just between individuals but also between different times and places. For some people, the element of risk discourages them from doing something.

In contrast, for others, the aspect of risk encourages them. An element that is promising for younger investors is the level of risk. It is possible to say that the effect of the elements changes from person to person and from time to time because when younger people get older, the risk will be seen as a discouraging one. However, this is not the case for older people.

1. Safety

Certainty and safety are inextricably linked to one another. When the level of certainty increases, the level of safety also increases, and vice versa. When we talk about the certainty of investment instruments, we refer to the firmness of obtaining the regular yield on the instruments and the assurance that the investment amount will be returned at maturity. When trying to influence investors, safety quickly becomes one of the most important considerations. Many types of investors, even those who adhere to more conventional ways of thinking, like financial products that provide a higher level of security. The second group consists of contemporary investors who do not place a high priority on safety. Compared to deposits made at banks and post offices, among other instruments, post office deposits are considered safer.

2. Return

Return on investment may be regarded as the primary driving force behind investment decisions made by most investors. There is no distinction between savings and investment if there is no return on the money invested. This is the primary distinction that can be drawn between savings and investments. When money is saved and invested, it may result in opportunities that would not have been available if it had been kept in a savings account. Return may take several forms, including a set return, a variable return, a return received frequently, and a return earned when the investment matures. Higher returns may be obtained by investing in equities, real estate, and equity-oriented mutual funds.

3. Risk

There is a positive correlation between risk and return. Regarding investment instruments, the risk is proportional to the rate of return; conversely, the lower the rate of return, the smaller the risk. It is possible to understand risk in terms of uncertainty, which means that when there is a greater degree of ambiguity about the maturity amount, we may say there is a more significant level of risk. There are three types of investors when it comes to risk: the first is the risk avoider, who tries to avoid risk as much as possible; the second is the risk lover, who prefers the instrument having higher risk; and the third type of investor is the risk moderator, who lies in between the first and second categories and neither accepts nor ignores more risk. Equity shares, real estate, and other investments carry significant risk.

4. Liquidity

One definition of liquidity is the availability of cash or other assets that can be converted into cash. Occasionally, the investment is undertaken for future unexpected needs or requirements in an emergency. The goals of investing are to defer expenditure in the here and now while at the same time making resources accessible and convenient in the future. When we talk about an instrument's liquidity, we refer to its ability to transfer or convert investment instruments into cash or cash equivalents. Despite this, the potential for a lower return exists whenever an excellent supply of any given instrument exists. The liquidity of short-term deposits and securities is often greater.

5. Tax Benefit

The Income Tax Act of 1961 stipulates that specific instruments might be classified as tax-benefited. Let us say an investor decides to put their money into those instruments. In this scenario, he will be eligible for tax advantages by deducting from his taxable income up to the predetermined ceiling or the amount invested, whichever is smaller. Investors with excellent salaries and responsible for making government tax payments are impacted by this issue. This element does not affect investors since they are exempt from paying taxes. Therefore, they cannot be affected by it. This case includes insurance, tax-saving deposits, NSC, ELSS, etc.

Conclusion

It is possible to conclude that all investors are influenced, directly or indirectly, by these elements. The elements thought to be influential at the current moment could not be as important in the future, and these factors, along with everything else, are subject to change. These variables impact investors at every stage of the investing process, from gathering information to use to redeeming or withdrawing money from an investment.

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