CHAPTER V

Discussion and Implication

This research has examined the implications of investors’ risk perception and investor’s information seeking behavior on investment decision. This study has captured the behavioral aspect of risk perception, information seeking behavior and investment decision. This study leads to two strong conclusions, one based on how the risk perception, investors’ information seeking behavior and investor decision differ across the demography of the investors and the other, how risk perception and investors’ information seeking behavior influence investment decision.

The pattern of demography suggests that individuals have become increasingly active in financial markets and market participation with more and more number of funds and instruments being floated in the market. Investment range also tend to be higher with 30% of them investing more than Rs. 2 lakhs. This is a remarkable finding on the behavior of Indian investors. Such pattern of behavior also indicates that Indian investors are also gaining faith in the investment market. Another notable finding is the participation of female investors in the financial markets. Financial markets which were erstwhile considered a non-participating area among the males have increasing becoming a domain for females too. This is because of the awareness and the availability of surplus amount on investments. Also, the opinion on the traditional instruments as an investment destination is also changing. The tests for association between the amount invested on stocks and the demography of the investors suggest that amount of money invested in stocks is dependent on age, sex, income and the demography of the investors. Large
participation of females in this study itself indicates the increasing investment desire of women in stocks. Investor in the age group of 50-59 suggests that investors at the verge of retirement do not have high risk perception and hence invest confidently on stocks. The same argument can be given for those who have other qualification unlike the traditional HSC, UG and PG. Obviously investors earning above Rs. 80,000 invest more on stocks compared to lower income groups. The Indian financial markets are strong and people have confidence on the system. This study conducted post-economic crises period reports that investors are unmindful of the crisis generated by the market.

On examination of the mean and standard deviation, it is seen that the perception of risk appears to be low. This makes the researcher to argue that investors in India are either not aware of the risk or not risk averse. Their faith on the Indian market condition drives them to have low risk perception. Surge in stock indexes as reported by the BSE and NSE is a strong indicator on this perception. The low risk perception may also be perhaps due to Indian investors relying on advice before their investment decision. This is indicated by a moderately high advice seeking disposition. This was further substantiated by the low dependence on oneself. With this study being conducted among educated investors, the perception on risk is shadowed by the advice seeking disposition and non-reliance on oneself and the desire for control. These three factors compound to a point that Indians risk taking perception is mitigating through a well-researched decision before investment. Moreover, the tools designed by the Indian financial markets also help them to reduce their perception on risk. This makes information available on the performance of each stock in the stock market. In general, it is seen that Indians have an intrinsic trust on the financial markets as indicated by the higher mean value and their intrinsic

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motivation, though, not so high. This finding and the subsequent discussion has high implication to all stakeholders. It implies that the Indian government should continue to be wise enough to keep base of the Indian financial system strong not going by the wisdom of the theories propounded by leading authors of western world which may perhaps apply to the western setting. India is unique and the psychology of the Indian investors is different as indicated by the simple low perception on the risk and the intrinsic trust, motivation and the desire to seek for information before making an investment decision.

Behavioural Finance has brought in the subjective notion of risk and views risk as a function of an individual’s age, education, sex, and income influences. Decisions regarding risk and return are a blend of emotional and mental processes, invoking multiple dimensions and feelings. Studies in Behavioral Finance focus on studying how individual and groups behave in reality across the various dimensions of information seeking behavior, perception of risk and investment decisions.

The differences on the risk perception, investors’ information seeking behavior and investment decision are captured by MANOVA. MANOVA results suggest that risk perception, investors’ information seeking behavior and the investment decision are dependent on the demography of the investors. This is evident from the significance of the factors across the demographic factors. Results across sex indicate that perception on risk, information seeking behavior and investment decision is gender specific. It is seen that advice seeking disposition, perceived risk in depending on oneself, desire for control and risk perception differ across the sex of the investors. On examination of the univariate analysis, it is seen that females have more
advice seeking disposition compared to men. Similarly, females have more perceived risk in depending on oneself, desire for control and risk perception compared to men. This is evidenced by the mean value for men and women. This suggests that females are more careful in investment decisions than men. Before any investment decision, they make themselves more convinced with the intricacies of investing in certain stocks. In such context, the researcher believes that men are less risk-averse and more self-rational in decision making. Perhaps, they go PE ratio and the structure of fund if any, rather than the information floated by the advice providers.
LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study concerns a sensitive area on individual investors and brokerage firms involved in trading and hence they were suspicious of the nature of the study. Perhaps they would have concealed certain information that would have been otherwise accurate. So, a study that involves greater number of sample size would eliminate the errors that might have been involved in this study.

The methodology, in particular, the measurement scale used to capture the investor’s behavior was qualitative, developed in a different setting, which might have caused certain element of ambiguity in the response. A study tailored to developing economies such as India might be developed and run.

There is a possibility of the responses conceptualizing the study in a different perspective. This might has risen because they would not have given the response keeping in mind investment in stock but investment in other non-security linked instruments. So, a study that would eliminate such response and measurement errors might be developed and studied.

This study has not detected and measured the return-based investment decision making of the investors. Hence, a methodology may be developed to detect and measure the return-based investment decision of the investors. In this case, researchers may detect seasonal or period patterns of stock market inefficiencies. Such a study would examine the correlation of regulatory change announcements and their affect on trading patterns.
It is a fact that advice may be sought on several different aspects of financial planning such as real estates, insurance etc., The researcher did not explicitly consider these areas distinctly. Perhaps an analysis for different categories of financial advice may indicate that financial investment behavior is a more complex phenomenon and that there are some significant differences across the various areas of personal finance. This study may also be done with larger sample size.

This study was developed and tested with predominantly advice-seeking behavior in the financial planning context. So caution may be exercised in generalizing this model to the other domains of behavior where consumers actively seek professional guidance. However, the researcher believes that the essential structure of the model, where perceived risk in depending on oneself and desire for control could act as mediating variable may be developed and tested.

This study has used multivariate analytical techniques establishing the independent-dependent relationships. A stronger model may be developed with a better conceptualization treating few possible variables as mediating or moderating variables. The researcher perceived that few variables could be treated as such variables.

The researcher has not made a distinction between foreign and Indian investors as well as those investors investing in foreign securities. So a better model would be one which distinguishes between such categories.
CONCLUSION

The specific context of this study was to capture the professional advice seeking behavior and investment pattern of the investors. It was found that the investment decision was influenced by the study variables. This study is very useful to those who are concerned about the financial planning and returns more than safer instruments. This study harnesses the larger pool of investors who were not earlier studied. By proposing and testing a model of advice – seeking behavior and investment decision making, the study proposed that different factors impact the proclivity to seek professional guidance and the investment pattern in the financial planning context.