

**INDIVIDUAL INVESTOR BEHAVIOUR OF INDIAN CAPITAL MARKET: A  
STUDY WITH REFERENCE TO TIRUCHIRAPPALLI CITY.**

**Mrs. J.Jayanthi Grace Ruby**, Research Scholar, Dept. of Business Administration, Govt. Arts College (Affiliated to Bharathidasan University), Trichy-22

**Dr.I.Narsis**, Assistant Professor, PG & Research Department of Commerce, Govt. Arts College (Affiliated to Bharathidasan University), Trichy-22

**ABSTRACT**

Investment is very important for every individual for the purpose for financial future needs. The purpose of savings differs among individuals. Every depositor is not an investor. The attitude for investing differs from one investor to another. It is a very important variable in human behaviour. The approach results in a particular behaviour or desired action. Individuals attain attitude from several sources and therefore investment knowledge need not be acquired from birth. The important basis of attaining the attitudes is direct experience with the family, peer groups, neighborhood, economic status, occupation and mass communication. Hence, attitude may be defined as a settled way of thinking. They may be either positive or negative directed towards certain people, institutions or service. This research paper reveals individual investor behavior of Indian capital market with reference to Tiruchirappalli city.

**Key Words:** investor, behaviour, capital market.

**INTRODUCTION**

Investors are the backbone of the capital market. A developing country like India requires an increasing amount of investments to flow into the commercial enterprises. The level of equity market contribution of the trade investors has been growing over the past few years. Investment is the flow of capital which is used for industrious purposes. There is a great importance for investment on being the primary mechanism of economic growth and development for a country. Now a days, there are a several number of investment instruments that are greatly available. Some of them are profitable or liquid while others are non-profitable or illiquid. There are instruments which are highly risky while others are almost non-risky. The investors choose avenues, depending upon their specific need, risk appetite, and expected return. Investment avenues can broadly be categorized into two spheres, namely, economic investment and financial investment. Purchasing of a physical asset such as a

building or equipment is an economic investment. Economic investments contribute to the net additions to the capital stock of a society. Financial investments on the other hand, refer to investment in financial instruments like shares, debentures, insurance policies, mutual fund units, bonds etc. Financial investments help in creating the capital stock of the country. In the long term, investment is important for improving productivity and increasing the competitiveness of an economy.

## **REVIEW OF LITERATURE**

Arup Kumar Sarkar and Dr. Tarak Nath Sahu (2018), the study is an analysis of investment behaviour of individual investors of stock market to enquire whether there is any impact of three independent variables namely Demographic Factors, Awareness and Perceived Risk Attitude on only one dependent variable Investment Behaviour. The study has collected primary data from 400 randomly selected individual investors of stock market from various districts of West Bengal using a structured questionnaire on five point Likert scale. The study finds that the awareness levels of the individual investors are on moderate level and financial awareness is more than social learning. Perceived Risk Attitude is mainly guided by Affect rather than Cognition. The analyses indicate that Demographic Factors, Awareness and Perceived Risk Attitude significantly influence Investment Behaviour of individual investors of stock market.

Dr. Kajal Gandhi (2016), the economic liberalization process undertaken by the Indian government during early 1990s has opened up new dimensions for Indian economy. The Indian capital market especially stock market has achieved new heights with the implementation of liberalized reforms. Since then the stock market has grown in leaps and bounds. Despite of such robust growth of stock market, participation of retail investors is minimal. In this paper a survey was undertaken in five cities of India to assess participation of retail investors. Indian retail investors still prefer traditional forms of investment like Bank Fixed Deposits, Post office savings, National Saving Certificates etc. Indian stock market remains to be dominated by Foreign Institutional investors and Domestic Institutional Investors. To counter affect such, it is necessary that domestic retail investors should participate more in the Indian Stock Market.

Bilal Aziz and Muhammad Abdullah khan (2016) objective is to study the behavioural factors that influencing the decision and performance of individual investor in Pakistan stock exchange. There are many behavioural factors like over confidence, representativeness, anchoring, mental accounting, loss aversion and regret aversion can affect the individual investor's investment decision and performance. Research was conducted to identify that

which behavioural factors are more influencing in Pakistan stock exchange and there effect on the investors who are investing in Pakistan stock exchange. This study discussed the two theories heuristic and prospect theory. Heurist theory involves representativeness, overconfidence, anchoring, gambler fallacy, availability bias and prospect theory involves loss aversion, regret aversion and mental accounting. This research is based on the primary data. The sample data comprising of 150 individual investors of Pakistani stock exchange. Preliminary results show the height positive relation of heuristics on the investment performance while prospect not affect the investment performance. Findings were developed through the regression analysis with the usage of statistical SPSS. Finding shows that representativeness, over confidence; anchoring, availability bias, and gamblers fallacy have positive impact on investment performance.

Kartikey Koti (2018) In the paper we have consider 107 respondents spread across Hubli Districts, Karnataka State of India. These respondents are working both in government and Private sector. They are majority salaried people. These Respondents have a work experience of 10-15 years in greater number. The education qualification of these respondents was bachelors. To measure the effect of different factors with that of social characteristics of respondent mainly two tools were used that is T Test and One way ANOVA. The effect on these factor were computed by comparing the relation between Gender (Independent )and Investment factor (Dependent) in which all factor had a significant effect by gender as p-value representing all T values is less than 0.05 ( $p < .05$ ). Likewise comparing the relation between Age (Independent )and Investment factor (Dependent ) in which all factor had a significant effect by age as p-value representing all F values is less than 0.05 ( $p < .05$ ). Except one factor that the investor is careful after loss investment were  $p > 0.05$  ( $0.366 > 0.05$ ) which is not significant. The other comparison was between education and investment factor, were all factor were significant. The factor which was not effecting was market predictability by investor were p value of respective F value was greater the 0.05 ( $0.561 > .05$ ) hence this factor was not significant. Likewise comparing the relation between Work Experience (Independent) and Investment factor (Dependent) in which all factor had a significant effect by work experience as p-value representing all F values is less than 0.05 ( $p < .05$ ). Except two factor that is expert predictors and careful after loss investment were  $p > 0.05$  ( $0.193 > 0.05$  and  $0.197 > .05$ ) which is not significant. Occupation (Independent) of the investor was considered as another element of comparison with investor's decision (Dependent).

## **OBJECTIVES**

- 1) To study the influence of Demographic Factors on Investment Behaviour of Indian capital market
- 2) To impact of investor Perceived Risk Attitude on Investment Behaviour in Indian capital Market.

### **Hypotheses**

**H0** The relationship between levels of risk associated with the investments

**H1** There is no relationship between levels of risk associated with the investments

### **STATEMENT OF THE PROBLEM**

Behavioral finance has emerged as a new concept in the research area in recent times. Within this framework many countries in the world take effective steps to develop the Capital Market to achieve good economic growth. We have made a study to enquire the effect of Awareness and Perceived Risk Attitude on the Investment Behaviour in capital Market. Investment Behaviour of individual investors of capital Market as the different components of Awareness and Perceived Risk Attitude has significant impact on the different components of Investment Behaviour of individual investors of capital Market. The individual investors rely more on Financial Awareness in comparison to Social Learning. The Perceived Risk Attitudes of individual investors is mainly based on Cognition component of Perceived Risk Attitude in comparison to Affect component of Perceived Risk Attitude. Hence, the research paper explorer that individual investor behaviour of Indian capital market with reference to Tiruchirappalli city.

### **METHODOLOGY**

Both primary and secondary data has been collected from the investors in Tiruchirappalli city. Primary data were collected through well structured questionnaire methods. Secondary data were collected from journals, books and online sources. Simple random Sampling method has used in the research paper. Respondents were identified at stock broking office in Tiruchirappalli city. The Sample size was 75.

### **LIMITATIONS OF THE STUDY**

- 1) The study was conducted on only individual investor behavior of Indian capital market and other factors were ignored.
- 2) The research is limited to only 75 respondents.
- 3) The research is conducted only in Tiruchirappalli city.

## RESULTS AND DISCUSSION

Table No.1

### Respondent's opinion towards Demographical Factors

Demographic factor		No. of respondents (75)	Percentage	Mean
Gender	Male	38	52	1.4800
	Female	36	48	
Age	20 –30 years	9	12.0	2.9333
	31 – 40 years	17	22.7	
	41 – 50 Years	24	32.0	
	51 – 60 years	20	26.7	
	above 60 years	5	6.7	
Marital Status	Married	37	49.3	1.5067
	Unmarried	38	50.7	
Educational Background	School Education	28	37.3	1.8133
	College Education	33	44.0	
	Professional	14	18.7	
Occupation	Salaried	32	42.7	1.8000
	Professional	26	34.7	
	Business	17	22.7	
Monthly Income	Bellow Rs.20,000	15	20.0	2.1067
	Rs. 20,000 – Rs. 40,000	37	49.3	
	Rs. 40,000 & above	23	30.7	
House ownership	Rent	29	38.7	1.8800
	Own	26	34.7	
	Lease	20	26.7	

*Source: Field survey*

The above table shows about, demographic profile of the investors.

**Gender:** 52% of the respondents are male and 48% of the respondents are female. Mean score is 1.4800

**Age:** The highest 32% of the respondents are age group of 41 – 50 Years, 26.7% of the respondents are age group of 51 – 60 years, 22.7% of the respondents age group of 31 – 40 years, 12% of the respondents are age group of 20 –30 years and lowest 6.7% of the respondents are age group of above 60 years. Mean score is 2.9333

**Marital Status:** 50.7 % of the respondents are unmarried and 49.3% of the respondents are married. Mean score is 1.5067

**Educational Background:** 44% of the respondents are qualified College Education, 37.3% of the respondents are qualified School Education and 18.7% of the respondents are Professional qualification. Mean score is 1.8133

**Occupation:** The highest 42.7% of the respondents are occupation was Salaried, 34.7% of the respondents are Professional and 22.7% of the respondents are Business. Mean score is 1.8000

**Monthly Income:** 49.3% of the respondents are income range Rs. 20,000 – Rs. 40,000, 30.7% of the income were Rs. 40,000 & above and 20% of the respondents income were Bellow Rs.20,000. Mean score is 2.1067.

**Status of House:** 38.7% of the respondents live in Rent house, 34.7% of the respondents are living in own house and 26.7% of the respondents are live in Lease house. Mean score is 1.8800.

**Table No.2**  
**Respondent's opinion towards various Sectored Stocks you have**

Sector	No. of respondents (75)	Percentage
Automobile	17	22.7
Information Technology	20	26.7
Banking	20	26.7
Pharmacy	8	10.7
Infrastructure	10	13.3

**Source:** *Field survey*

The above table shows the selection of various sector stocks.

26.7% of the respondents choose the Information technology and banking sector respectively, 22.7% of the respondents choose automobile sector, 13.7% of the respondents choose Infrastructure and 10.7% of the respondents choose Pharmacy sector.

**Table No.2**  
**Respondent's opinion towards behavior of investments**

Investments factors		No. of respondents (75)	Percentage
Type of investor	Hereditary investor	33	44
	New generation investor	42	56
Category of investor	Long term investor	19	25.3
	Day trader	38	50.7
	Both	18	24
source of investment	Own savings	39	52
	Borrowings	20	26.7
	Both	16	21.3

Percentage of your savings	Less than 15 %	36	48
	16 - 30%	28	37.3
	31% and above	11	14.7

**Source:** Field survey

**Type of investor:** 56% of the respondents were new generation investors and 44% of the respondents were hereditary investors.

**Category of investor:** 50.7% of the respondents were Day traders, 25.3% of the respondents were Long term investors and 24% of the respondents trade in both.

**Source of investment:** 52% of the respondent's sources of investments are Own savings, 26.7% of the respondents investment sources are Borrowings and 21.3% of the respondents investment sources were own savings and borrowings.

Percentage of your savings: 48% of the respondents savings percentage was Less than 15 %, 37.3% of the respondents savings percentage was 16 - 30% and 14.7% of the respondents saving was 31% and above.

### Hypothesis

**H0**The relationship between levels of risk associated with the investments

**H1** There is no relationship between levels of risk associated with the investments

**Table No.3**

**Chi-square test on relationship between levels of risk associated with the investments**

Investments factors		No. of respondents (75)	Chi-Square	Df	Asymp. Sig.
Shares	Very High	5	19.027 <sup>a</sup>	3	.000
	High	28			
	Low	27			
	Very Low	15			
Debentures / Bonds	Very High	17	.360 <sup>a</sup>	3	.948
	High	20			
	Low	18			
	Very Low	20			
Stock Futures and Options	Very High	13	2.387 <sup>a</sup>	3	.496
	High	21			
	Low	21			

	Very Low	20			
Mutual Funds	Very High	12	19.347 <sup>a</sup>	3	.000
	High	16			
	Low	35			
	Very Low	12			
National Saving Certificate/ Public Provident Fund/ Provident Fund	Very High	11	10.280 <sup>a</sup>	3	.016
	High	17			
	Low	17			
	Very Low	30			
Fixed Deposits	Very High	3	46.760 <sup>a</sup>	3	.000
	High	5			
	Low	35			
	Very Low	32			
Insurance Policies	Very High	14	2.173 <sup>a</sup>	3	.537
	High	23			
	Low	19			
	Very Low	19			
Real Estate	Very High	13	4.093 <sup>a</sup>	3	.252
	High	20			
	Low	17			
	Very Low	25			
Gold / Silver	Very High	7	27.027 <sup>a</sup>	3	.000
	High	8			
	Low	30			
	Very Low	30			

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 18.8.

## INFERENCE

The above table shows the different level of risks associated with the investments. The calculated value is less than the table value ( $p < 0.05$ ). Hence, research hypothesis is accepted and null hypothesis is rejected.

## CONCLUSION



The research paper concludes that the Individual investors of Indian capital market are aware of the market. It is necessary to know that the Capital market components and techniques used by the urban investors depends upon demographic factors mainly such as income and education.

### **FURTHER STUDY**

This research discloses the behavioral aspects over the retail investments made by an individual .It fails to detect the scope of research of macro – economic factors over behavioural finance aspects and to find the related factors along with behavioural factors that are pulling the retail investors back from investing in stocks.

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