



Investor's behavior towards share investment in Kolhapur city

*Mr. Deep Kantil Thakkar

* Assistant Professor, Ashokrao Mane Group of Institutions, Faculty of Management Studies (MBA), Vathar tarf Vadgaon, Dist – Kolhapur – 416 112

ABSTRACT

Every individual invests his savings to accumulate large corpus. He has lot of investment avenues available. Now people are more aware of stock markets, but investing in shares requires proper knowledge. No doubt the returns may be high but there is high risk. So individuals have to take proper decision.

The present paper is an attempt to know the investment behavior of individuals with related to investment in shares and also to know the problems faced by them. The study revealed that most of the investors are fully dependent on broker for investment decision.

Keywords : Investment avenues, Broker, Stock Market, Potrfolio.

Introduction :-

Every individual uses his savings to make investments to earn good returns. There are a number of financial products like Bank Deposits, Corporate Deposits, PPF, NSC, Post Office Savings, Life Insurance, Shares, Debentures, Bonds, Mutual Funds, etc. Amongst these, the returns on investment in Shares can give more returns than other investment avenues. No doubt the risk associated with shares is high. The principle of returns is that "Higher the risk, higher the returns and vice versa."

Bank deposits, Post office savings and Real Estate were the traditional investments which people of India preferred. After Liberalisation, Privatisation and Globalisation during 1990s, our economy started developing. Foreign investments were attracted towards India. Indian companies were free to expand. The economy started growing rapidly in the last decade (between 2000 – 2010). This had led to the boom in Indian Stock Market. So individuals were attracted towards investment in shares. History has proved that, among all the various investment avenues the returns on share investment is higher than other avenues. Returns on shares can beat inflation. The rapid growth of our economy has attracted Foreign Investors towards Indian Stock Market. So people want to invest in shares bearing some risk.

Problem of the study :-

Investing in shares requires thorough knowledge as it does not guarantee a fixed return. There are large number of listed companies on a stock exchange. So individual investor is confused as to which shares to buy, when to buy, when to sell, how much time to hold, etc. Also many new Public Issues are coming in the market. They do not have proper information of all such companies. The problem he/she faces is how to take a proper decision while investing in shares.

So the researcher has selected the research topic entitled as "INVESTOR'S BEHAVIOR TOWARDS SHARE INVESTMENT IN KOLHAPUR CITY"

Objectives of the study :-

Following are the objectives of the study of the research problem :-

(a) To know the knowledge of investors related to investment in shares.

(b) To study the various factors influencing their buying decision.

(c) To know how investors take decision while investing in shares.

(d) To study the various problems faced by investors while investing in shares.

Scope :-

The study was conducted amongst the investors of Kolhapur city. It was carried out from September 2012 to November 2012.

Research Methodology:

Sample size: There are large number of share investors in Kolhapur city. But it was not possible to contact all of them. So the researcher selected 100 investors from them as sample size. Convenience Random Sampling method was used. For this purpose the city was divided into four areas such as Rajarampuri, Tarabai Park, Mangalwar Peth and Laxmipuri. In each of these areas, 25 investors were selected as sample for the research. So the total sample size was 100. A structured questionnaire was prepared which contained multiple choice, close ended questions with some having likert scale. The questionnaire was filled by the respondents accordingly. The collected data was classified, tabulated and analysed using statistical tools like Percentage and Weighted Average.

Review of Literature:

(1) Prof. R.N.Raghunathan (2010) carried out study to know who are the influencers of the investors in their mutual fund investment decisions. The study showed significant relationship between investor's educational qualification & level of knowledge about mutual fund. Brokers & colleagues were the important influencers of investment decision.

(2) Prof. Syed Tabassum Sultana (2010) carried out study to know the profile of investors and also to know their characteristics in order to understand their preferences with respect to their investments. The study revealed that investor's decision are based on their own. Most of them preferred investment in fixed income avenues like PPF, Bonds & Bank FD followed by Equities & Mutual Fund.

(3) Prof. Soumya Saha & Prof. Munmun Dey (2011) focused on measuring the investor's expectations & their preferences to Mutual Fund. The study revealed that, consumers prefer

safety first, then followed by good returns, liquidity, flexibility & tax benefit as features for investing in mutual funds.

(4) Prof. Dharmendra Singh (2011) conducted the study to determine the important factors influencing the customers for selecting an insurance company. The study revealed that product features, accessibility, low premiums, advertising, proper redressal of complaints & better claim settlement are factors that drastically influence the choice of a company.

Limitations:

The study has following limitations :-

- (a) The study was limited to only 100 investors of Kolhapur city. So the findings are related to these 100 investors which represent the study.
- (b) Some investors were not able to give correct information which may have affected the findings of the study.

Data Analysis and Interpretation:

Table 1: Money invested by investors in various avenues

Avenues	Scale					Weighted Average
	1	2	3	4	5	
Bank Deposits	4	6	11	35	44	4.09
National savings Certificate	58	11	15	9	7	1.96
Post office savings	62	15	13	4	6	1.77
Life Insurance	9	10	15	30	36	3.74
Public Provident Fund	28	21	17	15	19	2.76
Shares	27	28	17	18	10	2.56
Debentures	61	19	9	7	4	1.74

The above table shows that, most of the investors give first preference to Bank Deposits, then followed by Life Insurance & PPF. Then they have given preference to Shares. Very few prefer NSC, Post office savings & Debentures.

This may be due to the fact that most of the investors are risk averse, so they may be preferring fixed income instruments having assured returns than risky instruments. Also they want to secure their family's future by covering their life.

Table 2: Reason for investing in Shares

Reason for investing in Shares	Scale					Weighted Average
	1	2	3	4	5	
High Returns	5	10	16	14	55	4.04
Change from traditional investment	20	38	27	6	9	2.46
Suggested by friends	24	25	34	7	10	2.54

The above table shows that, most of the investors (WA 4.04) are investing in shares to get high returns, while some (WA 2.54) are investing due to suggestion given by their friends. Remaining (WA 2.46) are investing for a change from traditional investment.

This may be due to the perception of the investors that returns on equity can beat inflation. During such inflation one needs to get returns more than inflation.

Table 3: Criteria used to select a broker

Criteria	Scale					Weighted Average
	1	2	3	4	5	
Convenience	25	18	30	15	12	2.71
Service	8	9	10	31	42	3.90
Charges	9	14	22	24	31	3.54
Recommended by friend	28	25	20	12	15	2.61

The above table shows that, to select a broker the investors take into consideration the services provided by the broker(WA 3.90), followed by charges charged by the broker (WA 3.54). Less consideration is given to convenience (WA 2.71) and recommendation given by friend (WA 2.61).

As the investor is busy with his profession he may not be able to find time to look into his investments. So he needs a broker who can give proper and timely service. Also he will take into consideration the charges of the broker.

Table 4: Investors having proper knowledge of Stock Market

Proper Knowledge	No. of investors	Percentage
Yes	32	32%
No	20	20%
To some extent	48	48%
Total	100	100%

The above table shows that, only 32% respondents have proper knowledge of stock market, 48% have knowledge to some extent while 20% have no proper knowledge.

There is possibility that most of the investors are not giving time to get thorough knowledge of stock market and read articles related to stock market. They are depending on others.

Table 5: Before investing whom does the investor consult?

Investor Consulting	Scale					Weighted Average
	1	2	3	4	5	
Friends/Relatives	9	24	36	22	9	2.98
Broker	8	7	24	25	36	3.74
Self-study	32	24	23	10	11	2.44
T V Channels	15	33	32	11	9	2.66

The above table shows that, before investing most investors (WA 3.74) consult broker while some (WA 2.98) consult friends/relatives, followed by referring TV channels (WA 2.66). Very few do self study (WA 2.44). Most of them are depending on broker & friends/relatives.

Most investors are reluctant to study and collect information on stock market as they have no time for investment decisions. So they may be depending more on broker and friends/relatives while investing.

Table 6: Whether investors read Newspapers, watch TV Channels and refer Websites for information on Stock Market

Newspaper	Investors	TV channels	Investors	Websites	Investors
Yes	52	Yes	39	Yes	21
No	48	No	61	No	79
Total	100	Total	100	Total	100

The above table shows that 52% investors read newspapers for information on stock market while 48% are not reading such newspapers. Only 39% investors are watching TV channels related to stock market while 61% are not watching them. While 21% investors are referring websites related to stock market while 79% are not referring it.

Table 7: Whether investor going through the details of the Company before investing in it

Going through details of the Company	No. of investors	Percentage
Yes	31	31%
No	21	21%
To some extent	48	48%
Total	100	100%

The above table shows that, before investing in a company 31% investors go through the details of the company while 21% do not go through it. 48% go through the details to some extent. So investors are not very serious about going through the details of the company.

Table 8: Whether investor buys/sells shares only when the broker calls him

Buying/selling only when broker calls	No. of investors	Percentage
Yes	56	56%
No	44	44%
Total	100	100%

The above table shows that, 56% investors buy/sell shares only when the broker calls them while 44% buy/sell on their own. So more than half of them are trading only when the broker calls them.

To most investors, income from share investment may not be their main source of income. So they may not be in touch with the market regularly. So most of them trade only when the broker calls them.

Table 9: Major problems faced about services of the broker

Problems	Scale					Weighted Average
	1	2	3	4	5	
Changes in charges not informed	2	3	2	48	45	4.31
Contract Note not received on time	78	4	3	8	7	1.62
Payment not received on time	22	21	13	20	24	3.03
Trades done without permission	92	3	2	1	2	1.18
Some charges debited without the knowledge of investor	9	11	14	28	38	3.75

The above table shows that, majority of investors (WA 4.31) face the problem of changes in charges not informed by the broker, some face the problem of charges debited to their account without their knowledge (WA 3.75) followed by payment not received on time (WA 3.03). Very few investors face the problem of contract note not received on time (WA 1.62) & trades done without their permission (WA 1.08).

Such type of variance is seen because of perception as well as changes in the opinion of concerned respondents depending upon their experiences.

Table 10: How often investors check their portfolio

Checking Portfolio	No. of investors	Percentage
Fortnightly	14	14%
Monthly	48	48%
Quarterly & above	38	38%
Total	100	100%

The above table shows that, most investors check their portfolio monthly, 38% check after a quarter or more while only 14% check fortnightly.

This may be so because most of the respondents are investors (investing for medium to long term), they are not worried about the daily ups and downs in the stock market. So they may not be interested to check their portfolio frequently

Table 11: Whether broker organizes workshop on Stock Market

Broker organizes workshop	No. of investors	Percentage
Yes	36	36%
No	64	64%
Total	100	100%

The above table shows that, most investors (64%) say that brokers do not organize workshops on stock market while 36% say their broker organize such workshops.

Table 12: Whether investors attend Workshops/Seminars conducted by other agencies

Seminars/Workshops attended	No. of investors	Percentage
Yes	32	32%
No	68	68%
Total	100	100%

The above table shows that only 32% investors attend seminars/workshops on share investment while majority (68%) do not attend such workshops.

This may be due to most of them not getting information about such workshops and also brokers not arranging such workshops.

Findings

- 1) Most investors are first preferring fixed income, low risk investment avenues like Bank Deposits, Life Insurance, PPF, etc. and then opt for risky investments like Shares. While Post office savings, NSC & Debentures are not preferred as they are not marketed.
- 2) 'High returns' is the main reason for investing in shares. The investors have been knowing from their friends about the returns from shares.
- 3) While selecting a broker, more weightage is given to 'services of the broker' and 'charges charged by the broker.' So broker's service is the most important criteria for his selection.
- 4) Half of the investors read Newspapers for information on stock market. Few investors (one-third) watch TV channels related to stock market. Very few investors (only one-fifth) refer websites related to stock market.
- 5) Few investors are having proper knowledge of the Stock Market. They are depending more on broker and friends. They are not taking efforts to gain knowledge.
- 6) Very few investors are going through the details of the company in which they wish to invest. As they are depending more on the broker, they are not taking much efforts to collect information of the company.
- 7) Almost half of the investors trade (buy/sell) only when the broker calls them. This shows that they are not taking time to do self study. So they are fully depending on the broker.
- 8) Few investors (only one-third) attend workshops/seminars related to share investment. Also on the other hand brokers are not making efforts to conduct workshops related to share investments for the investors to educate them. Very few of them are conducting such workshops.
- 9) Most investors are not fully satisfied with the broker's services. Most of the brokers are not informing the investors about the changes in their charges. Also some investors are debited charges without their knowledge.
- 10) Few investors are checking their portfolio regularly. Most of them are checking after a month or quarterly, which is dangerous during volatile markets.

Suggestions

- 1) Brokers should improve their services to their clients. They must disclose information on various charges for share trading. Also whenever changes in charges take place, they must immediately inform their clients.
- 2) Investors should gain proper knowledge of stock market investments. They must give proper time to read various articles in newspaper & magazines, refer various websites, watch respective TV channels and make thorough study.
- 3) Investors should go through the details of the company before investing. They must study the past performance of the company and their future plans.
- 4) Investors should not depend much on the broker. Because during boom the broker may not find time to call the investor and the latter may miss a chance to earn higher profits. So he must try to take decision on his own.
- 5) Brokers should organize workshops and seminars to train and enhance the knowledge of investors. Such workshops or seminars should be conducted at least once in a quarter. This will definitely create interest amongst inves-

- tors and they may be able to take decisions on their own.
- 6) Nowadays National Stock Exchange (NSE), Depositories, SEBI & Financial Institutions are conducting investor education programs in various cities. Investors must attend such programs
 - 7) Investors should check their portfolio frequently, at least fortnightly. Because sometimes the markets are so volatile that all their gains from share trading may be lost within a few days.
 - 8) Broker should give training to investors about 'Online Trading.' Most investors are aware of online trading but they do not exactly know how to trade online.

Conclusion:

It is seen that investors are too much dependent on broker for investment decision. They should give some time for going through various articles in newspaper, attend various seminars and workshops on stock market and consult some investment consultants to take rational decisions. As the markets are unpredictable they should keep close watch on their portfolio and make necessary changes according to the movements in the market. Then only they can make reasonable gains.

REFERENCES

- 1) P.N. Raghunathan, "Behavior pertaining to Mutual Fund Investments among consumers in Coimbatore", Marketing Mastermind, May 2010, pages 36-41. | 2) Syed Tabassum Sultana, "An Empirical study of Indian investors' behavior", Global Journal of Finance & Management, Vol.2 No. 1, 2010, pages 19-33. | 3) Soumya Saha and Prof. Munmun Dey, "Analysis of factors affecting investor's perception of Mutual Fund", The IUP Journal of Management Research, Vol.X No.2, April 2011, pages 23-44. | 4) Dharmendra Singh, "Factors affecting customers' preferences for Life Insurers : An Empirical Study", The IUP Journal of Risk & Insurance, Vol. VIII No.2, April 2011, pages 34-49 |