

## A Study on Online Investment Behaviour of Individuals in Coimbatore City

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### Abstract

Investment of hard earned money is a crucial activity of every human being. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Thus, it is a reward for waiting for money. Savings of the people are invested in assets depending on their risk and return demands, safety of money, liquidity, the available avenues for investment, various financial institutions, etc. On the other hand, the savings provide capital to industry, economic development to the country. In developing country like India, household savings is the major source of capital for economic activities. The study helps to understand the knowledge and behavior of households, the major provider of funds to economic activities of the country. Hence, a study of investment behavior of households has made with the objective of understanding the level of knowledge of households about investment.

**KEYWORDS:** Economic Development and Household Investment.

### INTRODUCTION

Internet, the new medium that has emerged as a result of convergence between telecommunication and computers, is revolutionizing the way business is done and is making inroads into every conceivable area of business activity. The online financial services offered by banks and financial firms have been changed with the emergent of internet. Internet-based stock trading is where the issuers of securities, intermediaries, service providers and investors are selling and dealing securities services on the internet. Investors would now be able to acquire or sell shares or stocks from anywhere by just using internet-based order submission protocols. With the increase in online offerings, the need to predict behavioral intentions of consumers has also increased.

The investor has to register with an online trading portal and get into an agreement with the firm to trade in different securities following the terms and conditions listed down on the agreement. The order processing is done in correct things as the serves of the online trading portal are connected to the stock exchanges and designated banks all round the clock. They can also get updates on the trading and check the status of their orders either through e-mail or through the interface. Brokerage also provides research content on their web-sites such that the clients can take down decisions on stocks before investing.

Dealings outside the country have reached to such a success for the enterprises that the amount of tax has been lowering gradually and results to their profit in every quarter. As the economy is growing with a pace forward, the desire of each and every individual is showing a greater ease in terms of financial transaction, possession delivery and every aspect. Online trading is fruitful not only for the consumers but for the suppliers as well because they won't require the possession of goods to be further sold. A product is full of questions before being sold and those all question can be availed with the answers at the website online for everyone. In the stock market, the

competition is on such a level of mastery that it can be accessed by every individual via various peripherals.

Savings and investments play a major role in economic development of any country and the primary objective of all government's policy has been to promote savings and capital formation in the economy which is a primary instrument of economic growth. Personal Savings in India is attributed to growth in income of individuals and the rising rate of inflation. Financial savings include investments in deposits with banks and non-banking finance companies, investment in stocks, mutual funds (retail investors are now steadily lining up to invest in equity-oriented schemes of mutual funds. *The Hindu*, March 8, 2015, Page 15), Debentures, Small Savings, Life Insurance, precious metals such as Gold, Silver, Bullions as well as provident and pension funds. The rise and decline in net financial savings persistently change on par with inflation, leading to low real rates on bank deposits and small saving funds.

The role and importance of individual investors and their trading behaviour in Indian financial market is also imperative. Expected utility theory views, individual investment decision as a trade-off between immediate consumption and deferred consumption. But individuals do not always prefer according to classical theory of economics. Recent studies on individual investor behaviour have shown that they do not act in a rational manner, rather than several factors influence their investment decision. The purpose of this study is to analyse the determinants of individual investor's behaviour in Indian financial market.

## REVIEW OF LITERATURE

Lakshmana Rao (2011) stated in his study on "Analysis of Investors' Perceptions towards Mutual Fund Schemes (with reference to Awareness and Adoption of Personal and Family Considerations)" that investors between 31 to 40 years of age have highest awareness and adoption of different mutual fund schemes. It is also concluded that there is an association between respondents' residential status and awareness of balanced fund and debt fund schemes.

Kousalya and Gurusamy (2012) observed in their study on "Women Investors' Perception towards Investments" that there is no significant relationship between age of the women investors and level of awareness on investment. They have also concluded that the educational level of women investors does not influence the level of awareness.

Anitha Kumari, Ramasamy and Sandhya (2013) entitled in their study on "Investor Perception towards Online Trading in Chennai". This study sheds light on the how these online trade market work and how they are satisfying their investors. This study aims at the investors perception of online trading in share market also helps to find out accessing the present level of service provided and identifying the areas which require attention for improving its services. The study concluded that the share brokers may improve services of proper response from the dealer, putting the orders without delay. Online trade markets can issue the cheque to customer earlier it would increase the customer confidence. New account processing time can be completed within 3-4 days.

Parimalakanthi and Ashok Kumar (2015) observed in their study on "Investment Behaviour of Individual Investors in Coimbatore City". This study found that the behavior of individual investors from Coimbatore city towards available investment avenues in Indian financial markets. This study also analysed that the factors affecting the Investment decision and to find out the risk tolerance level of Individual investors with respect to demographic variables.

Mynavathi, Rohan George and Senthil (2017) in their study entitled “Evaluation of Investment Behaviour of IT Employees in Bangalore”. The results of the study revealed that investment is saving and most of them prefer bank account. This study highlighted that their awareness and decision making process.

### **STATEMENT OF THE PROBLEM**

Investment is considered as the sacrifice of certain present value of money in anticipation of reward. They are necessary for individuals to survive. Human beings work in order to earn income to meet their personal requirements. Assets which are the subject matter of investment may be varying between safe and risky ones. At present a lot of investment avenues are available in the market such as bank deposit, chit fund, provident fund, post office deposits, equity shares, debentures etc. Investment behavior shows how they allocate surplus money to these investment options available. This paper aims at understanding the online investment behavior of individuals in Coimbatore towards various investment avenues available in India and also their awareness and decision making ability while going for investment.

### **OBJECTIVE OF THE STUDY**

1. To study the demographic profile of the individual investors in Coimbatore.
2. To analyse the factor that influence investment behavior of the investors.
3. To evaluate the attitude of the respondents towards different investment choices.

### **METHODOLOGY OF THE STUDY**

The study is based on primary and secondary data. Primary data have been collected from 200 respondents through a structured questionnaire covering different groups of peoples among Coimbatore City. The secondary data have been collected from various books, magazine, journals, news papers and websites. The samples sizes of 200 respondents were taken for the research work among in Coimbatore City. The sampling technique followed in this study is probability sampling. Simple random techniques are used to select the respondents from the available database.

### **HYPOTHESES**

1. There is no significant relationship between demographic variables of the respondents and investment behavior.
2. There is no significant difference between sources of information of the respondents and investment behavior.

### **TOOLS USED**

In order to analyse the collected data, the following tools were used. Simple Percentage Analysis, Mean, Standard Deviation and Mean Rank, Chi-square Test and ANOVA.

### **LIMITATIONS OF THE STUDY**

- The number of respondents limited to investors in Coimbatore city.
- Study is based on the outcome of reviews made and select factors to analyze the behaviour of individual investor only.
- Usual time, place and resources are the limiting factor.
- In some context the study may not be generalized to the whole population due to the reason that financial matters may not be revealed by the respondents.

**RESULTS AND DISCUSSIONS****Table – 1 : Demographic Profile of the Respondents**

<b>Demographic Variables</b>		<b>Frequency</b>	<b>Percentage</b>
Gender	Male	<b>120</b>	<b>60.0</b>
	Female	80	40.0
Age (in Years)	Below 20	50	25.0
	21 – 40	<b>100</b>	<b>50.0</b>
	41 – 60	30	15.0
	61 and Above	20	10.0
Residential Area	Rural	70	35.0
	Urban	<b>90</b>	<b>45.0</b>
	Semi-urban	40	20.0
Type of Residence	Own	<b>126</b>	<b>63.0</b>
	Rented	74	34.0
Marital Status	Married	<b>115</b>	<b>57.5</b>
	Single	85	42.5
Educational Qualification	Upto Schooling	30	15.0
	UG	50	25.0
	PG	40	20.0
	Professionals	<b>80</b>	<b>40.0</b>
Occupation	Agriculture	20	10.0
	Business	25	12.5
	Professional	<b>80</b>	<b>40.0</b>
	Govt. employee	45	22.5
	Private Employee	30	15.0
Family Size (in No's)	Two	20	10.0
	Three	50	25.0
	Four	<b>70</b>	<b>35.0</b>
	More than Four	60	30.0
Family Type	Joint	60	30.0
	Nuclear	<b>140</b>	<b>70.0</b>

(Source: Data Collected through Questionnaire)

Table 1 shows that 60 per cent of the respondents were male, 50 percent of the investors are in the age group between 21 – 40 years, 45 per cent of the investors were urban area people, 63 percent of the investors have owned house, 57.5 per cent of the investors were married, 40 percent of the investors were professionals in the educational qualification and occupation, 35 per cent of the investors have four members in their family and 70 percent of the investors have nuclear family type to choose online trading.

**Table – 2 : Investment Avenues based on Respondents Preference**

<b>Avenues</b>	<b>Frequency</b>	<b>Percentage</b>
Shares	30	15.0
Fixed Deposit	50	25.0
Insurance	43	21.5
Mutual Fund	26	13.0
Stock	18	9.0

Real Estate	23	11.5
Others	10	5.0
<b>Total</b>	<b>200</b>	<b>100.0</b>

(Source: Data Collected through Questionnaire)

Table 2 describes that 25 per cent of the investors prefer fixed deposit, 21.5 per cent of the investors prefer insurance schemes, 15 per cent of the investors prefer shares, 13 per cent of the investors prefer mutual funds, 11.5 per cent of the investors prefer real estates, 9 per cent of the respondents prefer stocks and the remaining 5 per cent of the respondents prefer other options (Debentures, bonds, derivatives etc).

**Table – 3: Sources of Information**

Sources	1		2		3		4		5		Total
	No.	%									
Newspaper & Journals	50	25.0	80	40.0	40	20.0	20	10.0	10	5.0	200
Televisions	44	22.0	66	33.0	50	25.0	25	12.5	15	7.5	200
Online / Internet	70	35.0	45	22.5	55	27.5	20	10.0	10	5.0	200
Financial Advisors	45	22.5	65	32.5	45	22.5	30	15.0	25	12.5	200
Friends & Relatives	55	27.5	60	30.0	30	15.0	35	17.5	20	10.0	200
Brokers/ Agents	54	27.0	62	31.0	48	24.0	26	13.0	10	5.0	200

The study reveals that the major sources of information for any investor towards making an investment. Through Online/Internet (35%) of the investors are able to get necessary information in time to decide the investments. Through Newspapers & Journals (40%) of the investors makes alert on the investments.

**Table – 4 : Investors level of Importance of the Investment Objectives - (Friedman’s Test Analysis)**

Investment Objectives	Mean	Std. Dev.	Mean Rank
Capital Appreciation	3.59	1.198	3.43
Maturity Period	2.73	1.325	3.71
Safety of Investment	3.56	1.241	4.10
Rate of Return	3.77	1.223	3.37
Tax Benefits	2.86	1.202	3.05
Liquidity	3.49	1.298	3.24

Most of the investors felt that rate of return, safety of investment and capital appreciation are very important objectives of their investment. Liquidity, tax benefits and maturity period are moderately important motives of their investment.

**Table – 5 : Investment Behaviour of the Respondents**

Variables	Low		Medium		High	
	No.	%	No.	%	No.	%
Before Investment	20	10.0	140	70.0	40	20.0
At the Time of Investment	25	12.5	135	67.5	40	20.0
Post Investment	<b>26</b>	<b>13.0</b>	130	65.0	<b>44</b>	<b>22.0</b>
Overall Investment Behaviour	20	10.0	<b>150</b>	<b>75.0</b>	30	15.0

Table 5 reveals that the respondents knowledge on investment are “Medium” before, at the time of investment and during post investment period, Overall investment behavior of the respondents to be 75%. This is the evidence that investor at Coimbatore have to be educated on various financial investment avenues.

**Table – 6 : Demographic Profile of the Respondents and Investment Behaviour**

Variables	Statistical Tool	Value	Result
Gender and Investment Behaviour	Independent t test	$t = 2.735$ , $p < 0.05$	Significant
Age and Investment Behaviour	ANOVA	$F = 7.321$ , $P < 0.05$	Significant
Residential Area and Investment Behaviour	ANOVA	$F = 42.234$ , $P < 0.05$	Significant
Marital Status and Investment Behaviour	Independent t test	$t = 8.345$ , $P < 0.05$	Significant
Educational Qualification and Investment Behaviour	ANOVA	$F = 82.987$ , $P < 0.05$	Significant
Family Type and Investment Behaviour	Independent t test	$t = 3.987$ , $P < 0.05$	Significant
Sources of Information and Investment Behaviour	ANOVA	$F = 10.912$ , $P < 0.05$	Significant

Table 6 shows that there is a significant different in the investment behavior of the investors based on their demographic characteristics. Investor’s behavior varies based on demographic factors like gender, age groups, residential area, marital status, educational level and family type. The above result shows that there is a significant difference in investment behavior depends on sources of information gathered by the investors.

### SUGGESTIONS

1. Safety is observed to be the dominating factor of any investment, banks and financial institutions should try to bring more financial products with maximum safety.
2. Investors must be positively educated about the investments like shares, debentures, mutual funds and commodities.
3. Internet facilities can be extended to rural areas to enable the household investors to collect investment information’s.
4. Some investors suggested that the fund values should be informed to the investors through SMS on fortnightly basis. This will help the investors in

keeping themselves up to date with the latest information and latest NAV's of different funds.

5. Some investors complained that the brokers are more interested in their incentives provided to them by the companies for selling more schemes. So it is very necessary that they should perform their duties with full care and diligence and should not misguide the investors.
6. Steps should be taken to boost the confidence and morale of the investors. This can be done through appropriate communication and by educating investors to invest.
7. Timely and right information should be provided to them by different communication modes so that they come to know about the latest trend in the market.

## CONCLUSION

The study concludes that average level of investment behaviour was found among the respondents of Coimbatore and the investment behaviour was found to be better at the time of investment than before investment and post investment. The study also concludes that safety was also a foremost preferred aspect in fixed income and investment for safety. Capital appreciation was the foremost preferred aspect in long term investment. Hence, the study concludes that saving habits to be developed with individuals at all levels rural or urban, aged or young, male or female, married or single, low class or high class and so on.

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