AN EMPIRICAL STUDY ON FACTORS GOVERNING INVESTMENT OF INDIVIDUAL INVESTOR IN EQUITY

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Abstract

The Indian equity market has seen a lot of fluctuations in the last decade. The BSE sensex as an indicator of the market has fluctuated from 10000 points to 21000 points and falling to 8000 points and making high of 30000 points and again now struggling to sustain around 30000 points. The Indian Equity markets are seeing inflows both from institutional investors as well as the retail investors.

Even though the markets remain to be volatile but that has not deterred the investors from investing in the markets. In this context it becomes important to explore the behavioral factors that are governing investment behaviour in the Indian equity market.

Equities are considered inherently riskier than investments in bonds. What makes equity investing risky? Is it because of the inconsistent performance of business behind the stock or is it because of the behavior of the market participants, who as a result of greed and fear get excessively optimistic and pessimistic about the future resulting in bull and bear phase? What are the behavioral traits that act as impediments (obstacles) in investing inequity?

Keywords : Equity, Investment, Equity, Finance, behavioral, Risk.

I. INTRODUCTION

"As far as effect of education on investment objective, investment vehicle and risk taking is considered that respondents who are graduated save for wealth creation are moderate in risk takers and have invested in insurance Respondents who are Post Graduated savings objective is wealth creation. They are moderate risk takers and some of them have invested in insurance & bank. School Level educated respondents save for retirement and to meet contingency. They are conservative risk takers and have nil knowledge about MF. They have invested in pension/ provident fund. Among the respondents who are Diploma holders save to meet contingency.100% are moderate risk takers and most of them have invested in insurance."(Ibid, 8)

Among the respondents whose annual income is below Rs1.00 Lakh save to create wealth and to meet contingency. They are conservative risk takers and have invested in insurance. Among the respondents whose annual income is between Rs 1.00 and 2.00 Lakhs save to create wealth and for contingency management. Among the respondents whose annual income is between Rs 2.01 and 3.00 Lakhs, 45% of their savings objective is to create wealth, 38% are moderate risk takers and 28% are conservative risk takers. Among the respondent whose annual income is above Rupees 3.00 Lakhs, 41% of their savings objective is to create wealth 41% are moderate risk takers and 41% are conservative risk takers." (Ibid, 9)

"Investors' major saving objective is wealth maximization, contingency management and Children welfare. Investors reveal that most of them are unlikely to meet their financial goals: be it for their retirement or children's education. This is because they don't have a proper financial plan. Very few respondents plan their savings well in advance every month. Mostly investments are made in a random fashion. Sometimes there would be a goal in mind, but even in those cases there won't be any follow up. In most cases, people don't bother to review their investments periodically and make additional investment if needed to realize their goals.

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II- REVIEW OF LITERATURE-

There have been lot of studies, which have been carried out in the past to study the behavioural dimensions of investment. Amateur investors investing in the Fortune 500 invest based on both financial and non-financial information (Nagy and Obenberger, 1994). The survey followed by a factor analysis proved that responses ranged from typical financial information to a company's

social/environmental record and an investor's personal financial needs broadly classified into seven categories.

Risk perception, Financial Product awareness and Portfolio selection

Risk perception is one of the key factors influencing portfolio selection. In the present section risk perception and its association is understood. Also the awareness towards different products among various sections of society has been also described.

The study of Joyce etal (2010) revealed that the level of education influence general and financial product awareness among youths. Also, males were found to have higher levels of financial awareness compared to females.

"When discussing client behavior under risky circumstances, it is helpful to distinguish between "risk perception" and "risk tolerance." Both factors contribute to a decision when facing risk, and it is helpful to know whether a client is not acting (or acting) because of (1) misperception of the risk or (2) a reluctance (or eagerness) to make a risky decision. Risk tolerance is a fairly stable construct which is hardly affected by any financial crisis, whereas on other hand risk perception is fairly subjective and changes according to the situation."[6]

(SuyamPraba, 2011) classifies the respondent in various risk categories and objectives and pattern of investment in different age groups, education and occupation groups. She reports that respondents whose age group is below 35 years save for wealth creation and are moderate in risk taking attitude and have invested in insurance.

"Among the respondents whose age is between 36 and 54 Years save for Children's education and are conservative in risk taking attitude and have invested in insurance and pension/provident. Among the respondents whose Age is above 55 Years save to meet contingency and retirement. They are moderate in risk taking attitude and majority of them have invested in insurance, bank & gold."(Ibid, 7)

Most of the respondents invest in Insurance, deposited in Bank and invested in MF. The most preferred savings avenue is Bank Deposits among all respondents. Insurance ranks second, mutual fund ranks third preferred investment avenue. The investors' behavior is basically influenced by the external factors like psychological and sociological factors."(Ibid, 9).

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"Investors' major saving objective is wealth maximization, contingency management and Children welfare. Investors reveal that most of them are unlikely to meet their financial goals: be it for their retirement or children's education. This is because they don't have a proper financial plan. Very few respondents plan their savings well in advance every month. Mostly investments are made in a random fashion. Sometimes there would be a goal in mind, but even in those cases there won't be any follow up. In most cases, people don't bother to review their investments periodically and make additional investment if needed to realize their goals.

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III-SIGNIFICANCE OF THE STUDY

The purpose of the study was to find out the factors that govern the behaviour of the Indian equity investors. The study also tries to have deeper insights of finding which factors affect the most while taking decisions and which are least used factors. Further, the factors that make the investor not to invest in equity market and how to attract investor in equity market.

IV- OBJECTIVES OF THE STUDY

The main objectives for which the study has been conducted are as under:

1. To identify the factors influencing the investment of individual investors

investing in the equity market.

2. To rank the factors influencing decision to invest in equity of the individual investors.

3. To identify factors inhabiting investors' investing in equity market.

4. To suggest means and ways to attract investor in equity market.

V - HYPOTHESIS

Following is the hypothesis of the study:

H1: There is significant difference among respondents according to their Age regarding

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investment traits such as investment in equity, monitoring of investment, frequency of monitoring.

H2: There is significant difference among respondents according to their education regarding investment traits such as investment in equity, monitoring of investment, frequency of monitoring.

H3: There is significant difference among respondents according to their income regarding investment traits such as investment in equity, monitoring of investment, frequency of monitoring.

H4: There is significant difference among respondents according to their occupation regarding investment traits such as investment in equity, monitoring of investment, frequency of monitoring

I- DATA COLLECTION AND ANALYSIS

The researcher has collected necessary data using questionnaire. The questionnaire were sent to through group mail. Many questionnaire were physically filled from the respondents. So more than 4500 people approached for filling questionnaire online and physically. Out of which 996 respondents were replied. Some of information was missing and some were incomplete from the

filling questionnaire so ultimately after looking at completeness of questionnaire response only 500 were considered for the final output. The selection of the sample is based on convenient.

Results and Discussion-

Following is the table of different statistics which depicts the Chi-square statistic along with its significance value. Further different statistics such as Crammers V, Likelihood ratio, Goodman's and Kruskal's Lambda along with contingency table for each variable are reported below.

Table 1: Correlation Matrix of Gender, Education and Occupation with investment in equity.

Attribute	Chi-square	Df	Signifi	Crammer'sV	Significance	Goodman's Lambda
Gender	0.736	1	0.391	0.027	0.391	0.001
Marital Status	1.217	1	0.270	0.035	0.270	0.001
Family Status	0.010	1	0.920	0.003	0.920	0.000
Employment	0.797	3	0.850	0.028	0.850	0.000
Education	0.779	3	0.850	0.028	0.855	0.000

Source: Field work

From the above table it can be observed that none of the demographic attribute amongst the sample respondents has reported significant relation or association with the investment in stock.

B2: Years of Investment and Demographics

The years of investment are one of the important variables for wealth creation. The number of years of investment as literature and common sense suggest ultimately are influenced by goals and objectives of the investor both in short term and long term. Further the years of investment may be influenced by socio demographic variables. An attempt is made in this section to understand the function of number of years of investment. The statistics of association are tabulated and reported below.

Table 2: Correlation Matrix of Gender, Education and Occupation with years of investment

Attribute	Coefficient	Df	Signifi	Crammer'sV	Significance	Goodman's Lambda	Sign
Gender	18.627	20	0.546	0.156	0.546	0.024	0.548
Marital Status	19.724	20	0.475	0.161	0.475	0.026	0.988
Family Status	20.039	20	0.455	0.161	0.475	0.001	0.409
Employment	62.516	60	0.387	0.165	0.387	0.004	0.662
Education	44.426	60	0.934	0.139	0.934	0.004	0.577

Source: Field work

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Table 3: Person Product Correlation of Age, Income and Number of Years of Investment

Attribute	Coefficient	Significance	Coefficient of Determinant
Age	0.038	0.295	0.00144
Income	0.179**	0.000	0.03

Source: Field work

From the above table it can be observed that the income per annum is positively correlated with number of years of investment. Further the relation is significant and as observed by the coefficient of determinant the variable income accounts for 3% of variation observed in number of years of investment.

B3: Daily Trading in Stock

It is suggested in many literature, to maximize wealth the investors should have a long term view of their investments. In this section an attempt is made to understand the investment behavior of investors in respect to the frequency of trading. Further the section attempts to understand the correlation of various demographics

Table 4: Correlation Matrix of Gender, Education and Occupation with years of investment

Attribute	Coefficient	Df	Signifi	Crammer'sV	Significance	Goodman's Lambda	Sign
Gender	0.781	1	0.377	0.032	0.377	0.001	0.377
Marital Status	1.828	1	0.176	0.049	0.176	0.002	0.177
Family Status	7.155	1	.0007*	0.057	0.480	0.009	0.008*
Employment	2.474	3	0.480	0.057	0.480	0.003	0.481
Education	1.769	3	0.622	0.048	0.622	0.002	0.622

Source: Field work

Table 5 : Person Product Correlation of Age, Income and Number of Years of Investment

Attribute	Coefficient	Significance	Coefficient of Determinant
Age	-0.035	0.336	0.00122
Income	-0.278**	0.000	0.07724
Years of Investment	-0.260**	0.000	0.0676

Source: Field work

From the above table it can be observed that the

1. The family status of the respondent is correlated with the tendency of the investor to trade daily in particular stock. Further it is observed that the Kruskals Lambda is significant of the relation between family status and investor behavior to trade daily in stock market which underlines the fact that the income per annum is positively correlated with family status and hence the variable family status has significant ability to predict the investor behavior regarding trading daily in stock market. The income of the respondent is found to be significantly associated with the tendency of the investor to trade daily in particular stock. Further the coefficient of relation is negative which implies the direction of relation and further the coefficient of determination for this particular relation is 0.077 which means that the variable income has ability to predict 7.7% variance in responses regarding daily trading in stock or accounts for 7.7% variance in the variable daily trading in equity market. Further a significant relation is significant and as observed by the coefficient of determinant the variable income accounts for 3% of variation observed in number of years of investment.

Table 6: Chi square statistics of association of Demographic attributes and Daily trading in Stock or equity.

Attribute	Chi-square	Df	Signifi	Crammer'sV	Significance	Goodman's Lambda
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Source: Field work

VII- Conclusion

As observed from the various statistics it can be inferred that investment in stock is not correlated with demographic attributes other than income and years of investment. The correlation of investment in equity and pattern of investment is observed to be significantly associated with income and years of investment in any form. Moreover the competent authorities could frame the design of awareness programs considering the above findings.

Scope for further work

The further study could include financial and political literacy so that their role could be elaborated in investor behavior.

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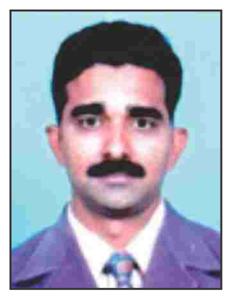

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