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## FACTORS INFLUENCING ATTITUDE OF INVESTOR TOWARDS SAVINGS AND INVESTMENT DECISION: AN EMPIRICAL STUDY OF UTTARAKHAND

Priyanka Pandey<sup>1</sup> and Dr. Sunil Kumar Batra<sup>2</sup>

<sup>1</sup>Research Scholar, UGC-NET, Commerce Department, S.M.J.N. (P.G.) College, Haridwar.

<sup>2</sup>Associate Prof. & Head, Commerce Department, S.M.J.N. (P.G.) College, Haridwar.

### ABSTRACT

**A**ttitude of the respondents plays an important role in their decision making process on savings and investment. Also, changes in attitude likely to affect the overall savings habit of the people. The aim of this research paper is to identify the factors which play important role in influencing the attitude of respondent towards savings and investment.

**KEYWORDS:** Attitude, Savings and Investment, Risk Tolerance, Confidence Level.

### INTRODUCTION :

As we know that India is a country of diversity whether it is in form of demography, culture, or economy. Many of the difference in saving across the region and over the time period has been explained considering the economic and demographic factor but



the behavioural factors has been ignored. Many of the research studies has been done on saving and investment behaviour of Indian household but the studies done by government agencies was at macro level and the studies done by research scholars at micro level very few has given importance to behavioural approach.

The newly formed state Uttarakhand has unique demographic, cultural and economic features as compared to other states of India As there is a paucity of reliable data on households in Uttarakhand State, very little is known about household saving and investment pattern and

the attitude of household towards saving and investment in Uttarakhand. In this context, to consider household saving and investment and the form in which household savings and investment are held it is important to examine the reasons why households save, what are the investment option which they perceive and prefer.

### REVIEW OF LITERATURE:

Ms. Priya Kansal, priyagoel, & Dr. Seema Singh (2013), In this study the Survey of National Council of Applied Economic Research, titled "How Household Invest: Evidence from NCAER

Household Survey" of 2011, sponsored by Securities Exchange Board of India (SEBI) is used as data set. The survey was conducted in 52 major states/ Union Territories of India. The sample size was 38,412. Eleven parameters were used for this study and that are as follows- : Investment Preference, Level of Investment, Time Horizon, use of windfall, expert advice, perception of risk, portfolio diversification, risk tolerance, confidence level, relative risk aversion, factor influencing the investment in the stock market. Chi square test was used to analyze the formulated hypotheses. The study shows that the decisions taken by the women were not different from the decisions taken by men. This result was however not in the line of previous studies which say that the financial behaviour of men and women have a

significant difference.

### **Gaurav Kabra , Prashant Kumar Mishra & Manoj Kumar Dash (2010)**

this study is an attempt to find out Factors which affects individual investment decision and Differences in the perception of Investors in the decision of investing on basis of Age and on the basis of Gender. the study was done on 196 investors working in a government and private sectors in India . the questionnaire consisting 6 subscale was developed. The study concludes that investors' age and gender are very dominantly decides the risk taking capacity of investors

Patti, J Fisher ( 2010) in his study uses the Survey of Consumer Finances (SCF) of 2007 the sample of 1171 single-person households, with female = 702 and male = 469 were taken. variable taken for study were saving, income, age , risk tolerance, preference, time horizon, occupation, consumer need, marital status, education, and wealth. the data were analysed with the help of Logistic regression analysis, chi-square and f test. The study outcomes indicated that the saving behaviors of male and female appear to different based on the univariate results, as do the factors related to saving and it also find out that risk tolerance also affected male and female in terms of whether they engaged in saving. The groups were significantly different in the majority of characteristics, but no significant difference was found in the proportion of female and male saving regularly, having a medium saving horizon, experiencing income uncertainty, being in poor health, or being separated or divorced. There was also no significant difference in the proportion of female and male who were Hispanic, Black, White, or other

### **OBJECTIVES OF THE STUDY:**

- To identify the factors effecting attitude of male and female household towards savings and investment

### **RESEARCH METHODOLOGY:**

The present study is descriptive and explanatory in nature. Both secondary and primary data were collected and used for the study. The secondary data source of the study include books, journals, periodicals, website of SEBI, government publications and websites . Primary data required for the study were collected from 600 household in Uttarakhand who have investments in various selected investment options. Multi-stage sampling was adopted for selection of respondents for the study. In the first stage, the State of Uttarakhand was divided into two regions/mandal namely Garhwal region and Kumaon regions. Garhwal Region consists of Dehradun, Haridwar, Puri Garhwal, Tehri Garhwal, Chamoli, Rudraprayag, Uttarkashi revenue districts of the State. The kumaon Region includes Nainital, Udham Singh Nagar, Bageshwar, Pithoragarh, Champawat, Almora revenue districts of Uttarakhand. In the second stage, two district from the Garhwal Region which were Haridwar and Dehradun, and two district from the Kumaoun Region which were Nainital and Udham Singh Nagar were selected for the study. These districts were selected based on judging criteria that these district are most populous and on the presumption that there are more household investor in various selected investment options in these districts and also by giving due consideration to geographical location. In the third stage, 150 respondent from each district were divided into 75 male household and 75 female household considering their age, education, income and occupation. were selected by using convenience sampling method. In order to achieve the objective of the study, a well structured questionnaire was developed and used for collecting primary data. The questionnaire was finalised after conducting a pilot study among 50 household investors in Haridwar district.

In the present study, the reliability of the scale of measurement was assessed by using Cronbatch Alpha coefficient, which was above the minimum acceptable level. the cronbatch alpha is 0.823 for 50 items, there by confirmed the reliability of the scale of measurement.

**Reliability Statistics**

Cronbach's Alpha	N of Items
.823	50

The questionnaire developed for collecting primary data was administered to the respondents and their responses were collected through filled up questionnaire. The collected data were tabulated and analysed with the help of SPSS. The statistical tools used for analysis is Factor analysis.

**ANALYSIS AND DISCUSSION:**

In this research paper attitude of male and female household towards saving and investment in Uttarakhand state has been studied. The factors effecting the attitude also has been identified. To study the attitude of male and female household six factors have been identified these are as follows: i) opinion ,ii) security, iii) time horizon, iv) awareness, v) Risk tolerance and vi) confidence level.

To identify the factors which effect the attitude of investors towards savings and Investment, 20 statements were identified. Each statement describes one aspect of attitude. The opinions of investors were collected in Likert five point scales. To study all 20 statements was very difficult task and, in fact not necessary also. So factor analysis was used to reduce variables into smaller number. The variable which had common response and high correlation were grouped under a common factor. Variables which did not have any significant effect were suppressed. The reduced factors should be distinct from each other.

First of all KMO test and Bartlett’s test of Sphericity are used to test the suitability of data for the purpose of factor analysis. The Kaiser Maiyer Olkin Measure of sampling adequacy is a statistic which indicates the proportion of variance in the variables which might be caused by new factors. High values generally indicate that a factor analysis may be useful with the data. If the value is less than 0.50, the results of the factor analysis probably will not be very useful.

Table 1: shows the KMO value is 0.837 which signifies that the factor analysis is useful with the data. The chi Square value for Bartlett’s test of Sphericity is 5855.944 and the significant value is 0.0000 which means that there is significant correlation among the variables.

**Table 1:  
KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.837
Approx. Chi-Square	5855.944
Bartlett's Test of Sphericity	
Df	190
Sig.	.000

The second step in the process is to decide about the number of factors to be derived. The rule of thumb is applied to choose the number of factors for which 'Eigen values' with greater than one is taken by using Principal component analysis method. The component matrix so formed is further rotated orthogonally using varimax rotation algorithm. By performing factor analysis 20 variables are reduced into six component factors . Each component factor includes some statements which are otherwise called variables. Each variable represents attitude of investors about one particular aspect of investment variable. The six perceptual factors which have Eigen value more than one alone is taken for consideration. There are separate tables for factor loading of each factor. The six perceptual factors which have Eigen values more than one alone are taken for consideration. The six perceptual factors represent around 69 percent of total variance which is very significant and the remaining variance is explained by other factors.

**Table 2: Factors with Percentage of Variance Explained**

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.607	33.033	33.033	6.607	33.033	33.033	3.234	16.168	16.168
2	2.397	11.983	45.015	2.397	11.983	45.015	2.650	13.248	29.415
3	1.320	6.599	51.614	1.320	6.599	51.614	2.377	11.883	41.298
4	1.286	6.431	58.045	1.286	6.431	58.045	2.324	11.622	52.921
5	1.214	6.070	64.115	1.214	6.070	64.115	1.908	9.538	62.458
6	1.026	5.128	69.243	1.026	5.128	69.243	1.357	6.785	69.243
7	.861	4.306	73.550						
8	.742	3.709	77.258						
9	.639	3.196	80.455						
10	.593	2.964	83.418						
11	.515	2.577	85.996						
12	.479	2.393	88.389						
13	.467	2.337	90.726						
14	.437	2.183	92.909						
15	.336	1.680	94.589						
16	.311	1.553	96.142						
17	.274	1.371	97.513						
18	.189	.946	98.459						
19	.186	.931	99.390						
20	.122	.610	100.000						

Extraction Method: Principal Component Analysis.

The list of six component factor along with their labels and variables (statements along with loading) included under these factors are listed below.

**Risk Tolerance:** This factors include the variables which shows that how the respondent is risk tolerant when he/she make investment choice.

**Table 3: FACTOR LOADING FOR RISK TOLERANCE**

Variable	Factor loading
I believe to take substantial risk to earn substantial return	.751
if I have given a chance to choose between sure cash Rs 5000 or 5 % chance at winning Rs 500000. I will choose 5%chance of winning Rs 500000	.793
For me "risk" means opportunity	.598
If I am planning a world tour and I lose my job a month before then I will extend my vacation thinking that this might be the only chance for such trip.	.716

**Confidence Level :** This factors include the variables which shows that how the respondent is confident while making investment choice. This factor also include the variable which shows that how respondent is confident



with his/her previous investment decision.

**Table 4:FACTOR LOADING FOR CONFIDENCE LEVEL**

Variable	Factor loading
I believe that My skills for planning my decision is excellent	.832
I believe that my investment performance is better than average	.764
Considering the future I am confident that I will earn good return from my investment	.757
I feel confident with my investment decisions.	.758

**Security:** This factor contains variables related to the purpose of Investors. Basically this factor is move around future safety. As all the variables included under this component factor are related to future needs which may be any emergency or known, this factor can be called as security. They also considered security as the most important criterion before making any investment.

**Table 5:FACTOR LOADING FOR SECURITY**

Variable	Factor loading
Investment reduce liability	.649
Protection from inflation is reason for investment	.739
I invest to live a safe and secure life	.777
I invest to meet my family needs in future	.517

**Awareness:** This factor contains variables related to the awareness of investors about various financial plans and basic knowledge about how to invest. The investors feel that awareness is the most important factor before making any investment decision. The public also states that the duty of the government is not only to offer attractive schemes but also to make the people aware of those schemes by giving schemes.

**Table 6:FACTOR LOADING FOR AWAERNESS**

Variable	Factor loading
More awareness program for investment matter will increase our investment	.562
I am very much aware of these investment options	.824
I have good knowledge of investment matter	.847

**Time Horizon:** This factor contains variables related to time duration of investment. Respondents were asked to indicate the time duration they devoted for the investment activities. The result indicates that investors do not devote much time in Investment activities. Which imply that peoples are already aware of various financial plans and other Investment options. The other reason behind less devotion of time is due to other engagement in Life.

**Table 7:FACTOR LOADING FOR TIME HORIZON**

Variable	Factor loading
I prefer to invest my money upto 3 years	.723
I prefer to invest my money between 3 to 5 years	.594
I prefer to invest my money for more than 5 years	.605

**Opinion:** This factor contains variables related to suggestions from other persons before making any investment. The investor who are intelligent and risk averse always wants to take suggestions from peers, financial expert or any share brokers.

**Table 8:FACTOR LOADING FOR OPINION**

Variable	Factor loading
I take suggestion from my friends or Relatives before making any investment	.539
I choose the investment option with the help of Financial advisor	.869

#### CONCLUSION:

From the study it is concluded that the six important factors play a vital role in influencing the attitude of the of male and female respondents towards saving and investment. These factors are risk tolerance, confidence level, opinion, time horizon, security and awareness.

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**Annexure:  
Rotated Component Matrixa**

	Component					
	1	2	3	4	5	6
For me "risk" means opportunity	.322	<b>.600</b>	.015	.126	.433	.030
If I am planning a world tour and I lose my job a month before then I will extend my vacation thinking that this might be the only chance for such trip.	.370	<b>.715</b>	.074	.082	.016	-.101
if I have given a chance to choose between sure cash Rs 5000 or 5 % chance at winning Rs 500000. I will choose 5%chance of winning Rs 500000	.173	<b>.793</b>	.106	.128	.134	.116
I believe to take substantial risk to earn substantial return	.277	<b>.754</b>	.128	.048	.185	.160
I believe that my investment performance is better than average	<b>.763</b>	.405	.030	.069	.249	-.059
I believe that My skills for planning my decision is excellent	<b>.834</b>	.258	.157	.194	-.011	.124
I feel confident with my investment decisions.	<b>.756</b>	.294	-.015	.021	.213	.045
Considering the future I am confident that I will earn good return from my investment	<b>.762</b>	.196	.301	.164	.122	.084
I take suggestion from my friends or Relatives before making any investment	.193	.124	.185	.350	-.284	<b>.555</b>
I choose the investment option with the help of Financial advisor	-.007	.056	-.025	-.059	.153	<b>.866</b>
I have good knowledge of investment matter	.136	.104	-.018	<b>.852</b>	.147	.181
I am very much aware of these investment options	.248	.046	.184	<b>.825</b>	.216	-.035
More awareness program for investment matter will increase our investment	-.030	.144	.447	<b>.552</b>	-.052	-.015
I prefer to invest my money between 3 to 5 years	.217	.239	.253	.130	<b>.600</b>	.299
I prefer to invest my money upto 3 years	.049	.221	-.050	.142	<b>.736</b>	-.030
I prefer to invest my money for more than 5 years	.449	.042	.132	.047	<b>.611</b>	-.052
I invest to meet my family needs in future	-.036	.188	<b>.525</b>	.483	.133	-.250
I invest to live a safe and secure life	.238	.035	<b>.789</b>	.009	.033	.061
Protection from inflation is reason for investment	.074	.145	<b>.737</b>	.033	.284	.152
Investment reduce liability	.082	-.003	<b>.657</b>	.373	-.179	-.048

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 9 iterations.

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