

## STUDY ON IDENTIFY THE VARIABLE MEASUREMENT OF INVESTOR BEHAVIOUR ANALYSIS

### Article Particulars

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### Abstract

*The study is focused on identify the variable meachirement of investment behaviour analysis and also the identification of research gap utilized for the formulation of research objectives and research questions. The purpose of the review of previous study is to inform the evaluation of investment behaviour, investment knowledge, investment choices / investment avenues, investment risk attitude and investment decision. The review was undertaken to assess and order the current literature that provides the basis for mapping the causal linkages of an evaluation framework.*

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### Introduction

The present study includes the conceptual framework of the study. It covers the meaning, definition, measurements and variables included in each concept in the present study. To analyze women investors' investment behaviour the following dimensions were used for this study i.e Investor Perception, Investor Condition, Investment Literacy and Investment Decision-Making Behaviour

### Objectives of the Study

- To identify the measurement variables related to assessing the investor bebehaviour analysis
- To validate the each variables' in earlier research studies related to behavioral analysis of investment
- Variable Measurement of Analysis of Investor Behaviour

## Investor Perception

In this study the investor perception is analyzed in terms of attitude and belief on investment and interest in learning about investment. It is an important factor for analyzing investment behaviour of an investor. Because, the behaviour of investor will depend on their perception towards investment. The perception on investment is motivated by their interest of gathering information about investment activities. Based on the information on investment, the investors' attitude and belief on investment will change. Especially, women investors' attitude and belief towards investment and learning about investment activities is entirely different from men investors. Hence, for this study, the factors of perception towards learning about investment and attitude and belief on investment are considered as the factors for analyzing the investment behaviour of the women investors. According to belief on investment, the attitude of investment will change and also based on this only, the investor may give preference to learning about investment. Hence, this behaviour will affect the investment decision-making behaviour of investors in an appropriate way.

## Attitude towards and belief in investment

Investor's preference of investment is based on many factors, among them attitude and beliefs about investment play a big role, because based on this belief only, the investors' activities are being further. The sub scale of attitudes and beliefs on investment are drawn from the reviews. (Ajzen, Lcek, 1985, Tahira Hira, Cazilia Loibl, 2006). The variables considered in the investor attitude and beliefs on investment are shown in the Table .1.

**Table 1 Variables in Attitude and Belief on Investment**

S.No.	Variables	S.No.	Variables
1.	Investment is exciting	6.	Anxious about short term movements.
2.	Investing is easier	7.	Tolerate the volatility in investment market
3.	Scary on risk free investment	8.	Not minding future inflation
4.	More investment opportunities	9.	Comfortable with my investment
5.	Investment is not a time covering process.		

## Investment Learning

Behavioural finance introduces the behaviour of an individual and focuses on the application of psychological and economic principles for the improvement of individual financial decision-making process. It basically provides a nice introduction to behavioural finance. The key concept conveyed in it is that people are "Imperfect processors" of information and are usually biased, commit mistakes and have perceptual problems. Currently, no unified theory of behavioural finance exists. Shefir and Stateman (1994) began work in this direction, but so far, most emphasis in the literature has been on identifying behavioural decision-making that are likely to have systematic effects on financial market behaviour. The sub-scale of investment learning

discovers the learning style of investors in effective and desirable manner. The investors' attitude towards learning about their investment of various avenues and interest in attending programs related to the investment are important in investment activities (Jaggia and Thosar, 2000). The attitude towards learning about investment among the investors is measured with the help of seven variables that are drawn from the reviews (Tahira Hira, Cazilia Loibl, 2006). The variables considered in the learning about investment are shown in the Table 2

**Table 2 Variables in Investment Learning**

S.No.	Variables	S.No.	Variables
1.	I enjoy investment learning	5.	I am interested in learning about investment
2.	I like to attend investment seminars	6.	I am interested in knowing about new investment avenues
3.	I prefer to talk with investment experts	7.	I prefer instructor-based learning
4.	I try to understand the varieties of investment avenues	8.	I learn to bear and analyse the risk

**Investor Condition**

In this study, the investor condition is measured in terms of investors' financial situation, risk tolerance, investment problems and investment objectives. The investment decision is based on the investor risk tolerance, past experience in problems of investment activities, investor's objectives towards their investment and their financial situation. Based on the financial situation, investor's preference of investment will change and the risk tolerance level will also change. The preference of investment also depends on past experience in investment activities and also depends on their need. Each factor individually contributes to the investment decision-making behaviour. For measuring investor condition about investment, the scale was developed. The scale consists 40 items to be responded on a five-point rating scale starting from strongly disagree; disagree; moderate; agree and strongly agree.

**Risk Tolerance**

According to the study conducted by Black et al. (1986) investors do so many preparatory work before they invest in various avenues. The preparatory work may be related to investment goals, risk-bearing capacity and investment options and expected return (Gorman et al., 1989, Kaplan et al., 1993). Attitude towards risk are influenced by many factors that are irrelevant to ultimate outcomes (Jonathan Baron, 2010). In the present study, the variables related to risk tolerance are drawn from the reviews (Mittal and Dhade 2007, Mittal and Vyas, 2008, Jaggia and Thosar, 2000). The variables considered in the investor risk tolerance are shown in the Table .3.

**Table 3 Variables in Risk Tolerance**

S.No.	Variables	S.No.	Variables
1.	I am ready to take risks	6.	I am interested in investing on risky investments
2.	I am ready to invest even if the market is uncertain	7.	I do not worry about negative performance
3.	I bear the diversity in investment portfolio	8.	I have strong faith in future growth
4.	I believe that risk leads to more returns	9.	I believe that financial achievement is more important than security
5.	I seek only long-term returns		

**Investment Problems**

The investment activities of investor might be different based on their previous investment experience. It may relate to the service quality of financial advisers or brokers (Powell and Ansic, 1997). The variables related to the problems on investment are drawn from the reviews (Soma Sundaram, V.K., 1999, Webber and Siebenmorgan, 2004). The variables considered in the investment problems are shown in the Table .4.

**Table 4 Variables in Investment Problems**

S.No.	Variables	S.No.	Variables
1.	I get irrelevant information from sources	7.	I find difference in the cost of services from adviser to adviser
2.	It is difficult for me to get updated information	8.	I find it difficult to get trustworthy advisors
3.	I am unable to get the desired response	9.	I am delayed in getting the receipt of investment certificate
4.	I find lack of transparency in transactions	10.	I find problems in consolidation and splitting
5.	I pay high charges for transaction and maintenance	11.	I do not self-confidence in investing
6.	I find some difficulties in selling investment	12.	I have insufficient funds to invest

**Investment objectives**

The investor's objectives towards investment are the collective opinion on the various investments made by the investors in the stock market (Sharma and Batra, 2001). The objectives on investment in the present study are measured with the help of nine variables drawn from the reviews. (Jane 2002, Gopalakrishnan, 1995, Gnana Desigan, 2006). The variables considered in the investment objectives are shown in the Table .5.

**Table 5 Variables in Investment Objectives**

S.No.	Variables	S.No.	Variables
1.	I try preserve my capital and enhance my financial growth	6.	I want a high rate of return
2.	I want to improve my portfolio value	7.	I expect flexibility in investment
3.	I am ready to take more risk for high returns	8.	I want growth in the long run
4.	I am ready to accept market fluctuations	9.	I want financial liquidity and a steady future income
5.	I expect a stable income		

### Financial situation

The financial situation is one of the important determinants of investment behaviour among the investment (Cohen, 2004). It represents the current financial situation of the investors (David, 2006) and their financial dependency (Amos and Daniel, 1979). In the present study, the financial situation among the investors are measured with the help of ten variables drawn from the reviews (Reb and Terry, 2005). The variables considered in the investors' financial situation are shown in the Table 2.6.

**Table 6 Variables in Financial Situation**

S.No.	Variables	S.No.	Variables
1.	I have a debt-free situation	6.	I believe that financial situation promotes my inter-personal relationship
2.	I do not have mortgaged loans	7.	I depend on my current sound financial situation
3.	I have a sound current financial position	8.	I have a clear vision on present finance position
4.	I am financially secured	9.	I do not expect any financial support
5.	I make social contributions	10.	I am financially self-sufficient

### Investment Literacy

For the involvement in investment, the investors should have a minimum knowledge about financial terms and financial activities. If investors have good financial knowledge, they show interest in investment. And also the investment activities depend on the influence of information about investment. The investors have many sources for getting information. It might be through media, social environment and so on. Hence, this study focuses on the investment literacy in terms of their financial knowledge and their preference of information sources for asset management. And also the decision-making ability of investors depend on those factors.

### Financial knowledge

Fry et al. (2008) establish that superior levels of knowledge of credit and debit cards are linked with more informed savings behaviour. Most of the studies found that financial knowledge is affecting the investment behaviour in several ways. Chen and Volpe (1998) established a relationship between financial knowledge and financial decisions, although it was tenuous at best as the decisions were purely hypothetical. Financial knowledge is the division of financial literacy. Financial literacy is individual's ability to understand financial terms and instruments. It is measured with two variables. One is basic financial knowledge i.e. about addition, multiplication, simple interest, compound interest, etc. and the other one is advanced financial knowledge i.e. financial terms and instruments. This study considers only advanced financial knowledge because the respondents are educated. The financial knowledge of investment in the present study are drawn from the reviews (Barbara Wanyana, 2007). The variables considered in the investor financial knowledge are shown in the Table .7.

**Table 7 Variables in Financial Knowledge**

S.No.	Variables	S.No.	Variables
1.	I have a knowledge of life insurance policy	5.	I have a knowledge of SENSEX/ NIFTY
2.	I have a knowledge of demat account	6.	I have a knowledge of Net Asset Value (NAV)
3.	I have a knowledge of public provident fund	7.	I have a knowledge of primary/ secondary market
4.	I have a knowledge of open-ended/ closed- ended funds	8.	I have a knowledge of saving per share
9.	I have a knowledge of SEBI	14.	I have a knowledge of stamp duty
10.	I have a knowledge of 22/24 carat gold	15.	I have a knowledge of tax benefit
11.	I have a knowledge of guideline value of real estate	16.	I have a knowledge of risk connected with investment
12.	I have a knowledge of memorandum and articles of association	17.	I have a knowledge of investment market
13.	I have a knowledge on registration procedure/charges	18.	I have a knowledge of investment avenues

**Investment Information**

A number of studies have suggested that gender differences in information processing may play a role in differential financial strategies (Graham, Stendardi, Myers & Graham, 2002). The source of information on the investment has its own role on the investment behaviour of the investors (Gabaix and Laibson, 2000). The website provides a lot of information on the stock prices, new issues and other aspects related to the various investment avenues (Laurant and Kapferer, 2005). The investors in the stock market are expecting some advice from the financial experts or brokers in stock market (Suden and Surette, 2008). Because of false news and rumours in the foreign exchange markets, the derived information has a gap which is highly rated, as compared to trustworthiness of the source and precision of information. (Oberlechner and Hocking, 2004). The sources of information in the present study are drawn from the reviews (Fama, 2002; Shefrin, 2002; Topol, 2001; Hansen, 2005). The variables considered in the investment information are shown in the Table.8.

**Table 8 Variables in Investment Information**

S.No.	Variables	S.No.	Variables
1.	I get information from internet	8.	I act on the advice from investment experts
2.	I use websites to collect information	9.	I get information from friends and relations
3.	I read and use e-mail investment newsletters	10.	I get information from pamphlets, brochures, etc.
4.	I use investment analysis software	11.	I am a member of investment forum
5.	I get information from various investment clubs	12.	I get information from investment education
6.	I get information from all media	13.	I have easy access to investment information
7.	I attend financial education courses	14.	I attend investment seminars

**Investment Decision-Making**

The involvement in investment decision-making activity is one of the important investment behaviours among the investors (Sikdar and Pal, 2006). It is a process concerned with how an investor should proceed in making a decision about what marketable securities to invest in, how extensive the investment should be and what the investment should be made (Embrey and Fox, 1997). The time, risk and both are treated as two important factors to make any investment decision (Gramham, et al., 2002). The level of investment decision-making behaviour is measured with the help of nineteen variables drawn from the reviews (Warneryd 2001, Park and Lessig, 2001, Mathews, 2005, Olsen, 2002, Linciaino, N.P. Soccorso, 2012, published in the CONSOB, Research Division, Economic Research Unit). The variables considered in the investment decision-making behaviour are shown in the Table .9.

**Table 9 Variables in Investment Decision-Making Behaviour**

S.No.	Variables	S.No.	Variables
1.	I often use news or magazines when making investment decisions	11.	My investment decision is based on self-confidence
2.	I receive public opinion about profit making investment	12.	My decision is based on the benchmark of investment performance
3.	My decision relies on company's past financial data	13.	I decide based upon my investment knowledge
4.	I rely on the consultation of my investor advisor	14.	I decide based on the current changes found in the investment market
5.	I decide upon the investing knowledge of my friends/family members	15.	I make independent decisions regarding investments
6.	My decision depends upon the updated investment information	16.	I am consistent in my investment strategies
7.	I take a decision considering my goals of investment	17.	I decide only on the assurance of getting expected returns from investment
8.	I decide my investment optimizing my investment portfolio	18.	I decide on my investments keeping in view of my future investment activities
9.	I decide my investment considering the prospects of future products	19.	I decide on the investments based upon my stable and sound financial position
10.	My decision is based on the reference of market conditions		

**Conclusion**

Finally, to find out whether the adopted scale was relevant to the Indian context, a study was conducted. For the purpose, it was individually tried out with 25 women respondents from the related sector. Based on the suggestions received in the individual tryout, necessary modifications were made in the scale. The nomenclatures of the scales were changed as, investment literacy from investor condition. The so-modified scale was then finally tried out by circulating it with proportion to a sample of 50 respondents in selected profession located in Coimbatore district. The final tryout

was made to establish the reliability of the scale in the Indian context and to make it fit for the study. The reliability co-efficient of the factors were found with help of Spearman Brown's split-half and Cronbachs' alpha method. The reliability co-efficient for the respondents sub factors and the overall scale are reliable and show valid in the Indian Context. Hence, those scales were considered for the further study.

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