

## STUDY OF INVESTMENT MYTHS AND ITS IMPACT ON INVESTMENT DECISION ON YOUNG INVESTORS

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### Abstract

Every investment decision carries with experience of investors, predetermined assumptions, knowledge, risk bearing capacity and psychology of investors. Investors may make many common errors in investment management like inadequate comprehension of return and risk. Many investors also keep unrealistic expectation from investment, specifically from equity shares (cash segment). Tall and unjustified claims made by people with vested interests, promises made by full service brokers, operators and others like, many times investors see exceptional performance of some investors which may affects the investment psychology. By fixing un-realistic goals, investor may do particularly the things that gives some time unexpected or negatives returns. Cursory decision making that is, most of the time investor taking decision based on tips and fads, rather than qualified-assessment, intentionally or un-intentionally follow others attractiveness or lack of confidence in their own judgments, simply calculate the past trends and events and do not make necessary changes in to expectations. There could be also untimely entries and exits, high cost, over diversification, under-diversification and wrong attitude towards profits or losses

**Keywords:** *Investment, Investment decisions, Investment Options, Investment Motive, Investment myths, Risk Factors*

### 1. Introduction

Earning money is quite easier than retaining, it is easy to earn the money but can be too difficult to mobilise savings into investment. The money we earn divided into spending and saving. Spending do not require many efforts but saving money take more efforts to converts in the investment to meet the future needs of a person. Investment means parking our money to earn extra returns from it. There are number of investment avenue to do healthy investment, such as shares (Equity, preference), Debentures, Bonds, Deposits, real estate, chit funds, Mutual funds, etc. People select it according to their objective of investment. For the study in this paper young investor is considered, which means

the class of investor that falls in the age group of 25-40. In order to the study, following myths are considered as important while the young investors take investment decision.

1. Equity Share are the best investment alternative in the prevailing market scenario.
2. Financial Expert and consultant never commit a mistake.
3. A right investment decision is associated with amount of money that invested.
4. Gold and silver are not lucrative investment options.
5. For real profit one should invest in real estate.
6. Participation in market is possible with sufficient understanding of economy and market.
7. A young investor should also take high risk because it is affordable and possible.
8. High returns are not necessarily coupled with high risk.

There are various investment myths prevailing among different types of investors, people are often carried away with certain unproven ideas and they are investing their money into various avenues of investment with logical thinking and belief which may or may not be by rational thinking. Investment myths are a result of people's logical thinking, experience, knowledge, beliefs, psychology etc. which directly affects in the thinking process. Rational thinking is required for different types of decisions which includes financial or investment decisions (Patara, 2017)

Investment myths is unproven ideas which gives an uncertainty about the return on investment. Aim of investment to gets maximum return on investment with appropriate risk, thus, it's very important to select right kind of investment avenues with consideration of time frame, objective, risk associated with it, ability of investors, psychology of investors, existing knowledge, investment experience and investment myths. Most of the investors lack in financial knowledge which leads to lack of financial literacy.

In our life we making investments decisions with help of our financial goals, available investment resources, investment opportunities, as well as investors phycology. According to Charles Ellis, 'The crucial question is whether the investor will in fact hold on for the long term so that the expected average returns will be achieved. The problem is not in the market but in ourselves, our perception and our reactions to our perceptions.' (investment game)

## 2. Literature Review

There is a study on the '*The psychology of risk: The behavioural Finance Perspective*' published on May 2015. It talks about perceived risk and perception. perceived risk includes the subjective judgements that people utilise in terms of their evaluation of risk and the degree of uncertainty.

Another research entitled '*Decision-Making in the stock market: Incorporating Psychology with finance*' by Abhijit chandra. The researcher, says that now-a-days every individual in every investment decision of individual investor may not be always right because it influence behavioural factors like greed, fear, mental accounting, cognitive risk are always associated.

There are various factors that influence investment behaviours of young investors which includes price movement and over confident to decision, they follow the fundamentals and try to capture variety of information. (Chandra)

Investment is the use of money for earning more return in the future. There are different number of investment avenues available in the market. However, there are different types of investment myths prevailing among the investors which affect their investment decisions (Patare, 2017)

Investment means deployment of surplus saving for short/long term benefit from a select investment options, to secure the future and reduce the upcoming hurdles. But the investor need to hold reasonable expectation.

## 3. Objectives of Study:

The research paper undertakes to study the investment myths and its impacts on investment decision making of young investors with the help of primary data on the basis of questioner suggesting objectives.

1. To understand how investors are motivated by unrealistic presumption
2. To know the reasons of belief in unrealistic presumptions
3. To know the major investment myths among the young investors
4. To identify implications of investment myths or investment myths

## 4. Hypotheses of Study:

Following are the major hypotheses of the study

1. There is definite impact of investment myths on investment decision.
2. Investment myths are responsible for in-appropriate investment decision making.

## 5. Research Methodology

**Research Area** – The area selected for study is Pune City.

**Method of information / Data collection:** The primary data is collected through questionnaire. The questioner investigated the motive of investment, objective of investment decisions and selection of investment avenues by young people. The questionnaire was also being formulated to know the belief of investors in unrealistic presumption and to know the major investment myths among the young investors between the age group of 25 to 45 years. The certain question was drafted to identify the implications of investment myths.

### The Target Responses

Target Respondents	Age Group(years)	Income group(Rupees)
	25 to 45	25,000 to 1, 00,000
		1,00,000 and above

## 6. Data Analysis

Following are the interpretation made from responses collected

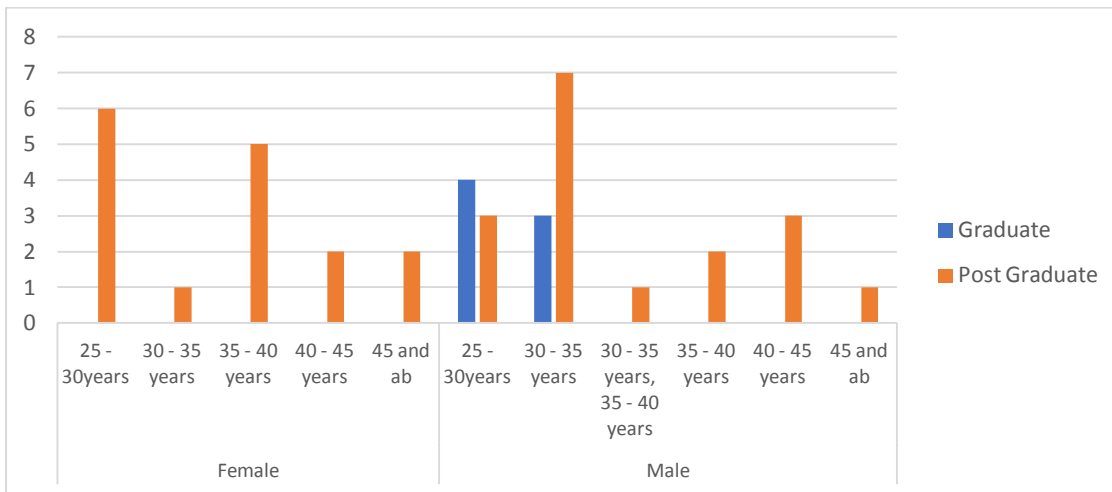
1. Demographics – The demographic characteristics of the respondents is depicted in table (1).

**Table 01**

years	No. of respondents		
Row Labels	Graduate	Post Graduate	Grand Total
		<b>16</b>	<b>16</b>
25 - 30years		6	6
30 - 35 years		1	1
35 - 40 years		5	5
40 - 45 years		2	2
45 and ab		2	2
<b>Male</b>	<b>7</b>	<b>17</b>	<b>24</b>
25 - 30years	4	3	7
30 - 35 years	3	7	10
30 - 35 years, 35 - 40 years		1	1
35 - 40 years		2	2
40 - 45 years		3	3
45 and ab		1	1
<b>Grand Total</b>	<b>7</b>	<b>33</b>	<b>40</b>

**Personal and Demographic information of participant (n = 40)**

Column Chart

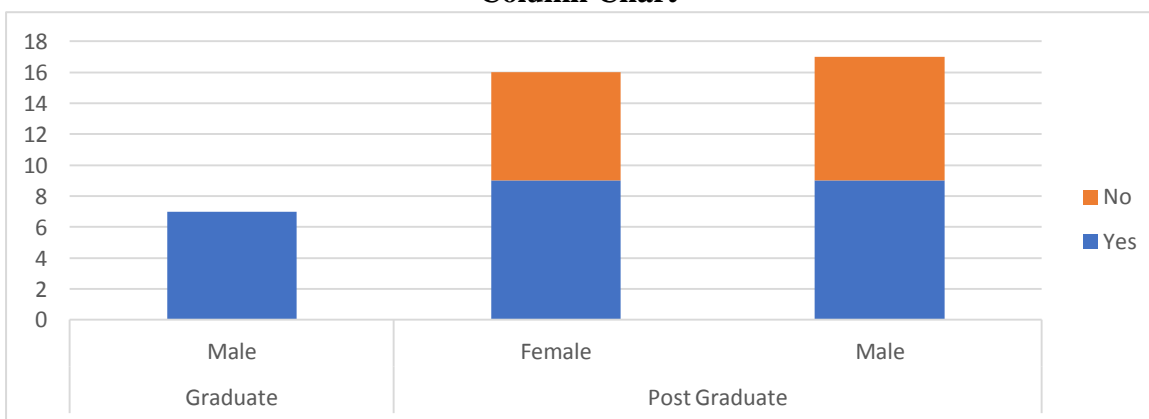


**Interpretation:** The majority of respondent were male in the age group of 25-35 years and they were post graduate earning income It is observed that majority of respondents were in the income group of rupees 25,000-50,000.

2 Resonance to basic profile of investors

Count of Name	Column Labels		
Row Labels	Yes	No	Grand Total
<b>Graduate</b>		7	7
Male	7		7
<b>Post Graduate</b>	18	15	33
Female	9	7	16
Male	9	8	17
<b>Grand Total</b>	25	15	40

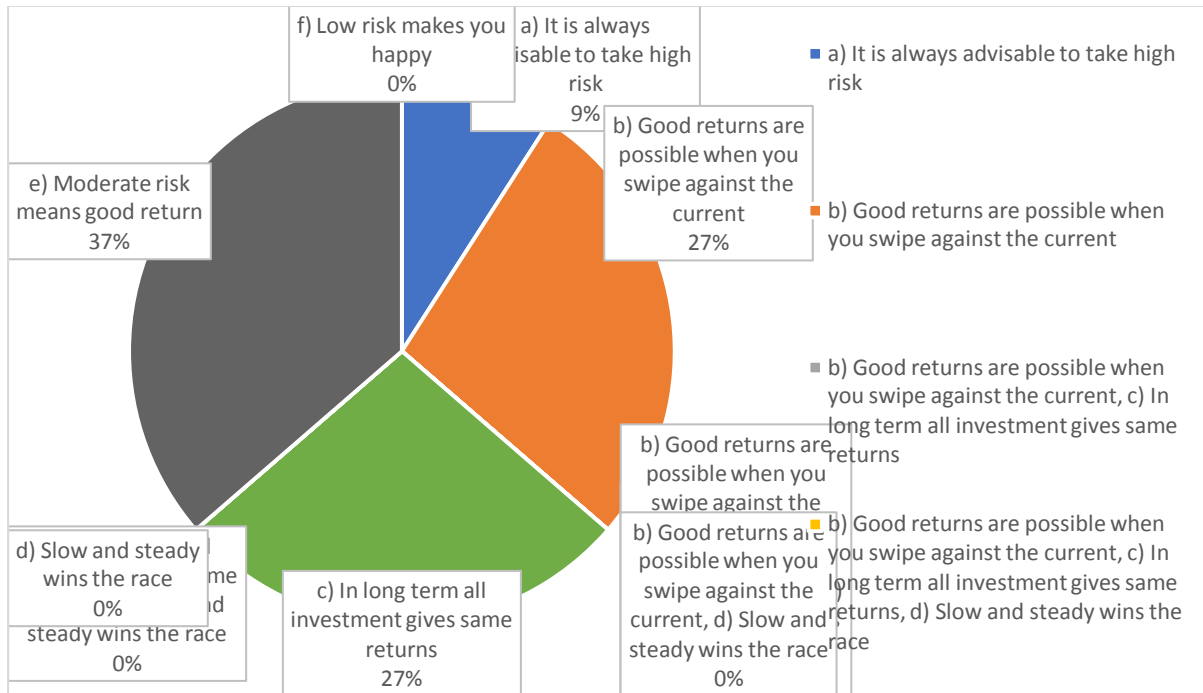
Column Chart



**Interpretation:** 25 respondents who are post graduate male and female invest regularly. All graduate male respondents invest regularly. It is also observed that out of total respondent 40 percentage respondents invest regularly with objective of secure future and high return rather than to increase the wealth to improve financial stability.

Further, more than 61 % of respondents invest regularly with 05 to 10 % of their total earning. They are taking investment decision as per the suggestion or advice of friends, relatives, or consultants and do not have a specific approach.

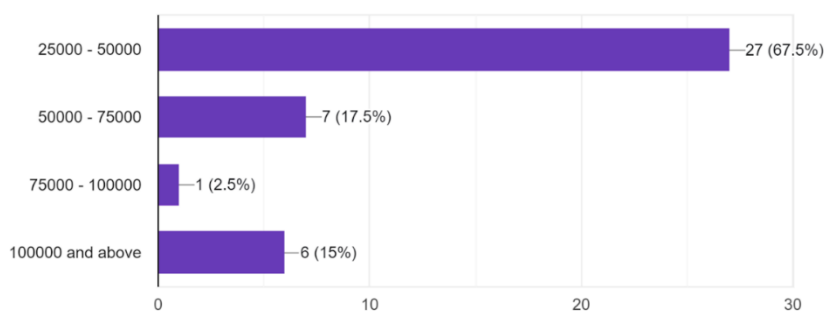
3. Objectives of Investment:



Interpretation: Nearly 43 percentage of investor objectives is to receive maximum returns/profits but they are not taking are unable to take investment decision by after studying market.

Respondents’ monthly income:

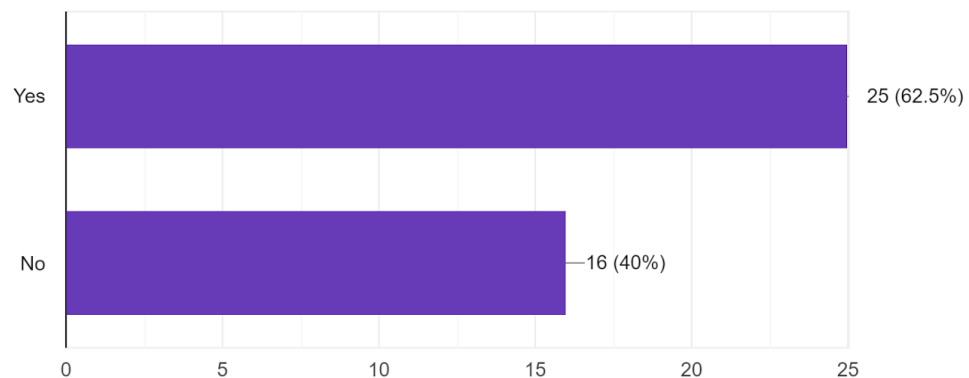
4. Income group (per Month)  
40 responses



Interpretation: As per the data, we can see that majority of the income group are from the 25000-50000 income bracket. 17.5% of the respondents have monthly income of 50000-75000 and 15% of the respondents have monthly income of 1,00,000 and above and a few numbers in 75000-100000 per month

5. Do you invest regularly ?

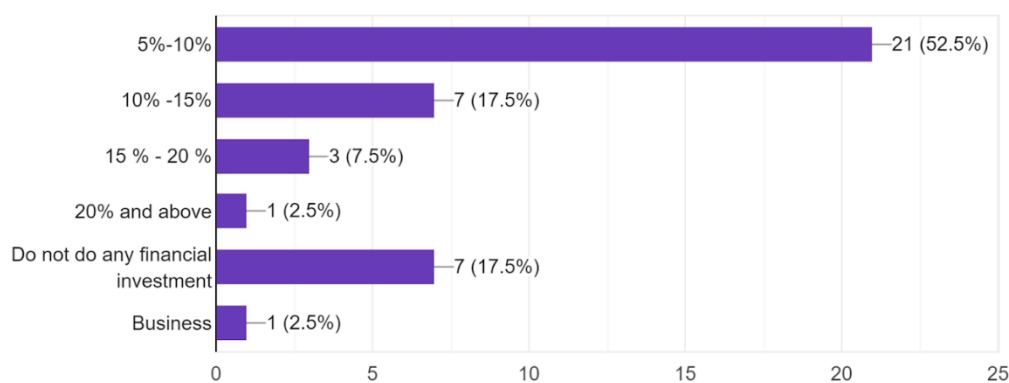
40 responses



**Interpretation:** 62.6% respondents make investment regularly from their saving monthly basis and nearly 40% respondents are unable to make investment regularly.

6. If yes, what is the part of your income that you invest in regular manner?

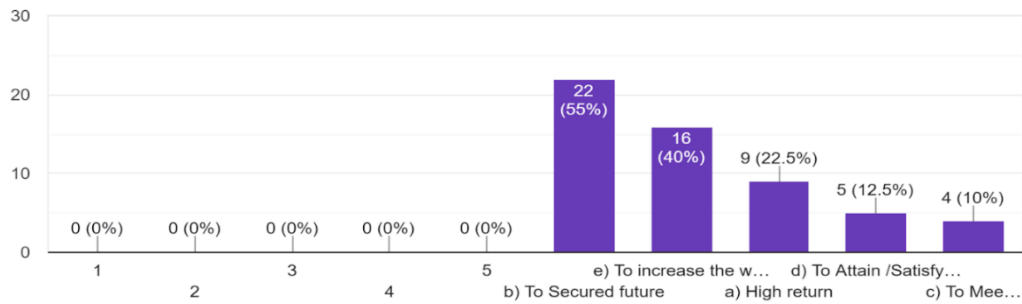
40 responses



**Interpretation:** As per the data we can see that majority of the regular investors make 5% - 10% investment per month i.e. 52.5%, followed that 10% – 15% category of investor are 17.5%.

7. What is the motive of investment ?

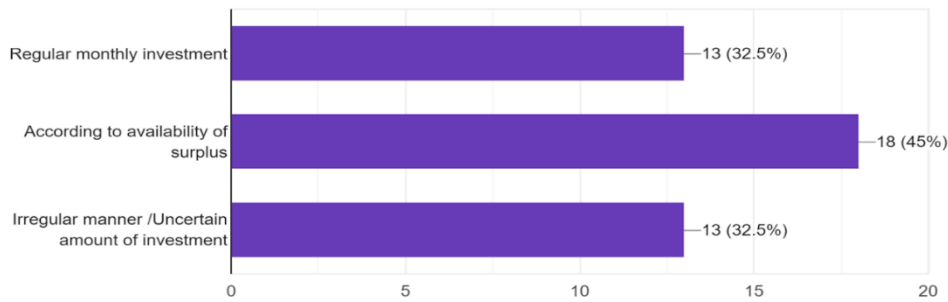
40 responses



**Interpretation:** Majority of resonances invest with the objective of increase the wealth to improve financial stability and secured future.

8. How do you invest ?

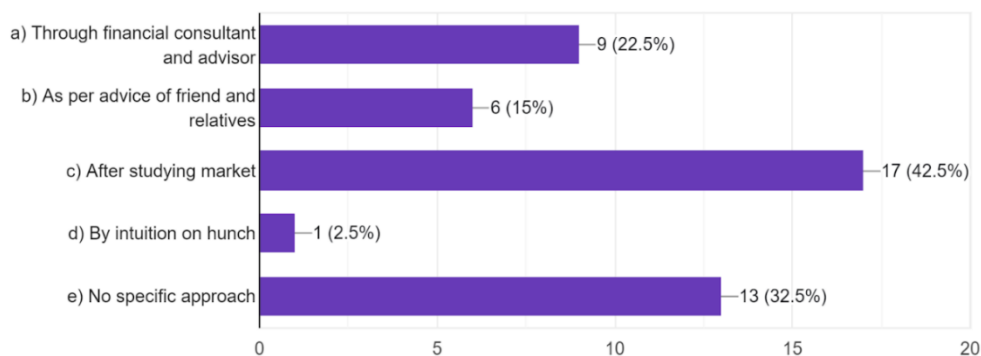
40 responses



**Interpretation:** From the study, it is observed that nearly 45% respondents invest according to availability of surplus, and 32.5% respondents invest irregular manner /uncertain amount of investment.

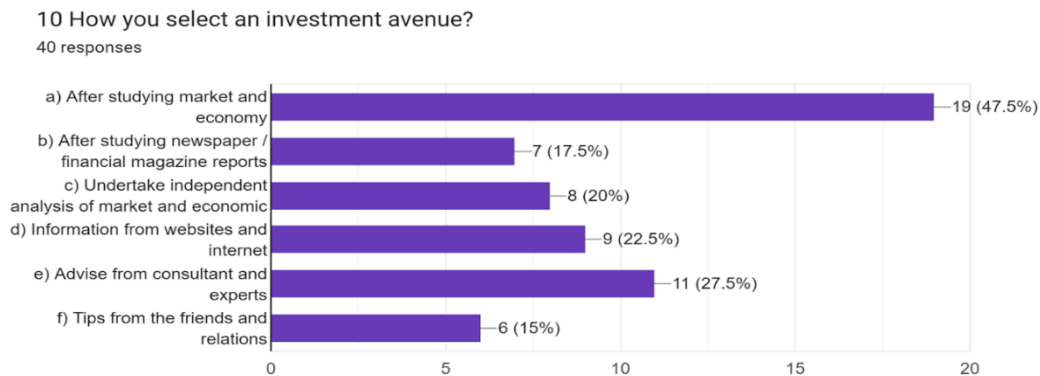
9. How to do invest?

40 responses

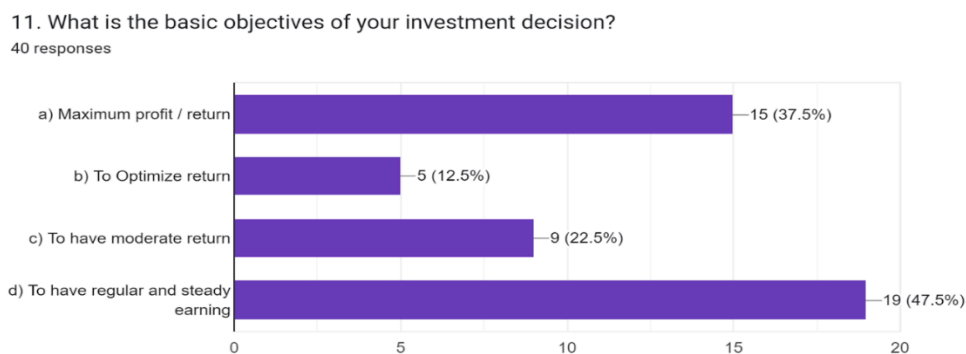




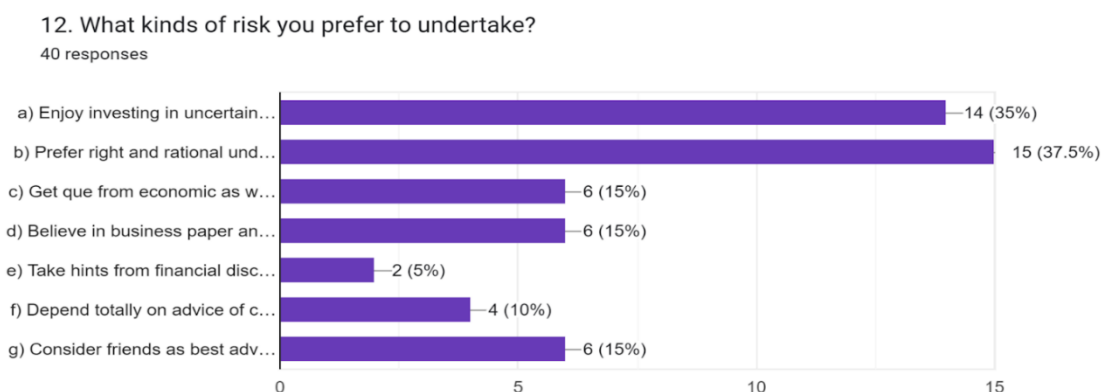
**Interpretation:** From the data it is observed that nearly 42.5% respondents invest through studying the market conditions. Only 2.5% respondents invest by intuition on hunch.



**Interpretation:** Majority of respondents select the investment avenue with the objective of after studying market and economy and followed that nearly 27.5% respondents take advise from consultant and experts.



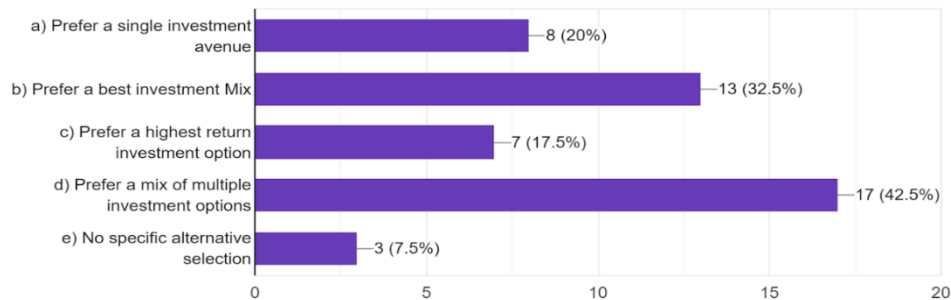
**Interpretation:** As per the data we can see that majority of the regular investors investment decisions are influenced with the objective to have regular and steady earning is nearly 47.5% and only 12.5% take investment decision with the objective of optimize return.



**Interpretation:** As per recorded responses 37.5% respondents i.e. 15 respondents, take risk with right and rational understanding of market and also 35% respondents enjoy investing in uncertain market environments. Only 5% respondents take risky investment decisions by taking hints from financial discussion on business news channels.

13. How you select and investment avenue?

40 responses



**Interpretation:** Majority of resonances select invest avenue with preference of mix of multiple investment options to achieve their investment goals. 7.5% respondents do not possess any specific alternative of investment.

## 7. Data Interpretation

The study is motivated by unrealistic presumptions such as high return, secured future to meet uncertain calamities, the attainment and satisfaction of higher return goals and to improve financial stability. Investors' investment decision also based by maximum profitability and returns, optimistic return, moderate return, regular and steady earning. Investors investment decision regarding selection of investment avenue are also presumptions by best investment mix, preference of single investment, higher return on investment options and mix of multiple investment options with no specific alternative selection. Firstly, the paper considers all unrealistic presumptions by which young investors are motivated to invest in various investments avenues. Secondly, the paper investigated reasons or beliefs, the investors put in unrealistic presumptions. Thirdly, the paper finds what the major investments myths among young investors are. Fourthly, the paper identifies the implications of investment myths if any

## 8. Result & Discussion

Based on the responses received the hypothesis (H2) proves correct that investor who invest regularly expecting high return or profit, but most of them are dependent for investment decision on their friends, relatives, or consultants advise or do not have specific approach. Nearly 40 percent post graduate male-female respondents are not making investment regularly, also remain 40 percent are doing investment to get regular and steady earning also prefer to have right and rational understanding of market. When we talk about how you select an investment avenue, most highly recorded responses are they are prefer a mix of multiple investment options rather than a single investment avenue.

## 9. Conclusion

Investment will begin after we get rich but there is not thumb rule of richness so everybody need do start investment as earliest as possible. Young investor who make investment regularly at least 5% to 15% per annum most of them expecting high returns or high profit on small amount and less tenure without having own specific approach.

## 10. Future scope of research

- Current research has related with conclusions of investment myths of young individual and, its impact of young investors decision but there is a huge scope to study on investors' behaviour and decisions
- Current research has related with facts of urban area i.e. Pune city, so, there is a scope for further research in various other rural areas, metro cities etc.
- Current research has related with only reveals facts of working young people who belong to 25 to 45 age group, but there is scope for research in age i.e. 45 to 60 and 65 and above.

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