2.2 RESEARCH DESIGN

2.2.1 INTRODUCTION

In the fast changing scenario, Investors are invariably faced with a dilemma as to where to put their money to get maximum yield. There has been a considerable surge in the investment options that are available to the investors. The investors need to decide their portfolio from the available pool of investment opportunities. But, the investors realize that the decision making process is not an easy task. The decision regarding the selection of the investment directly influences the results there of. All investments may not be profitable, since the investor is not assured of making the correct investment decisions over the period of years. However, the investor should earn a positive return on a diversified portfolio. These aspects make study of investment more challenging and demanding.

Investing decisions are driven by normal human behaviour, which can have a devastating impact on long-term wealth accumulations. (Steven L Beach and Clarence C Rose 2005)

Investing is not a mere guess or a game, but it is far more serious subject that can have a major impact on investor's future well being. Virtually everyone makes investments. The investor may not select specific assets such as stock, although investments are still made through participation in mutual funds, pension plan, and employee saving programme or through purchase of life insurance or a home. Each of this investment has common characteristics such as potential return and the risk associated. The future is uncertain, and the investor must determine how much risk he is willing to bear since higher return is associated with accepting more risk.

The investor must at first specify the investment goals. Based on these predetermined goals, the investor should be aware of the mechanics of investing and the environment in which investment decisions are made. Some of the investment mechanics to be learnt are the selection of securities, time horizon, the regulations and tax laws underlying, and the sources of information concerning investment that are available to the investor.
Behavioral finance is a rapidly growing area of study that examines a wide variety of human actions that affect investment performance. Many basic investment errors caused by human behaviour are portfolio rebalancing (Buetow et al 2002), dollar-cost averaging (Statman 1995), and the ‘let it ride’ strategy, generally based on time diversification (Fisher and Statman 1999). Further some more empirical research have revealed that overconfident investors trade too much, diminishing their performance (Barber and Odean 2000) and that internet trading leads to costly overconfidence (Odean and Barber 2002).

Three common behavioural issues affecting investing are herd mentality, regret aversion, and mental accounting. These behaviours often result investors “chasing” performance. (Steven L Beach and Clarence C Rose 2005)

In the present sophisticated world, the investment dynamics are far more complicated than yesteryears. Furthermore, inflation has served to increased awareness of the importance of financial planning and wise investing.

2.2.2 STATEMENT OF THE PROBLEM

Investment per se is a risky proposition. Investment is certain, but returns are risky and uncertain. The problem is further comprehended due to the fact that there is a plethora of investment avenues that are available for investments.

In India, unlike certain western countries, social security is a big concern. There is no any form of security or defined retirement benefits post 2004. Till 2004, there was a defined benefit in terms of pension for government employees. Post 2004, there is no any defined benefit or defined returns. Only there is a defined contribution made by the employee. The returns thereof are purely market driven.

Teaching Community is busy with their own assignments of teaching, examinations, evaluations, coping with new syllabus, new subjects, etc. As such, they do not have enough time and scope for study into investment analysis and avenues. Now that, a majority of teaching community are in private sector, they have very less appetite for investments. Of course, even the teaching community in government sector are not guaranteed of any
retirement pension. This makes the situation worse and academicians are desperately in need of good investments to plan their retirement life.

There are few questions to be answered on these lines,

- What is the investment pattern?
- What are the pitfalls?
- What are the challenges?
- What are the perceptions about investments?

Hitherto, no survey is being made to address this issue. In this regard, I have taken this project to study the investment pattern among the academicians in Bangalore, the investment behaviour and the extent of investment awareness amongst them. The study also aims to explore the risk return dynamics on the investment made by them.

2.2.3 TITLE OF THE STUDY

“A Study on Investment pattern amongst academicians in Bangalore”

2.2.4 REVIEW OF ACADEMICIANS IN BANGALORE

The academic institutions are categorized into three broad categories, namely,

- University
- Colleges
- Stand-Alone Institutions

There are 642 Universities, 34,908 Colleges and 11,356 Stand-alone Institutions in the country.

Top 6 States in terms of highest number of colleges in India are Uttar Pradesh, Andhra Pradesh, Maharashtra, Karnataka, Rajasthan and Tamil Nadu.

Top 50 districts have about 36% of colleges in the country.
Bangalore district tops in terms of number of colleges with 924 colleges, followed by Jaipur with 544 colleges in the country.

The average enrolment per college is 707 and the average Pupil-Teacher-Ratio is 25.6.

In India, 73% of colleges are privately managed, out of which, 58% are Private-unaided and 15% are Private-aided. Remaining 27% are Government Colleges.

In Karnataka, 2045 colleges are Private-unaided, 437 colleges are Private-aided and 667 colleges are Government colleges.

(Source: All India Survey on Higher Education, MHRD, 2013)

2.2.5 SCOPE OF THE STUDY

The study mainly concentrates on the analysis of the investment pattern, investor behaviour and risk – return dynamics of investments made by the academicians in Bangalore.

The study tries to analyze the investment strategies taking into consideration the risk and return parameters.

The study is limited to a time period of eight years starting from 2004 to 2011.

The study covers different asset classes including equity, debt, real estate, gold, insurance, New Pension System (NPS), etc.

The respondent profile is basically academicians or teaching community at the pre-university, under-graduate and post-graduate levels.

2.2.6 OBJECTIVES OF THE STUDY

- To study the various investment asset classes
- To understand the various investment patterns amongst the academicians
- To study the demographics impact on investment avenues
• To analyze the awareness of the investment opportunities amongst the academicians
• To study the gender related issues in investment pattern

2.2.7 SIGNIFICANCE OF THE STUDY

The study is quite significant to the target audience, since it tries to analyze various investment strategies available in the real world. The investors would get to know the risk exposure necessary to procure full capital gain potential, which can be implemented with aggressive strategy as and when the opportunity arises.

2.2.8 VARIABLES UNDER INVESTIGATION

1. Independent variables
   a. Age
   b. Gender
   c. Marital Status
   d. Family Structure
   e. Teaching Experience
   f. Annual Income
   g. Financial Literacy
   h. Risk Appetite

2. Dependent variables
   a. Investment Avenue
   b. Purpose of investments
   c. Risk Appetite
   d. Amount of Savings
2.2.9 HYPOTHESES

There are three primary hypotheses set for the study,

1. H1: Demographics and Choice of asset classes are independent
2. H2: There is no significant difference between respondents’ risk appetite with regard to investment based on their gender
3. H3: There is no significant difference between respondents’ prime objective of investment based on their gender

2.2.10 METHODOLOGY

The methodology is discussed under two heads, namely,

- Collection of Data
- Analysis of Data

Collection of Data

To address the objectives underlying the study, the data includes, both from primary sources and secondary sources.

- The primary data include data collected through questionnaires and interviews.
- Secondary data comprise of data collected from research articles, journals, websites, newspapers, etc

Analysis of Data

- Inputs
  - Questionnaire Feedback
  - Broker’s response
  - Secondary data input
Process

- The data collected have been primarily tabulated and master table was prepared
- Percentage analysis has been the basic tool for analysis
- Further MS-EXCEL, G-Power, SPSS package, have been used for analyzing the data using Chi-square test and ANOVA

2.2.11 SAMPLING PLAN

The sample required for the study has comprised of the data collected from the academicians in Bangalore and surrounding areas through questionnaires.

2.2.12 SAMPLE ANALYSIS TEST USING G-POWER

<table>
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<th>Analysis</th>
<th>Compute required sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input</td>
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</tr>
<tr>
<td>Tails</td>
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</tr>
<tr>
<td>Effect Size</td>
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<tr>
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<tr>
<td>Power (1 – β error probability)</td>
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<tr>
<td>Output</td>
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<tr>
<td>Critical t</td>
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<tr>
<td>Df</td>
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</tr>
<tr>
<td>Total Sample Size</td>
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</tr>
<tr>
<td>Actual Power</td>
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</tr>
</tbody>
</table>

Hence, the minimum sample size required would be 314. The planned sample was 400. There were actually 428 respondents, from whom the data were collected. 41 respondents’ questionnaire had to be discarded due to incomplete response or mistakes.
2.2.13 DATA COLLECTION

The data has been collected from 426 respondents situated in Bangalore. The respondents are basically academicians, teaching undergraduate courses and post-graduate courses. The respondents represent different locations of colleges situated in Bangalore.

A structured questionnaire was designed consulting subject experts and statisticians. The questionnaire was tuned in accordance with the objectives of the study. The questionnaires were administered with 426 respondents and the data was being captured. Of the 426 respondents, 387 were investing community, while the remaining 39 showed no interest in investments.

The questionnaire has three parts:

Part A – Demographic Information

Part B – Investment pattern

- Section 1 captures details regarding investment pattern
- Section 2 captures details regarding investment perception

Also, personal interviews were conducted with stock brokers, financial advisors and bankers to understand the various choices of asset class and investors’ perception.

Secondary data has been collected from Phd Thesis, Working Papers, Indexed Journals, News Papers, Magazines, TV shows, websites etc.

2.2.14 DATA ANALYSIS

The data collected through the questionnaire was compiled and a master table was created. Further, the data was analyzed and interpreted using various statistical tools using statistical software that includes MS-Excel, G-Power, and SPSS.
The statistical tools that were used for analysis include,

1. Sample Analysis
2. Percentage Analysis
3. Chi-Square Test
4. ANOVA

Statistical Analysis softwares like G-Power, MS-Excel, SPSS were used for various analyses.

2.2.15 PERIOD OF STUDY

The primary data relates to the period of 18 months from July 2012 to December 2013. Structured questionnaire was administered on the academicians in Bangalore during the period.

2.2.16 LIMITATIONS OF STUDY

- The study is limited to academicians
- The study is based on the respondents of Bangalore and around Bangalore region

2.2.17 CONTRIBUTION OF THE STUDY

The study helps in better understanding of the various investment asset classes and factors that determine the choice of asset class. The study also tries to understand the demographic characters like age, gender, annual income, family status, etc and their impact on the investment pattern.

One of the most important contributions of the study lies in understanding the parameters that determine the choice of the asset class. The study also tries to analyze the risk perception of the investors and its impact on investment pattern.
The significant contribution of the study lies in emphasising the fact that academicians need to understand the need, importance and objectives of the investments, so that they could meet their future needs and plan for their retirement.

2.2.18 UTILITY OF THE STUDY

- The study is useful to the investing community for managing their investments and meeting their financial goals
- The study is useful to the management and commerce students to understand the various investment asset classes, investment objectives and risk
- The study shall also be useful to further researchers to build an investment model for the investors
- It addresses mispackaging and misselling of financial products, which is rampant

2.2.19 CHAPTERISATION

Chapter 1 – Introduction

Chapter 2 – Review of Literature and Research Design

Chapter 3 – Investment Asset Classes and Security Analysis

Chapter 4 – Analysis, Results and Discussion

Chapter 5 – Findings, Suggestions & Conclusion

References