A STUDY ON INDIVIDUALS INVESTORS BEHAVIOR IN STOCK MARKETS OF INDIA

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ABSTRACT

The investor plays a very important role in the stock market because of their big share of savings in the country. The Regulators of the stock market never can ignore the behavior of individual investor. This study aims to understand the behavior of individual investor in stock market, specifically their attitude and perception with respect to the stock market. A survey is conducted to collect data relating to the above subject. Respondents were classified into different categories like income, profession, education status, sex and age. Primary data is collected from a sample of 150 investors of Mysore City, Karnataka, India. The study also attempts to find the factors affecting the investment behavior of individual investors such as their awareness level, duration of investment etc.

Keywords: Investors Behavior, Stock Market, Attitude, Perception, Awareness Level

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Introduction

A stock market is a place in which long term capital is raised by industry and commerce, the government andlocal authorities and it is regarded as capital market. The money derives from private investors, insurance companies, pension funds and banks and is usually arranged by issuing houses and merchant banks. Stock exchanges are also part of the capital market which provides a market for the shares and loan that represent the capital once it has been raised. Stock market is a place where the securities can be sold and purchased at an agreed price. Indian stock market is the oldest stock market incorporated in 1875. The name of the first share trading association in India was Native Share and Stock Broker Association which later came to be known as Bombay Stock Exchange.

The BSE India SENSEX is India’s first stock market index and is tracked worldwide. It is having an index of 30 stocks representing 12 major sectors. Bombay stock exchange is a stock exchange in Asia with a rich heritage, new spanning three centuries in its 133 years of life. BSE is the first stock exchange in the country which obtained permanent recognition (in1956) from the Govt. of India under the Securities Contracts (Regulation) Act 1956. BSE prominent role in the development of the Indian Capital Market is being widely recognized. It changed from the open outcry system to an outline screen based order driven trading system in 1995. BSE is now a corporatized under the provisions of the Companies Act 1995. The National Stock Exchange of India (NSE) is also one of the largest and most advanced stock exchanges in the world. NSE is the largest exchange in Stock futures and the seventh largest futures exchange in the world. Its trading facility can be accessed across the country, through over50000 trading terminals. The central order book with a tight bid-ask spread provides a highly liquid market for the investors. In 1996, NSE launched S&P CNX Nifty which is diversified index of 50 stocks from 25 different economy sectors. NSE started trading stock on the internet from the year 2000. SEBI is the regulatory authority of Indian stock market. The main functions of SEBI are to provide protection to investors and safeguard their rights, to regulate brokers and sub brokers, to prohibit the unfair practices in stock market etc.

Investment has different meaning in the context of finance and economics. Finance investment is putting money into something with the expectation of gain that upon thorough analysis has a high degree of security for the principle amount, as well as security of return, within an expected period of time. Putting money into something with an expectation of gain without making thorough analysis is speculation or gambling. Thus, Financial Investment involves decision making process in order to ensure security of both the principle amount and the return on investment (ROI) within an expected period of time. In economics investment refers to the creation of capital or goods capable of producing other goods or services.

The term investment refers to the commitment of funds at present in anticipate of some positive rate of return in future course of time. There are three types of investors namely conservative investors, moderate and aggressive investors. There are also different avenues available to invest for investor's namely corporate securities, equity shares, preference share, debentures/ bonds/ ADRs/ GDRs, mutual funds, etc. The investor can get education about their investment from financial institution, financial markets, media etc. This paper tries to study investment behavior of individual investor in stock market of India.

Literature Review

A conceptual method of investor behavior, Milan lovnic, UzayKaymak and Jaaps Prank (May 2008). This paper has presented a descriptive model of individual investor behavior. It is being concluded that investment process is driven by cognitive and affective process and interplay contributes to rational behavior. Under the above model investor is seen as learning, adopting and evolving entity that perceives environment, processes information, acts and updates its states. Finally investor behavior is influenced by social interactions.

Impacting factors on individuals investors behavior towards commodities market in India, Elankumaran and A AAnanth. A study on behavioral finance has been done presuming information structure and characteristics of capital market. Participants influence their own decisions and also on market outcomes. The above studies have been conducted by using survey method. The questionnaire with 5 Point Likert Scale designed with 15 components for measuring behavior and respondents were selected from Trichy District and the total number respondents were 525. The influence of resulting factor analysis and descriptive statistics has concluded that multiple factors have greater influence on behavior of commodity market investors in India. The main factor was information asymmetry, objective knowledge, high sector and low risk.

AStudy on Investors preferences towards various investment avenues in capital market with special reference to derivatives, Dr. K Ravichandran. The research study was intended to find preference level of investors on various capital market instruments and type of risk considered by investors. The sample was collected from 100 investors in derivative markets from Chennai from a structured questionnaire. Descriptive research type is used and convenience sampling method was adopted to gather data. Various parametric and non-parametric techniques have been used for analyzing data. The findings reveal that friends and relatives followed by brokers who pull the investors into capital market. Respondents preferred short term investments. It has been suggested by the author to develop more number of products which it can attract more number of investors

Sikidar and Singh (1996) carried out a survey with an objective to understand the behavioral aspects of the investors of the north eastern region towards mutual funds investment portfolio. The survey revealed that the salaried and self-employed formed the major investors in mutual fund primarily due to tax concessions.

Kumar Singh (2006) analyze the investment pattern of people in Bangalore city and Bhubaneswar analysis of the study was undertaken with the help of survey conducted. It is concluded that in Bangalore investors are more aware about various investment avenues and the risk associated with that. And in Bhubaneswar, investors are more conservative in nature and they prefer to invest in those avenues where risk is less like bank deposits, small savings, post office savings etc.

Chandra collected the data from survey to know the factors influencing Indian individual investor behavior in stock market. Using univariate and multivariate analysis and found five major factors that affect the investment behavior of individual investor in stock market namely prudence, and precautions attitude, conservatism, under confidence, informational asymmetry and financial addition . Finally he concluded that these are the major psychological components seem to be influencing individual investor's trading behavior in Indian stock market.

AjmiJy.A. (2008) used a questionnaire to know determinants of risk tolerance of individual investors and collected responses from 1500 respondents. He concluded that the men are less risk averse than women, less educated investors are less likely to take risk and age factor is also important in risk tolerance and also investors are more risk tolerance than the less wealthy investors.

Tamimi, H. A. H. indentified the factors influencing the UAE investor Behavior. Using questionnaire found six factors were most influencing factors on the UAE investor behavior namely expected corporate earnings, get rich quick, stock marketability past performance of the firm's stock , government holdings and the creation of the organized financial markets.

Objectives of the study

1. To study the investors behaviors in stock markets of India
2. To study the factors affecting the different types of investors

Research Methodology

The primary data were used for the study. Data have been collected through questionnaire method and survey method. 150 responses have been collected from the stock market investors of Mysore City.

Secondary data have also been used for the study. These data were collected from newspapers, magazines and various research articles. Percentage method is used for analyzing the gathered data.

Limitations of the study

1. The study is limited to 150 Investors
2. The study have been conducted to analyze some factors effecting investment behavior of investors
3. The survey is conducted in only one city

Data Analysis

Table 1: Responses regarding Sex and Age respondents

Sex	Response (%)	Age	Response (%)
Male	99(65%)	Less than 20	0(0)
Female	51(35%)	20-30	42(28%)
		30-40	48(32%)
		40-50	45(30%)
		50 and Above	15(10%)

The above table shows that the 65 percent respondents are male and maximum respondent's falls between the age of 30-40 years.

Table 2: Responses about the status of Annual Income, Education Level and Occupation

Income	No. of Respondents	Level of Education	No. of Respondents	Occupation	No. of Respondents
Less than 1 Lakh	39 (26%)	Metric	0 (0%)	Govt. Employee	12 (8%)
1.01 - 3.00	42 (28%)	10+2	9 (6%)	Pvt. Employee	48 (32%)
3.01 - 5.00	69 (46%)	Graduate	57 (38%)	Business	54 (36%)

Above 5 Lakh	0(0%)	Post Graduate	39 (26%)	Pensioner	18 (12%)
		Above P.G	45 (30%)	Housewife	12 (8%)
				Students	6 (4%)

The table reveals that out of the 150 respondents, 26 percent respondents fall under less than Rs. One lakh income range, 28 percent are those having income between one and three lakhs, 46 percent earn between 3-5 lakh. As far as the education and occupation levels are considered, it can be noted that 38 percent respondents are graduate, 26 percent are post graduate and 30 percent have secured above post graduate education. 36 percent of the sample respondents are businessman, 32 percent are private employees while the remaining are employed in either govt. organization or they are pensions, housewife and students.

Table 3: Duration of Investment

Duration of Investment (In years)	Responses (%)
Less than 1 year	15 (10%)
1- 2	54 (36%)
2- 5	66 (44%)
5 and Above	15 (10%)

From the total sample size 36 percent investors are prefer to invest between 1 to 2 years and 44 percent respondents preferred to invest between 2 to 5 years and 1o percent investors prefer to invest more than five years.

Table 4: Responses regarding Annual Savings and Reasons for Investment

Annual Savings	No. of Respondents (%)	Reasons of Investment	No. of Respondents (%)
Less than 50000	54 (36%)	To meet family needs in future	60 (40%)
50001-100000	42 (28%)	Emergency needs	21 (14%)
More than 1 Lakh	54 (36%)	Live a safe and secure life	51 (34%)
		Capital Growth	18 (12%)

36 percent of the respondents save under Rs.50000, 28 percent save between Rs. Fifty thousand to one lakh and 36 percent save more than one lakh. It is clear that family needs and secured life play a major role in deciding the saving habits of the respondents.

Table 5: Awareness about Investments

Awareness	Responses(%)
Aware	120 (80%)
Not Aware	30 (20%)

It can be concluded that 80 percent of the respondents are aware of the different investment options.

Table 6: Factors affecting Investment Behavior

Factors	Equity	Mutual Funds	Debentures	Gold	Others
Family members	18	17	0	40	0
Friends	16	8	0	6	0
Financial Consultants	46	22	0	38	0
Others	19	0	0	5	8

It is evident from the table that family members influence the most in investment decisions in case of Gold. In the case of Equity the financial consultants were pronounced more. The influence of friends and others was found to be very less.

Table 7: Sources of Information

Sources of Information	Equity	Mutual Funds	Debentures	Gold	Others
Brokers	46	14	0	44	0
Newspapers	59	30	0	46	0
Internet ads	17	22	0	17	0
Financial Consultants	32	13	0	18	0
Others	34	0	0	22	0

From the above table it can be said that in case of equity, the major source of information was the Newspapers, as per the gold was concerned Agents/ Brokers and Newspapers/magazines played a major role and in case of mutual funds Newspapers.

Table 8: Investment pattern affected by Market Movement

Options	Responses(%)
Yes	111 (74%)
No	39 (26%)

It can be interpreted that majority of investor's investment pattern will affect if any change in the market. Market movement is very important factor for changing in investment pattern.

Conclusion

The study reveals that the respondents assimilate the objectives of saving, the factors influencing the saving and the sources of information for decision making. The annual income and the annual saving are given importance of consideration by the respondents, because the level of income decides the level of savings. The investors are fully aware about the stock market andthey feel that market movements affect the investment pattern of investors in the stock market.

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