
An Analysis of Individual Investor Behavior in Stock Market

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Abstract

According to the economic theory investor behaves in a rational manner and that all existing information is embedded in the investment process. This assumption is the crux of the Efficient Market Hypothesis. Researchers questioning on this assumption that rational behavior are not always as prevalent as we might believe. Many behavioral factors affect their investment decision making process. As we all know that individual investor play important role in the stock market because of their investment for that reason regulatory bodies of Indian stock market can't avoid the behavior of individual Investor. This research paper attempts to understand the behavior of individual investor in stock market specifically their perception attitude towards the market. On the basis of income, sex, education status, age investors are classified into different categories. The study is based on the primary data, collection from a sample around 50 investor of Jaipur city. In concluded words we can say that many factors like awareness, level duration of investment affects the investment behavior of the individual investor.

Key words: *Behavior, Stock market, Saving, Investors, Investment*

Introduction

The Economy development of any country legally depends on the national income saved and invested. Many types of alternative investment or investment media are available to an investor. The market where the existing securities are traded is referred as the secondary market or capital market. Stock exchange is highly organized financial market where shares, bonds and debentures can be bought and sold. Under the Securities contract (Regulation) Act 1956, the term stock exchange has been defined as "an association, organization or body of individuals, whether they incorporated or not, established for the purpose of assisting, regulating and controlling business in buying, selling and dealing in the securities. In India National Stock Exchange was promoted in 1922 with an equity capital of Rs. 30 cores by IDBI, ICICI, LIC, GIC and its subsidiaries, SBI, SBI capital market limited, Stock holding corporation of India Ltd. It became the recognized stock exchange with effect from April 26, 1993 to provide national stock exchange facility. It started operation in June, 1994 with trading on the whole sale debt market segment. In June 2000 it provides trading platform for Equities Futures and Options. BSE is the first stock exchange in the country which obtained permanent recognition (in 1956) from the Govt. of India under the Securities Contracts (Regulation) Act 1956. BSE pivotal and preeminent role in the development of the Indian Capital Market is widely recognized. It changed from the

open outcry system to an outline screen based order driven trading system in 1995. BSE is now a corporatized under the provisions of the Companies Act 1995. The central Government also set up an apex body called security and Exchange board of India (SEBI). SEBI has issued various rules regulations and guidelines for promoting, developing stabilizing and strengthen the security market in India.

The investment refers to employment of funds (savings) with the aim of earning income or securing growth in value as normally referred to as investment. There are also different avenues available to invest for investors namely corporate securities, ADR, GDR, equity share, preference share, bonds, mutual Funds etc. This paper is helpful to know the investment behavior of individual investor in stock market. The paper is categorized in different parts review of literature, research methodology, limitations of study, analysis and finally the conclusion.

Review of the literature

Hussein A. Hassan Al- Tamimi, identify the factors that influence the UAE investors. Six factors were found to be the most influencing factors like expected corporate earnings, get rich quick, stock marketability, past performance of the firm's stock government holdings and the creation of the organized financial market. This study is also suggesting the least factors that influence the investor behavior. These are local investments, minimizing risk, family member's opinion, gut feeling on the economy and expected losses in the financial market.

Sanjay Kanti Das, the purpose of their study is to identify or examine the various socio economic, demographic and attitudinal factors affecting the investment decision of investors in the Guwahati stock market. According to the sample small investors of Guwahati Stock Exchange, the average value of the top five highly influential factors were financial statements of companies, Referral, Public information and profitability variable. Their studies also identify the lowest priority factors that influence the stock selection decision. These are government policies calculation of risk economic variable and the discounted cash flow variables.

Selim Arena, Sibel Dinç Aydemir, their research paper aims to examine the several factors

such as demographics (i.e., gender, age, education and marital status), investment decision criteria (i.e., risk, repay, corporate data and society criteria), and financial literacy level (i.e., basic and advanced literacy) on more preferred investment alternatives in Turkey (e.g., foreign currency, bank deposit, bond, stock and mutual fund).

Tomola Marshal Obamuyi, the study is helpful to determine the important factors that influencing the investment decision of investors and factors related to the investors socio economic characteristics in the Nigerian capital Market. The results of the study indicate the five most influencing factors are past performance of the company stock, expected stock split, dividend policy expected corporate earnings and get rich quick. The least influencing factors are religions, rumors, opinion of family members, loyalty of company product services and expected losses in other investment.

R Gowri Shanker , according to them the most important factor that affects the attitude and trading behavior of stock market investor are confidence level, risk taking ability, more expectation, return oriented and conservative policy. From the study it is clearly found out that demographics like income, experience, age, gender, education also play major role in the risk appetite of individual investor and in their confidence level also.

Objective of the Study

1. To analyze the investment behavior of investors in Indian stock market.
2. To evaluate the different factors (income, education, age, etc.) of investors.

Research Methodology

Research study is based on the both primary data and secondary data. Primary data is collected with the help of questionnaire. Survey method is used for the research. Secondary data has been collected from the news paper, books, websites, magazine etc. The survey carried the 50 investor from the Jaipur city .

Limitation of the study

- The research will be restricted to Jaipur city only; results are not applicable to other state of the country.
- Chances of respondents' bias are there as the interviewee are financial professional & investors.
- Biasness of the interviewer may also affect the results of the study.
- Limited number of respondents will be chosen and this may affect the accuracy of result to certain extent.
- The data required for the study is sensitive one as it relates to the financial information of the investor, which may be difficult to procure.

Interpretation and Analysis

Table 1: Responses related to Gender and Age of Respondents

Gender	Responses (%)	Age (in years)	Responses (%)
Male	35 (70%)	Less than 20	0(0)
Female	15 (30%)	20-30	10(20)
		30-40	15(30)
		40-50	15(30)
		50 and above	10(20)

Analysis of Table 1 showed that 70%respondents are male and most of the respondent between the age group of 30-50 years

Table 2: Analysis about the Annual Income, Education Level and Occupation of the investor.

Income (Rs.) (in Lakh)	No. of Respondent (%)	Level of Education	No. of Respondent (%)	Occupation	No. Of Respondent (%)
Less than 2.5	14(28)	10 th (Metric)	0 (0)	Govt. Employee	2 (4)
2.5 -5.00	13(26)	10 +2	3 (6)	Private Employee	13(26)
5.00-7.5	23(46)	Graduate	20(40)	Business	19(38)
Above 7.5	0 (0)	Post Graduate	24 (48)	Pensioners	8(16)
		Above Post Graduate	3 (6)	Housewife	8 (16)
				Students	2 (4)

With the help of Table 2 we find out that 28 % respondent fall under the less than 2.5 lakh income range, 26% are those having income between 2.5-5 lakh, 46% respondents belong to 5-7.5 lakh.

Nearly 48% people are post graduate, 40% are graduate investors and the remaining includes above post graduate or metric. As far as occupation level is considered 38 % of the sample respondents are businessman, 26% are private employee while others are employed in govt. employees, pensioners, housewife and students.

Table 3 Time period of Investment

Time period of Investment	Responses (%)
Less than 1 year	5 (10)
1-2	20(40%)
2-5	18(36)
Above 5	7 (14)

Table 4 : Responses related to Annual saving and reasons of investment

Annual Saving	No of Respondents	Reasons of investment	No. of Responses
Less than 50000	14(28)	Capital growth	22 (44)
50001-100000	16(32)	to meet family need and future requirement	20(40)
More than 100000	20(40)	Emergency need	8(16)

Table 4 reveals that 28 % of the respondent save under Rs.50000, 32% save between 50000-100000 and 40% save more than 100000 Rs. per annum. This table data also shows that capital growth and family needs play a significant role in deciding the saving habit of the respondent.

Table: 5 Awareness about the investment options

Awareness	No. of Respondents (%)
Aware	40(80)
Not Aware	10(20)

The data of table 5 identifies that the 80% respondents are aware about the investment option.

Table 6: Factors affecting the investment behavior

Factors	Equity	Mutual Funds	Debenture	Gold
Financial Consultants	30 (60%)	25(50%)	0	15(30%)
Family Members	12(24%)	10 (20%)	0	30 (60%)
Friends	8(16%)	10 (20%)	0	5(10%)
Others	0	5(10%)	0	0

It is clear evident from the table 6 that family members influence most in the case of gold investment. In case of equity, financial consultant plays the important role. Friends and the other influences are very less in comparison to financial consultants and family.

Table 7 Investment pattern affected by the Market movement

Options	No. of Respondents
Yes	40(80%)
No	10(20%)

The table indicates that investment pattern of the investor mostly affected by the market movement. Whenever they are investing in the market, always consider the market swings and movements.

Conclusion

With the help of above study we conclude that today's investors are aware about the stock market and they considered the market movement at the time of investment decision making. The annual income and the annual saving are given significant consideration by the respondent; because the level of income decides the level of savings .The respondents also integrate the objective of savings and the factor influencing the savings.

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