Research Article

STUDY ON FACTORS AFFECTING INVESTOR BEHAVIOUR IN FINANCIAL MARKETS WITH SPECIFIC REFERENCE TO MUMBAI

CA. Jai Kotecha[1], Dr. Madhulika Gupta[2]

[1]Assistant Professor, N. L. Dalmia Institute of Management Studies and Research, Mumbai, Maharashtra, India
[2]Professor, Dr. D. Y. Patil Centre for Management and Research, Pune, Maharashtra, India

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ABSTRACT:
This research paper is to analyse the factors affecting Investor behaviour in Financial markets. The purpose of study is to find out the factors influencing investor behaviour decisions pertaining to investment in financial markets. Earlier the investment pattern was only bank deposits, bonds, schemes etc but nowadays it has evolved into alternate investment. Alternative investments consist of Hedge funds, Private equity funds, financial markets etc. For this study we have collected primary data from respondents through a specific formed questionnaire. The data has been analysed through ANOVA test.

Keywords: Safe investment, risk tolerance, mind-set, Investor's preference, Age, Income.

INTRODUCTION

The economic development of any country depends upon the well-organized financial system. The financial system is a broader term which brings under two fold the financial markets and the financial institutions which support the system. The system main objective is to mobilized the savings in the form of money and monetary assets and invests them effectively to productive ventures. It promotes investments and savings which help faster economic development of any country.

Investment involves making of a sacrifice in the present with the hope of deriving future benefits. Two most important features of an investment are current sacrifice and future benefit. Investment is the sacrifice of certain present values for the uncertain future reward. Investment may be defined as an activity that commits funds in any financial/physical form in the present with an expectation of receiving additional return in the future. The expectation brings with it approvability that the quantum of return may vary from a minimum to a maximum. This possibility of variation in the actual return is known as investment risk. Thus, every investment involves are turned risk. Investor's perception refers to the choosing, purchasing and consumption of goods and services for the satisfaction of their wants. There are different processes involved in the investor perception. Basically, the investor attempts to find what kind of investments he/she would like to consume, after that investors selects only those investments that promise greater utility. After selecting the investment, the investor makes an estimate of the available money which he/she can spend. Lastly, the investor analyzes the prevailing prices of investment and takes the decision about the investment he/she should consume.

LITERATURE REVIEW

1) **S. Veena (2015)** has expressed her view in the research paper titled **"Alternative Investment: A Comprehensive view"** about the investment avenues available for the investors aside from conventional avenues like bank deposits, government instruments etc., or investing available markets, which is again a traditional method of investing. The article makes an attempt to provide a comprehensive view of investment avenues, its performances in the past and its trend in the future. It is interesting to note that those which were considered as hobbies can produce returns to the investor and make it a worthwhile investment.
2) **Andrew C.Worthington And Helen Higgs(2008)** have expressed their views in the research paper titled **"Australian Fine Art As An Alternative Investment"** regarding 35,805 paintings by forty-five leading Australian artists sold at auction over the years 1973-2003 and used to construct individual hedonic price indices. The attributes included in each artist's hedonic regression model include the dimensions and medium of the painting and

therefore the firm and year during which the painting was sold. The indexes show that average annual returns across all artists range between four and fifteen percent and with a mean of eight percent, with the very best returns for works by Brett Whiteley, Jeffrey Smart, Cecil Brack and Margaret Olley. The hedonic regression models also capture the willingness to buy perceived attributes within the artwork, and these shows that works executed in oils and gouache, and people auctioned by Deutscher-Menzies, Sotheby's and Christies are generally related to higher prices.

3) **Bibhu Saboo** conducted a research paper titled **"Gold as an alternative Investment Instrument in India"**.Gold, among the varied asset classes, is taken into account to be the foremost attractive investment by an investor. It plays a crucial role within the social and economic lifetime of people. Many global investors invest in gold because it is appreciating over the years and is additionally wont to diversify their risk thanks to global economic unanticipated changes. There is a sudden rise within the demand for gold in India over the previous couple of years. Gold isn't only purchased in physical form but also during a demat form i.e. With the growing importance of gold, the investors have an interest in getting supernormal profits. This report aims to review the return pattern of gold. Also, it'll effect on how investors can earn supernormal profits by timing their investment decision. This can even be reported that if there's any seasonality in gold returns i.e., whether there is significantly higher return in some parts of the year than others.

d. **Navneet Bhatnagar (2017)** has conducted a study titled **"What are Alternative Investment Funds"**to delve into alternate investment funds and review their working especially in context to opening up of Indian financial landscape. In this article the author deliberates upon the definition of Alternative Investment Funds, options available in the market, growth trends in India, regulatory constraints and government efforts in procedural reforms leading to greater ease in business as well as analyse how market is tapping them.

RESEARCH GAP IDENTIFIED:

- The previous researches have helped in understanding what are alternative investment funds and gold or fine art as alternative investment, whereas recent paper focus on Investor behaviour towards investment in financial markets

RESEARCH METHODOLOGY-

Objectives of the study: -

1) To study the factors influencing investor behaviour decisions pertaining to investment in financial markets.
2) To evaluate the level of risk tolerance across age and income groups

Variables: -

Over self-belief
Mindset
Risk Tolerance

HYPOTHESIS OF THE STUDY

Hypotheses: - Age group

H_0: - There is no significant difference across age groups pertaining to the level of importance to protection of portfolio over high returns

H_1: - There is significant difference across age groups pertaining to the level of importance to protection of portfolio over high returns

H_0: - There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns

H_1: - There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns

Hypotheses: - Income group

H_0: - There is no significant difference across income groups pertaining to the level of importance to protection of portfolio over high returns

H_1: - There is significant difference across income groups pertaining to the level of importance to protection of portfolio over high returns
H_0: - There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns
H_1: - There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns

Techniques of data collection:
The data was collected through primary and secondary sources. The primary data is collected through a specially designed questionnaire. The secondary data is collected from books journals and information available on the internet.
Sampling Universe:
Investors in Mumbai.
Sample Size:
100 investors in Mumbai.
Techniques of Selection:
Random Sampling.
Statistical Tools used:
The data collected is duly processed with the help of MS-Excel and SPSS Software.
The researchers have selected ANOVA testing for this study.

Data Analysis
1.H_0: - There is no significant difference across age groups pertaining to the level of importance to protection of portfolio over high returns
H_1: - There is significant difference across age groups pertaining to the level of importance to protection of portfolio over high returns

ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
I take my buy-sell decisions on my own analysis	Between Groups	.968	3	.323	.336	.799
	Within Groups	93.190	97	.961		
	Total	94.158	100			
I trust my investment decisions	Between Groups	2.193	3	.731	.938	.425
	Within Groups	75.569	97	.779		
	Total	77.762	100			

Multiple Comparisons
LSD

Dependent Variable	(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
I take my buy-sell decisions on my own analysis	1	2	.060	.280	.830	-.49	.62
		3	.104	.309	.737	-.51	.72
		4	-.362	.502	.472	-1.36	.63
	2	1	-.060	.280	.830	-.62	.49
		3	.044	.232	.850	-.42	.50
		4	-.423	.459	.359	-1.33	.49
	3	1	-.104	.309	.737	-.72	.51
		2	-.044	.232	.850	-.50	.42
		4	-.467	.477	.331	-1.41	.48
	4	1	.362	.502	.472	-.63	1.36
		2	.423	.459	.359	-.49	1.33

		3	.467	.477	.331	-.48	1.41
		2	.077	.252	.761	-.42	.58
	1	3	.109	.278	.697	-.44	.66
		4	-.588	.452	.197	-1.49	.31
		1	-.077	.252	.761	-.58	.42
	2	3	.032	.209	.878	-.38	.45
I trust my investment decisions		4	-.664	.413	.111	-1.48	.16
		1	-.109	.278	.697	-.66	.44
	3	2	-.032	.209	.878	-.45	.38
		4	-.696	.430	.108	-1.55	.16
		1	.588	.452	.197	-.31	1.49
	4	2	.664	.413	.111	-.16	1.48
		3	.696	.430	.108	-.16	1.55

Findings and Interpretation of above table-

It is observed from the above table that, significant value if more than 0.05 and hence Null Hypothesis is accepted and alternative hypothesis is rejected.

Thus, there is no significant difference across age groups pertaining to the level of importance to protection of portfolio over high returns

2.H_0: - There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns

H_1: - There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns

ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
Protecting my portfolio is more important to me than high returns.	Between Groups	2.264	3	.755	1.368	.257
	Within Groups	53.519	97	.552		
	Total	55.782	100			
I prefer to keep capital safe rather than have high returns	Between Groups	.074	3	.025	.033	.992
	Within Groups	71.629	97	.738		
	Total	71.703	100			
When the market goes down, I tend to sell some of my riskier investments and put the money in safer investments.	Between Groups	.660	3	.220	.199	.897
	Within Groups	107.182	97	1.105		
	Total	107.842	100			

Multiple Comparisons

LSD

Dependent Variable	(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
		2	.139	.212	.513	-.28	.56
	1	3	.319	.234	.176	-.15	.78
		4	-.325	.381	.395	-1.08	.43
Protecting my portfolio is more important to me than high returns.		1	-.139	.212	.513	-.56	.28
	2	3	.180	.176	.307	-.17	.53
		4	-.464	.348	.185	-1.15	.23
	3	1	-.319	.234	.176	-.78	.15

I prefer to keep capital safe rather than have high returns	1	2	-.180	.176	.307	-.53	.17
		4	-.644	.362	.078	-1.36	.07
	2	1	.325	.381	.395	-.43	1.08
		3	.464	.348	.185	-.23	1.15
		4	.644	.362	.078	-.07	1.36
	3	1	-.021	.245	.931	-.51	.47
		2	.042	.271	.878	-.50	.58
		4	-.025	.440	.955	-.90	.85
	4	1	.021	.245	.931	-.47	.51
		2	.063	.203	.758	-.34	.47
		3	-.004	.402	.993	-.80	.79
When the market goes down, I tend to sell some of my riskier investments and put the money in safer investments.	1	2	-.042	.271	.878	-.58	.50
		3	-.063	.203	.758	-.47	.34
		4	-.067	.418	.874	-.90	.76
	2	1	.025	.440	.955	-.85	.90
		3	.004	.402	.993	-.79	.80
		4	.067	.418	.874	-.76	.90
	3	1	.169	.300	.575	-.43	.76
		2	.225	.332	.500	-.43	.88
		4	-.013	.539	.982	-1.08	1.06
	4	1	-.169	.300	.575	-.76	.43
		2	.056	.249	.823	-.44	.55
		3	-.181	.492	.713	-1.16	.79

Findings and Interpretation of above table-

It is observed from the above table that, significant value if more than 0.05 and hence Null Hypothesis is accepted and alternative hypothesis is rejected.

Thus, There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns

3. H_0: - There is no significant difference across income groups pertaining to the level of importance to protection of portfolio over high returns

H_1: - There is significant difference across income groups pertaining to the level of importance to protection of portfolio over high returns

ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
I take my buy-sell decisions on my own analysis	Between Groups	.379	3	.126	.131	.942
	Within Groups	93.779	97	.967		
	Total	94.158	100			
I trust my investment decisions	Between Groups	.588	3	.196	.247	.864
	Within Groups	77.174	97	.796		
	Total	77.762	100			

Multiple Comparisons

LSD

Dependent Variable	(I) Income	(J) Income	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
I take my buy-sell decisions on my own analysis	1	2	-.119	.314	.705	-.74	.50
		3	-.011	.337	.973	-.68	.66
		4	.048	.468	.919	-.88	.98
	2	1	.119	.314	.705	-.50	.74
		3	.108	.227	.635	-.34	.56
		4	.167	.395	.673	-.62	.95
	3	1	.011	.337	.973	-.66	.68
		2	-.108	.227	.635	-.56	.34
		4	.059	.414	.887	-.76	.88
	4	1	-.048	.468	.919	-.98	.88
		2	-.167	.395	.673	-.95	.62
		3	-.059	.414	.887	-.88	.76
I trust my investment decisions	1	2	-.042	.285	.882	-.61	.52
		3	.060	.306	.844	-.55	.67
		4	-.250	.424	.557	-1.09	.59
	2	1	.042	.285	.882	-.52	.61
		3	.103	.206	.619	-.31	.51
		4	-.208	.359	.564	-.92	.50
	3	1	-.060	.306	.844	-.67	.55
		2	-.103	.206	.619	-.51	.31
		4	-.310	.376	.411	-1.06	.44
	4	1	.250	.424	.557	-.59	1.09
		2	.208	.359	.564	-.50	.92
		3	.310	.376	.411	-.44	1.06

Findings and Interpretation of above table-

It is observed from the above table that, significant value if more than 0.05 and hence Null Hypothesis is accepted and alternative hypothesis is rejected.

Thus, there is no significant difference across income groups pertaining to the level of importance to protection of portfolio over high returns

4. H_0: - There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns

H_1: - There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Protecting my portfolio is more important to me than high returns.	Between Groups	3.120	3	1.040	1.916	.132
	Within Groups	52.662	97	.543		
	Total	55.782	100			
I prefer to keep capital safe rather than have high returns	Between Groups	.454	3	.151	.206	.892
	Within Groups	71.249	97	.735		
	Total	71.703	100			
When the market goes down, I tend to sell	Between Groups	1.884	3	.628	.575	.633
	Within Groups	105.957	97	1.092		

some of my riskier investments and put the money in safer investments.	Total	107.842	100			

Multiple Comparisons

LSD

Dependent Variable	(I) Income	(J) Income	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Protecting my portfolio is more important to me than high returns.	1	2	-.005	.236	.984	-.47	.46
		3	.198	.253	.435	-.30	.70
		4	-.536	.350	.130	-1.23	.16
	2	1	.005	.236	.984	-.46	.47
		3	.203	.170	.236	-.13	.54
		4	-.531	.296	.076	-1.12	.06
	3	1	-.198	.253	.435	-.70	.30
		2	-.203	.170	.236	-.54	.13
		4	-.734*	.310	.020	-1.35	-.12
	4	1	.536	.350	.130	-.16	1.23
		2	.531	.296	.076	-.06	1.12
		3	.734*	.310	.020	.12	1.35
I prefer to keep capital safe rather than have high returns	1	2	-.184	.274	.504	-.73	.36
		3	-.095	.294	.748	-.68	.49
		4	-.036	.408	.930	-.84	.77
	2	1	.184	.274	.504	-.36	.73
		3	.089	.198	.654	-.30	.48
		4	.148	.345	.668	-.54	.83
	3	1	.095	.294	.748	-.49	.68
		2	-.089	.198	.654	-.48	.30
		4	.059	.361	.870	-.66	.78
	4	1	.036	.408	.930	-.77	.84
		2	-.148	.345	.668	-.83	.54
		3	-.059	.361	.870	-.78	.66
When the market goes down, I tend to sell some of my riskier investments and put the money in safer investments.	1	2	.333	.334	.321	-.33	1.00
		3	.402	.359	.265	-.31	1.11
		4	.048	.497	.924	-.94	1.03
	2	1	-.333	.334	.321	-1.00	.33
		3	.069	.241	.776	-.41	.55
		4	-.286	.420	.498	-1.12	.55
	3	1	-.402	.359	.265	-1.11	.31
		2	-.069	.241	.776	-.55	.41
		4	-.355	.440	.422	-1.23	.52
	4	1	-.048	.497	.924	-1.03	.94
		2	.286	.420	.498	-.55	1.12
		3	.355	.440	.422	-.52	1.23

*. The mean difference is significant at the 0.05 level.

Findings and Interpretation of above table-

It is observed from the above table that, significant value if more than 0.05 and hence Null Hypothesis is accepted and alternative hypothesis is rejected.

Thus, **There is no significant difference across age groups pertaining to the pertaining to the preference of keeping capital safe over high – returns**

FINDINGS AND CONCLUSION

From the above analysis, It is found that Age and Income doesn't impact the level of importance pertaining to protection of portfolio over high returns. And also Age and Income doesn't impact the level of importance pertaining to the preference of keeping capital safe over high – returns.

Hence, it is concluded that, in the above study Null Hypothesis is accepted and alternative hypothesis is rejected.

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