Understanding the Investment Behavior - A Review of Literature

S. Vimala[1], Dr. A. Stephen[2]

Assistant Professor, MBA, Knowledge Institute of Technology
vimsdms[at]gmail.com

Director, MBA, Knowledge Institute of Technology
stephanantony822[at]gmail.com

Abstract: *Investment is the employment of funds with the purpose of earning additional income or capital appreciation. Nowadays countries like India facing great challenges for finding sufficient capital for its development. Indian Government take measures for improving the saving habits of people especially in rural area. It shows that our country slowly shifted to digital economy by the way of creating various investment avenues. Investment avenues refer to the different alternatives, through which a person can channelize his/her, money at profitable manner. For a person, who can invest their money in different portfolio like gold/silver, bank deposits, share & securities, mutual funds, insurance, government securities, post office savings, provident funds. This study covers the investment behaviour and opportunities for investment. People want to invest their hard money in these financial assets and they get safety and principle amount with high liquidity, income, stability and appreciation.*

Keywords: Investment avenues, Investment, Portfolio, Liquidity, Capital Appreciation, Risk and return, Income stability and appreciation

1. Introduction

Indian economy is likely to grow two and half times to $7 trillion by 2030, from about $3 trillion now, making India the world's third largest economy. This implies that nominal GDP growth is likely to average just over 10% through the next decade, imagine 2030.

India Investment accounted for 28.3 % of its Nominal GDP in Sep 2020, compared with a ratio of 21.4 % in the previous quarter. India investment share of Nominal GDP data is updated quarterly, available from Jun 2004 to Sep 2020, with an average ratio of 34.0 %. The data reached an all - time high of 41.2 % in Sep 2011 and a record low of 21.4 % in Jun 2020. CEIC calculates Investment as % of Nominal GDP from quarterly Nominal Gross Capital Formation and quarterly Nominal GDP. Gross Capital Formation is calculated as the sum of Gross Fixed Capital Formation, Changes in Stocks and Valuables. Central Statistics Office provides Nominal Gross Capital Formation in local currency and Nominal GDP in local currency, based on SNA 2008 at 2011 - 2012 prices. Investment as % of Nominal GDP prior to Q2 2011 is based on a combination of SNA 2008 and SNA 1993, at 2004 - 2005 prices.

In the latest reports, India GDP contracted 23.9 % YoY in Jun 2020. India Nominal GDP reached 635.2 USD bn in Sep 2020. Its GDP deflator (implicit price deflator) increased 3.8 % in Sep 2020. India GDP Per Capita reached 2, 140.4 USD in Mar 2020. Its Gross Savings Rate was measured at 31.4 % in Mar 2020.

Expressed as a ratio of total investment in current local currency and GDP in current local currency. Investment or gross capital formation is measured by the total value of the gross fixed capital formation and changes in inventories and acquisitions less disposals of valuables for a unit or sector.

Growth in real gross fixed capital formation (GFCF) is likely to decline to - 0.6 per cent in 2019 - 20 from 9.8 per cent in 2018 - 19, but improve thereafter to 2.6 per cent in 2020 - 21.

The good news is that, unlike in the past, developing countries will likely have the resources needed to finance these massive future investments for infrastructure and services, including in education and health care. Developing countries' employment in services will account for more than 60 percent of their total employment by 2030 and they will account for more than 50 percent of global trade. This shift will occur alongside demographic changes that will increase demand for infrastructural services. Indeed, the report estimates the developing world's infrastructure financing needs at $14.6 trillion between now and 2030.

According to a UN report India's economy is estimated to contract by 9.6 per cent in 2020, as lockdowns and other containment efforts to control COVID-19 slashed domestic consumption without halting the spread of the disease, and the growth is expected to recover and grow at 7.3 per cent in 2021.

World Bank's Global Development Horizons (GDH) report, which explores patterns of investment, saving and capital flows as they are likely to evolve over the next two decades. But the saving and investment decisions require understanding of economics, market conditions, financial terms, tax law and political aspects ets. Today the financial service sector has become wider and it is providing investor huge range of investment options. The present study aims to review various published research studies available on investment bahaviour and avenues to recommend an empirical study to determine the relationship between investment avenues and investment behavior among the people.

Research Methodology

In present study, a thorough analysis of available literature was done. Articles published in various online database and search engines such as SSRN, Google scholar, World Investment Report, World Economic Situation and Prospects (WESP) report, RBI annual report articles, news along with relevant books on the topic were taken into consideration.

The studies have been reviewed in terms of important scales for purpose of research. Study was done to identify the research gap and to propose an empirical study to determine the relationship between the income, saving and investment behavior of people among the Salem city.

2. Review of Literature

There existing large number of literature on the investor's behavior worldwide. Researchers have accepted various factors which affect the investor's decisions to save and invest shown in table 1

Table 1: Existing Literature on Investment Behaviour

S. No	Name of author and year	Research objective	Sample size	Research tools	Results
1	Singh *et al.* (2014)	To examined the risk perception of investors in Initial Public Offer of Shares.	100	Mean, Median, Mode, Standard deviation, Regression analysis	This research exposed that majority of Equity investors in respect of IPOs had moderate level of risk Perception. The result also indicated the in significant difference of demographic factors on the risk Perception carried by individual investors.
2	Jain (2014)	The major focus of this research was to determine the relationship between the income level and investment pattern regarding female investors	250	Percentage, Standard deviation and Mean	It was concluded that majority of the respondents favored their savings to invest in fixed deposits for safety, second option was to investment in gold, third option was insurance schemes etc. and the level of income has considerably increased in the last decade.
3	Bbashir, *et al.* (2013)	He has carried out a research on risk level and investment preferences of salaried persons.	120	correlation coefficient	The research shows the high risk propensity in males as compared to females.
4	Bhushan (2014)	To examine the awareness level and investment behaviour of salaried individuals towards financial products	516	Descriptive Statistics	Respondents are quite aware and park their money in traditional and safe financial products whereas awareness level of new age financial products among the population is low.
5	Jagongo and Mutswenje (2014)	To establish the factors influencing investment decisions at the Nairobi Stock Exchange	42	Descriptive analysis, Friedman's test and Factor analysis	The most important factors that influence individual investment decisions were: reputation of the firm, firm's status in industry, expected corporate earnings, profit and condition of statement, past performance firms stock, price per share, feeling on the economy and expected divided by investors.
6	Geetha and Vimala (2014)	To identify the popular perception of individual investors towards selected investment avenues and the predominant factors which influence individual to go for savings in that instrument	500	One sample t - test, Chi - Square	There is a remarkable change in the investment avenues due to establishment of different financial institution, creditable source attractive return, good capital appreciation, and tax concession. From the investors point of view changes in demographic factor such as age, income, education, and occupation have an influence in the investment avenue preference.
7	Raheja and Lamba (2014)	To study investment behaviour and individual investment practices as per different stages in their life cycle and to understand what an investor look for in investment avenues.		Literature review	There are various investment options available in the market and people prefer to invest indifferent investment options with some objective behind investment. It also concludes that life cycle stages and investment objectives are dependent on each other.
8	Tai - Yuen HON (2015)	The primary objective is to identify and analyze the important factors that capture the behaviour of small investors	1, 199	Factor analysis	Five factors were identified i. e. reference group, personal background, monitor investments, reaction to announcements and cognitive style.

		in the Hong Kong stock market.		
9	C. Sathiyamoorthy, K. Krishnamurthy (2015)	The objective of the study is to understand the investment pattern and awareness towards salaried class Investors in Tiruvannamalai district.	50	Independent samples Ttest, one way ANOVA and Factor analysis.	Majority of the respondents are saving money as Bank deposits for the safety of an unpredictable future.
10	E. Apparao, N. Kishore Babu (2015)	To study the perceptions of the Investors towards various Investment Alternatives	576	Percentage and ranking analysis	It was found from the study that urban people were more aware of the different investment schemes than the rural. The perception of most investors on the safety and liquidity of different investment avenues is unfavorable and More than 20 per cent of respondents are not satisfied with after sale services of stock broking firms. The main aim to invest was earning regular income.
11	Deepak Sood, Navdeep Kaur (2015)	To evaluate the saving habits and investment pattern of salaried class people at Chandigarh and to analyze investment selection behavior of salaried class people in Chandigarh.	200	Convenient sampling, F - test, one way ANOVA	Salaried classes avoid spending money on heavy luxurious lifestyle and preferring the normal living Standard. There is no significant relationship between Employment and the Annual savings. there is significant relationship between the Employment and Annual Savings
12	D. Senthil (2015)	To study the investment behavior of Investors and the factors affecting different investors.	150	One way ANOVA	Occupation is dependent on all factors of overconfident factors, Loss Aversion, representativeness and Price anchoring factors while investor investing in capital market. Education level is dependent on overconfident factors and representativeness factors.
13	N. Srividhya& S. Visalakshi (2013)	To analyze the savings and investments pattern of college teachers and the rate of return expected by income earners from the investments.	75	Chi square test	was proved that all the working teachers save the money for their wards' education, marriage, security and also for house construction purposes.
14	K. Parimalakanthi, M. Ashok Kumar (2015)	The focus of the study is to determine the factors of individual investor behaviour in Indian financial market and Access the risk exposure, factors affecting the Investment decision	107	factor analysis, Friedman's rank testv	Study concluded investor's education is immensely important for the present day investors in Coimbatore and investment behavior was found to be better at the time of investment than before investment and post investment.
15	Neha S Shukla (2016)	The main objective of the research is to stud investment preference of working women of North Gujarat Region.	100	Chi square test	It was found that there is no relationship between education with investment while there is significant relationship between Age and Income
16	P. VanishreeSah December 2017	To understand the investment objectives of women investors	105	Mean, Standard Deviation	Women investors prefer short term investments rather than making provisions for long term benefits. Though there has been an increase in the number of educated working women, they are still mostly dependent on their family members, friends and relatives for investment related information and for taking investment decisions.
17	Senthamizhselvi. A, 2Vedantam Seetha Ram9 (May 2020)	To review research papers on behavioural portfolio theory and understand the orientation of investors towards their portfolio selection and investment decision over six decades using empirical, conceptual and literature review based papers	researcher used 50 papers which includes empirical, conceptual and review papers from 1960 - 2017 period	Out of 50 papers in total, five papers focus specifically towards BPT and its contributions to portfolio construction and investment decision making	The researcher concentrates on specific aspects to understand about how the behavioural portfolio theory helps an individual in making portfolio construction and better investment decisions.

19				by the individuals. The remaining papers (45) used for the study
18	Bhavik U. Swadia March - 2017	To identify the objective of savings of an investor	100	weighted average scores	Key objective for savings is the children education, people do saving for their children' future, followed by healthcare, retirement, home purchase, marriage and other. Safety of principle would be most critical factor which is considered most before investment followed by low risk, high returns and maturity period.
19	Ashish Dewan, R Gayatri, Rishi Dewan April 2019	To identify the factors affecting investment behavior of corporate and individual investors from Southern India	data collection were 800 in total out of which only 576 completely filled up questionnaire were received from the investors.	t - test	There is a lack of studies conducted where the behavior of corporate investors has been measured, corporate investors are the major investors of the stock market and can easily influence the trend of stock prices. Hence, it is important to conduct the study on measuring the behavior of corporate investors.
20	Arpita Gurbaxani Rajani Gupte 2021	To determine the impact of COVID-19 on investments in SIPs. Conclusions were drawn on the basis of the examination of various factors impacting investments before and after the COVID-19 outbreak.	100	Regression, Standard Deviation	Results highlight the socioeconomic effects of the COVID-19 outbreak at the micro - level and may enable financial institutions and individuals to better handle such situations in future. The scope of the present research is limited. Future studies could consider larger samples and different contexts to gain deeper insights into the socioeconomic effects of the COVID-19 pandemic. Studies could also suggest policies and measures to help governments effectively deal with future crises. .
21	Kamaruniza. A, Kavitha. C (2020)	The main objective of the study is to investigate mutual fund investors' investment behaviour in Chennai City.	104	percentage analysis, chi - square test, cross tabulation and weighted average scores	The present study outlined that the investors have positive approach towards investing in mutual funds. The mutual fund companies can provide timely information to improve the confidence level of investors, which can lead the achieve heights in the financial sector and the major task of converting potential investors into reality investors.
22	Preethi Kuttalam (2014)	Studied the investment pattern related to various demographic and personality factor.	110	Anova test	This research found the variation in real estate, bonds, IPO, Mutual fund based upon income factor. Psychological factors influence the choice of individual investor.
23	Kumar, *et al*. (2013)	"A Study of Customer's Preferences towards Investment in Equity Shares and Mutual Funds".	100	Z - test, Chi - square test, percentage	This research concluded that bulk of the respondents prefers to invest in mutual funds than investment in shares. Mainly five investment alternative such as real estate, gold, PPF and mutual funds were mostly preferable investment avenues. NSE, KVP etc. were found to be least preferred instruments of investment.
24	Bbashir, *et al. (*2013)	He carried out a research on risk level and investment preferences of salaried persons.	120	correlation coefficient	The research shows the high risk propensity in males as compared to females
25	Panda (2012)	He had carried out the study on perception of risk and return for individual investment	50	ANOVA test	This study revealed that the mutual funds expected to higher return followed by postal deposits and insurance schemes

Source: Compiled from various academic studies

3. Analysis of Reviews

From the review of the literature given in table 1, researchers view regarding investment. There are many factors identified which will be influence their decisions to save and invest. Based on the literature reviews investors may focus on the liquidity and risk and their perception demographic factors, risk, liquidity, income age, experience,

safety, these factors will motivate them to investment in traditional and safe financial products. Few researchers had found that while go for an individual investment, they will be taking decision on reputation of the firm, corporate earnings, profit, past performance of the firm's stock, price per share, etc,. There is a significant changes in the investment avenues is due to different investment avenues and attractive return, good capital appreciation and tax, salaried people also have few factors are loss aversion, price, education etc. Finally this review will telling about the investor's preference on risk less avenues such as bank deposits, mutual funds, insurance.

Research Gap

Through the reviews of literature shows that there are some research gaps, I could found that it should be addressed and a study can be conducted on the basis of research gap.

1) Available literature reviews is focused on the factors affecting the investment avenues, the relationship between the savings and investment, through the reviews could understand the relationship between the savings and investment but not defined about the GDP in economy.
2) The comparison analysis between investment behavior avenues and investor goal, financial goals and reason for not invested these are all not defined in the available literature.
3) Due to lack of financial literacy by the investors, they could not take the financial decisions.
4) Use of technology for deriving saving and investment patterns is another factor which is not available in the literature.
5) The corporate investors only invested in high risks securities but individual investors are taking low risk securities for their investment.

4. Scope for Future Research

Global SDG investment shows some progress but remains far from the target to meet the $2.5 trillion annual financing gap for developing countries. Signs of progress in SDG investment are evident in six sectors: transport infrastructure, telecommunication, food and agriculture, climate change mitigation, ecosystems and biodiversity, and health. Investment appears stagnant in education and in water and sanitation. Across the board, growth falls short of the level required to make a significant dent in the investment gap.

The Government and the RBI is likely to play an active role through Fiscal and Monetary Policies which could mould investor behaviour towards several sectors and investible themes. Healthcare and Health Insurance would see a positive impact and help revive investor behaviour towards Pharmaceuticals, Hospitals and Diagonostic Chains. Each sector of the Indian economy will need to execute solutions drawn from all three categories if India is to build its GDP to US$10tr in 2034 and improve its HDI in an environmentally sustainable manner. The HDI was introduced to combine three measures – life expectancy (a social measure), education (average number of years of schooling and expected years of schooling– a social measure) and gross national income per capita (an economic measure). The 2012 edition of Visa Global Financial Literacy Barometer survey released today has ranked India at 23rd in a list of 28 countries on the financial literacy front.

The reality reflects the contrary as 41 percent of the younger respondents aged 18 - 24 were more likely to have no emergency savings at all compared to the older respondents. . Financial literacy was defined as a combination of financial knowledge, attitude and behaviour. The investment and savings rate is a vital indicator of economic growth of the individual economy as well as Indian economy

5. Conclusion

Today the financial sectors are providing a wide range of investment avenues in the investor section. This study has examined the published work relating to individual investor behavior understanding the savings and investment behavior could be a great relevance to the investors for their wealth management and to the policy making. The planning of financial decisions and financial literacy (Knowledge, Behavior, Attitude) will guide them to achieve their economic growth of individual as well as Indian economy.

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