Antecedents of Investment Decision: An Empirical Study to Examine the Preferable Investment Sectors

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Abstract: *Investor's choices are single ambition of maximizing their expected return and value of their investment. The individuals are investing their surplus earnings on shares of the companies, expecting a fabulous income and also appreciation on their investment. This empirical study was carried to examine the antecedents of investment decision to select preferable investment sectors. The results reveal that, Four dominant dimensions have been extracted out of 10 preferred investment sector namely, most dominant factor is Public and Service Sector (PSSF), followed by Consumable Factor (CF), Extraction Factor (EF) and Finance Factor (FF). Personal profiles such as, age, marital status and monthly income highly influence total Preferred Investment Sector (PIS) of the investors. To conclude, investors are more preferred public and service sector to invest rather financial sector like, banking and micro financial institutions.*
Keywords: *Investment, Decision, Investors, Behaviour and Investment Sector*

I. Introduction

The individual investor's investments in shares of the company promote the capital formation and uplift the development of the economy. This factual adage, applies to India also. But on the other hand individual investor is panic to invest in the securities due to biased and inconsistent information for making their investment decision. Investor's choices are single ambition of maximizing their expected return and value of their investment. The individuals are investing their surplus earnings on shares of the companies, expecting a fabulous income and also appreciation on their investment. This expectation also true in The pretext of tax savings of Dividend income, and prospective issue of stock splits by the company, In the long-term perspective, the investment sentiment among the individual investors in high partly by tax shield on their dividend income (Upto Rs 10 Lakhs) and prospective issue of bonus shares by the companies. The present companies Act 2013 also promotes the new type of share holdings, like One Person Company, small share holders' mandatory induction of independent directors in the Board, promotes the higher activism among individual investors (Shareholder). This study attempted to focus on the individual investment on shares of companies in an comprehensive and inclusive manner.

II. Review Of Literature

Boobalan (2014)[3] aimed to analyse and predict the future trends, risk, return, interpret and suggest the investor in making investment decisions in stock market. Relevance of technical analysis in capital market and the future market of securities would be known in which to invest. Both fundamental and technical analysis helps in investment decision in the stock market and predict the future trend of the selected companies in which the investment is made. Both the analysis gives guidance to the investors.

Lingesiya Kangadharan and et al., (2014)[6] explored the behavioural factors influencing individual investors decision at the Colombo Stock Exchange. The hypotheses were proposed on the existing theories in behavioural finance. Questionnaires were distributed to investors at Colombo Stock Exchange. The results show that Herding, Heuristics, prospect and market are the factors affecting investment decisions of individual at Colombo Stock Exchange. The other variable do not have influence on investment performance.

Phan Khoa Cuong and et al., (2014)[8] investigated the factors influencing individual investment with the theory of planned behaviour to investigate the level of impact each factor influences individual behavioural intention. A structural questionnaire was used and it was found that psychological factors and attitude towards investment vary with gender. It was also found that investors investment intention is significantly affected by attitude towards investment, subjective norms and perceived behavioural control. There is a strong interference of gender between subjective norms and behavioural intention as well as perceived control and behavioural intention of the Vietnamese individual investors.

Krutika Mistry (2015)[7] understood the attitude and perception and categorised the investors based on the psychology, identified the source of information for investment and understood market situation and reaction.

Majority of the investors are unbiased after hearing the negative news but react immediately after hearing positive news.

Jyoti Kumari and et al., (2015)[4] studied the pattern of retail investors trading through broking firms and developed a risk appetite score for retailers of different background and devise models to know the depth and incidence of investment in Indian Stock Market. The study revealed the retailers do not have knowledge about the market and investment decisions and it was challenging to trace the behaviour pattern of investors.

Suzaida Bakar (2015)[1] in his study investigated how psychological factors like overconfidence bias, herding and availability bias, Conservation bias will affect the financial decisions of individuals. The risk which investor is willing to take is considered for decision making. From the research study it was found that overconfidence has a positive impact on investors decision making. Psychological factors are dependent of individual gender. Future prices of the stocks are predicted based on the current stock prices.

Kavitha (2015)[5] studied investors attitudes, perceptions, major issues faced and the level of awareness influencing to invest in the stock market. Majority of the respondents belonged to 36-45 age group had experience in financial asset investment and were in the position to judge the future and status of the sector. It was found that the local investors invest in the stock market when the positive attitude enhancement strategies were introduced. To make the investors to participate in the National Stock Exchange (NSE). Efforts should be directed towards stronger regulation and by creating more awareness.

Bennet and et al., (2015)[2] studied to analyse the investors perception that influence social, political, economical, regulatory, technological , environmental and legal (spertel) risks on the value of equity shares in the market descriptive study was found that risks is proved to have influence over the market price of the equity share . It is to be noted that except for the social factors between married and unmarried investors, political ,regulatory and legal factors for age and occupation, all other factors seemed to be insignificant.

Muhammad Waseem Vr Rehman and et al., (2015)[9] focused to study the impact of behaviour on the reason for investment, the type of transactions made by the investors and to make aware of investor behaviour to the brokers to make new policies. The relationship between investment behaviour and stock preference was explored. The investors of Karachi Stock Exchange is to get higher dividend and they prefer highly liquid shares. They prefer short term profit and sell shares within a short period. With the help of dividend gambling can be reduced.

Krishna Mohan Vaddadi and et al., (2016)[10] examined the behaviour of online investor in terms of their trading experience, investment motives and preferences. The purpose of the study is to examine the influence of demographic profiles like age, education and risk taking ability of the investors. The study revealed that equity is the most preferred type of investment. Investors were ready to take only 10 percent to 20 percent of the risk. News channels like CNBC, NDTV and stock trading tools are preferred for source of information. The article suggests that online brokers have to conduct informative programs and give them personalised advise.

III. Objectives Of The Study

- To study the personal profile of the investors of shares in Chennai city.
- To identify and understand the underlying dominant dimensions of Preferred Investment Sector (PIS) Variables.
- To identify the influence of personal profiles of the investors on total Preferred Investment Sector (PIS).

IV. Research Methodology

The present study is analytical in nature and has adopted survey method for its findings. This study is based mainly on the primary data collected from the investors through a well-designed and well-structured questionnaire from 120 respondents residing in Chennai using convenient sampling method. The Preferred Investment Sector (PIS) variables were measured using 5 point Likert scale. To check the reliability of scales, Cronbach's Alpha reliability coefficient was used. The value being 0.845 and scale are more consistent and highly reliable.

Questionnaire Design: A questionnaire was finalised with two sections to collect information from the investors. Section I deals with personal profiles such as, age, gender, marital status, educational qualification, occupational status and monthly income of investors in Chennai city. Section II deals with TEN different sectors preferred by the investors to make investment

Statistical Tools Used: The data collected were subjected to percentage analysis, factor analysis, multiple regression analysis using SPSS Version 17.0.

Table 1 – Personal Profiles of the Respondents

Personal Profiles	Category	Frequency	Percentage	Total
Gender	**Male**	**71**	**59.2**	**120 [100%]**
	Female	49	40.8	
Age	Below 25	35	29.2	**120 [100%]**
	25-35	**42**	**35.0**	
	35-45	25	20.8	
	Above 45	18	15.0	
Marital Status	**Married**	**81**	**67.5**	**120 [100%]**
	Unmarried	38	32.5	
Educational Qualification	HSC	1	0.8	**120 [100%]**
	Under Graduate	32	26.7	
	Post Graduate	**76**	**63.3**	
	Professional	11	9.2	
Occupational Status	**Private**	**54**	**45.0**	**120 [100%]**
	Government	25	20.8	
	Self employed	21	17.5	
	Trader	10	8.3	
	Student	10	8.3	
Monthly Income (Rupees)	Below 20,000	25	20.8	**120 [100%]**
	20001-40000	**49**	**40.8**	
	40001-60000	24	20.0	
	60001 and above	22	18.3	

Table 1 reveals that majority of the respondents are male (59.2%), married (67.5%) and post-graduates (63.3%). Sizeable portion of the respondents are aged between 25 and 35 (35.0%), private employees (45.0%) and earning monthly income of Rs.20,001 to Rs.40,000(40.8%).

Factorization of Preferred Investment Sector (PIS) Variables
The Researcher applied factor analysis by principal component methods on preferred sector to invest in shares. This section consists of 10 variables in Likert five point scale which ranges from strongly disagree to strongly agree. These variables are reduced into 4 predominant factors under the following:

Table 2 - Factor Loading – PIS Variables and Factor Labeling

Factors	PS Variables	Factor Loading	Communalities	Variance
Public and Service Sector Factor (PSSF)	Public Sector Undertaking	0.837	0.599	18.967
	Transportation	0.736	**0.760**	
	Health care and Hospitality	0.598	0.607	
Consumable Factor (CF)	FMCG	0.814	0.677	18.670
	Information Technology	0.673	**0.507**	
	Consumer Durables	0.618	0.538	
	Automobiles	0.592	0.715	
Extraction Factor (EF)	Power and Energy	0.858	0.641	16.252
	Metal and Steal	0.801	0.691	
Finance Factor (FF)	Banking	0.869	0.747	11.305
KMO and Bartlett's Test Explained = 0 .664; Approx. Chi-Square 310.665; Df 55; Sig. 0.000				
** Communalities range between 0.507 (Information Technology) to 0.760 (Transportation)				
*** Total Variance Explained 65.194 Percent				

From the above table it is found that KMO measure of sampling adequacy is 0.664, Bartlett's Test of Sphericity with approximate chi square value 310.665, Df = 55 and p = 0.000 are statistically significant at 5 percent level. The world over accepted index is over 0.66 this showed that the sample size was enough for the study. KMO – Test of suitability of factor analysis varies between 0 and 1, and value closer to 1 are better and therefore suitable for exploratory factor analysis.

From the above table it is found that the 10 items exhibit the variances from 0.507 to 0.760. This implies that the range of variations defined "between" 50 percent to 76 percent, which is statistically significant to go ahead for the meaningful data reduction process. This is adequate for factor segmentation from the above items. It represents that the items "Information Technology" is inadequate factor whereas, the variable "Transportation" may be placed as adequate factor.

From the above table 10 variables are reduced into 4 predominant factors. It is found that 10 variables exhibit the total variance of 65.194 percent. It is also ascertained that the four factors individually possess the variances 18.967 percent, 18.670 percent, 16.252 percent and 11.305 percent. This variance leads to variable loading of each factor that is responsible for taking an investment decision in preferable investment sectors. This leads to factor segmentation through grouping of variables as shown in the rotated component matrix.

The most dominant factor is Factor 1 with the explained variance of 18.967% and it has three investment decisions in preferable investment sector variables of "Public Sector Undertaking (0.837)", "Transportation (0.736)" and "Health care and Hospitality (0.598)", It has been labelled as **"Public and Service Sector Factor (PSSF)"**.

The most dominant factor is Factor 2 with the explained variance of 18.670% and it has four investment decisions in preferable investment sector variables of "FMCG (0.814)", "Information Technology (0.673)", "Consumer Durables (0.618)" and "Automobiles (0.592)". It has been labelled as **"Consumable Factor (CF)"**.

Followed dominant factor is Factor 3 with the explained variance of 16.252% and it has two investment decisions in preferable investment sector variables of "Power and Energy (0.858)" and "Metal and Steal (0.801)". It has been labelled as **"Extraction Factor (EF)"**. Factor 4 with the explained variance of 11.305% and it has a one investment decisions in preferable sector variable of "Banking (0.869)". It has been labelled as **"Finance Factor (FF)"**.

Table 3 - Regression - Model Summary and Analysis of Variance of Influence of Personal Profile on the Preferred Investment Sector

ANOVAᵃ						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	368.526	7	52.647	4.633	.000ᵇ
	Residual	1272.774	112	11.364		
	Total	1641.3	119			
a. Dependent Variable: Preferred Investment Sector						
b. Predictors: (Constant), Personal Profile						

Model Summary						
Model		**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Sig F change**
1		0.474ᵃ	0.225	0.176	3.37106	0.000
a. Predictors: (Constant), Personal Profile						

Coefficients						
Personal Profiles	**Unstandardized Coefficients**		**Standardized Coefficient**	**T**	**Sig**	**Inference**
	B	**Std Error**	**(Beta)**			
(Constant)	21.101	2.732		7.723	0	NS
Gender	-0.811	0.708	-0.108	-1.145	0.255	NS
Age	-1.201	0.453	-0.333	-2.649	**0.009**	S
Marital Status	-1.949	0.837	-0.247	-2.33	**0.022**	S
Qualification	-0.408	0.583	-0.066	-0.699	0.486	NS
Monthly Income	0.873	0.246	0.307	3.55	**0.001**	S
Occupation	0.258	0.38	0.07	0.68	0.498	NS

The above table indicates R = 0.474, R Square = 0.225, Adjusted R square = 0.176, Std. Error of the estimate = 3.37106. This implies that the independent variables of gender, age, marital status, educational qualification, occupation, income and years of experience in share market investment create 22.5% influence over the dependent factor of Preferred Investment Sector (PIS). This leads to further verification of the regression fit as stated in the ANOVA table.

From the above table also found that F=4.633 and P=0.00 are statistically significant at the 5% level. Therefore it is concluded that independent variables are good enough to have an explorative power of preferred investment sector. The good regression fit indicates the existence of individual influence over the dependent factors.

From the table it is explore the Coefficients result value of Age (t=-2.649, β=-1.202, p=.009) Marital Status (t= -2.330, β=-1.949, p= 0.022) Monthly Income (t= 3.550, β=0.873, p= 0.001), are statistically significant at 5% level. Therefore it is concluded that age, marital status and monthly income highly influences total Preferred Investment Sector (PIS).

V. Major Findings, Suggestions And Conclusion

❖ Majority of the respondents are male (59.2%), married (67.5%) and post-graduates (63.3%). Sizeable portion of the respondents are aged between 25 and 35 (35.0%), private employees (45.0%) and earning monthly income of Rs.20,001 to Rs.40,000(40.8%).

❖ Four dominant dimensions have been extracted out of 10 preferred investment sector namely, most

dominant factor is Public and Service Sector (PSSF), followed by Consumable Factor (CF), Extraction Factor (EF) and Finance Factor (FF). Personal profiles such as, age, marital status and monthly income highly influence total Preferred Investment Sector (PIS) of the investors.

❖ Investors should evaluate all the variables in the environment instead of considering only one variable. Investors do also need to diversify their investment in different companies by developing a portfolio of investments to minimize risks and maximize returns and also the investors should not take decisions immediately but they must try to understand the market first and then react.

To conclude, this study examined the Individual decision making on Preferred Investment Sector of the investors in Chennai City. The results reveal that, investors are more preferred public and service sector to invest rather financial sector like, banking and micro financial institutions and they also suggested to diversity their investment in different sectors by developing a portfolio of investment in shares.

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