A STUDY ON INVESTORS BEHAVIOR TOWARDS EQUITY MARKET INVESTMENT IN TIRUPATI

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INTRODUCTION

Now a day's, investors have multiple options available to invest their savings. When an investor is investing his money in stock market, he may seek equity market. There are total 24 stock markets in India which are located in different cities of India. Investing in equities in a market like India is speculative and involves risk that may be greater than other types of investment strategies. Investor behavior is one of the three "golden rules". Investor behavior is essential and an excellent chance for success with investment plan. A better understanding of behavioral process and outcomes is important for financial planners because an understanding of how investors generally respond to market movements should help investment advisors devise appropriate asset allocation strategies for their clients. For companies, identifying the most influencing factors on their investors' behavior would affect their future policies and strategies. For government, identifying the most influencing factors on investors' behavior would affect the required legislations and the additional procedures needed in order to satisfy investors' desires and also to give more support to market efficiency. Efficient Market Hypothesis believes that an investor takes decisions rationally, based on economic fundamentals of the stocks. These fundamentals are generally the EPS, Book value, PE ratio along with the projected future cash flows of the firm and overall scope for growth in the sector.

LITERATURE REVIEW

A study was carried by Syed Tabassum Sultana on titled "An Empirical Study of Indian Individual Investors' Behavior" and found that This paper while discussing the characteristics of the Indian individual investors along makes an attempt to discover the relationship between dependent variable i.e., Risk Tolerance level and independent variables such as Age, Gender of an individual investor on the basis of the survey. Indian investors are high income, well educated, salaried and independent in making investment decisions and conservative investors. From the empirical study it was found that irrespective of gender, most of the investors (41%) are found have low risk tolerance level and many others (34%) have high risk tolerance level rather than moderate risk tolerance level. It is also found that there is strong negative correlation between Age and Risk tolerance level of the investor. Television is the media that is largely influencing the investor's decisions. Hence, this study can facilitate the investment product designer's to design products which can cater to the investors who are low risk tolerant.

A study was conducted by Josef Lakonishok, Inmoo Lee, Allen M. Poteshman on title, "investor behavior and the option market".

Study found that non-market maker investors have about four times more long call, than long put open interest, these investors have more short than long open interest in both calls and puts, each type of investor purchases more calls to open brand new positions when the return on underlying stocks are higher over horizons ranging from one week to two years into the past.

Kadiyala and Rau (2004) investigated investor reaction to corporate event announcements. They concluded that investors appear to under react to prior information as well as to information conveyed by the event, leading to the different patterns: return continuations and return reveals, both documented in long-horizon return. They found no support for the overreaction hypothesis. Merikas et.al. (2003) adopted a modified questionnaire to analyze factors influencing Greek investor behavior on the Athens Stock Exchange. The results indicate that individual's base their stock purchase decisions on economic criteria combined with diverse other variables.

They do not rely on a single integrated approach, but rather on many categories of factors. The results also revealed that there is a certain degree of correlation between the factors that behavioral finance theory and previous empirical evidence identify as the influencing factors for the average equity investor, and the individual behavior of active investors in the Athens Stock Exchange (ASE) influencing by the overall trends prevailing at the time of the survey in the ASE.

RESEARCH METHODOLOGY

Main objective of study was to develop a wider understanding towards behavior of investors to identify patterns of their investing and considering investments. Sub objectives of study were to identify the most investment alternatives in which investor invests most, to identify the investors' objective behind the investments, to know time period of their investment and term of their investment, to know the factors investors consider before investing and to measure the behavior and pattern of investor in bearish stock market. Sample Design used for study was Snowball sampling technique under non-probability. Primary Data was collected by Interviewer administered questionnaire & personal interview & secondary data was taken from Journal, Book. Data analysis was carried out by using various analytical tools such as factor analysis, chi square test & ANOVAs.

DATA ANALYSIS & INTERPRETATION

Factor Analysis

A. Sources of information that investor refers:

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy for the various Attributes categories measured is 0.554., which indicates the scale is appropriate and helps in extracting the factor. The ideal measure for this test (KMO>0.50) and here in this case KMO is 0.554 indicates the variables are measuring a common factor. Again Bartlett's test of sphere city indicated the inter-correlation matrix is factorable and inter-correlation matrix come from a population in which the variables are non-collinear.

Table 1: Sources of information that investor refers

Variable	Factor
Friends and colleagues	External
Talk and tips from stock brokers	
Annual reports	Internal
Prospectus / memorandum of company	
Database software – prowess, capitaline	
News channel	Media
Financial newspapers	
Investment journals, magazines and research	
Internet	

Sources of information that investor refers are divided into three factors. External factor is highly loaded on Friends and tips from broker. From that external data tips from broker is more comparable information source than friends and colleagues. So, tips from broker are better representatives of these variables. Internal factor is highly loaded on annual report, database software and prospectus of company. Memorandum of company is more compared to other internal sources. So, memorandum of company is better representative than annual reports and prospectus of company. Media factor is highly loaded on media information, in that investment journals, magazines and research is more comparable than other three variables includes news channel, financial news paper and internet.

B. Investment strategy dimensions:

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy for the various Attributes categories measured is 0.511., which indicates the scale is appropriate and helps in extracting the factor. The ideal measure for this test (KMO>0.50) and here in this case KMO is 0.511 indicates the variables are measuring a common factor. Again Bartlett's test of sphere city indicated the inter-correlation matrix is factorable and inter-correlation matrix come from a population in which the variables are non-collinear.

2

Table 2: Investment strategy dimensions

Variable	Factor
Short Term Profit	Investment objective
Dividend Income	
Long Term Capital Appreciation	
Fundamental Analysis	Investment Analysis
Technical Analysis	
Economic Analysis	
Combined Approach	
Time Spent On Inv. Analysis	Other
Tips From Stock Broker	
No of Companies in Portfolio	
Inv. in FI Securities	
Systematic Inv. in SM & MF	
MF Inv In Lump Sum	
SM Inv In Lump Sum	

Factor of investment objective is highly loaded on short term profit, dividend income and long term gain. But short term profit is highly comparable than other. So, Short term profit is better representative than other investment objective variables. Factor of investment analysis is highly loaded on technical analysis, fundamental analysis, economic analysis and combined approach. But economic analysis is highly comparable than other. So, economic analysis is better representative than other investment analysis pattern. Other factor is highly loaded on tips from stock broker, no of companies in portfolio, inv in FI securities, SM inv in lump sum and MF inv in lump sum. But Stock market investment in lump sum is more comparable than other. So, Stock market investment in lump sum is better representative from other factor.

C. Factors influence equity investment decision:

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy for the various Attributes categories measured is 0.613, which indicates the scale is appropriate and helps in extracting the factor. The ideal measure for this test (KMO>0.50) and here in this case KMO is 0.613 indicates the variables are measuring a common factor. Again Bartlett's test of spherecity indicated the inter-correlation matrix is factorable and inter-correlation matrix come from a population in which the variables are non-collinear.

Table 3 Factors influence equity investment decision		
Variable	**Factor Loading**	**Factor**
Attitude To Risky Inv	.538	Psychological
Urge For Wealth	.680	
Belief In Astrology	-.469	
Prestige Value	-.566	
Education Level	-.667	Sociological
Reference Group	-.599	
Availability Of Time	.701	
Reading Habit	-.618	
Family Background	.686	
Buoyancy Of SM	.591	Economic
Sufficient Inv Surplus	.589	
Spouse Employment.	.553	

Psychological factor is highly loaded on Urge for wealth, Attitude towards risky investment, belief in astrology and prestige value. But urge for wealth is highly comparable than other variables. So, urge for wealth is better representative from psychological factor. Sociological factor is highly loaded on education level, reference group, availability of time, reading habits and family background. But availability of time is highly comparable than other variables. So, availability of time is better representative from sociological factor. Economic factor is highly loaded on buoyancy of stock market, sufficient investible surplus and spouse employment. But buoyancy of stock market is highly comparable than other variables. So, buoyancy of stock market is better representative from economic factor.

Hypotheses testing

One-way ANOVA

1) Ho: There is no statistically significant relationship between return and education level of an investors.

The ANOVA test value of 0.425 is more than 0.05, which further enhances that consideration of factor of return does not varies from person to person with different education level.

2) Ho: There is no statistical significant relationship between Low risk and marital status of investors. The ANOVA test value of 0.018 is more than 0.05, which further enhances that marital status does have significant relationship between low risk attribute.

3) Ho: There is no statistical significant relationship between liquidity & monthly family income of an investor.

The ANOVA test value of 0.117 is more than 0.05, which further enhances that the consideration of factor of liquidity does not varies from person to person with different family income. The maximum respondent those having less monthly family income may or may not expect for high liquidity.

4) H0: There is no statistical significant relationship between Annual report as a information source and education level.

The ANOVA test value of 0.119 is more than 0.05, which further enhances that mostly educated people does not refer annual report as an information source for investment in equity market.

Chi-Square Analysis

1) Ho: Percentage of income invested in equity market is independent of monthly family income.

The chi square calculated value 70.5 is more than tabulated value 26.3, which further enhance that percentage of income invested in equity market is dependent of monthly family income.

2) Ho: Behavior in bearish market is independent of investment experience.

The chi square calculated value 44.07 is more than tabulated value 16.9, which further enhance that behavior in bearish market is dependent of investment experience.

3) Ho: Stock market prediction is independent of education qualification.

The chi square calculated value 32.44 is more than tabulated value 16.9, which further enhance that Stock market prediction is dependent of education qualification.

CONCLUSION

Investors are investing in debentures, bonds, government securities and national saving certificate is in less volume because there is no liquidity, the investment remains fixed for a period of 6 years and the rate of return is quite less. Most of the investors consider time period before investing and they mostly invest for medium term. 37% of the respondents invest in equity market to earn return others mostly invest for their wealth creation. When there is bullish trend in the market maximum people invest in alternative that gives them stable but lower expected result, Even the business or professional investors prefer to invest in same alternative. Very few invest in domestic companies or foreign companies.

If the stock market drops by 15% after respondent has invested in it, rather than withdrawing money 47% says that they will wait for the market to increase. This shows that they have high risk appetite. 53% of the respondents monitor their investment daily. We can say that these respondents are the one who are regularly trading in the equity market. Nearly 40.33% of the respondents want their investment to grow at steady rate.45% of the respondents considers new media stories as the reason for decline in equity market.

However there are others who believe that equity market usually declines because of the flow of demand and supply, speculators, FII, international economic factors, political factors etc. 28.3% of the respondent feels that their investment has been less successful because of the recommendation of broker, 26.3% said that it was because market has performed poorly, whereas only 23.7 % of the respondent accepted that it was their own error. Prospectus / memorandum of company, talk and tips from stock brokers are key source of information that investors refer.

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