

Behavioural Analysis of Individual Investors towards Investment

V.Parameswari

Assistant Professor, Department of Commerce, Government Arts College,
Udumalpet, India

Abstract

Individuals enter into investment to earn return, to meet specific goal and make provision for future. The objective of this study is to investigate the behavioural characteristics of 120 individual investors of Coimbatore city are selected using convenient sampling method. The analysis is based on the primary data collected through questionnaire. The data were analysed using percentage analysis and Chi-Square test. The study reveals that 57.5 percent of individual investors were influenced by self to do investment, 70 percent of individual investors period of investment were upto 5 years, 78.3 percent individual investors were having the habit of investment activities regularly, 57.5 percent were medium risk taker, 40.8 percent sources of funds for investment were borrowed, 64.2 percent investors sources of information for investment decisions were investment related websites/ newspaper and 26.7 percent investors investing objectives were safety. There does not exist a significant association between the behavioural variables selected such as influencer for investment, period of investment, regularity of investment, type of risk taker, sources of funds for investment and sources of information for investment and investing objectives of the individual investors.

KEYWORD: Individual investors, Investing objectives, behavioural characteristics.

Introduction

Earnings of the individuals is partly spent to meet the personal expenses and the balance saved for meeting future expenses. To keep the savings idle the individuals like to use savings to get return on it in the future. It is the concept of investment. Thus the individuals enter into investment to earn return, to meet specific goal and make provision for future. Individuals invest in physical assets such as gold, silver, real estate and financial assets such as post office savings, insurance, share market securities etc. The most well-known investment avenue is shares of stock in a company. The stock market is one of the most important ways for companies to raise money and raise additional financial capital for expansion. Market participants in the stock market range from small individuals to larger investors and include institutional investors like mutual funds, insurance companies, banks, etc. Investment in stock market depends on many factors such as strategies, decision making attitude, objectives, time factor, risk attitude etc.

Review of Literature

Sathiyamoorthy, C. et al (2015) studied the investment pattern and awareness of 960 salaried class investors in Tiruvannamalai district adopting stratified random sampling method. It was found that education level, age of the investors, number of family members made significant impact on the avenues for investment decisions. The study concluded that common of the respondents are saving money as bank deposits for the

future. The main purpose of the investment was for children education, marriage and for after retirement.

Parimalakanthi, K. et al (2015) examined the behaviour of 107 individual investors of Coimbatore city. The data was collected through adopting convenient sampling method. The collected data was analysed by using Friedman test, Garratt ranking and factor analysis. It was found that the factors influenced investment decisions were safety of principal amount, income stability and appreciation. Investors assessed the risk exposure, factors affected the Investment decision to found out the risk tolerance level of each investor with respect to demographic variables.

Nallakannu, M. et al (2018) analysed the main investment reasons towards making the best investments and to study the attitude towards investment of the 200 investors in Tirunelveli district. It was found that majority of the investors attitude towards the investment for more safety and for security. The attitude towards the investment does not very significantly among investors with regard to education level.

Objectives of the study

- To study the investment behaviour of individual investors.
- To ascertain the investment objectives of individual investors.

Hypothesis of the study

There is no significant association between the select behavioural variables and investment objectives of individual investors.

Research Design

| | |
|--------------------|-----------------------------|
| Sample Area | Coimbatore city |
| Sample Size | 120 |
| Sampling method | Convenient sampling |
| Sources of Data | Primary data(Questionnaire) |
| Tools for analysis | Percentage, Chi-Square test |

Findings of the study

The data for the present study were collected from individual investors in Coimbatore city through structured questionnaire. Percentage analysis is applied to analysis the behavioural variables and Chi-square is carried out to know whether there exist a significant association between select behavioural variables and investment objectives of individual investors.

Table No.1

Behavioural Characteristics of Individual Investors

| Behavioural Characteristics | Variables | Number of Individual Investors | Percentage of Individual Investors |
|-----------------------------|----------------|--------------------------------|------------------------------------|
| Influencer for Investment | Self | 69 | 57.5 |
| | Friends | 32 | 26.7 |
| | Colleagues | 5 | 4.2 |
| | Neighbours | 2 | 1.7 |
| | Family members | 1 | 0.8 |
| | Media | 4 | 3.3 |

| | | | |
|--------------------------|--------------------------------------|--------|-------------|
| | Brokers | 7 | 5.8 |
| | Total | 120 | 100.0 |
| Period of Investment | Less than 5 years | 84 | 70.0 |
| | 5-10 years | 26 | 21.7 |
| | More than 10 years | 10 | 8.3 |
| | Total | 120 | 100.0 |
| Regularity of Investment | Regular | 94 | 78.3 |
| | Irregular | 26 | 21.7 |
| | Total | 120 | 100.0 |
| Category of Investor | Long-term | 25 | 20.8 |
| | Medium term | 70 | 58.3 |
| | Short-term | 25 | 20.8 |
| | Total | 120 | 100.0 |
| Type of Risk Taker | Conservative | 69 | 57.5 |
| | Balanced | 34 | 28.3 |
| | Dynamic | 17 | 14.2 |
| | Total | 120 | 100.0 |
| Sources of Funds | Own | 37 | 30.8 |
| | Borrowed | 49 | 40.8 |
| | Both | 34 | 28.3 |
| | Total | 120 | 100.0 |
| Sources of Information | Investment related website/newspaper | 77 | 64.2 |
| | Brokers/ Professional advice | 22 | 18.3 |
| | Own experience | 12 | 10.0 |
| | TV Channels/ Programs | 4 | 3.3 |
| | Technical & Fundamental reports | 5 | 4.2 |
| | Total | 120 | 100.0 |
| | Objectives of Investment | Safety | 32 |
| Regular Income | | 7 | 5.8 |
| Liquidity | | 34 | 28.3 |
| Tax benefits | | 12 | 10.0 |
| Capital appreciation | | 16 | 13.3 |
| Risk | | 19 | 15.8 |
| Total | | 120 | 100.0 |

Source: Primary Data

Table 1 reveals that 57.5 percent of individual investors were influenced by self to do investment, 70 percent of individual investors period of investment were upto 5 years, 78.3 percent individual investors were having the habit of investment activities regularly, 57.5 percent were medium risk taker, 40.8 percent sources of funds for investment were borrowed, 64.2 percent investors sources of information for investment decisions were investment related websites/ newspaper and 26.7 percent investors investing objectives were safety.

TABLE 2 Select variables and investment objectives

| Variables | Safety | Regular Income | Liquidity | Tax benefits | Capital appreciati | Risk | Total | Chi Square Value | P value |
|---------------------------------------|--------|----------------|-----------|--------------|--------------------|------|-------|------------------|---------|
| Influencer for Investment | | | | | | | | | |
| Self | 18 | 3 | 19 | 10 | 7 | 12 | 69 | 35.20 | 0.235 |
| Friends | 9 | 4 | 10 | 2 | 4 | 3 | 32 | | |
| Colleagues | 2 | 0 | 1 | 0 | 1 | 1 | 5 | | |
| Neighbours | 0 | 0 | 0 | 0 | 0 | 2 | 2 | | |
| Family members | 0 | 0 | 1 | 0 | 0 | 0 | 1 | | |
| Media | 3 | 0 | 0 | 0 | 1 | 0 | 4 | | |
| Brokers | 0 | 0 | 3 | 0 | 3 | 1 | 7 | | |
| Total | 32 | 7 | 34 | 12 | 16 | 19 | 120 | | |
| Period of Investment | | | | | | | | | |
| Less than 5 years | 24 | 5 | 26 | 10 | 10 | 9 | 84 | 10.474 | 0.400 |
| 5-10 years | 4 | 2 | 6 | 2 | 5 | 7 | 26 | | |
| More than 10 years | 4 | 0 | 2 | 0 | 1 | 3 | 10 | | |
| Total | 32 | 7 | 34 | 12 | 16 | 19 | 120 | | |
| Regularity of Investment | | | | | | | | | |
| Regular | 20 | 6 | 29 | 11 | 13 | 15 | 94 | 7.263 | 0.202 |
| Irregular | 12 | 1 | 5 | 1 | 3 | 4 | 26 | | |
| Total | 32 | 7 | 34 | 12 | 16 | 19 | 120 | | |
| Category of Investor | | | | | | | | | |
| Long-term | 5 | 3 | 3 | 5 | 5 | 4 | 25 | 15.354 | 0.020** |
| Medium-term | 21 | 4 | 19 | 5 | 10 | 11 | 70 | | |
| Short-term | 6 | 0 | 12 | 2 | 1 | 4 | 25 | | |
| Total | 32 | 7 | 34 | 12 | 16 | 19 | 120 | | |
| Type of Risk Taker | | | | | | | | | |
| Conservative | 16 | 4 | 25 | 5 | 8 | 11 | 69 | 6.513 | 0.770 |
| Balanced | 10 | 2 | 6 | 5 | 6 | 5 | 34 | | |
| Dynamic | 6 | 1 | 3 | 2 | 2 | 3 | 17 | | |
| Total | 32 | 7 | 34 | 12 | 16 | 19 | 120 | | |
| Sources of Funds | | | | | | | | | |
| Own | 8 | 2 | 10 | 7 | 5 | 5 | 37 | 10.729 | 0.379 |
| Borrowed | 11 | 2 | 15 | 5 | 8 | 8 | 49 | | |
| Both | 13 | 3 | 9 | 0 | 3 | 6 | 34 | | |
| Total | 32 | 7 | 34 | 12 | 16 | 19 | 120 | | |
| Sources of Information | | | | | | | | | |
| Investment related websites/newspaper | 22 | 6 | 18 | 8 | 12 | 11 | 77 | 20.735 | 0.413 |
| Brokers/ Professional advice | 7 | 1 | 7 | 2 | 3 | 2 | 22 | | |
| Own experience | 3 | 0 | 3 | 1 | 0 | 5 | 12 | | |

| | | | | | | | | | |
|---------------------------------------|----|---|----|----|----|----|-----|--|--|
| TV Channels/ Programs | 0 | 0 | 3 | 1 | 0 | 0 | 4 | | |
| Technical & Fundamental reports | 0 | 0 | 3 | 0 | 1 | 1 | 5 | | |
| Total | 32 | 7 | 34 | 12 | 16 | 19 | 120 | | |

Source: Primary Data

Table 2 shows that among the behavioural variables selected there exist a significant association between category of investors and investing objectives of the individual investors ($p < 0.05$), whereas there does not exist a significant association between the behavioural variables selected such as influencer for investment, period of investment, regularity of investment, type of risk taker, sources of funds for investment and sources of information for investment and investing objectives of the individual investors. ($p > 0.05$).

Conclusion

Behavioural characteristics of individual investors influence the objectives of investing. The study reveals that half of the individual investors were influenced by self to do investment up to 5 years with the habit of investment activities regularly and medium risk taker. Safety is the investing objectives of the individual investors. There does not exist a significant association between the behavioural variables selected such as influencer for investment, period of investment, regularity of investment, type of risk taker, sources of funds for investment and sources of information for investment and investing objectives of the individual investors. Further studies can be carry over with regard to profile and investing objectives of the investors, a comparative study about the individual investors and intuitional investors behavioural characteristics towards stock market.

Suggestions

- The influences of the brokers, media can be developed by providing valuable and timely information to the investors.
- Awareness about the long term investment avenues can be made to the investors through seminars, workshops etc. conduct by the brokers, Government, companies, SEBI.

References

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