The Impact of Financial Scam Towards Investor's Behaviour (with reference to Vadodara city)

[1]Dr. Mayur Rao, [2]Spandan Devani, [3]Paresh Gautam

[1]Associate Head, Parul Institute of Management & Research(MBA), Parul University, Vadodara, India
[2] Student, Parul Institute of Management & Research(PIMR-MBA), Parul University, Vadodara, India
[3] Student, Parul Institute of Management & Research(PIMR-MBA), Parul University, Vadodara, India
Email – [1]rao.mayur28@gmail.com,   [2]spandandevani589@gmai..com,   [3]pareshgautam7495@gmail.com

Abstract: *Financial scam have become common in India. There were many scams which affected investor's behaviour towards investment in stock market. Indian stock market have been witnessing of financial scam and investor's losing money due to scam's impact. Not only stock market but banks and mutual fund's investors also phase the scam impact on their investment. This research paper tries to collect data of people who loss their investment in any financial scam and people who did not loss but they changed their investment strategy due to scam. A systematic review of existing literature was conducted to make an in-depth analysis of mind space of investors who have lost their saving and investments and to understand their mindset post the financial scams.*

Key Words: *Market sentimate, Investor's behaviour, Finacial scam.*

1. INTRODUCTION:

In the modern world, People have started to invest their money not only as a saving in banks but also in various investment avenues. Avenues like Mutual fund , stock market ,post and banks. Retail investor invest their money in above avenues to generate return on their investment with low risk. Their main motive is to grow their money. They also know that only savings will not help to grow their money. When it is kept idle, it causes a loss of opportunity to grow. Every individual from the low-income groups to the high income groups wants to increase their wealth. There are investors who are very conscious about their returns on their investment.

There are various types of investors who take high risk for high return and there are investor who do no prefer high risk they go for moderate risk they only wants to keep their money safe and tries to generate return on regular basis they do not require high return.

Generally people who prefer to take high risk high return they go for stock market because they invest their money in businesses through stock market and take equity in their business. Invest in equity that means people directly invest their money in business which is risky because no one knows when and which business will shut down or when and which business make profit unexpectedly. So this avenue is related to high risk high return. Other people who prefer to take moderate risk they go with mutual fund and post. Where their investment is in low risk than stock market.

Behavioural finance gives us the basis to understand investor's behaviour when it comes to the selection and evaluation of the best investment. There are various investment avenues which affects the investment decision of investor. According to Virigineni and Bhaskara Rao (2017), it provides the groundwork for evolving theories for an in-depth understanding of the psychology process that are involved in financial decision-making.

Due to some scam happened in past like Harshad mehta scam, Karvy broking scam and Nirav modi scam. There are many other scam which related to banks , mutual fund and stock market. People started to worry about their investment whether they invested in banks , stock market and mutual fund.

Their Investment strategy or behaviour towards particular investment avenue is changes gradually. People who lost their money in any financial scam they plan to not to invest same avenue and if they continue with same avenue due to some high return they go with low investment. According to Maarten et al (2012),there is an association between

financial literacy and wealth accumulation. Financial literacy is related to retirement planning, and the development of a saving plan has been shown to boost wealth.

1.1 Financial Investment Avenues:

- **Safe/Low Risk Investment Avenues:**
1. Saving Account
2. Bank Fixed Deposit
3. Public Provident Fund
4. National Saving Certificate
5. Post Office
6. Government Securities

- **Moderate Risk Investment Avenues :**
1. Mutual Fund
2. Life Insurance
3. Debenture
4. Bond

- **High Risk Investment Avenues :**
1. Equity Share Market
2. Commodity Market
3. FOREX Market

- **Traditional Investment Avenues :**
1. Real Estate
2. Gold
3. Silver

- **Emerging Investment Avenues :**
1. Virtual Investment Fund
2. Hedge fund
3. Private Equity Fund
4. Art and Passion

There are avenues which is related to Safe/low risk investment, Moderate Risk investment, High risk investment, Traditional investment and Emerging investment.

Basically People who comes from middle class level they prefer low risk investment avenue. They invest their money in banks, post office, Bank fixed deposit. This avenues gives regular return but return in low due low risk avenues. Traditional Investment avenue was popular before increasing financial literacy. Couple of decade ago people only invest their money in Real estate, Gold and Silver.

But after increasing financial literacy people started to invest in Equity share market , Commodity market, FOREX market.

Even people who are professional in equity share market they also use hedge fund to protect their investment and also they invest their invest money in Art and passion.
These avenues are divided according to investor's behaviour towards investment.

Some times people continually change their investment avenue because of rate of return is some times higher than other investment avenues. Which gives good opportunity to investor to make good return from their investment.

Investors are also cautious about the kind of investments made by them. They look into the financial performance of the company and the future trends and development of the company. The awareness of fraud and financial scams becomes essential for an investor before making any investment. The effect of incorrect information on security returns and volume can be persistent for a short period, however it would affect the investment behaviour patterns of the investors in the long run. (Hong and Sullivan,2013).

2. Objective Of Study :-

- To analysis How much Financial Scam affects the Investor's behavior or Change the Investor's investment strategy after any Financial Scam
- To Know how Investor aware about their Investment and new financial policies which is directly benefited to their investment.
- To find out their next step after any Financial scam.
- There is lack of investments made by the investors in the stock market. They do not have trust and confidence in the stock market. They fear losing all their assets. Middle and low-income groups cannot afford to lose their investments. financial scams discourage people from investing in the stock market.

3. Type Of Research Design :

Descriptive research design: In a descriptive design, a researcher is solely interested in describing the situation or case under their research study. It is a theory-based design method which is created by gathering, analyzing, and presenting collected data. This allows a researcher to provide insights into the why and how of research. Descriptive design helps others better understand the need for the research. If the problem statement is not clear, you can conduct exploratory research.

Data Collection :

Primary: structured questionnaires designed specifically for the purpose.

A primary data source is something that originates from first-hand knowledge of the person referenced in the data or from a first-hand witness.

Research Instrument :

Questionnaire:- A questionnaire is a research instrument consisting of a series of question and other prompts for the purpose of gathering information from respondents. Although they are often designed for statistical analysis of the responses

Research Plan :

Data Source   Primary Data
Research Design   Descriptive Research
Research Approach   Survey
Research Instrument   Questionnaire
Method Of Contact   Personal
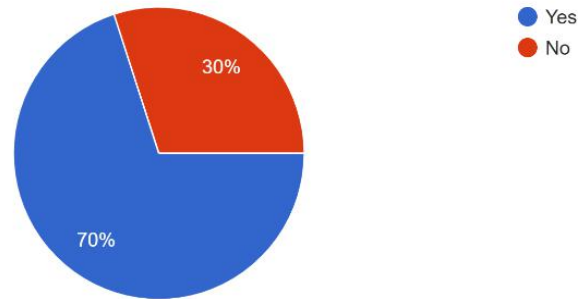Sample Size   100

4. DATA ANALYSIS :

- Gender: out of 100 responses 63 are males and 37 are females.
- Age: Out of 100 responses.

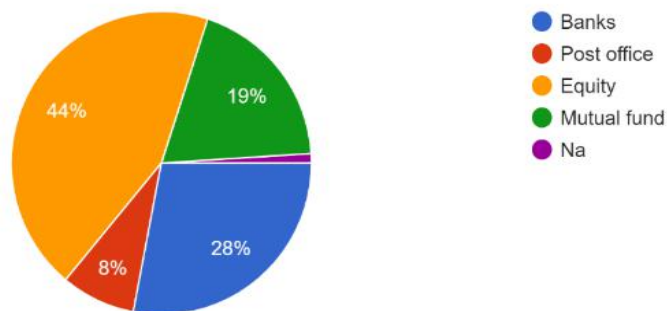| AGE GROUP	COUNT
18-24	83
25-31	14
32-37	3

Have you invested your income so far?
100 responses

The above chart shows that 70% of the respondents are invested their income so far and 30% of respondents are not invested.

In which, sector the impact of financial scam affects strongly on investor's behavior ?
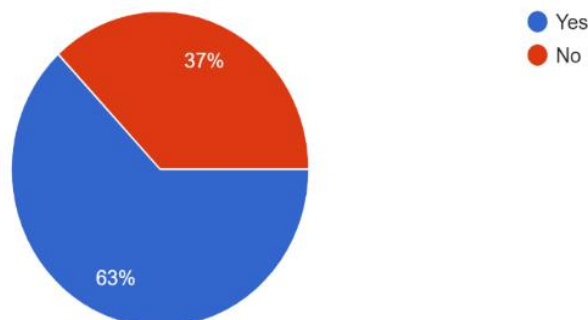100 responses

Banks are 28% affects by any financial scam, Post offices are 8%, Equity are 44% affects and Mutual funds are 19% affects by any financial scam.

Have You ever Change Your Investment Strategy After any Financial scam?
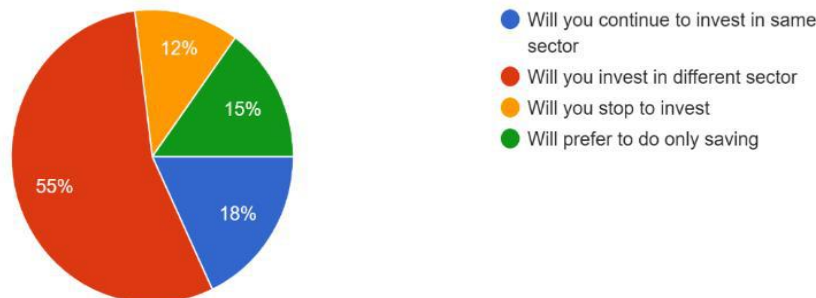100 responses

There are 63% respondents who change their strategy after any financial scam.

What will be your next step after any financial scam?
100 responses

There are 18% respondents who will continue to invest in same sector after any financial scam,55% respondents will invest in different sector,12% will stop to invest and 15% will prefer to do saving only.

Hypothesis 1 :
H0 : There is no significant difference between views on factors influencing behaviour on financial scam and Respondents who worries and who do not worry for being scammed.
H1 : There is significant difference between views on factors influencing behaviour on financial scam and Respondents who worries and who do not worry for being scammed.

Hypothesis 2 :
H0 : There is no correlation between views on factors influencing behaviour on financial scam and awareness on financial scam.
H1 : There is correlation between views on factors influencing behaviour on financial scam and awareness on financial scam.

Group Statistics

	Do you ever worry about being scammed?	N	Mean	Std. Deviation	Std. Error Mean
Influencing factor	yes	68	3.0772	.93567	.11347
	no	32	3.0469	1.00891	.17835

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means							
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Influencing factor	Equal variances assumed	.553	.459	.147	98	.883	.03033	.20568	-.37783	.43849
	Equal variances not assumed			.143	56.863	.886	.03033	.21139	-.39298	.45365

Correlations

		Influencing factor	awareness
Influencing factor	Pearson Correlation	1	.363**
	Sig. (2-tailed)		.000
	N	100	100
awareness	Pearson Correlation	.363**	1
	Sig. (2-tailed)	.000	
	N	100	100

**. Correlation is significant at the 0.01 level (2-tailed)
.

TESTING HYPOTHESIS

H1 : : There is significant difference between views on factors influencing behaviour on financial scam and Respondents who worries and who do not worry for being scammed.
While finding the level of views on factors influencing behavior on financial scam and respondents who worries and who do not worry for being scammed by **t-test using SPSS 20** we get to know that there was statistically **significant result.(as P value was > 0.05).** And We found that in group statistics **mean value** of people who worry to being scammed is **(3.07)** and people who are not worry to being scammed their **mean value is (3.04).**

H2 : There is correlation between views on factors influencing investor's behaviour on financial scam and awareness on financial scam.
While finding awareness of people on five point scale and various factors influencing investor's behaviour by **correlation using SPSS 20** we get know the correlation value **is (.363).** And **P is .000 which is less than 0.01 level** so we consider here alternative hypothesis.

5. FINDINGS :

- Demographic findings: The ratio of male were more than female investors; most of the investors belongs from 18-24 years category (83) followed by 25-31 years category (14) followed by 32-37 years category (3) , out of 100 investors 60 were student and 31 were salaried and 9 were have business;if respondents were classified on the bases of income 50% have less than 15000 income , 40% have 15000-35000 income.

- We have found that most of people believe that equity is more risky avenue than other investment avenue and out 100 responses 56% people invest their money in equity avenue that means most of people are prefer to invest money for high return against high risk.

- Out of 100 responses 68% people are worry about being scammed; and 63% people are change their investment strategy after any financial scam ; and 55% people change their investment sector that means people are aware about market activities and monitor their investments on regular basis.

- Out of 100 responses 44% of people are agree that when any scam happen in Equity market that affects strongly on investor's behaviour.

6. CONCLUSION:

Investors are emotional and give prominence to gut feeling and sentiments when making investment decision. According to responses people have first concern is to generate high retun on their investments they were prefer equity avenue for investment even they know it is highly risk investment. Investor take investment decision with aspect of volatility, risk and return, valuation of assets , planning strategies , decision making process etc. Investor worry to being scammed and they are monitoring market activities on regular basis and even they change their investment strategy after any financial scam; Most of people prefer to plan their investment in different sector. Investors are sensitive to the price and the performance of their investments in the stock market. The investors are cautious about their investments and the

companies in which they invest, due to past encounter with scam they want to invest in safe assets and do not want to explore newer or unpopular investments.

REFERENCES :
1. Buddaraju, Anjana; Devaiah, P. Riya , "The impact of Financial scam Towards Investor's Behaviour" , IUP Journal of Financial Risk Management . Mar2021, Vol. 18 Issue 1, p43-59. 17p. IUP Journal of Financial Risk Management . Mar2021, Vol. 18 Issue 1, p43-59. 17p - Search (bing.com)

2. Aggarwal D and Mohanty P (2018), " Do Indian Stock Market Sentiments Impact Contemporaneous Returns" , south Asian Journal of business Studies , Vol.7 No.3 ,pp. 332-346, Available at https://www.emerald.com/insight/publication/issn/2398-628X