THINK INDIA JOURNAL

ISSN:0971-1260

Vol-22-Issue-33-December-2019

A Study on Factors Affecting Investment Decision of Individual Investors in Stock Market in Greater Chennai

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ABSTRACT

Investment decision is a highly difficult action for individual investors particularly in the dynamic atmosphere with an array of investment choices available. Investment decisions are not simply made because they are depending on financial resources of investors and complicated investment models. Personal financial needs, accounting information, reputation of company and advice are factors affecting investment decision of individual investors in stock market. Significant difference is witnessing between profile of profile of investors and factors affecting their investment decision in stock market. Personal financial needs, accounting information, advice and reputation of company have positive and significant effect on investment behaviour of investors in stock market. Therefore, investors should make investment decisions based on their personal needs, meeting emergencies and uncertainties and diversification. Investors must be informed timely and adequately by policy makers, government, stock market and companies.

Keywords: Factors, Investment Decision, Investors, Stock Market

1. INTRODUCTION

Investment decision is a highly difficult action for individual investors particularly in the dynamic atmosphere with an array of investment choices available (Kannadhasan, 2010). Investment decisions are not simply made because they are depending on financial resources of investors and complicated investment models. Investors should be attentive and up to date to attain their financial objectives (Farooq et al 2015). Majority of financial theories indicate that investors are acting rationally and analyze all available information for making their investment decisions (Waweru et al 2008).

Investment decisions are frequently supported by various tools of decision and it is believed that structure of information and market factors are systematically affecting investment decision among individual investors (Hussein, 2007) and performance of market and investors are made decisions based on psychological principle of decision making and fundamental financial principle (Dimitrios, 2007). In despite of rational anticipations, there is large number of factors presently prevailing in the stock market affecting investment decision of individuals (Letkiewicz and Fox, 2014). Thus, it is essential to study factors affecting investment decision of individual investors in stock market in greater Chennai.

2. REVIEW OF LITERATURE

Mohanta and Debasish (2011) found that high returns, regular returns, safe and anticipated future returns were affecting investors' decision on investments Jain and Mandot (2012) concluded that personal attributes namely age, gender, marital status, annual income and knowledge were significantly effecting decision of investors.

Bhawana et al (2013) revealed that level of return, degree of risk, safety, social, psychological and personal features were affecting investment decision of individual investors. Jagongo and Mutswenje (2014) indicated that image and age of companies, past performance, earnings in future, share prices and economic status were effecting decision of investors.

Islamoglu et al (2015) stated that previous experience, annual income, market atmosphere, recommendation of peers and risk had effect on decision of investors. Amudhan et al (2016) found that degree of risk, security, predicted returns and psychology had influence on decision of investors.

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Foerster et al (2017) concluded that tolerance for risk, personal factors, financial objectives, suggestions of peers and anticipated benefits were affecting investment decision of individuals. Sivarajan (2018) revealed that prior experience, return in coming years, recommendations of family and friends, self confidence and risk level had influence on investors in making investment decision. Wadhwa et al (2019) indicated that risk, optimistic feelings, efforts and investment decisions had effect on investment decision of investors.

3. OBJECTIVES OF THE STUDY

i) To find factors affecting investment decision of investors in stock market.

ii) To inspect difference between profile of profile of investors and factors affecting their investment decision in stock market.

iii) To assess effect of factors affecting investment decision on investment behaviour of investors in stock market.

4. METHODOLOGY

The present study is conducted in Greater Chennai. Investors are selected by employing convenience sampling method and data are received from 300 investors through questionnaire. Percentages are used to understand profile of investors. An exploratory factor analysis is applied to find factors affecting investment decision of investors in stock market. ANOVA test and t-test are used to inspect difference between factors affecting investment decision in stock market and profile of investors. Regression analysis is employed for assessing effect of factors affecting investment decision on investment behaviour of investors in stock market.

5. RESULTS

5.1. PROFILE OF INVESTORS

The profile of investors is given in Table-1. The results explicate that maximum number of investors are males (63.67 per cent), whilst, minimum number of investors are females (36.33 per cent) and highest number of investors fall within age range of 31– 40 years (30.66 per cent), whilst, lowest number of investors fall in age of above 50 years (19.00 per cent). The results display that maximum number of investors are under graduates (30.33 per cent), whilst, minimum number of investors have education of higher secondary (21.67 per cent). Largest number of investors is in annual income group of Rs.7,00,001 – Rs.10,00,000 (32.00 per cent), whilst, lowest number of investors is in annual income group of less than Rs.4,00,000 (19.33 per cent) and highest number of investors are married (74.67 per cent), whilst, lowest number of investors are unmarried (25.33 per cent).

Table-1: Profile of Investors

Profile	**Number of Investors**	**Percentage**
Gender	**300**	
Male	191	63.67
Female	109	36.33
Age		
Below 30 Years	68	22.67
31– 40 Years	92	30.66
41 – 50 Years	83	27.67
Above 50 Years	57	19.00
Education		
Higher Secondary	65	21.67
Diploma	70	23.33
Under Graduation	91	30.33
Post Graduation	74	24.67
Annual Income		
Less than Rs.4,00,000	58	19.33

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Rs.4,00,001 – Rs.7,00,000	77	25.67
Rs.7,00,001 – Rs.10,00,000	96	32.00
More than Rs.10,00,000	69	23.00
Marital Status		
Married	224	74.67
Unmarried	76	25.33

5.2. FACTORS AFFECTING INVESTMENT DECISION OF INDIVIDUAL INVESTORS IN STOCK MARKET

The factors affecting investment decision of individual investors in stock market is explored by applying an exploratory factor analysis and outcomes are given in Table-2. Value of Kaiser-Meyer-Olkin test to measure sampling adequacy is 0.864 and Chi-Square value of Bartlett's test of Sphericity is 0.0072 and it is significant in one per cent level displaying factor analysis method is apt. Four factors attained have 72.17 per cent of variations on variables included in the study.

Table-2: Factors Affecting Investment Decision of Individual Investors in Stock Market

Factor	Variables	Rotated Factor Loadings	Eigen Value	% of Variation	Factor Name
I	Emergency needs	0.69	3.21	26.48	**Personal Financial Needs**
	Future needs	0.66			
	Family needs	0.67			
	Uncertainty	0.64			
	Diversification	0.65			
	Ease of use	0.63			
II	Past earnings	0.66	1.74	20.35	**Accounting Information**
	Anticipated dividends	0.67			
	Previous performance	0.63			
	Future earnings	0.68			
	Anticipated bonus	0.64			
III	Size of company	0.68	1.36	15.10	**Reputation of Company**
	Age of company	0.65			
	Image of company	0.67			
	Ownership of company	0.63			
IV	Advice of friends	0.65	1.03	10.24	**Advice**
	Advice of family	0.63			
	Advice of share brokers	0.67			
	Cumulative % of Variation	-	-	72.17	-
	Cronbach's Alpha	-	-	-	0.85

Principal Component Analysis

Varimax Rotation

Converged in 8^{th} iterations

Factor - I consists of emergency needs, future needs, family needs, uncertainty, diversification and ease of use. Thus, this factor is described as **Personal Financial Needs.**

Factor - II contains past earnings, anticipated dividends, previous performance, future earnings and anticipated bonus. Hence, this factor is stated as **Accounting Information.**

Factor - III comprises of size of company, age of company, image of company and ownership of company. So, this factor is labeled as **Reputation of Company.**

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Factor - IV includes advice of friends, advice of family and advice of share brokers. Therefore, this factor is named as **Advice.**

Personal financial needs, accounting information, reputation of company and advice are factors affecting investment decision of individual investors in stock market.

5.3. PROFILE OF INVESTORS AND FACTORS AFFECTING THEIR INVESTMENT DECISION IN STOCK MARKET

The distribution of investors based on factors affecting investment decision in stock market is given in Table-3. By applying Mean ± SD, the factors affecting investment decision in stock market are broken in to high, moderate and low level. Mean and SD values are 67.95 and 8.90 correspondingly.

Table-3: Distribution of Investors Based on Factors Affecting Investment Decision in Stock Market

Factors Affecting Investment Decision	Number of Investors	Percentage
Low Level	77	25.67
Moderate Level	119	39.66
High Level	104	34.67
Total	**300**	**100.00**

Out of 300 investors, level of factors affecting investment decision is high for 34.67 per cent of them, but it is low for 25.67 per cent of them.

5.3.1. GENDER AND FACTORS AFFECTING INVESTMENT DECISION

The relation between of gender of investors and factors affecting investment decision is given in Table-4.

Table-4: Gender and Factors Affecting Investment Decision

Gender	Factors Affecting Investment Decision			Total	t-Value	Sig.
	Low Level	Moderate Level	High Level			
Male	42 (21.99)	92 (48.17)	57 (29.84)	**191 (63.67)**	4.578	.000
Female	35 (32.11)	27 (24.77)	47 (43.12)	**109 (36.33)**		
Total	**77 (25.67)**	**119 (39.66)**	**104 (34.67)**	**300 (100.00)**	-	-

(The figures in the brackets are percentage to total)

Out of 191 investors in male category, level of factors affecting investment decision is high for 29.84 per cent of them, but it is low for 21.99 per cent of them. Out of 109 investors in female category, level of factors affecting investment decision is high for 43.12 per cent of them, but it is low for 32.11 per cent of them.

The t-value of 4.578 is significant in one per cent level disclosing that significant difference exits between factors affecting investment decision and gender of investors.

5.3.2. AGE AND FACTORS AFFECTING INVESTMENT DECISION

The relation between age of investors and factors affecting investment decision is given in Table-5.

Table-5: Age and Factors Affecting Investment Decision

Age	Factors Affecting Investment Decision			Total	F-Value	Sig.
	Low Level	Moderate Level	High Level			
Below 30 Years	13 (19.12)	30 (44.12)	25 (36.76)	**68 (22.67)**	5.472	.000
31– 40 Years	22 (23.91)	32 (34.78)	38 (41.31)	**92 (30.66)**		

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41 – 50 Years	28 (33.73)	29 (34.94)	26 (31.33)	**83 (27.67)**		
Above 50 Years	14 (24.56)	28 (49.12)	15 (26.32)	**57 (19.00)**		
Total	**77 (25.67)**	**119 (39.66)**	**104 (34.67)**	**300 (100.00)**	-	-

(The figures in the brackets are percentage to total)

Out of 68 investors within age range of below 30 years, level of factors affecting investment decision is high for 36.76 per cent of them, but it is low for 19.12 per cent of them. Out of 92 investors within age range of 31– 40 years, level of factors affecting investment decision is high for 41.31 per cent of them, but it is low for 23.91 per cent of them.

Out of 83 investors within age range of 41– 50 years, level of factors affecting investment decision is high for 31.33 per cent of them, but it is low for 33.73 per cent of them. Out of 57 investors within age range of above 50 years, level of factors affecting investment decision is high for 26.32 per cent of them, but it is low for 24.56 per cent of them.

The F-value of 5.472 is significant in one per cent level disclosing that significant difference exits between factors affecting investment decision and age of investors.

5.3.3. EDUCATION AND FACTORS AFFECTING INVESTMENT DECISION

The relation between education of investors and factors affecting investment decision is given in Table-6.

Table-6: Education and Factors Affecting Investment Decision

Education	**Factors Affecting Investment Decision**			**Total**	**F-Value**	**Sig.**
	Low Level	**Moderate Level**	**High Level**			
Higher Secondary	14 (21.54)	24 (36.92)	27 (41.54)	**65 (21.67)**	5.253	.000
Diploma	25 (35.71)	22 (31.43)	23 (32.86)	**70 (23.33)**		
Under Graduation	27 (29.67)	37 (40.66)	27 (29.67)	**91 (30.33)**		
Post Graduation	11 (14.86)	36 (48.65)	27 (36.49)	**74 (24.67)**		
Total	**77 (25.67)**	**119 (39.66)**	**104 (34.67)**	**300 (100.00)**	-	-

(The figures in the brackets are percentage to total)

Out of 65 investors in higher secondary, level of factors affecting investment decision is high for 41.54 per cent of them, but it is low for 21.54 per cent of them. Out of 70 diploma holders, level of factors affecting investment decision is high for 32.86 per cent of them, but it is low for 35.71 per cent of them.

Out of 91 under graduates, level of factors affecting investment decision is high for 29.67 per cent of them, but it is low for 29.67 per cent of them. Out of 74 post graduates, level of factors affecting investment decision is high for 36.49 per cent of them, but it is low for 14.86 per cent of them.

The F-value of 5.253 is significant in one per cent level disclosing that significant difference exits between factors affecting investment decision and education of investors.

5.3.4. ANNUAL INCOME AND FACTORS AFFECTING INVESTMENT DECISION

The relation between annual income of investors and factors affecting investment decision is given in Table-7.

Table-7: Annual Income and Factors Affecting Investment Decision

Annual Income	Factors Affecting Investment Decision			Total	F-Value	Sig.
	Low Level	Moderate Level	High Level			
Less than Rs.4,00,000	15 (25.86)	24 (41.38)	19 (32.76)	**58 (19.33)**	5.764	.000
Rs.4,00,001 – Rs.7,00,000	19 (24.67)	34 (44.16)	24 (31.17)	**77 (25.67)**		
Rs.7,00,001 – Rs.10,00,000	25 (26.04)	34 (35.42)	37 (38.54)	**96 (32.00)**		
More than Rs.10,00,000	18 (26.09)	27 (39.13)	24 (34.78)	**69 (23.00)**		
Total	**77 (25.67)**	**119 (39.66)**	**104 (34.67)**	**300 (100.00)**	-	-

(The figures in the brackets are percentage to total)

Out of 58 investors in annual income group of less than Rs.4,00,000, level of factors affecting investment decision is high for 32.76 per cent of them, but it is low for 25.86 per cent of them. Out of 77 investors in annual income group of Rs.4,00,001 – Rs.7,00,000, level of factors affecting investment decision is high for 31.17 per cent of them, but it is low for 24.67 per cent of them.

Out of 96 investors in annual income group of Rs.7,00,001 – Rs.10,00,000, level of factors affecting investment decision is high for 38.54 per cent of them, but it is low for 26.04 per cent of them. Out of 69 investors in annual income group of more than Rs.10,00,000, level of factors affecting investment decision is high for 34.78 per cent of them, but it is low for 26.09 per cent of them.

The F-value of 5.764 is significant in one per cent level disclosing that significant difference exits between factors affecting investment decision and annual income of investors.

5.3.5. MARITAL STATUS AND FACTORS AFFECTING INVESTMENT DECISION

The relation between marital status of investors and factors affecting investment decision is given in Table-8.

Table-8: Marital Status and Factors Affecting Investment Decision

Marital Status	Factors Affecting Investment Decision			Total	t-Value	Sig.
	Low Level	Moderate Level	High Level			
Married	63 (28.12)	87 (38.84)	74 (33.04)	**224 (74.67)**	4.460	.000
Unmarried	14 (18.42)	32 (42.11)	30 (39.47)	**76 (25.33)**		
Total	**77 (25.67)**	**119 (39.66)**	**104 (34.67)**	**300 (100.00)**	-	-

(The figures in the brackets are percentage to total)

Out 224 investors in married status, level of factors affecting investment decision is high for 33.04 per cent of them, but it is low for 28.12 per cent of them. Out of 76 investors in unmarried status, level of factors affecting investment decision is high for 39.47 per cent of them, but it is low for 18.42 per cent of them.

The t-value of 4.460 is significant in one per cent level disclosing that significant difference exits between factors affecting investment decision and marital status of investors.

5.4. EFFECT OF FACTORS AFFECTING INVESTMENT DECISION ON INVESTMENT BEHAVIOUR OF INVESTORS IN STOCK MARKET

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The effect of factors affecting investment decision on investment behaviour of investors in stock market was assessed by using regression analysis and the results are given in Table-9. The value of R^2 and adjusted R^2 are 0.59 and 0.57 respectively showing the regression model is in good fit. F-value of 24.695 is significant in one per cent level indicating the model is significant.

Table-9: Effect of Factors Affecting Investment Decision on Investment Behaviour of Investors in Stock Market

Factors Affecting Investment Decision	Regression Co-efficient	t-Value	Sig.
Intercept	1.107**	11.874	.000
Personal Financial Needs (X_1)	.374**	8.986	.000
Accounting Information (X_2)	.362**	8.515	.000
Reputation of Company (X_3)	.330**	7.460	.000
Advice (X_4)	.358**	7.842	.000
R^2	0.59	-	-
Adjusted R^2	0.57	-	-
F	24.695	-	.000

** *Significant in 1 % level*

Personal financial needs, accounting information, advice and reputation of company are having positive and significant effect on investment behaviour of investors in one per cent level in stock market.

6. CONCLUSION

The foregoing analysis explicates that personal financial needs, accounting information, reputation of company and advice are factors affecting investment decision of individual investors in stock market. Significant difference is witnessing between profile of profile of investors and factors affecting their investment decision in stock market. Personal financial needs, accounting information, advice and reputation of company have positive and significant effect on investment behaviour of investors in stock market. Therefore, investors should make investment decisions based on their personal needs, meeting emergencies and uncertainties and diversification. Investors must be informed timely and adequately by policy makers, government, stock market and companies. In addition, investors should consider reputation of companies and advices from peer groups before making investment in stock market.

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