

A Study on Investor's Behaviour and Investor's Decision Making: In Jaffna District.

*Mr.Parameswaran.K, Mrs.Balagobei.S^a,

^aDepartment of Financial Management, Faculty of Management Studies & Commerce,
University of Jaffna

*kandiahparamesh@gmail.com

ABSTRACT

Now a day, Investors are king in investment market around the world. They have the ability to invest anywhere but investment patterns are changed day to day. However, this research surveys on the influence of investor's behaviour on investor's decision making. The aim of this study is to investigate the impact of investor's behaviour on investor's decision making in Jaffna district. There are so many investors in Jaffna peninsula. But most of them don't have the proper investment decision making. Therefore this research analyzed the investor's behaviour and investor's decision making. For this purpose, 100 investors were selected as sample in Jaffna district based on simple random sampling method and primary data was collected by using questionnaire form the investors. Correlation and multiple Regression analysis were performed through SPSS software (16.0 version). The result reveals that there is a positive relationship between investor's behavior and investor's decision making and perceived behaviour and awareness significantly impact on investor's decision making. Further this Research shows that investors are more likely to invest in assets where performance is over long periods due to a lower risk perception than when presented with a succession of short period returns. This Study gives suggestions for the development of beneficiaries individually for the organizations to develop excellent beneficiaries and for the improvement of future researchers. Furthermore, this study provides platform to young investors to make investment decision in Jaffna district

Keywords-awareness, investor's behavior, investor's decision making, perceived behaviour

1. INTRODUCTION

In today's scenario there has been a major change i.e. economic prosperity all over. The entire world is talking about the robust growth rates in this part of the world. Higher income levels and booming investment markets have led to more and more numbers of high net worth

investors (HNIs). This means the availability of huge investible surplus. The investors with higher risk appetite want to experiment and try new and exotic products in the name of diversification. This has resulted in emergence of new options within the same or fresh asset classes. There are more products available within each asset class be it Equity, Mutual Fund, Gold, Real Estate. The common perception of investors is to buy when the market supports in uptrend and not to invest in the falling time. They wait for the stabilization in the market. So this study attempts to draw a clear picture on the trends of traders and investors. Markets have personalities because investors have emotions. Markets are ultimately driven by people and investment values are what individuals make them out to be. People have a tendency to see their own actions and decisions as totally rational, when the truth is they may not be.

The above background survey reveals that like other developed, developing countries, investor's behaviour and investor's decision making as an area of research have not received proper attention in Jaffna district. Therefore, the researcher took interest to somewhat cover this wide research gap. In order to fill the gap the present study was undertaken.

RESEARCH PROBLEM

The main objective of the study helps to find out the need of the current and future investors and to study on investor's behaviour. Researcher selected Jaffna district in Sri Lanka to identify the relationship between investor's behaviour and investor's decision making, Further this study investigates the impact of investor's behaviour on investor's decision making. Based on the history Sri Lanka faced more challenges in past years such as civil war, natural diseases (tsunami) and political issues. Those affect investor's decision making through changing their behaviours. In this period investment market of Jaffna doesn't have the The research questions which would guide this study are as follows;

- To what extent investor's behaviour impact on investor's decision making?
- Is there any relationship between investor's behaviour and investor's decision making?

OBJECTIVE OF STUDY

The main objective of this study is to investigate the impact of investor's behaviour on investor's decision making in Jaffna district.

The following are other objectives as

- To identify the relationship between investor's behaviour and investor's decision making.
- To identify which gender, marital status, age group, education levels and occupations are more influence in investor's decision making.

2. LITERATURE REVIEW

Theoretical Background

During several past years, investments usually based on forecasting, performance, market timing. That used to produce ordinary findings. Huge gap between the returns available and the return received forced the investors to look into the matter and find the reasons. So, the fundamental mistakes during the process of decision-making were identified. In other words, we can say that investors make irrational decisions during their investments and psychological impact was found during these mistakes. Thus the Subject of Behavioural Finance which got popularity in the world of investment decisions and stock markets is not new as the researchers began to work on this field several years ago. Since many years, investors have been considering psychology an important factor while determining the market behaviour, but formal studies have only been conducted in recent years in this field of behavioural finance .

Empirical Evidences

Though the literature of behavioural finance is very large. It is proposed to present some empirical case studies to focus light insight to behavioural finance and its application in decision making.

Statman defined the Preferences in portfolio selection and proposes that individual investors' portfolio choices and consequently return performance reflect characteristics such as aspirations, hope, fear and narrow framing. In this respect, BPT helps to explain why some investors simultaneously buy bonds and lottery tickets by investigating multiple objectives (e.g., protection

from poverty at retirement and potential for a shot at riches) as well as aspirations. Studies on overconfidence emphasize the role of beliefs and help to explain why some investors are overly optimistic and develop excessively bold forecasts

Keller and Siegrist, [1] have explained that private investors have used mainly behaviour based criteria or attitudes and do not combine both aspects. This study is not product linked but wider ranging in that it examines the self-stated financial attitudes and behaviour of individual investors. A significant body of literature has focused on the relationship of attitudes to behaviour. Whilst behaviour changes over time, there is a popular assertion that "past behaviour is the best predictor of future behaviour"

Recent literature of Heckman [2] on latent heterogeneity suggests that identifying the influence of unobservable variables such as investors' preferences and beliefs is key to achieving a better understanding of financial market participants' choices and behaviour Unobservable, individual level differences may help to explain the underlying mechanisms of a wide variety of behavioural anomalies [3], but to date they have not been widely used to explain individual investors' decision making or performance.

Some other authors were explained equation approach and combines preferences, beliefs and other variables that are typically unobservable such as investors' ambition level and risk attitude to explain how investors make portfolio choices. As such, the framework reflects some of the essential features of behavioural portfolio theory (BPT) and findings from studies on overconfidence[4]. BPT emphasizes the role of behavioural [5] of framework has been successfully applied in a wide range of behaviours, such as ethics accounting and quitting the smoking habit. Empirically, the theory of planned behaviour significantly explains the relationship between growth intentions and growth achieved by new ventures Related to the concept of perceived behavioural control, perceived self efficacy has been shown to be related to entrepreneurial intent and entrepreneurial decision

Hypothesis

An individual's sensitivity to risk may be a function of the fear regarding the type of investment (e.g. possible start up behaviours) since these investments are typically considerably riskier than most other investment categories Sitkin and Weingart [6] developed a 5 item scale for measuring business risk propensity. MacCrimmon and Wehrung defined risk propensity as "the willingness of people to take risks." Sitkin and Weingart [6] argued

that risk propensity is a behaviour that evolves as part of experiential learning. Sitkin and Weingart's [6] measure of risk propensity is that it measures global attitude on perceived return more than perceived risk. Sitkin and Weingart's measure is based on five dimensions. Based on the above review of literature, researcher now provides the following hypotheses:

H1: There is a significant association between investor's behaviour and investor's decision making.

H2: There is a significant impact of perceived behaviour and awareness on investor's decision making.

3. RESEARCH METHODOLOGY

Data Collection

This study used a cross sectional design using a survey questionnaire. The sample was chosen from different sectors of investors from Jaffna district in 2013. All participants were volunteers and received no class credit for participation. Data collection has been done through Primary Data which was done by questionnaires with the investors.

Samples For Research

A sampling frame is closely related to the population. A sample is a part of population which is selected for obtaining the necessary information. This study had been organized to collect data from the respective residential investors who have the investment in Jaffna peninsula. To make the selection effective, sample is collected through simple random sampling method. There are so many persons having investment in Jaffna peninsula. Among those, researcher is going to select 100 investors as a sample from Jaffna peninsula based on simple random sampling.

Methods Of Analyzing Data

Data analysis is done by using the following statistical techniques. Percentage Analysis, Correlation Analysis, Regression Analysis through the SPSS (16.0 version).

4. DATA PRESENTATION AND ANALYSIS

Data presentation is defined as the presentation of the available information or data without any change what so ever. For the research purpose, the process of presenting data is necessary to understand the pattern of statistics and to find out its open feathers. In this research the process is undertaken from the pattern of the classified schedule of data. In a way the data collected is presented in tabular and

graphical form. To assess how the investor's behaviour contributes to the development of investor's decision, the following data is presented as descriptive statistics.

The table 1 clearly shows minimum, maximum, mean and standard deviation for attitudes, subjective norms, perceived behaviour, risk propensity, awareness and decision making. Attitudes have 2.80 of minimum value, 5.00 of maximum value and 4.408 of mean which is indicated high level contribution. Subjective norms have 2.20 of minimum value, 5.00 of maximum value and 4.150 of mean which is indicated high level commitment. Perceived behaviours have 1.00 of minimum value, 5.00 of maximum value and 3.946 of mean which is indicated moderate level contribution. Risk propensity has 2.00 of minimum value, 4.80 of maximum value and 3.780 of mean which is indicated moderate level commitment. Awareness has 1.60 of minimum value, 5.00 of maximum value and 3.810 of mean which is indicated moderate level contribution.

According to the table 2 Correlation coefficient between Investor's behaviour and investor's decision making is 0.633 and the p-value for two tailed test of significance is less than 0.01. From this table, researcher concludes that there is a positive correlation between investor's behaviour and investor's decision making which is significant.

Table -3 Regression analysis for investors

The table 3 presents the multiple regression summaries. In this model the specification of five variables (attitudes, subjective norms, perceived behaviour, risk propensity and awareness) revealed the ability to predict decision making ($R^2=0.510$). Respective R^2 value is 0.510 denotes that 51% of the observed variability in investor's decision making can be explained by the differences in all independent variables such as attitudes, subjective norms, perceived behaviour, risk propensity and awareness. The remaining 49% of the variance in decision making is related to other variables not depicted in this model.

Hypothesis Testing

H1: There is a positive association between investor's behaviour and investor's decision making.

The results in the table 4.2 clearly indicate that correlation coefficient between investor's behaviour and investor's decision making is 0.633** which is significant at 0.01 levels. So, H1 is accepted.

H2: There is a significant impact of perceived behaviour and awareness on investor's decision making.

According to the table 4.3 perceived behaviour and awareness have a positive impact on decision making. When perceived behaviour and awareness increase investor's decision making also increase. So, H2 is accepted.

5. FINDINGS AND SUGGESTIONS

Findings

This study is the final part of this paper. Overly, this paper evaluates the objectives of the research and its achievement. In this view, the researcher considers findings; the researcher concluded that the investor's behaviour has generated the association and impact on investor's decision making. The success of the decision making depends upon how behaviours impact on investors in order to achieve their objectives and goals. This research represents positive relationship between the attitudes and decision making in Jaffna district. Previous study of Keller and Siegrist, [1] is also said that. The relationship between subjective norms, perceived behaviour in Jaffna district is represented positive relations with investor's decision making. According to prior study of Breckler & Wiggins the relationship of subjective norms and perceived behaviour and positive relationship between the Risk propensity and decision making in Jaffna district. That relationship is proved by previous study of Sitkin and Weingart [6] Further, this study represents positive relationship between the awareness and investor's decision making in Jaffna district. Researcher outlined this relationship in his previous study. Therefore investors try to develop their behaviour factors to increase their operational and future decision on investment to achieve return.

Suggestions

Suggestion to manage investor's behaviours and investor's decision making. In this analysis, it is given that how behaviour deals with decision making. So Suggestion

are presented to manage the behaviour and to increase decision making in investment.

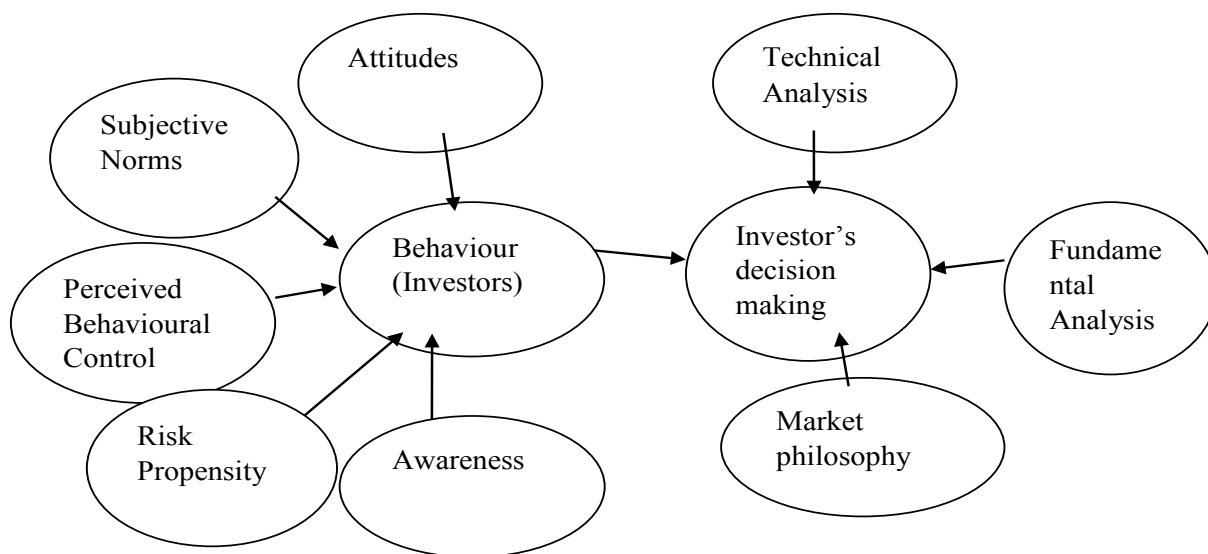
- There should be improvement in the awareness of investment market activities in Jaffna. This calls for holding more awareness programs which should evenly be distributed to districts rather than centralized.
- In order to make trading on the investment market. Investors should be enlightened on the various types of investment opportunities and the products they are trading.
- There is need for financial intermediaries like brokers to incorporate both technical and fundamental analysis when analyzing performance.

REFERENCES

1. Keller, C. & Siegrist, M. "Investing in stocks: The influence of financial risk attitude and values-related money and stock market attitudes". *Journal of Economic Psychology*, 27(2), 285-303, 2006.
2. Heckman, J. J. "Micro Data, Heterogeneity, and the Evaluation of Public Policy". Nobel Lecture. *Journal of Political Economy*, 109(4), 673-748, 2001.
3. Graham, J. R., Harvey, C. R., and Huang, H. "Investor Competence, Trading Frequency, and Home Bias. *Management Science*," 55(7), 1094-106, 2009.
4. Kahneman, D. and Lovallo, D. "Timid Choices and Bold Forecasts: A Cognitive Perspective on Risk Taking". *Management Science*, 39(1), 17-31, 1993
5. Buchan, H. "Ethical decision-making in the public accounting profession: An extension of Ajzen's theory of planned behaviour". *Journal of Business Ethics*, 61(2), 165-181, 2005.
6. Sitkin, S. and Weingart, L. "Determinants of risky decision-making behaviour: A test of the mediating role of risk perceptions and propensity". *Academy of Management Journal*, 38 (6), 1573-1592, 1995.

Figures and Tables

Fig - 1 Conceptual Frame Work



Source: Developed by researcher

Table - 1 Descriptive Statistics

Descriptive Statistics					
Variables	N	Minimum	Maximum	Mean	Std. Deviation
Attitudes	100	2.80	5.00	4.408	.3844
Subjective norms	100	2.20	5.00	4.150	.4524
Perceived behaviour	100	1.00	5.00	3.946	.5719
Risk propensity	100	2.00	4.80	3.780	.6060
Awareness	100	1.60	5.00	3.810	.6675
Technical analysis	100	1.00	4.80	4.028	.5029
Fundamental analysis	100	1.00	5.00	4.020	.7698
Market Philosophy	100	2.00	5.00	3.608	.5887
Valid N (list wise)	100				

Table - 2 Correlations between Investor’s Behaviours and Decision Making

Correlations			
		Investor’s behaviour	Decision making
Investor’s behaviour	Pearson Correlation	1	.633**
	Sig. (2-tailed)		.000
	N	100	100
Decision making	Pearson Correlation	.633**	1
	Sig. (2-tailed)	.000	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

Table - 3 Regression analysis for investors

Results of Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.703	.469		3.633	.000
	Attitudes	-.033	.107	-.025	-.310	.757
	Subjective norms	-.095	.115	-.085	-.832	.408
	Perceived behaviour	.360	.099	.404	3.636	.000
	Risk propensity	-.012	.101	-.014	-.117	.907
	Awareness	.353	.077	.463	4.610	.000
		R ² = 0.510				

a. Dependent Variable: decision making