CHAPTER 5
FINDINGS AND CONCLUSION

5.1. Introduction

5.2. General Findings

5.3. Specific Findings

5.4. Suggestions

5.5. Conclusion

CHAPTER 5

FINDINGS AND CONCLUSIONS

5.1. Introduction

Researcher has attempted to study psychography of an investment on the basis of irvestors personalities determined under Psychonomic Investor Profiler (PIP) test. Research has stated some findings on the basis of study which can be useful for the individual investors, financial intermediaries and institutions.

5.2. General Findings

Following are general findings based on the overall study conducted

1. Other than demographic and psychographic factors there are also some other factors that affect the choice of investment such as structural factors, situational factors like volatility in market, hovering price and demand for Gold

2. Many respondents are unaware of the psychological factors affecting the investment decisions.

5.3. Specific Findings

Following are the specific findings based on analysis of the Data collected

Part-I Descriptive Analysis

1. There are 76 males 20 females out of the 96 respondents. 28 respondents belong to age group of 24-29. On the basis of occupation 30 respondents are businessman, 36 are salaried persons and 30 are professionals. 49 respondents are Graduate/PG General and 47 respondents are Graduate/PG Professionals. 38 respondents fall under the income group of 40001 and above per month.(Table 4.2.1.1)

2. Out of the total 96 respondents 33 respondents have Informed personality and 3 respondents have busy personality.(Table 4.2.1.2)

SHIVAJI UNIVERSITY, KOLHAPUR

Part-II Overall Analysis

3. Bank deposits, Gold/Silver, Life Insurance are ranked 1st, 2nd & 3rd with mean of 4.70, 4.25, & 3.82 respectively and Commodities, Chit funds and Derivatives are ranked 17th, 18th and 19th with mean of 1.91, 1.68 and 1.48. .(Table 4.2.2.1)

4. According to the objectives behind the investment Retirement Planning is ranked 1st and Future Personal Obligations is ranked 2nd. .(Table 4.2.2.2)

5. For short term, medium term and long term the preference is given to Real estate with mean of 33, 28.57 and 25.50 respectively. .(Table 4.2.2.3)

6. Representativeness Bias with weighted average 21.00 and 21.13 is considered to be strongly influential factor and Mental accounting with weighted average 12.60 and 14.20 has lesser impact on choice of investment..(Table 4.2.2.4)

Part –III Personality wise Analysis

7. According to Busy investors Pension fund is highly preferred with mean of 5 and least or no preference is Commodities with mean of 1.33. Casual investors highly prefer Gold/silver with mean of 4.21 and least or no preference is given to Chit fund. Cautious and Emotional Investors highly prefers Bank deposits with mean of 4.47 and 4.40 respectively. Informed and Technical Investors highly prefers Gold/silver with mean of 4.33 and 4.31 respectively. (Table 4.2.3.1)

8. There is a similarity Investment preference of different personalities except between Busy and Emotional personality as Correlation coefficient between is very low. (Table 4.2.3.2)

SHIVAJI UNIVERSITY, KOLHAPUR

9. Busy Investors have ranked Parental Obligation and Retirement Planning as 1st and 2nd respectively. (Table 4.2.3.3)

10. Retirement Planning and Future Personal Obligations have been considered as objectives behind investment by Casual Investors and they have ranked them as 1st and 2nd. .(Table 4.2.3.4)

11. Cautious have ranked Retirement Planning sand Education of Children and as their foremost objectives behind the investment. .(Table 4.2.3.5)

12. Acquisition of house and Future Personal Obligations are important objectives from the viewpoint of Emotional Investors. (Table 4.2.3.6)

13. According to Informed Investors objectives behind investment are Retirement Planning and Business expansion and Working capital needs for which they have given 1st and 2nd ranks. (Table 4.2.3.7)

14. Business Expansion and Education of Children, are the objectives behind investment by the Technical Investors. (Table 4.2.3.8)

15. The psychological factors that mostly affect the investment choice of Busy Investors is Attachment Bias with weighted average 0.73 and 0.67 and which has a lesser impact is Mental accounting with weighted average 0.36 and 040. (Table 4.2.3.9)

16. Disposition Effect with weighted average 4.00 and 3.80 is the psychological factor which influences the investment decision of the Casual Investors while less influential is Familiarity Bias with weighted average 2.48 and 2.34. (Table 4.2.3.10)

17. The Investment criterion of Cautious Investors has major impact of Mood and Optimism with weighted average 3.60 and 3.08 and Attachment Bias is non influential factor investment decision with weighted average 2.65 and 2.47. (Table 4.2.3.11)

18. In case of Emotional Investors Attachment bias is influential factor for Investment decisions with weighted average of 2.15 and 1.89 and non influential factors are Familiarity Bias with weighted average 1.00 and 1.20. (Table 4.2.3.12)

19. The psychological factor that mostly affect the investment choice of Informed Investors Mood and Optimism with weighted average 7.20 and 6.27 and Familiarity Bias with weighted average 3.13 and 3.07 have lesser impact on decisions. (Table 4.2.3.13)

20. According to the Technical Investors Mood and Optimism with weighted average 4.07 and 3.20 is influential factor for investment decisions and Social Factor with weighted average 2.06 and 2.10 is non influential factor for investment decisions. (Table 4.2.3.14)

21. The dominant factors influencing the investment decisions of investors are Mood and Optimism and Attachment Bias also lesser influential factors are Mental accounting and Familiarity Bias among six investors types. (Table 4.2.3.15)

Part IV Hypotheses Testing

22. No strong association is noticed between investment preference and type of investors i.e. Busy, Casual, Cautious, Emotional, Informed, Technical. Thus psychological factors do not influence the choice of investment. (Table 4.2.4.1)

23. The respondents of similar age groups have similar investment choice and thus age and th e investment choice is independent. (Table 4.2.4.2)

24. Occupation does not highly influence the investment decision of investors all three ie, Businessman, Professionals and Salaried persons have same investment preference. (Table 4.2.4.3)

25. The respondents of similar income groups have invested in similar kind of investments. Thus income of an individual and investment choice is independent. (Table 4.2.4.4)

26. No strong association is noticed between choice of investment and the Education Qualification of the respondents (Table 4.2.4.5)

5.4. Suggestions

According to Psychonomic Investor Profiler (PIP) test six personalities have been determined with the help of online software and also the asset allocation on the basis of propensity of risk is generated. This can serve as guidance to Individual Investors and Financial Institutions and Intermediaries for constructing an appropriate portfolio on the basis of propensity of risk.

Table 5.4.1 Asset Allocation for Different Personalities According to PIP Test

Sr	Personalities	Propensity of Risk	Investment Avenues
1	Busy	Medium	Medium Cap Stocks, Value Stocks, Specialized Index Fund.
2	Casual	Medium	Money Market Deposits, Index Funds, Blue Chips, Large Caps Funds.
		Low	Money Market Mutual Fund, Saving Schemes, Pension, Insurance, CD And T-Bills And Govt Bonds.
3	Cautious	Medium	Money Market Deposits, Index Funds, Blue Chips, Large Caps Funds.
		Low	Saving Schemes, Pensions, Insurance, Fixed Rate Deposits, CD's
4	Emotional	Medium	Blue Chips, Unit Trust, Mutual Fund, Govt. Bonds
		Low	Pensions, Insurance, Savings Instruments, Fixed Rate Deposits
5	Informed	Medium	Midcap Funds, Momentum and Growth Funds, Speculative Sector Funds
6	Technical	Medium	Momentum & Growth Funds, Speculative Investments, Real Estate.
		Low	Blue Chips, Large Cap Stocks, Value Stock, Medium Cap Stocks.

(Source-Compiled by Researcher)

The above table depicts the asset allocation for different personalities suggested according to linked investment vehicle strategies of Psychonomic Investor Profiler Test (PIP). The personalities who have medium risk propensity have been suggested with medium risky avenues and those with low risk propensity have been suggested with low risky avenues. Researcher does not found any of the respondents with high propensity of risk. Thus the above table will be beneficial for Individual Investors as well as Financial product providers.

5.5. Conclusion

This research has made an attempt to study the various psychological factors that affect the choice of Investment. For this researcher has derived investor personality from responses of respondents to questions dealing with psychological factors. Further researcher has also focused on the demographic profile of investors, investment preferences, investment objectives, time horizon for the investment, psychological factors affecting investments etc. For determining the investors personalities researcher has used the Psychonomic Investor Profiler (PIP) test from which six personalities have been defined such as Busy, Casual, Cautious, Emotional, Informed and Technical. All the personalities have similarity in their Investment preference except Busy and Emotional investors. Also the personalities are divided on the basis of propensity of risk and also asset allocation is suggested according to it. Most of the respondents prefer investment in less risky avenues for their safety purpose and thus the psychological factors do not affect the investment in less risky avenues These factors may affect in case of risky avenues. Thus researcher concludes that further studies involving psychological factors can be carried on tradable risky avenues which would be beneficial for the Individual investors and Financial Institutions and Intermediaries.