

Investors Decision Making Behaviour in Insurance Investment Preference

Dr. Suresh Rajan S.G¹, Mr. Netra Prakash B²

^{1,2}Faculty Member, Department of Management Studies, Achariya Arts and Science College, Pondicherry

Abstract:

In this study focuses to Investors Decision Making Behaviour in Insurance Investment Avenue, further this study the Flinder's Decision Making Questionnaire have adopted. It is based on the decisional conflict model, it has proposed by Irving Janis and Leon Mann in 1979. The Flinder's Decision Making Questionnaire has 31 Questions; it consists of Vigilance, Hyper Vigilance, Defensive Avoidance, Procrastination or Postponement, Buck-Passing and Rationalisation. This study enrolls, the above said six decision making behavioural dimensions are relate to Investors' investment decision of Insurance Investment Preference. The objective of the study finds out investors Decision Making Behaviour in Insurance Investment Preference.

Keywords: - Decision Making Behaviour, Insurance Investor, Investment Avenue

1. Introduction:

In order to assess the decision making patterns proposed by the aforementioned model, in Leon Mann presented the Flinder's Decision Making Questionnaire. It consists of a Vigilance scale, Hyper Vigilance scale, Defensive Avoidance scale, Procrastination or Postponement, Buck-passing and Rationalisation. This study enrolls the above said six decision-making behavioural dimensions for how related to investors' investment decision of Insurance Investment Avenue.

The model constructs six dimensions like 1) Vigilance means Alertness before they investment consider all of the alternatives. 2) Hyper vigilance means Nervous Alertness they feel as if I'm under tremendous time pressure when making decisions. 3) Defensive Avoidance means escaping decisions through procrastination, avoiding responsibility they feel uncomfortable about making decisions. 4) Procrastination means Unimportant of their decision they are making delay decisions until it is too late. 5) Buck passing means avoid approach they prefer to leave decisions to others, and 6) Rationalization means Validation of their decision like they want to hear information about their preferred alternative. Data has been collected based on the structured questionnaire. The analytical part is analyzed by appropriate Multiple Regression Path analysis model.

2. Review of Literature

Behavioural finance attempts to explain and increase the understanding of reasoning patterns of investors, including the emotional processes involved and the degree to which they influence the decision-making process. Essentially, the behavioural finance attempts to explain "what", "why", and "how" of finance and investment, from a human perspective.

Gupta, L.C (1991), “Share Holders Survey: Geographic Distribution” this study reveals that Investors may range from confident to anxious. The Investors ranges model defined as four personalities: 1. Individualist: Careful, confident and often takes a do-it-yourself approach 2. Adventurer: Volatile, entrepreneurial and strong-willed 3. Celebrity: Follower of the latest investment and 4. Guardian: High risk averse and wealth preserver.

Murthy, P. G. K., et.al (2012), “A Study on Retail Investors’ Behavior”, his objectives of the study were understand the behaviour of investors with the help of different financial behaviour theories like (i) Overconfidence, (ii) Disposition effect, (iii) Conservatism, (iv) Cognitive dissonance, (v) Rationality and (vi) Regret theory. These theories used to understand the investors’ behaviour. (i) Overconfidence defines as “an over estimation of the probabilities for a set of events by operationally”, it is reflected by comparing whether the specific probability assigned is greater than the portion that is correct for all assessments assigned that given probability. (ii) Disposition Effect defines as the common behaviour of investors to hold loser stocks too long and sell the winner stock too early is called disposition effect.

Shanmugasundaram, V., et.al (2012), “Influential Factors in Investment Decision Making” their study reveals that the technological factors have impact on investors’ decision making process. Investor behaviour is characterised by over excitement and over reaction in a volatile market. The investor behaviour is analysed whether they behave rationally or irrationally towards various capital market information like bonus issue, rights issue, dividend declaration etc., and the result show that investors behave rationally towards specific capital market information.

3. Objective:

To investigate the investors Decision Making Behaviour in Insurance Investment Preference

4. Hypothesis (H₀):

Investors Decision Making Behaviour not positively relation on Insurance Investment Preference

5. Research Methodology and Data Collection

The respondents for this study included 525 Investors residing in Pondicherry Territory, the study employed multi-stage sampling method. Respondents were to give rating on a Likert scale of 1-5; if a respondent gives 5 it is Highly Agree, whereas if gives 1 it is highly disagree for an attribute of Decision Making Behaviour questions. The questionnaires were pre tested on set of 50 respondents to assess validity and reliability of the questionnaires.

6. Analysis and Interpretation

Fig-1. Path Regression Analysis of Investors Decision Making Behaviour in Insurance Investment Preference

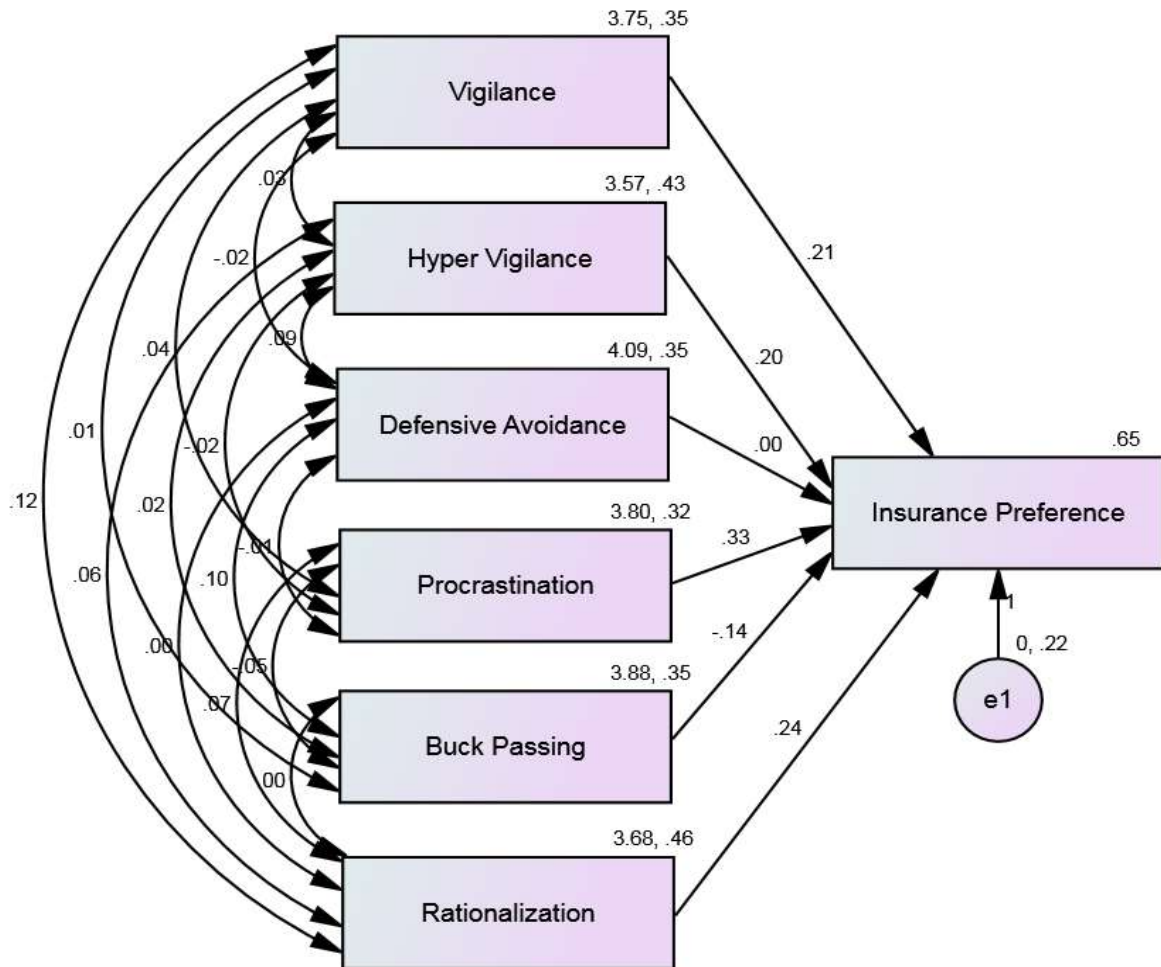


Table:-1 Regression Weights in Investors Decision Making Behaviour of Insurance Investment Preference

Regression Weights	Estimate	S.E.	C.R.	P
Insurance Investment Preference <---Vigilance	0.210	0.097	2.161	0.031
Insurance Investment Preference <---Hyper Vigilance	0.204	0.087	2.351	0.019
Insurance Investment Preference <---Defensive Avoidance	-0.003	0.099	-.033	0.973
Insurance Investment Preference <---Procrastination	0.328	0.100	3.287	0.001
Insurance Investment Preference <---Buck Passing	-0.137	0.098	-1.388	0.165
Insurance Investment Preference <---Rationalization	0.235	0.086	2.731	0.006

The Path diagram represents the independent dimension of the Investors Decision Making Behaviour like Vigilance, Hyper Vigilance, Procrastination, and Rationalization dimensions are highly significant at 5% α -significant level.

The significant dimensions are comparing with estimated values, the resulted that the Procrastination dimension is first influenced dimension on Insurance Investment Preference, the second dimension is

Rationalization, third influenced dimension on Insurance Investment Preference is Vigilance and followed by next dimension is Hyper Vigilance, the estimate values are 0.328, 0.235, 0.210 and 0.204. Defensive Avoidance and Buck Passing behavior not influences on Insurance Investment Preference.

Table-2. Covariance for Investors Decision Making Behaviour dimensions

Co-variances	Estimate	S.E.	C.R.	P
Vigilance <--> Rationalization	0.119	0.048	2.453	0.014
Hyper Vigilance <--> Rationalization	0.063	0.052	1.217	0.224
Defensive Avoidance <--> Rationalization	0.003	0.047	0.069	0.945
Procrastination <--> Rationalization	0.069	0.045	1.534	0.125
Buck Passing <--> Rationalization	0.002	0.046	0.035	0.972
Vigilance <--> Buck Passing	0.010	0.040	0.238	0.812
Hyper Vigilance <--> Buck Passing	0.015	0.045	0.344	0.731
Defensive Avoidance <--> Buck Passing	0.105	0.042	2.472	0.013
Procrastination <--> Buck Passing	-0.051	0.039	-1.296	0.195
Vigilance <--> Procrastination	0.043	0.039	1.089	0.276
Hyper Vigilance <--> Procrastination	-0.019	0.043	-0.432	0.666
Defensive Avoidance <--> Procrastination	-0.008	0.039	0-.205	0.837
Hyper Vigilance <--> Defensive Avoidance	0.093	0.047	2.002	0.045
Vigilance <--> Defensive Avoidance	-0.016	0.041	-0.401	0.688
Vigilance <--> Hyper Vigilance	0.025	0.045	0.558	0.577

The probability of getting a critical ratio range as 0.035 to 2.472 , it is large as in absolute value is less than 0.001. In other words, the covariance between few dimensions are significantly different at the 0.005 level (two-tailed). Here compare the estimated values the following covariance relationships like Vigilance <--> Rationalization, Hyper Vigilance <--> Defensive Avoidance and Defensive Avoidance <--> Buck Passing dimensions covariance measures direction of a relation between the dimensions are high; the estimated values are 0.119, 0.093 and 0.105 respectively.

7. Conclusion

The study concludes the Procrastination dimension is first influenced dimension on Insurance Investment Preference that means the investors decision involves delaying decisions and unimportant of their decision, they feel delay making decisions until it is too late and even after they have made a decision they delay acting upon it. The second influenced dimension on Insurance Investment Preference is Rationalization that means the investors are validation of every decision; they want to hear information about their preferred alternative. And followed by the investors decision making behavior is Vigilance and Hyper Vigilance that means the decision involves a careful, alertness, unbiased, and thorough evaluation of alternatives and rational decision making. Before they invest to consider all the alternatives, Vigilant Decision Making reflects an emphasis on the importance of careful and thorough information processing in the process of decision-making. The decision-making occurs when it take time to calmly assess the goals and gather relevant information, review the information and make a decision based on the information.

Reference:

1. Gupta L.C., 1991, 'Share Holders Survey: Geographic Distribution', Manas Publications, NewDelhi, p.86.
2. Irving Janis and Mann, L. (1979). Decision Making. A Psychological Analysis of Conflict, Choice, and Commitment. New York, The Free Press, A division of Macmillan Inc.
3. Liua, Y. and Salvend, G. (2009). Effects of measurement errors on psychometric measurements in ergonomics studies: Implications for correlations, ANOVA, linear regression, factor analysis, and linear discriminant analysis. *Ergonomics*, 52 (5), Pp 499–511.
4. Murthy P G K & Divyang Joshi 2012, 'A Study on Retail Investors' Behavior', *International Journal of Contemporary Business Studies*, Vol: 3, No: 6, Pp. 28-37.
5. Shanmugasundaram.V & Jansirani.N, 2012. 'P. Sathish "Influential Factors In Investment Decision Making"', *South Asian Journal of Marketing & Management Research*, Volume 2, Issue 6, Pp 96-106.
6. Lai, F., Hutchison, J., Li, D.,&Bai,C. (2007). An empirical assessment and application of SERVQUAL in mainland china's mobile communications industry. *International journal of quality and reliability management*,24(3),244e262
7. Hair, J. F., Jr., Anderson, R. E.,Tatham, R. L., Babin, B. J., & Black, W. C. (2007). *Multivariate data analysis (6thinternational ed.)*.Delhi:Dorling Kindersley (India) Pvt. Ltd