

A STUDY OF FACTORS AFFECTING INDIVIDUAL INVESTORS' FINANCIAL DECISIONS WITH REFERENCE TO INVESTMENTS IN MUTUAL FUNDS IN INDIA

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ABSTRACT

Investment in mutual fund have been a crucial decision for every investor. Investors difficulties are numerous form knowledge of the product to technical complexity interpreting the market fluctuations. Present research is an effort to understand the problems in investment decision making. Researchers have developed a questionnaire to understand the issue related in investments. The questionnaire has been tested for the validity and reliability. The researchers have focused on the issues related with the investments. The findings suggested that technical unawareness, ambiguity, anticipated risks, traditional approaches, investment Influencers, trend imitation, fear of not gaining the profit are the major issues that negatively effect the investment decisions.

Keywords: Behavioural finance; Investment decisions; Prospect theory; Heuristic theory; Over and under theory; Regret theory

INTRODUCTION

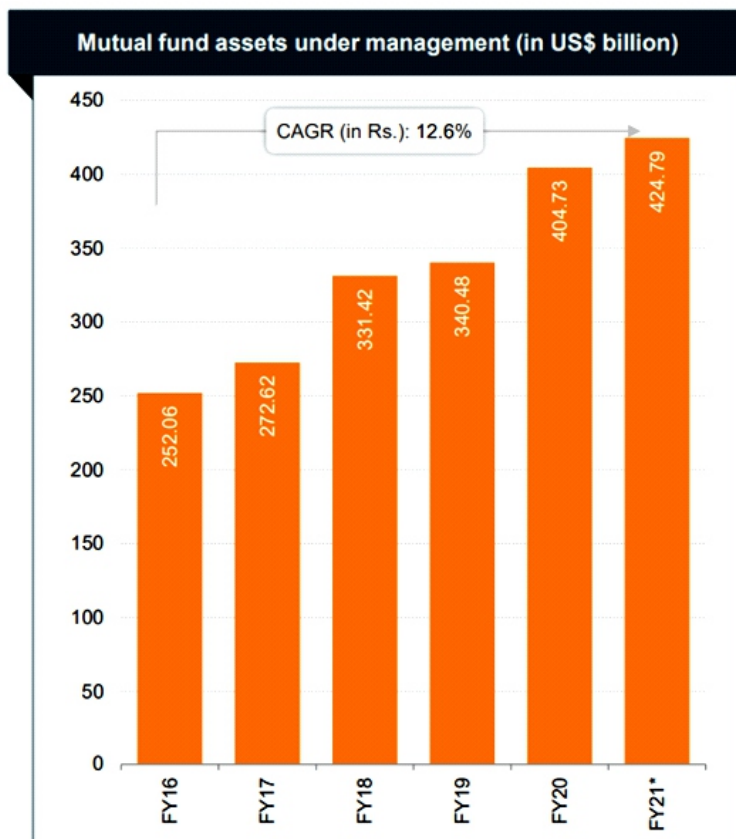
Researcher wanted to study the investment decision formation of individual investors. It is not possible for researcher to study the investment decision process for every investment options. Further it is another consideration that the way one decides to invest in one option similarly he will invest in other investment option. For the present study the researcher has selected the mutual funds as investment options.

Mutual fund is profitable investment option in modern scenario. Throughout recent many years, mutual funds have turned into an essential investment for individual investors. At the turn of the twenty-first 100 years, the number of mutual funds in the US surpassed the number of protections recorded on the New York Stock Trade. Contrasted with direct investments in individual stocks and securities, mutual funds

offer the benefits of liquidity and enhancement for a generally minimal price. While the prominence of mutual funds is generally later, the starting points of mutual funds date back to the beginning of coordinated stock exchanging.

Average Assets Under Management (AAUM) of Indian Mutual Fund Industry for the month of July 2022 stood at ₹ 37,76,911 crore. Assets Under Management (AUM) of Indian Mutual Fund Industry as on July 31, 2022 stood at ₹ 37,74,803 crore. The AUM of the Indian MF Industry has grown from ₹ 7.30 trillion as on July 31, 2012 to ₹37.75 trillion as on July 31, 2022 more than 5-fold increase in a span of 10 years. The MF Industry's AUM has grown from ₹ 19.97 trillion as on July 31, 2017 to ₹37.75 trillion as on July 31, 2022, around 2-fold increase in a span of 5 years.

Fig 1.1: Mutual fund over the years



In FY20, corporate investors AUM stood at US\$ 167.64 billion, while HNWI and retail investors reached US\$ 123.29 billion and US\$ 78.37 billion, respectively.

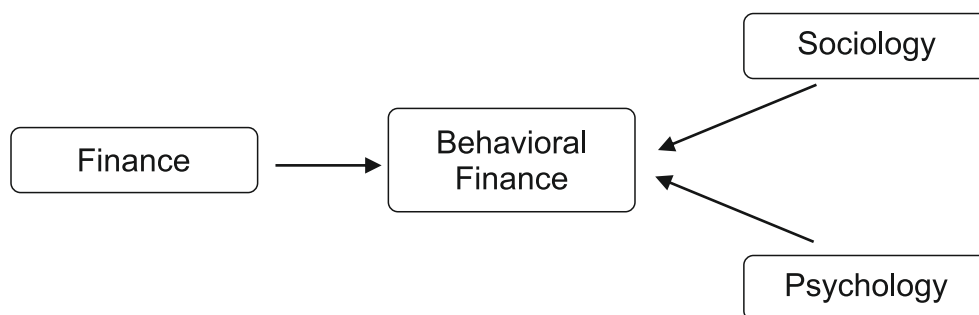
In the third quarter of 2020, AUM for SBI Mutual Fund stood at US\$ 62.65 billion.

The researcher has tried to know about the impact of these theories on investment decisions.

Here researcher has tried to detail the behavioral finance theories to elaborate that how behavioral finance plays a role in modern investment decisions. Behavioral finance coordinates

psychology and sociology in finance hypothesis. It is another worldview of finance that looks to supplement the advanced speculations of finance by presenting a behavioral perspective to give clarification to why investors make silly choices. Behavioral finance is the investigation of the impact of mental variables on investment choice. Behavioral finance is a moderately late and high-effect worldview which gives an intriguing option in contrast to traditional finance. It is very well known in securities exchange across the world for investment choices.

BEHAVIORAL FINANCE



source: <https://shodhganag.inflibnet.ac.in/handle/10603/321961>

Behavioral finance is the study of psychology and sociology on the behavior of the financial practitioners and their effect on the security market. It helps to understand why people buy or sell stock without doing fundamental or technical analysis and behave irrationally in investment decisions.

LITERATURE REVIEW

Filbeck, G., Ricciardi, V., Evensky, H. R., Fan, S. Z., Holzhauser, H. M., & Spieler, A. (2017) provides an overview of behavioral finance and discusses different types of behavioral biases; how they influence private and institutional wealth management clients and professionals, corporate decision making, and traders; generational and gender differences in asset allocation and estate planning; as well as identifying future areas of research.

Javed, M. A., & Marghoob, S. (2017) to investigate the effect of behavioural elements such as Market Factors, Overconfidence Factor, Prospect Factors, Anchoring Factor, and Behavioural Factors on individual investors and institutional managers in the stock exchanges of Pakistan. The regulators of the stock market cannot ignore the behaviour of individual investors. Many individuals find investments to be fascinating because they can participate in the decision-making process and see the results of their choice

Kandpal, V., & Mehrotra, R. (2018) attempts to analyze the behavior of investors towards investment pattern and to analyze the factors which an investor takes into consideration while taking Investment decision. Faculty members in Uttarakhand were surveyed using questionnaire.

Widyastuti, U., Febrian, E., & Fitrijanti, T. (2019) aims to develop propositions about the antecedents of market discipline of Sharia mutual funds. Design/Methodology/Approach: This paper elaborates some scholars, which have applied Theory of Planned Behaviour to predict financial behavior, for developing the propositions. Obeng, G. (2020) investigates how behavioural finance is a distinct concept and theory as cognitive psychology or diagnostic phenomenon in distortions in investment

decision. Literature is perused to address the study objective. In the contemplation of the study behavioural finance may deviate as a unique concept on its own in investment decision making, but catalyst and arbiter for goal congruence to be achieved at any stage in the decision process. Widyastuti, U., Febrian, E., Sutisna, S., & Fitrijanti, T. (2021) aims to determine antecedents of market discipline. A model was constructed by extending the theory of planned behavior (TPB) to explore the cognitive, psychological and social factors that influence the market discipline in the form of withdrawal behaviour.

The researchers have found that there are very few studied that focuses on the issues of investment in recent years. So, to fill the research gap researchers have proposed resent study.

RESEARCH METHODOLOGY

Objectives:

To study the investors aspects during investments in financial instruments

To suggest measures to improve the investment activities of individual investors

Hypothesis:

1. There is no significant impact of technical awareness with investors decision making for investment in mutual funds
2. There is no significant impact of ambiguity for the product with investors decision making for investment in mutual funds
3. There is no significant impact of anticipated risks with investors decision making for investment in mutual funds
4. There is no significant impact of traditional approaches of investments with investors decision making for investment in mutual funds
5. There is no significant impact of investment influencers with investors decision making for investment in mutual funds
6. There is no significant impact of trend imitation with investors decision making for investment in mutual funds
7. There is no significant impact of fear of not gaining the profit with investors decision making for investment in mutual funds

KMO and Bartlett's Test:

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.698
Bartlett's Test of Sphericity	Approx. Chi-Square	11486.035
	df	990
	Sig.	.000

Kaiser-Meyer-Olkin (KMO) Test is a measure of how well-suited data is for factor analysis. Different scholars of statistics have different views for accepting KMO value. In practice value between 0.80 to 1.00 is excellent. A value between 0.60 to 0.80 is middling. Value of research data is 0.698 (approximately 0.70) which can be considered acceptable for sampling adequacy. The sig. value for Bartlett's Test of Sphericity is 0.000. For factor analysis to be recommended

suitable, the Bartlett's Test of Sphericity must be less than 0.05. So, the current data is adequate for factor analysis.

Reliability Test

Most commonly used measurement tool for reliability is Cronbach's Alpha. Value above 0.600 is considered to predict a reliable tool. The tool shows Cronbach's Alpha 0.751 that is predicting that our tool is reliable and repeats the research results.

Reliability Statistics	
Cronbach's Alpha	N of Items
.751	45

Item- Total Statistics shows that if we delete any of 45 items how much it will increase the reliability of tool. The study of 'Cronbach's Alpha if Item deleted' column shows that deleting any item is not making any significant change in reliability. So, all 45item are considered for tool.

articles, the absolute most common financial mistakes that frequently lead individuals to major financial difficulty. Few of the major financial decision errors are as follows:

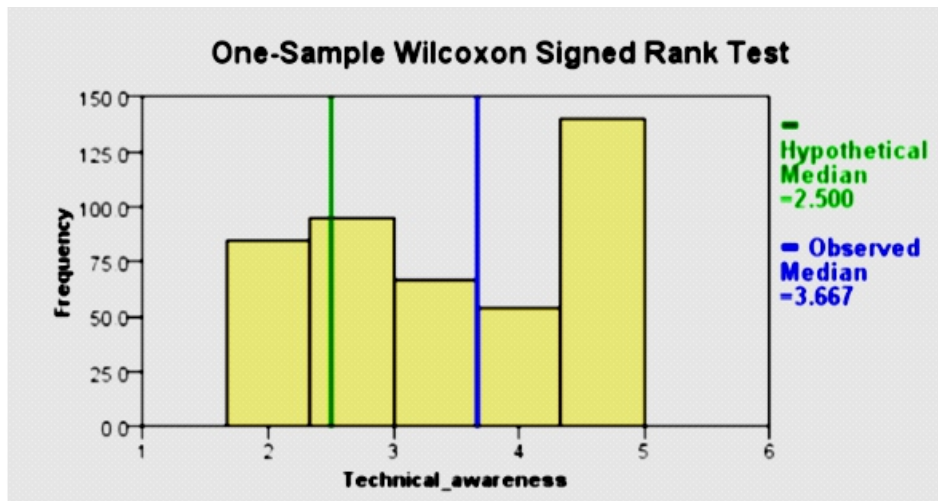
1. Technical awareness

There is no significant impact of technical awareness with investors decision making for investment in mutual funds.

DATA ANALYSIS AND FINDINGS

Here researcher has investigated from reports and

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The median of Technical_awareness equals 2.500.	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.
Asymptotic significances are displayed. The significance level is .05.				



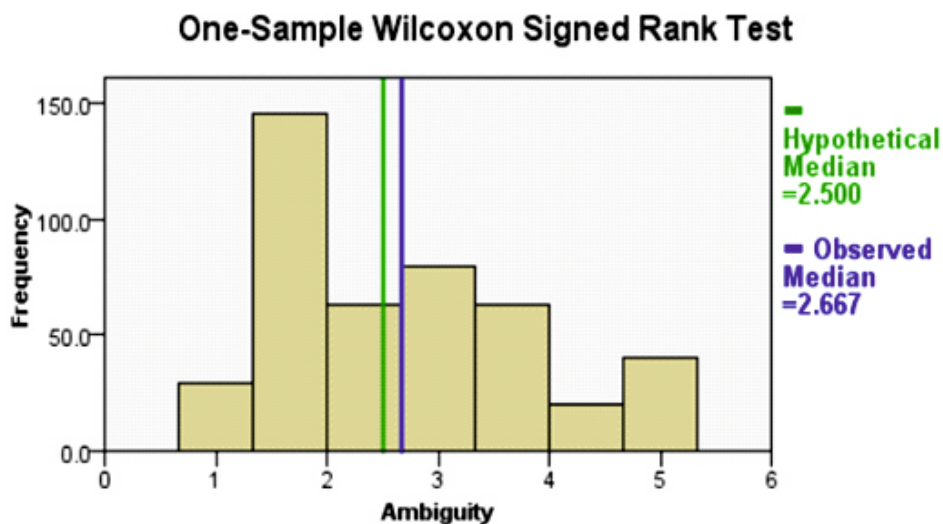
The respondents feel that technical awareness will help investments. New investment options are not so common for the investors. They fear of loss in it. Most of the financial investments are regulated under banking, investment, share market, insurance and other regulatory bodies. Documentation and other investment compliances make it difficult for investors to make a proper investment decision.

2. Ambiguity

Often the investment options do not clarify the returns. Fixed return investment options are not included in it. But share market and other flexible return markets create ambiguity for the investors. They could not clearly understand that what will happen to the money they invest. Such ambiguity in investment options forces the investors to invest in fixed deposits or banks. This many a time reduces the returns, which a customer could actually have.

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The median of Ambiguity equals 2.500.	One-Sample Wilcoxon Signed Rank Test	.001	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.



The test suggested that respondents feel that ambiguity of the financial product stops them to invest in mutual funds.

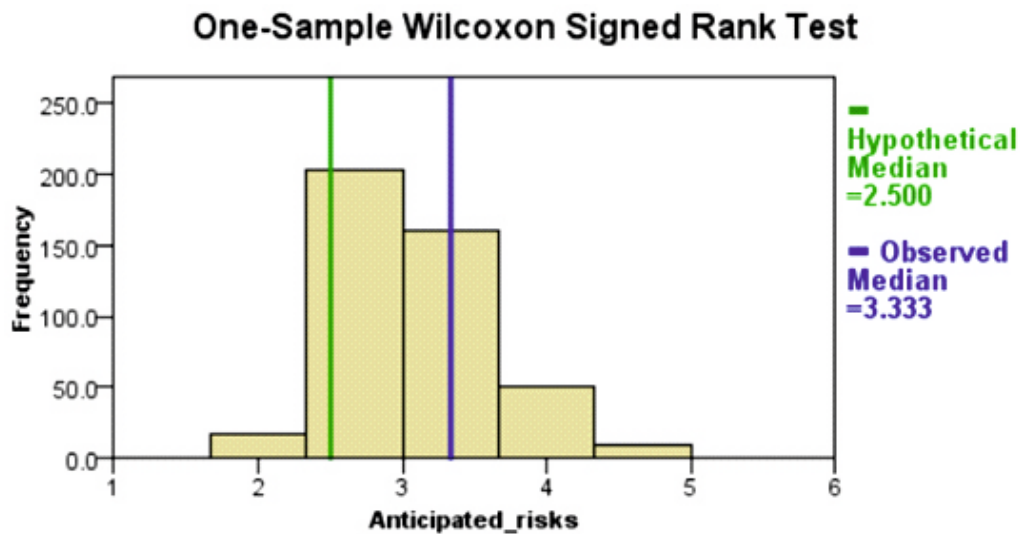
3. Anticipated risks

	Null Hypothesis	Test	Sig.	Decision
1	The median of Anticipated_risks equals 2.500.	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Most of the financial investment option use disclaimers to make customers aware. In their advertisements jingles like 'read the offered document carefully' or 'investment on your own risk'. The objectives of such disclaimers are to make the investors aware. But human psychology

works in different way. The negative anticipations occupy the brain first. Investors mostly think that they will be cheated and might lose their hard-earned money. So, the anticipate the risk by avoiding investments in share markets and mutual funds.

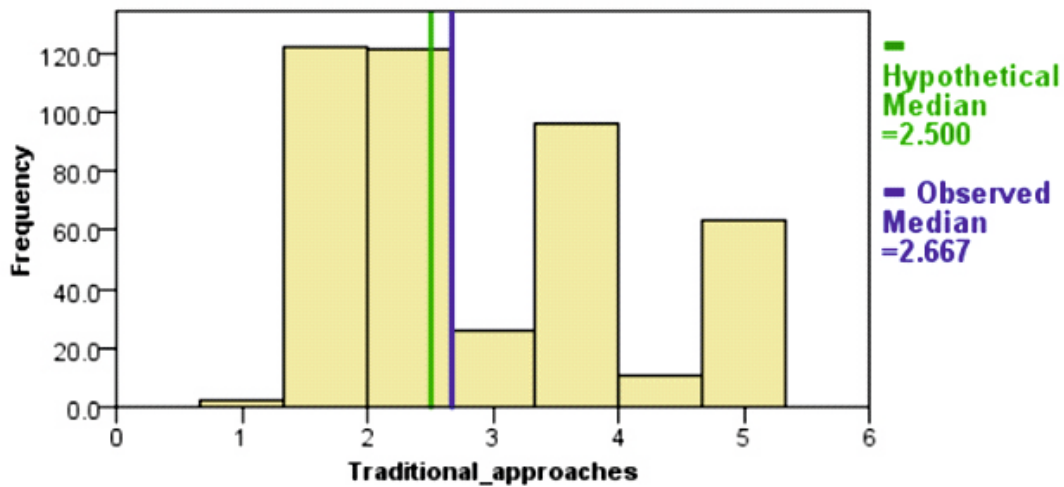


4. Traditional approaches

	Null Hypothesis	Test	Sig.	Decision
1	The median of Traditional_approaches equals 2.500.	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

One-Sample Wilcoxon Signed Rank Test



Investing in gold and real estate is still considered as an important way of investment in the middle-class Indian families. Indian buying behaviour is influenced by family members. Investment decisions are no exception. Before investment individual asks their parents in general or elder ones. Their openness to investment options decides the faith of the investor. Still, most of the people believe that investing in real gold or

buying property is investment. But most of the real estate become a depreciating asset now a days. A flat, apartment or land in society needs maintenance expenses from day one of buying. If the property is in any multi story building it has its demolition dates fixed and as the property gets older the prices may fall in comparison to any other investment.

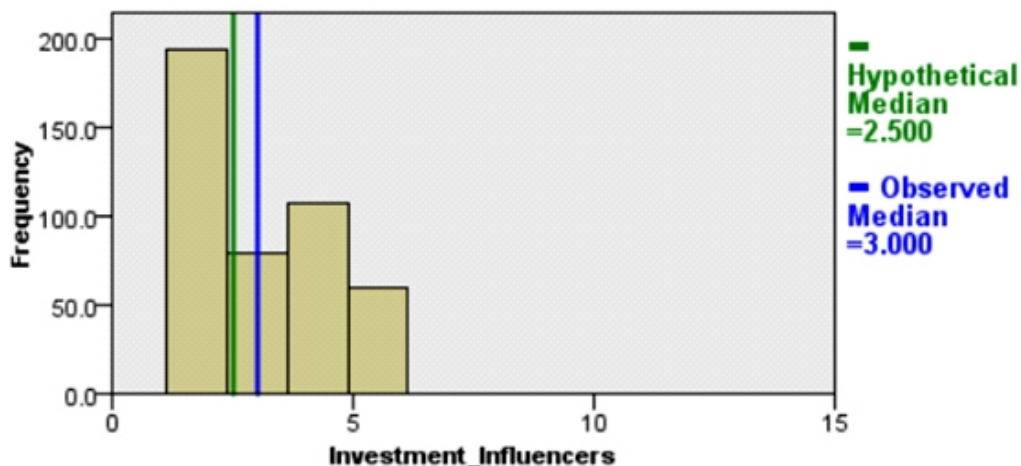
5. Investment Influencers

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The median of Investment_Influencers equals 2.500.	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

One-Sample Wilcoxon Signed Rank Test



Now a days a major problem in information flood. Internet is over loaded with solutions for each and every problem. Researcher has searched for investment training online. It was found the contents are numerous but without credibility. New investors try to acquire knowledge about investments. YouTube is filled with medio

tutorials of investment training. One says an investment option risky where as other predict it as most powerful investment option. These fill the investors brain with false and less credible knowledge that ultimately results in a bad investment decision.

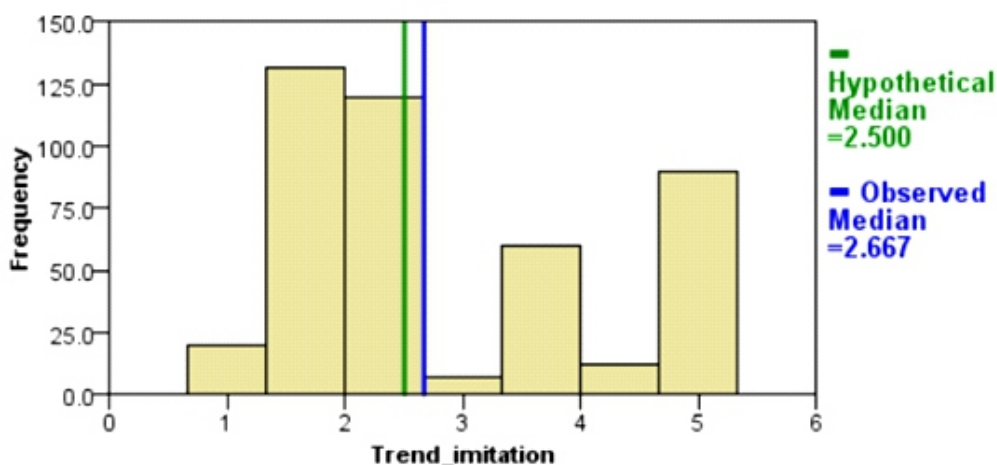
6. Trend imitation

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The median of Trend_imitation equals 2.500.	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

One-Sample Wilcoxon Signed Rank Test



Individuals often try to copy the investment options that gave profit to others. They ask their family members, neighbours, office friends that which investment option they have used to get money. Investors often fell pray of trends and invest wrongfully. Now a days investments in

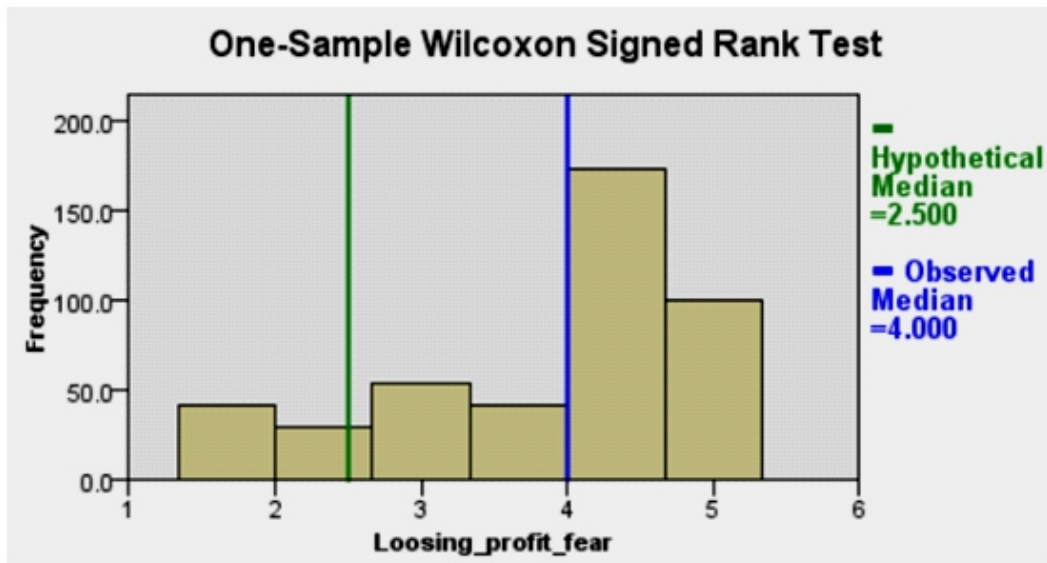
digital arts are going on. People are buying and selling Non fungible tokens. No one exactly knows the use or the future of these tokens. Such trend imitation is also a major problem in the front of investors.

7. Fear of not gaining the profit

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The median of Loosing_profit_fear equals 2.500.	One-Sample Wilcoxon Signed Rank Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.



Some investors are very curious. They try to be the first movers in most of the cases. They do not want to lose any profit-making opportunity. Such tendency gives them audacity to take risk beyond the calculation. People now a days have also bought plots in meta verses. The virtual world may fall in simple technical glitch or fail of server. But in the quest of making gains the invest wrongfully.

CONCLUSION

Researchers have tried to find out that what types of issues prevent the investors for investing in right instrument. Mostly unawareness, education and application of the complex analysis in predicting the outcome stops investors to invest in mutual funds. If investors can overcome these barriers they can earn significantly. The objectives for the individual are different for investments but it is the most acceptable fact that individuals cannot get financial security unless they invest. Investment consultation is becoming a booming business, as everyone is not technical enough to understand the investment options. In such a scenario it becomes very important to understand the factors behind the investment decisions of individuals. Researcher has tried to explain the issue in the light of behavioural finance (factors influencing investment decision) and mutual funds (investment option).

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