

An empirical study on professional investor's psychology towards stock market

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Abstract

Investment is an activity that is engaged in by people and it is the safety of principal and adequate return. Investment is the additional fund to get something in return and for the better growth. Investors are investing their money because to earn profit and for security. The income standard is almost uncertain and leads to more consumption rather than saving whereas now it has been a central problem. The present study identifies the preferred investment avenues among individual investor using self-assessment test. The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it difficult to get out of the vicious circle of poverty of low income, low saving, low investment, low employment etc. The major features of an investment are safety of principal amount, liquidity, income stability, appreciation and easy transferability etc.

Keywords: investment, stock market, investor avenues

Introduction

An investment is a commitment of funds for earning additional income. An investor has a relatively longer planning horizon. And holding period is usually at least one year. Investment is undertaken in the expectation of return which proportion to the risk the investor assumes. It involve purchase of asset which are expected to yield a certain stream of income. Expectation of certain price which has prevailed will not change in the future. Purchase of assets like shares and securities as investment, aims at a stable return over a period of time. A variety of investment avenues are available such as shares, debentures, mutual funds and so on. All the investors invest their surplus money in the above mentioned avenues based on their risk taking attitude. An investment is a sacrifice of earned money or any other resource for future benefits. Multifarious avenues of investment are available today. We can deposit money in bank account for purchase a long-term government bond or invest in equity shares of company or contribute to a provident fund account or buy a stock option or acquire a plot of invest in some other form. In investment risk as follows possibility of loss the degree of possibility of incurring a loss in a financial transaction and investor judge safety of the investment by yield and they choose to invest in those forms where the principal and interest are prime consideration in investment, certain non-manageable risk are also bound to affect an investment proposition. In risk include both the purchasing power risk and the money rate risk. Investors carefully buy securities which offer safety of principal and fair return over a long period. Always investment is involves allocation of funds for a longer term. Indian economy is indeed will in recent years. The study has been conducted to analyze the investment pattern of investment commune. The main reasons behind the study are the factors like income economy condition, and the risk covering nature of Indian investors. The percentage of Indian investor investing in the Indian equity market is very less as compared foreign investors. In project contains the investors preferences and as well as the different

factor that affect investors decision on the different investment avenues.

Objectives of the study

- To study about the relationship between the respondents and their investment behaviour
- To find out the source of investment information for investment decision making
- To analyze the various factors that affect the investment decisions in the stock market

Review of Literature

L. Pandiyan, Dr. T. Aranganathan, (2012) "Saving and Investment Attitude of Salaried" The author explains about the Investment climate that must attract the people to save from their income at times even by forgoing the enjoyment of comforts and luxuries. The author concludes that the growth of a discipline investment market a well-organized monetary system though protecting the investment against eves of inflation or depletion is to be kept by government

R. Sree Priya, P. Guruswamy (2013) ^[2], "Investment Pattern of Customers-A study of coimbatore district". The author discusses about the saving and investment pattern of customer class of investor. The author concludes that the problem faced by the investors and the impending problem could be solved in the right direction

Schwarzkopf, D.L. (2003) ^[9] "The Effects of Attraction on Investment Decisions. The author explains about the attraction effect occurs when an inferior item changes a decision-makers perception of the relationship between other available alternatives. The author concludes that the composition of the decision set, rather than by any intrinsic change in the investment candidate itself.

Mohit Gupta and Navdeep Aggarwal (2009) ^[8], "Mutual funds portfolio creation using industry concentration". The author concludes that the mutual funds are innovative and provide

value- addition in personal finance. Problems occur when a choice has to be made from the large number of mutual funds. The author examines about the importance of portfolio creation by the method involved, and highlights the important decision of risk management.

Sofia Jasmineen (2009) [7], “Investment choice of Individual Investors”. The author explains about the majority of investors have preferred low risk investments, considerable investors have gone for high risk investments. The author concludes that while making investments it is not significant because the Indian investors still prefer safety and liquidity to returns.

Dr. G. V. Chalam in his article (2013) [5], “Investors Behavioral Pattern of Investment and their Preferences of Mutual Funds.”. The author explains that the success of mutual funds business largely depends on the product innovation, marketing, customer service, fund management and committed manpower. The author concludes that the investment pattern of the investors reveals that a majority of the investors prefer real estate investments followed by mutual fund schemes, gold and other precious metals.

Ranganathan K. (2006) [3], “A Study of Fund Selection Behavior of Individual Investors towards Mutual Funds: With Reference To Mumbai City”. The author examines the related aspects of the fund selection behavior of individual investors towards mutual funds in the city of Mumbai. The author concludes that the consumer behavior from the marketing world and financial economics had brought together a need to study an exciting area of ‘behavioral finance’.

S. Saravana Kumar (2010) [4], “An Analysis of Investor Preference towards Equity and Derivatives”. The author discusses about the investor prefers cash market where the script can be held for long term and the risk is less and it is transferable to others with minimal time period The author concludes that the most of the investor are aware of high risk involved in the derivative market.

Research Methodology

Research Methodology

This research is to find the relationship between the respondents and their investment behaviour and the source of investment information for investment decision making.

Research Design

Descriptive research has been used as research design

Sampling tools and techniques

Percentage analysis and convenience sampling has been used.

Sample Size & Data Collection

From the total population of Chennai, 75 people are chosen as sample size for the study and the data is collected through a Structured Questionnai

Data analysis and interpretation

Percentage analysis

Table 1: source of investment

S. No	Source of investment	Rank
1	Abridged prospectus	2.8
2	Newspaper journals	3
3	TV channels	3.4
4	Investment related websites	3.85333
5	Broker	3.93333
6	Investor forum	4.28
7	Technical analysis	3.86667
8	Company announcements	4.48
9	Stock exchange announcements	4.4933
10	Others(friends, relatives)	4.6533

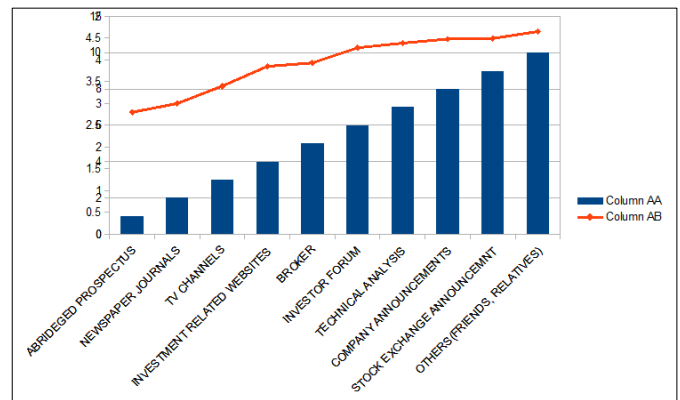


Fig 1

Inference

The above table shows that rank of investment about information 2.8 average in Abridged prospectus, 3 in newspaper, 3.4 TV channels, 3.85333 investment related websites, 3.93333 in broker, 4.28 in investor forum, 3.86667 in technical analysis, company announcement are in average of 4.48, 4.4933 in stock exchange announcement and other friends, relatives are in average in 4.65333.

Table 2: Level of return in investment objectives

S. no	Investment objective	Very high	High	Low	Very low
1	Dividend	21	43	7	4
2	Capital appreciation	19	24	21	11
3	Quick gain	17	28	19	11
4	Safety	10	30	23	12
5	Liquidity	14	36	13	12
6	Tax benefits	18	23	26	8
7	Asset of holding	13	28	22	13
8	Bonus issues & stock splits	13	28	22	12
9	Hedge against inflation	23	22	20	10

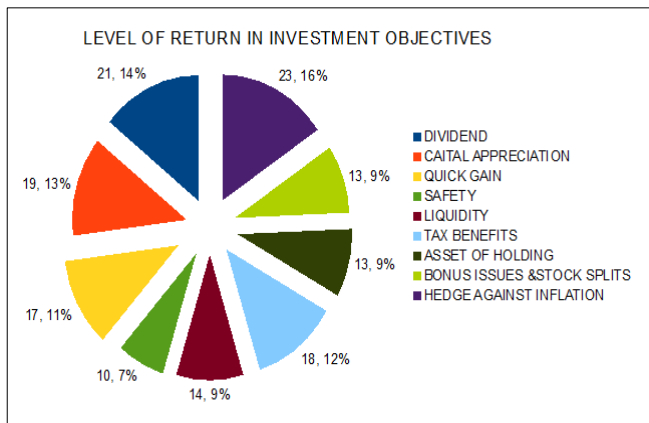


Fig 2

Inference

From the above table shows that 16% of people are respondent for hedge against inflation, 14% of investor respondent for dividend, 13% of people respondent for capital appreciation, 12% of investor respondent for tax benefits, 9% of people are respondent for asset holding, 11% of individual respondent for quick gain, 7% of people are respondent for safety, 9% of people respondent for liquidity, 9% of investor are respondent for bonus issues & stock splits, respectively.

Table 3: Expected rate of return

Particular	Rate of Return
Less Than 12%	33
12%-24%	15
24%-36%	5
36% & above	22

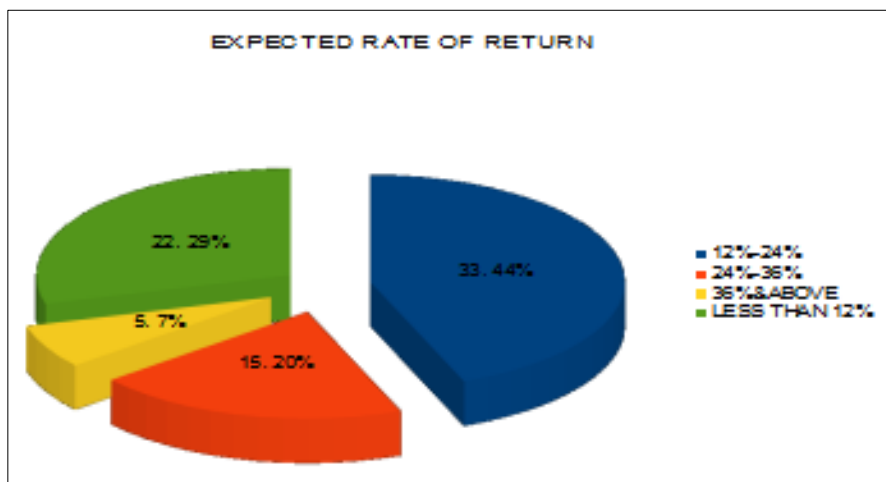


Fig 3

Inference

From the above table shows that 44% of respondent from the investor 12% in between 24%, 20% of respondent from the

people 24% in between 36%, 7% of people are respondent on 36% & above and 29% of investor are respondent for below 12% respectively to them.

Table 4

S. No	Investment Objectives	Highly Satisfied	Satisfied	Neutrul	Dissatisfied	Highly Dissatisfied
1	Dividend	31	35	7	2	0
2	Capital appreciation	23	22	26	2	2
3	Quick gain	30	22	18	5	0
4	Safety	18	29	19	9	0
5	Liquidity	11	32	20	10	12
6	Tax benefits	14	24	26	1	10
7	Asset holding	7	31	24	3	10
8	Bonus issues & stock splits	10	30	23	12	0
9	Hedge against inflation	20	21	22	10	2

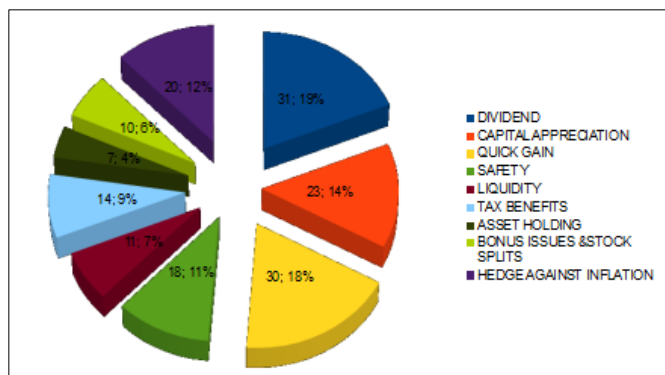


Fig 4

Inference

In this table shows that 19% of investor respondent for dividend, 14% of investor respondent for capital appreciation, 18% of respondent in quick gain, 11% of individual are preferring for safety, 7% are respondent for liquidity, 9% of people are respondent for tax benefit, 4% respondent for asset holding, 6% are respondent for bonus issue & stock splits, 12% of investor respondent hedge against inflation.

Suggestions & Recommendations

A Credit Rating is an evaluation of the safety of an instrument made by an agency. These agencies undertake a detailed analysis of the issuer's strengths and weaknesses. The rating is allotted based on a formula that also incorporates past performance and volatility. They have a large and expert infrastructure that allows them to make the kind of financial judgment, beyond the scope of an individual retail investor.

Limitations of the study

The limitations of the study are: The sample size chosen for the study might not be representative of total population. Few respondents were reluctant while answering the questionnaire. Data and information collected from the respondents are based on their opinions and knowledge. Which are subject to bias

Conclusion

The new breed of Indian youth has its pockets full and is intelligent enough not to let its money rust in investments. Safety and security which were once upon a time the main reasons for investment are no longer the major criteria that determine the choice of investment. Mutual fund is the most favored option of the youngsters today. The stock market is doing so well.

The return on investment may consist of appreciation in the value of the investment or receipt of income or both. So that the value of the investment depends on the amount that the money can buy, and this goes down as the inflation goes up.

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