RES MILITARIS
REVUE EUROPEENNE D ETUDES EUROPEAN JOURNAL OF MILITARY STUDIES

Social Science Journal

Factors Influencing Investment Decision among Households in Bengaluru City

By

Mr. Rajesh G
Research Scholar, PRIST Deemed to be University

Dr. S Rajendran
Head school of Commerce & Management, PRIST Deemed to be University

Dr. Jegan Pavul
Director, A.V.V.M. Sri Pushpam College, Thanjavur

Mr. Jayanth H
Assistant Professor, St. Claret College, Bengaluru

Mr. Manjunatha G
Research Scholar, CHRIST Deemed to be University

Abstract

The outcomes of this study explicate that financial enhancement, acquaintance, risk taking capability and peer advice factors influencing investment decision among households. Difference among factors influencing investment decision among households and their profile is significant. Financial enhancement, risk taking capability, acquaintance and peer advice have significant and positive influence on annual investments of households. Furthermore, financial enhancement, risk taking capability, acquaintance and peer advice have positive, direct and significant influence on return on investment of households; meanwhile, return on investment has positive, direct and significant influence on satisfaction of households. As a result, households must make investment on the basis of safety, speed of return and profitability of investments and they should made decision for investments to managing emergency and family requirements. Furthermore, households must acquire information on different alternatives for investment and credit availability before taking decision for investment. Meanwhile, they should critically examine market fluctuations, risk and nature of marketable investments and they must discuss with their peer for making better investment decision.

Key Words: Factors, Household, Investment Decision, Return on Investment, Satisfaction

1. Introduction

In the traditional environment of investment, individuals think that they are reducing quantum of risk by means of diversified investments irrespective of relation amongst returns coming out from their investment portfolios (Kabra et al 2010). Generally suggestions are given to them to make invest in different avenues with higher level of anticipated gains and quantum of risk is not informed to them (Jagongo and Mutswenje, 2014). India is one amongst country with higher quantum of investment and savings in the world that implies that households are highly invested and saved their money (Bisen and Pandey, 2013) and they are making investments in safe and secured portfolios (Choudhary, 2013) and they prefer modern investments because of their quantum of gains (Bhushan and Medury, 2013).

In the last three decades in India, the investment of households is completely transformed towards new and modern investment options because of various reasons and it is also mainly due to they are moving towards investment related to non farming activities and also availability of many opportunities for them to invest and reap gains considerably.

Households are making decision in their own capacity and also get advices from others and they are carrying out fundamental analysis before making investments (Masomi and Ghayekhloo, 2011) and they are collecting information from various sources that are useful for making decision related to their investments (Lodhi, 2014) and their psychology is also influencing their decision for investments. (Davar and Gill, 2009). In common, households are assumed to make decision for investment rationally and they are judiciously using information available with them and they are largely concerning with fear of loss (Rani, 2014). Besides, an array of factors is influencing decision of households for their investments.

2. Review of Literature

Rana et al (2009) found that information, risk, psychology and expected gain had significant influence decision of investors for their investments. Rashid and Nishat (2009) concluded that inflation, performance of firm, fast and simple transactions, low cost for transaction, accessibility of information about industry, accuracy of information and past experience were largely influencing decision on investment amongst individuals.

Syed (2010) revealed that level of education, security, annual income, return and risk were influencing decision of investors for their investment. Saravanakumar (2010) indicated that the factors affected the investment decision of investors in equity shares were low investment, appreciation of capital and liquidity.

Mohanta and Debasish (2011) showed that decision of individuals on their investment was affected by risk, return, marketability, safe of investments and additional benefits. Gupta et al (2011) found that the investment decision was not affected by occupation of investors, but it was affected by income and level of liquidity. Most investors preferred insurance and deposits in banks

Sultana and Pardhasaradhi (2012) concluded that investment decision of individuals was influenced by information on market, condition of finance, suggestions from friends and status of firms. Geetha and Ramesh (2012) revealed that demographic features of investors significantly affected their investment preference and decision making process. Safety, higher rate of returns, tax benefits, periodical returns, ease to buy and sell and expected gains in future were affecting investment decision.

Prakash and Sunder (2013) indicated that return on regular basis, risk at low degree, benefits for tax, liquidity and affordability had significant affect on investment decision among individuals. Sureshrajan and Ananth (2013) showed that investors preferred bank deposit followed by mutual funds, insurance, bonds and commodities respectively. Safety, normal rate of returns, periodical returns and expected gains had affected decision on their investment.

Phan and Zhou (2014) found that decision on investment among individuals had influenced by information on market, behaviour of individuals, subject norms and returns. Jagongo and Mutswenje (2014) concluded that reputation of company, status of company, anticipated earnings, previous performance of company, stock, share price and state of economy were affecting their decision for investment.

Velmurugan et al (2015) revealed that decision of individuals on their investment had affected by return, risk, annual income, trends in market and growth of investments. Islamoglu et al (2015) indicated that investment decisions of investors were influenced by previous experience, income, option of experts, stability of financial market, level of risk and self esteem of investors. Besides, information from different sources was also influencing decision of investors.

Shukla (2016) showed that risk level, return, suggestions from relatives and friends, age and income level of individuals had significant influence on their investment decisions. Prabhat et al (2016) found that investors had preferred different investment avenues and risk and returns of these investment alternatives differed from one investment. The anticipated return and tolerance of risk and personal factors had influence on their decision for investment.

Kumarasinghe and Jayasinghe (2017) concluded that investment decision among households had influenced by their personal, economic and social conditions significantly. Jaya and Malarvizhi (2017) revealed that return related investment, liquidity requirements, personal factors and tax benefits were affecting decision on investment

Mahalakshmi and Anuradha (2018) indicated that decision of investors on investment was influenced by their awareness, anchoring, overconfidence and involvement and return expected by them. Kumar and Sahu (2018) showed that investors preferred equity shares, bonds and debentures and they had moderate knowledge on various investment avenues. Safety, anticipated return, degree of risk, marketability and information availability had influence on their decision for investment.

Hemalatha (2019) found that benefits for tax, return expected, liquidity, growth of investment and safety had significant influence on decision of individuals for their investment. Babu et al (2019) concluded that majority of investors preferred life insurance, banks, mutual funds, equity, real estate post office savings, gold and government securities as their investment avenues and they used information from their friends, brokers, newspaper and internet for making investment decision. Expected returns, degree of risk, safety, liquidity and tax saving had significant effect on decision on their investment.

Raju and Patra (2020) revealed that investors preferred government securities, gold and silver, real estate and bank deposits. The political, economical, legal and technology factors and demographic features of investors were influencing investment decision among investors. Chopra and Gondaliya (2020) indicated decision for investment amongst individuals had affected by safety, return anticipated, risk and growth of investments.

Purnima and Lalitha (2021) showed that diversification, liquidity, safety, tax benefits, simplicity and affordability were influencing investment decision among investors. Investors invested in bank, mutual funds, insurance, share, tax saving schemes, real estate, gold and silver and derivatives. Riyazahmed (2021) found that investment decision of investors had influenced by financial requirements for future, stability and security of investments and also their personal factors.

Mathew and Kumar (2022) concluded that risk, safety, liquidity, return, diversification and previous performance of stocks were significantly influencing decision of investors for their investments. Lonare and Chotaliya (2022) revealed that rate of interest, inflation, stability of Government, supply and demand situation, size and performance of companies, price, profitability, dividend and market conditions were affecting investment decision of investors in stock market.

Sahni (2023) indicated that anchoring, herding, representative, fallacy, overconfidence, confirmation and hindsight had significant influence on investment decision of individuals.

Nedumparambil and Bhandari (2023) showed that previous performance, risk, anticipated return, safety and market conditions were influencing investment decision of investors on mutual funds.

3. Objectives of the Study

i) To find out factors influencing investment decision among households and to analyze their influence on their annual investment.
ii) To study structural relation amongst factors influencing investment decision, return on investment and satisfaction of households.

4. Methodology

Bengaluru city is chosen for conducting this study. Households are selected by applying random sampling method and data are gathered from 325 households with the help of questionnaire. Descriptive statistics, ANOVA and t-tests, regression analysis and Structural Equation Model (SEM) are used to study the objectives.

5. Results

5.1 Profile Of Households

The profile of households is disclosed in Table-1. The results elucidate that 55.08% of them are males, 29.23% of them are in 41 and 50 years of age, 32.00% of them are under graduates, 31.08% of them are in annual income of Rs.5,00,001 – Rs.7,00,000 and 34.15% of have investment of Rs.1,00,001 – Rs.1,50,000 per annum.

Table-1. *Demographics of Households*

Demographics	Number	%
Gender		
Male	179	55.08
Female	146	44.92
Age		
Below 30 years	61	18.77
31 – 40 years	89	27.38
41 – 50 years	95	29.23
Above 50 years	80	24.62
Education		
Higher Secondary	53	16.31
Diploma	70	21.54
Under Graduation	104	32.00
Post Graduation	98	30.15
Annual Income		
Less than Rs.5,00,000	76	23.38
Rs.5,00,001 – Rs.7,00,000	101	31.08
Rs.7,00,001 – Rs.9,00,000	84	25.85
More than Rs.9,00,000	64	19.69
Annual Investment		
Below Rs.1,00,000	92	28.31
Rs.1,00,001 – Rs.1,50,000	111	34.15
Rs.1,50,001 – Rs.2,00,000	74	22.77
Above Rs.2,00,000	48	14.77

5.2. Factors Influencing Investment Decision Among Households

Exploratory factor analysis is used for finding factors influencing investment decision among households and the results is disclosed in Table-2. The value for Kaiser-Meyer-Olkin test for evaluating sufficiency of samples is 0.892. Chi-square value of Bartlett test of Sphericity's is 0.0048 and it is significant at 1% level. Hence, factor analysis method is appropriate. Principal Component Analysis method is selected to get factors through employing varimax rotation and it has convergence in 9th iterations. The value of Cronbach's Alpha is 0.88 and it reveals that the internal consistency is in acceptable level. The derived four factors are holding 82.05% of total variation.

Table-2. *Factors Influencing Investment Decision of Households*

Factor	Variables	Factor Loadings (Rotated)	Eigen Value	Variation (%)	Label
I	Profitability	0.70	3.29	23.82	Financial Enhancement
	Security	0.67			
	Financial gain	0.69			
	Return	0.66			
	Need for urgent situation	0.68			
	Needs of family	0.64			
II	Alternatives	0.68	2.36	21.46	Acquaintance
	Availability of information	0.65			
	Access to information	0.69			
	Loan availability	0.66			
	Personal experience	0.60			
III	Quantum of risk	0.66	1.12	19.78	Risk Taking Capability
	Changes in market	0.64			
	Risk exposure	0.67			
	Ease of marketing	0.65			
IV	Friend's suggestion	0.69	1.01	16.99	Peer Advice
	Family's suggestion	0.66			
	Colleagues' suggestions	0.63			
	Total	-	-	82.05	-

First factor is denoted as Financial Enhancement because it is including profitability, security, financial gain, return, need for urgent situation and needs of family and it is holding 23.82% of variation.

Second factor is labeled as Acquaintance as it is covering alternatives, availability of information, access to information, loan availability and personal experience and it is holding 21.46% of variation.

Third factor is stated as Risk Taking Capability because it is consisting of quantum of risk, changes in market, risk exposure and ease of marketing and it is holding 19.78% of variation.

Fourth factor is described as Peer Advice as it is encompassing Friend's suggestion, Family's suggestion and Colleagues' suggestions and it is holding 16.99% of variation.

Financial enhancement, acquaintance, risk taking capability and peer advice factors influencing investment decision among households.

5.3. Profile of Households and Factors Influencing Investment Decision

The difference amongst factors influencing investment decision among households and their profile is disclosed in Table-3.

Table-3. *Factors Influencing Investment Decision among Households and their Profile*

Details	F or t-Value	Sig.
Gender and Factors Influencing Investment Decision among Households	4.468[a]	.000
Age and Factors Influencing Investment Decision among Households	7.552[b]	.000
Education and Factors Influencing Investment Decision among Households	8.329[b]	.000
Annual Income and Factors Influencing Investment Decision among Households	6.807[b]	.000
Annual Investment and Factors Influencing Investment Decision among Households	7.983[b]	.000

[a] = t-value [b] F-value

Difference among factors influencing investment decision among households and their profile is significant since t and F-value are significant in 1% level.

5.4. Influence of Factors Influencing Investment Decision among Households on Their Annual Investment

To analyze influence of factors influencing investment decision among households on their annual investment, the regression analysis is applied and the result is disclosed in Table-4. The model fit parameters (R^2 = 0.59 and Adjusted R^2=0.57) indicate that the model's fit is good. The F-value of 23.725 is showing that the model is significant in 1% level.

Table-4. *Influence of Factors Influencing Investment Decision among Households on their Annual Investment*

Factors Influencing Investment Decision	Regression Coefficients	t-Value	Sig.
Constant	1.019	11.862	.000
Financial Enhancement (X_1)	.486	7.240	.000
Acquaintance (X_2)	.438	6.546	.000
Risk Taking Capability (X_3)	.454	6.975	.000
Peer Advice (X_4)	.387	6.018	.000
R^2	0.59	-	-
Adjusted R^2	0.57	-	-
F	23.725	-	.000

Financial enhancement, risk taking capability, acquaintance and peer advice have significant and positive influence on annual investments of households. If other variables remain constant, 1% raise in financial enhancement, there would be 0.49% raise in annual investment, 1%raise in acquaintance, there would be 0.44% raise in annual investment, 1%raise in risk taking capability, there would be 0.45% raise in annual investment and 1%raise in peer advice, there would be 0.39% raise in annual investment of households.

5.5. Structural Relation amongst Factors Influencing Investment Decision, Return on Investment and Satisfaction of Households

The Structural Equation Model (SEM) is built to study structural relation amongst factors influencing investment decision, return on investment and satisfaction of households and the result is disclosed in Table-5. The Chi-square value is 4.351 and it is not significant explicating that the model is in good fit. GFI is 0.98 and CFI is 0.96 and these measures are explaining the model is in good fit. RMR is 0.08 and RMSEA) is 0.05 and these values are illustrating the model is in good fit.

Table-5. *Structural Path Coefficients- Standardized*

Path	Coefficients (Standardized)	CR	P-Value
ROI ← FE	.514	7.248	***
ROI ← AC	.360	5.836	***
ROI ← RTC	.478	6.965	***
ROI ← PA	.323	5.154	***
SAT ← ROI	.631	13.472	***

*** Significant in 1 % level

The standardized coefficient for Return on Investment (ROI) against Financial Enhancement (FE) is 0.514, the standardized coefficient for Return on Investment (ROI) against Acquaintance (AC) is 0.360, the standardized coefficient for Return on Investment (ROI) against Risk Taking Capability (RTC) is 0.478 and the standardized coefficient for Return on Investment (ROI) against Peer Advice (PA) is 0.323 and these values are significant. Consequently, financial enhancement, risk taking capability, acquaintance and peer advice have positive, direct and significant influence on return on investment of households. Further, the standardized coefficient for Satisfaction (SAT) against Return on Investment (ROI) is 0.631 and it is significant. As a result, return on investment has positive, direct and significant influence on satisfaction of households. The path diagram is displayed in Figure-1.

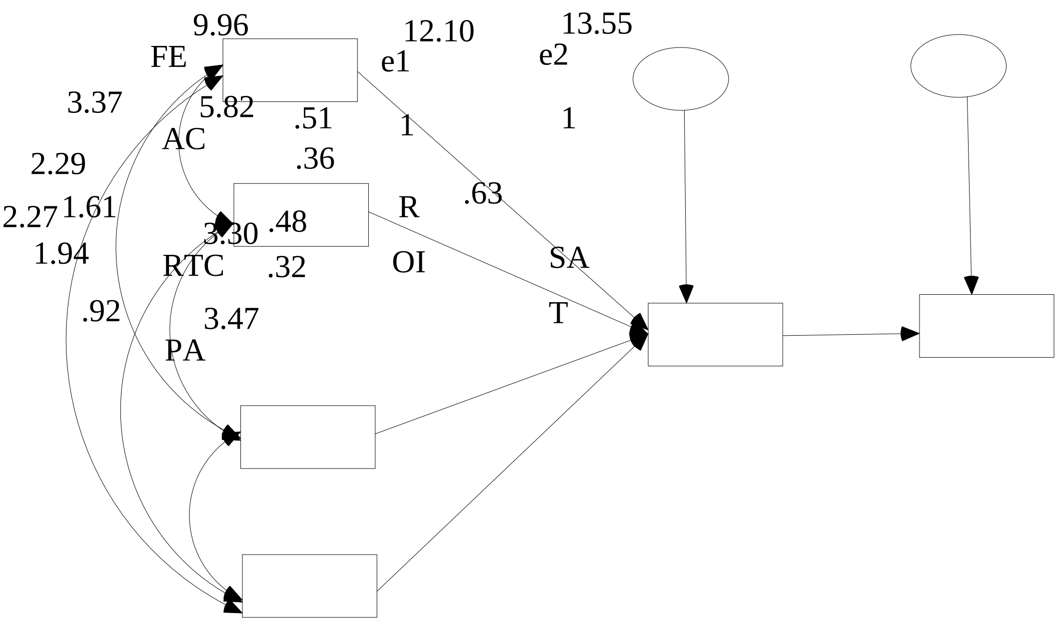

Figure-1. *Path Diagram*

6. Conclusion

The foregoing analysis reveals that financial enhancement, acquaintance, risk taking capability and peer advice factors influencing investment decision among households. Difference among factors influencing investment decision among households and their profile is significant. Financial enhancement, risk taking capability, acquaintance and peer advice have significant and positive influence on annual investments of households. Furthermore, financial enhancement, risk taking capability, acquaintance and peer advice have positive, direct and significant influence on return on investment of households; meanwhile, return on investment has positive, direct and significant influence on satisfaction of households. As a result, households must make investment on the basis of safety, speed of return and profitability of investments and they should made decision for investments to managing emergency and family requirements. Furthermore, households must acquire information on different alternatives for investment and credit availability before taking decision for investment. Meanwhile, they should critically examine market fluctuations, risk and nature of marketable investments and they must discuss with their peer for making better investment decision.

References

Akshaya Babu, Anbu Selvi, & Benadicta Felci Louis. (2019). Investors perception on different investment avenues by working professionals in Bangalore. Navajyoti, International Journal of Multi-Disciplinary Research, 4(1), 1-17.

Alaknanda Lonare, & Meghna Chotaliya. (2022). Factors influencing investment decisions in Indian stock market. Journal of Positive School Psychology, 6(3), 1463-1469.

Ambrose Jagongo, & Vincent S. Mutswenje. (2014). A survey of the factors influencing investment decisions: The case of individual investors at the NSE. International Journal of Humanities and Social Science, 4(4), 92-102.

Arup Kumar, & Tarak Nath Sahu. (2018). Analysis of investment behavior of individual investors of stock market-a study in selected districts of West Bengal. Pacific Business Review International, 10(7), 26-38.

Bhushan, P., & Medury, Y. (2013). Gender differences in investment behaviour among employees. Asian Journal of Research in Business Economics and Management, 3(2), 147-157.

Bisen, V., & Pandey. M. (2013). Applying behavioural finance by analyzing investor behaviour in Lucknow city. Indian Journal of Applied Research, 3(6), 353-355.

Choudhary, A., K. (2013). Impact of behavioural finance in investment decisions and strategies - a fresh approach, International Journal of Management Research and Business Strategy, 2(2), 85-92

Davar, Y. P., & Gill, S. (2009). Antecedents of households' investment decision-making process: A study of the Indian households. South Asian Journal of Management, 16(4), 44-75.

Elizabeth Nedumparambil, & Anup Kumar Bhandari, (2023). Risk factors, uncertainty, and investment decision: Evidence from mutual fund flows from India. Indian Economic Review, 57(2), 349–372.

Gaurav Kabra, Prashant Kumar Mishra, & Manoj Kumar Dash. (2010). Factors influencing investment decision of generations in India: An econometric study. Asian Journal of Management Research, 3(2), 308-326.

Geetha, N., & Ramesh, M. (2012). A study on relevance of demographic factors in investment decisions. International Journal of Financial Management, 1(1), 39-56.

Gupta, S., Chawla, P., & Harkant, S. (2011). An analysis of investor's perception regarding mutual fund. International Journal of Commerce and Management, 2(5), 38-41.

Hemalatha, S. (2019). Factors influencing investment decision of the individual related to selected individual investors in Chennai city. International Journal of Innovative Technology and Exploring Engineering, 8(6S4), 457-461.

Jaya, M., & Malarvizhi, C.S. K. (2017). Sensitivity of the investor's towards stock market investment. International Journal of Marketing & Financial Management, 5(1), 37-43.

Khoa Cuong Phan, & Jian Zhou. (2014). Factors influencing individual investor behaviour: An empirical study of the Vietnamese stock market. American Journal of Business and Management, 3(2), 77-94.

Kumarasinghe, P.J., & Jayasinghe, C.P.A. (2017). A comparative study on the determinants of household savings in the Colombo district. Paper Presented in 13th International Conference on Business Management, Colombo, Sri Lanka.

Lodhi, S. (2014). Factors influencing individual investor behaviour: An empirical study of city Karachi. Journal of Business and Management, 16(2), 68-76.

Mahalakshmi, T.N., & Anuradha, N. (2018). Factors affecting investment decision making & investment performance among individual investors in India. International Journal of Pure and Applied Mathematics, 118(18), 1667-1675.

Masomi, S. R., & Ghayekhloo, S. (2011). Consequences of human behaviors' in economic: the effects of behavioral factors in investment decision making at Tehran stock exchange. International Journal on Business and Economics Research, 1, 234-237.

Mathew, R.L., & Kumar, S.R. (2022). Factors influencing investment decisions: a study of individual investors in the Indian stock market. International Journal of Accounting & Business Finance, 8(2), 25-44.

Mehmet Islamoğlu, Mehmet Apan, & Adem Ayvali. (2015). Determination of factors affecting individual investor behaviours: A study on bankers. International Journal of Economics and Financial Issues, 5(2), 531-543.

Mohanta, G., & Debasish, S. (2011). A study on investment preferences among urban investors in Orissa. Prerna Journal of Management Thought and Practice, 3(1), 1-9.

Neha S Shukla. (2016). Investors' preference towards investment avenues with special reference to salaried personnel in north Gujarat region. IJSART, 2(1), 43-49.

Poorna Prabhat, S.,. Srivani, N., & Ch. Varalakshmi. (2016). Investors perception towards different investment avenues. International Journal of Advanced Research, 4(11), 2127-2132,

Prakash, S., & Sunder, C. (2013). Analysis of investor perception and preferences: Investment avenue. International Journal of Applied Financial Management Perspectives, 2(3), V599-604.

Purnima, D., & Lalitha, N, (2021). An analysis of investment pattern of salaried employees - a case study of Visakhapatnam. Journal of Contemporary Issues in Business and Government, 27(1), 3792-3803.

Raju, N.S.V.N., & Anita Patra. (2020). An Analysis on investor's perception towards investment decision with reference to Indian scenario (Andhra Pradesh). Palarch's Journal of Archaeology of Egypt/Egyptology, 17(9), 2066-2074.

Rana, H.M., Murtaza, S., Noor, F., Inam-U-Din, & Rehman, K. (2009). Effects of demographic factors on risky decision-making behaviour. European Journal of Social Sciences, 25(3), 69-76.

Rashid, M., & Nishat, M. A. (2009). Satisfaction of retail investors on the structural efficiency of the market: Evidence from a developing country. Asian Academy of Management Journal, 14(2), 41-64.

Reena Rani. (2014). Factors affecting investors' decision making behaviour in the stock market: An analytical review. Indian Journal of Applied Research, 4(9), 118-120.

Riyazahmed K. (2021). Investment motives and preferences- an empirical inquiry during covid-19. Investment Management and Financial Innovations, 18(2), 1-11.

Saravanakumar, S. (2010). An analysis of investor preference towards equity and derivatives. The Indian Journal of Commerce, 63(3), 71-76.

Sureshrajan, S. G., & Ananth, A. (2013). A study on investors' preference attitude in investment avenue. International Journal of Scientific Research, 2(6), 344-345.

Syed, S.T. (2010). An empirical study of Indian individual investors behaviour. Global Journal of Finance and Management, 2(1), 19-33.

Tabassum Sultana, S., & Pardhasaradhi, S. (2012). An empirical analysis of factors influencing indian individual equity investors' decision making and behaviour. European Journal of Business and Management, 4(18), 50-61.

Tanuja Sahni. (2023). An insight into the behavioral factors affecting investment decision making W.R.T. Punjab. Journal of Pharmaceutical Negative Results, 14(2), 417-422.

Vaibhav Chopra, &Vijay Gondaliya. (2020), study the investors preferences for their investments. International Journal for Research in Applied Science & Engineering Technology, 8(4), 286-296.

Velmurugan, G., Selvam, V., & Abdul Nazar, N. (2015). An empirical analysis on perception of investors' towards various investment avenues. Mediterranean Journal of Social Sciences, 6(4), 427-435.