

BEHAVIORAL FINANCE: THE ROLE OF DEMOGRAPHIC FACTORS AFFECTING RETURN DECISIONS OF EMPLOYEES WORKING IN PRIVATE BANKING SECTOR

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ABSTRACT:

Nowadays, behavioral finance is an inseparable component of investment decision taking practice as it highly affects performance of investors in the financial market. Besides, it helps to reduce or remove different biases at the time time taking investment decision which leads to performance improvement.

The research problem chosen for the study is role of demographic factors influencing investors decision process. The present research is undertaken in south Bangalore. The data is collected from 406 employees of private banking sector by using simple random sampling method through structured questionnaire. In order to study objectives and testing hypotheses, percentages, mean, standard deviation, t-test, ANNOVA are used.

The motive of this research is to analyse the behavioral factors of investing employees of private banking sector. Various demographic factors has been tested to analyse the impact on investment decisions with respect to returns.

It can be summarized that Return factor is having positive and significant impact on satisfaction of employees of private banking sector towards investment.

Key words: Behavioral Finance, Portfolio Investment, Regression, Standard Deviation.

INTRODUCTION:

An Investment leads to wealth creation wherein a monetary asset is purchased which will generate future income or will yield a profit if sold at a higher price. Many avenues of investments are available for investors like Gold, Real Estate, Shares, Debentures, Debt Mutual funds, PPF, Bank fixed deposit, etc., it is an act of sacrificing present consumption for future benefits. Due to financial sector reforms and introduction of Make in India concept introduced by Indian Government to facilitate investment where focus is on "Manufacture in India and Sell in any country

of the world” has boosted Indian Economy and provided lot of job opportunities to people in India leading to increase in savings and investments in the country. Therefore, investment is a continuous operation which involves various decisions such as where to invest, how much to invest, when to invest so that their portfolio can yield good returns with minimum risk. As most of the investors try to avoid risk which leads them to invest their money in secured instruments though they yield low return and rely on traditional financial products whereby they are not able to enjoy gains of modernized financial portfolios that have higher capabilities to generate higher level of returns. Investment decision is mainly determined by personal, psychological and behavioral aspects of investors.

Added to this investors are also influenced by market information, features of regulators and financial market participants. Behavioral finance studies the psychology influence on the investors behavior during the time of investment. It plays a vital role effecting their decision with respect to investment.

OBJECTIVES OF THE STUDY:

1. To understand investment behaviour of employees of private banking sector
2. To analyze the role of demographic factors impacting decisions of employees of private banking sector with special focus on returns.

HYPOTHESIS OF THE STUDY:

The hypotheses of the study are:

H0: There is no significant difference among demographic profile of employees of private banking sector and return factors.

H1: There is a significant difference among demographic profile of employees of private banking sector and return factors.

RESEARCH DESIGN:

The type of research that has been used for this study is Descriptive research which describes the nature of a demographic segment of the population. Primary data in the form of questionnaire has been collected from Private Banking Sector Employees. A simple random sampling method has been used for selecting the employees in South Bangalore.

REVIEW OF LITERATURE

Earlier research studies are analyzed and presented for understanding important facts associated with the present research with the intention to identify the research gap.

Singh and Yadav (2016)¹ made an analysis to understand the gender wise perception regarding the factors which will be taken into account at the time of making investment in the equity market with respect to various alternatives available for investment. They concluded that fundamental, technical and financial analysis should be done by investors before making investment in the share market.

Sultana & Pardhasaradhi (2012)² have done a research and identified ten factors which will be affecting investment decisions of investors viz., maximization of wealth, minimization of risk, Media & government, Financial expectation, Economic expectation, perception of brand, Individual Eccentric, social responsibility and advocate recommendation factors.

Sudindra & Naidu (2018)³ focused on understanding the financial behaviour of the citizens based on aspects like savings, spending, borrowing and investments.

Chandra & Kumar (2012)⁴ has done a survey to study how psychological, biases and heuristics effect the behaviour of investors. Author has concluded that price is assumed as decision anchor and judgements are done with overconfidence.

Bennet Selvam Vivek & Shalin (2012)⁵ have done research to study the sentiments of individual investors and also to examine the impact of market specific factors. They concluded few specific market factors like intuition, rumours, coverage of media and herd behaviour influences the attitude of investors.

Jayaraj (2013)⁶ done a study to explore the trading behavior of investor in Indian stock market. Sample of 300 investors has been collected and were put to univariate and multivariate analysis. Principal Component Analysis has been applied whereby it is identified that total six psychological axes drive the individual investor behavior namely, diligent and discreet, conservatism, prudence more abhorrence, cognition, under confidence and precaution.

Obamuyi, T. M. (2013)⁷ has done research to study the determining factors with respect to investors investment decisions. It has been concluded that two important aspects play a vital role in attracting investors which are providing friendly climatic and market environment for investments, which enables to increase the wealth of the investors.

DATA ANALYSIS:

Investment behavior throws light on the correlation among demographic profile, knowledge and thoughts of investors with respect to risks and returns. With this background, it is essential to study the investment behavior of employees of private banking sector.

1. RETURN FACTORS:

The return factors influencing investment decision of employees of private banking sector was examined and the results are exhibited in Table 1.

Table 1
Return Factors

Sl. No.	Return Factors	Mean	Standard Deviation
1.	I am willing to invest for high expected share returns	3.95	0.97
2.	I will invest in investment which offers consistent returns	3.98	0.94
3.	I look for short term share price increase.	3.92	1.03
4.	I look for long-term share price increase	3.26	1.21
5.	I prefer for consistent dividend income.	3.80	1.15
6.	I always look to outperform the index returns	3.22	1.31
7.	I look for saving tax on my overall income	3.90	1.05
8.	I check for the historical returns record of the security before investing	3.87	1.09
9.	I will look to invest in overvalued stock if the returns are promising	3.30	1.17
10.	I will look to invest in undervalued stocks	3.76	1.20
11.	I always invest in top 500 companies only	3.72	1.23
12.	I am ready to invest in new investments at all times for better returns	3.20	1.32

Source: Primary Data, 2018

The employees of private banking sector are agreed with they are willing to invest for high expected share returns, they will invest in investment which offers consistent returns, they look for short term share price increase, they prefer for consistent dividend income, they look for saving tax on my overall income, they check for the historical returns record of the security before investing, they will look to invest in undervalued stocks and they always invest in top 500 companies only, while, they are neutral with they look for long-term share price increase, they always look to outperform the index returns, they will look to invest in overvalued stock if the returns are promising and they are ready to invest in new investments at all times for better returns.

2. DEMOGRAPHIC PROFILE OF EMPLOYEES OF PRIVATE BANKING SECTOR AND RETURN FACTORS

The distribution of employees of private banking sector on the basis of return factors was examined and the results are provided in Table 2. The level of return factors is divided into High, Moderate, Low based on Mean \pm SD. Mean is 43.89 and SD is 6.95.

Table 2
Dispersal of Employees of Private Banking Sector on the Basis of Return Factors

Sl. No.	Level of Return Factors	Number of Employees	Percentage
1.	Low	114	28.08
2.	Moderate	161	39.65
3.	High	131	32.27
	Total	406	100.00

Source: Primary Data, 2018

Among 406 employees, 32.27 % of them comprehended that the level of return factors is high, whilst, 28.08 % of them comprehended that the level of return factors is low.

2.1. GENDER AND RETURN FACTORS

The relation among gender of employees and return factors was examined and the details of the relationship are exhibited in Table 2.1.

Table 2.1
Gender and Return Factors

Sl. No.	Gender	Level of Return Factors			Total	t-Value	Sig.
		Low	Moderate	High			
1.	Male	50 (20.75)	103 (42.74)	88 (36.51)	241 (59.36)	4.154	.000
2.	Female	64 (38.79)	58 (35.15)	43 (26.06)	165 (40.64)		
	Total	114 (28.08)	161 (39.65)	131 (32.27)	406 (100.00)	-	-

Source: Primary Data, 2018

The figures in the parentheses are % to total

Among 241 male employees, 36.51 % of them noticed that the return level factor is high, whilst, 20.75 % of them noticed that the return level factor is low.

Among 165 female employees, 26.06 % of them noticed that the return level factor is high, whilst, 38.79 % of them noticed that the return level factor is low.

The t-value is 4.154 and it is significant at one % level explaining that significant difference exists among gender of employees and return factors. As a result, alternative hypothesis is accepted.

2.2 AGE CATEGORY AND RETURN FACTORS

The relation among age category of employees and return factors was examined and the details of the relationship are exhibited in Table 4.

Table 2.2
Age Category and Return Factors

Sl. No.	Age Category	Level of Return Factors			Total	F-Value	Sig.
		Low	Moderate	High			
1.	Below 25 years	45 (40.91)	30 (27.27)	35 (31.82)	110 (27.09)	4.846	.003
2.	26 – 35 years	29 (21.32)	60 (44.12)	47 (34.56)	136 (33.50)		
3.	36 – 45 years	16 (17.98)	39 (43.82)	34 (38.20)	89 (21.92)		
4.	Above 45 years	24 (33.80)	32 (45.07)	15 (21.13)	71 (17.49)		
	Total	114 (28.08)	161 (39.65)	131 (32.27)	406 (100.00)	-	-

Source: Primary Data, 2018

The figures in the parentheses are % to total

Among 110 employees who fall under age category of below 25 years, 31.82 % of them comprehended that the level of return factors is high, whilst, 40.91 % of them comprehended that the level of return factors is low.

Among 136 employees who fall under age category of 26 – 35 years, 34.56 % of them comprehended that the level of return factors is high, whilst, 21.32 % of them comprehended that the level of return factors is low.

Among 89 employees who fall under age category of 36 – 45 years, 38.20 % of them comprehended that the level of return factors is high, whilst, 17.98 % of them comprehended that the level of return factors is low.

Among 71 employees who fall under age category of above 45 years, 21.13 % of them comprehended that the level of return factors is high, whilst, 33.80 % of them comprehended that the level of return factors is low.

The F-value is 4.846 and it is significant at one % level explaining that significant difference exists among age category of employees and return factors. As a result, it leads to acceptance of alternative hypothesis by rejecting null hypothesis.

2.3. EDUCATION AND RETURN FACTORS

The relation among education of employees and return factors was examined and the details of the relationship are exhibited in Table 2.3.

Table 2.3
Education and Return Factors

Sl. No.	Education	Level of Return Factors			Total	F-Value	Sig.
		Low	Moderate	High			
1.	Under Graduation	62 (35.23)	58 (32.95)	56 (31.82)	176 (43.35)	3.160	.043
2.	Post-Graduation	46 (23.12)	89 (44.72)	64 (32.16)	199 (49.01)		
3.	Professional	6 (19.36)	14 (45.16)	11 (35.48)	31 (7.64)		
	Total	114 (28.08)	161 (39.65)	131 (32.27)	406 (100.00)	-	-

Source: Primary Data, 2018

The figures in the parentheses are % to total

Among 176 employees who are under graduates, 31.82 % of them comprehended that the level of return factors is high, whilst, 35.23 % of them comprehended that the level of return factors is low.

Among 199 employees who are post graduates, 32.16 % of them comprehended that the level of return factors is high, whilst, 23.12 % of them comprehended that the level of return factors is low.

Among 31 employees who are professionals, 35.48 % of them comprehended that the level of return factors is high, whilst, 19.36 % of them comprehended that the level of return factors is low. The F-value is 3.160 and it is significant at five % level explaining that significant difference exists among education of employees and return factors. As a result, it leads to acceptance of alternative hypothesis by rejecting null hypothesis.

2.4. MARITAL STATUS AND RETURN FACTORS

The relation among marital status of employees and return factors was examined and the details of the relationship are exhibited in Table 2.4.

Table 2.4
Marital Status and Return Factors

Sl. No.	Marital Status	Level of Return Factors			Total	t-Value	Sig.
		Low	Moderate	High			
1.	Married	76 (24.13)	133 (42.22)	106 (33.65)	315 (77.59)	2.646	.008
2.	Unmarried	38 (41.76)	28 (30.77)	25 (27.47)	91 (22.41)		
	Total	114 (28.08)	161 (39.65)	131 (32.27)	406 (100.00)	-	-

Source: Primary Data, 2018

The figures in the parentheses are % to total

Among 315 employees who are married, 33.65 % of them comprehended that the level of return factors is high, whilst, 24.13 % of them comprehended that the level of return factors is low. Among 91 employees who are unmarried, 27.47 % of them comprehended that the level of return factors is high, whilst, 41.76 % of them comprehended that the level of return factors is low. The t-value is 2.646 and it is significant at one % level explaining that significant difference exists among marital status of employees and return factors. As a result, it leads to acceptance of alternative hypothesis by rejecting null hypothesis.

2.5. TYPE OF FAMILY AND RETURN FACTORS

The relation among type of family of employees and return factors was examined and the details of the relationship are exhibited in Table 2.5

Table 2.5 Type of Family and Return Factors

Sl. No.	Type of Family	Level of Return Factors			Total	t-Value	Sig.
		Low	Moderate	High			
1.	Nuclear	59 (38.31)	51 (33.12)	44 (28.57)	154 (37.93)	2.761	.006
2.	Joint	55 (21.83)	110 (43.65)	87 (34.52)	252 (62.07)		
	Total	114 (28.08)	161 (39.65)	131 (32.27)	406 (100.00)	-	-

Source: Primary Data, 2018

The figures in the parentheses are % to total

Among 154 employees who have nuclear family, 28.57 % of them comprehended that the level of return factors is high, whilst, 38.31 % of them comprehended that the level of return factors is low.

Among 252 employees who have joint family, 34.52 % of them comprehended that the level of return factors is high, whilst, 21.83 % of them comprehended that the level of return factors is low.

The t-value is 2.761 and it is significant at one % level explaining that significant difference exists among type of family of employees and return factors. As a result, it leads to acceptance of alternative hypothesis by rejecting null hypothesis.

2.6 ANNUAL INCOME AND RETURN FACTORS

The relation among annual income of employees and return factors was examined and the details of the relationship are exhibited in Table 2.6.

Table 2.6
Annual Income and Return Factors

Sl. No.	Annual Income	Level of Return Factors			Total	F-Value	Sig.
		Low	Moderate	High			
1.	Less than Rs. 3,00,000	3 (42.86)	3 (42.86)	1 (14.28)	7 (1.72)	10.528	.000
2.	Rs. 3,00,001 – Rs. 5,00,000	43 (20.09)	85 (39.72)	86 (40.19)	214 (52.71)		
3.	Rs. 5,00,001 – Rs. 8,00,000	55 (44.00)	45 (36.00)	25 (20.00)	125 (30.79)		
4.	More than Rs. 8,00,000	13 (21.67)	28 (46.66)	19 (31.67)	60 (14.78)		
	Total	114 (28.08)	161 (39.65)	131 (32.27)	406 (100.00)	-	-

Source: Primary Data, 2018

The figures in the parentheses are % to total

Among seven employees who earn annual income of less than Rs. 3,00,000, 14.28 % of them comprehended that the level of return factors is high, whilst, 42.86 % of them comprehended that the level of return factors is low.

Among 214 employees who earn annual income of Rs. 3,00,001 – Rs. 5,00,000, 40.19 % of them comprehended that the level of return factors is high, whilst, 20.09 % of them comprehended that the level of return factors is low.

Among 125 employees who earn annual income of Rs. 5,00,001 – Rs. 8,00,000, 20.00 % of them comprehended that the level of return factors is high, whilst, 44.00 % of them comprehended that the level of return factors is low.

Among 60 employees who earn annual income of more than Rs. 8,00,000, 31.67 % of them comprehended that the level of return factors is high, whilst, 21.67 % of them comprehended that the level of return factors is low.

The F-value is 10.528 and it is significant at one % level explaining that significant difference exists among annual income of employees and return factors. As a result, it leads to acceptance of alternative hypothesis by rejecting null hypothesis.

2.7 WORK EXPERIENCE AND RETURN FACTORS

The relation among work experience of employees and return factors was examined and the results are provided in Table 2.7.

Table 2.7
Work Experience and Return Factors

Sl. No.	Work Experience	Level of Return Factors			Total	F-Value	Sig.
		Low	Moderate	High			
1.	Less than 10 years	74 (30.08)	90 (36.59)	82 (33.33)	246 (60.59)	.190	.827
2.	11 – 15 years	23 (25.56)	36 (40.00)	31 (34.44)	90 (22.17)		
3.	16 – 20 years	17 (24.29)	35 (50.00)	18 (25.71)	70 (17.24)		
	Total	114 (28.08)	161 (39.65)	131 (32.27)	406 (100.00)	-	-

Source: Primary Data, 2018

The figures in the parentheses are % to total

Among 246 employees who bear less than 10 years of work experience, 33.33 % of them comprehended that the level of return factors is high, whilst, 30.08 % of them comprehended that the level of return factors is low.

Among 90 employees who bear 11 – 15 years of work experience, 34.44 % of them comprehended that the level of return factors is high, whilst, 25.56 % of them comprehended that the level of return factors is low.

Among 70 employees who bear 16 – 20 years of work experience, 25.71 % of them comprehended that the level of return factors is high, whilst, 24.29 % of them comprehended that the level of return factors is low.

SUMMARY OF FINDINGS AND CONCLUSION

DEMOGRAPHIC PROFILE OF EMPLOYEES OF PRIVATE BANKING SECTOR

Nearly three fifth (59.36 %) of employees of private banking sector are males and one third (33.50 %) of them fall under age category of 26 – 35 years. Nearly half (49.01 %) of them are post graduates and more than three fourth (77.59 %) of them are married. Nearly two third (62.07 %) of them have joint family and more than half of (52.71 %) of them earn yearly income of Rs. 3,00,001 – Rs. 5,00,000 and more than three fifth (60.59 %) of them bear fewer than 10 years work experience.

DEMOGRAPHIC PROFILE OF EMPLOYEES OF PRIVATE BANKING SECTOR AND RETURN FACTORS

The findings exhibit that 39.65 % of employees comprehended that the level of return factors is moderate. Significant difference is there among demographic profile of employees of private banking sector and return factors influencing their investment decision excluding work experience.

Results of this study can help employees of private banking sector to modify their investment pattern and improve their invest decision making process and strategies and plans for better portfolio in order to enhance their satisfaction. The findings of this research can assist companies to understand investment pattern and decision of employees of private banking sector in order to attract their future investments.

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