



Holding Behaviour of Individual Investors in Coimbatore District

* Mrs.K.Parimala Kanthi ** Dr.M.Ashok Kumar

* Ph.D Research Scholar in Commerce, Karpagam University, Coimbatore & Asst Prof, PG & Research Department of Commerce, Sree Narayana Guru college, Coimbatore.

** Prof & Head, Department of Management Studies & Research Karpagam University, Coimbatore.

ABSTRACT

Investment culture among the people of a country is an important element of capital formation and development of any economy. Investment culture includes awareness, attitudes, perceptions, and preference of the individual investors making their savings in various financial investments. The behavioural finance says that the Investment culture of the individual investors is based on their personality characteristics. A study on the investment behaviour is more significant in the formation of policies for the financial market in general and protection of individual investors in particular. The present study aims to investigate the holding behaviour of individual investors on various investment alternatives.

Keywords : Individual Investors, Holding Behaviour, Personality type

INTRODUCTION

The investor profile is of interest as it provides an understanding of the attitudes of the investment behaviour of the households. The investment preference of financial assets is influenced by various demographic factors which includes age, gender, occupation, education, economic circumstances, and personality characteristics. Society and culture are external factors that influence an individual buying behaviour and psychological and personal factors such as motivation, perception, learning, beliefs, attitudes, personality, self-concept, and stage of family life cycle being the internal factors. The study on psychology and other social sciences could shed considerable light on the efficiency of financial markets. Behavioural finance is the integration of economics and finance with psychology on decision-making. Psychographic is gaining importance in these days. It describes the personality characteristics of people and, particularly relevant to each individual investor's strategy and risk tolerance. The understanding of the risk taking strategy of individual investors could prove valuable suggestion in asset allocation in the case of portfolio management services. It would be help to understand better on the individual investors to market various financial products.

OBJECTIVES OF THE STUDY:

Study the personality type of the individual investors and to analyze investment holding behaviour of individual investors across their personality type.

LIMITATION OF THE STUDY:

The present study has considered only the Individual investors of Coimbatore district and it may not applicable to others. Investment behavior are related with Financial Investments which does not include investment made on non profit organization and trust etc.

METHODOLOGY:

The universe of this study is on the households of Coimbatore district. convenience sampling applied to collect samples through questionnaire. pilot test of the question-

naire was undertaken with 50 respondents and tools such as percentage analysis, Chi-Square test, Cluster analysis used for analysis. The financial products considered for the studies includes 25 investment products. They are Post office savings, NSC/NSS, Provident Fund, Kisan Vikas Patra, Pension fund, Bank fixed deposit, Chit funds, Non-banking financial companies' deposits, Corporate deposits, Endowment policy, Money back policy, Unit linked insurance plan, Rural postal insurance, Diversified funds, Growth oriented funds, Income funds, Balanced funds, Exchange Trade Fund, Equity- Linked Saving Scheme, Equity shares, Preference shares, Bonds, Debentures, Derivatives and Commodities.

REVIEW OF LITERATURE:

Narayana (1976) found that the most important forms of urban financial investment were bank deposits, Gupta L.C (1987) in Bombay the shareholding population lack necessary infrastructure needed for facilitating share transactions. Mudra- SAMIR'S (1992) Awareness on various existing saving avenues and mutual funds has not found much presence. Gupta (1993) products of mutual funds form in the second and third choice. Jawahar Lal (1995) investors should be provided adequate and reliable information, Shanmugam. R (1996) investing public in India is not yet fully sophisticated. Bandgar P.K (1999) Middle class investors lack in skill and knowledge in investing. Abhijit Dutta(2000) individual investors have high confidence in themselves and are not guided by the market discounted asymmetric information. Furqan Qamar (2003) the nationalized commercial banks seem to be the favorite choice of an average household. Turan and Bodla (2004) NSC, PPF and PF, being the low-risk alternatives, The Indian Household Investors Survey, 2004 says a developing economy, like India, needs a growing amount of household savings to flow to corporate enterprises. Kirshnudu. Ch., B. Krishna Reddy and G. Rama Krishna Reddy (2005) Majority of the investors prefer bank deposits than other investment avenues, Krishnamoorthi.C (2006) bank deposits and followed insurance products which were known to 81 percent of the sample investors. Aman Srivatava (2007)

investment decisions are always affected by definite behavioral factors. Menu Verma (2008) the investment choice depends on and is affected by the demographic variables as well as by the personality types. Kasilingam.R & Jayabal.G (2009) post office savings schemes are attractive tax saving investment schemes to the salaried class investors. Dhivya.R & Dr.C.Sekar (2010) fixed deposits provided satisfaction to the customers. Shanmugsundaram.V and Balakrishnan.V (2011) Investor decisions are influenced by psychological factors and behavioural dimensions. Malayendu Saha(2012) the policy makers should identify reforms in policies. Having gone through various literature reviews it is understood that there stands a gap of whether the behavioural pattern of investment found to be one of the major reason for the study.

PERSONALITY PROFILE OF SAMPLE INVESTORS this part of the paper is an attempt to bring out personality types of the respondents. The individual may be equal in all aspects, but their financial planning needs may be different. In this context, demographics alone may no longer suffice as the basis of segmentation of individual investors. It is by using personality along with demographic that synergise between investors be made. In fact, an investor driven marketing strategy necessitates an understanding on the demographic, socio – economic and personality type of investors, to have a clear picture of financial products and services. For the purpose of the study the investors are classified into three viz. Innovative, Moderate and Conservative on the basis of their lifestyles. The profile of sample investors on the above basis of their personality type is shown in the table no 1. Considering the risk seeking attitude of the group I there are named as Innovative Investors and the poor risk seeking otherwise risk avoiding they are named as Conservative Investors, and the rest being moderate in risk seeking termed as Moderate Investors.

To classify the Investors in to three categories the statistical tool cluster analysis is used. Classification of Investors according To Personality using cluster analysis on the sample investors based on personality type were it is quite natural when one invests his money for profit which cannot be reversed which will cause a financial loss for the investors. Hence it is proved investing on financial instruments is risk in nature were it requires smartness. That the study highlights that good number (43.7%) of respondents are innovative in nature. Personality type and Holding Behaviour of the Individual Investors study the holding behaviour of individual investors on various investment avenues which is based on their personality Chi-square test is employed. To analyse the relationship between the personality type and holding behaviour the statistical tool Chi-square is described in the following table.

RESULT AND DISCUSSION:

Preference on investment avenues made by investors pertaining to various personality types of investors is shown in Table No 2. 67.3% of the moderate investors in Coimbatore invest in post office saving schemes. NSC / NSS has 27.6% of the moderate investors who definitely invest. A good number of moderate investors wishes to invest in invest provident funds, whereas 33.9% of conservative investors definitely invest in Kisan Vikas Patras. 49.3% of moderate investors definitely invest in Pension funds. 68.7% of moderate investors are very much interested and definitely invest in bank fixed deposit. With regard to chit funds in all type of investors the highest percentage is in never invest slab. More than 60% of the investors showed their disinterest on investing in NBFC. 37% of innovative investors says that they may not invest in corporate deposits. The willingness to invest in endowment policy is more to the innovative (55.3%) and conservative (55.4%) investors. good number 29.8% of innovative investors invest in money back policy. Most of the moderate and conservative investors expressed that they never invest in diversified funds. 24.9% of moderate investor showed their

preference of investment on growth oriented funds. 17.6% of innovative investors definitely invest in income funds. Only 14.9% of the innovative investors say that they will invest in balanced funds. A low percentage (8%) of innovative investors says that they definitely invest in exchange trade funds. 11.1% of innovative and moderate investors definitely invest in equity linked saving scheme. 26.3% of the moderate investors had a practice to invest in equity shares. Only 13% of the innovative investors' also invest in preference share. The table also indicates that most of the innovative investors (41.6%) never invest in bonds. A minimum percentage of the innovative investors say that they will invest in debentures. 15.7% of conservative investors invest in derivatives. (45.8%) of the innovative investors never invest in commodities.

The chi-square test confirms the results at 5 per cent level of significance. It is concluded that the holding behaviour of individual investors on Post Office Saving Schemes, Provident Fund, Kisan Vikas Patra, Pension fund, Non-banking Financial Companies' Deposits, Corporate Deposits, Unit linked Insurance Plan, Income Funds, Exchange Traded Fund, Equity-Linked Saving Scheme, Equity shares, Preference shares, Bonds, Debentures, Derivatives and Commodities depending upon their personality type.

SUGGESTIONS:

The result of the study enabled us to come out with suitable suggestions for the capital market regulators, and investors. Most of the investors prefer small saving schemes, bank deposits and insurance products for their future investments. This may be due to lack of awareness and/or due to interest in physical investments. Hence, it is necessary to propagate awareness and educate the features and similarities of the individual investors.

CONCLUSION:

The analysis of the study reveals that the holding behaviour of individual investor are towards, NSC/NSS, Bank fixed deposit, Chit funds, Endowment policy, Money back policy, Rural postal insurance, Diversified funds, Growth oriented funds, Balanced funds, and Debentures is independent and other investment avenues are dependent of personality type of individual investors. In spite of various developments in financial market the individual investors prefer low risk investments such as small savings, deposits and insurance and avoiding investing in high risk investments such as mutual funds and corporate securities. This may be because of lack of awareness, poor investment climate, lack of confidence, deficiencies in the institutional infrastructure, lack of knowledge on financial instrument and regulation which are updated time to time. Though Government of India, Ministry of Finance, Securities Exchange Board of India, RBI and various finance agencies are taking several measures towards educating the investors but, yet it is the investors who has to come forward.

“ You can take the Horse to pond, but you can not make it to drink”

TABLE NO. 1 Personality Profile of Investors

| Personality Type | No. of Investors | % |
|------------------|------------------|--------|
| Innovative | 262 | 43.7 |
| Moderate | 217 | 36.2 |
| Conservative | 121 | 20.2 |
| Total | 600 | 100.00 |

Source: Primary Data/Computed Data

TABLE NO 2 Personality type and Holding Behaviour of the Individual Investors

| Invest. Avenues | Investor | NI | | MNI | | WI | | DI | | Chi Square Value | Invest. Avenues | Investor | NI | | MNI | | WI | | DI | | Chi Square Value |
|-----------------|----------|-----|----|-----|----|----|----|-----|----|------------------|-----------------|----------|-----|----|-----|----|----|----|----|----|------------------|
| | | No | % | No | % | No | % | No | % | | | | No | % | No | % | No | % | | | |
| P O S | Inn | 10 | 4 | 39 | 20 | 45 | 17 | 168 | 64 | 14.563 | DMF | Inn | 104 | 40 | 86 | 33 | 36 | 14 | 36 | 18 | 11.712 |
| | Mod | 7 | 3 | 29 | 12 | 38 | 18 | 146 | 67 | | | Mod | 74 | 34 | 66 | 30 | 37 | 17 | 40 | 24 | |
| | Con | 9 | 7 | 26 | 13 | 35 | 19 | 61 | 50 | | | Con | 45 | 37 | 25 | 21 | 22 | 18 | 29 | 22 | |
| NSC/ NSS | Inn | 77 | 29 | 16 | 30 | 49 | 19 | 58 | 22 | 8.814 | GOF | Inn | 99 | 38 | 69 | 26 | 49 | 19 | 45 | 17 | 5.654 |
| | Mod | 49 | 23 | 78 | 25 | 54 | 25 | 60 | 28 | | | Mod | 75 | 35 | 50 | 23 | 38 | 18 | 54 | 25 | |
| | Con | 30 | 25 | 54 | 29 | 36 | 26 | 24 | 20 | | | Con | 44 | 36 | 25 | 21 | 26 | 22 | 26 | 22 | |
| PF | Inn | 54 | 21 | 35 | 29 | 47 | 18 | 86 | 33 | 17.933 | IF | Inn | 103 | 39 | 75 | 29 | 38 | 15 | 46 | 18 | 22.069 |
| | Mod | 32 | 15 | 75 | 19 | 36 | 17 | 107 | 49 | | | Mod | 56 | 26 | 72 | 33 | 23 | 11 | 66 | 30 | |
| | Con | 27 | 22 | 42 | 20 | 26 | 22 | 44 | 36 | | | Con | 34 | 28 | 32 | 26 | 24 | 20 | 31 | 26 | |
| KVP | Inn | 94 | 36 | 24 | 29 | 36 | 14 | 56 | 21 | 18.814 | BF | Inn | 112 | 43 | 49 | 2 | 39 | 15 | 42 | 16 | 11.172 |
| | Mod | 54 | 25 | 76 | 24 | 42 | 19 | 68 | 13 | | | Mod | 65 | 30 | 76 | 35 | 36 | 17 | 40 | 18 | |
| | Con | 35 | 29 | 53 | 17 | 24 | 20 | 41 | 34 | | | Con | 39 | 32 | 34 | 28 | 24 | 20 | 24 | 20 | |
| Pension fund | Inn | 59 | 23 | 21 | 29 | 39 | 15 | 89 | 34 | 26.800 | ETF | Inn | 131 | 50 | 82 | 31 | 28 | 11 | 21 | 8 | 18.308 |
| | Mod | 27 | 12 | 75 | 24 | 30 | 14 | 107 | 49 | | | Mod | 76 | 35 | 89 | 42 | 27 | 12 | 25 | 12 | |
| | Con | 32 | 26 | 53 | 20 | 28 | 23 | 37 | 31 | | | Con | 60 | 50 | 28 | 23 | 17 | 14 | 16 | 13 | |
| BFD | Inn | 26 | 10 | 24 | 16 | 39 | 15 | 155 | 59 | 12.179 | ELS | Inn | 128 | 49 | 80 | 31 | 25 | 10 | 29 | 11 | 17.511 |
| | Mod | 18 | 8 | 42 | 12 | 25 | 12 | 149 | 69 | | | Mod | 75 | 35 | 88 | 41 | 30 | 14 | 24 | 11 | |
| | Con | 14 | 12 | 25 | 13 | 27 | 22 | 64 | 53 | | | Con | 61 | 50 | 28 | 23 | 18 | 15 | 14 | 12 | |
| Chit funds | Inn | 74 | 28 | 73 | 28 | 69 | 26 | 46 | 76 | 3.904 | ES | Inn | 93 | 36 | 85 | 32 | 26 | 10 | 58 | 22 | 16.970 |
| | Mod | 65 | 30 | 47 | 22 | 61 | 28 | 44 | 20 | | | Mod | 55 | 25 | 72 | 33 | 33 | 15 | 57 | 26 | |
| | Con | 39 | 32 | 25 | 26 | 32 | 26 | 25 | 21 | | | Con | 42 | 35 | 27 | 22 | 26 | 22 | 26 | 22 | |
| NBFC | Inn | 104 | 43 | 90 | 34 | 25 | 10 | 34 | 13 | 24.028 | PS | Inn | 100 | 38 | 94 | 36 | 34 | 13 | 34 | 13 | 23.669 |
| | Mod | 65 | 30 | 85 | 39 | 22 | 10 | 45 | 21 | | | Mod | 59 | 27 | 64 | 21 | 50 | 23 | 44 | 20 | |
| | Con | 48 | 40 | 34 | 28 | 25 | 21 | 14 | 12 | | | Con | 35 | 29 | 29 | 24 | 30 | 25 | 27 | 22 | |
| CD | Inn | 90 | 34 | 97 | 37 | 34 | 13 | 41 | 16 | 26.682 | Bonds | Inn | 109 | 42 | 81 | 31 | 37 | 14 | 35 | 13 | 19.639 |
| | Mod | 57 | 26 | 62 | 29 | 36 | 17 | 62 | 29 | | | Mod | 60 | 28 | 71 | 33 | 36 | 17 | 50 | 23 | |
| | Con | 36 | 30 | 26 | 22 | 31 | 26 | 28 | 23 | | | Con | 38 | 31 | 40 | 33 | 28 | 23 | 15 | 12 | |
| EP | Inn | 51 | 20 | 66 | 25 | 52 | 20 | 93 | 36 | 7.938 | DB | Inn | 105 | 40 | 95 | 36 | 33 | 13 | 29 | 11 | 4.822 |
| | Mod | 37 | 17 | 76 | 35 | 35 | 16 | 69 | 32 | | | Mod | 72 | 33 | 79 | 36 | 36 | 17 | 30 | 14 | |
| | Con | 26 | 22 | 28 | 23 | 23 | 19 | 44 | 36 | | | Con | 47 | 39 | 38 | 31 | 21 | 17 | 15 | 12 | |
| MBP | Inn | 54 | 21 | 74 | 28 | 56 | 21 | 78 | 30 | 4.268 | DR | Inn | 126 | 48 | 91 | 35 | 33 | 13 | 12 | 5 | 28.288 |
| | Mod | 42 | 19 | 72 | 33 | 46 | 21 | 57 | 26 | | | Mod | 76 | 35 | 77 | 36 | 33 | 15 | 31 | 14 | |
| | Con | 32 | 26 | 31 | 26 | 25 | 21 | 33 | 27 | | | Con | 52 | 43 | 26 | 22 | 24 | 20 | 19 | 16 | |
| ULI | Inn | 90 | 34 | 104 | 40 | 51 | 20 | 17 | 7 | 36.146 | COM | Inn | 120 | 46 | 83 | 32 | 38 | 15 | 21 | 8 | 18.138 |
| | Mod | 68 | 31 | 80 | 37 | 23 | 11 | 46 | 21 | | | Mod | 73 | 34 | 69 | 32 | 44 | 20 | 31 | 14 | |
| | Con | 33 | 27 | 38 | 31 | 34 | 28 | 16 | 13 | | | Con | 45 | 37 | 29 | 24 | 33 | 27 | 14 | 12 | |

Source: Primary Data/Computed Data. Inn – Innovative, Mod – Moderate, Con – Conservative, POS – Post Office Savings, NSC/NSS – National Saving Certificate/ National Saving Scheme, NBFC – Non Banking Financing Companies, CD – Corporate Deposits, EP – Endowment Policy, MBP – Money Back policy, ULI – Unit Linked Plan, DMF – Diversified Mutual Fund, GOI – Growth oriented Funds, IF – Income fund, BF – Balance Fund, ELS – Equity Linked Saving, ES – Equity Shares, PS – Preference Share, DB – Debentures, DR – Derivatives, COM - Commodities

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