



IMPACT OF PSYCHOLOGICAL FACTORS IN INVESTMENT DECISION- A BEHAVIORAL STUDY AMONG TEACHING FACULTY OF MANGALORE CITY.

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ABSTRACT

Individuals over time and circumstances vary from each other due to increasing psychological / behavioral factors that are the key barriers that investment decision makers face. Humans are logical in conventional finance systems but in fact humans appear to act irrationally when making investment decisions. Risk and gainful anticipation frighten investors. Behavioral financing is a revered financial field. To make right financial decision, we must be rational. Investors take more emotionally driven actions that contribute to wrong judgment. All sorts of knowledge is not sufficient nowadays in this modern world. Combining all the knowledge with critical thought is necessary. It is important to combine all information with logical thinking. The individuals who knows and understands these investment patterns can take effective decision.

This study was based on primary data through structured questionnaire from the 30 students. The data was analyzed using SPSS with descriptive statistics. The results show that behavioral factors explicitly and significantly affect investment decisions

KEYWORDS : Behavioral Finance, Psychological Factors, Investors, Decision Making

INTRODUCTION:

Behavioral financing plays a key function in the decision-making cycle by individuals in contemporary times. Clear knowledge of behavioral finance can enable investors determine on successful investment.

Behavioral finance is a field of exploration of psychological / behavioral variables that influence investors behavior. It is a psychology-based analysis of human behavior in finance that seeks to explain how feelings and cognitive bias affect investment decisions for individuals. Investments are created to produce returns and wealth formation to resolve potential uncertainty. Literally the entire decision-making for investors is a conflict between brain and emotions. Investment may result in high return / high loss. It is critical that investment judgment is successful. Thus investors should be conscious of decision taking and factors can affect the logical reasoning of investors. Such factors may be from the perceptions, feelings and emotions of the individual, mood & feelings, personality characteristics, optimistic disposition, over trust, motivation, fear of losing, cognitive bias, anchoring, group action, consulting influence. Such factors affecting specific investment choices need to be known and errors ought to be prevented by deliberate decision taking in future.

Statement Of The Problem:

The research will discuss the impact of psychological factors in investment decision of teaching faculty of Mangalore city. The main purpose of the study is to understand is there is any significant relationship between psychological factors and individual's investment decision. The study will attempt to fill the gap in knowledge that the problem still has scope for future research.

Objectives Of The Study

- 1.To identify the influence of various demographic factors in the identified investment behavior constructs.
- 2.To determine the preferred investment behavior of the investors based on their psychological and demographical factors.

METHODOLOGY:

Primary and secondary data are used for the purpose of study. A questionnaire in google form was used to collect the information from 30 teaching faculty of Mangaluru city through convenient sampling techniques. Secondary data was obtained through books, research paper and official websites. The data collected from the respondents was recorded in SPSS. Descriptive analysis, chi-square test was used in order to fulfill the different objectives of the study.

Formulation Of Hypothesis:

The following hypothesis were formulated and tested with the data collected using appropriate statistical tools.

Hypothesis 1:

There is a significant difference between satisfaction levels of investors of different age group

Hypothesis 2:

There is a significant difference between satisfaction levels of men and women.

Hypothesis 3:

There is a significant difference between satisfaction level and percentage of savings.

Data Analysis And Interpretation:

1.Gender:

| gender | | | | |
|--------|-----------|---------|---------------|--------------------|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 12 | 40.0 | 40.0 |
| | Female | 18 | 60.0 | 100.0 |
| | Total | 30 | 100.0 | 100.0 |

Total sample was categorized on the basis of gender into two segments. Out of 30 respondents, 12 (40%) were males and 18(60%) were female.

2.Age:

| age | | | | |
|-------|-----------|---------|---------------|--------------------|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 20-30 | 16 | 53.3 | 53.3 |
| | 30-40 | 9 | 30.0 | 83.3 |
| | 40-50 | 3 | 10.0 | 93.3 |
| | 50 Above | 2 | 6.7 | 100.0 |
| | Total | 30 | 100.0 | 100.0 |

Total sample was categorised on the basis of age into four major segments. Out of 30 respondents, 16(53.3%) were age group between 20 to 30 years, 9 (30%) were age group between 30- 40 years, 3(10%) were age group between 40- 50 years and remaining (6.7%) were more than 50 years old.

3. Educational Qualification:

| educational qualification | | | | |
|---------------------------|-----------------------------------|---------|---------------|--------------------|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | post graduate with Ph.D./NET/KSET | 14 | 46.7 | 46.7 |
| | post-graduation | 13 | 43.3 | 90.0 |
| | under graduation | 3 | 10.0 | 100.0 |
| | Total | 30 | 100.0 | 100.0 |

The total sample size was categorised on the basis of educational qualification into major three sections. Out of 30 respondents, 14 (46.67%) of them were post graduate with Ph.D./NET/KSET, 13 (43.33%) of them were post-graduates and rest of them (10%) were under-graduates.

4.Designation:

The total sample size was categorised on the basis of designation into major four categories. Out of 30 respondents, 4 (13.3%) of them were principal, 3 (10%) of them were associate professor, 7 (23.3%) of them were assistant professor, and rest (53.3%) of them were lecturer.

| Designation | | | | |
|-------------|---------------------|---------|---------------|--------------------|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | principal | 4 | 13.3 | 13.3 |
| | associate professor | 3 | 10.0 | 23.3 |
| | assistant professor | 7 | 23.3 | 46.7 |
| | lecturer | 16 | 53.3 | 100.0 |
| | Total | 30 | 100.0 | 100.0 |

5. Teaching Experience:

The total sample size was categorised on the basis of teaching experience into major three categories. Out of 30 respondents, 43.3% of them were having teaching experience within 5 years. 26.7% of them were having teaching experience between 5 to 10 years and rest them having experience of more than 10 years.

| Teaching experience | | | | |
|---------------------|--------------------|---------|---------------|--------------------|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 0-5 years | 13 | 43.3 | 43.3 |
| | 5-10 years | 8 | 26.7 | 70.0 |
| | More than 10 years | 8 | 26.7 | 96.7 |
| | 4.00 | 1 | 3.3 | 100.0 |
| | Total | 30 | 100.0 | 100.0 |

6.Monthly Income

The total sample was categorised on the basis of monthly income into major three categories. Out of 30 respondents, 30% of them were earned monthly income of below Rs.20000, 30% of them were earned between of Rs.40000 to Rs.60000 and rest of them were earned more than Rs.60000 per month.

| Teaching experience | | | | |
|---------------------|--------------------|---------|---------------|--------------------|
| | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 0-5 years | 13 | 43.3 | 43.3 |
| | 5-10 years | 8 | 26.7 | 70.0 |
| | More than 10 years | 8 | 26.7 | 96.7 |
| | 4.00 | 1 | 3.3 | 100.0 |
| | Total | 30 | 100.0 | 100.0 |

Inferential Statistics:

The statistical study of the effect of demographic variables on the study (dependent) variables, and also the study of association between independent and dependent variables has been done using SPSS.

For each hypothesis, a null hypothesis and an alternative hypothesis have been formulated to facilitate hypothesis testing.

The Chi-square Test for testing of statistical significance of observed association between demographic and satisfaction level has been used in the study.

Association Between Satisfaction Level Of Investors And Their Age Group

H₀: There is no significant difference between satisfaction levels of investors of different age group

| Chi-Square Tests | | | |
|------------------------------|---------------------|----|-----------------------|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 10.962 ^a | 6 | .090 |
| Likelihood Ratio | 12.536 | 6 | .051 |
| Linear-by-Linear Association | 2.585 | 1 | .108 |
| N of Valid Cases | 30 | | |

a. 10 cells (83.3%) have expected count less than 5. The minimum expected count is .20.

Interpretation Of Result:

The chi-square test was conducted for testing the statistical significance of difference between satisfaction level of investors of different age groups at 5% level of significance, the asymptotic (2 sided) significance is 0.090 which is more than the critical level of 0.05, therefore null hypothesis is accepted and conclude that there is no significance difference between satisfaction levels of investors of different age group.

Association Between Satisfaction Levels Of Men And Women

H₀: There is no significant difference between satisfaction levels of men and women.

| Chi-Square Tests | | | |
|------------------------------|--------------------|----|-----------------------|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 2.596 ^a | 2 | .273 |
| Likelihood Ratio | 3.649 | 2 | .161 |
| Linear-by-Linear Association | 2.100 | 1 | .147 |
| N of Valid Cases | 30 | | |

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.20.

Interpretation Of Result:

The chi-square test was conducted for testing the statistical significance of difference between satisfaction level of men and women at 5% level of significance, the asymptotic (2 sided) significance is 0.273 which is more than the critical level of 0.05, therefore null hypothesis is accepted and conclude that there is no significance difference between satisfaction levels of men and women.

Association Between Satisfaction Levels And Percentage Of Savings.

H₀: There is no significant difference between satisfaction level and percentage of savings.

| Chi-Square Tests | | | |
|------------------------------|---------------------|----|-----------------------|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 10.979 ^a | 4 | .027 |
| Likelihood Ratio | 12.205 | 4 | .016 |
| Linear-by-Linear Association | .215 | 1 | .643 |
| N of Valid Cases | 30 | | |

a. 7 cells (77.8%) have expected count less than 5. The minimum expected count is .70.

Interpretation Of Result:

The chi-square test was conducted for testing the statistical significance of difference between satisfaction level and percentage of savings at 5% level of significance, the asymptotic (2 sided) significance is 0.027 which is less than the critical level of 0.05, therefore null hypothesis is rejected and conclude that there is significance difference between satisfaction level and percentage of savings of the investors.

Summary And Future Research:

The present research discussed a need in the current literature to understand the degree of satisfaction with outcome of current study, the study's ultimate findings suggest that behavioral factors have a clear and important impact on investments decisions. Gender seems to be the most significant influence on all aspect of investment behavior, among the demographic factors.

The findings of this analysis provide a variety of potential directions for future research. It involves the behavioral investment decision discrepancies between different individuals from across the states. The study also provides a direction for future research in the area of behavioral factors in investment decision making with regard to finance and investments as well as other fields.

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