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A Study Pertaining to Investment Behaviour of Individual Investors in Coimbatore City

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Abstract: *This paper aims to find the behaviour of individual investors from Coimbatore city towards available investment avenues in Indian financial markets. This also analyse factors affecting the Investment decision and to find out the risk tolerance level of individual investors with respect to demographic variables.*

Key Words: *Investment Behaviour, Investor Information, Risk, Coimbatore.*

I. INTRODUCTION

Savings and investments play a major role in economic development of any country and the primary objective of all government's policy has been to promote savings and capital formation in the economy which is a primary instrument of economic growth. Personal Savings in India is attributed to growth in income of individuals and the rising rate of inflation. Financial savings include investments in deposits with banks and non-banking finance companies, investment in stocks, mutual funds (retail investors are now steadily lining up to invest in equity-oriented schemes of mutual funds. THE HINDU, MARCH 8,2015, Page 15), Debentures, Small Savings, Life Insurance, precious metals such as Gold, Silver, Bullions as well as provident and pension funds. The rise and decline in net financial savings persistently change on par with inflation, leading to a low real rates on bank deposits and small saving funds. As per the S&P's upgrade all three major global credit agencies have placed India's sovereign rating at the lowest "BB +" in April 2014. Risk appetite of investor coupled with an uncertain global environment which has been adversely affecting the returns from the stock market, slower job creation are prompting households to favour investment in gold, seen as a hedge against inflation, and also bad market returns. Indian financial market is considered to be highly impulsive, responsive and combative. The role and importance of individual investors and their trading behaviour in Indian financial market is also imperative. Expected utility theory views, individual investment decision as a trade-off between immediate consumption and deferred consumption. But individuals do not always prefer according to classical theory of economics. Recent studies on individual investor behaviour have shown that they do not act in a rational manner, rather than several factors influences their investment decision. The purpose of this study is to analyse the determinants of individual investor's behaviour in Indian financial market.

II. LITERATURE REVIEW

Narayana (1976)¹ found that the most important forms of urban financial investment were bank deposits, shares and securities. Gupta L.C (1987)² Bombay in the country's shareholding population was that they lack necessary infrastructure needed for facilitating share transactions. Mudra - SAMIR'S (1992)³ brings out that working women in urban India put aside one-fifth of their earnings aside as savings. Jawahar Lal (1995)⁴ Investors should be provided adequate and reliable information so that they can make sound investment decisions. Bandgar P.K (1999)⁵ Most investors do not know about safety of new issues of company shares, debentures and share bought on stock exchanges. Abhijit Dutta(2000)⁶ observes that the individual investors have high confidence in themselves and are not guided by the market discounted asymmetric information.

Maruthupandian.P (2001)⁷ the investors should remember that their active participation in the activities of the forum is a must. Rajarajan.V (2003)⁸ investors lifestyles based characteristics has been identified. The Indian Household Investors Survey, (2004)⁹ A developing economy, like India, needs a growing amount of household savings to flow to corporate enterprises. Kirshnudu.Ch., B. Krishna Reddy and G. Rama Krishna Reddy (2005)¹⁰ Investors are mostly influenced by family members when taking decisions on investment. Sridhar.R (2008)¹¹ majority of the respondents have invested less than one lakh. Sunatan Khurana (2008)¹² Protection is the main purpose of an insurance policy Darshana.P (2008)¹³ the visual and print media, and training programs to help investors make well-informed decisions. Vikram.S (2008)¹⁴ Major percentage of respondents have moderate knowledge and has less exposure towards the financial market. Kasilingam.R & Jayabal.G (2009)¹⁵ The fund invested in small savings schemes will yield good results not only to individual investors but also to the nation. Selvatharangini P.S (2009)¹⁶ conclude that generally people differ in their taste and preference. Kaboor.A (2010)¹⁷ finds that financial literacy is not uniform among different groups of investors. Mathivannan.S and Selvakumar.M (2011)¹⁸ the teachers are saving their money for the purpose of their children's education, marriage and other welfare expenses. Manish Sitlani, Geeta Sharma & Bhoomi Sitlani (2011)¹⁹ observed that there is no association between demographic variables and investment choice of occupants of financial services industry. Suman and Warne.D.P. (2012)²⁰ the market movements affect the investment pattern of investors in the stock market. Though various authors have made several attempts on the above areas considering some are all the observed parameters, still it needs to be frequently studied. This necessity various from time to time as well as the role of the money has also increased tremendously. At this background the researcher has coined the following objectives.

III. OBJECTIVE OF THE STUDY

The focus of the study is to determine the factors of individual investor behaviour in Indian financial market. To list the Investment avenues available. To find out the information seeking behaviour of Investors and their effectiveness. Access the risk exposure, factors affecting the Investment decision and to find out the risk tolerance level of individual investors with respect to demographic variables.

IV. METHODOLOGY OF THE STUDY

The present research is an attempt to study the perception, knowledge and behaviour in respect of their investment in Coimbatore City in tune with the objectives framed. Data collected was through distributing questionnaire among coimbatoreains (Tamilnadu). Confederation of Indian Industry (CII) has identified Coimbatore as one of the potential investment zone in Tamilnadu. Since, the study is pertaining to financial investments the data revealed by the respondents has been considered for the study and hence random selection applied by administering 107 questionnaire. The following are the limitation of the study which the number of respondents limited to investors in Coimbatore city. Study is based on the outcome of reviews made and select factors to analyze the behaviour of individual investor only. Usual time, place and resources are the limiting factor. In some context the study may not be generalized to the whole population due to the reason that financial matters may not be revealed by the respondents.

Table 1: Demographic Profile

Variables	Particulars	Fre	%	Variables	Particulars	Fre	%
Gender	Male	54	50.5	Age	Below 25	25	23.4
	Female	53	49.5		26-30	33	30.8
Domicile	Rural	36	33.6		31-35	29	27.1
	Urban	43	40.2		36-40	8	7.5
	Semi-Urban	28	26.2		41 and above	12	11.2

Type of Residence	Own	63	58.9	Marital Status	Married	50	46.7
	Rented	44	41.1		Unmarried	57	53.3
Education	Up to Schooling	15	14.0	Family Size	Two	10	9.3
	UG	30	28.0		Three	26	24.3
	PG	30	28.0		Four	36	33.6
	Professionals	32	29.9		More than Four	35	32.7
Earning members	One	19	17.8	Occupation	Agriculture	16	15.0
	Two	49	45.8		Business	20	18.7
	More than Two	39	36.4		Professional	39	36.4
Wealth	Affluent	6	5.6		Employment-Govt	14	13.1
	Upper Middle Class	38	35.5	Employment-Pvt	18	16.8	
	Middle Class	61	57.0	Family Type	Joint	33	30.8
	Poor	2	1.9		Nuclear	74	69.2

(Source: Data Collected through questionnaire)

An overview of the demographic profile of the sample respondents considered for the study is presented in table one.

Table 2: Investment Avenues Based on Respondents Preference (Friedman's Test - Mean Rank Score)

Investment Avenues	Safety	Liquidity	Additional Income	Capital Appreciation	Tax Benefits
Savings a/c in banks	3.65	3.24	2.58	2.47	2.61
FD a/c in banks	3.62	2.85	2.87	2.78	2.89
Govt Securities	3.40	2.89	2.89	2.77	3.05
Corporate Bonds	2.93	3.00	3.09	2.98	3.00
Insurance Policy	4.10	2.77	2.63	2.53	3.42
Real Estate	2.79	2.72	3.03	3.71	2.75
Commodities	2.78	3.00	3.37	3.04	2.81
Shares & MF's	2.85	3.13	3.13	3.13	2.78
Chit Funds	3.06	3.01	3.23	2.94	2.75
Gold & Silver	3.17	3.10	2.75	3.43	2.56

(Source : Data Collected through questionnaire)

Researcher has applied Friedman's Mean Rank Score in order to analyze various Investment avenues based on the given five parameters. The study reveals that yet in the modern computer era safety (4.1) on investments which is enjoyed on insurance policy. Liquidity occupies on highly liquid assets with 3.24. Additional Income (3.37) where on commodities which plays a major role. Capital appreciation on Gold and Silver ranked 3.43 and because of enjoying the tax benefits (3.05) the sample respondents are investing with government securities.

Table 3: Investment Ratio Based On Risk

Nature of Investment	Inv't. Avenues	Investment Ratio (%)	Rank
Fixed Income	FD a/c in banks	13.38	3
	Govt Securities	4.34	
	Corporate Bonds	2.85	
Investment for safety	Insurance policies	14.87	1
Long term investment	Real estates	12.98	4
Liquidity	Commodities	6.55	5
	Shares & MF's	4.35	
Pride & Contingency Savings	Chit Funds	7.82	2
	Gold & Silver	14.76	

(Source: Data Collected through questionnaire)

Table three explains various facts about the rational investor considered for the study. Though SEBI, MOF, GOI, RBI, Investors Associations, Financial Consultants have mooted plans yet the scope of investing into shares and bonds are found to be poor, in spite of various initiatives taken by its respective agencies. On the other side of the coin the sample respondents have accepted that GOLD maintain its rank in Investment Avenue along with universally accepted factor SAFETY.(14.76%)

Table 4: Source of Information Based On Reliability

Source of Information	Very High		High		Medium		Low		Very Low	
	F	%	F	%	F	%	F	%	F	%
Print Media – News paper	25	23.4	39	36.4	32	29.9	8	7.5	3	2.8
Electronic Media – TV	22	20.6	33	30.8	40	37.4	8	7.5	4	3.7
Internet	35	32.7	25	23.4	33	30.8	12	11.2	2	1.9
Financial Advisors	17	15.9	23	21.5	35	32.7	23	21.5	9	8.4
Friends & Peer investors	21	19.6	33	30.8	36	33.6	8	7.5	9	8.4
Own analysis	27	25.2	33	30.8	28	26.2	12	11.2	7	6.5

(Source: Data Collected through questionnaire)

Having objective framed by the researcher to find out the information seeking behaviour of Investors and their effectiveness, it is depicted in table four. The above were the identified major sources of information for any investor as relevant source of information towards making an investment. Through Internet (32.7%) the sample respondents are able to get necessary information in time to decide the investments. For an average Indian today newspaper (36.4%) makes alert on the investments which is because it is Hard Copy in nature i.e., Indians yet have the habit of Touch, Feel, Smell theory. Out of the sample respondents 37.4% are watching electronic media before deciding on their investments. Financial advisors, Friends and Peer investors were considered as the last resort for investments. Since, India is pioneering in electronics through Computers and Internet where anyone can share and learn the market scenario then and then, list extends. SEBI has made various MOUs with central board schools, colleges and Universities in order to inculcate financial education among youths. This is reflected in "Own Analysis" where the reliability is found to be less.

Table 5: Distribution of Investment Behaviour of the Respondents

Variables	Good		Average		Poor	
	F	%	F	%	F	%
Before Investment	19	17.8	74	69.2	14	13.1
At the Time of Investment	23	21.5	71	66.4	13	12.1
Post Investment	22	20.6	66	61.7	19	17.8
Overall Investment Behaviour	19	17.8	75	70.1	13	12.1

(Source: Data Collected through questionnaire)

Table five accepts the truth of table four that the Indian Investors need to be educated. When the sample population is tested during various stages on investments it shows that the respondents under study admits that the knowledge on investment are “Average” before, at the time of investment and during post investment period. Overall investment behaviour yet to be at its average of 70%. This is another evidence that investor at Coimbatore have to be educated on various Financial Investment Avenues.

Table 6: Factor Analysis (Investment Behaviour)

Scale	Before Investment	At the Time of Investment	Post Investment
I search for investment options	0.855		
I rely on intermediaries for making investments	0.851		
I prefer investment based on low transaction cost	0.829		
I discuss with my friends, colleagues, family members before investment decisions were made	0.746		
My investments are always tenure based	0.588		
I watch the performance of investment		0.783	
I take responsibility for the investments made		0.689	
My choice of investments will be of various avenues		0.688	
My investments are diversified		0.671	
My investments will be in equal ratio for all avenues		0.543	
My investments will be the last resort during contingency			0.801
I make more investments in the same avenue if my objectives are fulfilled			0.799
I analyse my investments and switch to other when I found appropriate			0.735
I consider using investments for social aspect needs			0.727
I don't consider switching when my investment objectives were met			0.668

(Source: Data Collected through questionnaire)

All factor loadings were 0.5 and above, showing good convergent validity (Chesney, 2006). The constructs are therefore uni-dimensional and factorials distinct, and all items used to operationalize a constructs load on to a single factor which has been grouped into three set of factors. The result of factor analysis disclose that investors before making investment search for various investment options followed by seeking intermediaries advice and prefer to invest based on transaction cost and the like. While at the time of investment the investor ascertains the performance of investment, undertakes the responsibility for their investment, prefers to diversify their investment etc., Similarly, during the post investment scenario investors are of opinion that they will retain their investments till an need arises, wish to make more investments in the same avenue, if they receive the expected return from their investments, investors also agree that they may switch to other investment sources, when a need arises.

Table 7: Investment Behaviour at Various Stages of Investment (Friedman's Rank Test)

Variable	Stages	Mean Rank	Rank
Investment Behaviour	Before Investment	2.03	2
	At the time of Investment	2.16	3
	Post Investment	1.81	1

Source: Data Collected through questionnaire)

The Friedman's rank test shows that the investment behaviour was found to be better at the post investment period than before making the investment as well as at time of investment. The study justifies that experience makes a man perfect.

Table 8: Influence of Demographic Profile on Investment Behaviour

Variables	Statistical Tool	Value	Result	Interpretation
Gender and Investment behavior	Independent t test	t = 2.749 P<0.05	Significant	Male had better investment behaviour
Age and Investment behavior	ANOVA	F = 7.231 P<0.05	Significant	31-35 years had better investment behaviour
Domicile and Investment behavior	ANOVA	F = 45.242 P<0.05	Significant	Urban residence had better investment behaviour
Marital Status and Investment behavior	Independent t test	t = 9.485 P<0.05	Significant	Married respondents had better investment behaviour
Education and Investment behavior	ANOVA	F = 83.973 P<0.05	Significant	Professional had better investment behaviour
Occupation and Investment behavior	ANOVA	F = 27.222 P<0.05	Significant	Professionals had better investment behaviour
Nature of residence and Investment behaviour	Independent t test	t = 0.073 P<0.05	Not -Significant	No Sig. difference
Family type and Investment behavior	Independent t test	t = 4.216	Significant	Nuclear family had better investment behaviour

		P<0.05		
Family Size and Investment behavior	ANOVA	F = 29.149 P<0.05	Significant	Family which had 4 members had better investment behaviour
Earning members and Investment behaviour	ANOVA	F = 37.694 P<0.05	Significant	Family which had 2 earning members had better investment behaviour
Savings and Investment behavior	ANOVA	F = 0.291 p>0.05	Not-Significant	No Sig. difference
Wealth and Investment behavior	ANOVA	F = 18.811 P<0.05	Significant	Higher middle income group had better investment behaviour

(Source: Data Collected through questionnaire)

The table 8 shows that there is significant difference in the investment behaviour of the investors based on their demographic characteristics. Investor's behaviour varies based on demographic factors like gender, age groups, domicile, marital status, educational level, occupational groups, family type, family size, number of earning members in the family, and income groups.

Table 9: Source of Information And Investment Behaviour

Variables	Statistic	Value	Result	Interpretation
Source of Information and Investment behaviour	ANOVA	F = 11.919 p<0.05	Significant	The respondents who got advice from financial advisors had better investment behaviour

(Source: Data Collected through questionnaire)

Above result shows that there exists significant difference in investment behaviour depends on source of information gathered by the investors. Investor behaviour is found high among investors, who receive more information pertaining to investment.

V. FINDINGS

The study makes to understand that the average level of investment behaviour was found among the respondents and the investment behaviour was found to be better at the time of investment than before investment and post investment. The study also observed that the safety was the foremost preferred aspect among the fixed income segment and investment for safety. Capital appreciation was foremost preferred aspect in long term investment and pride and contingency savings. Additional income was the most preferred aspect in liquidity investments. The factors namely gender and investment ratio in real estate does influence the investment behaviour. The pre-investment behaviour found to be significantly influencing factor of overall investment behaviour of the investors considered for the study. The factor capital appreciation influences more on the long term and savings. Even though huge number of investments is available towards savings accounts, insurance policies, gold and silver are found to be the most preferred investments. In this electronic era no doubt that the electronic media and internet plays a key role in providing reliable information to the investors. The analysis also shows that education on investment is necessary to the investors in Coimbatore. The demographic profile like gender, age, domicile, marital status, education, occupation, family type and family size have significantly influence the investment behaviour.

VI. SUGGESTIONS

As safety is observed to be the dominating factor of any investment, Government of India, Banks and other Financial Institutions should try to bring more financial products with maximum safety. To avoid taking decisions at the time of investment more awareness programme be conducted. Investors must be positively educated about the investments like shares, debentures, mutual funds and commodities. Internet facilities can be extended further to rural areas to enable the house hold investors to collect investment information's.

VII. CONCLUSION

This research paper depicts that investor's education is immensely important for the present day investors in Coimbatore. The study concludes that average level of investment behaviour was found among the respondents of Coimbatore and the investment behaviour was found to be better at the time of investment than before investment and post investment. The study also concludes that safety was also a foremost preferred aspect in fixed income and investment for safety. Capital appreciation was the foremost preferred aspect in long term investment. Additional income was the most preferred aspect on liquidity investments. The factors namely gender and investment ratio in real estate does influence the investment behaviour. The investment before was found to be significant influencing factor of overall investment behaviour of the investors. Based on table two whatever be the avenues still the present day investors think ONLY about safety as their priority hence, MOF,RBI,GOI, SEBI and policy makers should frame policies in such a way that safety is given the highest priority than other parameters considered for the study. Hence, the study concludes that saving habits to be developed with Individuals at all levels rural or urban, aged or young, male or female, married or spinster, low class or high class and so on. The mobilization of financial savings is possible by activating the Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts by progressive use of Direct Benefit Transfer (DBT), increasing financial literacy and creating universal social security cover for all citizens, especially the poor, Under-privileged and workers in the unorganised sector. Shri. Arun Jaitley, Honorable Finance Minister, Government of India.

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