

Exploring Switching Intention from Fixed Deposits to Stock Markets: An Individual Investor Behavior Study Through Push-Pull-Mooring Model

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Abstract

The expansion of financial markets has enabled individuals to invest in a variety of securities and financial instruments. Consequently, behavioural finance has shed light on the characteristics and psychological processes that influence the investment intentions and decisions of investors. The Push-Pull-Mooring (PPM) framework is used in this study to analyse the transition from fixed deposits to stock market investing. PLS-SEM analysis of data from 204 respondents reveals that investors are drawn to stocks by self-efficacy, subjective norms, and perceived returns, while they are drawn away from fixed deposits by low returns and a tendency for taking risks. Nonetheless, this shift is moderated by perceived risk, which either supports or inhibits the choice. The study highlights the necessity of risk mitigation techniques and investor education in order to facilitate well-informed investing choices.

Keywords: Investment Switching, Fixed Deposits, Stock Market, Push-Pull-Mooring (PPM), Perceived Risk, Financial Self-Efficacy, Behavioural Finance, PLS-SEM.

Introduction

Investor preference has significantly shifted from traditional, low-risk assets like fixed deposits (FDs) to higher-risk, possibly high-return options like equities as a result of the financial markets' explosive expansion (Mishra & Kumar, 2021). Behavioural finance, which challenges the idea of rational investor behaviour and acknowledges the impact of psychological biases and cognitive constraints on investing decisions, is increasingly being used to explain this shift (Thaler, 2016; Shefrin, 2000). Investors frequently stray from strictly wealth-maximizing choices due to a variety of factors, including self-efficacy, subjective norms, perceived risk, and expected returns (Barberis & Thaler, 2003).

This study examines the transition from foreign direct investments (FDs) to equity investments using the Push-Pull-Mooring (PPM) framework, which is frequently used to explore migratory behaviour (Bansal et al., 2005; Moon, 1995). The study determines the main push factors (like low FD returns), pull factors (like perceived stock returns and self-efficacy), and mooring factors (like perceived risk) influencing this transition using data from 204 respondents and Partial Least Squares Structural Equation Modelling (PLS-SEM). The results highlight the necessity of better risk management

techniques and investor education. The study offers greater insights into investment behaviour in changing financial environments by combining behavioural finance with PPM (Kahneman & Tversky, 1979).

Literature Review

People now have more options for investing thanks to the expansion and diversification of financial markets; stocks and fixed deposits (FDs) are two of the most popular choices. A rising number of investors are turning to stocks, which carry a higher risk but promise larger potential profits, even though FDs provide safety and guaranteed returns. A mix of psychological, social, and financial factors have contributed to this change, as seen through the prism of behavioural finance, a discipline that questions traditional finance's presumption of rational decision-making and highlights the part cognitive biases play in investment behaviour (Shefrin, 2000).

The perception of risk is one of the main psychological elements affecting investment choices. Stocks are seen as high-risk, high-reward investments, while FDs are often thought of as low-risk, low-return investments. While those with a higher risk tolerance like stocks, risk-averse people are more inclined to continue with FDs (Slovic, 1987; Grable & Lytton, 1999).

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Another important factor influencing decision-making is self-efficacy, or the conviction that one can effectively manage investments. Bandura (1997) asserts that people are more inclined to switch from FDs to equities if they feel more comfortable managing financial instruments. Decisions are also influenced by social variables, including subjective norms—perceptions of what is accepted or widely done. People are more inclined to think about switching if stock investing is seen favourably by those in their social circle (Ajzen, 1991).

To make well-informed investing decisions, financial literacy is essential. It improves self-efficacy and helps investors better grasp the risk-return trade-off (Lusardi & Mitchell, 2014). In conclusion, there are many other aspects that influence the decision to move from FDs to stocks, including behavioural, social, and educational considerations. To make this shift easier, it is crucial to encourage financial literacy and create a welcoming atmosphere for wise choices.

Research Model and Hypotheses

Push Factors Driving the Shift from Fixed Deposits to Stocks

The things that cause investors to reevaluate their present investments are known as push factors. There are two primary push reasons influencing the move from fixed deposits (FDs) to equity investments: a propensity for risk-taking and low FD returns. FDs frequently fall behind inflation, which reduces their appeal, particularly when inflation is strong (Goyal & Sharma, 2021). Alternative choices are likely to be investigated by investors looking for greater returns. Furthermore, despite market volatility, people with a higher risk appetite are more likely to switch to equities since they provide greater potential benefits (Bashir et al., 2013).

H1: A low rate of return on fixed deposits positively influences investment intention to switch to stocks.

H2: A higher propensity for risk-taking positively influences investment intention to switch to stocks.

Pull Factors Attracting Investors to Stocks

Due to perceived return, subjective norms, and financial self-efficacy, investors move from fixed deposits (FDs) to equities. People are more willing to take on stock market risks when they are confident in their ability to manage their investments (Bandura, 1997; Lusardi & Mitchell, 2014). Investment decisions are also influenced by social influences from advisors, peers, and family (Ajzen, 1991; Herawati & Dewi, 2021). Investors are also encouraged to switch since they expect larger profits from stocks than from FDs, which have low yields (Barberis & Thaler, 2003; Shefrin, 2001). The trend toward stock investing is fuelled by these variables taken together.

H3: Financial self-efficacy positively influences investment intention to switch to stocks.

H4: Subjective norms positively influence investment intention to switch to stocks.

H5: Perceived return positively influences investment intention to switch to stocks.

Mooring Factors Hindering the Investment Shift

One of the main things preventing the transfer is the mooring factor, or perceived danger. Stocks are riskier and more volatile even though they yield higher rewards. Investors who think stocks are too risky may continue to use FDs even if they are aware that there may be a chance for higher returns (Mitchell & Utkus, 2004). This fear of loss prevents switching (Ricciardi & Simon, 2000).

H6: Perceived Risk negatively affects switching intention from FDs to Stocks.

In order to examine how push, pull, and mooring factors influence investors' intentions to switch investments, this study uses a quantitative methodology and primary data gathered from 204 investors via a structured questionnaire. To verify the proposed correlations and investigate the moderating effects of perceived risk, the study uses Partial Least Squares Structural Equation Modelling (PLS-SEM) (Hair et al., 2019).

Research Design

This study used a standardized survey approach. Individual investors are the target audience for this survey. The survey consisted of items related to constructs and also included demographic questions such as age, income, and education. The standardized survey approach ensured consistency in data collection and analysis, making the results reliable and valid for further research and policy implications.

Measurement of Variables

The survey employed a 5-point Likert scale to measure respondents' agreement. Here, 1 indicated "strongly disagree" and 5 indicated "strongly agree". The items to measure the constructs were adapted from previous literature as described in Table I. The Perceived Risk had two items, low rate of return, risk taking and subjective norms had three items each. While, Financial self-efficacy and perceived return had four items each.

Table 1: Constructs definition and sources

Constructs	Definition	Sources
Independent Variables		
Low rate of return	The minimal earnings from Fixed Deposits, often leading investors to seek higher returns elsewhere.	Fama, E. F., & French, K. R. (2004)
Risk Taking	The willingness of an investor to engage in financial decisions that involve uncertainty and potential loss.	Kahneman, D., & Tversky, A. (1979)
Perceived Risk	An investor's assessment of uncertainty and potential negative outcomes in stock investments.	Dinev & Hart (2006)
Financial Self-Efficacy	Confidence in one's ability to manage finances and make effective investment decisions.	Jean M. Lown (2012)
Perceived Return	The expected financial gain an investor believes they will earn from stocks	Venkatesh & Davis (2000)
Subjective Norms	The influence of social and peer pressure on an individual's investment choices.	Ajzen, I. (1991)
Dependent Variable		
Investment Intention	Intention refers to the underlying reason that motivates someone to perform the behavior.	Chen and Tsai (2007)

Sampling & Data Collection: According to Barclay's (1995) 10-times rule, which is frequently referenced in PLS-SEM literature, a minimum sample size should be ten times the maximum number of indicators or routes in a model. Nonetheless, new research suggests that power analysis be used to determine sample size more precisely (Hair et al., 2017; Hair et al., 2019; Ringle et al., 2020). 220 current or potential equity investors participated in this study using convenience

and snowball sampling; 204 valid responses were kept after outliers were eliminated.

Demographic Profile: In line with earlier studies showing the policy influence of investors aged 20–50, the sample was composed of 51% males and 49% females, primarily aged 21–30 (Metawa & Almossawi, 1998). The measuring model's collinearity and reliability were evaluated.

Measurement Model:

Table 2 : Loadings, convergent validity and reliability

Item \ Variables	Factor Loadings	Cronbach's Alpha	Composite Reliability (CR)(rho_c)	Average variance extracted (AVE)
Low rate of return		0.766	0.865	0.682
LRR1	0.827			
LRR2	0.861			
LRR3	0.787			
Risk Taking		0.645	0.806	0.583
RT1	0.658			
RT2	0.820			
RT3	0.802			
Perceived Risk		0.546	0.641	0.637
PR1	0.996			

PR2	0.289			
Financial Self-Efficacy		0.730	0.831	0.552
FSE1	0.733			
FSE2	0.776			
FSE3	0.702			
FSE3				
	0.758			
Subjective Norms		0.723	0.845	0.646
SN1	0.709			
SN2	0.848			
SN3	0.846			
Perceived Return		0.787	0.862	0.610
R1	0.787			
R2	0.759			
R3	0.794			
R4	0.784			
Investment Intention	0.776	0.870	0.691	
INT1	0.847			
INT2	0.857			
INT3	0.789			

The present study looked at the measurement model approach to check the reliability of constructs, composite reliability (CR), and average variance extracted (AVE). We employed Cronbach's Alpha (CA) and composite reliability to evaluate the reliability. According to J. F. Hair et al.(2019), it is

recommended that the threshold levels for these two criteria should exceed 0.70 and 0.60, respectively. Table 2 demonstrates that the reliability of constructs with multiple items is thoroughly established

Table 3 : Discriminant validity (Fornell-Larcker)

FSE						
INT	0.799					
LRR	0.691	0.660				
PR	0.274	0.326	0.535			
R	0.828	0.893	0.818	0.364		
RT	0.742	0.680	0.557	0.253	0.620	
SN	0.703	0.778	0.781	0.483	0.745	0.519

“The degree to which a concept is unique and different from other constructs is referred as discriminant validity”. Table III presents the use of the Fornell-Larcker criterion to assess the discriminant validity among constructs. In order meet this requirement, the square root of the AVE by a construct must exceed the correlation it exhibits with the other constructs. The results indicate that discriminant validity has been successfully achieved.

Structural Model

Prior to evaluating the structural model, we analysed the collinearity among the latent variables by assessing the variance inflation factor (VIF) values. All VIF values were below 3, implying no signs of multi-collinearity concerns.

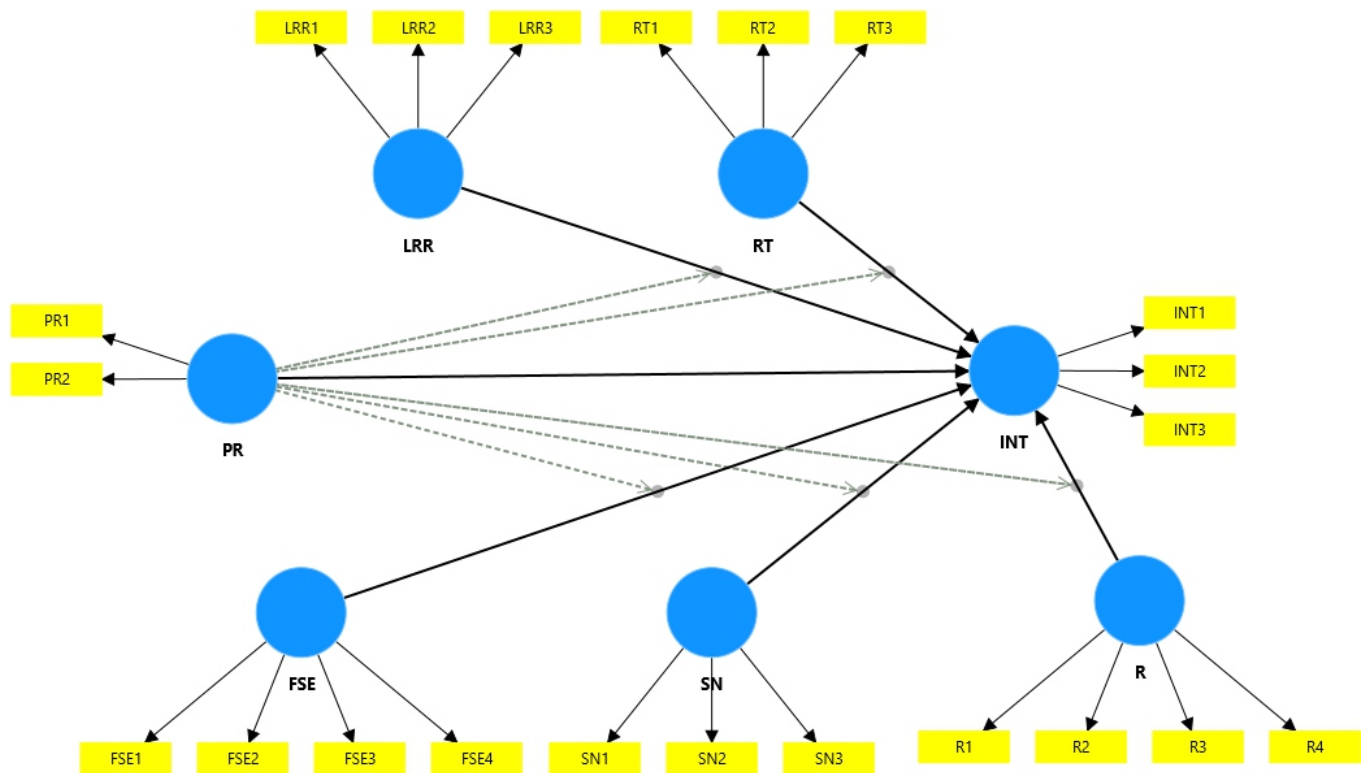


Figure 2: Structural Model

The results, as presented in Table IV, indicate that risk taking ($\beta = 0.036$) are most significant with switching investment intention followed by financial self-efficacy ($\beta = 0.014$) and subsequently subjective norms ($\beta = 0.001$) and perceived return ($\beta = 0.000$).

This depicts that Propensity to take risk, perceived return, subjective norms, and financial self-efficacy were found to

have a statistical relationship with the switching investment intention from FDs to stocks. All of these constructs had a positive association with the investment intention of equity investors. While, low rate of return ($\beta = 0.732$), and Perceived risk ($\beta = 0.649$), identified to have no significant effect on the switching investment intention from FDs to stocks. Therefore, hypothesis H2, H3, H4, and H5 are accepted.

Table 4 : Results of structural model

Hypothesis	Path	P values	Decision
H1	LRR > EINT	0.732	Rejected
H2	RT > EINT	0.036	Accepted
H3	FSE > EINT	0.014	Accepted
H4	SN > EINT	0.001	Accepted
H5	R > EINT	0.000	Accepted
H6	PR > EINT	0.649	Rejected

Discussion & Implications

This study identified risk-taking inclination, financial self-efficacy, subjective norms, and expectations of better returns as the main factors affecting the move from fixed deposits (FDs) to equity investing. It implies that stock selection is more

common among investors who are more at ease with risk and assured of their ability to handle their money. This change is also influenced by social factors and the hope for higher stock returns. Curiously, the idea that declining FD yields drive investors toward stocks is refuted by the fact that a low rate of return on FDs has little effect on the choice to transfer.

Furthermore, investors are not substantially discouraged by the perceived risk of equities, suggesting that other considerations are more crucial when making decisions.

Enhancing financial literacy and self-efficacy should be the primary goal of financial institutions and policymakers. To promote equities, investment advisors should make use of peer networks and social influence. To make well-informed judgments based on their own objectives, individual investors should place a high priority on risk assessment tools and financial education.

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