

**Dynamic Of Investment Behavior Of Individual Investor's - An Empirical Study With Special Reference To Namakkal District**R. Seerangan<sup>1</sup>, Dr. N. K. Shanmugam<sup>2</sup><sup>1</sup>Ph.D Research Scholar,(Part Time)

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**ABSTRACT**

The investors felt very much the effect of introduction of New Economic Policy, 1991. In this situation greater investment competition and also economical change in perception are the greater challenges to the investors. These changes are due to many factors. If the investor understands the factors clearly and properly he can make a sound investment decisions. The primary objective of this study is to create good investment and awareness for the country. Demographic factors such as Age, Income, Family hold, Occupation, Family circumstances, Employment Status and Investment conditions such as Choice of Portfolio, Risk Bearing Capacity, and Sources of Information also play a vital role in determining investments. By analyzing these demographic and environmental factors, the study gives an idea how to create investor awareness. The objective of this study is to analyze the Investment size pattern, expected returns and the risk bearing capacity.

**1. INTRODUCTION**

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. Gross Savings is 48.46 percent of Gross National Disposable Income for the year 2018-19, and it is the same level in the year 2018-19. The share of household sector is 30.5% of GDNI that is 63% of Gross Savings is from Household Sector in the year 2018-19. The share of Household sector is 18.7% of GDNI that is 91% of Gross Savings. So fine tuning of Household sector will attract savings eventually gearing up capital mobilization in the securities market.

**BACKGROUND OF THE STUDY**

The capital market is used as the main tool to activate funds for the economic growth of the country. The renovation of saving for the household, investing on institutions, formation of financial assets and growth of asset-related products are the essential function of the capital market. For the constant growth of economy in any country, well-functioning of security market is needed; the security market provides a bridge between critical savers and ultimate

investors, the chance to position the investments of the careful at the disposal of the original, thus hopeful to raise the total level of investment and growth. It allocates scarce savings to the enterprises and forces them to focus on their performance, which is continuously evaluated through share prices in the market. It thus converts a given stock of invested funds to a large flow of goods and services.

The growth of securities market changes the quantum and composition of savings and asset of the households. The availability of yield-bearing securities induces people to consume less and invest more in high elastic, divisible, liquid securities. A strong domestic stock market show forms the basis for the well relating to household group to raise funds in the international markets. The securities market facilitates the internationalization of the economy by between it with the break of the world. This relationship happens through the inflow of capital in the form of portfolio investment. Financial markets across the globe are undergoing reflective, unprecedented and fast-paced changes. Knowledge has revolutionized the processes and order explosion has sparked off remarkable changes in the way the world market has been operating. Change has become unexpected experience.

## **2. STATEMENT OF THE PROBLEM**

The Indian capital market players are namely individual investors, mutual funds and Foreign Institutional Investors. Individual investing activity takes place in the draw round of institutional investing activity. Indian capital market is dominated by Institutional Investors both at the domestic and foreign level. There is chance for the individual's to lose their interest and their strength being affected because of the smaller size of their investment and the consequential exposure. So, therefore it is necessary to study the problem of the small investor. The background of the study is motivated to study the dynamic of investment behavior of individual investor's. Further there is study helps to analyze the various socio- economic factors and psychological factors which influence the decision making process of different institutional investors and individual investors. The investor's psychological approach for investing is based on the hypothesis, that stock prices are guided by feeling rather than reason. The study covers the dynamic of Investment Behavior of Individual Investor's in Namakkal District

## **IMPORTANCE OF THE STUDY**

There is dynamic of investment behavior of individual investor's of fundamental change in the investor perception on investment avenues of savings and investment pattern from the traditional ways to modern ways, as seen in the late 1980's. This change has showed the way for a new range of post investment behavior to provide the needs and satisfaction of individual investors. The various financial institutions and money market also contribute to some regular changes to attract the individual investors to save in various assets. Kumar P [2015) observed the kinds of investors' perception and their behavior towards the stock market. The savings pattern of potential investment among the individual investor's perception on investment avenues, and its impacts on satisfaction of investor behavior and finance is not an exception to this for the balanced development of the nation; it is highly essential to analyze the savings and investment behavior of the investors. This is the main reason behind the researcher for choosing the research topic as dynamic of investment behavior of individual investor's - an empirical study with special reference to Namakkal District

### **3. SCOPE OF THE STUDY**

The present study has collected the dynamic of investment behavior of individual investor's. This study opens beautiful vistas over investor's preference and awareness of various major objectives. This also paves the way to study the investment size and investor's characteristics approval in an intensified manner. It also focuses to identify the factors that influence choice of investment and expected return in Namakkal District

### **4. OBJECTIVES OF THE STUDY**

The objectives of this study are as follows

1. To examine the association between investment size and investor characteristics.
2. To identify the factors that influence choice of investment and expected rate of return.

### **RESEARCH METHODOLOGY**

This study is the dynamic of investment behavior of individual investor's. Both analytical and descriptive in nature. It depends upon both primary and secondary data.

### **SAMPLING METHOD**

This study was used by the simple random sampling method. This sampling research on the relationship between dynamic of investment behavior and pattern of investment variables, in the present study were selected mainly on the basic of various factors that significantly influences of individual investors evaluation of investments and make a judgment of investment satisfaction of various classes of investors. The study is based on various socio-economic and investment profile factors.

### **RESEARCH HYPOTHESES**

1. There is no significant difference between investment size and investor characteristics.
2. There is no significant difference between choice of investment and expected rate of return.

### **FRAMEWORK ANALYSIS**

The sources of data are primary as well as secondary. The data collected from the investors' survey constitutes primary and information gathered through books, journals, magazines, reports, dairies are considered as the secondary source. The data collected from both the sources is scrutinized, edited and tabulated. The data is analyzed using statistical package for social sciences with IBM-21(SPSS).

### **LIMITATIONS OF THE STUDY**

The study is limited to Salem city only. Therefore the conclusion may not be comprehensive for the other parts of the city. The study is appropriate to the dynamic of investment behavior of individual investor's only. Institutional investors remain excluded. The limitations associated with the statistical tools are related for the tools in work in this study. Period of the study commenced from 2018 to 2019.

**ANALYSIS AND INTERPRETATION**

The researcher examines the dynamic of investment behavior of individual investor's only. The investors in general and investment preferences, risk-return perceptions and investment objectives of the retail equity investors based on the socio economic variables and selective investment profile factors viz., place of residence, age, gender, marital status, educational level, occupation family size, no. of earning members in the family, monthly family income, type of investor category of investor, type of market operated, market experience.

**AGE OF THE INVESTORS****AGE OF THE INVESTORS**

| AGE     | FREQUENCY | PERCENT | CUMULATIVE PERCENT |
|---------|-----------|---------|--------------------|
| 25 -35  | 105       | 17.5    | 17.5               |
| 35 – 45 | 200       | 33.3    | 50.8               |
| 45- 55  | 166       | 27.7    | 78.5               |
| 55- 65  | 129       | 21.5    | 100.0              |
| Total   | 600       | 100.0   |                    |

**TABLE NO 1**

It is found that only 105 investors belong to the age group of 25-35 years. Hence it can be inferred that the younger generation do not think of savings and investments in their early phase of employment or business. Investors in the age group of 35-45 are 200 in number constituting 33.3%. Similarly investors in the age group of 45 to 55 having 166. An interesting finding is that 21.5% of investors are above the age of 55- 65.

**GENDER OF THE INVESTORS****GENDERS OF THE INVESTORS**

| GENDERS | FREQUENCY | PERCENT | CUMULATIVE PERCENT |
|---------|-----------|---------|--------------------|
| Male    | 567       | 94.5    | 94.5               |
| Female  | 33        | 5.5     | 100.0              |
| Total   | 600       | 100.0   |                    |

Source: Primary data

**TABLE NO 2**

The table shows that 567 of the respondents are men and the rest are women. Generally men bear the financial accountability in our society and therefore they take most of the investment decisions at home to fulfill the financial obligations.

**EDUCATION OF THE INVESTORS****EDUCATION OF THE INVESTORS**

|              | <b>FREQUENCY</b> | <b>PERCENT</b> | <b>CUMULATIVE PERCENT</b> |
|--------------|------------------|----------------|---------------------------|
| School level | 132              | 22.0           | 22.0                      |
| UG level     | 170              | 28.3           | 50.3                      |
| PG level     | 145              | 24.2           | 74.5                      |
| Professional | 153              | 25.5           | 100.0                     |
| Total        | 600              | 100.0          |                           |

**TABLE NO 3**

Among the respondents, 132 respondents (22%) are investors with a High School or Matriculation diploma, whereas the majority of the investors are graduates having the maximum number of representation (28%) followed by Post graduates and Professionals constituting 24.2% and 25.5% respectively.

**INCOMES OF THE INVESTORS****INCOME OF THE INVESTORS**

|                 | <b>FREQUENCY</b> | <b>PERCENT</b> | <b>CUMULATIVE PERCENT</b> |
|-----------------|------------------|----------------|---------------------------|
| Bellow 1,00,000 | 101              | 16.8           | 16.8                      |
| 1- 2 Lakhs      | 176              | 29.3           | 46.2                      |
| 2 -3 Lakhs      | 209              | 34.8           | 81.0                      |
| Above 3 Lakhs   | 114              | 19.0           | 100.0                     |
| Total           | 600              | 100.0          |                           |

**TABLE NO 4**

It is found from the table that 29.3% investors belong to the income groups of Rs. 1 - 2 lakhs and 16.8 % investors have the income less then Rs. 1 lakhs, 34.8 % are in the income of groups of Rs. 2 - 3 lakhs. The investors below 1.lakhs income do not show more interest on investments in equity shares.

**NATURE OF FAMILY OF THE INVESTORS****NATURE OF THE FAMILY**

|         | <b>FREQUENCY</b> | <b>PERCENT</b> | <b>CUMULATIVE PERCENT</b> |
|---------|------------------|----------------|---------------------------|
| Joint   | 290              | 48.3           | 48.3                      |
| Nuclear | 310              | 51.7           | 100.0                     |
| Total   | 600              | 100.0          |                           |

**TABLE NO 5**

From the above table, it is clear that the investors in the joint family are not much enthusiastic in investment in the equity shares and the investors of nuclear family are able to invest more amount of their income in equity shares

### NUMBER OF DEPENDENTS OF THE INVESTORS

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|                        | FREQUENCY | PERCENT | CUMULATIVE PERCENT |
|------------------------|-----------|---------|--------------------|
| no dependents          | 87        | 14.5    | 14.5               |
| 1 dependents           | 155       | 25.8    | 40.3               |
| 2 dependents           | 151       | 25.2    | 65.5               |
| 3 dependents           | 99        | 16.5    | 82.0               |
| 4 dependents           | 70        | 11.7    | 93.7               |
| more than 4 dependents | 38        | 6.3     | 100.0              |
| Total                  | 600       | 100.0   |                    |

**TABLE NO 6**

When the number of dependents is more in the family, their investment behavior pattern also changes significantly. The number of dependents and investment are inversely comparative to each further. While the number of dependents is more in the family, they do not have ample money for investment in these present economic circumstances.

### HOUSE OWNERSHIP OF THE INVESTORS

Own house and rented house investors behave in a different manner during their investment proceedings. Borrowed house exploits their income and hampers them from investment.

#### HOUSE OWNERSHIP OF THE INVESTORS

| HOUSE OWNERSHIP | FREQUENCY | PERCENT | CUMULATIVE PERCENT |
|-----------------|-----------|---------|--------------------|
| Own             | 382       | 63.7    | 63.7               |
| Rented          | 218       | 36.3    | 100.0              |
| Total           | 600       | 100.0   |                    |

**TABLE NO 7**

It is incidental from the table that most of the investors in equity shares have their own house. If they have their own houses, they deflect their income in the form of investment in equity shares. It is also found that 63.7% of the investors have their own houses and 36.3% are in rented house.

**TYPE OF INVESTORS**

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| TYPE OF INVESTORS | FREQUENCY | PERCENT | CUMULATIVE PERCENT |
|-------------------|-----------|---------|--------------------|
| New Generation    | 344       | 57.3    | 57.3               |
| Hereditary        | 256       | 42.7    | 100.0              |
| Total             | 600       | 100.0   |                    |

**TABLE NO 8**

From the above table it is found that 57.3% of the respondents in Chennai are new generation investors who know about the risk and return in equities, whereas, 42.7% of them are hereditary investors. This implies that maximum number of investors is new generation and induced by policies of liberalization and transparency in Indian capital market.

**CATEGORY OF INVESTORS**

**CATEGORY OF INVESTORS**

|               | FREQUENCY | PERCENT | CUMULATIVE PERCENT |
|---------------|-----------|---------|--------------------|
| Both          | 156       | 26.0    | 26.0               |
| Daily Traders | 272       | 45.3    | 71.3               |
| Long term     | 172       | 28.7    | 100.0              |
| Total         | 600       | 100.0   |                    |

**TABLE NO 9**

From the above table it is set up that 26% of the respondents establish themselves as both long term investors and daily traders and 45.3% of them operate equity investment daily. It is also found that 28.7% of the investors have the habit of long term investment in equities. From the above analysis it is inferred that maximum number of respondents are interested towards long term investment and daily trading of shares.

**PREFERENCE OF INVESTMENTS AND THEIR RANKS**

The ranking method helps the researcher to identify which investment avenues are most preferred. Table 10 presents the mean, standard deviation and their respective rankings based on the mean

**MEAN AND STANDARD DEVIATION FOR PREFERENCE OF INVESTMENTS AND THEIR RANKS**

|                    | SHARE   | FIXED DEPOSITS | REAL-ESTATE | MUTUAL FUNDS | GOVERNMENT BONDS |
|--------------------|---------|----------------|-------------|--------------|------------------|
| Rank               | 1       | 5              | 3           | 4            | 2                |
| Mean               | 2.9917  | 2.9700         | 3.0150      | 2.9800       | 3.1450           |
| Std. Error of Mean | .05111  | .05036         | .05084      | .05004       | .05093           |
| Median             | 3.0000  | 3.0000         | 3.0000      | 3.0000       | 3.0000           |
| Std. Deviation     | 1.25202 | 1.23355        | 1.24527     | 1.22560      | 1.24763          |

**TABLE NO 10**

It is inferred from the above table that the mean is found according to the ranks assigned to the variables by the investors. The most preferred investments are well established and the investors strongly agree that the investment in capital market alone gives more returns with minimum market risk. So they prefer share market as rank 1 followed by share, government bonds, real estate, and fixed deposits in order. The first preference is due to appreciable returns besides the maximum risk.

**ONE WAY ANALYSIS OF VARIANCE AMONG ACADEMIC QUALIFICATION WITH REGARD TO INVESTMENT BEHAVIOR**

|                          |                | <b>SUM OF SQUARES</b> | <b>DF</b> | <b>MEAN SQUARE</b> | <b>F</b> | <b>SIG.</b> |
|--------------------------|----------------|-----------------------|-----------|--------------------|----------|-------------|
| Hear behavior            | Between Groups | 2.133                 | 3         | .711               | 1.426    | .234        |
|                          | Within Groups  | 297.265               | 596       | .499               |          |             |
|                          | Total          | 299.398               | 599       |                    |          |             |
| Preference of short team | Between Groups | 3.306                 | 3         | 1.102              | 2.192    | .088        |
|                          | Within Groups  | 299.652               | 596       | .503               |          |             |
|                          | Total          | 302.958               | 599       |                    |          |             |
| Risk tolerance           | Between Groups | 3.568                 | 3         | 1.189              | 2.681    | .046        |
|                          | Within Groups  | 264.372               | 596       | .444               |          |             |
|                          | Total          | 267.940               | 599       |                    |          |             |
| Perception               | Between Groups | 1.650                 | 3         | .550               | 2.268    | .080        |
|                          | Within Groups  | 144.510               | 596       | .242               |          |             |
|                          | Total          | 146.160               | 599       |                    |          |             |
| Investors awareness      | Between Groups | .844                  | 3         | .281               | .663     | .575        |
|                          | Within Groups  | 252.954               | 596       | .424               |          |             |
|                          | Total          | 253.798               | 599       |                    |          |             |

**TABLE NO 11**

Reveals the following results on the basis of the F Test

The herd behavior varies significantly among the respondents belonging to different academic qualifications. The mean scores of the different groups as specified above signify a significant difference among the group. Her instincts based on the mean scores are highest for G2 for graduates and lowest for Professionals. The preference for short term gain varies significantly among the respondents belonging to different academic qualifications. The mean score is the highest for respondents belonging to the group G1 - High School qualifications. The table 5.29 reveals a significant difference among the respondents with respect to the level of risk

tolerance. The F Test above reveals that there is significant difference among respondents with respect to perception of capital market as indicated by the mean scores for the different groups. The perception of the respondents with respect to corporate governance does not vary significantly among the different academic levels of the respondents. The level of investor awareness does not vary significantly among the respondents belonging to different educational levels.

## **RATE OF RETURN**

### **FREQUENCY DISTRIBUTION OF PERCENTAGE OF EXPECTED RETURN**

|               | <b>FREQUENCY</b> | <b>PERCENT</b> | <b>CUMULATIVE PERCENT</b> |
|---------------|------------------|----------------|---------------------------|
| Less than 12% | 99               | 16.5           | 16.5                      |
| 12%- 24%      | 165              | 27.5           | 44.0                      |
| 24%-36%       | 202              | 33.7           | 77.7                      |
| 36% and above | 134              | 22.3           | 100.0                     |
| Total         | 600              | 100.0          |                           |

**TABLE NO 12**

From the above table 12 it is ascertained that a maximum of 16.50% of the investors expect to get return below 12% of their investments followed by 22.30% of the investors prefer to invest 36% and above of their investments, 27.50% of the investors prefer only 24 – 36% of their investments to be returned only 33.7% of the investors prefer to invest between 12 to 24% of their investments as returns. So the percentage analysis revealed that most of the investors expect below 25% of their total investment from equities market.

## **5. CONCLUSION**

The investment behavior of individual investor's in share market has now grown-up into a great material market with a lot of qualitative inputs and weight on investors' protections and confession norms laid down. The market has become computerized, visible and self-driven. It has incorporated with global markets with Indian companies looking for listing on foreign stock exchange, off shore investments coming to India and foreign mutual funds floating their schemes and thus bringing expertise in to our markets. India has achieved the dissimilarity of possessing the largest population of investors next to the U.K. possibly ours is the country to have the largest number of listed companies with around 19 Regional Stock Exchanges and National Stock Exchanges most of them automated. India now has world class regulatory system in place. Thus at the dawn of the new millennium, stock market increased the wealth of Indian companies and investors. No doubt physically powerful economic recovery, upturn in demand, improved market structure, etc.

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