

# A STUDY OF FACTORS INFLUENCING INVESTOR'S WEALTH MANAGEMENT BEHAVIOR IN DELHI (NATIONAL CAPITAL REGION)

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## Abstract

The primary aim of this investigation is to uncover and discover the fundamental factors that impact on the use of wealth management services amongst investors in Delhi (National Capital Region) because to the best of researchers' knowledge there is no available information on the present study. Research on investment behavior has indicated that purpose to employ in an exacting behavior is a role of the individual's attitudes headed for that action and those characters are reliable with performance (Ajzen, 2019; Ajzen & Fishbein, 2018; 2020). Therefore, the attitudinal element was deemed significant in this investigation and variables connected optimistically or pessimistically to the attitudes were taken predictors of the possibility of proper use of wealth management services. The current research is carried out to evaluate the influence of financial literacy, risk appetite, personal beliefs, subjective norms and attitude on investor's investment behavior.

## INTRODUCTION

Studying behavioral finance can help Wealth Management practitioners in building a successful advisory relationship by keeping up a reliable approach to delivering Wealth Management Services, giving what the customer expects, and promising for mutual benefits. This investigation is reasonable for several reasons. Firstly, with the growth of the Indian economy and the rise in the wealth of the people, there is an increasing need of Wealth Management Services. Investors all over the world, intend to achieve their financial goals relying on various sources as a channel to their success in earning adequate returns. One of those important channels is financial advisors. The investors are looking for new measures & approaches to achieve their financial goals despite having lack of investment knowledge. This shows importance of advisory relationship on investment decision-making and therefore, the advisors should understand & seek the factors that impact investor's behavior so as to provide them necessary customized services to maintain this trust be-held by investors in them. Secondly, the analysis of investors' personal beliefs, their knowledge, and their risk-taking ability along with the potential impact of these beliefs, literacy, and risk appetite on individuals' attitudes toward seeking wealth management services marks the foundation of building healthy customer relationship.

The main rationale of this study is to investigate the fundamental factors that persuade the utilization of Wealth Management Services among investors in Delhi/NCR. Various researchers have shown that an individual's intention to perform an action is based on the individual's attitude towards that action and thus that attitude is consistent with the individual's behavior (Ajzen, 2019; Ajzen & Fishbein, 2018; 2020). Therefore, attitude was considered as the corner stone of the study and various elements that relates positively or negatively to attitude was considered predictors that influence an individual's attitude which in turn influence his behavior to perform a specific action.

The study intends to review the effect of a) personal beliefs about wealth management; b) knowledge and awareness about wealth management, wealth management services; c) risk-taking ability; d) influence of friends, peers, colleagues, family, media (subjective norms) on the attitudes of investors toward seeking and using wealth management services.

## Literature Review

Need of the wealth managers and their financial advice is more critical for the anxious investors. The investors who possess such behavior tend to intuitively and spontaneously take decisions and show less patience even while making huge investments. Consequently, it is important for these investors to opt for personal advisory services offered by wealth managers in order to avoid making big mistakes resulting in big losses because of their behavioural issues (Funfgeid et al, 2008). Also, the investors who follow their gut feeling while making any investments face potential problems in effectively managing their wealth and essentially need professional advice and guidance in regards to their financial matters (O'Donoghue and Rabin, 1998). Investors who feel insecure in making financial decisions and investments are also the primary candidates for the need to wealth management services. Past performance and future returns can be well determined by the financial institutions who hire experienced financial advisors to comprehend the future state of market to take the right decisions (Lusardi & Mitchell, 2014).

Bahbah (2009) in a research on timeless strategies for building financial security in wealth management, elucidated that various measures to increase the awareness must be taken to guide the people regarding the importance of wealth management services to manage their wealth. After gaining wealth, it is more important to safeguard it by managing in an effective and diverse manner. By following a proper saving and investment plan; and correct utilization of wealth in a planned way provides a secured future for a family. To achieve this professional financial advisers are appointed to help their clients through professional wealth management. The customer centric solution is one of the best solutions for the needs of wealth management, definitely that would ease to overcome several challenges faced by customers at every level of wealth management business. The wealth management business cycle includes covering acquisition, identification, reporting and servicing (Brennan and Xia, 2002).

It is expected that the total worth of the liquid wealth held by rich people in the developing countries like Brazil, China, and India will become three times from \$1.5tn to \$4.6tn between 2006 and 2015 (World Wealth Report, 2014).

Top 8 Asian Cities by HNWI Population				
City	Ranking	2012	2022	Change (%)
Tokyo	3	5,440	6,763	24
Beijing	6	2,285	5,262	130
Mumbai	7	2,105	4,988	137
Hong Kong	8	3,205	4,780	49
Delhi	11	1,945	4,278	120
Osaka	13	2,970	3,813	28
Shanghai	14	1,415	3,704	162
Singapore	23	1,345	1,930	43

Figure 1 HNWI Population In Asian Countries

(Source: Survey by Knight Frank; <http://www.2point6billion.com/news/2013/03/18/asias-high-net-worth-individuals-concentrated-in-china-india-12062.html>)

### Showing Constructs, Measurement of Variables and Authors

According to Wealth Management advisors, providing advice across different types of products, predicting recent trends in the local and global markets, suggesting rare product bundling and also suggesting investment protection mechanism are key factors for the achievement of wealth management services. The customer's expected quality of service, profit and loss reporting and investment advice from firms are few of the important selection criteria for customers to choose their wealth managers.

Wachter (2020) in a study on optimal consumption and portfolio allocation under mean reverting returns mentioned that the vital differentiators for an accomplished system include higher client servicing capabilities, increased operational efficiencies and strong management oversight.

According to Brennan and Xia (2020) in a study on dynamic asset allocation under inflation and Watcher (2020) the key objectives for the success in wealth management are increasing focus on client-centricity through specified client segments, understanding of client needs, proactive effort and individualized value propositions and exceeding client expectations.

Barber and Odean (2018) while examining the overconfidence in common stock investment have explained the theoretical concepts and predicted that overconfidence in an investor makes him trade more excessively. Walia and Dr. Kiran (2019) in their research on analysis of investor's risk perception have focused on the perspective of an individual investor by understanding the expectation of the investor and his risk appetite. Customers consistently expect to get innovative solutions with higher quality in the provided services.

According to Bennet et al. (2016) while examining the investor's attitude on stock selection decision found the factors those influence investor's attitude are: goodwill and reputation of the firm, market conditions, industrial regulations and revenue. In a study conducted by Qureshi et al. (2018) on factors affecting investment decision making of fund managers, examined the various factors (such as inquisitiveness, risk reluctance, adoption of modern fiscal techniques, industrial regulatory controls) that influences the behavior of an investor and impacts the decisions of the fund manager.

Riaz et al. (2021) in a study on impact of psychological factors on investment decision making concluded that the availability of information to the investors and how the investor perceive and interpret that information significantly impact and determines the risk tolerance, investor's behavior and decision making in regards to their investments. Khanifar et al. (2021) in a research on studying affecting factors on analysts decisions regarding share analysis, found that financial statements and midterm reports are considered more important than economy market and industry related factors by financial analysts. Obamuyi (2013) in a research on factors influencing decisions in capital market concluded that the investment decisions of individual investors are considerably impacted by the educational qualifications, marital status, age and gender of the investor.

In a research conducted by Vincent F. Yu and Hsiu-I Ting (2018) on identifying key factors affecting consumer's choice of wealth management services, the three main elements that form the crucial factor in choosing a financial institution for the wealth management are image, product and services. Sub-elements of image are popularity, reliability, morality, professionalism and recommendation. Sub-elements those come under products category are diversification, fee, returns and risk. Key elements of services are convenience, confidentiality, communications and attitude. Gerrard and Cunningham (2017) elucidated that providing the quick and efficient service and maintaining the confidentiality of the customer's information considerably influences the decisions of the customers.

## RESEARCH METHODOLOGY

This study has been carried out to evaluate the effect of financial literacy of an investor, risk appetite of an investor, his personal beliefs, subjective norms on the attitude and behavior of individual investors towards using wealth management services. The Research Model, which can be called as Wealth Management Behavior Model, examines investor's behavior towards wealth management services. As per this framework, four factors forming a person's attitude were selected and considered to be the predictor variables of attitude. These variables were assessed based on the existing literature. The new model examines the direct influence of attitude on investor's behavior. The other variable having direct influence on the investor's behavior i.e. behavioral intention is not taken in the scope of this study.

The model below specifically looks at how financial literacy, risk appetite, investor's beliefs and subjective norms influences attitude and then how attitude influence investor's behavior to make their investment in wealth management services.

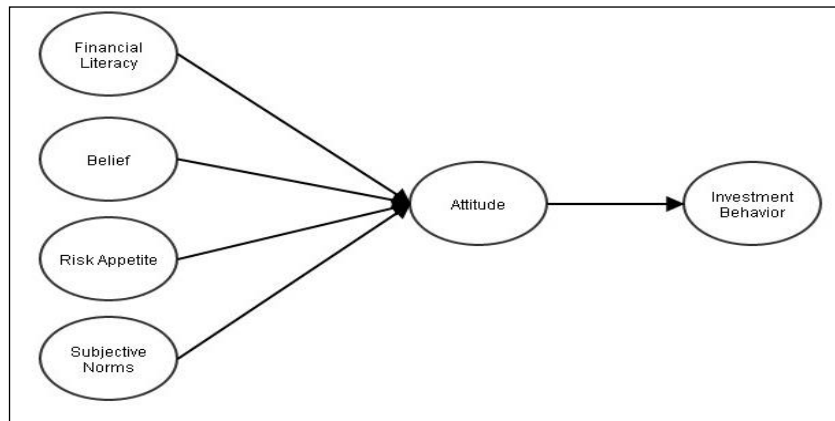


Figure 2 Research Model - Wealth Management Behavior Model

The research method adopted for the study was Descriptive. Greenfield (1996) depicts that descriptive examination answers the inquiries of who, what, where, when and how. To the best of the researcher's knowledge, this study is the first attempt to quantitatively assess investor's attitude towards seeking and using Wealth Management Services in Delhi/NCR. Thus, the utilization of a descriptive and causal research design was deemed appropriate. Descriptive-Causal studies have been widely used to assess individual's attitude towards actual investment behavior (Gill & Biger, 2009; Srivastava, 2007; Bennet et al., 2012; Gain et al., 2012). This study follows the quantitative approach as it involves the collection of substantial datasets, which are subject to significant and comprehensive quantitative analysis in a meticulous and precise manner. Data is has been used to generate new hypothesis based on the results of the data collected about different variables. The process is initiated with the formulation of a questionnaire with the objective to gather statistical data from the responses of the population. Questionnaire seemed to be a logical and easy way collecting and consolidating information and data from people.

For this study, investors who are categorized as High Net-worth and have availed one or the other wealth management services living in Delhi-NCR Region were considered as populace from where the sample was taken. The figure 3.2 below shows the HNWI population of Delhi in 2012. For this study, HNWI investors living in Delhi/NCR, India were the respondents. Majorly the ones falling in the age group of 21 and above years were looked into. They were from different educational backgrounds and occupation. From the gender prospective the researcher might look into a mix of males and females. The study covers financial institutions and banks that provide wealth management services.

#### Pilot Study

A specimen of 700 wealth management clients' was chosen. After completing the questionnaire validation, it has been pre-tested by means of a pilot survey conducted on a small sample of respondents (50 respondents). Respondents selected in pre-testing the questionnaire belong to same target population from which the actual survey was taken as suggested by (Thakur, 1993). This pre testing has been conducted with a purpose to confirm the respondents understanding of the terms and concepts used in the questionnaire, to take the respondents opinion on the complexity of the question statements, to confirm that they interpret the question in the same way, as it is required and to note down the respondents suggestions to incorporate them for the final preparation.

#### Reliability Analysis

Reliability analysis has been conducted by determining the internal consistency reliability by measuring the Cronbach Alpha coefficient of a scale, which is the most commonly, used test reliability technique for internal consistency (Pallant, 2007). Cronbach Alpha co-efficient ( $\alpha$ ) may lie between negative infinity to 1 but normally ranges from 0 to 1. Value of Cronbach Alpha co-efficient closer to 1 means high internal consistency and value 0.7 as the acceptable limit (Hair et al. 2010). A value of  $\alpha$  less than 0.7 signifies unsatisfactory results (Malhotra and Birks, 2007). The following table 1 summarizes the Cronbach's coefficient alpha from the pretesting of six constructs with 63 cases.

Table 1 Summary of Reliability Analysis

Constructs	Items	Cronbach Alpha Coefficient	Reliability Results	Inter-item Correlation
Attitude	15	0.828	Good	0.366- 0.907
Risk Appetite	13	0.955	Good	0.284- 0.876
Subjective Norms	10	0.861	Good	0.202 - 0.956
Beliefs	11	0.967	Good	0.499- 0.864
Investment Behavior	06	0.887	Good	0.454- 0.982
Financial Literacy	08	0.862	Good	0.454 - 0.998

The Cronbach alpha values of all the constructs are greater than 0.7, which is observed to be good and satisfactory. This shows high internal consistency amongst each variable.

The determinants of the Wealth Management Behavior were extracted using Factor Analysis: Exploratory Factor Analysis. The data was first tested for its suitability using KMO and Bartlett's test. Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) has been employed to examine the factorability in the samples. The results of the two statistical measures are shown in the table 2 below:

Table 2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.897
Bartlett's Test of Sphericity	Approx. Chi-Square	9654.095
	df	861
	Sig.	.000

As seen in the above table, the KMO sampling adequacy obtained from the data samples is significant at 0.897 and the application of Bartlett's Test of Sphericity is relevant as it is below 0.05, thus the results obtained from this test deliver enough evidence to prop the suitability and adequacy of the data.

#### INTERPRETATION OF FACTORS

Each construct requires to be given a logo or label to featurise it and help its explanation (Tabachnick and Fidell, 2007). Each of the product innovation factors that have been obtained through Principle Component Analysis in the Exploratory Factor Analysis process of this study information is shown. The labels given to each construct are the outcome of the explanation of its product innovation construct scale variables and are analyzed in the below sub-sections.

The Exploratory Factor analysis was run using Principal Axis factoring and Varimax Rotation. The variables with factor loading less than 0.50 were dropped (V). The 63 items scale was then reduced to 61 items. In the extraction process, six factors with Eigen values greater than 1.0 collectively explaining 67.15 per cent of variance have been retained. The table 4.5 below shows the factors extracted their items, item's loadings, percentage of variance explained and Cronbach's alpha:

Table 3 Summary of Rotated Component Matrix and Cronbach's Alpha and Variance

Factor No.	Name of the factor	Item	% of Variance Explained (Cumulative)	Factor Loadings	Cronbach Alpha
<b>1</b>	<b>Attitude</b>	V1	30.245 (30.245)	.883	<b>0.976</b>
		V2		.845	
		V3		.843	
		V4		.841	
		V5		.835	
		V6		.831	
		V7		.822	
		V8		.816	
		V9		.814	
		V10		.813	
		V11		.797	
		V12		.781	
		V13		.772	
		V14		.770	
		V15		.742	
<b>2</b>	<b>Risk Appetite</b>	V16	12.417 (42.662)	.797	<b>0.946</b>
		V17		.794	
		V18		.765	
		V19		.763	
		V20		.760	
		V21		.757	
		V22		.751	
		V23		.745	
		V24		.715	
		V25		.695	
		V26		.690	
		V27		.625	
		V28		.624	
<b>3</b>	<b>Subjective Norms</b>	V29	8.997 (51.659)	.865	0.969
		V30		.861	
		V31		.856	
		V32		.842	
		V33		.838	
		V34		.809	
		V35		.798	
		V36		.797	

Factor No.	Name of the factor	Item	% of Variance Explained (Cumulative)	Factor Loadings	Cronbach Alpha
		V37		.779	
		V38		.777	
<b>4</b>	<b>Beliefs</b>	V39	8.196 (59.855)	.809	0.942
		V40		.784	
		V41		.781	
		V42		.779	
		V43		.774	
		V45		.758	
		V46		.750	
		V47		.744	
		V48		.731	
		V49		.715	
		V50		.771	
<b>5</b>	<b>Investment Behavior</b>	V51	3.934 (63.789)	.804	0.912
		V52		.801	
		V53		.751	
		V54		.748	
		V55		.654	
		V56		.620	
<b>6</b>	<b>Financial Literacy</b>	V57	3.368 (67.157)	.758	0.935
		V58		.750	
		V59		.665	
		V61		.687	
		V62		.699	
		V63		.664	

The first factor extracted is Attitude. Attitude refers to the feelings about a specific object. There are fifteen (15) items measuring this factor (V1, V2....V15). The total variance explained by this factor is 30.25% and the factor loadings of the measured variables vary between 0.742 - 0.883. The fifteen items measures the factor on the basis of investor's attitude towards financial products; their perception about the company; the duration of their investment; their behavior in times of uncertainty; their assessment about the future performance of the stock; their perception about the services of the wealth manager; their objective of investment etc.

The second factor extracted is Risk Appetite. Risk Appetite refers to the ability of a person to undertake risk. There are thirteen (13) items measuring this factor with total variance of 12.42% and the factor loadings of the variables vary between 0.623 - 0.797. The items measure the mind-sets of the investors in various situations like in times of losses; in times of fluctuations in the economy. It also assesses the thinking of investors towards investment in some companies and stocks.

The third factor extracted is Subjective Norms. Subjective Norms refers to the perception of an individual towards the opinion given by people close to him. The total variance explained by this factor is 8.997%. There are ten (10) items measuring this factor and their factor loadings vary from 0.777 - 0.865. The items measure how investors react towards the information/opinion given by their friends, relatives' family, peers, advisors on investment issues. The items also assess the reaction of investors

towards the advertisements, publications regarding various financial products. The investors' decisions were also assessed on the basis of their intuition and past experiences.

The fourth factor extracted is Beliefs and it refers to the assumptions of individuals towards something. The total variance explained by this factor is 8.196%. There are eleven (11) items measuring this factor with their factor loadings varying between 0.771 - 0.809. The items measure the beliefs of people towards their investment; towards the company they are investing; towards a particular stock; towards the economy; towards their own choice of investment etc.

The fifth factor extracted is Investment Behavior and it refers to the behavior of investor towards the type of investments they make or their investment pattern. The total variance explained by this factor is 3.934%. In all, six (6) items measured this factor with factor loadings varying between 0.620 - 0.804. The items measured the behavior of investors by assessing their frequency of availing Wealth Management Services; their attitude towards Wealth Management Service providers; their opinion about the future of wealth management etc.

The sixth factor extracted is Financial Literacy, which indicates the extent of knowledge and awareness an investor possesses about financial matters. The total variance explained by this factor is 3.37%. There were six (6) items that measured this factor with their factor loadings varying from 0.664 - 0.758. The two (2) items were dropped because they exhibit low factor loadings. The items assessed the knowledge of investors in financial matters related to knowledge of wealth management services, risk associated with them, institutions that provide wealth management services, investment options available; investor's rights and responsibilities; investment plans etc.

## Conclusion

The primary aim of this investigation was to uncover and discover the fundamental factors that impact on the use of wealth management services amongst investors in Delhi/NCR. Research on investment behavior has indicated that investors' attitude is an important element that drives investment behavior. Also, there are various components that influence attitude. Therefore, the current study intended to evaluate the impact of financial literacy, risk appetite, personal beliefs, and subjective norms on attitude and further the influence of attitude on investor's investment behavior in the context of wealth management. Apart from these, this research intends to assess the significant association between attitude, beliefs, financial literacy, risk appetite and investment behavior. It will assist wealth managers in becoming more effective by understanding their clients' psychology. It will facilitate them in building a portfolio which is behaviorally personalized and meets clients' long-term goals. Further, the keeping in mind the behavioral biases of the client, the wealth manager can adopt a systematic approach to advise his client and delivering him what is expected. If the client gets what he expects, he will appreciate the efforts, be happier and contented thus, making the advisory relationship successful. By getting an insight of the clients' motives, the manager can make him understand the reasons for designing a customized portfolio for him irrespective of the financial market environment. Furthermore, understanding the various behavioral biases, a manager can recommend strategies to an investor to overcome that bias

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