Research Paper Management

Risk Attitude and Personality Traits Among Working Women Managers in Stock Market Operation with Special Reference to Selected Districts in Tamil Nadu

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ABSTRACT

The research paper analyze the risk attitude and personality traits of the working women managers in the stock market. The study evaluated the investment decision making of the individuals with that of the demographic factors of the women investors. Investors vary from corporate, institutional to small individual investors. These are so many segments in the investors based on their profile namely age, income, material possession, level of education, gender, experience and so on. The investing pattern of these investors may vary from one to another. For the sample were selected from six major cities in Tamilnadu with the sample size of 360.

Keywords : Risk attitude, Personality traits, Stock market operation, Investment decision

1. INTRODUCTION

Investment decision in equities is sometimes rational. Some investors take irrational decisions where they ignore certain information that is available. Irrational decisions may also be due to the investor's limited capacity to process the information available. Investors also take decisions matching the risk absorption level. Stock market is said to be peculiar though there are different methods and tools to analyze before taking decisions. Investment decisions are still found to be complicated as there are various factors to be considered to choose equity or a stock to invest in or trade into. These socio economic, demographic and attitudinal factors act as key drivers for investment decisions. There is always something that is underpinning an investment decision making process as the probabilities of returns are a concern.

In order to provide evidence on the role of risk aversion one needs to be able to measure it at the individual level, but individual risk aversion is not normally observable. One way to estimate the degree of risk preference is to utilize survey questions concerning hypothetical choices between uncertain income streams. Guiso and Paiella (2001) use a sample of 8,135 heads of households from the Survey on Household Income and Wealth and measure risk preferences with an abstractly-framed, hypothetical lottery. Diaz-Serrano and OíNeill (2004) use the same sample but also add the next wave of the survey. Donkers et al. (2001) use a sample of 4,000 individuals living in the Netherlands and measure risk preferences with a series of abstract lotteries. Barsky et al. (1997) use an especially large sample, 14,000 individuals living in the US drawn from the Health and Retirement Survey, and measure risk preferences using a hypothetical lottery involving different income streams.

Psychographic factors play an important role in determining behavior of investors. These factors include gender, investor-life-cycle-stage, age, income and likewise. One of the important factors that play significant role in determining investor behavior is his or her personality (Sadi, Ghalibaf, Rostami, Gholipour, & Gholipour, 2011). Marilyn MacGruder Barnewall distinguished investors into two simple types to help investment advisors to understand the nature of their clients. These include Active Investors and Passive Investors. Passive investors are those who became passively without great efforts. They became wealthy by inheriting the wealth of their parents or by risking the capital of others rather than their own. In contrast Active investors are those who earned their own wealth by risking their own capital. Passive investors need high security while Active investors have more olerance for risk (Barnewall, 1987). Bailard, Biehl and Kaiser (BB&K) developed Five-Way Model by adding more dimensions in Barnewall's model for better analysis of investor's personality. They classified investors along two dimensions: Level of confidence and Method of action. First dimension describes whether investor confidently approaches to different aspects of life or he or she is anxious in his approach. Second dimension describes whether investor is careful, methodical and analytical in his approach or he or she is impetuous, emotional and intuitive. Based on these two axes the authors identified five investor's personality types named as Adventure, Celebrity, Individualistic, Guardian and Straight Arrow (Bailard, Biehli, & Kaiser, 1986). Another popular psychographic model is the Myers-Briggs Type Indicator (MBTI) instrument test developed by Isabel Briggs Myers and her mother, Katherine Briggs. MBTI elaborated different personality types based on certain aspects of human psychology (Pompian & Longo, 2004). According to the theory every person has innate preferences that define how he or she will behave in a certain situation (Pittenger, 1993).

2. REVIEW OF LITERATURE

Shnmuga Sundaram and Bala Krishnan, (2010) revealed that the ability to understand the judgment heuristics like rationally or irrationally of the investment pattern and bevaioural will enable the investor to act with caution as the consequences are likely to affect the asset value. lifestyle, relationship with others and social interaction. Investors in various places acknowledge the role of emotions in investment decision making and their empirical results suggested that the demographic factors influence the investor's investment decision.

Love D. A. (2010) investigated the impact of demographic shocks on optimal decisions about savings, like insurance and most certainly assets allocation and found that marital status transitions could have important effects on optimal household decisions, particularly in the cases of widowhood and divorcee. He also found that children also play a fundamental role in portfolio choice, and the literature on optimal portfolio choice over the life cycle has focused on the roles of housing costs and background risks due to labour income. His empirical evidence shows that divorce and widowhood have particularly strong effects on allocations, and that these differ significantly by gender, age and number of children.

Nicolosi G. et al., (2009) analysed individual investors' learning behaviour from two perspectives, the first being based on relation between trade performance and trade behaviour and presented strong evidence the individual investors learn from their trading experiences. Further they posit that not only do excess portfolio returns improve with account tenure, but they also found that trade quality significantly increases with experience and concluded that individual stock investors do learn, and they consequently adjust their behaviour and thus effectively improve their future investment performance.

Mittal M and Vyas R. K. (2008) explored the relationship between various demographic factors and the investment personality exhibited by the investors. Empirical evidence suggested that factors such as income, education and marital status affect an individual's investment decision. Further the results revealed that investors in India can be classified into four dominant investment personalities namely casual, technical, informed and cautions.

Vanniarajan and Gurnathan (2007) found that the important factors leading to the investment on mutual funds are monetary, core product, fund strength, promotional measures, customers expectation and service quality. The significantly influencing factors on the investment in mutual funds among the investors are perception on monetary factors, core product, customer expectation and service quality factors. The important discriminant factors among the risk factors and risk averters are fund strength and core product.

Hayat, Bukhari, & Ghufran (2006) According to conventional financial theory, individual investors are perfectly rational and wealth maximizers in financial decisions. However the idea of fully rational investors that have perfect control on their decisions to maximize their utility is becoming less popular. In efficient markets investors are considered as rational, unbiased and consistent who make optimal investment decisions without the effects of psyche and emotions.

Faisal and Ahuja (2006) analyzed the decision function and the decisional matrix for mutual fund investments. They generated some conceptual background for decision function and decisional matrix. They analyzed the impact of fund family, fund size. type of fund, type of portfolio and schemes, risk involved in mutual fund, past performance of the fund, liquidity factors and current market conditions on the mutual fund investment decision made by the investor.

3. SCOPE OF THE STUDY:

Investors vary from corporate, institutional to small individual investors. These are so many segments in the investors based on their profile namely age, income, material possession, level of education, gender, experience and so on. The investing pattern of these investors may vary from one to another. One may prefer low risk while another may prefer high risks. One many seek advise of experts to invest while another may invest in his own. One may invest with hi/her resource while another may borrow ad pledge his/her properties and make investments.

4. OBJECTIVE OF THE STUDY:

Based on the proposed research, the objectives of the study are confined to:

1. To evaluate the reliability and validity of variables in personality traits of investors involved in the present study.
2. To reveal the background of women investors and to analyze the risk orientation of the women investors.
3. To evaluate the personality score among the investors in stock market operation.

5. RESEARCH METHODOLOGY:

5.1 Data Collection:

Since the present study is highly reeling on the primary data, a special care was taken to design the interview schedule. The interview schedule consists of general, psychological profile of the investors and their investment pattern and the various determinants of the investors behaviour in the stock market.

5.2 Primary Data:

The primary data was collected by distributing the questionnaire among the investors who are involved in the stock market operations.

5.3 Secondary Data:

The secondary data was collected from the various sources including the company profile and the data collected from the registered stock brokers in stock market exchange.

5.4 Sample Size:

The present study has applied purposive sampling to select the samples. Six important cities namely Chennai, Madurai, Coimbatore, Trichy, Salem and Tirunelveli in Tamilnadu were selected. From each city, sixty women executive investor in stock market had been identified with the help of the registered stock brokers at the above said cities. The total sample size came to 360 women investors.

5.5 Tools Used:

The present study have employed the following statistical tools

1. Percentage analysis: Is used to analysis the percentage of the demographic and socio economic profile of the respondent's.
2. T Statistics: Is used to fine out the significant difference among the two group of samples regarding any intention variable which is interval scale.
3. Confirmatory Factor Analysis (CFA): It has been used to analyze the reliability and validity of the variables included in each factor.

5.6 Limitations of the Study:

The present study is subjected with the following limitations.

1. The study was restricted to only six major cities in Tamilnadu for want of time and money.
2. The scope of the study is confined to only women executive investor in stock market at the six major cities alone.
3. The sampled women executives were selected as per the advice given by the registered stock brokers at the six investment centers (cities) in Tamilnadu.

6. ANALYSIS AND INTERPRETATION:

The investment pattern among the women executives is mainly determined by the background. Hence, the present study has made an attempt to exhibit the profile of the women executives initially. The women executives are classified into lesser experienced (LE) and highly experienced (HE). The personality of the women executives are examined by the level of media exposure, sociability, scientific orientation and risk orientation.

6.1 RELIABILITY AND VALIDITY OF VARIABLES IN PERSONALITY TRAITS OF INVESTORS:

The score of the various personality traits have been included for Confirmatory Factor Analysis (CFA) in order to examine the respectively and validity of variables in each personality trait. The overall respectively of the variables in each personality trait have been measured with the help of Cronbach Alpha. The results are shown in Table 6.7

Table 6.7 Reliability and Validity of Variables in Personality Traits of Investors

S.No	Personality traits	No of Variables in	Range of Standardized factor loading	Range of 't' statistics	Cronbach Alpha	Composite reliability	Average variance extracted
1.	Media exposure	5	0.9044-	4.1089*-	0.8093	0.7811	54.06
			0.6524	2.4194*			
2.	Sociability	4	0.8739-	3.7031*-	0.7822	0.7644	52.99
			0.6211	2.0493*			
3.	Scientific orientation	4	0.8933-	3.9982*	0.8144	0.7906	54.49
			0.6608	2.5883*			
4.	Risk orientation	5	0.8544-	3.5083-	0.7588	0.7314	52.11
			0.6309	2.3089*			

Source: Primary Data
***Significant at five percent level.**

The standardized factor loading of the variables in each personality are greater than 0.60 which reveals the content validity of the personality traits. The significance of 't' statistics of the standardized factor loading of the variables in personality traits reveal the convergent validity. It is also confirmed by the composite reliability and average variance extracted since these are greater than its minimum threshold of 0.50 and 50.00 percent respectively. The cronbach alpha of each personality trait is greater than its minimum standard of 0.60. These variables indicate the reliability and validity of variables in each personality traits.

6.2 YEAR OF EXPERIENCE IN STOCK MARKET

The years of experience in the stock market may provide more knowledge and exposure in the stock market and it may influence the investment behaviour of the investors. Hence it is included as a primary profile variable of the study. The years of experience among the investors have been measured and distributed in Table 6.1

Table 6.1
Year of experience in stock market among the investors

S.No	Years of experience	Number of investors	Percentage to the total
1.	Less than 5	115	31.94
2.	5 – 10	136	37.78
3.	10.01 – 15	66	18.33
4.	More than 15 years	43	11.95
	Total	360	100.00

Source: Primary Data

The years of experience among the investors has been classified into less than 5, 5 to 10, 10.01 to 15 and above 15 years. The distribution of investors on the basis of their years of experience reveals that the important years of experience among them is 5 to 10 years and less than 5 years which constitutes 37.78 and 31.94 percentage to the total respectively. The analysis reveals that the important years of experience among the investor is less than 10 years.

6.3 GROUPING OF INVESTORS

The investors are grouped into two important categories namely lesser experienced (LE) and higher experience (HE). It is computed with the help of mean and standard deviation of the years of experience. The mean and standard deviation are 8.97 years and 1.23 years. The group consist of $\chi + \sigma$ are considered as highly experienced (HE) whereas the groups consists of $\chi - \sigma$ are treated as lesser experienced (LE). The distribution of investors on the basis of these two groups is illustrated in Table 6.2

Table 6.2
Grouping of investors

S.No	Grouping	Number of investors	Percentage to the total
1.	$\chi + \sigma \geq 10.2$ (HE)	132	42.04
2.	$\chi - \sigma \leq 7.74$ (LE	182	57.96
	Total	314	100.00

Source: Primary Data

As a maximum of 57.96 percent of the investors are lesser experienced whereas the remaining 42.04 percent investors are highly experienced. Out of 360 selected investors, only 314 investors are falling in the above said two categories of investors. These 314 investors are included for further analysis in the present study.

6.4 MEDIA EXPOSURE AMONG THE INVESTORS

It is one of the important personality traits of the investors. The level of media exposure among the investors in the present study is measured with the help of five variables. The investors are asked to rate the variables at five point scale according to their order of exposure to the media from vey high to very low. The assigned scores are from 5 to 1 respectively. The mean of each variable among the investors in LE and HE have been computed separately along with its 't' statistics.

Table 6.3
Media exposure among the investors

S. No	Media Exposure	Mean score among LE	Mean score among HE	't' Statistics
1.	Radio	2.65	3.45	2.96*
2.	Newspaper	3.26	3.88	2.54*
3.	Television	3.39	4.11	2.67*
4.	Magazine	3.17	3.9	2.90*
5.	Internet	3.02	4.16	3.38*

Source: Primary Data
***Significant at five percent level.**

The highly viewed variable in media exposure among the investors in LE is television and newspaper since their score are 3.3996 and 3.2645 respectively. Among the investors in HE, these are internet and television since their mean score are 4.1669 and 4.1173 respectively. Regarding the level of exposure, the significant difference among the LE and HE have been noticed in all five variables in media exposure since their respective 't' statistics are significant at five percent level.

6.5 SOCIABILITY AMONG THE INVESTORS

The sociability of the investors is one of the personality traits of the investors which are highly essential for their investment behaviour. The level of sociability among the investors has been measured with the help of four variables. The investors are asked to rate the variables at five point scale according to the order of acceptance level. The mean score of the variable in sociability among the investors in LE and HE have been computed separately along the its 't' statistics. The result are given in Table 6.4

Table 6.4
Sociability among the Investors

S.No	Variables in sociability	Mean score among		't' Statistics
		LE	HE	
1.	Members in social organization	2.90	3.65	2.73*
2.	Interaction with the society	2.81	3.41	2.50*
3.	Involvement in social activities	2.69	3.50	2.83*
4.	Social orientation	2.75	3.46	2.66*

Source: Primary Data
***Significant at five percent level.**

The highly viewed variable in sociability among the investors in LE is members in social organization and interaction with the society since their mean score are 2.9086 and 2.8183 respectively. Among the investors in HE, these two are members in social organization and involvement in social activities since their mean scores are 3.6518 and 3.5089 respectively. Regarding the view on the variables in sociability, the significant difference among the investors in LE and HE have been noticed in the case of all four variables in sociability since their respective 't' statistics are significant at five percent level.

6.6 SCIENTIFIC ORIENTATION AMONG THE INVESTORS:
The scientific orientation of the investors is included as one of the personality traits of the investors. The level of scientific orientation among the investors in the present study is measured with the help of four variables. The investors are asked to rate the variables at five point scale according to the order of acceptance level. The mean score of the variable in scientific orientation among the investors in LE and HE have been computed separately along the its 't' statistics. The result are given in Table 6.5

Table 6.5
Scientific orientation among the investors

S. No	Variables in scientific orientation	Mean score among		't' Statistics
		LE	HE	
1.	Scientific management is essential everywhere	3.18	3.73	2.59*
2.	Application of scientific lead to optimum returns	3.28	3.80	2.41*
3.	Scientific knowledge is needed to evaluate anything	3.09	3.76	2.69*
4.	Science is the need of the era	3.14	3.86	2.73*

Source: Primary Data
***Significant at five percent level.**

The highly viewed variable in scientific orientation among the investors in LE is application of science leads to optimism return and scientific management is essential everywhere since their mean score are 3.2886 and 3.1826 respectively. Among the investors in HE, these two are science is the need of the era and application of scientific lead to optimum return 3.8684 and 3.8084 respectively. Regarding the view on the variables in sociability, the significant difference among the investors in LE and HE have been noticed in the case of all four variables in sociability since their respective 't' statistics are significant at five percent level.

6.7 RISK ORIENTATION AMONG THE INVESTORS
It shows the risk taking behaviour among the investors. It is included as one of the personality traits of the investors. The level of risk orientation among the investors has been measured with the help of five variables. The investors are asked to rate the variables at five point scale according to the order of acceptance level. The mean score of the variable in risk orientation among the investors in LE and HE have been computed separately along the its 't' statistics. The result are given in Table 6.6

Table 6.6
Risk orientation among the investors

S. No	Variables in Risk orientation	Mean score among		't' Statistics
		LE	HE	
1.	Risk is everywhere	2.99	3.73	3.15*
2.	Risk leads to return	2.78	3.80	3.24*
3.	Risk bearing is essential in stock market	2.88	3.66	2.90*
4.	Risk taking is an art	2.95	3.60	2.73*
5.	Risk bearing brings bought future	3.01	3.72	2.68*

Source: Primary Data
***Significant at five percent level**

The highly viewed variable in risk orientation among the investors in LE is application are risk bearing brings bought future and risk is anywhere since their mean score are 3.0149 and 2.9988 respectively. Among the investors in HE, these are risk leads to return and risk is everywhere since their mean scores are 3.8029 and 3.7314 respectively. Regarding the view on the variables in sociability, the significant difference among the investors in LE and HE have been noticed in the case of all four variables in sociability since their respective 't' statistics are significant at five percent level.

6.8 PERSONALITY SCORE AMONG THE INVESTORS:
The personality score among investors have been measured by the mean score of the variables included in each personality trait. It is denoted by PS. The PS among the investors in the present study is confined to less than 2.00; 2.00 to 3.00; 3.01 to 4.00 and above 4.00. The distribution of investors on the basis of their PS is illustrated in Table 6.8

Table 6.8
Personality score among the investors

S. No	PS	Mean score among		't' Statistics
		LE	HE	
1.	Less than 2	15	14	29
2.	2.00 to 3.00	21	31	52
3.	3.01 to 4.00	67	72	139
4.	Above 4.00	29	65	94
	Total	132	182	314

Source: Primary Data

The important PS among the investors is 3.01 to 4.00 and above 4.00 which constitutes 44.26 and 29.94 percent of the total respectively. The important PS among the investors in LE is 3.01 to 4.00 and above 4.00 which constitutes 50.75 and 21.97 percent to its total respectively. Among the investors in HE, these two are also the same which constitutes 39.56 and 35.71 percent to its total respectively. The analysis reveals that the personality traits of the highly experienced investors are greater than the personality traits of the lesser experienced investors.

7. FINDINGS:
The important year of experience in stock market among the investors in 5 to 10 years. the investors are grouped into lesser experienced (LE) and highly experienced (HE) on the basis of their mean and standard deviation of the years of experience in investing in stock market. Major investors are only lesser experienced.

The highly possessed variable in media exposure among the investors in LE and HE are television and internet respectively. Regarding the possession of media exposure the significant difference among the investors in LE and HE has been noticed in all five variables in it. The highly possessed variable in sociability among the investors in LE and HE is members in social organization. The significant difference among the two groups of investors has been noticed in the possession of sociability.

The highly possessed variable in scientific orientation by the investors in LE and HE are application of science and science is the need of the era respectively. Regarding the possession of scientific orientation, the significant difference among the investors in LE and HE have been noticed in all four variables in it. The highly possessed variable in risk orientation among the investors in LE and HE are risk bearing bring bright future and 'ride leads to return' respectively. Regarding the possession of variables in risk orientation, the significant difference among the investors in LE and HE has been noticed in all five variables in it. The level of personality traits among the investors in HE is higher than among the investors in LE.

8. SUGGESTIONS:

The outcome of this research lead to suggestion that the SEBI(Security and Exchange Board of India) is advised to include the role of behavioural dimensions in its awareness campaign due to the critical nature of these factors in investment decisions and investors behaviour especially among women.

Nowadays, the role of media especially TV channels play an important role in the promotion of any product in the market. The stocks in the stock market are not an exceptional case. The TV channels must be used as a media for generating the awareness on stock market among the investors since the behavioural dimensions are equally important like that of technical factors.

The present study reveals that there is a immediate need for segmentation analysis before introducing any stocks in the market. The behavioural dimensions in the different segment are totally different from each other, the stocks should be designed on the basis of the various expectations of the investors from each segment.

9. CONCLUSION:

The present study concluded that the investment behaviour in the stock market among the winner executives is only at a moderate level. The experience in stock market among the investors plays an important role in the level of investment activities, nature of decision making in stock market, investors behaviour and the overall attitude towards investment among the investors. The profile of the investors and their mindset play an important role in the determination of investor's behaviour. The important determinants of investor's behaviour are the source of information, awareness on the information in internet, preparatory work, financial advisors help and learning interest among the investors.

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