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**Real Estate Development In India And The Behavior of Investors to Invest In
The Real Estate Market: An Empirical Investigation.**

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Abstract of the Paper

This study examines the behavioral factors that influence the Indian Investors to invest in the Real Estate Market. Among the various factors that affect the tendency of investors to invest in the real market, certain factors are greatly influenced the investors at greatest extend while others at least level. From this study it is revealed that motivation from the real estate developers and brokers (mean value- 3.46) is most influencing factor and happening of uncertain events (mean value- 1.75) is the least factor that influences the investors' investment behavior. In this study, the behavioral factor like over confidence and the hypotheses regarding education, religion were analyzed and found that religious factor influences the Indian investors to invest in the real estate.

Key words: Real estate market, Investment knowledge, Neutral Information, Motivation from Advisers, Investment Risk, Behavioral factors.

Introduction

Real estate is a good opportunity to employ funds for both long and short-term investments. It is safe and provides high yield investment as compared to volatile returns from the stock market and limited returns from bank deposits. [1] Wikipedia,

the free encyclopedia referred real estate as 'Legal term (in some jurisdictions) that encompasses land along with anything permanently affixed to the land, such as buildings'. In-depth, real estate, which is also defined as the immovable property or even realty is frequently deemed identical

with real property compare to personal property. [2] .Technically, real estate is not defined by such physical components as land and buildings. Rather, real estate is nearly synonymous with real property, the rights that associated with land and together with the fixtures, such as roads and buildings that are permanently attached to the land. The real estate market has been on a growth and expansion phase ever since 2002. The rationale of investment in real estate is to generate the profit return in future when forgoing the present consumption by taking into the consideration of uncertainty and risk [3].The globalization and the emergent of Multinational Corporation in India results to the growth of real estate market and economic growth. Moreover, growth of population, rising in income level, rapid urbanization factors influenced to the growth of Indian real estate market. Since the Indian real estate market is emerging market in under developed economy, the role of real estate investors' play and vital role of Indian economy [4]. Real estate is an asset form with limited liquidity relative to other investments, it is also capital intensive and is highly cash flow dependent. If these factors are not well understood and managed by the investor,

real estate becomes a risky investment. The study of investors behavior discloses that various factors influence their invest portfolio in the real estate market.

Literature Review

Bharat Mittal, 2007 [3] Indian real estate investment area has shown tremendous progress over the last few years with the global and local factors. With the growth and expansion of the real estate market, other areas got experienced the growth which created the growth of economy.

Gill,A,S.P Sharma, H.S Mand, N. Mathur, 2012[4] .The globalization and the emergent of Multinational Corporation in India results to the growth of real estate market and economic growth. Moreover, growth of population, rising in income level, rapid urbanization factors influenced to the growth of Indian real estate market. Since the Indian real estate market is emerging market in under developed economy, the role of real estate investors' play and vital role of Indian economy.

Gill and Biger (2008) (2012) [6] also indicate that investors' tendency to invest capital is positively affected by their own perceived knowledge of neutral information. Thus, investors do not rely on a single integrated approach, but rather on many categories of factors such as price movement

in the real estate market and current economic indicators e.g., business cycle, GDP, etc. K. Byrne (2005) [7] explains that investors take better investment decision through the improved the investment knowledge and experience. The investors can accurately perceive the risk and the return accruing from the investment portfolio [8].

2.1. Investment Knowledge

Y.A. Hamid (1999) [9] has observed that the investors' investment knowledge and experience have positive and negative impacts on their tendency to invest capital in the real estate market. That is, if Indian investors perceive higher risk in the Indian real estate market, they are reluctant to invest capital and vice versa. Investor knowledge of 'neutral information' plays an important role in investment decision making process. The concept was developed long ago by Siegel *et al.*

Neutral Information

S.G. Siegel, K.J. Dow, and E. Calderaro, et al (1979) [10] who found that many investors of the view that financial statements alone as not better enough for investment decision-making purposes. They assumed that there are other sources of information viz. neutral information which

influence investors to make a better feel to investment.

Motivation from Advisors

R.A. Nagy and R.W. Obenberger (1994) [11] indicate that the recommendations of family members and friends impact on the investment decisions of investors. Gill and Biger [6] indicate that investment propensity of investors is positively affected by their own perceived consultation with an advisor. In similar manners, real estate brokers, family members, and friends can act as investment advisors in the real estate market. O'Neal [12] also suggests that investment advisors play a significant role in investment decisions of investors.

As an intermediary, the real estate agent promptly makes use of a seller's property data for sale; provide multiple listing services to gain the competitive advantages in the real estate market. All services then conjoined with effective marketing tools like advertising, which in turn help to increase the rate of arrival of potential buyers, who are better informed and thus better matches for the seller's real estate property, resulting in a higher rate of offers, or higher offers or both.

Investor behavior

Slovic, 1972; Alfredo and Vicente, 2010 [13]. Investment behaviors are defined as how the investors judge, predict, analyze and review the procedures for decision making, which includes investment psychology, information gathering, defining and understanding, research and analysis. The whole process is called “Investment Behavior”. The factor that affects the property investment behavior is that not all investment is unintentional. Investors make investment decisions with an intention to hold the property for either long term or short term.

In short, literature review reveals that behavioral factors like investment knowledge, neutral Information, motivation from advisers, investment risk and over expectation influence the investors to invest in the real estate market.

Investment Risk

Return expectations were positively correlated with investment allocation. Provision of past performance information appears to create an expectation for future returns around the same level as past returns. [8] Management and evaluation of risk is a major part of any successful real estate investment strategy. Risk occurs in many

different ways at every stage of the investment process. [14]

Overconfidence

The investors are usually over confident about their abilities to complete the difficult tasks successfully. Sometimes they believe that their knowledge will be more accurate and even think decision is also precise. Overconfidence is as “The ego traps” and note that over confidence is pervasive. [15]. Overconfident investors believe strongly in their activities and not concern the belief and experience of others [16]. Over confidence causes investors to trade or invest too much and to too much risk. As a consequence, investors pay too much in the form of commission, pay too much in taxes, and are susceptible to heavy loss. [17]. In short, increased level of information or over confidence do not necessarily lead to greater knowledge because many investors may not have proper training, experience, or skills to understand the information regarding the real estate market which may significantly make an adverse effect on real estate investment of the investors .

Objectives of this Study

Main objective of this study is:

- To study the behavior of the investors to invest in the real estate market in India.

At the same time, following specific objectives are also set for this study:

- (i) To analyze the significance of the motivation from advisors influence the investors to make their investment decisions.
- (ii) To analyze the religion based investors and their readiness to take investment risk in the real estate market.

Methodology of the Study

The data was collected with the help of a questionnaire. The questionnaire collected through direct personal interview method which included thirty six items that belong to five categories: (1) real estate investment knowledge (2) neutral information, (3) motivation from advisors (4) investment risk in real estate market and (5) behavioral factors of Indian investors in the real estate market. In research design, primary and secondary data were collected.

The primary data was collected from 300 investors in leading and potential real estate markets at Kochi, Aluva, Nedumbassery (Kochi) International Airport Area and Perumbavoor in Ernakulam district. The study was conducted for a period of 60 days. The study is aimed at identifying the most and the least influencing factors of the individual investors. The tools used for the analysis include Chi-Square Test.

The study analyzes personal and behavioral factors of Indian investors. The study covers real estate investment knowledge, neutral information, motivation from advisors, investment risk information and these factors are categorized 20 numbers of behavioral factors.

This study has tried to analyze above factors and find out what are factors that most and least influencing the behavior of the Indian investors to invest in the real market. It was found that there are also some behavioral factors like the investor's expectation and risk taking in investment which influence the investor's behavior.

Scope of the Study

The findings of the study give a broader insight to investors and to those who involves in real estate market activities which in turn help the investors to achieve desired goal from the investment in the real estate. From the marketing point of view, it will widen the competitive advantages particularly when decide to make a strategic planning on real estate investment.

The present study exposes wide scope for diversify the portfolio allocation decision for the investors. [5]

Hypothesis:1

1.1H₀: Religion makes no difference in investment in real estate property.

1.2 H₁: Religion makes a difference in investment in real estate property.

Since the probability value is less than 0.05, the hypothesis 1.1: H₀ is rejected and 1.2 .H₁ is accepted as it is significant.

Hypothesis:2

2.1H₀: Education makes no difference in investment in real estate property

2.2 H₁: Education makes a difference in investment in real estate property.

Since the probability value is less than 0.05, the hypothesis H₀ (2.1) is rejected and H₁ (2.2) is accepted as it is significant.

Results of the Study

- The study revealed that expert advice of the real estate developers and agents (**M. Value- 3.46**) are most influencing factor to motivate the behavior of investors to invest in the real estate and least influencing factor is happening of uncertain events (**M. Value- 1.75**).
- Most of the investors (56%) are willing to invest on real estate for a period of 1 to 3 years, 22% less than 1 year, 16% for 3 to 5 years, and 6% of investors for maximum period. This shows that majority of investors

prefer short years investment to long or maximum period.

- From the study, it was found that majority of the investors (60%) are optimist in their financial tolerance and 25% are shown over expectation in their attitude towards their investment, 5% are pessimist and 10% investors are neutral.
- Among the investors 52% belongs to Muslims, Christians 29% and Hindus 15%
- Majority of the investors (88%) is male and 12% are female.
- Qualification of majorities of the investors (45%) is between 10th to 12th.standard
- The respondents are under different stages of life level and the majority is business men (50%) and 20% of retired person. They wish to invest in the real estate market and have self image to know the real estate market condition and other influencing factors.
- It was found that the risks and portfolio performance vary with changes in the real estate market prices.
- The investment on real estate mainly got flourished at the place where Muslim people are large in numbers.
- Though the religious reason not affects the investors to invest, the tendency to invest

in real estate is mainly indicating a dominant role of Muslim people. So the study reveals that conservative behavior of such category changed and they are ready to take risk to earn profit from business.

Suggestions

- Since the real estate developers and brokers are motivating agents to the real estate investors, the developer's guidance and advice based on the past experience and awareness of latest market trends would be helped the investors to decide a better investment decision.
- The comprehensive attempt to provide the behavioral and psychological awareness to realty investors and developers.
- Ensure appropriate asset allocation strategies for successful portfolio management of their clients which may be based on their life stage, emotional risk tolerance and their financial literacy level.
- Provide improved services to help investors to make ideal selection from the portfolio and equipped them to diversify the funds to ensure return from investment.
- The real estate developers must have complied the business ethics and moral

values to strengthen the business activities and the strategies adopted to realize profit.

- The real estate developers and agents are to be frequently communicated with investors,

Be ensured personal attention towards investors, provided quality services as promised.

Limitations of the Study.

- The study covers only with particular potential places in the district of Ernakulum, Kerala.
- The role of real estate developers and agents cannot be considered as crucial for the investors in the investment decision making. Sometimes, the investors choose the best portfolio without the advice of agents and real estate developers.

Concluding Remarks

This study would help the real estate developers and brokers to understand the factors that influencing the investors to invest in real estate market. Through this study, the researcher give further insights which enables to enrich the performance of real estate developers and investors. The service quality that motivators delivered to investors creates better investment knowledge to them to select ideal

investment decision and thus being saved and threats.
the investors from real estate investment loss

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Table I: Gender Classification

Sl.No	Gender	No. of Investors	Percent
1	Male	264	88
2	Female	36	12
	Total	300	100

(Source: Survey Data)

**TableIII:
Profession Classifications**

Sl. No.	Expectation of Tolerance	No. of Respondents	Per-cent
1	Retired	60	20
2	Private Employee	42	14
3	Business	150	50
4	Semi-Government	27	9
5	General People	21	7
	Total	300	100

(Source: Survey Data)

**Table IV:
Educational Classifications of Investors**

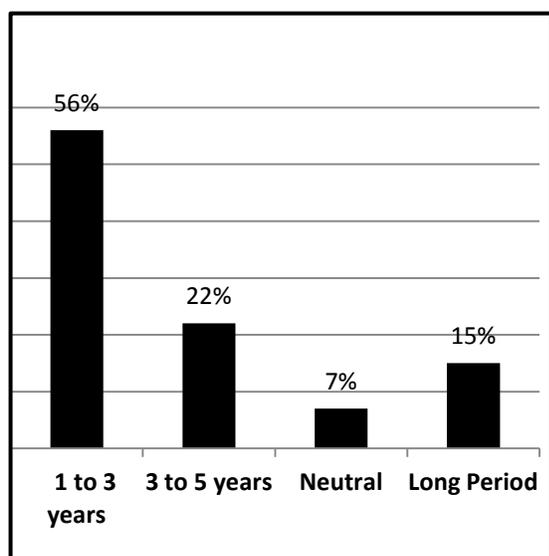
Sl. No	Qualification	No. of respondents	Per-cent
1	Below 10 th Std	60	20
2	10 th -12th	1350	45
3	Degree Level (Professional)	45	15
4	Post Graduate	15	5
5	Others	45	15
	Total	300	100

(Source: Survey Data)

**Table V:
Religious classifications**

Sl. No.	Religion	No. of respondents	Per-cent
1	Hindu	45	15
2	Christian	87	29
3	Muslim	156	52
4	Others	12	4
Total		300	100

Figure: 1 Investment period of Investors



(Source: Survey Data)

**Table: VI.
Factors Influencing the Investors Behavior to Invest in the Real Estate Property**

Sl.No	Factors	Neutral Information					Mean	Rank
		Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree		
1	Recent price movement in the real estate market.	84	18	41	72	81	3.19	2
2	Current Economic Indicators.	48	84	78	51	39	2.82	6
3	Information from	102	69	99	12	18	2.24	13

	the internet							
4	Coverage in the press	87	102	87	15	9	2.19	14
Motivation from the Advisors								
5	Motivation from the real estate developers and brokers.	32	42	84	90	52	3.46	1
6	Motivation from self experience.	78	96	51	45	30	2.50	8
7	Motivation from the Family members.	88	96	68	21	27	2.32	10
8	Motivation from the friends.	93	102	90	6	9	2.13	16
Investment Risk								
9	Portfolio selection to achieve the desired object.	60	69	51	54	66	3.01	5
10	Long period return on investment interrupted by the inflation.	78	75	57	54	36	2.64	7
11	Loss of initial investment Made for the purchase property within the period of agreement.	99	114	39	27	21	2.19	15
12	Failure to fulfill the agreement between the parties involved in real estate market	114	111	45	12	18	2.02	17
13	Happening of uncertain events	150	93	45	6	6	1.75	20
Self-Image and the Image of Real Estate Developers/Agents Image								
14	Real estate broker's efficiency to shape the investor for suitable and profitable investment	57	60	57	69	57	3.04	3
15	Involvement of realty developers to solve the investors' problems.	48	45	111	45	51	3.01	4
16	Organized Real Estate Market.	84	90	96	21	9	2.29	12

17	Wish to get rich quickly.	90	57	96	9	21	2.30	11
18	Reputation of the firm	74	82	120	15	9	2.34	9
19	Efficiency of realty developers and its members.	120	105	54	12	9	1.95	18
20	Feelings regarding firms' service.	108	117	63	6	6	1.94	19

Table: VII

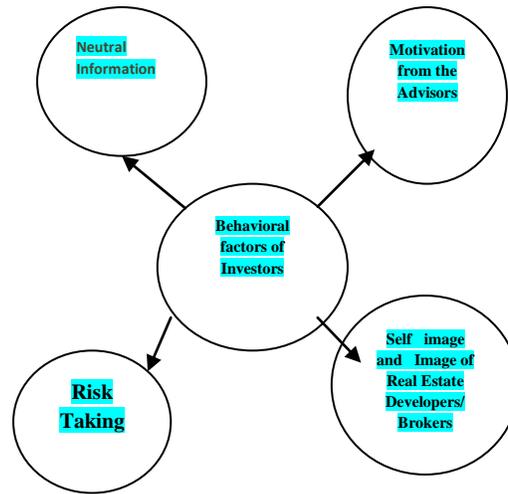
Factors Influencing the Most and those Influencing the Least (with Mean and Rank)

Sl. No	Factors	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree	Mean	Rank
1	Motivation from the real estate brokers and developers.	32	42	84	90	52	3.46	1
2	Recent price movement in the real estate market.	84	18	41	72	81	3.19	2
3	Real estate broker's efficiency to shape the investor for suitable and profitable investment.	57	60	57	69	57	3.04	3
4	Involvement of realty developers to solve the investors problems	48	45	111	45	51	3.01	4
5	Poor Portfolio selection to achieve the desired object.	60	69	51	54	66	3.01	5
6	Current Economic Indicators.	48	84	78	51	39	2.82	6
7	Long period return on investment	78	75	57	54	36	2.64	7

	interrupted by the inflation.							
8	Motivation from self experience	78	96	51	45	30	2.50	8
9	Reputation of the firm.	74	82	120	15	9	2.34	9
10	Motivation from the Family members.	88	96	68	21	27	2.32	10
11	Get rich quickly.	90	57	96	9	21	2.30	11
12	Organized Real Estate Market	84	90	96	21	9	2.29	12
13	Information from the internet.	102	69	99	12	18	2.24	13
14	Coverage in the press.	87	102	87	15	9	2.19	14
15	Loss of initial investment Made for the purchase property within the period of agreement	99	114	39	27	21	2.19	15
16	Motivation from the friends.	93	102	90	6	9	2.13	16
17	Failure to fulfill the agreement between the parties involved in real estate market.	114	111	45	12	18	2.02	17
18	Efficiency of realty developers and its members.	120	105	54	12	9	1.95	18
19	Feelings regarding firms service	108	117	63	6	6	1.94	19

20	Happening of Uncertain events.	150	93	45	6	6	1.75	20
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**Figure: II
Behavioral Factors**



Testing hypothesis-No.1

Religion	Frequency	%
Hindu	38	19.0
Christian	58	29.0
Muslim	104	52.0
Total	200	100.0

Chi-square value: 34.360 (p-value <0.05)

O	E	O - E	(O - E) ²	(O - E) ² / E
38	66.67	-28.67	821.78	12.33
58	66.67	-8.67	75.11	1.13
104	66.67	37.33	1393.78	20.91
200	200.00			34.36

Testing hypothesis No.2

Qualification	Frequency	Percentage
Below SSLC	40	20.0
SSLC - +2	90	45.0
Graduate	30	15.0
Post Graduate	10	5.0
Others	30	15.0
Total	200	100.0

Chi-square value: 90.000 (p-value <0.05)

O	E	O - E	(O - E) ²	(O - E) ² / E
40	40	0	0	0.00
90	40	50	2500	62.50
30	40	-10	100	2.50
10	40	-30	900	22.50
30	40	-10	100	2.50
200	200			90.00