

A STUDY ON FACTORS AFFECTING INVESTMENT DECISION OF BANK EMPLOYEES

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Abstract

Investment decisions have gained prominence in the recent years. Increased awareness of investment avenues has improved the ability and willingness of working people to save more and invest their funds for returns, in that viewpoint this study was conducted. This study aimed to investigate the factors influencing the investment decision making behaviour of the bank employees. Descriptive analysis was carried out in this study to ascertain the relationship between relationship among variables and factors influencing the investment decision. The study has identified 4 factors which would influence the decision making process of the investors. Also it was established that investment depends on factors such as income, age and gender.

Keywords – Investment, Investor Behaviour, Factor Analysis, Investment Prudence, Investment Planning

Introduction

Investors are supposed to be rational creature, who studies the technical and fundamental analysis of the investment market avenues prior to invest their hard earned money. The important purpose of investors making investment is to both maximize their income and minimize their expenses. In finance literature, individuals are considered to behave judiciously while pursuing their own benefits. In this context, individuals spare some of their hard earned income for expenditure and some amount for saving. Within this framework, individuals route their savings into investment. This study attempts to find out the factors influencing the investment decision making of the investors.

Literature Review

Ebenezer Bennet et al (2011) has attempted to analyse the factors which influence the retail investors attitude towards equity stock and concluded that five factors namely risk tolerance of investor, strength of Indian economy, media focus on the stock market, stability of political stature and finally government policy towards business has high influence over the retail investor's.

Geetha N & Ramesh M (2011) studies people's preference in Investment behaviour and the objective to study was to ascertain the factors influencing investment behaviour and the attitude of the respondents towards different investment avenues. It was decided that the respondents are not fully aware about various investment avenues such as stock market, equity, bond and debentures. Majority of the respondent irrespective of their age gave preference to Insurance, NSS, PPF and Bank deposit. It also proved that there is no significant relation between investment avenues and the income level and saving level. Similarly, no relationship between investment avenues and annual income and annual savings was also established among the respondents.

Brahma Bhatt, P.S.RaghuKumari & Sharmira Malekar (2012) has conducted a study on the investor behaviour on investment avenues in Mumbai and revealed that people invest in stock market than any other avenues, in spite of huge losses. It was also found from the study that savings and safety are preferred by investor but at the same time they also require higher revenue at low risk in short span. It also concluded that respondents possessing higher educational qualification opt for two or more sources of information to make their investment decision. It also revealed that majority of the respondents converse with their family and friend before making investment in any avenues. The respondent's decisions are based on their own initiative. Gold attracts Female respondents than any other avenues.

Heena Kothari (2013) studied the investment behaviour towards various investment avenues and the perceptions of various age groups towards investment avenues. The study revealed that young people are more interested in investment when compared to senior and middle aged people. Different behaviour

was noticed among different age groups while doing their investment and the selection of any investment avenue would depend on their age.

Vanashree P Kademani et al (2019) has studied the investors perception towards shares as an investment avenue and concluded that demographical factors such as occupation, annual income, marital status, age influence the investment in stock market and factors such as gender, education do not influence investment in stock market. It was also concluded that association exist between factors influencing investment decision and stock market investment. Also significant association exist between objectives of investment and investment in stock market.

Objective of the study

The objective of the study are as follows:

1. To identify the factors affecting the investment behaviour of employees working in banks.
2. To ascertain the relationship between more than one independent and one dependent variable.

Research Methodology

The nature of this research is descriptive and exploratory. The target population for the study was employees working in banking industry. Primary data was collected through a questionnaire using non probability convenient random sampling method. The sample size for this study was 400 employees working in private sector and public sector banks. Secondary data was collected through websites and relevant publications. This study is carried out to identify the factors influencing the investment decision making behaviour of the bank employees. The data collected was analysed using statistical tools such as regression analysis and factor analysis. Cronbach alpha test was used to test the reliability of data which has given a result of 0.770

Data Analysis and Interpretation

The information collected was from the respondents through the questionnaire was consolidated and analysed. Factor Analysis technique is used to reduce the more number of variables into lesser numbers of factors. Regression analysis was carried out to ascertain the relationship between the variables.

Regression Analysis

To ascertain the relationship between the dependent variable (Investment) and the independent variables (Income, age and gender), regression analysis is being used. The results are as follows:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738 ^a	.545	.542	.88309

a. Predictors: (Constant), Gender, Age, Income Amount

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	369.921	3	123.307	158.117	.000 ^a
	Residual	308.819	396	.780		
	Total	678.740	399			

a. Predictors: (Constant), Gender, Age, Income Amount

b. Dependent Variable: Investment Amount

The above table indicates that there is significant relationship exist between annual income and annual investment of the respondents.

The table below provides the coefficient of the dependent and independent various namely investment and income, age and gender of the respondents.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.105	.313		-3.526	.000
	Income Amount	.219	.012	.765	18.945	.000
	Age	.011	.005	.081	2.212	.028
	Gender	.321	.104	.123	3.071	.002

a. Dependent Variable: Investment Amount

Common regression equation is $y = a+bx$

The effect of total income, age and gender on investment is given by the regression equation,

$$\text{Investment} = (-)1.105 \text{ lakhs} + 0.219 (\text{income amount}) + 0.011 (\text{age}) + 0.321 (\text{Gender})$$

Factor influencing investment decision

Various factors influencing investment includes safety, security, liquidity, tax benefits, good return and regular income were considered for factor analysis.

In order to ascertain the appropriateness of data for factor analysis, KMO measures the sampling adequacy and the Barlett's test of sphericity was applied. Kaiser recommends that KMO values between 0.7 and 0.8 was considered as good and the results are given below.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.784
Bartlett's Test of Sphericity	Approx. Chi-Square	1.261E3
	Df	105
	Sig.	.000

From the above table high value for KMO ($0.738 > 0.5$) indicates that the factor analysis would be useful for the specified data used in this study and also the test of sphericity is 0.000 indicates the existence of significant relationship between the variables. This KMO score of 73.8% concludes that common variance was explained by the underlying factors.

The communalities show the variance of each variable that is contributed to the total variance of the influencing factors. The communality value more than 0.50 is adequate for the factor analysis. Initial communalities help estimates of the variance in each variable accounted for by all components or factors that is unique to each variable, this uniqueness can be calculated by total variance explained by that variable minus the communality of that variable.

Communalities		
	Initial	Extraction
I am sure about all my investment will be completely safe and I will expect a fixed return	1.000	.547
I am confident that all my investment could be easily liquidated in the market.	1.000	.469
All investments made by me are sure of providing me regular income.	1.000	.557
I make investments for Tax planning.	1.000	.466
I invest only in risk free investment.	1.000	.556
In a period, I am confident that all my investments will grow substantially.	1.000	.527

Communalities		
	Initial	Extraction
I will aim for safety in investment though it may lead to lower returns.	1.000	.616
For all my investment, I look out that they all should grow above the inflation rate.	1.000	.513
A portion of my income is regularly allocated for investment.	1.000	.556
I frequently guard my investment for return and growth.	1.000	.588
On account of loss I will withdraw my investment immediately.	1.000	.561
I make my investments to my convenience.	1.000	.484
I always consider Security is considered as an important aspect	1.000	.723
I opine all my investments will help for multiplying my income.	1.000	.605
In case of substantial returns, I am willing to substantial investment.	1.000	.432
Extraction Method: Principal Component Analysis.		

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.611	24.073	24.073	3.611	24.073	24.073	2.770	18.466	18.466
2	2.141	14.274	38.346	2.141	14.274	38.346	2.428	16.187	34.654
3	1.380	9.203	47.550	1.380	9.203	47.550	1.611	10.738	45.392
4	1.066	7.107	54.657	1.066	7.107	54.657	1.390	9.265	54.657
5	.898	5.986	60.643						
6	.804	5.358	66.001						
7	.784	5.225	71.226						
8	.678	4.519	75.745						
9	.634	4.229	79.974						
10	.606	4.038	84.012						
11	.565	3.768	87.780						
12	.519	3.461	91.241						
13	.508	3.384	94.625						
14	.420	2.798	97.424						
15	.386	2.576	100.000						
Extraction Method: Principal Component Analysis.									

It could be observed from the above table an insight that only four components extracted from Principal Component Analysis are significant enough to retain for rotation and further interpretation it is found that the variance proportion explained begins to decrease from 4th component onwards. Each of the principal components selected for rotation and interpretation. The total variance accounts for, by all the four factors with Eigen value of greater than 1 is 54.65%, which is sufficiently significant and the remaining variance is explained by other variables.

After eliminating the factors with less than 0.50 value, four factors were extracted from 15 variables. The following table displays the factors that influence the investment decision making of the investors.

Rotated Component Matrix ^a				
	Components			
	1	2	3	4
I invest only in risk free investment.	.743			
I am sure about all my investment will be completely safe and I will expect a fixed return	.736			
All investments made by me are sure of providing me regular income.	.676			

Rotated Component Matrix ^a				
	Components			
I am confident that all my investment could be easily liquidated in the market	.645			
I make investments for Tax planning.	.555			
A portion of my income is regularly allocated for investment.		.717		
For all my investment, I look out that they all should grow above the inflation rate.		.697		
I frequently guard my investment for return and growth.		.627		
In a period, I am confident that all my investments will grow substantially.		.606		
In case of substantial returns, I am willing to substantial investment.		.546		
I always consider Security is considered as an important aspect			.844	
I will aim for safety in investment though it may lead to lower returns.			.623	
I opine all my investments will help for multiplying my income.			.578	
I make my investments to my convenience.				.646
On account of loss I will withdraw my investment immediately.				.618
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 5 iterations.				

Table above shows the rotated component matrix, wherein the extracted factors were assigned a new name relating together. Factor 1 accounts for 24.07% of the variance which comprises of 5 variables loaded on this factor. The variables are (i) I invest only in risk free investment (0.743) (ii) I am sure about all my investment will be completely safe and I will expect a fixed return (0.736) (iii) All investments made by me are sure of providing me regular income. (0.676) (iv) I am confident that all my investment could be easily liquidated in the market (0.645) (v) I make investments for Tax planning. (0.555) are highly correlated to each other. From these statements, it is clearly indicating that investment should be safe and risk free with a reasonably fixed return, investment should provide regular income and easily liquidated and also consider for tax planning. Hence this segment of factors can be named as **Stability Factor**.

Factor 2 accounts for 14.27% of the variance which comprises of 5 variables loaded on this factor. The variables are (i) A portion of my income is regularly allocated for investment. (0.717) (ii) For all my investment, I look out that they all should grow above the inflation rate. (0.697) (iii) I frequently guard my investment for return and growth. (0.627) (iv) In a period, I am confident that all my investments will grow substantially. (0.606) (v) In case of substantial returns, I am willing to substantial investment. (0.546). From these statements, we can ascertain that investment help in multiplying and grow substantially and above the inflation rate, also the investment would always fetch good return. Hence this segment of factors can be named as **Growth factor**.

Factor 3 accounts for 9.20% of the variance which comprises of 3 variables loaded on this factor. The variables are (i) I always consider Security is considered as an important aspect. (0.844) (ii) I will aim for safety in investment though it may lead to lower returns. (0.623) (iii) I opine all my investments will help for multiplying my income. (0.573). From the above two statements, it can be decided that risk is inevitable in the investments and should be within tolerable limits and also higher the risk, higher will be the return. Hence this segment can be termed as **Threat Factor**.

Factor 4 accounts for 7.11% of the variance which comprises of 2 variables loaded on this factor. The variables are (i) I make my investments to my convenience. (0.646) (ii) On account of loss I will withdraw my investment immediately. (0.618). From the statements above, investments should be convenience for the investors, and should be easily liquidated on the requirement, should be safe and secured. Hence this segment can be designated as **Easiness Factor**.

Conclusion

The study has helped in extracting the factors that influence the investment decision making behaviour of the investors. There are four investment behaviour factor analysed, namely, stability factor, growth factor, hazard factor and easiness factor. All these factors were found significant with investment decision of the investors.

Suggestion for further research

This research can be extended to the other sectors of the society such as manufacturing and other industry specific areas. It can also be carried out at various other geographical areas also. Similarly, the research can also be carried out with gender specific cases also.

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