
Finance Area An Analytical Study on Investor's Behaviour towards Capital market with Reference to Indore**Minal Uprety*****Sarfaraz Ansari******Prestige Institute of Management & Research, Indore****Abstract**

The paper aimed to know the impact of demographic variables on investor's behavior towards capital market services with reference to age & income in Indore city. Primary data was collected using convenient sampling through self structured questionnaire and interview method as well as secondary data from various journal publications had been utilized. Frequency distribution, percentage analysis and chi square test were used to obtain the objectives of the study. It was found that age and income level has an impact on investors' behavior towards capital market services. It was observed that most of the investors interested in short term investment as they were not have proper information about the investment avenues. Capital appreciation and liquidity were the preferred reason for investment.

Key Words: Capital Market, Investors, Investor's Behaviour**Introduction**

The Behavioral Finance is defined by Shleifer. A (2000), as "a rapidly growing area that deals with the influence of Psychology on the behavior of financial practitioners". Behavioral biases have become a popular explanation for a variety of investments in securities market. This study basically focuses on survey of portfolio management by investing in securities and analysis of investor behavior towards this service provided with reference to Raipur. Portfolio management involves deciding what assets to include in the portfolio, given the goals of the portfolio owner and changing economic conditions. The unique goals and circumstances of the investor must also be considered. Some investors are more risk averse than others. Portfolio returns can be calculated either in absolute manner or in relative manner. Absolute return calculation is very straight forward, where return is calculated by considering total investment and total final value. Time duration and cash flow in portfolio doesn't influence final return.

Shefrin (2000) noted that investors behavior were not rationale as it was driven by greed and fear, investors sometimes behave like speculator and therefore trade stocks between unrealistic highs and lows. In other words, investors behavior derived by extremes of emotion and subjective thinking which leads to the expectation for the future performance of investment alternatives. The overall performance of economy and stock prices movements depends on fundamental information.

Investors' behavior is defined in "behavioral finance" as how emotions and cognitive errors influence investors and the decision-making process. Behavior of the investors has long been the interest of academics and portfolio managers but not the investors themselves since the herd mentality sometimes dominates over reasons. Human herding behavior results from impulsive mental activity in individuals responding to signals from the behavior of others (Prechter, 1999).

Behavioral finance helps the investors to select investment instrument and avoid repeating the expensive errors. The pertinent issues of this analytical study were to analyze the investment behavior of investors towards security market in India.

Forbes (2009) noted that behavioral finance as a psychology which has an impact over financial market. He concluded that the investor's decisions were affected by various psychological factors like cognitive biases. Thus, behavioral finance can be defined as the application of psychological, social and emotional factors of market participants and affects market price and trends. These psychological and sociological factors have an impact on financial decision making of individual investors. The study will help to understand investor needs, goals & behaviour of different segment properly and satisfying them with the suitable strategy, which will help firm to establish long term relationship with investors which is necessary for sustaining in market and building competitive advantage over other firms. The study of different types of strategies will help to broaden the choice and review new strategies to minimize risk and increase returns.

Review of Literature:

Sahi (2013) examines the effect of demographic and socioeconomic factors on the financial satisfaction of the individual investors in India, she found that demographic age, marital status, occupation, work-experience, income, saving rate, nature of household accommodation and investment tenure, impact the individual's financial satisfaction levels. **Laxmi (2013)** studied in their research that investment decision is mostly influenced by age, gender, and friends. It is found that respondents of the study are conventional in nature and show less concern for money multiplication and liquidity. **Mehta and Aggarwal (2011)** researched that investment choice is related with demographic profiles and personality type of investors. It was seen that there is some difference among gender for provident funds, fixed deposits, and real estate. Females were found more traditionalist than males, higher age groups more preferred post office as an investment option than lower age groups.

Thomas and Rajendran (2012) found in their study based on psychological theories that investment patterns and types of investment made influenced by personality of an investor. They identified commodities as one of the most potential avenues for understanding the investors' choices. **Kabra, Mishra, and Dash (2010)** conducted a study and this study aims to gain knowledge about key factors that influence investment behavior and ways these factors impact investment risk tolerance and decision making process among men and women of among different age groups. **Mitta and Vyas (2008)**, examines that the demographic information such as age, educational qualification, income and marital status will have significant effect of an investor investment decision.

Fünfgeld and Wang (2009) studied in his research classified; based on both self stated attitudes and behaviors. They identified five dimensions of financial attitudes and behavior: anxiety, interest in financial issues, decision styles, need for precautionary savings and spending tendency. Furthermore

they observed that Gender, age and education were found to have significant impacts on investor's behavior.

Objective of the study:

The main objective behind study is to

- To study the impact of demographic variables on investor's behavior towards capital market services with reference to age & income in Indore city
- To know the investor's behavior towards capital market services.

Hypothesis

1. There is no significant association between age and investor's behavior towards capital market.
2. There is no significant association between income level and investor's behavior towards capital market

Methodology

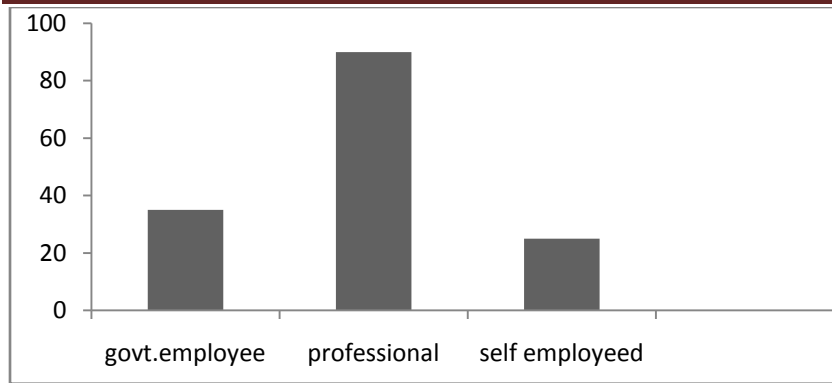
The study was based on a sample survey of individual investors in the capital market. The data used were the first hand information collected with the help of questionnaire form the set of respondents. The sample size for this survey was 150. The investors were interviewed in Indore city. The analysis of the overall status of the investors and their behavior in the city is based on the primary data. The secondary data and information were obtained from the various journals, magazines, books and internet sources.

Analysis & Results:

Occupation Wise investor

Table-1

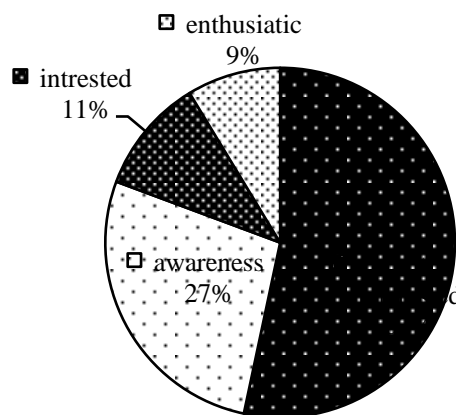
Occupation	No. of Investors	% of Investors
Government employee	35	23%
Professional	90	60%
Self employed	25	17%
Total	150	100



2. Preference_Status_–

Table-2

Status	No. of Investors	% of the investors
Not Interested	80	53%
Awareness	41	27%
Interested	16	11%
Enthusiastic	13	9%
Total	150	100%

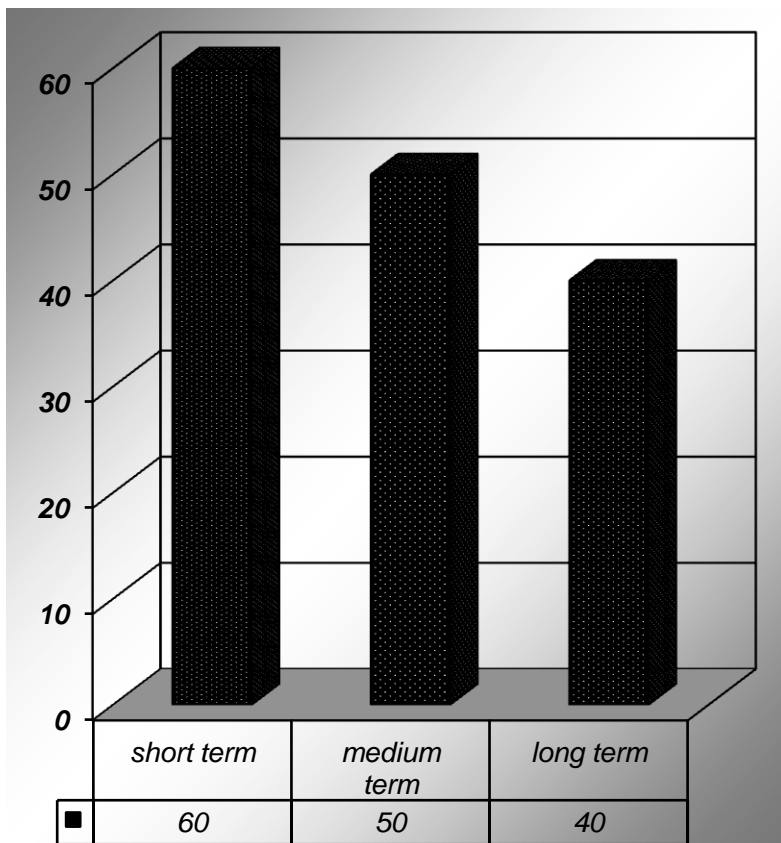


3. Period wise Investor-

In this the study is done according to the sample size of 150 investors.

Table .3

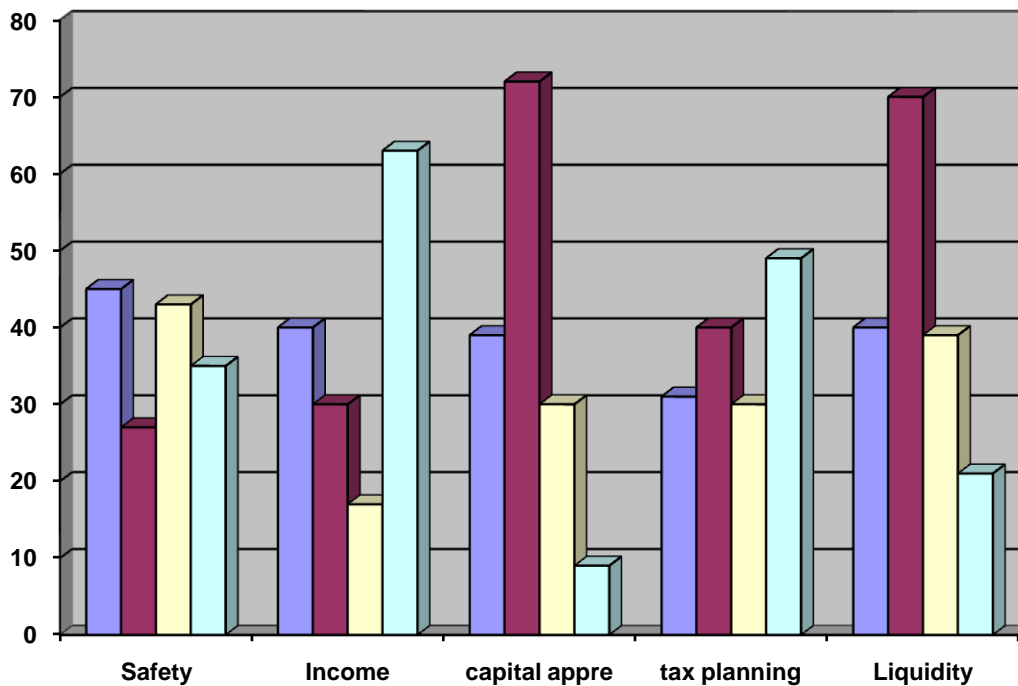
Objective	No. of Investors	% of Investors
Short term	60	40%
Medium term	50	33%
Long term	40	27%
Total	150	100%



4. Graphic Rating Scale

Table.4

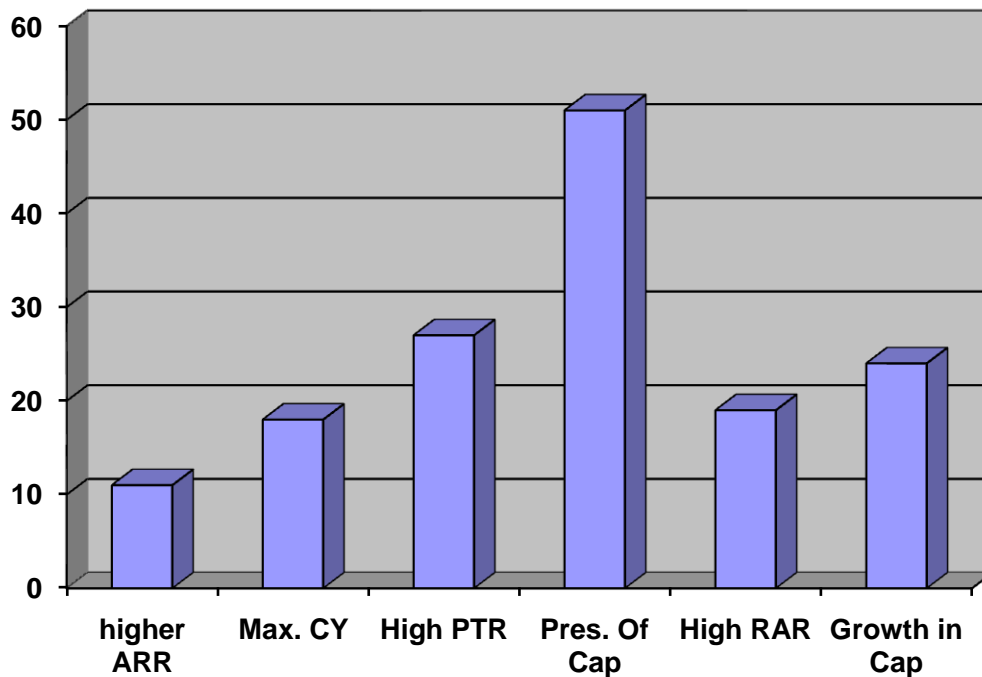
	Important	Very important	Somewhat important	Not at all important
Safety	45	27	43	35
Income	40	30	17	63
Capital Appreciation	39	72	30	9
Tax planning	31	40	30	49
Liquidity	40	70	39	21



5. According to objective

Table. 5

Objective	No. of Respondents	No. of Investors
Higher absolute rate of return	11	7%
Maximization of current yield	18	12%
High post tax returns	27	18%
Preservation of capital	51	34%
High risk adjusted return	19	13%
Growth in capital	24	16%
Total	150	100%

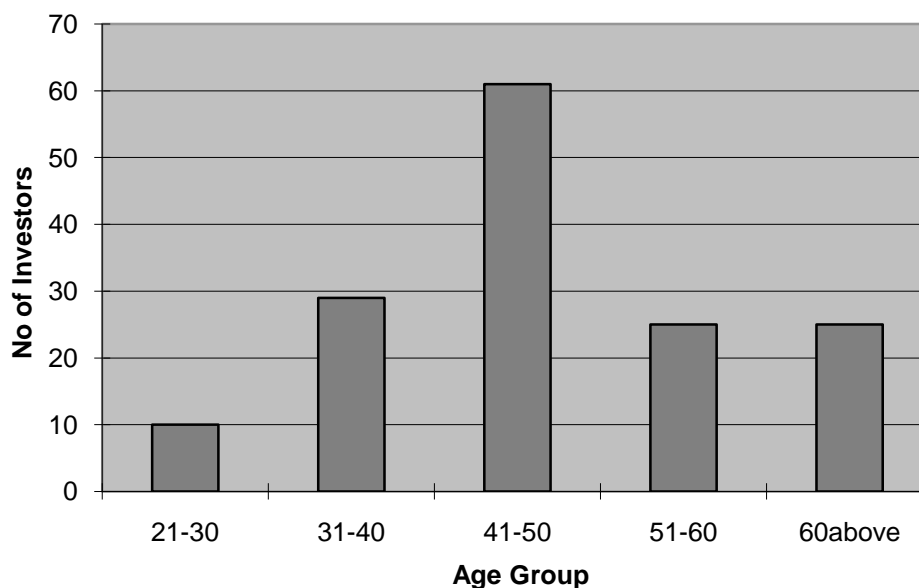


Hypothesis 1:

There is no association between age and investor's behaviour towards capital market in Indore

1. Age factor –**Table-6**

Age	No. of Investors
20-30	10
31-40	29
41-50	61
51-60	25
60 Above	25
Total	150
At 5% significance level & 4d.f.	
Chi -Square_(Tabulated) = 9.488	
Chi -Square_(Calculated) = 98.533	
Because Chi-Square_(Tabulated) is less than Chi - Square_(Calculated), hence null hypothesis is rejected.	

Age -wise Investors

It is seen from the above the table that the null hypothesis that there is no significant association between age and investor's behavior towards capital market in Indore is rejected. It can be infer that age have an impact on investor's behavior.

Hypothesis 2.

There is no association between income and investor's behaviour towards capital market in Indore

Table.7

Income	No. of investors
Less than 20000	5
20001-40000	17
40001-60000	28
60001-80000	43
80000 above	57
Total	150
At 5% significance level & 4d.f.	
Chi -Square_(Tabulated) = 9.488	
Chi -Square_(Calculated) = 236	
Because Chi -Square_(Tabulated) is less than Chi -Square_(Calculated), hence null hypothesis is rejected.	

It is evaluated that the null hypothesis that there is no significant relationship between the income level and the investor's behavior towards capital market in Indore is rejected

Findings:

- From table 1, It is found that 60% respondents were professionals, 23% respondents were government employees and 17 % were from other occupation.
- From table 2, it is seen that 53% respondents were not interested in investment , 27% were have the awareness about the investment avenues , only 11% were interested in investment and only 9 % were enthusiastic for investment in capital market.
- From table 3, 40% respondents were do short term investment, 33% mid term and 27% do long term investment in capital market.
- From table 4, it is observed that for 48% & 47 % respondents capital appreciation and liquidity were very important variable in investment decision.

- From table 5, 34% respondents' objective to do the investment was to preservation of capital, 18% respondents' objective was high post tax returns, 16% objective was growth in capital and only 7% respondent's objective was high absolute rate of return.
- It can be seen from the table 6 that there is no significant association between the age and the investor's behaviour towards capital market in Indore is rejected. It means investor's age have impact on their behaviour towards capital market.
- It can be seen from the table 7, that there is no significant association between the income level and the investor's behaviour towards capital market in Indore is rejected. It means investor's income level have impact on their behaviour towards capital market.

Conclusion:

The study concludes that there is an association between demographic profiles of the investors and the investment decision of the investors. It was found that investor's income level and age have an impact on their behavior towards capital market. It is seen that most of the investors believe in short term investment and mainly they do investment with the expectation of capital appreciation.

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