

An Empirical Study on the Investment Behaviour of Female Investors in the city of Howrah, West Bengal.

Ami Jain

(Research Scholar), St. Xavier's (Autonomous) College, Kolkata

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Abstract- Investor behaviour is a significant area in research studies. Before evaluating any type of investment avenue and its prospects, one needs to take into account the behaviour of a rational investor. It has been highlighted in many studies taken up in the past that investor behaviour plays a significant role in their decision making process when it comes to making an investment. The success and popularity of any investment avenue depends upon the degree of effectiveness achieved in meeting the expectations of the investors. The present study focuses on the understanding the expectations of the investors and their preferences when it comes to making an investment. The study also focuses on finding out the awareness level as well as identifying the factors that influences an investor to make an investment in mutual funds. The survey has been conducted on female investors of Howrah through a pres-structured questionnaire.

Index Terms- Investment, investor behaviour, mutual fund.

I. INTRODUCTION

Investment is a concept where the surplus fund over nominal expenditure is utilized to purchase an asset with intent to earn returns in the future. Various options of investment are available in the present economic world which offers differing risk – reward tradeoffs. A thorough conceptual understanding and analysis of the varied investment alternatives can aid an investor in creation of a portfolio which would offer maximized returns and at the same time which will minimize risk exposure. The main objective behind any investment is increase in the rate of return with reduced risk. Other objectives like liquidity, safety and buffer against inflation can be considered as complementary objectives. The various kinds of investment alternatives available with regard to India are Bank deposits, Post Office Savings Schemes, Provident Fund Schemes, Debentures, Mutual Funds, Insurance schemes, Equity shares, Gold, Real Estate, Government Securities, etc.

Rationale behind the study:

Financial markets have a significant relevance in the development of an economy. The scarce resources are mobilised from the providers to the seekers through this particular financial intermediary (Chawla, 2014). The finance theory propounds that rational investors consider all available information before making a decision in regard to investment. However, it has been observed in many studies that investors while taking investment making decisions showcase an irrational behaviour. In past few decades a

new branch of study has branched out which focuses on how human psychology affects finance. This branch of study is known as Behavioural Finance. It is a combination of psychological theories with economical theories for explaining the rationale behind investor decision making process (Shankar et.al, 2014).

Individual investors consider investment as a fascinating activity which begins with their making investments by taking decision and ending with the results thereof. However, every investment decision may not take the path as an investor assumes it to take when one makes investment which may lead to an investment generating positive returns or negative returns. Investing is not a child's play-game but an act which if wrongly taken may have serious implications on one's future well-being. Investment does not mean purchasing financial assets only, it also is said to take place when one buys a life insurance policy or buys gold, etc. Therefore, one technically ends up making an investment. All investment avenues, whether financial or traditional, have some common attributes like risk and return. The uncertainty of what lies in the future compels one to determine how much return on investment is expected with a certain degree of associated risk (Pandian, 2011). Based on this rationale, an attempt has been made to conduct an empirical study in this paper to understand the female investors perception towards various avenues of investment in Howrah city in the state of West Bengal. This analysis on the Behaviour of Individual Investors is an attempt to know the profile and attributes of the investors so as to know their preferences with respect to their investments.

II. LITERATURE REVIEW:

Selvi (2015) inferred that majority of the investors believe in the variable "Investing today for a better tomorrow" which encourages the respondents to save and invest.

Agrawal and Jain (2013) observed that the investors prefer investing in mutual funds because of diversification, taxation benefits, and reduction in risk, safety and better return.

SEBI- NCAER Survey (2015) was conducted on more than 2lakh urban and rural households across the country to quantify the actions and perceptions of retail investors and it was inferred that about 78% of the investors still "call in" their trades instead of placing their own trade calls by using internet. The main reason for not trading online is due to lack of awareness about trading online.

Shobana and Jayalakshmi (2006) revealed that preferred investment avenue is real estate followed by bank deposits.

SEBI-NCAER Survey (2000) was conducted on 3lakh geographically scattered urban and rural households and it was inferred from the survey that the risk perception of the investors has a significant impact on their choice of investment instruments, whereby bank deposits was the most preferred investment instrument across the households.

Jambodekar (1996) inferred from the study that the investors preferred open-ended schemes and income schemes whereby the objectives for making investment in the order of significance is safety, liquidity and growth in capital. Print media is the source of introduction of mutual fund and its schemes through which the investors become aware about this avenue of investment.

Objectives:

1. To understand the investment pattern of the female investors.
2. To identify which factors have an influence on the decision making process of female investors while investing in mutual funds.

Research Methodology:

The research methodology states the research process and serves as a guide for the researcher to carry out the study smoothly. This study is an empirical study. The study is solely based on primary data. The primary data has been collected by the researcher as first hand information from the sample of 170 female respondents from Howrah city. The respondents were selected on convenient sampling method.

The data was collected through a pre-structured questionnaire. The collected data has been analysed by using the statistical software SPSS (version 24).

Data Analysis:

SOCIO-ECONOMIC PROFILE OF THE INVESTORS:

Table 1: Socio economic profile of the respondent investors

Variables	in No.	in %
1. Gender:		
Female	170	100
2. Age:		
Up to 30 years	83	49
31-40 years	64	38
Above 40 years	23	13
3. Educational Qualifications:		
Up to Secondary level	03	02
Higher Secondary level	05	03
Graduate level	62	36
Post – Graduate level & Above	100	59
4. Marital Status:		
Single	65	38
Married	105	62
5. Occupation:		
Self – employed	26	15
Private sector employees	96	56
Govt. sector employees	06	04
Profession	16	09

Home-makers	20	12
Others	06	04
6. Monthly Income:		
Up to ₹50000	85	50
₹50000 – ₹100000	41	24
₹100000 - ₹200000	16	09
Above ₹200000	28	17
7. Annual Income:		
Up to ₹250000	11	06
₹250000 - ₹500000	18	11
₹500000 - ₹1000000	55	32
Above ₹1000000	86	51

Source: Authors' Survey, 2019.

Interpretation:

1. The sample size comprised of 100% female respondents.
2. The sample comprised of 49% respondents belonging to the age group of up to 30 years, 38% for 30 – 40 years and lastly 13% to above 40 years group.
3. 59% of the respondents were post-graduates, 36% were graduates and only 5% were non-graduates.
4. 62% respondents of the sample size were married and 38% were single in regard to their marital status.
5. 56% of the respondents were private sector employees, 15% were businessmen and remaining cumulated 29% comprised of homemakers, professional practitioners, govt. employees and retired persons.
6. 24% of the respondents earned between the range of ₹ 50000-₹ 100000, while 50% earned less than ₹
7. 50000, 17% earned more than ₹ 200000 and 9% earned between the range of ₹ 100000 - ₹ 200000.
8. The total household annual income of 51% of the respondents were above ₹1000000, 32% belonged to the category of ₹500000 - ₹1000000 and a cumulated 17% fall under the category of earning up to ₹ 500000.

Table 2: Investment Pattern:

Variables	in No.	in %
1. Annual Savings:		
Up to 10%	61	36
11% - 20%	55	32
21% - 30%	33	19
Above 30%	21	13
2. Annual Investment Period:		
Up to 1 year	32	19
1 – 3 years	56	33
3 – 5 years	29	17
Above 5 years	53	31
3. Purpose of Savings:		
Wealth for retirement	34	20
Higher Education & Marriage of Children	31	18
Purchase Property & other assets	27	16
Create a contingency fund	75	44

Others	03	02
4. Top Preferred Investment Avenues:		
Mutual Funds	56	33
Gold	39	23
Fixed Deposits	36	21
Shares	31	18
Others	08	05

Source: Authors' Survey, 2019.

Interpretation:

- 36% of the respondents annually saved about 10% of their earnings, while 32% saved about 11% - 20% of their earnings, 19% of the respondents saved about 21% - 30% of their earnings and 13% of them saved about above 30%.
- About 31% of the respondents invested their money in various investment avenues for a period of more than 5 years, followed by 17% of the respondents who invested for at least 3 – 5 years, 33% for 1 -3 years and only 19% of the respondents invested money for less than 1 year.
- About 20% of respondents preferred to save money for the purposes of creating wealth for retirement while 18% saved for providing money for their children’s higher education and marriage purposes. About 16% of respondents saved the money for purchasing a residential property or procuring other assets while 44% for creating a contingency fund. About 2% saved their funds for other purposes.
- About 16% of investors preferred to invest their money in Mutual funds. While an equal number of investors prefer Gold (23%) and Fixed Deposits (21%) as avenues to invest and save their money, which is very closely followed by investment in shares (18%), and lastly a cumulated 5% in other investment avenues like bonds, shares, provident fund, insurance schemes, etc.

Table 3: Level of Awareness:

Variables	in No.	in %
1. Awareness about Mutual Funds:		
Yes	163	96
No	07	04
2. Mutual Fund Advertisements:		
Yes	167	98
No	03	02
3. Impact of Advertisements:		
Yes	114	67
No	56	33
4. Affect of Advertisements:		
Motivates	68	40
Scares	26	15
No Impact	76	45
5. Introduction to Mutual Funds:		
Friends	33	19
	29	17

Relatives	25	15
Brokers	58	35
Advertisements	23	13
Internet	02	01
Others		
6. Ever Invested in Mutual Funds:		
Yes	109	64
No	61	36

Source: Authors' Survey, 2019.

Interpretation:

- About 96% of the respondents were aware about mutual funds while a mere 4% were unaware about mutual funds as an investment avenue.
- About 98% of the respondents had seen mutual fund advertisements while 2% of them had never any form of advertisement in regard to mutual funds.
- 67% of the respondents accepted that the mutual fund advertisements seen by them were of some significance as they left some impact on them whereas 33% of the respondents had claimed that such advertisements did not affect their investment making decision.
- 40% of the respondents claimed that mutual fund advertisements motivated them to make an investment in mutual fund whereas 15% claimed that it made them averse towards mutual funds. However, about 45% of the respondents claimed that such advertisements did not leave any impact on them.
- Around 71% of the respondents were introduced to mutual funds through friends, relatives and advertisements, while 13% became aware of this investment avenue through internet, 15% through brokers and lastly 1% became aware through other sources.
- About 64% of the respondents have invested in mutual funds whereas about 36% of the respondents have never invested in mutual funds.

Perception of Female Investors towards Mutual Funds:

Table 4: Perception towards Mutual funds

Variables	in No.	in %
1. Offer document:		
Yes	45	41
No	64	59
2. Aware about load charges:		
Yes	109	100
No	00	
3. Type of load:		
Expense Ratio	27	25
Exit Load	25	23
Advisory Charges	11	10
All of the Above	46	42
4. First Generation Investor:		

Yes	108	99
No	01	01
5. Age of entry into MF investment:		
Up to 30 years	96	88
31 – 50 years	13	12
Above 50 years	00	
6. Since when Investment is being done in MF:		
Since 1 year	82	75
2 – 5 years	22	20
6 – 10 years	04	04
Above 10 years	01	01
7. Mode of Investment:		
Direct (Self)	44	40
Through Financial Advisors	41	38
Through Brokers	24	22
Others	00	
8. Purpose of Investment:		
Tax Concession	40	22
Children’s Future	40	22
Purchasing/ Constructing House	36	19
Income for Old Age	42	23
Capital for Business	25	14
9. Reason for Preferring MF:		
Tax Benefits	54	19
Liquidity	47	17
Safety	37	13
Diversification	44	16
Higher Returns	58	21
Regular Income (SWP)	41	14

Source: Authors' Survey, 2019.

Interpretation:

1. Out of the total 109 mutual fund investors, only 41% of them read the offer document of the scheme in which they are willing to invest their funds, whereas the remaining 59% do not bother to go through the details of the offer document.

2. All the respondents (100%) are aware about the existing loads or charges on the various mutual fund schemes prevailing in the market.

3. 25% of the respondents take into regard the expense ratio charge before taking an investment decision, while 23% consider exit load as a charge which affects their investment decision. 10% takes into consideration the advisory charges while about 42% of the respondents take into account all the above mentioned charges before making an investment.

4. 99% of the respondents are first generation investors.

5. About 88% of the investors started investing in mutual funds before reaching the age of 30 years, while 12% of the

investors started investing when they were in the age group of 31 - 50 years.

6. 75% of the respondents have recently started investing in mutual funds, i.e., since 12 months, while 20% of the respondents have been investing in it since 2-5 years.

7. 44% of the respondents invested directly through various online portals, while 38% investors through financial advisors. 22% of them invested through brokers.

8. 23% of the respondents invested in mutual funds for creating income for old age, while about an equal number of respondents (22%), invested in mutual funds for accumulating funds for children’s future as well as availing tax concession benefits. About 19% of them invested for acquiring a house property and 14% of them for accumulating capital for starting a new business or expanding an existing business.

9. About 21% of the respondents preferred to invest their funds in mutual fund schemes in order to earn higher returns, while 19% invested to avail tax benefits. 17% invested in it for easy liquidity facility. 16% invested in it for a diversified portfolio for a balanced investment, while 14% invested in it for withdrawing regular income from it. And about 14% invested in it as they considered mutual funds as a safe investment option.

III. FACTORS INFLUENCING INVESTMENT IN MUTUAL FUNDS:

Exploratory Factor analysis: Factor analysis is a technique of data reduction whereby correlation between is established.

Table 5 : KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.729
Bartlett's Test of Sphericity	Approx. Chi-Square	215.050
	df	45
	Sig.	.000

In Table-5, it has been observed that the KMO measure of sampling adequacy of 0.729 show the adequacy of sample for conducting factor analysis by Principal Component Analysis technique. Bartlett’s test is another indicator of the strength of the co-relationship among the variables. The observed significance level is 0.000 that is much smaller than 0.05, which reveals out that there is a strong co-relationship amongst variables.

While using PCA method, a thumb rule is taken into account that those factors have been chosen whose Eigen values are greater than one unit. The total variance for factors whose Eigen value is greater than ‘1’ was 57.222% (Table-6).

Table 6 : Total Variance Explained

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.014	30.145	30.145	2.080	20.798	20.798
2	1.557	15.571	45.716	2.023	20.235	41.033
3	1.151	11.506	57.222	1.619	16.189	57.222
4	.940	9.402	66.624			
5	.821	8.211	74.835			
6	.623	6.232	81.067			
8	.490	4.903	91.590			
9	.448	4.482	96.072			
10	.393	3.928	100.000			

Extraction Method: Principal Component Analysis.

In unrotated loading first factor has explained 30.145% variance and 15.571% and 11.506% are explained by second and third variable respectively (Table 6). Following this, Varimax

method was applied to reallocate the variances so that the factor loading pattern can be devised.

Table 7: Rotated Component Matrix

Factors	Component		
	1	2	3
Suitability of fund/scheme	.488	.339	-.107
Credit rating	.541	.503	.114
Govt./SEBI norms	.763	.057	.237
Professional diversification	.811	.016	-.076
Return on investment	-.170	.781	.179
Efficient investor service	.326	.481	.089
Portfolio of mutual fund	.290	.694	-.317
Past records	.276	.485	.439
Tax benefits	-.062	-.163	.810
Safety	.104	.257	.737

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

From Table – 7, it has been inferred that the factor loadings of all the variables on each of the three components have been marked whereby the highest one in all the columns are earmarked in bold font. The factors have been named as:

- First Factor – Attributes of Investment
- Second Factor – Expectations for Investors
- Third factor – Priorities of Investors

In rotated matrix, for first factor significant loading components namely Suitability of Fund/Scheme, Credit Rating, Govt./SEBI Norms and Professional Diversification have shown variance of more than 0.48 to be significantly loaded. Similarly, components namely Return on Investment, Efficient Investor Service, Portfolio of Mutual fund and Past Records have shown significant loading on the second factor and components like Tax Benefits and Safety has shown significant loading on factor three.

Overall three factors have been extracted from the above variables. On the basis of above variables following names are given to factors:

First Factor – Attributes of Investment

- Suitability of Fund/Scheme
- Credit Rating
- Govt./SEBI Norms
- Professional Diversification

Second Factor – Expectations for Investors

- Return on Investment
- Efficient Investor Service
- Portfolio of Mutual fund
- Past Records

Third Factor – Priorities of Investors

- Tax Benefits

Safety

First Factor:

In total four variables has been loaded on this factor. The variables composing the factor with their labels and factor loadings are given in Table-8. This table reveals that for the first factor ‘Professional Diversification’ has got the highest loading of 0.811 which is closely followed by the variable ‘Govt./SEBI Norms’ (0.763), ‘Credit Rating’ (0.541), ‘Suitability of Fund/Scheme’ (0.488) being the last variable. It has been depicted in the under mentioned Table-8.

Table 8: Variables in Factor Attributes of Investment

Variables	Loadings
Professional Diversification	.811
Govt./SEBI Norms	.763
Credit Rating	.541
Suitability of Fund/Scheme	.488

First Factor/Component describes various considerations in the investors’ mind that are taken into account for making decisions regarding the investment in mutual funds. It implies that the policies followed by the company in regard to formulating the schemes to make an appeal to the investors plays a very significant role in making the investment decision in them.

Second Factor:

The second important factor representing investors’ perception for investment in mutual funds is the “Expectations for Investors” where the variables being ‘Return on Investment’, ‘Portfolio of Mutual fund’, ‘Past Records’ and ‘Efficient Investor Service’ has been loaded on this factor. Different constituents of this factor with their labels and holdings have been presented in Table-9.

Table 9: Variables in Factor Expectations for Investors

Variables	Loadings
Return on Investment	.781
Portfolio of Mutual fund	.694
Past Records	.485
Efficient Investor Service	.481

The table reveals that the variable ‘Return on Investment’ have got higher loading of 0.781 than other three variables ‘Portfolio of Mutual fund’ (0.694), ‘Past Records’ (0.485) and ‘Efficient Investor Service’ (0.481). This factor describes various aspects for considerations by the investors if investment is to be done in mutual funds.

Third Factor:

The third factor represents the ‘Priorities of Investors’ where the variables being ‘Tax Benefits’ and ‘Safety’ has been loaded on this factor as can be seen in Table-10 with their respective loadings.

Table 10: Variables in Factor Priorities of Investors

Variables	Loadings
Tax Benefits	.810
Safety	.737

The table reveals that the variables ‘Tax benefits’ have a loading of 0.810 while the variable ‘Safety’ has 0.737. These two variables have a significant impact on the investors when it comes to choosing a fund where money needs to be invested for better returns as well as which is going to safeguard their funds.

IV. FINDINGS:

Out of the sample size of 170 female respondents who were predominantly in the age group of up to 30 years (49%), we found that only 33% preferred MFs to be their first investment avenue which is closely followed by Gold and FDs.

Out of those who had regularly invested in MFs which is about 64% of the sample size, only 41% of the respondents read the offer document before investing their funds in mutual fund schemes.

An in-depth enquiry into the source of introduction to MFs of the investors revealed that friends & relatives played a major role (i.e. about 36%), while advertisements (35%), and brokers (15%), internet (13%), etc were the other sources. It also implies that investors preferred Word of Mouth from their friends and relatives as compared to other sources.

It is also inferred that majority of the investors investing in mutual funds invested their funds to provide for their old age (23%), which is closely followed by respondents investing to avail tax benefits (about 22%) as well as providing for children’s future (22%), purchase of properties ,holidays, etc. being other reasons for investing money in MFs.

It was also found that 51% respondents preferred MFs as an investment avenue for the attributes of gaining higher returns, safety and liquidity of funds, while 19% preferred it for availing tax benefits. Diversification of portfolio and regular income through Systematic Withdrawal Plan were the other reasons for preferring mutual funds as an investment avenue.

It was also inferred upon factor analysis that the factors which influence the investors to invest in mutual funds were grouped under three components. The first component comprised of factors which were titled as the Attributes for Investment or the learning aspect as the factors under this group are professional diversification, Govt./SEBI norms, credit rating and suitability of fund/scheme. The second component also comprised of four factors titled as the expectation or motivation aspect i.e. the main reason for investment of savings which influences almost every respondent for choosing and investing in mutual funds, the factors being return on investment, efficient investor service, past records and portfolio of mutual fund. The third component were the factors which influenced the respondents to make selection of funds to be invested in i.e. they perceived or believed that investment in mutual fund would provide them with tax benefits and safety.

V. CONCLUSION

Indians, in general, are known for their inclination for savings as well as their preference for investments which are safe and carries no or minimal risk. The study results point out that the investors still are willing to invest only in such avenues which are considered safe. Upon further analysis, it was observed that family trend or investment culture of the family plays a significant role in making decisions which are related to investments. Bank deposits and gold are the most preferred traditional avenues, while on the other hand, amongst financial investment avenues, mutual funds is gaining popularity.

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AUTHORS

First Author – Ami Jain (Research Scholar), St. Xavier's (Autonomous) College, Kolkata
Email id – amijain83@gmail.com Contact - 9863206084