FACTORS INFLUENCING INVESTORS DECISIONS IN FINANCIAL ASSETS WITH REFERENCE TO PROFESSIONALS

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ABSTRACT

To increase their wealth, investors engage in investment. Investors might choose between two options: saving or spending. Depending on a person's financial objectives, savings are further distributed across several investment possibilities. An individual's decision-making process is significantly influenced by their financial demands. Decisions are influenced by both internal and external influences, as explained by cognitive psychology, traditional economics, and financial theory.

The goal of the study is to comprehend how certain financial decisions are affected by risk. The return on an investment is the anticipated profit that a person anticipates when purchasing an asset. The previous performance, volatility, financial statements, diversification liquidity, economic indicators, and stock affordability all factor into investment decisions. Growth is feasible when savings are put to use in worthwhile investments that in turn improve the competitiveness of the goods and services industry. The goal of this study is to determine the factor that influences the investment behavior of investors. Long-term capital growth, dividends, and protection against the depreciation of purchasing power due to inflation. One of the distinctive traits of the capital market is liquidity.

LITERATURE REVIEW:

PAST TRENDS

B.R. Manasa (2020) undertook a review of the literature to identify the various biases related to the investment. Research has shown that not all investment decisions are rational; some are influenced by emotions and trading scenarios at different times. In the study, the researcher used market participant psychology and behavior to help investors forecast market conditions.

In their gender-based analysis, ***Singh and Yadav (2016)*** found elements that influence investor decisions. The goal of the study is to pinpoint variables that affect investment decisions and to make study recommendations so that an owner can maximize return. They came to the conclusion that factors including past dividends, financial ratios, financial statements, and daily stock exchange reports matter when choosing an investing strategy.

Research was undertaken by ***Ramanathan&Sundaram (2015)*** to determine the variables that affect an individual investor's choice of investments. The study shows that characteristics like company name and image have a fundamental influence on investors. Investors strive to maximize returns while minimizing losses since they are aware of the risks involved.

In her study, ***Dr. AkanshaSinghi (2016)*** outlined the quantitative aspects that influence an individual's investing decisions, including financial statements, ratio analysis, affordability, risk, current economic indicators, and stock performance in the past. She also deduces from her research that rumors and friend recommendations have little bearing on choosing an investment strategy.

Researchers ***Ram Kumar and Chitra (2021)*** looked into the variables that affect a person's investment choices. They determined that market performance and risk assessment are the elements that influence an individual investor's choice of investments. The study focuses on the requirement to create a model in order to boost investor trust and promote investment on their end as well.

Research was done by***Patil and Bagadi*** in 2021 to determine what influences investment choices in India. They come to the conclusion that an individual's investment decisions are influenced by earnings, stock performance in the past, business bonuses, accounting statements, liquidity, and capital gains.

A study was undertaken in 2020 by ***Sultana, Pardhasaradhi, and Reddy*** to provide methods for maximizing an individual investor's return. They come to the conclusion that people cannot always

make logical decisions based solely on numerical computations, ignoring psychological variables. The study suggests combining ideas from sociology, psychology, and financial economies in an effort to build a more precise model of how people behave in financial statements.
Samal&Mohapatra (2017) performed study in the province of Odisha to identify the variables that affect investment choices in the Indian capital markets. According to the study, an individual's investment decisions are influenced by organization effectiveness, mediator impact, return on investments, fear of loss, risk considerations, and income level.

VOLATILITY
In their Modern Portfolio theory, ***Markowitz and Sharpe (1952) and the asset model (1964)*** revealed how investor behavior was strongly described by these two theories. In their thesis, they claimed that investors make logical choices and take into account all available information when deciding on an investment.
Loss Aversion, Overconfidence, and Risk Perception, according to ***Alquraan (2016),*** have a major impact on individual investors in the Saudi Stock Market, whereas Herd has a negligible impact.
People typically react differently when anticipating gains or losses from their varied investing decisions, and the potential outcomes vary depending on the situation (***Kahneman&Tversky, 1979).***
According to the research of (***Corporale, 2020),*** depending on the sort of trading that investors engage in and the stage of the business cycle, buying and selling have different effects on volatility. Buy orders are frequently more detailed than sales invoices because they lower volatility, particularly in pre-crisis periods, whereas trading and purchasing after a disaster increases unpredictability. The total decay of purchasing and selling securities with groups of traders shows, most importantly, that certain institutional investors are more skilled traders who measure the market than those who tend to enhance flexibility. International investors are becoming less secure about their investments in Asia as a whole, but only in the years prior to the recent global financial crisis.
(Ederungton&Golubeva, 2012) investigate the effect of stock market volatility forecasting on investor performance. This implies that the risks related to returns and trades decisions have a significant impact on investor purchasing decisions.
Research on the visual consequences of investing in Tanzanian markets was undertaken by ***Viswanadham N, Edward N, Dorika, and Mwakapala D (2014)*** with the goal of identifying the social, psychological, and economic aspects that influence investment in Tanzanian equities markets. The study discovered that the equity is significantly impacted by economic conditions, the GDP, and government policies. It was advised that in order to meet future needs, investors should invest more methodically while taking economic conditions and GDP into account.
According to ***Ambrose Jagongo's (2014)*** analysis, corporate earnings, how profit and loss statements are interpreted, how well company stocks have historically performed, the price per share, and changes in the economy are the most crucial elements affecting individual investors' decisions. The analysis's findings showed that the following aspects were the most crucial: the company's position and performance, investment return, and economic conditions; variation and loss reduction; corporate accounting information; comprehension of the company; and risk mitigation.
Investments are impacted by individual eccentricity, wealth maximization, risk minimization, and financial expectations, according to ***Drs. Syed Tabassum Sultana and S Pardhasaradhi (2012).***information on economic expectations, government and media, accounting, and lawyer suggestions. Because of the possibility of significant financial losses and the expensive expense of reviewing or recovering from a, emphasis is put on financial security in later life.
mattikeloharju and Mark Grinblatt (2001) give a thorough examination of purchasing and selling choices. It is demonstrated through numerous studies that sales tax, prior returns, reference price outcomes, profit margins for the duration of a hold or loss, and, to a lesser extent, smoothness of usage over the course of the product's life cycle, are all factors in trading.

LIQUIDITY

In 2014, ***Rajkumar S. and Venkatramraju D.*** conducted research on the variables affecting individual investors' impressions of initial public offerings and different mutual funds. They also found that investors' perceptions are influenced by liquidity and rate of return. Additionally, it was advised that the company should be prepared to invest in a range of financial instruments that safeguard investors' interests.

One investor takes into account this information when making decisions because it states how quickly the collateral can be turned into cash or close to cash ***(Obamuyi, 2013).*** Individual investors are drawn to liquid equities, which have an impact on their purchasing decisions. According to ***Edirisinghe and Nimal (2015),*** stock trading represents a company's financial performance. This has been referred to as liquidity in several research ***(Cooper 1985; Chen 2015).***alterations in liquidity (***Cooper 1985; Chen 2015).***

If there is currently more market illiquidity. In anticipation of greater expected benefits, investors anticipate increased lawlessness in the future ***(Acharya &Perdersen, 2005).*** According to ***Amihud and Mendelson (2006),*** risk-free investors require a high level of financial diversification in their stock holdings.

ACCOUNTING INFORMATION

Owners, managers, and other internal users as well as external users like bankers, investors, and customers all use accounting information. Accounting information affects stock prices and the stocks that are exchanged in stocks (***Arrif ,1997; Clubb, 1995).*** When using a stock selection method, investors should pay close attention to certain factors (***Baker &Haslem, 1974).*** Greek, UAE, and Indian stock option holders are the ones who are most impacted by it ***(Merikas 2011, Hassan Al Tamimi&Anood Bin Kalli, 2009). (Sultana &Pardhasaradhi, 2012).*** Assets, savings, surpluses, and earnings are always excellent in a strong financial situation, and the opposite is true in a weak financial one. A corporation is a long investment if it is in better health, and vice versa. Consequently, a longer-term investor considers the company's strong financial position.

Dividends, quick growth, savings investments, rapid commercial success, professional investment management, and long-term growth are six elements that ***Potter (1971)***identified as having an impact on how individual investors feel about their investment choices. ***Merikas (2003) discovered***that each person's stock purchase choices were influenced by price volatility, previous price changes in company stocks, and current economic indicators.

OBJECTIVE OF THE STUDY

• To investigate the variables affecting investors' choices of real and financial assets.

RESEARCH METHODOLOGY

The Study – The Study is exploratory in nature.

The Sample – The approach of non-probability judgmental sampling has been applied. In order to conduct the study, 80 questionnaires were sent via email to the target respondents, who were customers in Indore, and the responses were then gathered online. It is not convenient for the researcher to take a bigger sample size due to time and financial restrictions. Investors and investor decisions are related, according to research.

The Tools for Data Collection –The factors have been investigated using exploratory factor analysis.

Tools for Data Analysis - Data was coded using the MS-Office suite and Excel. SPSS version 20.0 was then used to examine the coded data.

RESULTS AND DISCUSSIONS

The results and discussion are as follows –

This table depicts the value of KMO and Bartlett's Test which is 0.886 and shows that the researcher is eligA Study on Factors Influencing Investment Decision of Bank Employees.
ible to do factor analysis.

Table – 1 KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.886
Bartlett's Test of Sphericity	**Approx. Chi-Square**	790.921
	Degree of freedom	153
	Sig.	0.000

After doing factor analysis three factors were explored which are as follows –

TABLE – 2 – DETAILS OF RETURN ON INVESTMENT

FACTOR	ITEMS	ITEM LOAD
Return on Investment	Q16. Do Inflation in the country affect your investment decisions.	.807
	Q17Do Interest Rate in the country affect your investment decisions.	.782
	Q15Do GDP of the country affect your investment decisions.	.759
	Q18Do, you invest in the Assets that require big amount.	.663
	Q11Government Regulations affect your investment decisions.	.657
	Q9Attractiveness of an industry or market affect your investment decisions.	.639
	Q1Is Size of Business affects your investment decisions.	.558
	Q8Do, you prefer to look at financial statement conditions before making any investment decisions.	.545
	Q12Do, you prefer Assets that can convert easily into cash.	.443

TABLE -3 – DETAILS OF LIQUIDITY

FACTOR	ITEMS	ITEM LOAD
LIQUIDITY	Q6 Interest rates affects investment decisions.	.774
	Q13, do you prefer assets having life more than 5 years.	.708
	Q7 Political Condition of a country affect investment decision.	.682
	Q10, do you prefer to invest in different Sectors/ Industries.	.614
	Q3 Is Announcement of dividends affect your investment decisions.	.594
	Q2 Is past return of the company affect your investment decisions.	.512
	Q5 Do Investors sentiment affect your investment decisions.	.511

TABLE -4 – DETAILS OF RISK IN INVESTMENT

FACTOR	ITEMS	ITEM LOAD
Risk in Investment	Q4, do you prefer Volatile Stock for investment.	.787
	Q14 On the following scale please indicate your tolerance for risk.	.634

CONCLUSION

The above discussion concludes that investment decision making is affected by numerous factors. The results reveal that Indian investors majority want to get low risk and higher returns. Their preferred investment alternatives are saving bank accounts, Fixed Deposits, Insurance Plans, Gold, Mutual Funds and Real Estate. This research study concludes that decision making process of investor is affected by many behavioral factors. These behavioral factors impact on decision making is vary to different degrees. The study makes some suggestions for equity fund managers or individual investors to make improvement in their investing activity by educating themselves about behavioral factors that make influence on their decision making and cause to their irrational behavior. This could help investors in diminishing the uncertainty in their decision making of investment and may help them in uplifting their confidence. This may cause to raise their profits and market efficiency.

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