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ANALYSIS OF THE FACTORS AFFECTING THE INVESTMENT BEHAVIOR: FROM THE CONTEXT OF KOTA CITY

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ABSTRACT

The theory of prospects and behavioural finance are two behavioural economics-based studies that provide light on how psychological biases influence investing decisions and cause market oddities. In this research, impact of demographic variables along with risk and return on investment behaviour has been analysed. The sample of 113 participants has been collected from the Kota City. The statistical techniques used in this research includes Chi-square test and regression analysis. The findings of this research, shows that only age and gender as the part of demographic factors, have significant impact on investment choice. On the other hand, only return has shown significant impact on the investment choice made by Kota's investors.

Keywords: *Investment Behaviour, Risk and Return, Demographic Factors.*

Introduction

Research Background

A complex interaction of several elements, which may be generally divided into psychological, economic, and external factors, affects investment behaviour. Understanding these elements can help people and institutions make better investing decisions. The level of risk-taking tolerance varies widely among people (Shafi et al 2011). Age, financial objectives, knowledge, traits of personality, and personal prejudices are a few examples of variables that have an impact on risk tolerance. Recent market developments, media attention, and individual experiences can all have an impact on how risk is perceived (Coleman, 2003).

The anticipated time period for accomplishing financial goals is frequently used as a guidance when making investment selections. Longer time horizons may permit greater risk-taking and perhaps better profits whereas shorter time horizons may result in more cautious investments. People are more likely to make wise judgments if they have a better comprehension of financial concepts and investing possibilities (Baig et al 2021). Lack of financial literacy may result in unwise decisions or even the complete avoidance of investing. Investment decisions are influenced by economic data, interest rates, inflation, and broad market movements. While bear markets may result in more cautious behaviour, bull markets frequently promote bolder investments (Bikas & Glinskytė, 2021).

Investment choices can be greatly impacted by behavioural biases including optimism, loss aversion, anchorage, and herd mentality. These biases frequently result in illogical decisions that might not be in line with a person's long-term financial objectives. Low-income people could choose more easily available investments, whereas high-income people might have greater freedom to invest in a range of assets (Ritika, Himanshu, & Kishor, 2023).

Aims and Objectives

The aim of this study is to "Analyse the factors affecting the investment behaviour: from the context of Kota City".

Objectives of the Research

- To analyse the impact of demographic factors on investment choice.
- To determine whether both return and risk have significant impact on investment choice or not.

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Literature Review

The variables chosen for the empirical study were chosen with great care. First, typical demographic factors like age and gender were taken into account because it has been found in other research that women had considerably lower levels of financial literacy than males (Rajasekar et al 2023; Kumar & Kumar, 2019; Klein, 1951). According to research, knowledge of finance is inversely correlated with age (Patil & Nandanwar, 2015).

Second, the researcher wanted to examine how socioeconomic characteristics like academic achievement and indicators of affluence like assets and earnings affect financial literacy. It has been discovered in the past that people with greater degrees of schooling have easier accessibility to financial information and are, as a result, more knowledgeable about money (Mathi & Kunkumapriya, 2014). Financial literacy degrees are inversely correlated with financial status (Gangwar & Singh, 2018). One explanation for this might be because people from low-income households are more likely to fail out of school, which over time lowers their level of financial literacy (Hastings & Mitchell, 2020). In view of Hudson et al (2021) research suggesting that wealth had a favourable effect on financial education, information on if the participant owned a home, had savings for retirement, and held assets was gathered as well to validate this assertion. In this article home ownership, retirement funds, and/or financial holdings acted as stand-ins for wealth.

Third, we introduced variables to the regression model in order to quantify exposure to financial information via conversations with people. According to multiple studies, single people are far more likely than married people to have lower levels of financial knowledge, hence participants were prompted to provide information on their relationship status (Jorgenson, 1963). This occurs because financial obligation poses a serious danger to married people's ability to maintain healthy marriages, making it more important for them to become more financially literate (Kandpal & Mehrotra, 2018).

According to Altaf & Jan (2023), greater exposure to finances and economics programs in school has a favourable effect on one's financial methods, and graduates of Economics, Business Administration, and The field of accounting have a higher level of financial literacy. The investigation additionally looked at if the participant's profession and/or schooling was associated with financial services.

Research Methodology

- **Research Approach**

In this research, quantitative data will be collected. Hence, to analyse the outcome, scientific approach will be employed. The scientific approach lies under positivism philosophy. As per this philosophy, scientific approach can be used to study the human behaviour and apply the outcome to entire population.

- **Sample Collection**

In this research, data has been collected from primary source through online questionnaire. The sample of 113 participants have been collected in this research. The technique of sample collection used in this research is random sampling method. The selected participants can be divided based on educational background, gender, occupation, age and income range. Hence, it can be commented that the collected sample is diverse and random. The sample has been collected through sharing the online questionnaire to the persons living in Kota city.

- **Data Analysis Technique**

The collected data has been analysed in SPSS software. The collected data has been divided into dependent and independent variables. All the demographic variables such as age, gender, education, occupation and income level have been considered as independent variables. On the other hand, availability of market information, risk and return have also been taken as independent variables. Type of investment option considered by participants and frequency of investment have been taken as dependent variable. These variables will show investment option or choice. However, only “type of investment option” has been considered to reflect the investment behaviour of the investors.

Both descriptive as well as statistical techniques have been used to analyse the collected sample. In descriptive analysis, mean, standard deviation, minimum, maximum, Kurtosis and Skewness have been employed to get overview of the collected sample. On the other hand, in statistical technique, both Chi-square and Regression test have been used to fulfil the objective.

Data Analysis
Descriptive Analysis

- **Demographic Variables**

Table 1: Demographic Variables

Statistics						
		Age	**Return**	**Risk**	**Frequency**	**Type**
N	Valid	113	113	113	113	113
Mean		38.73	4.05	2.34	3.25	2.33
Std. Deviation		14.369	1.093	1.300	1.199	1.417
Skewness		.671	-1.152	.541	-.240	.646
Kurtosis		-.738	.640	-.969	-1.072	-.993
Minimum		17	1	1	1	1
Maximum		72	5	5	5	5

As per the above table, the average age of the participants is 39 years. This indicates that majority of the participants belong to mature age. On the other hand, average participants attract by 4.05 level of return out of 5, while making investment decision. Thus, it can also be stated, majority of participants expects high return for their investment. Contrary to this, the risk level taken by investors is 2.34. This level lies under low risk or near to moderate risk. The value of risk above return indicates that majority of participants are concerned for the investment options that provides high return at moderate risk. The average frequency of investment done by the participants is 3.25. This indicates that majority of participants frequently invests to earn high return. The average type of investment is 2.33, which indicates that majority of participants considers highly secured assets or investment options. This result aligns with their low risk preference.

The value of standard deviation for all variables are lower than its mean value. This indicates that there is low variance within the collected data set. This further indicates that preferences and frequency of all the participants are identical. The analysis of Skewness indicates that the value of Skewness of Age, Return, Risk and Type do not lie under the range between -0.5 and 0.5. This implies that collected data is not normally distributed. On the other hand, Skewness of Frequency lies under the range between -0.5 and 0.5. This implies the data for this variable is normally distributed. Apart from this, value of Kurtosis for all variables are below 2. This implies that given variables does not consist large number of outliers within the data set.

- **Other Demographic Variables**

Gender

Table 2: Gender

Gender			
		Frequency	**Percent**
Valid	Female	52	46.0
	Male	61	54.0
	Total	113	100.0

The table shows that majority of participants around 54% are males and 46% are females. This implies that the result is applicable to male participants.

Occupation

Table 3: Occupation Description Table

Occupation			
		Frequency	**Percent**
Valid	Freelancer	9	8.0
	Government Job	21	18.6
	Other	10	8.8
	Own business	29	25.7
	Private Job	32	28.3
	Student	12	10.6
	Total	113	100.0

The above table shows that majority of participants doing private job or have their own business. Moreover, 10.6% participants are students and only 8% participants are freelancers. Thus, the result will applicable to private job personnel and business owners.

Income Range per Month

Table 4: Income Range Description

Income Range per Month			
		Frequency	**Percent**
Valid	20,000 - 40,000	21	18.6
	41,000 - 60,000	27	23.9
	61,000 - 80,000	23	20.4
	Above 80,000	30	26.5
	Below 20,000	12	10.6
	Total	113	100.0

The above table displays that around 26.5% participants earns income above 80,000 INR per month. On the other hand, 23.9% participants lie under the income range between 41,000 INR and 60,000 INR. The income ranges of majority of participants having age above 80,000 INR indicates that the majority of participants belong to richer segment.

Educational Background

Table 5: Educational Background

Educational Background			
		Frequency	**Percent**
Valid	Arts	36	31.9
	Commerce	36	31.9
	Engineering	17	15.0
	Science	24	21.2
	Total	113	100.0

The above table shows that majority of participants which is 63.8% (31.9% + 31.9%) belongs to arts and commerce background. This signifies that selected participants have financial knowledge.

Market Information

Table 6: Market Information Descriptive

Market Information			
		Frequency	**Percent**
Valid	No	65	57.5
	Yes	48	42.5
	Total	113	100.0

The above table signifies that majority of the participants, which is around 57.5% does not have enough market information while making investment choice. On the other hand, 42.5% participants' claims that they have enough market information at the time making investment decision. This signifies that market information is available in the market, but it's upon the investor how he grabs that information.

Motive

Table 7: Motive description

Motive			
		Frequency	**Percent**
Valid	Additional income	46	40.7
	Circulation of money	10	8.8
	Passive income	30	26.5
	Saving	1	.9
	Tax Saving	26	23.0
	Total	113	100.0

The above table shows that majority of the participants, which is around 40.7% have the motive of earning additional income while making investment decision. On the other hand, only 26.5% have the primary motive of earning passive income while making investment decision.

Statistical Analysis

- **Regression Analysis**

Impact of Age on Investment Choice

Table 8: Regression Table (Age)

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	2.884	.382		7.542	.000
	Age	-.014	.009	-.146	-1.551	.124
a. Dependent Variable: Type						

In the above regression table, the value of p is lower than 0.05 (0.00 < p < 0.05). Hence, null hypothesis will be rejected and it can be interpreted that age has significant impact on investment choice by the investors.

Impact of Return and Risk on Investment Choice

Table 9: Regression Table (Return and Risk)

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.583	.409		1.427	.156
	Return	.026	.097	.020	.272	.786
	Risk	.701	.081	.643	8.635	.000
a. Dependent Variable: Type						

As per above table, the value of p of return is higher than 0.05, while value of p of risk is lower than 0.05. Hence, it can be interpreted that only risk factor has significant impact on investment choice.

- **Chi-square Test**

Gender

Table 10: Gender – Frequency of Investment

Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	11.969[a]	4	.018
Likelihood Ratio	12.675	4	.013
N of Valid Cases	113		

The result indicates that the value of p is lower than 0.05 (0.018 < p < 0.05). This indicates that gender has significant impact on frequency of investment.

Table 11: Gender – Type of investment

Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	11.828[a]	4	.019
Likelihood Ratio	12.186	4	.016
N of Valid Cases	113		

The above table also shows the value of below 0.05 (0.019 < p < 0.05). Hence, null hypothesis will be rejected and it can be interpreted that gender has significant impact of type of investment selected by the participants.

Overall, it can be claimed that gender has significant impact on investment choice of the selected participants.

Occupation

Table 12: Occupation – Type of Investment

Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	22.687[a]	20	.304
Likelihood Ratio	22.836	20	.297
N of Valid Cases	113		

The above table shows that the value of p is above 0.05 at 0.304. This signifies that occupation does not have significant impact on the investment choice.

Educational Background

Table 13: Educational Background – Type of Investment

Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	18.748[a]	12	.095
Likelihood Ratio	19.397	12	.079
N of Valid Cases	113		

In the above table, the value of p is above 0.05 at 0.095. Hence, null hypothesis will be accepted and it can be commented that educational background does not have significant impact on investment choice.

Motive

Table 14: Motive – Type of Investment

Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	22.303[a]	16	.134
Likelihood Ratio	22.893	16	.117
N of Valid Cases	113		

In the above chi-square table, the value of p is above 0.05 ($0.134 > p > 0.05$). Hence, null hypothesis will be accepted and it can be interpreted that motive has no significant impact on investment choice.

Conclusion

In conclusion, investing behaviour is a complex phenomenon that is influenced by a variety of psychological, economic, and environmental factors. These elements are frequently taken into consideration by successful investors, who work to make informed choices that are in line with their financial objectives and risk tolerance.

Based on statistical outcomes, it can be concluded that only age and gender as the part of demographic factors have significant impact on investment choice. Other demographic variables have failed to show any significant impact on the investment choice. The regression outcome shown that risk attitude of the investors also has significant impact on their investment choice.

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