



## “Differences in Behavioral Biases in Investment Decision-Making between the Salaried & Business Class Investors”

Subramanya P R<sup>1st</sup>

Asst. Professor, Dept. Management studies  
Haranahalli Ramaswamy Institute of Higher Education  
Hassan, Karnataka. India

Sowmya K S<sup>2nd</sup>

Student, Dept. Management studies  
Haranahalli Ramaswamy Institute of Higher Education  
Hassan, Karnataka. India

**Abstract:** *The present study differences in behavioral biases in investment decision making between the salary and business class investors’ majorly concentrated only on Hassan dist. Of Karnataka state, the study reveals that business class people are risk averse. The demographical factor age and savings has the positive relationship but age and income has negative relationship. The majorly awareness program is essential for salary class people towards the investment avenues. Business class people expect the more return so hybrid instruments are essential in the financial stream.*

**Keywords:** *Behavior, salary, business, Hassan, investment, investors.*

### I. INTRODUCTION

The analysis behavior is very important for identification of investment habit. The behavior is majorly depending on demographical and socio economic variables. In this present study identified the difference in behavioral biases in investment decision-making between the salaried & business class investors, conducted in Hassan. The main purposes of the study identify how the investment decision taken by salaried & business class investors. For the study purpose data collected through survey method. Judgmental sampling technique used for collect data and statistical tool chi-square used for interpretation. The present study conducted for the duration of 2 months from Jan 1st 2015 to 28th February 2015.

### II. REVIEW LITERATURE

In order to identify the research gap and fix the objective for the specific study certain previous research literature are reviewed. In the literature review earlier studies and articles related to behavioral biases in differences between salaried & business class investor decision making have been read with a view to gain theoretical knowledge in the field of study. Here an attempt is made to look at how age, gender, marital status, income level and savings of affect the investment decision making of the individual investor.

**Barber and Odean (2001)**<sup>1</sup> supported the theoretical models and predicted that overconfident investors trade excessively.

**Maditinos et al. (2007)**<sup>2</sup> said that individual investors rely more on newspapers/media and noise in the market when making their investment decisions, while professional investors rely more on fundamental and technical analysis.

**Chandra and Kumar (2011)**<sup>3</sup> concluded that five major factors influence individual investor behavior in Indian stock market, named as prudence and precautionous attitude, conservatism, under confidence, informational asymmetry, and financial addiction.

**Kabra et al. (2010)**<sup>4</sup> concluded that investors’ age and gender predominantly decides the risk taking capacity of investors.

**Walia and Kiran (2009)**<sup>5</sup> in their study, revealed the preferences of varied investors who desire to invest in mutual funds but also want some innovations and added quality dimensions in existing services.

**Raheja and Lamba (2013)**<sup>6</sup> concluded that there are various investment avenues available in the market and different people prefer to invest in different avenues according to their choice. It was also concluded that life cycle stages and investment objectives are dependent on each other.

**Riaz et al. (2012)**<sup>7</sup> information plays an important role in investor’s decision making.

**Subramanya et al. (2012)**<sup>8</sup> defined and prove that there is a significant association between demographical and socio economic factors changes the attitude of the investors’.

### III. OBJECTIVES OF THE STUDY

- To identify how the salaried and business class investors’ takes investment decision.
- To identify the relationship between decision-making process and Demographic variables

#### IV. METHODOLOGY

**Sources of Data:** For the study purpose the data collected from both primary and secondary sources. The survey method is used for collect the first hand information through structured questionnaires. Secondary data collected from various sources like online search engine, previous research articles, journals etc...

- Sampling technique: Judgment sampling;
- Sampling size: 100
- Sampling technique: judgment sampling
- Sampling unit: Hassan dist of Karnataka state.
- For convert the collected data as information the statistical technique correlation is used.

#### V. SCOPE OF THE STUDY

- The study will let us know the financial capacity of salaried class & business class investors
- The study helps to identify the attitude and perception of salary and business class investors’.
- The studies identify the underlying factors reflecting on behavior of investor.
- The studies that investor behavior & asset price deviate from the prediction of simple rational model.
- The study help for further research work.

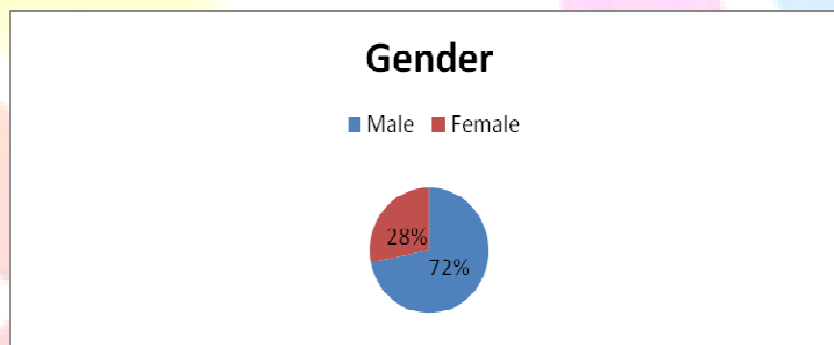
#### VI. LIMITATIONS

- The study is restricted to Hassan dist. Of Karnataka state.
- The study considered only salary and business class people of Hassan dist.
- Some respondents are not provided the proper information about their investment.

#### VII. DATA ANALYSIS AND INTERPRETATION

**Table-1 Gender**

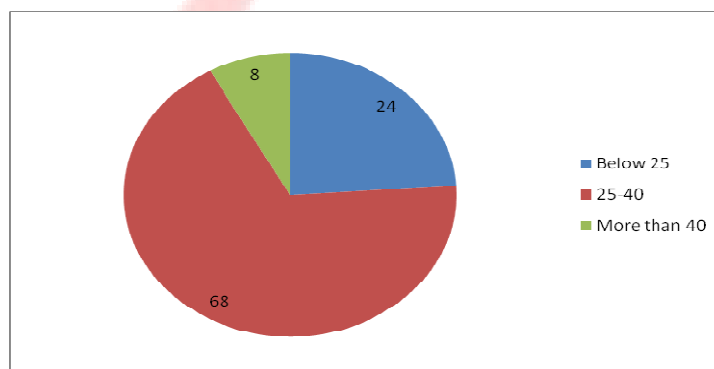
Male	Female	Total
72	28	100



In the above table & charts shows that in the present study 72% of male and 28% of female respondents are selected.

**Table-2 Age**

Below 25	25-40	More than 40	Total
24	68	8	100

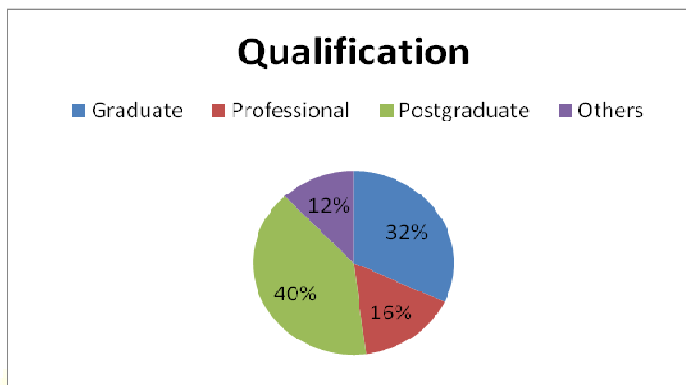




The above table and graph identifies the age of respondents'. The 24% of respondents are belonging to the group of below 25 years, 68% of respondents belong to the group of 25 to 40 years and 8% of respondents belong to the age group of more than 40 years.

**Table-3 Qualification**

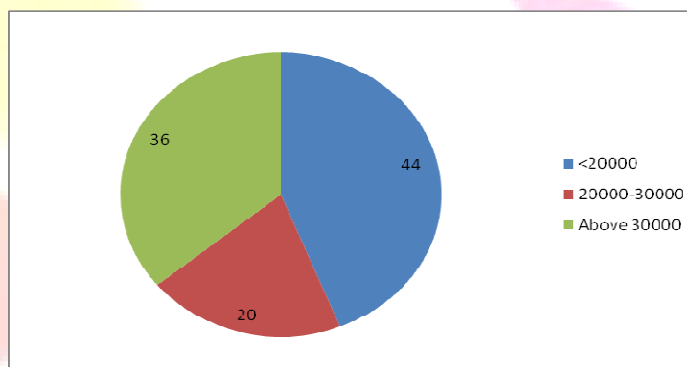
Graduate	Professional	Postgraduate	Others	Total
32	16	40	12	100



In the above table and graph identifies the respondents' qualification. 32% of respondents qualification is Graduate, 16% of respondents has the professional qualification like MBA, CA,CS etc. 40% of respondents has the qualification of post graduate and 12% of respondents has the qualification PUC, Diploma and Job oriented courses.

**Table-4 Monthly Incomes**

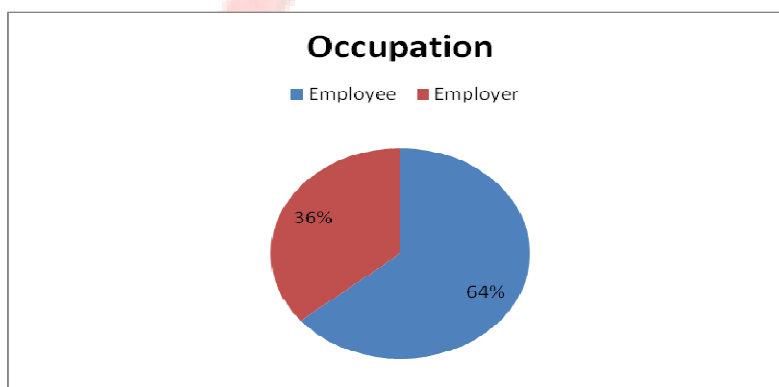
<20000	20000-30000	Above 30000	Total
44	20	36	100



The above table and graph shows the monthly income of respondents. 44% of people has the monthly income less than 20000 income, 20% of people has the monthly income is 20000 to 30000, 36% people has the monthly income of more than 30000 rupees.

**Table-5 Occupation**

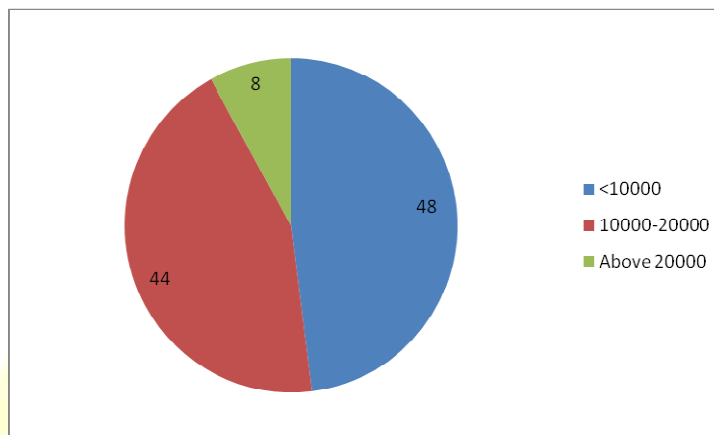
Employee	Employer	Total
64	36	100



The above table and graph identifies the occupation of respondents. 64% of respondents are employees and 36% of respondents are employers. The employees majorly depend on monthly salary and employers are majorly belongs to the category of small and medium scale business.

**Table-6 Savings level per month**

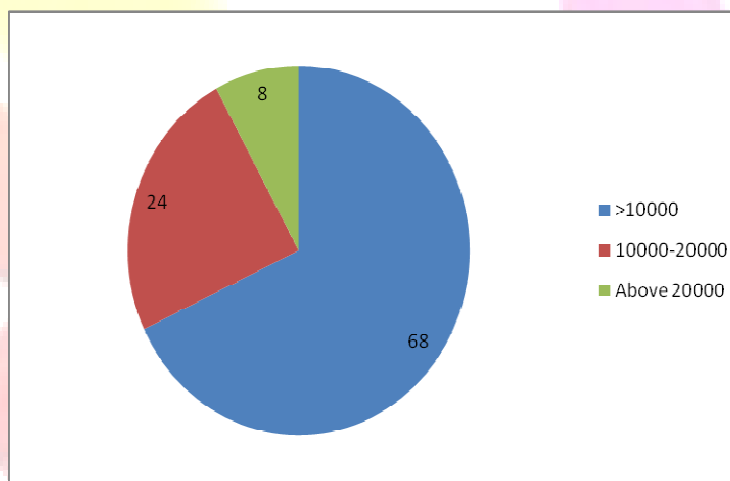
<b>&lt;10000</b>	<b>10000-20000</b>	<b>Above 20000</b>	<b>Total</b>
48	44	8	100



The above chart and graph shows the saving habit of salary and business class people. 48% of respondents are saved monthly up to 10000 rupees. 44% of respondents are saved monthly 10000-20000 rupees. 8% of respondents are saved monthly 20000-30000 rupees. Up to 10000 rupees saving habit people belong to the category of salary class people like school teachers, assistants etc. 10000-20000 rupees saving habit people belong to the category of lectures and professional, 20000-30000 rupees saving habit people belong majorly to the category of business class.

**Table-7 Monthly Investment Level**

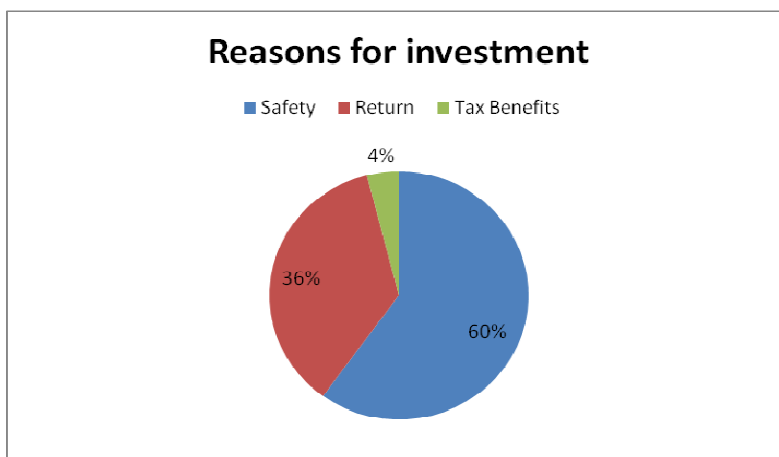
<b>&gt;10000</b>	<b>10000-20000</b>	<b>Above 20000</b>	<b>Total</b>
68	24	8	100



The above table and graph identified the investment habit of salary and business class people in Hassan. 68% of people monthly invest up to 10000 rupees, 24% of people invest 10000 -20000 rupees and 8% of people invest more than 20000 rupees monthly. 68% of people invest habit up to 10000 rupees may be the people who are depend on monthly salary and small scale business people invest in this level.

**Table-8 Reasons for Investment**

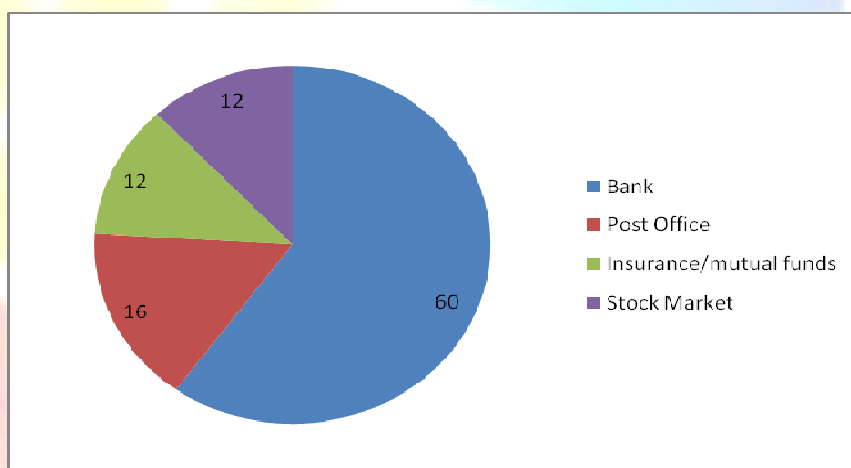
<b>Safety</b>	<b>Return</b>	<b>Tax Benefits</b>	<b>Total</b>
60	36	4	100



The above table and graph identified the reasons quoted by respondents for their investment. 60% of respondents invest their saved money for the purpose of safety, only 36% of people opt investment area for return and 4% people opt the investment for tax motive. Generally both salary class and business class people invest for all the purpose but majorly business class peoples are ready to take risk related to the investment but salary class people first preference for investment is safety and stable return.

**Table-9 Saving or investment avenues of salary and business class people**

Bank	Post Office	Insurance/mutual funds	Stock Market	Total
60	16	12	12	100



The above table and graph identifies the saving or investment area opted by the salary and business class people in Hassan. 60% people preferable to save the money in banks, 16% of people opt for post office, 12% people preferable for insurance or mutual fund and only 12% people preferable for stock market. This table clearly identifies the risk bearing and risk free investors' in salary class and business class people in Hassan.

**Table-10 Relationship with age, income and savings**

Age	Income	Savings
24	44	48
68	20	44
4	36	8

The above table helps to identify the relationship with age and income, age and savings.

There is a negative relationship of  $-0.8288$  between age and income of the people but there is significant relationship of  $0.6389$  with age and saving habit of the people.

**Table-11 Relationship with monthly income and saving of the people**

Income	Savings
44	48
20	44
36	8

The above table identifies the relationship with income and saving habit of the people in Hassan dist.

There is no significance relationship with income and saving habit of the people. The relationship level between income and savings is -0.099.

### VIII. FINDINGS

- ❖ Business class people are more conscious about investment activity.
- ❖ 60% Salary class people more preference for safety and stable return but business class people are risk averse.
- ❖ Age determines the investment activity in general; age and saving habit has the positive relationship of 0.6766.
- ❖ Age and income has negative relationship of -0.7998.
- ❖ Income and saving/investment habit are independent in nature there is no relationship between income and saving/investment habit.



### IX. CONCLUSION

We would like conclude that age is the major determinant of saving/ investment habit in the people. Savings/ investment and income are independent in nature. If the salary class people earn high level of salary but also they want to invest the money they think about safety and stable return but business class people are risk averse and they earn huge level of return. The awareness program is essential for the salary class people.

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### Author Profile

	<p style="text-align: center;"><b>Subramanya P R</b></p> <p>Holds an MBA in Financial Management from University of Mysore. M.Com., PGDFM from Karnataka state open university. currently working as Course Coordinator in Department of Finance. Haranahalli Ramaswamy Institute of Higher Education, Hassan, Karnataka, India.</p>
	<p style="text-align: center;"><b>Sowmya K S</b></p> <p>Holds a B Com degree from University of Mysore. Currently the student of Department of Management studies. Haranahalli Ramaswamy Institute of Higher Education, Hassan, Karnataka, India.</p>