

Impact on Attitude of the Individual Investor's Behavior in Cuddalore District

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ABSTRACT

The household sector represented by individuals occupies a strategic place among various economic units in a country as it contributes substantially to the domestic savings efforts. An understanding of the savings behavior of this sector is of crucial importance in devising appropriate savings policies. A number of investment avenues are available before the individual investors. Among them shares are considered as best investment avenues since they offer higher rate of return, risk bearing capacity, investors awareness, selection of investment pattern, the researcher was taken by attitude of the individual investor's behavior in Chidambaram Taluk of Cuddalore District, Tamil Nadu. The attitudes of the sample individual investors have adopted assessed with the help of five point scaling technique

1. INTRODUCTION

The household sector represented by individuals occupies a strategic place among various economic units in a country as it contributes substantially to the domestic savings efforts. An understanding of the savings behavior of this sector is of crucial importance in devising appropriate savings policies. The word savings here implies the residual amount that is available for a person for investment after meeting all his consumption expenses and repayment of loans. The economic system depends on an adequate supply of capital from private investors. The savings of individual investors are the main source of capital investment for business expansion. The future of the free enterprise system depends mainly, and almost exclusively on the continued ability and willingness of individuals with larger incomes to provide the capital and funds needed to finance the growth.

The Individual investors can provide funds to the Industry either by participating in its equity or by subscribing to its debt instruments. This participation may be either direct, or indirect, through mutual funds. Whatever be the form, their participation is absolutely necessary for the Industry. If the savings of the individuals are not trapped in a proper manner, then it may find its way into unproductive channels such as investment in Gold or it may lead to unscrupulous rise in the consumption pattern, both of which are not good for the economy. Hence there is a right need to tap the savings of the Individuals for productive investment.

2. REVIEW OF LITERATURE

Sohan Patidar (2010) in his article entitled "Investors Behavior towards Share Market" has made an attempt to study the behavior of investors towards share market in the dhar district. The findings of the study have proved that age of the investors plays a vital role in their investment selection. The investors in the age group of below 35 years are actively participating

in the speculation trade and the age groups above 55 hesitates to take risk and are not at all interested in the share market. Professional people are also not interested to invest their money in the share market. Investors falling under the income group of below ` 20,000 show more interest in investing their earnings in the share market.

Anna and Merikaset al., (2011) in their article titled “Economic Factors and Individual Investor Behavior: The Case of the Greek Stock Exchange” have examined the factors that appear to exercise the greatest influence on the individual investor. According to the authors, most of the variables that were rated important are classic wealth maximization criteria such as expected corporate earnings, condition of financial statements, or firm status in the industry. The authors have also pointed out that experienced investors rely mostly on wealth maximization criteria and they are self reliant. They ignore the inputs of family members, politicians, and co-workers when purchasing stocks. The authors have concluded that the individual behaviour of active investors in the Athens Stock Exchange (ASE) is influenced by the overall trends prevailing at the time of the survey in the ASE.

Mohammad Reza Tavakoil Bagh Dadabad. (2011) in their article “A Study on Small Investors’ Behavior in Choosing Stock Case Study: Kuala-Lumpur Stock Market” have attempted a study to investigate small investors behaviour in choosing stock in Kuala-Lumpur stock market. The authors have found that more than 92 per cent of the investors consult other persons while making better investment decision and only less than 8 per cent rely on their personal experiences and knowledge. From those people, who would like to consult with any one, consulting with a friend is selected as the most consulting method. Second priority of investors for making decision would be opinion of the firms’ majority stockholders. They have also stated that newspapers are the most common second-hand information sources among the other resources. The authors have concluded that the institutions and individual investors consider three variables: of calculating the risk to stock, government policies and economic variables as influencing variables on stock selection, but these three variables have been reducibly applied by small investors.

Varadharajan and Vikkraman (2011) have conducted a study under the title “A Study on Investor’s Perception towards Investment Decision in Equity Market.” The authors have made an attempt to identify the investor’s perceptions towards investment decision in equity market. The authors have found out that brokers’ recommendation, opinion taken from a friend or a family have a least influence in decision making. The authors have concluded that every person in the equity market is in need of profits. When there is a profit maker, there is also a loser. So taking decisions by relying completely on others opinion may result in negative returns, this may also comply with the fact of risk appetite in taking decisions. The respondents could be self monitoring people if they have a good decision making in purchasing a stock. This aspect could be high or low in them to obtain different percentage of returns.

Sudarshan Kadariya et al., (2011) in their article titled “Investor Awareness and Investment on Equity in Nepalese Capital Market” have made an attempt to study the awareness of the investors and its relationship with investment decision in equity and investors access to market information. According to the authors, investor awareness is crucial for the investment decision making and sustainable growth of capital market. The result of the study reveals that equity investors are aware and their level of awareness is high compared to desired level. The authors have found that fully aware equity investors have more chances of holding high volume of

equity investment. The authors have concluded that the investor awareness level is found to be affected by their respective work experience, understanding of investment environment, learning expectation and access to market information. Equity investors in secondary market are not satisfied with the available sources of information and efforts of information disseminating mechanism.

3. OBJECTIVES OF THE STUDY

- The main objective of the study is to assess the attitude of the sample individual investors in Chidambaram Taluk.
- The other objective being to study the behaviour of the individual investors in Chidambaram Taluk.

4. RESEARCH METHODOLOGY

The study has been conducted on 240 individual investors who were buying and selling shares in the through stock broking offices in Chidambaram Taluk. The study was conducted in the month of September, 2016. The sample investors were selected by adopting simple random sampling method. The primary data relating to the study were collected by using questionnaire method. The questionnaire contained two parts namely, part A and part B. Part A contained questions relating to demographic profile of the sample respondents and in part B questions relating to opinion of individual investors were included. Simple percentage alone has been used to analyses the data. By way of caution it is mentioned here that the terms 'individual investors' and 'sample respondents' have been interchangeably used in this article.

5. ANALYSIS AND INTERPRETATION

The age- wise classification of the individual investors who have invested their hard earned money in the shares is presented in the following table.

AGE - WISE CLASSIFICATION OF THE SAMPLE RESPONDENTS

SL. NO	AGE(IN YEARS)	NO. OF RESPONDENTS	PERCENTAGE
1	25 – 30	51	21.3
2	31 – 40	88	36.7
3	41 – 50	72	30.0
4	51 – 60	25	10.3
5	Above 60	4	1.7
	Total	240	100.0

Source: Primary data

TABLE NO 1

The above Table shows that out of the total 240 sample respondents 36.7 per cent, 30.0 percent, 21.3 percent, 10.3 percent and 1.7 percent of them are in the age group of 31 - 40 years, 41 – 50 years, 25 – 30 years, 51 – 60 years and Above 60 years respectively. Hence it is concluded that a considerable percentage of sample respondents are in the age group of 31 – 40 years.

GENDER OF THE RESPONDENTS

SL. NO	GENDER	NO. OF RESPONDENTS	PERC ENTAGE
1	Male	201	83.7
2	Female	39	16.3
	Total	240	100.0

Source: Primary data

TABLE NO 2

The above Table 2 relating to gender of the sample respondents reveals that 83.7 per cent of the sample respondents belong to male category and 16.3 per cent of the respondents belong to female category. Hence it is concluded that majority of the sample respondents who have invested in shares belong to male gender. There is no wonder in it because when compared to male sex, female gender are more cautious in nature and due to this they might not have preferred shares.

MARITAL STATUS

The authors wanted to know whether the shares have been preferred by the married one or Bachelors. For this purpose a question relating to this one had been included in the questionnaire and the responses of the sample respondents are presented in the following table. Sample respondents are presented below.

MARITAL STATUS OF THE SAMPLE RESPONDENTS

SL. NO	MARITAL STATUS	NO. OF RESPONDENTS	PERC ENTAGE
1	Married	190	79.2
2	Unmarried	50	20.8
	Total	240	100.0

Source: Primary data

TABLE NO 3

The above Table exhibits that out of the total 240 sample respondents, 79.2 per cent of the respondents are married and 20.8 per cent of the respondents are unmarried. So it may be concluded that majority of the respondents who have preferred shares are married. Since the rate of return on the shares are high when compared to Bank deposits and Govt. Guaranteed investment avenues, the married people sample individual investors in order to run their families in a better manner might have preferred shares than unmarried people sample individual investors.

EDUCATIONAL QUALIFICATION

There is a general notion that shares are always preferred by the people who have better educational qualification. Keeping this in mind the authors have investigated in to this one and the detailed educational qualification of the sample respondents is given below.

EDUCATIONAL QUALIFICATION OF THE SAMPLE RESPONDENTS

SL. NO	EDUCATIONAL QUALIFICATION	NO. OF RESPONDENTS	PERC ENTAGE
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1	Below 10th std	1	0.4
2	10th - 12th std	26	10.8
3	Degree	106	44.1
4	PG Degree	93	38.8
5	Diploma	9	3.8
6	ITI	5	2.1
	Total	240	100.0

Source: Primary data

TABLE NO 4

The above Table reveals that out of the 240 sample respondents, 44.1 per cent, 38.8 per cent, 10.8 per cent, 3.8 percent and 2.1 percent of the sample investors are having Degree level, PG Degree level, 10th -12th standard level, diploma level and ITI level of education respectively. Only 0.4 percent of the sample respondents have fallen in below 10th standard level of education. Since the percentage of respondents under the Degree and PG Degree categories is more when compared to other categories, it is concluded that shares are preferred by the individual investors who are having better educational qualification.

OCCUPATION

The occupation status of the sample individual investors is given below.

OCCUPATION OF THE SAMPLE RESPONDENTS

SL. NO	OCCUPATION	NO. OF RESPONDENTS	PERCENTAGE
1	Government employee	62	25.8
2	Private sector employee	72	30.0
3	Professional	25	10.4
4	Businessman	63	26.3
5	Agriculturist	18	7.5
	Total	240	100.0

Source: Primary data

TABLE NO 5

The above Table relating to the occupational status of the respondents reveals that out of the 240 sample respondents, 30.0 per cent of the them are private sector employees, 26.3 per cent of them are businessmen, 25.8 per cent of the them are government employees, 10.4 per cent of them are professionals and 7.5 per cent of them are agriculturists. Hence it may be concluded that a sizeable number of sample respondents (72) who have invested in shares belong to private sector employees category. When compared to Government employees, there is no job security for private sector employees. This one might have motivated the private sector employees to invest in shares which give higher rate of return than bank deposits.

MONTHLY INCOME

The monthly income classification of the sample respondents is presented in the following table.

MONTHLY INCOME OF THE SAMPLE RESPONDENTS

SL. NO	MONTHLY INCOME	NO. OF RESPONDENTS	PERCENTAGE
1	` 10,000 – 20,000	49	20.4
2	` 20,001 – 25,000	64	26.7
3	` 25,001 – 30,000	55	22.9
4	` 30,001 – 35,000	40	16.7
5	Above ` 35,000	32	13.3
	Total	240	100.0

Source: Primary data

TABLE NO 6

It is revealed from the Table 6 that out of the 240 sample respondents 26.7 per cent of the respondents belong to the monthly income group of ` 20,001 – 25,000, 22.9 per cent of the respondents fall in the monthly income group of ` 25,001 – 30,000, 20.4 per cent of the respondents are in the monthly income group of ` 10,000 – 20,000, 16.7 per cent of the respondents fall in the monthly income group of ` 30,001 – 35,000, 13.3 per cent of the respondents fall in the monthly income group of above ` 35,000. It may be concluded that a considerable size (26.7 per cent) of the respondents belong to ` 20,001 – 25,000 monthly income category.

SIZE OF THE FAMILY

It is assumed by the authors that there is a strong relationship between the family size of the respondents and their investment in shares. Hence a question relating to this one was incorporated in the questionnaire and the responses of the sample individual investors are given below.

FAMILY SIZE OF THE RESPONDENTS

SL. NO	NUMBER OF MEMBERS	NO. OF RESPONDENTS	PERCENTAGE
1	1 to 3 members	102	42.5
2	4 to 6 members	120	50.0
3	Above 6 members	18	7.5
	Total	240	100.0

Source: Primary data

TABLE NO 7

The above Table shows the number of members in the family of the respondents. Out of the 240 respondents 50.0 per cent of them have stated that their family contains 4-6 members, 42.5 per cent of the respondents have stated that their family contains 1-3 members and 7.5 per cent of the respondents have stated that there are more than 6 members in their family. The quantum of investment made by the individual investors in shares is given below.

QUANTUM OF INVESTMENT

SL. NO	QUANTUM OF INVESTMENT	NO. OF RESPONDENTS	PERCENTAGE
1	Less than ` 25,000	74	30.8
2	` 25,000 to 50,000	73	30.4
3	` 50,001 to 1 Lakh	61	25.4
4	Above ` 1 Lakh	32	13.3
	Total	240	100.0

Source: Primary data

TABLE NO 8

From the above table it is clear that out of the total 240 sample respondents 30.8 per cent of the respondents have invested less than `25, 000, 30.4 per cent of them have invested `25,000 – 50,000, 25.4 per cent of the respondents have invested ` 50,001 - 1 lakh and 13.3 per cent of the respondents have invested above `1 lakh in shares. Hence it is concluded that 61.2 per cent of the respondents (when the responses under the income groups of less than ` 25,000 and ` 25,000 – 50,000 are put together) have invested less than `50,000 in shares.

INVESTOR OR SPECULATOR

The aim of individual investors may differ from one another. Some may be interested in getting stable income and some may be showing interest in making quick profits. Hence the authors asked the sample respondents whether they belong to investor category or speculator category. The responses of the sample respondents are given in the following table.

INVESTOR OR SPECULATOR

SL. NO	INVESTOR OR SPECULATOR	NO. OF RESPONDENTS	PERCENTAGE
1	Investor	142	59.2
2	Speculator	42	17.5
3	Both	56	23.3
	Total	240	100.0

Source: Primary data

TABLE NO 9

The above table indicates that 59.2 per cent of the respondents are investors, 23.3 per cent of the respondents fall both in investor and speculator category and 17.5 per cent of the respondents are speculators. Hence it is concluded that majority of the sample respondents are investors. That means majority of the respondents' chief aim is getting stable returns. In this part an attempt is made to assess the attitude of the sample respondents on investment related factors. For this purpose 13 statements had been included and the statements have been evaluated with the help of the five point scaling techniques.

ATTITUDE OF INDIVIDUAL INVESTORS

SL.NO	FACTORS	SA	A	NA	DA	SDA	TOTAL
1	I have good knowledge about the stock market.	47 (19.6)	86 (35.8)	61 (25.4)	40 (16.7)	6 (2.5)	240 (100)
2	Whenever there is a slowdown in	80	111	35	13	1	240

	the stock market in India Individual investors Should focus their attention on risk free investments.	(33.3)	(46.3)	(14.6)	(5.4)	(0.4)	(100)
3	By investing in shares an individual investor can beat inflation.	55 (22.9)	104 (43.3)	53 (22.1)	25 (10.4)	3 (1.3)	240 (100)
4	Before investing my money in shares as an Individual investor I go through the prospectus carefully.	54 (22.5)	112 (46.3)	52 (21.7)	20 (8.3)	2 (0.8)	240 (100)
5	I am always tempted by attractive headlines appealing visuals and catchy messages.	46 (19.2)	60 (25.0)	69 (28.7)	53 (22.1)	12 (5.0)	240 (100)
6	Every individual investor should deal with registered intermediary only.	82 (34.1)	111 (46.2)	28 (11.7)	15 (6.3)	4 (1.7)	240 (100)
7	Companies are cheating the investing public by giving rosy picture.	22 (9.1)	87 (36.3)	55 (22.9)	45 (18.8)	31 (12.9)	240 (100)
8	Whenever I invest in the shares of any company I notice the directors of that company.	37 (15.4)	70 (29.2)	60 (25.0)	61 (25.4)	12 (5.0)	240 (100)
9	I am adopting Buy low; Sell high mantra.	74 (30.8)	110 (45.8)	42 (17.5)	8 (3.3)	6 (2.6)	240 (100)
10	My investment preference mainly depends upon my friends / colleagues/ peers investment decision.	27 (11.2)	64 (26.7)	75 (31.3)	60 (25.0)	14 (5.8)	240 (100)
11	Sometimes knowingly or unknowingly I am influenced by hearsays and rumours.	29 (12.1)	66 (27.5)	82 (34.2)	44 (18.3)	19 (7.9)	240 (100)
12	I give less importance for the risk factors mentioned in the prospectus of the company.	36 (15)	114 (47.5)	65 (27.0)	21 (8.8)	4 (1.7)	240 (100)
13	My investment decision mainly depends on the credit rating obtained by the company.	34 (14.1)	99 (41.3)	52 (21.7)	44 (18.3)	11 (4.6)	240 (100)

SA - Strongly Agree, A - Agree, NDA - Neither Agree nor Disagree, D - Disagree, SD - Strongly Disagree

TABLE NO 10

From the above five point scale it is clear that the statements such as ‘I have good knowledge about the stock market’, ‘whenever there is a slowdown in the stock market in India individual investors should focus their attention on risk free investments’, ‘By investing in shares an individual investor can beat inflation’, ‘Before investing my money in shares as an Individual investor I go through the prospectus carefully’, ‘Every individual investor should deal with registered intermediary only’, ‘I am adopting Buy low; Sell high mantra’, ‘I give less importance for the risk factors mentioned in the prospectus of the company’ and ‘My

investment decision mainly depends on the credit rating obtained by the company' have been agreed and disagreed by 55.4 percent, 79.6 percent, 66.2 percent, 69.2 percent, 80.3 percent, 76.6 percent, 62.4 percent and 55.5 percent of the sample respondents respectively. Statements such as 'I am always tempted by attractive headlines appealing visuals and catchy messages', 'Whenever I invest in the shares of any company I notice the directors of that company', 'My investment preference mainly depends upon my friends / colleagues/ peers investment decision', 'Sometimes knowingly or unknowingly I am influenced by hearsays and rumours' have been neither agreed nor disagreed by the 28.8 percent, 25.0 percent, 31.3 percent and 34.2 percent of the sample respondents respectively. 31.7 percent and 30.4 percent of the sample respondents have expressed their level of disagreement with the statements 'companies are cheating the investing public by giving rosy picture' and ' whenever I invest in the shares of any company I notice the directors of that company' respectively.

6. FINDINGS OF THE STUDY

A considerable percentage (36.7 per cent) of the sample respondents are in the age group of 31–40 years. Majority (83.7 per cent) of the sample respondents who have invested in shares belong to male category. Majority (79.2 Per cent) of the sample respondents who have preferred shares are married. 44.2 per cent of the sample respondents are graduates. A sizeable number of respondents (72) are private sector employees. 26.7 per cent of the sample respondents belong to `20,001 – 25,000 monthly income category. 50.0 per cent of the respondents have stated that their family contains 4-6 members. 61.2 per cent of the sample respondents have invested less than ` 50,000. 59.2 per cent of the sample respondents belong to investor's category. The results of the five point scaling technique reveal (the responses under strongly agree and agree have been put together) the following: 55.4 percent of the sample respondents are having good amount of knowledge about the stock market. 79.6 percent of the sample respondents have stated that they would focus their attention on risk free investment when there is a slowdown in the Indian stock markets which is quite natural one. 66.2 percent of the sample respondents believe that by investing in shares inflation can be beaten. 69.2 percent of the sample respondents go through the prospectus carefully before parking their hard earned savings in shares. Only 44.2 percent of the sample respondents are always tempted by attractive headlines, appealing visuals and catchy messages. 80.5 percent of the individual investors are of the opinion that individual investors should deal with registered intermediary only. 76.2 percent of the individual investors are adopting buy low sell high mantra. These sample respondents may be termed as wise investors. It is wonder to mention that 62.4 percent of the individual investors have accepted that they give less importance for the risk factors mentioned in the prospectus of the company. 55.3 percent of the sample respondents have agreed that their investment decision mainly depends on the credit rating obtained by their companies.

7. CONCLUSION

The findings of the study it can be concluded that majority of the sample shareholders have good amount of knowledge about the stock market. They have begun to think that one can beat inflationary pressure by investing in the stock market. It is a welcome trend. Because when money is parked in shares then the industries will begin to flourish and this will pave way for economic development of our nation.

8. REFERENCE

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