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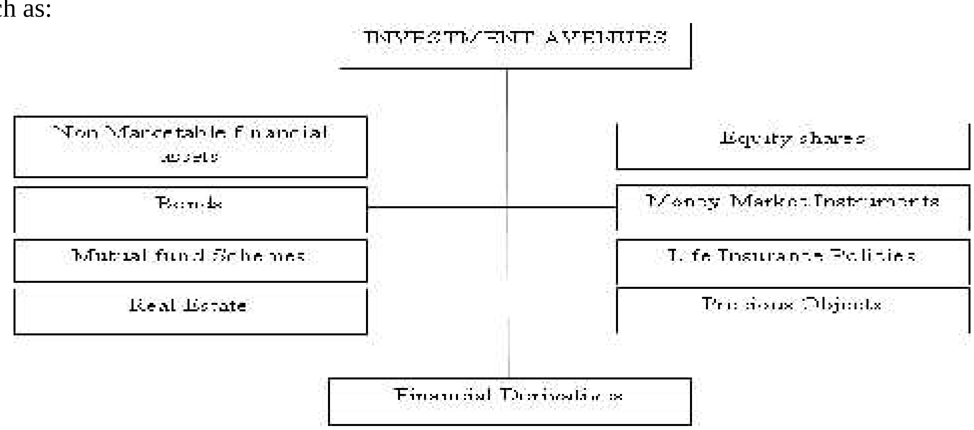
A STUDY ON FACTORS INFLUENCING THE INVESTMENT DECISIONS OF RETAIL INVESTORS WITH SPECIAL REFERENCE TO BENGALURU NORTH

Dr. M. Lokanadha Reddy
Head & Associate Professor, Dept. of Management Studies, Sir Vishveshwaraiah Institute of Science & Technology, Andra Pradesh.

Abstract
In today's financial world, several investment avenues are available in front of retail investors but in spite of this availability, people are investing their hard earned money at wrong places. With the continuous change in the dynamic environment, investors' behaviour is also getting changed but the awareness level is not getting enhanced which is reflected in different irrational decisions of investors. Irrational financial decision implies investors' inability to match their investment objectives and features of the selected investment avenue. Investment is an activity which involves deployment of funds on some profitable channels for the purpose of acquiring profits. For this purpose investors invest their money on various portfolios such as equity shares, debentures, real estate, bank deposits, post office deposit schemes, NSC, PPF Gold ETF etc. Varies factors affected the investment motive such as demographic factors, psychological factors, economic factors, geographic factors, family size etc., and also by various risk and return factors. In this paper mainly focus on psychological, political and general factors affecting the investment behavior and also the sources of investment and the investment objectives of the investors and also analyzed in this paper that investors financial background and the objective which is very important factor that affects all other factors.

Key Words: Investment Avenues, Psychological Factors, Risk and Return, Diversified Portfolio, Retail Investors.

Introduction
An investment is a sacrifice of current money or other resources for future benefits. The U.S. Treasury defines an investment to be a market asset that has a holding period longer than 1 year. The tow key aspects of any investment are time and risk. Every investment involves uncertainties that make future investment returns risky. Therefore investment planning begins with the establishment of objectives by the investor, based on personal financial needs, preferences and constraints. A strategy can then be formulated and a portfolio (or group) of assets can be selected. The step then the investor need to take is to examine some of the elements that determine investment objectives. An investor can have a wide array of investment avenues available such as:



Source: Prasanna Chandra, "Investment Analysis and Portfolio Management", Tata McGraw-Hill Publishing Company Limited, New Delhi, Ninth reprint 2004, ISBN 0-07-048322-1, page 4.

The length of the holding period, the time between signing a purchase order and selling the item, helps us determine whether something is an investment or something else masquerading as an investment asset. Whether an investment of money is short-term or long term and whether it is productive or unproductive, whether it is legal or illegal and whether it is a rational or irrational activity are all criteria useful in separating investing from other economic activities that are sometimes confused with investing.

Conceptual Framework
The traditional finance paradigm which underlies many of the other articles, seeks to understand financial markets using models in which agents are "rational." Rationality means two things. First, when they receive new information, agents

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update their beliefs correctly, in the manner described by Baye's law. Second, given their beliefs, agents make choices that are normatively accepted, in the sense that they are consistent with Saage's notion of Subjective Expected Utility (SEU).

This traditional framework is appealingly simple, and it would be very satisfying if its predictions were confirmed in the data. Unfortunately, after years of efforts, it has become clear that basic facts about the aggregate stock market, the cross-section of average returns and individual trading behavior are not easily understood in this framework.

Behavioral finance is a new approach to financial markets that has emerged at least in part in response to the difficulties faced by the traditional paradigm. In broad terms, it argues that some financial phenomena can be better understood using models in which some agents are not fully rational. More specifically, it analyzes what happens when we relax one, or both of the two tenets that underlie individual rationality.

The premise of behavioral finance is that conventional financial theory ignores how real people make decisions and that people make a difference. A growing number of economists have come to interpret the anomalies literature as consistent with several "irrationalities" that seem to characterize individuals making complicated decisions. These irrationalities fall into two broad categories: first, those investors do not always return; and second, that even given a probability distribution of returns, they often make inconsistent or systematically suboptimal decisions.

Of course, the existence of irrational investors would not by itself be sufficient to render capital markets inefficient. If such irrationalities did affect prices, then sharp-eyed arbitrageurs taking advantage of profit opportunities might be expected to push prices back to their proper values. Thus, the second leg of the behavioral critique is that in practice the action of such arbitrageurs are limited and therefore insufficient to force prices to match intrinsic value.

Review of Literature

Geetha and Ramesh (2012) studied the relevance of demographic factors in investment decisions in Tamilnadu, India, and claimed that the demographic factors have a significant influence over some of the investment decision elements, while insignificant influence was found on some other elements.

Sultana and Pardhasadhi (2012) investigated factors influencing Indian individual equity investors' decision making and behaviour. As per applying factor analysis, the 40 attributes were reduced to ten factors of individual eccentric, wealth maximisation, risk minimisation, brand perception, social responsibility, financial expectation, accounting information, government and media, economic expectation and advocate recommendation factors.

Awan and Arshad (2012) explored the factors that investors value, while making investment decisions regarding mutual funds and type of behaviour they exhibit. AHP and factor analysis was used by the researchers to screen out variables and then further their indexes were formulated. Primary data was collected from five major cities of Pakistan i.e. Karachi, Lahore, Multan, Islamabad, Faisalabad during the period of 15 September 2011 to October 2011.Major findings were that investor age group and cities have different impact on fund selection schemes but income, education level and occupation has no effect. Attributes like past performance of fund, reputation of company, withdrawal facility, Company services towards investor have greater impact on decision making. Investors are overconfident in term that they have selected best scheme. Investors are risk averse, exhibit representativeness, status quo bias, and are conservative. Investors consider that losses in investment are due to incorrect recommendations of family and friends and gains are due to better result of investing companies. Image conscious investors are more inclined towards sponsor related services than professional investors.

Dr. Rajeev Jani and Dhimen Jani (2013) focused on mutual fund as financial asset for indentifying investment behavior. They argue that the demographical factors i.e., age, gender, income, educational qualification, occupation etc. had significant bearing on both urban and rural investors buying behavioral process. As far as behavioral pattern is concerned, their study has revealed that both urban and rural investors are having same behavioral pattern and have a marginal deviation in their investment behavior. Both investors provide more priority to the financial planner, on the second place risk and return profile, third place is captured by past performance and so on. They have concluded saying that the investors mainly concentrate on financial planner.

Neelima Reddy and Venkata H Reddy (2013) say that the Indian mutual fund industry is currently going through a rough patch. Not only are the industry's assets under stress, but given the current macro-economic concerns, the survival of many of the relatively small and new fund houses is under doubt. Therefore the author suggests that the efforts should be made by the AMC's to attract the investors by designing and developing the needed products. AMC's should also take steps to launch

schemes to tap the market of retail investors and can diversify from bank deposits to mutual funds. Brokers and agents should be given more training in order to sell the products since they are expected to be a great source for investors.
Bennet .E (2013) in his study discussed the factors influencing stock specific factors on Investors Participation and the overall influence of stock specific factors influencing investors participation, investors sentiment were studied taking into consideration India and USA in financial characteristics. The analysis of the study clearly showed that the sample investors felt that they will stay invested in Indian Stock Market, and also plan to increase their investments in the Indian stock market. He says that the financial characteristics comprise of various financial ratios pertaining to a company and nowadays investors take into consideration these aspects before they specially invest in any particular stock. He also concluded that the overall stock specific factors did not have much influence on Investors' sentiment in India.

Dominique Diouf, Tessa Hebb and El Hadji (2013) study resulted in the identification of several factors associated with socially responsible investing. Three are most significant, ESG issues, returns and the role of institution. From the theoretical point of view, the association between several factors and socially responsible investment further demonstrates the complexity surrounding this phenomenon. From a practical standpoint, the research has several implications, including on the promotion strategies of SRI. The fact that socio-demographic factors, while helping to explain certain characteristics of individual investors are not significant in the presence of other variables, challenge segmentation practices often being experienced in modern organizations. And the fact that social investors seek profit and want their social values to be taken into account also implies new approaches to strategies to promote SRI. Finally they say that increasing the role of the institution in the development of SRI would help give more visibility to this phenomenon. Beyond promotion strategies, its important to contribute to education in responsible investment both for investors themselves, namely in the areas of shareholder engagement, and advisers, particularly in terms of principles knowledge of socially responsible investment and integration of social values in approaching customers.

Dr. Ruta Khaparde and Anjali Bhute (2014) in their study included a lot more number of other categorical variables and value based variables which have not been included, restricting the scope of the study to some limited objectives. With some selected macroeconomic factors and categorical variables, it was observed by the simplest means that the perception of the investors does differ towards the impact of macroeconomic performance on stock market behavior with respect to different individual factors like age and years of market investment experience. The study had been a possibility as more and more investors are doing market study before investing. Moreover, a study of this kind would be definitely of great help to fund management companies and for financial planners who will seek this to understand the awareness level of the investors and would able to build investment strategies accordingly.

Geetha and Vimala (2014) investigated the effect of demographic variables on the investment decisions by performing a sample survey method in Chennai, India. According to analysis results, from the investors' point of view, changes in demographic factors such as age, income, education, and occupation had an influence in the investment avenue preference.

Statement of the Problem
Today the investment is a dynamic and growing field. But the investors even today shows irrational behavior and behave sentimentally towards the selection of portfolios. The investors tend to become blind investors and would like to diversify their investment on the traditional portfolios such as LIC, Bank Deposits, Public Provident Fund scheme etc. The rationality and the traditional behavior of the investors seem to differ from region to region and also based on their income. To find the reason for such state of affairs, the present study has been undertaken.

Objectives of the Study

- To know the various sources of investment that the investors depend upon.
- To examine the investment objectives of investors.
- To study the factors influencing the investment decisions of retail investors.

Sources of Data
The Present study covers both primary and secondary data. The secondary data is collected through published and unpublished sources. The primary data will be collected through the structured questionnaire administered on the retail investors of Bangalore North district.

Scope of the Study
The scope of the study is to covers various factors that influence the investment decisions of retail investors of Bangalore north only.

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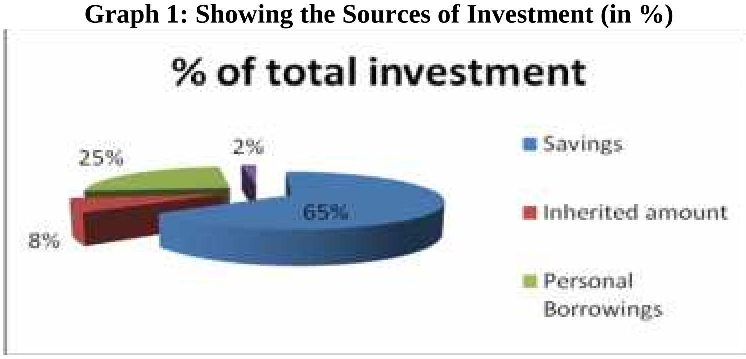
Analysis and Interpretation

Table 1: Showing the Sources of Investment (in %)

Sources of Investment	% of total investment
Savings	65%
Inherited amount	8%
Personal Borrowings	25%
Money extracted from Business	2%

Analysis: From the table it is clear that majority of investors invest their money out of their savings from salary or other regular income. And 2nd preference is given to personal borrowings and least preferences to inherited amount and money extracted from business.

Graph 1: Showing the Sources of Investment (in %)



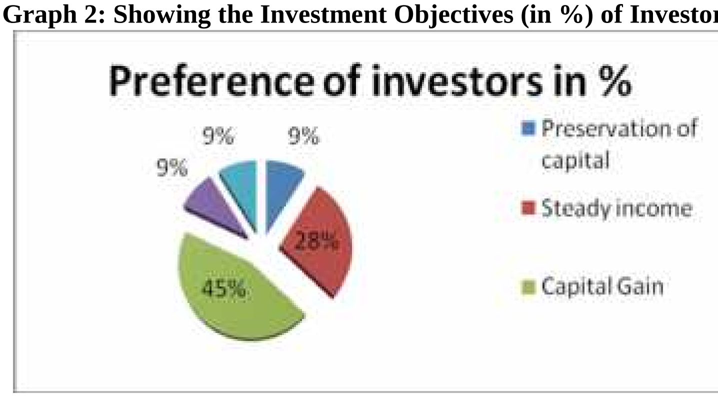
Interpretation: Graph 1 says that since 65% of investment is covered by savings because it is the source which is less risky and does not involve any debt factor. Inherited amount constitutes 8% because all investors who belong to middle class category may or may not have inherited amounts from their elders.

Table 2: Showing the Investment Objectives (in %) of Investors

Investment Objectives	Preference of investors in %
Preservation of capital	9%
Steady income	28%
Capital Gain	45%
Capital Appreciation	9%
Others	9%

Analysis: The above table shows that most of the investors invest their money to get gain on their capital and steady income.

Graph 2: Showing the Investment Objectives (in %) of Investors



Interpretation: From the graph it is understood that capital gain and steady income are the important factors that are considered before investing because they are the motivational factors which influences the investors. And some investors would like to investment out of the income earned and would like to have appreciation of capital.

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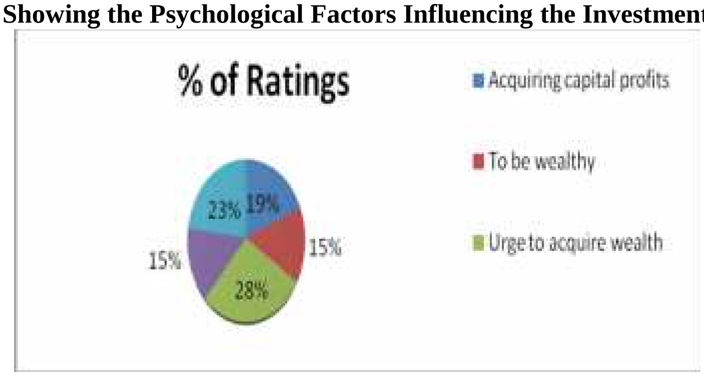
Table 3: Showing the Psychological Factors Influencing the Investment Decisions

Psychological Factors	% of Ratings
Acquiring capital profits	19%
To be wealthy	15%
Urge to acquire wealth	28%
Individual perception towards risk	15%
Protection in bad time	23%

Analysis: From the above table it is understood that urge to acquire wealth is the 1st psychological factor followed by protection in bad time and others.

Graph 3: Showing the Psychological Factors Influencing the Investment Decisions



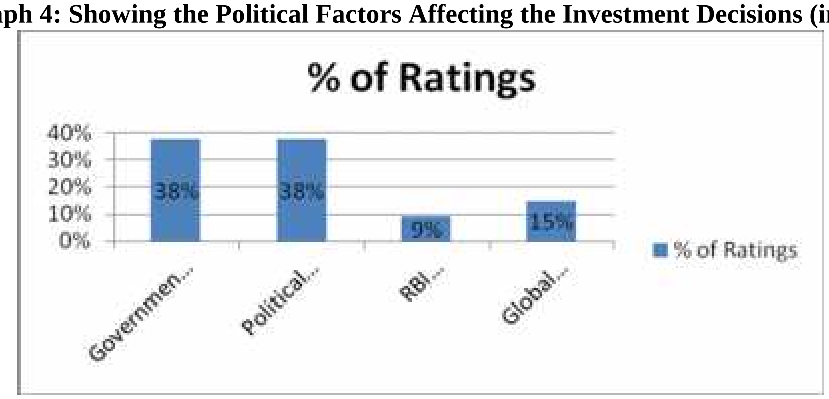
Interpretation: From the above graph it is understood that every individual investor would like to invest with the primary motive of earning more income out of investment in order to have a protection in bad time and also to be wealthy by acquiring capital profits.

Table 4: Showing the Political Factors Affecting the Investment Decisions (in %)

Political Factors	% of Ratings
Government Policies	38%
Political Stability	38%
RBI Regulations	9%
Global market conditions	15%

Analysis: From the above table it is understood that government policies and political stability mainly affects the investment decision followed by global market conditions and RBI regulations.

Graph 4: Showing the Political Factors Affecting the Investment Decisions (in %)



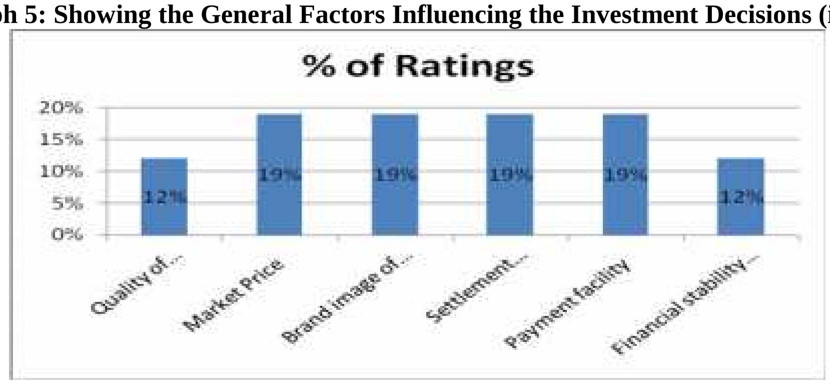
Interpretation: The above graph says that government policies and political stability plays an important role among the political factors influencing the investment decisions because when any political party comes into force they give preference to a particular sector for development and frame policies accordingly. These factors affects a lot compared to other factors while investing.

Table 5: Showing the General Factors Influencing the Investment Decisions (in %)

General Factors	% of Ratings
Quality of management of the company	12%
Market Price	19%
Brand image of the company	19%
Settlement procedure	19%
Payment facility	19%
Financial stability of issuing company	12%

Analysis: From the table it is understood that market price, settlement procedure, payment facility and brand image are the major factors which are given more importance.

Graph 5: Showing the General Factors Influencing the Investment Decisions (in %)



Interpretation: Market price, settlement procedure, payment facility and brand image are given more preference because they are the factors which brings back the amount of investment to the investors safely.

Findings

- Majority of investors invest their money out of their savings from salary or other regular income followed by personal borrowings. And least preferences to inherited amount and money extracted from business.
- Most of the investors invest their money to get gain on their capital and steady income.
- Urge to acquire wealth is the first psychological factor followed by protection in bad time and others which influences the investment decision making.
- Government policies and political stability mainly affects the investment decision followed by global market conditions and RBI regulations.
- Market price, settlement procedure, payment facility and brand image are the major factors which are given more importance.

Suggestions

- Proper awareness should be given to the investors towards investment.
- Various investment alternatives should also be made known to the investors so that various possibilities are available to the investors.
- Investor education programs should be introduced in order to bring confidence among investors towards investment.
- Proper stability in government and political factors should be enforced so that the uniformity of rules and regulations are inculcated at all times.
- Proper disclosure norms should be brought into force so that the investors can invest with confidence upon the securities of the issuing concerns.

Conclusion

The material wealth of a society is ultimately determined by the productive capacity of its economy, that is, the goods and services its members can create. This capacity is a function of the real assets of the economy: the land, building, machines and knowledge that can be used to produce goods and services. The overriding consideration in individual investor goal-

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setting is one's stage in the life-cycle. Most young people start their adult lives with only one asset – their earning power. In this early stage of the life cycle an individual may not have much interest in investing in stocks and bonds. The needs for liquidity and reserving safety of principal dictate a conservative policy of putting savings in a bank or a money market fund.

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