ORIGINAL RESEARCH PAPER

Management

A STUDY ON INDIVIDUAL INVESTOR'S INVESTMENT BEHAVIOUR: A STUDY IN A SELECTED DISTRICT OF GUJARAT

KEY WORDS: Individual Investors, Indian Stock Market, Demographic Factors, Investment Characteristics

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ABSTRACT

The present study is the analysis of the individual investors' investment behavior concerning investment in the stock market. The main objective of the study is to study the investor's investment characteristics and the investor's demographic profile for investment in the stock market. The data is collected through a structured non-disguised questionnaire from 195 randomly selected individual investors from the selected district of Gujarat. The researcher has been using a structured questionnaire on multiple-choice questions, multi-response, and a five-point Likert scale. In this study, the researcher has analyzed the data through various statistical tools such as percentage, one sample T-test, chi-square, cross-tabulation between a demographic variable with study variables. The collected data are analyzed using statistical software like SPSS. The study suggested that the behavior of individual investors is on a moderate level and works based on market sentiments. The analysis indicates that demographic profile such as occupation and income level have not significant variation between sample and population for investment characteristics i.e. kinds of investor, percentage of saving, investment objectives, preference (time horizon) investment, but the level of education may affect the kinds of investor but not variation in saving percentage and time horizon of investment.

1. INTRODUCTION

Investors are the backbone of the capital market. A developing economy, like India, needs a growing amount of savings to flow to corporate enterprises. The level of equity market participation of retail investors has been increasing over the past few years. Investment is the flow of capital that is used for productive purposes. There is a great emphasis on investment as being the primary instrument of economic growth and development for a country. The theory which defines behavioral finance is given by Khneman and Tyevsky (1979); and Kahneman (1982). Khneman and Tyevsky (1979) state that investors may not always appear as the rationale for investment as supposed. There are a large number of investment instruments available today. Some of them are marketable and liquid while others are non-marketable and illiquid. Some instruments are highly risky while others are almost riskless. The investors choose avenues, depending upon their specific needs, risk appetite, and return expected. Investment avenues can broadly be categorized into two spheres, namely, economic investment and financial investment. Purchasing a physical asset such as a building or equipment is an economic investment. Economic investments contribute to the net additions to the capital stock of society. Financial investments, on the other hand, refer to investment in financial instruments like shares, debentures, insurance policies, mutual fund units, etc. Financial investments help in creating the capital stock of the country. In the long term, investment is important for improving productivity and increasing the competitiveness of an economy. Without investment, an economy could enjoy high levels of consumption, but this creates an unbalanced economy.

2. LITERATURE REVIEW

Researchers have collected various articles related to the performance of the stock market and investor's behavior. And authors used different statistical tools and techniques. For measuring the stock market performance, they used the ARCH-M model. GARCH model, Vector autoregressive model (VAR) model, Ordinary Least Square method (OLS), Unit root (ADF, PP, and KPSS) tests, Granger Causality test, Engle-Granger cointegration method, and finally; Error Correction Model (ECM). The descriptive research method was employed in this study. For analyzing the investors' behavior authors used frequency analysis, chi-square test, correlation coefficient, cross-tabulation analysis. the following are articles are studied.

Mart Grinblatt and Matti Keloharju, (2011), in their study entitled, "The Investment Behaviour and Performance of Various Investor Types: Study of Finland's Unique Data set", analyzed the extent to which past returns determine the propensity to buy and sell. The study revealed that foreign investors tend to be momentum investors, buying past winning stocks and selling past losers. Domestic investors, particularly households contradicted the same. **Mahabaleswara Bhatta. H.S., (2009)**, in his study, "Behavioral Finance- A discussion his individual investor biases. An attempt has been made to throw light on the investors' biases that influence the decision making process. Empirical studies have time and again proved that irrational behaviors have caused stock market bubbles and crashes. **Alexander LJungquist and Matthew Richardson, (2010)**, in their study, "The Investment Behaviour of Private Equity Fund managers", using a unique dataset of private equity funds over the last two decades, this paper analyses the investment behavior of private equity fund managers. These findings provide complementary evidence to recent papers documenting the determinants of fund-level performance in private equity. **Gnana Desigan. C. et.al, (2011),** in their study entitled, "Women Investors Perception Towards Investment–An Empirical Study", identified the 41 investment pattern, preference, influencing factors, and problems of women investors in Erode town. The findings of the study reveal that women investors prefer to invest in bank deposits and jeweller, they are influenced by safety and liquidity and the problems faced by them are cumbersome procedures and formalities, commission and brokerage. **S. Periyasamy (2016),** studied a study on the impact of institutional investor's contribution on the Indian stock market concerning Nifty. Descriptive research method was employed in this study. The monthly closing value of NIFTY and net contribution of FIIs, DIIs, and retail investors for the period January 2007 to August 2015 was used for analysis. The outcome of this study indicated that the FIIs and DIIs have an impact on Nifty movement up to 2.35% comparing previous month closure value on either side, which shows that the retail investors may invest with long-term investment objectives. **Pratima Rawal (2018),** studied about trading behavior of retail investors. The main aim of the study was to evaluate the association between psyco demographics & the trading pattern of the retail investors. The researcher has taken the cross-sectional study. The data were gathered from 300 retail investors of Faridabad district situated in Haryana. The chi-square technique was employed by using the SPSS package. The study examined that there was an association between demographic profile such as age, gender, and annual income with the trading behavior of the retail investors. **Arup Kumar Sarkar and Dr. Tarak Nath Sahu (2018),** studied about analysis of the investment behavior of individual investors of the stock market: a study in selected districts of West Bengal. The main aim of the study was to found out how investor awareness affected Investment Behaviour. The study has collected primary data from 400 randomly selected individual investors of the stock market from various districts of West Bengal using a structured questionnaire on a five-point Likert scale. **E.Vijaya (2016),** studied an empirical analysis on the behavioral pattern of Indian retail equity investors. The main aim of the study was to identify the broad behavioral factors that determine the retail investors' stock selection decision. The study was conducted by using a structured questionnaire from a sample of 182 prospective retail equity investors residing in the twin cities of Hyderabad and Secunderabad cities. The study has conducted a Structural equation model (SEM) to portray relationships among variables. The results of the study revealed that behavioral factors such as Overconfidence, Disposition effect, and Herd behavior had a significant and positive relationship with investment performance whereas market factors had a negative relationship with investment performance**. Mitesh Patel and Ritesh Patel (2012),** studied investor's behavior in the equity market: a study of investors in Ahmedabad city. The main aim of the study was to develop a broader understanding of the behavior of investors to identify patterns of their investing and considering investments. The study was done by using various tools such as factor analysis, one-way ANOVA, and chi-square test. It was concluded that When there is a bullish trend in the market maximum people invest in the alternative that gives them stable but lower expected result, Even the business or professional investors prefer to invest in the same alternative. **K. Riyazahmed and M. G. Saravanaraj (2018),** studied about a study on factors influencing buying behavior of securities in Indian stock markets. The main aim of the study was to analyze the factors impact individual investor's decision while buying or investing in Indian stock market. T-test applied in this research. The variables of Market, herding, prospect are several ones reported to have high influences on the investment decision making. It was concluded that most of the behavioral variables of four factors: Prospect, Herding, market variables have a high impact on individual investor's decision-making in the Indian stock market.

3. OBJECTIVE OF THE RESEARCH

The aim of the study is an analysis of the Investment Behaviour of individual investors in the stock market. To reach the aim we have two specific objectives. These are

I. To study the investor's behavior towards the stock market.

ii. To study the investor's perceptions about the stock market.

4. RESEARCH METHODOLOGY

To accomplish the objective of the study, the survey was done in a selected district of Gujarat from 195 individual investors. The data comprise two parts, in part one demographic information and second part investment behavior-related questions. The researcher has collected data through the structured questionnaire where dichotomous; multiple-choice, multiple responses, and Likert-type scale is administered. The data collected based on convenience sampling.

As per the requirement of the objectives, the researcher has opted to use the frequency analysis, correlation coefficient, cross-tabulation with Chi-square, and one sample t-test technique using SPSS software.

5. HYPOTHESIS

H_{01}: There is a significant difference between the kind of investors, category of investors, investor's experience in the market, and investor's savings in the stock market with the demographic profile of the investor.

H_{02}: There is no significant difference between sample mean and population concerning investment objectives and their demographic profile as well as investment characteristics,

6. ANALYSIS OF DATA

In this section, the researcher tries to analyze the data and based on that draw some conclusions. Table 1 represents the respondent demographic profile.

Table 1: Percentage Analysis

Questions	No. of Investors	% age	Questions	No. of Investors	% age
Gender			**Education**		
Male	171	87.7%	Primary Education	6	3.1%
Female	24	12.3%	Secondary Education	51	26.2%
Total	**195**	**100%**	Graduated	93	47.7%
District			Post Graduated	39	20.0%
Surat	102	52.3%	Others	6	3.1%
Bardoli	12	6.2%	**Total**	**195**	**100%**
Ahmedabad	6	3.1%	**Age group**		
Vapi	6	3.1%	Below 20	12	6.2%
Vadodara	12	6.2%	20 to 30	132	67.7%
Others	57	29.2%	31 to 40	30	15.4%
Total	**195**	**100%**	41 to 50	21	10.8%
Occupation			**Total**	**195**	**100%**
Student	75	38.5%	**Income**		
Businessman	75	38.5%	Below 2,00,000 Rs.	81	41.5%
Serviceman	6	3.1%	2,00,000 to 4,00,000 Rs.	66	33.8%
Private Employee	30	15.4%	4,00,000 to 6,00,000 Rs.	36	18.5%
Retired	3	1.5%	Above 6,00,000	12	6.2%
Others	6	3.1%	**Total**	**195**	**100%**
Total	**195**	**100%**			

Following table 2 represents that investor's investment characteristics/position concerning kinds of investor, category (time horizon) of investment, type of market operated, the experience of investment, no. of equity stocks hold, size of the investment, approximately % age of saving, expected return, etc. It suggested that overall investor's investment positions and their basic investment expectations and affordability of investment. The majority are retail investors (73.8%) with the expectation of more than 12% return (53.8%) as well as they save more than 10% of their income. The size of the investment of investors is less than Rs. 100,000, which indicated that the majority of the respondent is a beginner in the stock market. On the other hand majority (46%) operated in the primary as well as the secondary market, having up to 3 years of investment experience in the stock market. The majority of investor invested in the stock market because of wealth creation (33.8%) followed by future planning (27.7%) and extra family income (16.9%).

Table: 2 Investor Investment characteristics

	Fre.	% age		Fre.	% age
Kind of Investor			**Category of Investor**		
Retail Investor	144	73.8%	Long term investor	81	41.5%
Professional Investor	51	26.2%	Short term investor	27	13.8%
Total	**195**	**100%**	Both	87	44.6%
			Total	**195**	**100%**
Type of market operated			**Experience in the market**		
Primary market	54	27.7%	Less than 1 year	90	46.2
Secondary market	51	26.2%	1-3 years	54	27.7

Both	90	46.2%	Above 3 years	51	26.2
Total	**195**	**100%**	**Total**	**195**	**100.0**
No. of equity stocks in whichinvestment is made?			**Approximate size of investment in shares as of the date (March 2021)**		
<10	126	64.6%	<1,00,000	111	56.9%
10-20	45	23.1%	1,00,000 to 2,00,000	51	26.2%
>20	24	12.3%	>2,00,000	33	16.9%
Total	**195**	**100%**	**Total**	**195**	**100%**
% age of savings invested in the stock market (annually)			**Expected rate of return per annum**		
<10%	69	35.4%	<12%	63	32.3%
10% - 20%	96	49.2%	12% -24%	105	53.8%
>20%	30	15.4%	24% - 36%	15	7.7%
Total	**195**	**100%**	>36%	12	6.2%
The main goal behind the investment			**Total**	**195**	**100%**
Future planning	54	27.7%			
Wealth creation	66	33.8%			
Extra income for the family	33	16.9%			
Social welfare	6	3.1%			
Investment	18	9.2%			
Others	18	9.2%			
Total	**195**	**100%**			

Table 3: Level of potential loss acceptable by investor

Level of potential loss acceptable to you	**Fre.**	**% age**
No capital losses are acceptable, even if the returns cannot keep pace with inflation	45	23.1
A small loss of up to 5% is acceptable	93	47.7
A medium loss of up to 15% is acceptable	42	21.5
A large loss of up to 30% is acceptable	3	1.5
A large loss of more than 30% is acceptable	12	6.2
Total	**195**	**100.0**

Above table 3 suggested, what amount of loss they can handle concerning changes in economic behavior and stock market return. Very few people can able to accept a loss of more than 30%. From the above table, it can interpret those retail (majority in my research) investors are not able to take much risk because they are risk-averse.

In the next part of the analysis, research has tried to find an association/relationship between kinds of investors, category (time horizon), saving from their income to demographic profile such as occupation, income, and level of education. The purpose of this analysis is simply to identify respondent's knowledge level and income level with their basic investment characteristics. For the same Pearson's Chi-square test has been conducted to test the association between the preference of kind of investors and occupation, income, and education.

Table 4: Association between the preference of kind of investors and occupation, income, education

	Occupation	Income	Education
Chi-Square	19.476	11.218	6.913
P-value	.002	.011	.141
Remark	Rejected	Rejected	Accepted

The above table 4 suggested that there is no significant association between education and kinds of investors i.e. retail investor and professional investor but a significant association between occupation and income level with kinds of investor.

Table 5: Association between the preference of category of investors and occupation, income, education

	Occupation	Income	Education
Chi-Square	25.422	29.935	21.277
P-value	.005	.000	.006
	Rejected	Rejected	Rejected

From the above table 5, it can be interpreted that investors irrespective of their level of education, income, and occupation investor are investing for a long term period.

Table 6: Association between the preference of percentage of savings invested in stock market and occupation, income, education

	Occupation	Income	Education
Chi-Square	66.289	74.205	30.667
P-value	.000	.000	.002
	Rejected	Rejected	Rejected

From the above table 6, it can be interpreted that investors irrespective of their level of education, income, and occupation investors try to save a certain proportion of their income and try to invest in the stock market as per their investment objectives.

In the next section of the analysis, the researcher has tried to analyze the investment objectives for the investor. The same researcher has tried to analyze the result with the help of a one-sample t-test with the assumption that there is no significant difference between the sample mean and population means.

Table 7: level of importance of the following investment objective

	p	**Results**
Dividends	.096	Accepted
Capital Appreciation	.009	Rejected
Quick gain	.142	Accepted
Safety	.372	Accepted
Liquidity	.440	Accepted
Tax Benefit	.000	Rejected
Hedge against inflation	.000	Rejected

Above table 7 suggested that the null hypothesis fails to reject dividend, quick gain, the safety of investment, and liquidity irrespective of their demographic profile and investment characteristic. On the other hand, capital appreciation, tax benefits, and hedge against inflation is making some difference concerning demographic profile and investment characteristics. So, the major investor gives their preference for making their investment safe and secure with a capital appreciation for their future benefits.

7. CONCLUSION:

The researcher suggests that investors should invest in the stock market because of high volatility in the market, they get more return with more risk but if investors maintain continuity for longer periods they get some benefits. From the above analysis, it can be concluded that investors invest in the stock market for their purposes because investors invest their savings having no. of demographic factors are associated such as income level, education level, occupation, etc. with their economic condition such as expected return, % age of saving from their income. On the other side their knowledge of the stock market. In the present study majority of investors have very little experience of the stock market and they have very limited amounts (i.e. up to Rs. 100,000) invested in the stock market. The probable reason is they have their initial stage of professional career because the majority of the investors belong to the 20-30 age groups (see table1). It can also be concluded that irrespective of their occupation and level of income, investors can invest either professionally or through their way as well as make their investment for a longer period with a certain portion to invest for capital appreciation, extra income for the family, and future planning. Education level may affect the investor for making decisions in the stock market as they may approach the professional investor but time horizons and saving habits cannot have a significant impact in investing in the stock market because everyone has their objectives for investment.

Another conclusion related to the investment objectives and investors' demographic profile as well as investment characteristics. As the majority of investor are early in the career and not having a sufficient amount of investment in the stock market. Their importance of investing in the dividend (as investor prefers for long term investment (refer table1)), the safety of their funds, liquidity and quick gain has no significant difference with sample mean and population means while capital appreciation, tax benefits, and hedge against inflation having the significant difference between the sample mean and population means. It can be concluded that investors are more risk-averse and they don't want to take much risk (refer to table 2). Very few respondents can able to take risk more than 30% risk.

In nutshell, it can be concluded that people who have early in their career, having fewer investment funds and not much experience of the stock market they had high expectations from investment. These investors generally prefer long-term investment and try to themselves manage their portfolio themselves (refer to table 1).

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