

A Study on Relationship of Financial Autonomy and Investment Decision Making with Mediating Role of Society

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Abstract: This research paper is an explicit effort to understand the effect of financial autonomy and society on investment decision of individual. Society is a major factor which influences our living standard, thought process and objectives. It is well popular proverb that “Society makes a Man perfect”. Society has a greater influence on our decision making procedure, whether the decisions are taken for personal consumption or for investment decision. Financial autonomy has a grave importance in investment decision making. The current paper is an effort to establish the relation among the different factors, which influences the investment decision making.

Keywords: Financial autonomy, Investment decision, Mediation effect, Society.

I. INTRODUCTION

Human beings can be differentiated from other species, as they can plan for their future dreams and desire. These dreams can be classified as emotional or non emotional, long term or short term, for satisfying personal need or sociological need. Humans set goals to fulfil their dreams. Some of these dreams can be fulfilled through hard labour and some can be satisfied by financial means.

More or less many dreams are truly depending on financial viability of individuals. Individual's income decides his financial strength. Income is the core of financial planning for individual. Financial planning is a process where individual decides about saving and investment.

II. INVESTMENT

Investment decision is crucial for an individual to carry his life peacefully and as desired. Expenditure and savings are the two sides of the same coin. Savings arise from deferred or forfeited consumption. But the conversion of savings to investment requires a strong intention. Savers, who made investment, had an anticipation to earn future returns. Investment is conversion of currency into assets, assets which can generate future return.

Investment is a systematic process to convert currency to assets and vice-versa. Investment process gives a methodology of achieving two objectives; first important objective is to understand the need for converting savings into investment and second is choosing a balancing approach in selection of securities. Investment decision requires intense planning. People are regularly losing their hard earned money due to lack of planning. Investment decision process is usually affected by a many factors. Some of these factors are either internal or external. External factors are universal to all, whereas internal factors are unique among different individuals. These factors are based on demography, society, financial autonomy and personality. The current research paper is an effort to establish the relationship among these factors.

III. OBJECTIVE OF THE RESEARCH

The present research paper is intended to understand the impact of financial autonomy and society on investment decision. Researcher has put an effort to establish the relation between financial autonomy, society and investment decision.

IV. HYPOTHESIS

For the attainment of research objective, following hypotheses have been framed:

- H1: Financial Autonomy significantly influences investment decision of individual.
- H2: Positive relation between financial autonomy and investment decision of individuals got positively mediated by Society.

V. LITERATURE REVIEW

The following section will deal with different factors, which influence the investment decision. A few of these are discussed below:

Friends: The role of friends on any individual's decision making is inseparable. They manipulate the decision of individuals on most of the crucial personal issue. Shilpa, Y. S. L (2000) found in her study that friends are influential factor in decision making, whether it is the decision of marriage, purchase of house or financial security investment. Rao, C. J. further stressed that friends are main introducers toward investment. Chan, Y. and L. Kogan (2002) suggest that influence of friends is larger among the investors especially in the case of investment decision.

Financial Freedom: Financial freedom is an important element for deciding investment. Harshavardhan, S. (2011) pointed that it is the ability of individual for deciding about the size, tenure and avenue of investment.

Risk: An investor is either risk taker or risk averse. It is deviated according to age, gender and situation of investors, as explained by Clark and Strauss (2008). Fink and Huston (2003) explained further that risk taking ability depends on some more variables such as wealth, income, age, level of education, lifestyle, marital status, etc.

Awareness: SEBI and AMFI have undertaken wonderful initiatives to educate or aware investors, which ultimately increased participation of individual investors as explained by Verma, P. (2011). Verma further stated that, awareness enhancement programmes also encourage the equity share holders in acquiring knowledge for various techniques of investment and risk minimization.

Media: Lakshmi C. N. (2005) emphasized the role of media in consumer buying behaviour. She stated that media plays an significant role for providing information as well as it works as influencing catalyst to build buying behaviour. Investor has a greater dependency towards media for investment decision.

Working Place Environment: The studies of Blume, M. E., and I, Friend (1978) stated that, the employees' working in listed companies, are more aware about stock market than the employees of unlisted companies and more intended to invest in equity, than the unlisted company's employees. Cohn, R. A., W. G. Lewellen, R., (1975) stated that teachers and the people who are working in less adventures profession are believed to invest in less risky instruments. Working place environment affect investor's choice and attitude of investment.

Financial Knowledge: Strauss (2008) cited that investors in United States of America have participated mostly in pension plan due to their less understanding of financial report. Understanding financial data is most important for investor for deciding investment plan.

Professional Advice: Tapia and Yemo (2007) evidenced that there is a positive correlation between professional advice and investment in equity fund. It can be inferred from their study that investor's decision for investment can be influenced by professional advice. It is important to apprehend the influence of specialized advice on investment decision.

Interest: Atkinson *et al.*, (2006) found that non-savers are mostly risk averse. Hall *et al.*, (2006) people who have no

interest in investment are risk averse. It is important to have interest of investment.

Locus of Control: Rotter, Julian B. (1954) introduced the word 'locus of control', the concept of locus of control describes the people feeling about the control of their lives in their own hands or not. It is seen that people who have an internal locus of control believe that they can write their own fortune. Control determines investors' confidence over their investment decision.

VI. RESEARCH METHODOLOGY

Literature suggests that there are many variables which affect the decision for construction of people's investment portfolio. To evaluate such variables, a well structured questionnaire is designed. In behavioural profile, a set of 5 point statements is used to measure each of the variables identified, as it is not possible to measure them directly.

VII. SAMPLE UNIT

An individual retail investor.

VIII. SAMPLE SIZE

Total six hundred fifty questionnaires were sent and filled, out of which 544 questionnaires were found properly filled and remaining questionnaires were rejected due to missing information.

IX. DATA COLLECTION

Digital India initiative makes internet accessible to all. Questionnaire was prepared in both digital and printed version. Digital version of questionnaire was filled up with help of Google Forms, where as printed version was filled through personal visit.

X. DATA ANALYSIS AND INTERPRETATION

Exploratory factor analysis is chosen for analysing the data. To understand the relation, among the variables, and for constructing the model, factor analysis is chosen. The Kaiser-Meyer-Olkin (KMO) test as calculated proposes that the sample is adequate for factor analysis as its KMO is .926.

TABLE I: TKMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.926
Bartlett's Test of Sphericity	Approx. Chi-Square	4969.028
	Df	136
	Sig.	.000

Factor Analysis

TABLE II: ROTATED COMPONENT MATRIXA

	Component			
	1	2	3	4
Risk	.781			
Interest	.755			
Locus of control	.727			
Finance	.717			
Knowledge	.699			
Freedom	.651			
Working place		.797		
Professional advice		.757		
Media		.746		
Friend		.719		
Awareness			.774	
Perception			.746	
Belief			.707	
Attitude			.698	
InvDeci2				.865
InvDeci3				.853
InvDeci1				.827
Extraction Method - Principal Component Analysis.				
Rotation Method - Varimax with Kaiser Normalization.				
a. Rotation converged in 6 iterations.				

It can be inferred from the above table that all variables are loaded on different factors. These factors are considered as latent variables. Based on the nature, they are being named as financial autonomy, society and investment decision.

XI. RELIABILITY ANALYSIS

As Cronbach's Alpha test is used for test the reliability of the above latent variables (factor) and questions. The cronbach's alpha of the above latent variables is as follows:

TABLE III: RELIABILITY STATISTICS

Latent Variables	Cronbach's Alpha	Number of Items
Society	.859	4
Financial control	.867	6
Investment Decision	.897	3

XII. RELATION BETWEEN MOTIVE FOR INVESTMENT AND OTHER VARIABLES

It is the prerequisite to perform the linear regression analysis test that data must be linear. Linearity can be established with the help of descriptive statistics. Descriptive statistics of these variables are as follows:

TABLE IV: DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Inv_DICF	544	1.05	4.57	2.9878	1.04263	-.137	.105	-.570	.209
Person	544	3.68	13.98	8.9906	2.60548	-.021	.105	-.430	.209
Fin_Aut	544	2.74	13.28	8.3225	2.42674	.014	.105	-.347	.209
Society	544	3.01	12.92	8.1959	2.41270	-.125	.105	-.466	.209
Valid N (listwise)	544								

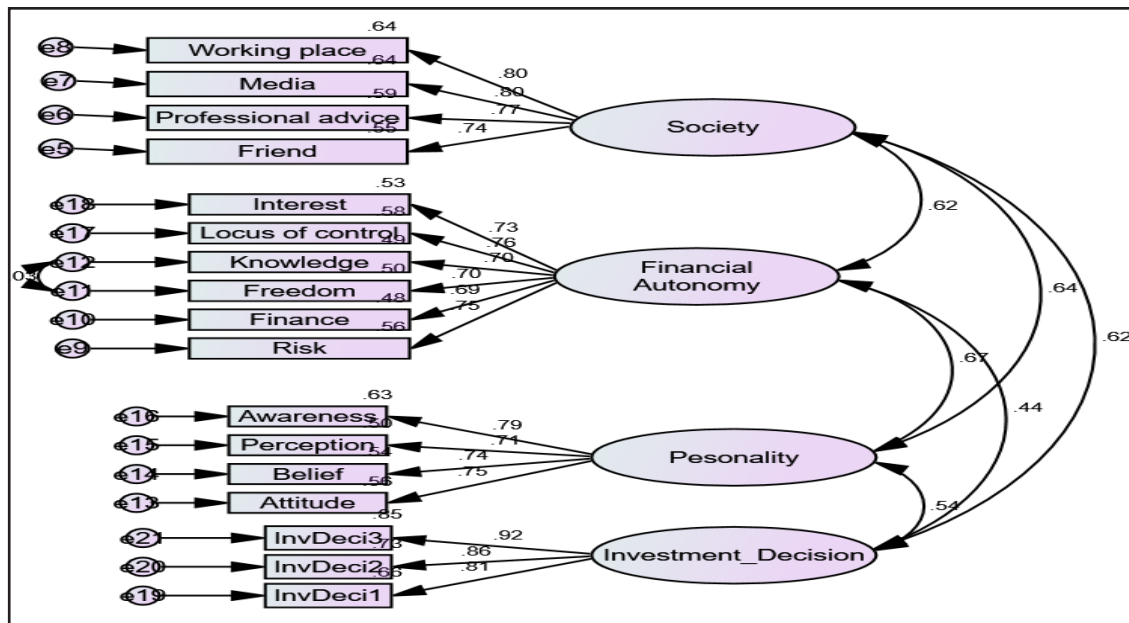
It can be inferred that there is linearity among the variables from the above table. It is being observed that skewness and kurtosis lies between -1 to +1, and statistical value is less than three times of slandered error.

XIII. MODEL FIT

Confirmatory Factor Analysis: Exploratory factor analysis provides only the details regarding different factors loading and

their relation. Confirmatory factor analysis helps in quantifying the relation among different latent variables. Researcher has adopted SPSS AMOS for CFA. The following graph displays the CFA among the latent variables.

The standardized estimate result of CFA confirms the correlation among the variables. The model is being tested with the help of SPSS AMOS by Gaskin, J. & Lim, J. (2016), "Model Fit Measures", AMOS Plug-in. The result of model fit is shown in Table V.



Graph 1

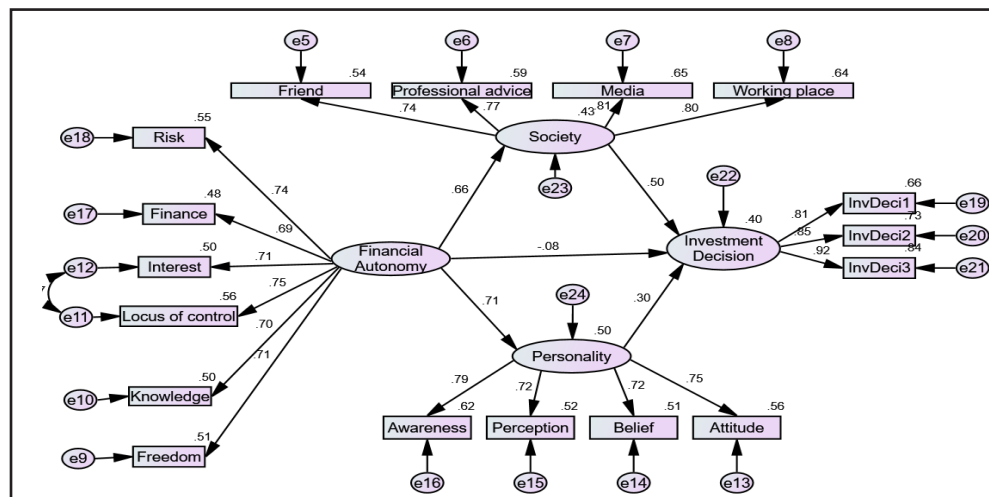
TABLE V: MODEL FIT MEASURES

Measure	Estimate	Threshold	Interpretation
CMIN	249.081	--	--
DF	112	--	--
CMIN/DF	2.224	Between 1 and 3	Excellent
CFI	0.972	>0.95	Excellent
SRMR	0.040	<0.08	Excellent
RMSEA	0.047	<0.06	Excellent
PClose	0.690	>0.05	Excellent

Computed using Gems gaskin plug-in in AMOS

The above result of model fit measures confirms the excellent fit. All latent variables have perfect relation among themselves for further study. The following research paper is an effort to establish the relation among the different factors which affect the investment decision. It is being established from the above model that there is an excellent relation among the investment decision, financial autonomy and society. The researcher had further objective to establish a relation among of the variables, and also estimates their effect on each other. Path analysis is further attained to establish the relation among them.

XIV. PATH ANALYSIS



Graph 2

It is being inferred from the above graph that, investment decision gets affected by other variables.

TABLE VI: MODEL FIT MEASURED

Measure	Estimate	Threshold	Interpretation
CMIN	287.917	--	--
DF	113	--	--
CMIN/DF	2.548	Between 1 and 3	Excellent
CFI	0.964	>0.95	Excellent
SRMR	0.056	<0.08	Excellent
RMSEA	0.053	<0.06	Excellent
PClose	0.225	>0.05	Excellent

Computed using Gsem gaskin plug-in in AMOS

The model fit confirms the relation being tested in the model. The model confirms that the financial autonomy has a direct effect over the investment decision of individuals, society further affecting the investment decision.

XV. HYPOTHESIS TESTING

- H1: Financial Autonomy significantly influences the investment decision of individual.

The below table indicate the relation between financial autonomy and investment decision of an individual. The value of t which is greater than 1.96 and significance level which is below 0.01 clearly indicates that there exist significant relation between financial autonomy and investment decision of an individual. Moreover, positive value of beta (coefficient of regression) indicates that there is positive relation between financial autonomy and investment decision of an individual.

TABLE VII

		Un-standardized B	Std. Error	Standardized Beta	t Value	Sign
1	(Constant)	1.256	.140		8.974	.000
	Fin_Auto	.208	.016	.484	12.888	.000
a. Dependent Variable: Inv_DICF						

H1: *Accepted*, as it is being inferred from the above table that financial autonomy significantly influences the investment decision of individuals.

- H2: Society has mediation effect over financial autonomy on influencing the investment decision of individuals.

Researcher had used SPSS to find the mediation effect of society on financial autonomy and investment decision. Andrew F. Hayes has developed a process function to establish the mediation effect among the unobserved variables. The result of mediation test is as follows:

Run MATRIX Procedure:

Procedure for SPSS Release 2.16.3

Written by Andrew F. Hayes, Ph.D. www.afhayes.com

Model = 4

Y = Inv_DICF

X = Fin_Auto

M = Society

Sample size = 544

Outcome: Society

Model Summary

R	R-sq	MSE	F	df1	df2	p
.6976	.4866	2.9940	513.7466	1.0000	542.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	2.4238	.2652	9.1382	.0000	1.9028	2.9449
Fin_Auto	.6935	.0306	22.6660	.0000	.6334	.7537

Outcome: Inv_DICF

Model Summary

R	R-sq	MSE	F	df1	df2	p
.6760	.4570	.5924	227.6852	2.0000	541.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	.5665	.1268	4.4697	.0000	.3176	.8155
Society	.2845	.0191	14.8877	.0000	.2469	.3220
Fin_Auto	.0108	.0190	.5687	.5698	-.0265	.0481

Total Effect Model

Outcome: Inv_DICF

Model Summary

R	R-sq	MSE	F	df1	df2	p
.4843	.2346	.8336	166.1070	1.0000	542.0000	.0000

Model	coeff	se	t	p	LLCI	ULCI
constant	1.2560	.1400	8.9743	.0000	.9811	1.5310
Fin_Aut	.2081	.0161	12.8882	.0000	.1764	.2398

Total, Direct, and Indirect Effects

Total effect of X on Y

Effect	SE	t	p	LLCI	ULCI
.2081	.0161	12.8882	.0000	.1764	.2398

Direct effect of X on Y

Effect	SE	t	p	LLCI	ULCI
.0108	.0190	.5687	.5698	-.0265	.0481

Indirect effect of X on Y

	Effect	Boot SE	BootLLCI	BootULCI
Society	.1973	.0151	.1682	.2277

Normal theory tests for indirect effect

XVI. ANALYSIS NOTES AND WARNINGS

Number of bootstrap samples for bias corrected bootstrap confidence intervals: 5000

Level of confidence for all confidence intervals in output:

95.00

It can be inferred from the above table that investment decision (dependent variable) having a significant effect of financial autonomy as beta value (p) received less than .001 and there is no zero occurred between the Lower Limit of Confidence Index (LLCI) and Upper Limit of Confidence Index (ULCI). Process procedure also depicted the significant impact of society over the investment decision. The model fit measure test confirmed that society mediating the effect of financial autonomy on investment decision, as showed in the table the beta value (p) of financial autonomy becomes insignificant in the presence of society. It can be inferred from the above table that, there is full mediation of society on financial autonomy.

Hypothesis H2: Accepted: Society has a significant mediating the effect of financial autonomy over the investment decision.

XVII. CONCLUSION

The current research paper ends with outcomes, which approves that, financial autonomy and society play an essential role in the construction of investment decision of individual. It founds that financial autonomy significantly influence the investment decision process of individual. Society also played an important role in investment decision.

It is further found in the current research that society has a full mediation effect on influence of financial autonomy over

investment decision process. So it can be concluded that financial autonomy is required for investment decision, but it cannot ignore the influence of society. In simple language, it can be stated from the above study that, financial autonomy is essential for an individual to construct his investment decision but society confirms that decision, so risk averse investor cannot include risky instrument in his portfolio as his society disagrees to the decision and in the same way a risk taker cannot include moderate instrument in his portfolio.

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