How to Cite:
Thiyagarajan, S., & Durairaj, D. (2022). Investment myths and its effect on investment behaviour of young investors influencing socially responsible investment (Sri). *International Journal of Health Sciences*, *6*(S3), 6557–6566. https://doi.org/10.53730/ijhs.v6nS3.7468

Investment myths and its effect on investment behaviour of young investors influencing socially responsible investment (Sri)

Savitha Thiyagarajan
Research Scholar, Department of Commerce, College of Science and Humanities, SRM Institute of Science and Technology, Kattankulathur, Chengalppattu, Tamil Nadu, India
*Corresponding author email: st0837@srmist.edu.in

Dr. D. Durairaj
Assistant Professor, Department of Commerce, College of Science and Humanities, SRM Institute of Science and Technology, Kattankulathur, Chengalppattu, Tamil Nadu, India

***Abstract*---**The investment trend gets changes day after day. It became the need of the day to make the investments more sustainable. The concept of Socially Responsible Investment (SRI) became popular in 2017's. Investors of companies around the world believe and support the fact of the SRI investment strategies to attract national and global investments. This in turn made the inventors consider various non-financial disclosures apart from financial disclosures for investment portfolio creation that affect the investors' traditional investment strategies. This paper covers the current strategy of investment format and pattern in portfolio investment assumptions, beliefs of investment (myths), and its effect on the investment behaviour of young investors.

***Keywords*---**investment behaviour, socially responsible investment (SRI), investment myths, investment decision making, non-financial disclosures, investment strategies.

Introduction

The money you earn is spent in part and saved in part for future expenses. Instead of relaxing on your savings, you could invest them in order to earn a return from them in the future. This is referred to as investment. Investing entails putting our money into a situation where we can earn a higher return on it. There are numerous approaches we can consider when making an investment. This

Manuscript submitted: 27 March 2022, Manuscript revised: 18 April 2022, Accepted for publication: 9 May 2022

includes investing in stocks, bonds, mutual funds, or real estate, etc. These options are referred as "investment avenues," which is simply another way of saying "a way to invest." However, there are various investment myths that exist among various types of investors; people are frequently taken in by certain unproven ideas and invest their money as a result. However, there are various investment myths that exist among various types of investors. The people are frequently carried away with unproven ideas and invest their money in various avenues of investment through logical thinking and belief, which may or may not be rational thinking. Investment myths are the result of people's logical thinking, experience, knowledge, beliefs, psychology, and so on, all of which have a direct impact on the thinking process. Different types of decisions, such as financial or investment decisions, necessitate rational thinking.

Investment Myths

Investment myths prevail, and they affect people of all classes and walks of life. Because there is no uniform approach or specific application of rational thinking to investment, people often get carried away with unproven notions. Investment is a monetary issue that is based on the investor's or individual's earnings. Various forms of investment myths are prevalent among various categories of investors. Investment-related decisions are also influenced by a number of factors. Everyone in today's world is chasing after money, which is also regarded as a source of happiness for all. People have begun investing in order to ensure a stable living and a bright future. They've begun looking for better investment channels.

Review of literature

The investors were willing to invest in mutual funds in the future. These are regarded as having a low risk. Equity investments account for somewhat more than 60%, while fixed income accounts for slightly less than 40%. Only 15% of respondents invest in mutual funds that invest in foreign economies, indicating that domestic mutual funds are the most popular investment vehicle. For affluent investors, two sources of mutual fund purchases dominated: direct or through a broker; just 2.3 percent of purchases came from a financial institution (Capon et al., 1994). The corporates in turn to be more ethical and transparency in the disclosures, disclaimers provided publically (Mercer et al., 2010) and there should the limit and restrictions for the licencing of natural resources dealing corporates like mining, hydro-electric projects for wayfaring the local communal developments (Laplante & Nolin, 2014) apart from attracting their investments for profitability.

The main purpose of Socially Responsible Investment is to allow the investors to go as per choices for construction of their portfolio influenced by their *"priori criteria"* – ethics, personal beliefs, elders and consultants' guidance (De Colle & York, 2009). For the investment choice the investors plan with the traditional approach in addition with the cognition investment strategy. Where the question of "*why do some investors practice socially responsible investment and others don't?"* is answered in the study by the author (Glac, 2009) lied a foundation for this research paper. It also made an evident that Corporate Social Responsibility and Socially Responsible Investment do not have a link in the corporate investment strategies.

From the financial lenders in the prospect of financial support for the entrepreneurial socially responsible projects seeks more advantage over the non-socially responsible projects in the real case study analysis of the Royal Investment Banks. The investors of such micro-entrepreneurial projects also believes that there would be more scope of returns and gets listed their stocks gets traded on the major stock exchanges (Hudson & Wehrell, 2005). The main focus of the financial advisors and consultants for SRI is to maintain the fiduciary duty in the investment plans. The focus should be more on the legal and ethical process of decision rather than the future outcome of returns (Martin, 2009) when compared with the conventional investors (Mclachlan & Gardner, 2004). The world's most larger holder of the funds like public pension funds rather performing the conventional financial analysis going on with the fiduciary duty of ethics and corporate governance (Sethi, 2005) would produce long-term sustainable growth survival of the corporate in the market, economy, environmental and socio-political dynamics.

Need for the study

People began looking for the best investing opportunities. They have felt compelled to learn about the danger and effort involved in investing. People nowadays are preoccupied with increasing their profits in order to secure their future. Every investor is concerned about selecting the wrong investment outlets and risk factors for their profile. As a result, before making any form of investment, it is necessary to research investing behaviour, investor psychology, and numerous investor myths. People frequently invest their money in numerous investing avenues based on logical thinking, prior knowledge, and experience. However, the majority of individuals are unfamiliar with financial concepts, resulting in a lack of financial literacy.

Many issues have surfaced, including the purpose of investing, investor behaviour, investor expectations, investment safety, guaranteed returns, projected time period, and investment channels. As a result, it's critical to comprehend different facets of investor behaviour. As a result, the current research focuses on financial literacy and investor myths in general, as well as young investors in particular. The current research will also contribute to a better understanding of the issues surrounding investment misconceptions that exist among various types of investors. According to the researcher, there hasn't been much research into the types of investment myths that exist among different types of investors. As a result, in light of the current requirement, the study was done with the goal of focusing on the subject topic.

Problem definition

With the importance of the study, the researcher felt compelled to learn about the psychology of investors, common myths, financial literacy, investment thinking patterns, and the many driving forces that influence investment decisions, among other things. In summary, the study investigated (a) whether young investors' investment behaviour is the result of purely rational and logically thinking-based decisions, (b) to what extent young investors' investment decisions are influenced by market beliefs and presumptions, and (c) whether investment myths are prevalent in their minds. As a result, the study's issue is appropriately linked to the prevalence of investment myths.

Research Methodology

The research design used in this paper is diagnostics and descriptive research design. The data type used for this study is the qualitative data type collected through a well-structured questionnaire from the young investors. The population of the study is unknown. The young investors of the Karur town for the rural and urban areas comprised the whole population of the study. Stratified sampling techniques were followed while collecting responses based on income and age group of 21-40 years. The sample selected from the population was 52 young investors and 5 financial consultants/brokers – Kotak Securities, Sun Securities. The data is qualitative in nature, analyzing and interpreting the data; the researcher has used ratios, percentages, averages, proportions, etc. Since the study is based on field-level interaction; much time was spent meeting many sample respondents to develop a good understanding of various aspects mentioned in the research study. In addition, the researcher has also used statistical techniques such as correlation, Independent sample T-test.

Findings, Discussion, and Conclusion

Demographic Understanding

Table 1
Demographic profile of the respondents

VARIABLE	ITEMS	YOUNG INVESTORS		FINANCIAL CONSULTANT / BROKER (S)	
		Frequency	Percentage (%)	Frequency	Percentage (%)
Age	21-25	18	35	2	40
	26-30	17	33	2	40
	31-35	10	19	1	20
	36-40	7	26	0	0
	Total	52	100	5	100
Gender	Male	39	75	4	80
	Female	13	25	1	20
	Total	52	100	5	100
Educational Qualifications	Secondary	7	13	-	-
	Higher Secondary	9	17	-	-
	Graduate	21	40	3	60
	Post Graduate	8	15	2	40
	Professional	7	13	-	-
	Total	52	100	5	100

Type of Employment	Private Sector	23	44	5	100
	Public Sector	17	33	-	-
	Government	9	17	-	-
	Self-employment	3	6	-	-
	Total	52	100	5	100
Social Background	Rural	26	50	1	20
	Urban	26	50	4	80
	Total	52	100	5	100
Income Details PM (Rs.)	10000 to 40000	24	46	3	60
	40001 to 60000	17	33	1	20
	60001 to 1 LK	8	15	1	20
	Above 1 LK	3	6	-	-
	Total	52	100	5	100
Mode of Earnings	Regular	41	79	5	100
	Irregular	11	21	-	-
	Total	52	100	5	100
Source of Income	Income from Salary	23	44	-	-
	Income from House Property	2	4	-	-
	Income from Investment , Short term securities, Mutual funds and Savings	2	4	3	60
	Income from business and professions	16	31	1	20
	Income from Other Sources	0	-	-	-
	Multiple Sources	9	17	1	20
	Total	52	100	5	100

Source: Data Extraction from Primary source

Table 1 represents the demographic profile of the young respondents and financial consultant/broker (s). From the table, we understood that the majority of the respondents (68%) lie in the age group of 21-30 years and the income level per month of 79 % lies between Rs. (10,000 - 60,000). It also shows that 75% of young investors and 80% of financial consultants/ brokers are male. Depicting the good awareness of investment and financial literacy of male respondents is more in Karur District when compared with female.

Testing of Hypothesis

- There is a relationship between the level of education and economical intelligence.
  H0[1]: (Null Hypothesis) There is no relationship between the level of education and economical intelligence.

H1¹: (Alternative Hypothesis) There is a relationship between the level of education and economical intelligence.

It is found that there is a strong correlation between the level of education and economical intelligence. During the testing of data, there was found a correlation between two variables near 0.910591. It represents a very strong positive correlation. Hence, the alternative (H1) hypothesis has been accepted.

- Dominance of investment myths amongst young investors is basically due to a lack of financial literacy

  H0²: (Null Hypothesis) Dominance of investment myths amongst young investors is not basically due to a lack of financial literacy.

  H1²: (Alternative Hypothesis) Dominance of investment myths amongst young investors is basically due to lack of financial literacy.

Table 2

t-Test: Two-Sample Assuming Equal Variances		
Y	*Grade*	
Mean	1.096154	1.068462
Variance	0.087244	0.86682
Observations	57	57
Pooled Variance	0.477032	
Hypothesized Mean Difference	0	
df	518	
t Stat	0.457148	
P(T<=t) one-tail	0.323878	
t Critical one-tail	1.647801	
P(T<=t) two-tail	0.647756	
t Critical two-tail	1.964554	

The t-test is one type of inferential statistics. It is used to determine whether there is a significant difference between the means of the two groups. With all inferential statistics, assumed that the dependent variable fits a normal distribution. The probability of a particular outcome was identified when assumed a normal distribution exists. The level of probability (alpha level, level of significance, p) and willingness to accept before collecting the data ($p < .05$ is a common value that is used). After the data was collected, calculated a test statistic with a formula. When comparing our test statistic with a critical value found in table 2 to see if our results fall within the acceptable level of probability, t-test equal variance is found relevant to data. T table value found 1.964554 and calculated value are 0.457148 which are less than the table value. It is indicating that the data is not varied so far from the equal responses by the respondent or maximum respondent has given equal answers. Hence, the alternative hypothesis has been proved.

- The prevalence of investment myths is basically due to a lack of appropriate financial and economical intelligence.

  H0³: (Null hypothesis) Prevalence of investment myths is not basically due to a lack of appropriate financial and economical intelligence

$H1^{3}$: (alternative hypothesis) Prevalence of investment myths is basically due to a lack of appropriate financial and economical intelligence.

Table 3

t-Test: Two-Sample Assuming Equal Variances		
Grade	*Y*	
Mean	1.151538	1.123077
Variance	0.976581	0.108346
Observations	57	57
Pooled Variance	0.542463	
Hypothesized Mean Difference	0	
df	518	
t Stat	0.4406	
P(T<=t) one-tail	0.329843	
t Critical one-tail	1.647801	
P(T<=t) two-tail	0.659686	
t Critical two-tail	1.964554	

Table 3 shows that the T table value is 1.964554 and the calculated value is 0.4406 which is less than the table value concluding that the Prevalence of investment myths is basically due to a lack of appropriate financial and economical intelligence. So, the alternative hypothesis is proved. Many respondents are not in favour of other reasons and remarked to the option of the prevalence of investment myths is basically due to a lack of appropriate financial and economical intelligence. Hence, the alternative hypothesis has been accepted.

Discussion

From young investors responses

- Majority of the young investors are of the opinion that savings are essential for future requirements which makes life simple and risk-free, so one cannot survive without savings. There are also of the opinion that investment is one of the best ways to reduce tax liability.
- Majority of the sample respondents preferred fixed and secure return investment avenues. They preferred long term investment options such as investment in life insurance policies, fixed deposits in the banks, gold, silver, land; property, etc. they are also of the opinion that people should go for different kinds of investment avenues in addition to traditional avenues as diversified investment avoids the risk from various investment avenues. The main purpose of diversified investment is risk management, high returns, safety, and security and to get differentiated returns to meet future expectations.
- Most of the sample respondents are of the opinion that there is a need for adequate awareness and knowledge of proper investment plans as very few people are making their self-investment planning whereas, most of the sample respondents are seeking advice from financial consultants. Most

young investors take advice from their friends, relatives/unofficial sources, professional consultants, etc. However, they are of the opinion that there is a need for professional consultancy while making variations in an investment portfolio.

- 45.38% of the sample respondents preferred mutual funds as the best option in uncertain return investment avenues.
- There found many influencing determinants which influence the choice of investment. These are safety, security, ease to switch over, etc. Most young investors are unaware of various investment analysis techniques such as technical analysis, fundamental analysis, and market analysis whereas they use only traditional information and guidance from elders and consultants for their portfolio farming.
- Majority of the young investors take information about investment from professional magazines, business news channels, friends and relatives, etc. but they find self-investment perception is better than others.

From financial consultant/ brokers (s)

- The financial consultants/brokers are of the opinion that there is a need for the following measures, to develop an ideal investment climate.
  - Establish financial awareness system.
  - Creating awareness regarding the economy.
  - Developing the right approach towards economy, finance & money.
  - Investment education.
  - Providing opportunities for consistent deployment of funds.
  - Developing a habit of evaluating returns.
  - Cultivating a sense of switching over from one avenue to another.
  - Developing economic prudence.
- The main purpose of offering consultancy services are a balanced approach towards investment, Appropriate portfolio management, Risk mitigation and management, wealth maximization, en-cashing profitable opportunities, providing advice regarding switch over from one avenue to another, tax planning, making better utilization etc.
- As per the opinion of financial consultant/brokers that people have become more cautious about their earnings and deployment of funds. They are taking care about their clients' funds towards the good returns from the investment.
- It is found that majority of the sample respondents are of the avenues are known and acknowledged by the general public. Most of the people are unaware about other beneficial avenues. Hence, people invest their funds into these avenues of investment.
- It is found that young potential investors require appropriate financial education for financial and investment planning.
- Due to lack of opportunities, awareness and time constrains, young people do not get financial education opportunity. According to them investment education will definitely change the approach of young investors towards investment. In fact, there in need to provide financial education and training to young potential investors. Potential young investors require education

regarding investment planning, financial planning, risk management, basic course in direct taxes etc.

- Most of the financial consultant/brokers are of the opinion that majority of the young investors invest their surplus because of tax compulsion.
- As per the opinion of financial consultant/brokers that investors do not get desired returns because of lack of awareness, lack of enthusiasm, improper understanding regarding modes, improper selection of investment and personal compulsion. They are also of the opinion that education regarding investments can change investors approach towards investment avenues.

Conclusion

Age, income- level, and education were found to influence the financial literacy of an individual. Whereas, high-income respondents had high financial literacy than lower-income people. The study also revealed that people consider fixed deposits in banks as the most effective financial instrument followed by life insurance. They are also using the traditional or conventional way of investment i.e. gold, silver, land, property, etc. Government should bring awareness to people. Risk and return are positively linked. The simple principle of investment is high-risk results in high returns and low-risk results in a low return, so if one wants high returns they have to take risk. Accordingly, individual investors may determine their fund's allocation as per their risk-bearing capacity. Investors with higher income and relatively higher educational levels are taking consultancy from financial consultants/brokers and getting benefits from different alternative investments. Whereas, investors with lower or moderate-income and also having higher educational levels are taking advice from their friends and relatives which results in the generation of various investment myths. The researcher strongly felt that there is a need to use different kinds of investment avenues for maximizing wealth and managing a good portfolio in order to avoid uncertainty and market risk.

High returns, safety and security are the vital parameters of risk management to get a differentiated return to meet future expectations. Good investment always gives better returns. The economic environment of the country is certainly influenced by investment decisions. Time is also one of the key factors for success in financial and investment decisions. Systematic investment is always beneficial to the investor over a period of time. A simple principle of investment is a high risk, high return and low-risk low return, so if one wants high returns they have to take a risk. Investment decisions are influenced by various determinants. They are high returns, the certainty of income, security of principal, safe and assured returns, market appreciation, timely returns, limited period of investment, goal-directed, balancing objectives, etc.

Limitations of the study

The present study has certain limitations which are outlined as follows:

- The sample respondents (young investors and financial consultant/ broker (s)) selected for the study are earning in nature of monthly income of Rs. (10,000 to 60,000) and belong to the age group of 21 to 40.

- The area selected for the study is Karur Town (rural and urban areas). Therefore, observations, findings, and conclusions may be different in rural areas.
- Sample respondents selected for the study were young investors, and financial consultants/brokers only. The reliability of the study depends upon respondents' honest and accurate responses.
- Present study was conducted and data were collected by the researcher for the period of January and February 2022 (2 months). Observations and conclusions drawn in this study may or may not be applicable for preceding years or upcoming months.

Declaration

This research study was done purely by the author's contributions and not funded by any other funding agencies/ government.

Authorship Contribution

Ms. Savitha Thiyagarajan 1: Conceptualization, Analysis, and drafting of the original manuscript.
Dr. D. Durairaj 2: Supervision, Validating, and draft editing.

References

Capon, N., Fitzsimons, G. J., & Weingarten, R. (1994). Affluent investors and mutual fund purchases. *International Journal of Bank Marketing*, *12*(3), 17–25. https://doi.org/10.1108/02652329410055178

De Colle, S., & York, J. G. (2009). Why wine is not glue? the unresolved problem of negative screening in socially responsible investing. *Journal of Business Ethics*, *85*(SUPPL. 1), 83–95. https://doi.org/10.1007/s10551-008-9949-z

Glac, K. (2009). Understanding socially responsible investing: The effect of decision frames and trade-off options. *Journal of Business Ethics*, *87*(SUPPL. 1), 41–55. https://doi.org/10.1007/s10551-008-9800-6

Hudson, R., & Wehrell, R. (2005). Socially responsible investors and the microentrepreneur: A Canadian case. *Journal of Business Ethics*, *60*(3), 281–292. https://doi.org/10.1007/s10551-005-0135-2

Laplante, J. P., & Nolin, C. (2014). Consultas and Socially Responsible Investing in Guatemala: A Case Study Examining Maya Perspectives on the Indigenous Right to Free, Prior, and Informed Consent. *Society and Natural Resources*, *27*(3), 231–248. https://doi.org/10.1080/08941920.2013.861554

Martin, W. (2009). Socially responsible investing: Is your fiduciary duty at risk? *Journal of Business Ethics*, *90*(4), 549–560. https://doi.org/10.1007/s10551-009-0060-x

Mclachlan, J., & Gardner, J. (2004). *A Comparison of Socially Responsible and Conventional Investors*.

Mercer, M., Palmiter, A. R., & Taha, A. E. (2010). 8. Worthless Warnings Testing the Effectiveness of Disclaimers in Mutual Fund Advertisements. *Journal of Empirical Legal Studies*, *Volume 7*(Issue 3), 429–459.

Sethi, S. P. (2005). *Investing in Socially Responsible Companies is a Must for Public Pension Funds-Because There is no Better Alternative*.