



IMPLICATION OF BEHAVIOURAL FINANCE IN INVESTMENT DECISION: A STUDY IN KHURDA DISTRICT OF ODISHA

ADITYA PRASAD SAHOO

MAZEDAN INT. J. OF SOCIAL SCIENCES AND HUMANITIES

e-ISSN: 2582-9564

Article id-MIJSSH0201004

Vol-2, Issue-1

Received: 25 Jan 2021

Revised: 9 Mar 2021

Accepted: 20 Mar 2021

Citation: Sahoo, A., P. (2021). Implication of Behavioural Finance in Investment decision: A study in Khurda district of Odisha. *Mazdan International Journal of Social Sciences and Humanities*, 2(1), 18-21.

ABSTRACT

In a nation's economic development, the financial system plays a vital role. The financial system enables money to be exchanged between lenders and investors. In this complexly-crafted financial system and establishes, several financial institutions, markets, products and solutions operate smoothly and economically for seamless transition and allocation of resources. The stock market in India is among the key market economies, in which investors reserve their financial resources and assert consequently being the companies' proprietors. Behavioural finance focuses upon investor's psychological influence in investment decision and its bearing on the market. The primary purpose of this paper is to recognise the financial behaviour of investors to make investments in the stock market of India. The study found that majority of investors consider the rate of return to be the most important investment goal, followed by the security of their investment and capital appreciation. Their investment's tax advantage and period of maturity are both somewhat imperative goals. Fund managers and mutual fund firms might concentrate on developing strategies that boost investors' rates of return.

Keywords: Retail Investor, Behavioural finance, Stock market

1. INTRODUCTION

Financial behaviour is the amalgamation of diverse psychological, sociological, economic and financial ideas. It is multidimensional in character and has been rising dramatically since the 1990s. Emotional responses and the mental state since these decisions are being made have been the most reasonable and logical decisions in finance world, such as expenses, investment, money lending and saving. The social and psychological aspects are affected by many factors influencing the aspect of financial decision-making by the ordinary person (individual investors), organisations (mutual funds, fund managers), and entities. "The theories like Capital Asset Pricing Model and Efficient market Hypothesis are based on rational and logical theories. These theories could explain about ideal events but practically the market participants behave very unpredictably. Most of the investors especially retail make decisions based on emotions not on logic (Chan, Y. and L. Kogan, 2002)". It is quite crucial to consider and study the mindset of individual investors towards the markets and to put the money in risk-adverse investments. The study aims at analysing the investor's perspective of investing in the Share market of India.

2. REVIEW OF LITERATURE

In his study, Paul Slovic (1972) suggested that investors considered incomes on shares in renowned enterprises or returns on share indexes prior to making an investment decision. While the past trend doesn't have to continue, investors believe that equity shares with higher profits are more likely to overcome inflation. In his study Diacon S.

(2002) discovered that individual investors considered equity investments appropriate for the achievement of their long-term goal and prefer investing in fixed income bears shares for those who chose increased profits for less than 3 years of investments. Indian investors are risky with their interpretation of making investment in equity shares. Even when individual investors are cognizant of favourable cash flows, they do not yet consider risk minimization strategies to take them out of the investments in equity (Lakshmi C.N, (2005). Also, "Indian investors felt that investment in stock market is not idle for investment which notion was developed after Indian market crash during global economic recession of 2007-08 (Koundinya C 2010)". In his research Hemanth. P.K. (2011) by conducting an Indian investment poll via Mutual Funds plans, initiate that professionals' assistance will generate more outcomes than their own instinct. "(Srivatsava V. 2012) in his study found that equity investors of India firmly believed that in the long run equity investments will undoubtedly offer higher returns than other alternative investments and so in spite of the market crash in 2007-08 many new equity investors invested in equity shares after the recession in 2007". Wurgler J. and K. Zhuravskaya (2002) stated that individuals won't generate any income by investing in stock markets. Investors with a positive outlook use stock market correction to put money further in the stock market, and gain from it when prices decrease so that they can earn extra money. "(Samantha, 2010), in her survey

study in USA among 500 respondents found that some invest just because their friends invest. Their objective is not good returns but to keep in association of their friends". Likewise, Y. Chan and L. Kogan (2002) discovered that colleagues were the primary cause of inspiration when making investing decisions. As they gain support and guidance, investors try to persuade their buddies. "(Kim, K.A., and John R. Nofsinger., 2007) who have conducted a research in Japan to understand investor behaviour found that media telecasting various investor education programmes in Japan turns individuals to invest in share market". According to Sita LY (2011), salary plays an exclusive part in persuading Indian equities investors. She went on to say that, contrary to the opinions of numerous prior academics, a large number of small investors have participated in equity-oriented products alongside other income levels. Investors in India engage in stocks and derivatives because they want to get rich quickly. In their research of investor behaviour in Lucknow city, Vikram Bisen and Madhulikapandey (2016) discovered that psychological factors play a major part in decision-making, and investors make financial decisions looking at historical behaviour of shares in the market.

3. NEED FOR THE STUDY

Money provides individuals with stability, autonomy, liberty, and the capacity to create a legacy, as per the expert. "The trend of investors investing on equity-oriented securities is not confined only to advanced nations, in a developing nation like India, the number of retail investors investing on equity-oriented securities has doubled in just two years span from 2009 to 2011 and it further stated that the proportion of investment on equity-oriented securities as a percentage of total investment on all financial assets (NCAER)". Considering the foregoing context, it is believed that further research into the "Role of Behavioral Finance in Indian Stock Market: An Analysis" is required.

4. OBJECTIVE OF THE STUDY

The current study goal is to examine investors' perceptions of the stock market in India by focusing on the different purposes for participating in the Indian stock market.

5. HYPOTHESES

H1: The objective of investment and gender difference is not significant.

H2: The objective of investment and age difference is not significant.

H3: The objective of investment and occupation difference is not significant.

6. METHODOLOGY

Sources of Data

This study is primarily concerned with the analysis of primary data. Because this is an exploratory study, data on individual investors' choices and knowledge of the equities market was gathered using a survey method. This research is supported by a study conducted in Khurda district from November to December 2020. Periodicals, scientific papers, publications, and newspapers have been used to conduct the study.

Size and composition of sample

The poll was conducted using Convenient Sampling. The data set comprises of sixty individual investors from various areas in Khurda District. Nevertheless, during reviewing the completed questionnaires, five have been found to be missing, resulting in a total of fifty-five participants for the research.

Statistical Applications

The data was measured using standard techniques including the independent t test and ANOVA. SPSS was used to perform the test.

7. DATA ANALYSIS AND INTERPRETATION

A basic questionnaire was developed to assess investors' perceptions about the Indian stock market for the purposes of this study. According to the frequency table 1 below, 34.5 percent of the respondent out of fifty-five participants were females and 65.5 percent were men. Gender, age, education, occupation, annual average income, industry knowledge, income percentage, invested in shares, appetite for risk, projected return, and information source were among the demographic variables gathered from the questionnaire. The age groups were as follows: under 30, 30 to 40, 41 to 50, and above 50. Participants involved in agriculture, private industry, public sector, business, and others, such as retired workers, housewives, and students, were included in the demographic variable. Seventeen individuals are under the age of fifty, while 26% of the entire sample is under the age of thirty. Thirty-two percent of the total respondents have a degree, and more than 42 percent of the respondents have a degree that is less than a bachelor's degree. Seventeen respondents work in the private sector, 15% are entrepreneurs, and only three works in agriculture.

The investors range on the basis of average income from Rs. 2,50,000 to Rs. 5,00,000 in 36 percent of the 55 respondents, trailed by Rs. 5,00,001 to Rs. 10,00,000. Fifty percent of the investors have been in the market for more than 5 years. Almost a third of investors put ten percent to fifteen percent of their earnings into the stock market. 38% of investors take low risk, 34% moderate risk, and 28 percent high risk investments. The majority of the respondents projected a return of 13 percent to 24 percent. Twenty-eight percent of the 55 respondents get their investment knowledge from the news, while 26 percent get it through brokers.

Table 1 Respondent's Profile

Variables	Category	Respondents
Gender	Male	43
	Female	12
Age	Below 30	14
	30-40	13
	41-50	11
	Above 50	17
Education	Below Graduation	23
	Above Graduation	32
Occupation	Agriculture	3
	Private	17
	Public	9
	Business	15
	Others (Retired, housewife, student)	11
	Less than 2,50,000	13

Average Annual Income (Rs)	2,50,000-5,00,000	20
	5,00,001- 10,00,000	15
	Above 10,00,000	7
Experience in Market	0-1 year	7
	1-3 year	9
	3-5 year	12
	5-10year	19
	>10 year	8
% of income invested in shares	Less than 10%	14
	10-15%	17
	16-20%	13
	Above 20%	11
Risk Appetite	Low	21
	Medium	19
	Higher	15
Expected Return	Up to 12%	10
	13-24%	22
	25-36%	15
	Above 36%	8
Source of Information	Internet	12
	Press	15
	Media (TV)	14
	Brokers	14

Source: Own Compilation

The different elements affecting an investor's choice to invest in the equities market are listed in Table 2. The participants were given a questionnaire covering several factors such as capital gains, maturity length, investment safety, return on investment, tax advantage, and liquidity, which they were asked to grade on a five-point Likert scale ranging from 1 to 5. Where 1 denotes a minor factor, 2 a minor factor, 3 a moderately significant factor, 4 a very important factor, and 5 a very important factor.

Table 2 Investor's objective of Investment

Descriptive Statistics					
	N	Mini	Maxi	Mean	Std. Deviation
Capital appreciation	55	1	5	3.58	1.199
Maturity Period	55	1	5	2.72	1.326
Safety of Investment	55	1	5	3.55	1.242
Rate of Return	55	1	5	3.76	1.224
Tax Benefit	55	1	5	2.85	1.201
Liquidity	55	1	5	3.48	1.299
Valid N	55				

Source: Own Compilation

The above table shows that most investors felt that the RRR was the first major investment objective with an average of 3.76 and a Standard Deviation of 1.224, followed by Investment Safety (Mean= 3.55 and Standard Deviation 1.242) and Capital Appreciation (Means= 3.58) were very important investment goals. Tax benefits and a mid-term maturity of 2.72 and standard deviation of 1.326 are relatively significant investment objectives.

Hypothesis testing

The hypothesis that there is no substantial variance between objective of investment and sex, for reasons of investment objective, has been taken into account in variable such as capital assessment, maturity term, investment safety, rate of return, tax advantage and

liquidity. As a statistical technique for this investigation, independent t tests have been employed. Using the Independent t test, it was discovered that the p value for the variable Capital appreciation was 0.511, and the p value for the variable Safety of Investment was 0.985, both of which are larger than 0.05, suggesting that the hypotheses for the variables are approved.

Capital appreciation, maturity time, investment safety, rate of return, tax advantages, and liquidity are all motivations for investing. Because P-Value > 0.05, the hypothesis is accepted. As a consequence, the hypothesis that there is no substantial difference in investment aim and gender is accepted based on the results of the test.

Table 3 Hypothesis testing

		T	Df	Sig.2 Tailed
Capital appreciation	Equal variance assumed	-0.660	54	.511
	Equal variance not assumed	-0.664	18.7	.511
Maturity period	Equal variance assumed	2.392	54	.191
	Equal variance not assumed	2.574	20.3	.142
Safety of investment	Equal variance assumed	0.019	54	.985
	Equal variance not assumed	0.020	18.75	.984
Rate of return	Equal variance assumed	0.338	54	.736
	Equal variance not assumed	0.314	16.8	.756
Tax benefit	Equal variance assumed	-1.066	54	.289
	Equal variance not assumed	-1.023	17.5	.314
Liquidity	Equal variance assumed	0.660	54	.511
	Equal variance not assumed	0.617	16.8	.542

Source: Own Compilation

8. FINDINGS AND CONCLUSION

According to the report, roughly 65.5 percent of the investors were men, while 34.5 percent were women. The majority of the investors were post-graduates and over 50 years old. Only 5% of investors were working in the agricultural industry, whereas over 31% were working in the private sector. Almost 63 percent of the investors were in the Rs. 2, 50, 000 to Rs. 10, 00, 000 income band.

Almost a third of the investors had 5 to 10 years of market experience. Over 31% of investors put between 10% and 15% of their earnings into the stock market. 27 percent of the investors have a high-risk propensity. About 40% of investors predicted a return of 13 percent to 24 percent. In this survey, over 27% of investors relied on the press as an information source. The majority of investors consider the rate of return to be the most important investment goal, followed by the security of their investment and capital appreciation. Their investment's tax advantage and maturity period are both somewhat important goals. "Many investors, particularly women and those in the agricultural sector, still have little experience investing in the stock market. Various stock brokerage businesses can reach over to investors at differing stages and run investment awareness programmes, explaining the rewards of investment and encouraging individuals to engage in the stock market (Paul Slovic, 1972)". Fund managers and mutual fund firms might concentrate on developing strategies that boost investors' rates of return. The purpose of this study report was to learn about investors' perspectives on different investing goals in the equities market.

9. SCOPE FOR FURTHER RESEARCH

The scope of this research is limited to the Khurda district of Odisha, with the goal of determining what motivates investors to participate in the stock market. Other impacting elements for investor objectives for investment can be introduced in the future, and they can span a larger territory. In the future, a comparative examination of different areas and investor objectives might be investigated.

REFERENCES

- [1] Paul Slovic, (1972). "Psychological Study of Human Judgement: Implications for Investment Decision Making", *Journal of Finance*, Vol 27, 779-801.
- [2] Diacon, S. (2002) "Investment risk: A comparative study of the perceptions of consumers and advisers", Centre for Risk and Insurance Studies Discussion paper series, 2002. XI.
- [3] Lakshmi C.N, (2005) "What influences more on the consumer buying decision process? Prastuti", *journal of management and research*, vol: 2, 45-56.
- [4] Koundinya. C (2010) "Risk Perception of Indian Investors" *NICE Journal of Business*, Vol.8, 9-17.
- [5] Srivastava. V (2012) "Attitude of Indian Investors" *Allana Management Journal of Research*, Vol. 16, 25-32.
- [6] Wurgler, J. and K. Zhuravskaya. 2002, "Does arbitrage flatten demand curves for stocks"? *Journal of Business* Vol 75, 583-608.
- [7] Rao.C. J (2010) "Why first-time investors enter the stock market during global economic recession, Prastuti", *Journal of Management and Research*, Vol.2, 26-34.
- [8] Ritter Jay (2003), "Behavioural Finance", *Pacific-Basin Finance Journal*, Vol. 11, 429-37.
- [9] Samantha Moak (2010), "Effect of KUJ preference on investor's behaviour; survey-based research", *Journal of finance and accountancy* Vol: 25, 23-30.
- [10] Chan, Y. and L. Kogan (2002), "Catching up with preferences and dynamics of asset pricing and investment", *Journal of political economy*, Vol 110, 224.
- [11] Kim, K.A., and John R. Nofsinger. 2007. "The Behaviour of Japanese Individual Investors during bull and bear markets". *The Journal of Behavioural Finance*, Vol 8: 138-153.
- [12] Sita Y. (2011), "Financial Institutions and Promotion of IPOs", *Prastuti, Journal of Management and Journal*, Vol;2, 23-26.
- [13] Vikram Bisen and Madhulika Pandey (2016) "Applying behavioural finance by analysing investor behaviour in Lucknow City" *Indian Journal of Applied Research*, 2013. ISSN 2249-555X, 3:6,353-355.
- [14] Hemanth. K (2011) "Role of IT education in India's economic development", *Advanced Management*, Vol:12. 168-178.