A Factors Influencing Investors Towards Investing in Fd's (Low Risk Investment) : An Empirical Study of Individual Investors of Punjab

Dr. Kanika Marwahaand*
Dr. Sangeeta Arora**

Key Words:

1. Individual investors.
2. Weighted Average Scores.
3. Factor Analysis.
4. Fixed Deposits. (FD's)
5. Investor Behavior.

Abstract

The paper is an empirical attempt to analyze the perception of individual investors of stock market of Punjab towards investing in fixed deposits. For the purpose, the factors affecting the decisions of individual stock investors to invest in fixed deposits were gauged. A pre-tested, well structured questionnaire which was administered personally and the responses of 241 respondents are analyzed. The responses have been analyzed with the help of Factor Analysis applied to group variables into identifiable categories. Variables could be grouped into ten factors with the help of factor analysis influencing investors to invest in fixed deposits i.e. Probable Benefits Factor, Others' Recommendations Factor, Market Indicators Factor, Integrity Factor, Saving Benefit Factor, Security Needs Factor, Social reasons Factor, Services Factor, Herd effects Factor and Personal financial needs Factor. The current research will be helpful to bank intermediaries and financial advisors in understanding the attitude of individual stock investors and offering them advice as per their state of mind.

INTRODUCTION

An investor should know each of the investment avenues and its characteristics. The major categories of investment avenues of financial nature are Instruments in the banking sector such as savings or fixed deposits, Instruments in the postal sector such as NSC, fixed and saving deposits etc., Instruments in the government and semi-government sector such as PSU bonds and government securities, Instruments in corporate sector like equity shares, debentures, Mutual fund schemes etc., Real Estate, Land and building and other physical assets and Bullion namely gold and silver (Avadhani, 1998).

Today, the financial services and the economic sector are highly diversified than ever. This diversification implies that the individual investors have a wider range of investment instruments to invest in and there is much greater choice for them of how to invest their money (Warren et.al, 1990). Investors are generally selective in investing. The investment behavior of individuals is methodical and logical function of personal circumstances and hence attitudes. Investment attitudes result in selecting particular instruments in portfolio (Kiran, D. and Rao, 2004). The major factors that influence the investors are required to be sought by the financial institutions in order to design the

*Assistant Professor, SSSS College of Commerce for Women, Amritsar, and can be reached at kanikamarwaha85@yahoo.com

**Associate Professor, Department of Commerce, GNDU, Amritsar, and can be reached at sukhsangeet@yahoo.com

marketing activities according to the preferred investment instruments by the investors.

Fixed Deposit, also called Term Deposit is an investment where the interest rate is guaranteed not to change for the nominated term, so you know exactly what your investment is worth.The bank fixed deposits of Public sector banks are described below in table 1 as updated on January, 17, 2016.

Every investor has his own motive behind investment. The primary motive of investment among the small and individual investors is to earn a regular income either in the form of interest or dividend on the investment made (Chandra, P., 1995). Moreover, investors differ in their attitudes towards various attributes of investment and each investor chooses an investment as per his requirements, demographics and psychographics as well.

Literature Cited

Nagy, R., A. and Obenberger, R., W. (1994) examined the factors influencing investor behavior. A questionnaire that included 34 items represented in seven categories i.e. neutral information, accounting information, self image/firm image coincidence, classic information, social relevance advocate recommendation and personal financial needs was developed to assess the behavior of investors. The questionnaires were mailed to 500 experienced shareholders whose names were obtained from a proprietary source involved in financial marketing research and 137 usable responses were received. Classical wealth maximization criteria were found as most important to investors, even though investors employed diverse criteria

Table 1: Bank Fixed Deposit Interest Rates-Public Sector Banks

Bank Fixed Deposit Interest Rates -Public Sector Banks			
Interest Rates-% per Annum.			
Bank	**Period 1 Year**	**Period 3 Year**	**Period 5 Year**	**For Senior Citizen additional interest**
Allahabad Bank	7.5	7.5	7.25	0.5
Andhra Bank	7.75	7.75	7.75	0.5
Bank of Baroda	7.3	7.3	7.3	0.5
Bank of India	7.3	7.3	7.25	0.5
Bank of Maharastra	7.75	7.5	7.5	0.5
Canara Bank	7.75	7.75	7.5	0.5
Central Bank of India	7.75	7.5	7.5	0.5
Corporation Bank	7.25	7.25	7.25	0.5
Dena Bank	7.75	7.75	7.6	0.5
Indian Bank	7.25	7.25	7.25	
Indian Overseas Bank	7.5	7.25	7.25	0.5
Oriental Bank of Commerce	7.75	7.5	7.5	0.5
Punjab National Bank	7.5	7.25	7.25	0.5

Source: http://allinonebanking.co.in/deposit_interest_rates_public_sector_banks

while choosing stock. The firm's ethical posture and other concerns such as local or international operations, environmental track record was found to be given only cursory consideration. The recommendations of brokerage houses, individual stockbrokers, family members and co-workers did not influenced the investor's decisions.

Kiran D. and Rao, U., S. (2004) identified the investor segments on the basis of their demographic characteristics and psychographic characteristics. Out of 200 questionnaires administered all over India, 96 responses were received. Multinomial Logistics Regression and Factor analysis were applied to the data. The relationship between the risk taking ability and the demographic and psychographic variables was analyzed. The six parameters I.e. safety, liquidity, long term capital appreciation, high short term returns and risk coverage effected the risk bearing capacity of the investors. The authors stated that such analysis could help the financial product designers to specifically target particular segments.

Merikas, A., A. and Vozikis, G., S., (2004) examined the factors that influenced the investment decisions of Greek investors in the Athens Stock Exchange. The authors made survey with the use of questionnaire that included 26 variables represented in 5 categories I.e. accounting information, personal information, neutral information, advocate recommendations and personal financial needs. Factor analysis was used to identify similarities among variables and group them into identifiable categories. The authors analyzed not only those variables investigated in previous studies but also those generated through personal interviews that had been found to have influence on Greek investors. The results revealed that there existed certain degree of correlation between the factors that behavioral finance theory and previous studies identified as influencing factors for average investor and the investors in the Athens Stock Exchange.Expected corporate earnings, condition of financial statements and firm status in the industry were found as the most influencing factors.

Sultana(2010) analyzed the characteristics of the Indian individual investor and made an attempt to discover the relationship between the risk tolerance level of investors and other independent variables such as age, gender of an individual investor. A sample of 150 individual investors was studied using referral sampling method. The analysis was done on the basis of the responses of the questionnaire. Various statistical tools were used to accomplish the objectives. Chi-square test of independence of attributes was used to identify the dependency/ independency of the factors. Risk tolerance level was measured using cumulative scale and Correlation was used to know relationship between risk tolerance level and the age of the investors. The study revealed that the male investors dominate the investment market in India. Most of the investors possessed higher education in graduation. Most investors read two or more sources of information and prefer electronic media next to print media as a source of information. It was found that the increase in age decreases the risk tolerance level. Gender and risk tolerance level were found as independent attributes of the investors. PPF/ FD/ Bond next to equities were among the preferred avenues by the investors. The study concluded that the individual investors still prefer to invest in financial products which give risk-free returns which implied that Indian investors even if they are of high income, well educated, salaried, independent were conservative investors who preferred to play safe. The authors suggested that the investment product designers should design products which can cater to the investors who are low risk tolerant and use TV as a marketing median as lot of investors were found to be using TV as source of information.

Singh, K., P. et.al. (2010) gauged the investment preferences of share market investors of Gurgaon, India. The authors analysed the preferences for various investment options available in the market along with the factors like fundamentals of company, strong promoters, past records and quarterly results, goodwill dividends etc. that influence them to invest. Their awareness and satisfaction toward investments was also studied. A sample of 250 investors was selected with help of brokerage houses and data was collected with help of structured questionnaire consisting of 11 questions. Statistical techniques like frequencies, percentages, paired comparison test were used for data analysis. Mutual funds were found as highly preferred investment, followed by shares as second preferred investment and gold as third preference. Real estate was found as fourth preference while Insurance, Bank FD and Bank came as 5th, 6th and 7th preferred investment. Most of the investors were found to have ten stocks in their portfolio. Most of the investors gave medium weightage to risk associated with shares before investing in share market.

Selvam, E., B., M.,et.al (2011) identified the factors influencing the retail investor's attitude. A modified questionnaire was used. The respondents formed a sample size of 200 retail investors from Tamil Nadu were contacted using purposive sampling method.26 variables were retrieved from literature and responses were sought on these variables. Factor Analysis was applied to the data. Nine factors were formed influencing investor behavior out of which, five top highly influential factors found were Investors' tolerance for risk, strength of the Indian

economy, media focus on the stock market, political stability and finally government policy towards business. Other four factors had low influence on the attitude of the retail investors investing in equity stocks including Stories of successful investors was considered to be the lowest influencing factors among the other variables i.e. get rich quick philosophy, information available on internet and cost cutting by companies.

Need of the study and Objectives

The need for the study arises as in Punjab; the research focusing on identifying the factors that influence the investors to invest in fixed deposits on the basis of the studied decision-economic variables, has not been researched so far. So, the present study aims to fulfill the gap with the following objectives:

·To gauge the factors that influence individual investors of Punjab to invest in fixed deposits.

·To identify the level of significance of each factor to investors of Punjab towards investing in fixed deposits.

METHODOLOGY

The present study is based on responses of 241 individual stock investors of Punjab. The total primary data was collected from 607 individual stock investors from three major cities of Punjab i.e. Amritsar, Jallandhar and Ludhiana. The investors were interviewed through a pre-tested, well structured questionnaire which was administered personally. Convenience Sampling Technique has been used to select Stock Broking Houses in three Districts of Punjab.To select the respondents', list of regular investors were taken from broking houses and investors were selected from the list provided with the help of simple random sampling. The lists included the name and contact number of the individuals. It is worthwhile to mention here that the individual stock investors were residents of the cities surveyed and the study is confined to the octroi limits of the mentioned cities.

Research Instrument (Questionnaire as given in Annexure 1)

Twenty eight variables (Table 2) were retrieved from the review of literature to identify the variables that influence the purchase decisions of investors for low and medium risk investment. The responses of the respondents were sought on a five point likert scale ranging from Most Important to Least Important. To analyze these responses, weights were assigned to these responses (5 for Most Important, 4 for important, 3 for Indifferent, 2 for Unimportant and 1 for Least Important). The investors were asked about one of

the highly preferred low or medium risk investments by them and then rate variables on scale of 28 variables of most important to least Important that influence their preference.

gold241 respondents out of 607 respondents preferred fixed depositsas a highly preferred low risk investment. Likewise 207 respondents stated their preference for gold and 124 respondents retorted real estate as their highly preferred investment, 10 respondents stated insurance, 14 respondents stated mutual funds, 5 respondents stated infrastructure bonds/ govt. securities and 6 respondents stated SIP's as their highly preferred investment. So, in the present study responses of 241 respondents who stated fixed deposits as their highest preference are considered for analysis purpose. Factor analysis is applied to the data to group the variables that influence individual investors to invest in fixed deposits into identifiable categories.

Factors influencing investors to invest in fixed deposits

Investment decision making of individual investors is influenced by several key factors that influence their investment behaviour and the decision making process. There is a need to gauge the various factors that have greatest influence on the minds of investors towards investing their money. This present study attempts to have insight into factors that influence individual stock investors of Punjab towards investing in fixed deposits (i.e. low risk investment).

RESULTS AND DISCUSSION

Before applying the factor analysis, it is very important to test the reliability of the scale as it shows the extent to which a scale produces consistent results if measurements are made repeatedly. This is done by determining the association between scores obtained from different administrations of the scale. If the association is high, the scale yields consistent results, thus, is reliable. Cronbach's alpha is most widely used method. It may be mentioned that its value varies from 0 to 1 but, satisfactory value required is more than 0.6 for the scale to be reliable (Malhotra, 2002).In the present study, the value of Cronbach's alpha comes out to be 0.647 which is significant.

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is a useful method to show the appropriateness of data for factor analysis. The KMO statistics varies between 0 to1. It is recommended that the value greater than 0.5 is acceptable. Kaiser-Meyer-Olkin measure of sampling adequacy is found to be 0.695. It is indicated that the

Table 2: Decision -Economic Variables instigation investment preference

S. No. Variables	Description
1. High Returns	Maximum returns expected in future from an investment.
2. Liquidity	Converted into cash without delay at short notice of time and the investment is easily realizable, saleable or marketable.
3. Convenience	Easy to invest in.
4. Tax Benefit	The return is exempted from tax. So, the net return does not decrease.
5 Safety of Principal	Protection mechanism against loss under reasonable conditions that is principal amount and expected rate of return protection.
6 Capital Growth	Appreciation in the capital value.
7 Future Security	Protection mechanism against loss in future.
8 Flexibility	Funds are easily convertible and managed as per need.
9 Concealability	To be safe from social disorders and government confiscation.
10 Diversification Needs	Need to diversify to various investments.
11 Stability of Income	Uniform, assured and constant return to meet the investor needs.
12 Low Transaction Cost	Minimal cost of making an investment.
13 Associated Risk	Level of risk involved in investment
14 Professional management	Investment involving expert advice.
15 Legality	Within the applicable laws of the country.
16 Rumors	The gossips of the market about investments.
17 Competing financial needs	Personal financial needs of an investor.
18 Terms and conditions	Level of terms and conditions involved in an investment.
19 Current economic indicators	Market indicators for an investment.
20 Religious reasons	Social and religious concerns instigating investment.
21 Inflation Resistance	The return from the investment beats the prevailing country's inflation.
22 Financial analyst and advisor recommendation	Advice of personnel like financial service providers, consultant, brokers, chartered accountant, etc.
23 Past performance of your portfolio	The performance or returns achieved from previous investments made.
24 Coverage in financial news	The financial news about various investment options.
25 Family member opinion	Opinions and preferences of family members.
26 Friend or Peer recommendation	Opinions of friends and colleagues.
27 General trend of investment in public	The trend of investments in public.
28 Fluctuations in stock index	The daily fluctuations of BSE and NSE index.

Table 3 : KMO and Bartlett's Test		
Kaiser -Meyer -Olkin Measure of Sampling Adequacy.		0.695
Bartlett's Test of Sphericity	Approx. Chi -Square	3617.304
	df	378
	Sig.	.000

Table 4: Principal Component Analysis with varimax rotation

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.704	20.372	20.372	5.704	20.372	20.372	4.232	15.115	15.115
2	2.871	10.253	30.625	2.871	10.253	30.625	3.105	11.088	26.203
3	2.235	7.984	38.609	2.235	7.984	38.609	2.364	8.444	34.648
4	1.928	6.887	45.497	1.928	6.887	45.497	1.894	6.764	41.411
5	1.717	6.132	51.629	1.717	6.132	51.629	1.773	6.331	47.742
6	1.256	4.487	56.116	1.256	4.487	56.116	1.693	6.047	53.789
7	1.126	4.022	60.137	1.126	4.022	60.137	1.302	4.649	58.438
8	1.109	3.962	64.100	1.109	3.962	64.100	1.297	4.633	63.071
9	1.059	3.782	67.882	1.059	3.782	67.882	1.225	4.375	67.446
10	1.047	3.740	71.622	1.047	3.740	71.622	1.169	4.177	71.622
11	.942	3.365	74.988						
12	.881	3.148	78.135						
13	.818	2.922	81.057						
14	.798	2.849	83.906						
15	.702	2.507	86.413						
16	.640	2.285	88.698						
17	.591	2.111	90.809						
18	.466	1.665	92.474						
19	.444	1.585	94.059						
20	.348	1.244	95.303						
21	.292	1.043	96.346						
22	.268	.956	97.302						
23	.207	.741	98.042						
24	.199	.710	98.753						
25	.145	.518	99.270						
26	.116	.414	99.685						
27	.071	.253	99.938						
28	.017	.062	100.000						

Extraction Method: Principal Component Analysis.

sample is good enough for survey. The overall significance of correlation matrices is tested with Bartlett test of sphericity, approx chi-square =3617.304 and significant at 0) provided as well as support for validity of the factor analysis of the data set. Table 3 indicates that data is appropriate for factor analysis.

Table 5: Rotated Component Matrix

	Component									
	1	2	3	4	5	6	7	8	9	10
Liquidity	.823	.127	-.002	.046	.065	-.003	.095	.051	-.048	-.096
Convenience	.819	.062	.038	.008	.080	.061	.083	-.033	.091	-.085
Capital growth	.775	.310	-.160	-.079	.108	.045	.011	-.027	-.053	.029
High Returns	.764	.203	-.051	.025	.165	.069	-.098	.128	-.223	.074
Inflation resistance	.738	.042	-.051	.037	.027	.024	.161	-.189	-.008	.145
Flexibility	.685	.143	.046	.064	.043	-.154	-.259	.149	.141	.081
Safety of Principal	.633	-.011	.005	-.019	.000	.019	-.140	-.040	.304	.017
Friend or peer recommendation	.187	.928	-.079	-.080	.090	.067	-.034	-.029	-.054	.010
Financial analyst and advisory recommendation	.180	.927	-.101	-.077	.082	.040	-.050	-.028	-.040	.008
family member opinion	.200	.831	-.047	-.103	.042	.077	.079	-.068	.157	-.069
Current economic indicators	.020	-.018	.912	.051	.005	-.017	.006	.121	-.045	.116
Coverage in financial news	-.112	-.194	.891	-.031	-.012	.027	.015	.038	-.010	.054
General trend of investment in public	.079	.086	.572	-.063	.067	-.415	.437	.029	-.113	.085
fluctuations in stock index	-.078	-.117	.506	.118	-.020	.011	.008	-.234	.336	-.128
Concealability	.090	-.046	.003	.942	.095	-.019	-.058	-.010	-.039	.025
Legality	-.028	-.193	.055	.928	.007	-.059	-.015	-.069	.059	.006
Low transaction cost	.159	.063	.036	.109	.873	.087	-.028	.070	-.011	.045
Tax benefit	.269	.553	-.128	-.048	.668	.069	.031	.014	.026	.050
Past performance of your portfolio	.152	.080	.081	.101	.480	.314	.209	-.074	.472	.006
Future Security	-.016	.130	.074	-.060	.103	.751	.113	.149	-.148	.100
Risk Assosiated	-.092	-.026	.095	.076	-.201	.734	.232	-.002	-.151	.109
Stability of Income	-.010	.074	-.097	.062	-.214	.471	.396	.138	.018	.070
Religious reasons	-.016	-.031	.085	-.072	.058	-.006	.825	.061	.014	-.025
Professional management	-.059	-.037	-.051	-.061	-.071	.055	.089	.745	.157	.105
Terms and conditions	-.041	.062	-.100	.005	-.105	-.108	-.010	.664	.023	.141
Rumors	.066	.046	-.014	-.020	.008	-.042	-.033	.168	.761	.096
Competing financial needs	.029	.117	.015	-.088	.262	-.055	.013	-.169	.120	.783
Diversification needs	.063	-.236	.175	.176	-.257	.118	-.014	.161	-.019	.623

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 9 iterations

Principal component factor analysis

Principal Component Factor Analysis followed by varimax rotation (Hair, et.al, 2010) is employed for extracting factors. Only the factors with latent roots greater than one are considered significant and all the factors with the latent roots less than one are considered   insignificant and disregarded. Table 5 depicts the construct that can be represented by ten factors (Eigen values>1) with their respective eigen values and cumulative percentage of variance explained.

These factors explained 716.22 % of the total variance, which is very much acceptable for the Principal Component Varimax rotated factor loading procedure i.e. 50 %

(Johnson and Wichern, 2002). In interpreting factors, there is a need to determine that which factor loadings are to be considered.

Interpretation of factors

In interpreting factors, a decision must be made regarding which factor loadings are worth considering. Factor loadings are the correlation of each variable and its factor (Hair et.al, 2010).The higher factor loading makes the variable more representative of the factor. The criterion given by Hair, et.al. (2010),where factor loading based on sample size is taken as the basis for decision about significant factor loading, was adopted. Table 5 shows the variables along with their respective loadings. For our

Table 6: Factor Summary of factors influencing investors to invest in fixed deposits

Factor Number	Factor Name	Factor Loading	Constituent Variables included in factor
1	Probable Benefits Factor	.823	Liquidity
		.819	Convenience
		.775	Capital growth
		.764	High Returns
		.738	Inflation resistance
		.685	Flexibility
		.633	Safety of Principal
2	Others' Recommendations Factor	.928	Friend or peer recommendation
		.927	Financial analyst and advisory recommendation
		.831	family member opinion
3	Market Indicators Factor	.912	Current economic indicators
		.891	Coverage in financial news
		.572	General trend of investment in public
		.506	fluctuations in stock index
4	Integrity Factor	.942	Concealability
		.928	Legality
5	Saving Benefit Factor	.873	Low transaction cost
		.668	Tax benefit
		.480	Past performance of your portfolio
6	Security Needs Factor	.751	Future Security
		.734	Risk Assosiated
		.471	Stability of Income
7	Social reasons Factor	.825	Religious reasons
8	Services Factor	.745	Professional management
		.664	Terms and conditions
9	Herd effects Factor	.761	Rumors
10	Personal financial needs Factor	.783	Competing financial needs
		.623	Diversification needs

Average Score	Significance Level
4.00-5.00	Highest
3.00-3.99	Moderate
2.00-2.99	Slightest
1.00-1.99	Lowest

sample of 241 respondents, a factor loading of 0.4 and above has been considered significant.

FINDINGS

Ten factors explain 15.115, 11.088, 8.444, 6.764, 6.331, 6.047, 4.649, 4.633, 4.375 and 4.177 percent of variance. In total, 71.622 is the variance explained by all the factors.The factor names, their constituent variables, the variance explained by each factor and their factor loadings have been summarized in Table 6.

Factor 1: Probable Benefits Factorincludes seven variables

i.e. Low transaction cost, Convenience, Capital growth, High Returns, Future Security, Flexibility and Safety of Principal revealing that projected benefits are important for investors towards investing in fixed deposits.

Factor 2: Others' Recommendations Factorportrays the influence of the opinions and recommendations of family, friends and peers along with advice from financial advisor towards investing in fixed deposits.

Factor 3: Market Indicators Factor reveal the influence of the market information like current economic indicators like

interest rate fluctuations, trend of investment in public and coverage in financial news of various investment influence the decision of investors towards investing in fixed deposits.

Factor 4: Integrity Factor explains that variables like Concealability and legality influence the investors to invest in fixed deposits.

Factor 5: Saving Benefit Factor portrays that low transaction cost and tax benefit leads to savings and hence influences them to invest in fixed deposits.

Factor 6: Security Needs Factor includes variables like future security, risk associated and stability of income revealing the security needs of investors influencing them to invest in fixed deposits.

Factor 7: Social reasons Factor includes only one variable i.e. religious reason that influence investors to invest in fixed deposits.

Factor 8:Services Factor implies that professional management and terms and conditions applied influence the invest their money in fixed deposits in a particular bank.

Factor 9: Herd effects Factor reveals that variable like rumors in the market influence the decisions of investors towards investing in fixed deposits.

Factor 10: Personal financial needs Factor includes variables like professional management and diversification needs revealing the self needs of investors towards investing in fixed deposits.

After grouping the variables into ten factors, these factors were put into further analysis. In order to find out which factor is most significant one in influencing towards putting money in to fixed deposits, we examined the average scores of these factors and analysed them with the help of following measure:

The average scores of the eight factors are explained in Table 7 showing that factors have been found in the bracket of highest to slightest significance level. The results reveal that probable benefits factor and others' recommendation factor with WAS of 4.41 and 4.35 respectively are the two factors that highly influence the decisions of individual stock investors to invest in fixed deposits. Factors i.e. Saving Benefit Factor, Social reasons Factor, Herd effects Factor, Market Indicators Factor, Personal financial needs Factor, Security Needs Factor, Integrity Factor have moderate significance level. However, services factor with WAS of 2.86 has the slightest significance level towards purchase putting money into fixed deposits.

Table 7: Ranking of Factors Influencing Investors to Invest in Fixed Deposits

Factor	Average Score	Significance Level	Rank
F1: Probable Benefits Factor	4.41	Highest	1
F2:Others' Recommendations Factor	4.35	Highest	2
F5: Saving Benefit Factor	3.80	Moderate	3
F7: Social reasons Factor	3.72	Moderate	4
F9: Herd effects Factor	3.35	Moderate	5
F3:Market Indicators Factor	3.30	Moderate	6
F10: Personal financial needs Factor	3.27	Moderate	7
F6: Security Needs Factor	3.14	Moderate	8
F4: Integrity Factor	3.10	Moderate	9
F8: Services Factor	2.86	Slightest	10

DISCUSSION, IMPLICATIONS AND CONCLUSION

Each individual makes investments. Even if the individual does not select specific assets such as stock, investments are still made through participation in pension plans, fixed deposits and employee saving schemes or through purchase of life insurance or a home or by some other mode of investment like investing in real estate or in banks or in saving schemes of post offices. Each of this investment has common characteristics such as potential return and the risk one must bear.

After the introduction of LPG, 1991 and robust growth in Indian economy, the general trend of Indian investors have moved away from fixed return avenues to more of other investment avenues due to extraordinary returns. The amount of information available for investing in various investment opportunities is continually growing. This has led to emergence of many new companies and also many existing public and private companies spreading their hands in providing new and innovative financial instruments to the investors.

There are several key factors that influence investment behavior and the decision making process of individual investors. There is a need to identify the factors that appear to have the greatest influence on the individual stock investor while investing in low and medium risk investments.

Twenty eight variables could be grouped into ten factors with the help of factor analysis influencing investors to invest in fixed deposits i.e. Probable Benefits Factor, Others' Recommendations Factor, Market Indicators Factor, Integrity Factor, Saving Benefit Factor, Security Needs Factor, Social reasons Factor, Services Factor, Herd effects Factor and Personal financial needs Factor.

The results revealed that Probable benefits and others' recommendation factor are the factors that highly influence the individual investors to put their money into fixed deposits and services factor has the slightest significance level towards investing in fixed deposits. The findings of the study would enable bank intermediaries and financial consultants in understanding the attitude of individual investors and offering them advice as per their state of mind.

REFERENCES

Avadhani,1998. Investment for Beginners, Himalaya Publishing House, 3rd edition, New Delhi.

Chandra, Prasanna (1995), The Investment Game- How to Win, Tata Mc-Grill Publishing Company Limited, New Delhi, 6th Edition

Hair, J.F., Anderson, R.E. and Tatham, R.L. 2010. Multivariate data analysis-with reading.Newyork, USA: Macmillian Publishing Company.

Johnson, R. A. and. Wichern, D. A. 2002. Applied Multivariate Statistical Analysis, NJ, USA: Prentice Hall.

Kiran, D. and Rao, U.S. (2004), "Identifying investor group segments based on demographic and psychographic characteristics", Available online at http://ssrn.com/abstract=870749 Assessed on October 8, 2010.

Malhotra, K., N. 2002. Marketing research: an applied orientation. 3rd edition. New Delhi, India: Pearson education.

Merikas, A., A. and Vozikis, G., S., (2004)Merikas, Anna A., Vozikis, George S. (2004), "Economic Factors and Individual Investor Behavior: The Case of the Greek Stock Exchange" Journal of Applied Business Research, Vol.20, No.4, pp: 93-98

Nagy, R., A. and Obenberger, R., W. (1994) Nagy, Robert A. and Obenberger, Robert W. (1994), "Factors Influencing Individual Investor Behavior", Financial Analyst Journal, Vol.50, No.4, pp: 63-68

Selvam, M., B., E.et.al (2011)," Factors Influencing Retail Investors' Attitude towards Investing in Equity Stocks: A Study in Tamil Nadu", Journal of Modern Accounting and Auditing, 7 (3), 316-321

Singh, K., P., Tanwar, S. and Yadav, S.,C. (2010), "Investor's Behavior and investment avenues in global downturn :a case study of millennium city", asia pacific business review, vol. 6, no.2,pp-71-80

Sultana, T. S. (2010). An Empirical study of Individual Investors' Behavior", Global Journal of Finance and Management1 : 19-33

Warren, W. E., Stevens, R. R. and McConkey, W. C. (1990), "Using demographic and Lifestyle analysis to segment Individual Investors", Financial Analyst Journal, 46 (2), 74-77

Annexure 1

Questionnaire

State one investment highly preferred low and medium risk investment by you_____. {Low and medium risk investments include fixed deposits, Gold, Real estate, P.O. schemes (NSC, KVP, IVP), Infrastructure Bonds/ Govt.securities}

State your overall preference for these investment _____ (where 5=M P, 4 = P, 3 = N, 2= NPM and 1 = LP)

Tick the appropriate option to rate your degree of confidence for the list of factors that influence you to invest in low and medium risk Investments where MImp=Most Important factor, LImp (Least Important) as you are negative about it and ID (Indifferent) means you are neutral about it.

Variables	MImp	Imp	ID	UnImp	LImp
High Returns					
Liquidity					
Convenience					
Tax Benefit					
Safety of Principal					
Capital Growth					
Future Security					
Flexibility					
Concealability					
Diversification Needs					
Stability of Income					
Low Transaction Cost					
Associated Risk					
Professional management					
Legality					
Rumors					
Competing financial needs					
Terms and conditions					
Current economic indicators					
Religious reasons					
Inflation Resistance					
Financial analyst and advisor recommendation					
Past performance of the portfolio					
Coverage in financial news					
Family member opinion					
Friend or Peer recommendation					
General trend of investment in public					
Fluctuations in stock index					