

“A STUDY ON DETERMINANTS OF INVESTMENT BEHAVIOUR OF INDIVIDUAL INVESTORS WITH REFERENCE TO CHENNAI”

Submitted in partial fulfillment of the requirements for the award of

Bachelors of Business Administration

by

**VIJAY.C
38280011**



SCHOOL OF BUSINESS ADMINISTRATION

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Accredited with Grade “A” by NAAC | 12B Status by UGC | Approved by AICTE
Jeppiaar Nagar, RAJIV GANDHI SALAI, CHENNAI - 600 119**

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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the confide work of **VIJAY.C 38280011** who have done the Project work entitled “**A STUDY ON DETERMINANTS OF INVESTMENT BEHAVIOUR OF INDIVIDUAL INVESTORS WITH REFERENCE TO CHENNAI**” under my supervision from January 2021 to March 2021

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VIJAY.C

DECLARATION

I **VIJAY.C 38280011** hereby declare that the Project Report entitled **A STUDY ON DETERMINANTS OF INVESTMENT BEHAVIOUR OF INDIVIDUAL INVESTORS WITH REFERENCE TO CHENNAI** done by me under the guidance of **Dr. THINESH KUMAR.M** is submitted in partial fulfillment of the requirements for the award of Bachelors of Business Administration degree.

DATE:

PLACE:

SIGNATURE OF THE CANDIDATE

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CHAPTER- I INTRODUCTION

1.1 INTRODUCTION

Investment refers to the commitment of funds currently, expecting a positive rate of return in the future. There are three types of investors: conservative investors, moderate investors and aggressive investors. There are also different methods available for investment, namely corporate securities, stocks, blue chips, obligations / bonds / ADR / GDRs, mutual funds, etc. The investor can obtain information about his investments in financial institutions, financial markets, media, etc.

1.2 INDUSTRY PROFILE

According to Rau (1980), "Savings form the basis of capital formation, and the formation of capital is an important determinant of economic growth." These people have a higher income rate, which encourages people to get more savings that are kept for more investment. Investment is the purchase of a financial product or other value with favorable future returns. Investors have many ways of investing to save their savings. Investing is a serious issue that can have a big impact on the future of investors. The risks and rewards available for each of these investment methods vary from one investment method to another. Even if a person does not choose a particular asset, such as stocks, investments are still made by participating in the pension plan, the savings plan in the post office and the savings program for employees or through life insurance purchase. Financial investment puts money into something with a profit expectation, after a thorough analysis, has a high degree of security of the original amount, as well as guarantee return, within an expected time period. Putting money into something that is expected of profit without doing a thorough analysis is speculation or gambling. Therefore, financial investment involves the decision-making process to ensure the security of both the original amount and the return on investment (ROI) over an expected period of time. In the economy, investment refers to the creation of capital or goods capable of producing other goods or services. The term investment refers to the commitment of funds currently, expecting a positive rate of return in the future. There are three types of investors: conservative investors, moderate investors and aggressive investors. There are also different methods available for investment, namely corporate securities, stocks, blue chips, obligations / bonds / ADR / GDRs, mutual funds, etc. The investor can obtain information about his investments in financial institutions,

financial markets, media, etc.

1. **According to Keynes, a man can invest his resources in two ways.**
2. He may buy shares and stock of an existing company. He may invest his income in buying new machine, setting new factory premises etc. Investment of first kind signifies only changes of ownership and is a kind of financial transaction. Keynes treats such an investment as Financial Transaction. It only implies transfer of capital ownership rights from individual to individual. There is no net increase in the total capital stock of the society.
3. On the other hand investment of the second kind that is regarded by Keynes as Real Investment. Real Investment refers to the addition made to the existing capital assets which result in increase in employment. Thus, investment is that part of income which is used for real capital formation. Investment is related to income. Investments increases with income and decreases with fall in income. Propensity to invest is the ratio between aggregate investment and aggregate income. It is expressed as follows: $PI = I/Y$. Motivation to increase investment is called inducement to invest. Inducement to investment indicates whether the entrepreneur would feel tempted to make any investment or not. Hence an investor will go for.
4. An investment only when the expected income is greater than the rate of interest. This expected income from investment is called Marginal Efficiency of Capital by Keynes. Inducement to investment depends on the difference between marginal efficiency of capital and the rate of interest. Greater this difference, or greater the marginal efficiency of capital than the rate of interest more will be the inducement to investment. Salaried Investors are those people who earn fixed income as salary. Their investment behavior is different due to security, regular and fixed flow of income, tax saving benefit, security, retirement benefits rather than professionals, farmers and businessmen. Savings apart from salaried class is not regular and un-assured because it is subject to market conditions. The salaried class investors with assured monthly income could be the regular savers and with the implementation of VI Pay Commission the salary classes have enjoyed the enormous hike in their income.

5. The various studies at micro level confirm the important role of salaried class investors in providing financial resources to various sectors of the economy. But the level of savings depends upon the financial literacy provided by the government and other financial intermediaries. Further savings can be augmented if the financial system is made more attractive to the investors.

1.1 SAVINGS AND INVESTMENT

It is quite important to understand the different motives of savings and investments of individuals. The difference lies in the key element that both savings and the investments. According to classical theory approach, the key element is the interest rates of investment. In other words, interest rates shall integrate motivation to save with motivation to invest by assuming that both savings and investments are functions of interest rate. On the contrary, according to Keynesian theory, motivation to savings is independent of interest rates and heavily depends on the level of income and behavioral and institutional factors which effects the investment of individual.

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.

The rise and decline in net financial savings persistently change on par with inflation, leading to low real rates on bank deposits and small saving funds. 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 favor 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 behavior 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.

According to Conventional Finance Theory, individual investors are perfectly rational in investment activities. Few years ago, psychological factors also influenced their investment decision and their investment pattern, causing them to behave in an irrational way.

According to Iyer and Bhaskar (2012), investment is defined as the purchase of goods that are not consumed today but to create wealth in the future. In finance, it can be defined as a monetary asset purchased with the aim that the asset will provide income and appreciate in future and be sold at a higher price. Investment decisions are made by investors and investment managers with an aim of making profits for themselves or their companies. Investors commonly perform investment analysis by making use of fundamental analysis, technical analysis and judgment. Investment decisions are often supported by decision tools.

1.2 INVESTMENT BEHAVIOR

Investment behavior refers to the attitudes, perception and willingness of the individuals and institutions in placing their savings in various types of financial asset. An investor is a person who sacrifices the present in order to reap the benefits for the future. The benefits may be in the form of capital appreciation, income in the form of dividends, bonus, retirement benefits & many other benefits.

Generally investor's objectives may be one of the following:

- ❖ To maximize of return
- ❖ To minimize the risk
- ❖ To hedge against inflation
- ❖ liquidity

1.2.1 Maximization of returns

Investors always expect a higher rate of return from their investments. Rate of return could

be defined as the total income the investor receives during the holding period expressed as a percentage of the purchasing price at the beginning of the holding period. To maximization of returns

1.2.2 To minimize the risk

Risk of holding securities is related with the probability where actual return is less than expected return. Investment's risk is as important as measuring its expected rate of return because minimizing risk and maximizing the rate of return are interrelated objectives in the investment management. An investment whose rate of return varies widely from period to period is more risky than whose return that does not fluctuate much. Every investor likes to reduce the risk of his investment by proper portfolio of different securities.

1.2.3 To hedge against inflation

Since there is inflation in almost all the economy, the rate of return should ensure coverage against the inflation. The rate of return rate should be higher than the rate of inflation; otherwise the investor will have loss in real terms on their investment. The return thus earned should assure the safety of the principal amount, regular flow of income and be a hedge against inflation.

1.2.4 Liquidity

Marketability of the investment provides liquidity to the investment. The liquidity depends upon the marketing and trading facility of investments. If a part of the investment could be converted into cash without much loss of time, it would help the investor meet the emergencies which arises. Stocks are liquid only if they pose good market by providing adequate return through dividends and capital appreciation.

Clark-Murphy and Soutar (2013) state that, it is assumed that individual investor's behavior is influenced by different factors in the market and the information structure. Iyer and Bhaskar (2012) take a note that investor market behavior derives from psychological process of decision making to explain why people buy or sell stocks.

Individual investor's behavior is concerned with choices about where and how to invest. No matter how much an investor is well informed, studied deeply about the various investment

avenues or took research before investing, (s)he also behaves irrationally with the fear of loss in the future. This different behavior in the individual investors is caused by various factors which compromise the investor rationality. It is generally believed that investment decisions are a function of several factors such as market characteristics and individual risk profiles, in addition to accounting information. The disposition error shows that regardless of accounting information, investors are influenced by sunk cost considerations and asymmetrical risk preferences for gain/loss situations. The research findings by Nagy and Obenberger, (1994) which examined factors influencing investor behavior, suggested that classical wealth – maximization of wealth is considered as an important criteria for investors, even though investors employ diverse criteria when choosing investment options. This has led to the study of human behavior and their investment decision.

According to Fogel & Berry (2010) there are two different approaches for understanding the human behavior in their investment decision - Traditional finance and Behavior finance.

Traditional finance assumes that markets are efficient and investors are rational and consider all available information in the decision-making process, that they will favor investment that maximizes their wealth.

Behavior finance which is based on psychological factors contends with market efficiency and investors rationality.

Investment behavior of the individual is influenced by his/her own environment. With an anticipation of creating high returns over a period of time and at certain level of risk, individuals invest in different financial products. Today, a number of investment avenues are available to individuals but an individual, after a thorough study of market and according to his needs and circumstances, shall have to decide which investment avenue has to be chosen.

1.3 TYPES OF INVESTORS

Based on the risk tolerance level, investors can be classified into:

- Conservative
- Moderate
- Aggressive

➤ **Conservative investors**

Conservative investors shall take lower risks and is basically risk averse investors. The conservative investor's basic motto is safety of the capital. He accepts minimal risks and i hence, prepare to receive minimum or low returns on the capital. Investors with such profile should allocate most of their money into fixed-income and money-market products.

➤ **Moderate investors**

Moderate investors are willing to take slightly higher risks as compared to conservative investors for a moderate level of return. Investors with this profile can allocate their money in debt as well as hybrid products like mutual funds, ULIPs etc. so that they can earn a moderate level of income by taking moderate risks.

➤ **Aggressive investors**

Aggressive investors are prepared to assume a high level of risk with the expectation of getting higher rate of return for over a period of 3- 5 years. Such investors can make their savings in risky assets like equity, real estate etc. These instruments yield

a high rate of return with a high degree of risk attached there within.

The collected data were analyzed in realization of the following objectives:

- To assess the level To identify the determinants of investment behavior.
- To identify the preference of the employers and investors about the various investment avenues.
- of awareness on investment.
- To analyze the attitude towards investment and attitude towards risk

OBJECTIVES AND DIVIDED INTO FIVE SECTIONS AS GIVEN BELOW

- Preference of investment
- Level of awareness on investment
- Attitude towards investment and risk
- Motivational factors of investment
- Socio-economic profile and investment behavior

Socio-economic Profile and Investment Behavior

Rational thinking is the stepping stone in any investment decision. The investors do not taking decisions rationally due to their heterogeneous nature in the market. Investors are differing mainly with to their socio- economic profile in the society. In order to know and understand the behavior of the investors in the market, it is necessary to study their profile with respect of socio-economic and other related features of investment.

Preference of Portfolio

Investing is a serious subject that can have major impact on investors' future well-being. Investment of hard earned money is a crucial activity of every human being. Investors have various needs to cater to. This induces them to search for different avenues. Varieties of investment options are available, offering different risk and reward and investors invest their hard earned money in diversified assets to spread their risk and reward Khaparde, et al, 2014). Understanding core concepts can help the investors to create a portfolio. Based on the risk and return perception the investors will select assets to form a portfolio. The portfolio

does not have all types of assets, it will differ based on the perception. The selection of portfolio will differ according to the socio-economic factors of the respondents (Volpe et al, 2002). Before selecting the nature of assets for a portfolio the investor will see the merits and demerits of the assets then enters into the selection process.

Individual investors choose to hold groups of financial assets rather than single asset. They usually believe that combination of assets will give beneficial result and also diversification of risk (Rustagi, 2007). A portfolio contains many investment vehicles, based on the investors' prerequisites and they select different assets and invest on that. But the preference of assets differs from one investor to another based on various factors and perceptions. Hence it is necessary to study the preference of portfolio of the respondents based on the socio-economic factors like age, gender, educational qualification, marital status, residential area, and number of earning members, nature of organization, annual income and savings potential.

Level of Awareness on Investment

The word "Awareness" refers to a consciousness of the existence of a particular truth, event or thing. Awareness means the set of skills and knowledge that allows an individual to make informed and effective decisions through their understanding of finance. Hence, awareness is a course of action by which, one knows the existence of a new thing. This process of knowledge makes a people to have an idea about a thing which has not known earlier. However, people may not have a thorough knowledge of that thing. Acquiring the knowledge of the latest developments in a particular field also amounts to awareness and hence awareness is a continuous process. The sense of awareness of an investor towards savings and investment is created, modified and shaped up by various external sources. The print and electronic media such as the dailies, weeklies, television, radio etc., and personal contact with friends, relatives, investment consultants etc., contribute a lot in creating awareness among investors. For improving financial literacy of individuals, there is a need for financial education. For designing an effective financial education program, current awareness level as well as investment behavior of individuals towards financial products must be known. The following section discusses about the awareness on investment and the level of awareness on investment of respondents.

1.4 RESEARCH GAP

A significant amount of research has been carried out both within and outside the country on the investment behavior. It has been observed from the review of literature that most research works are carried out to find saving habits, risk tolerance and the factors influencing investment decisions. However, there are hardly studies to find the knowledge of investors on investment avenues. Thus, this study is designed as an extension to the existing body of knowledge and fills the gap for analyzing the individual investment behavior.

1.5 STATEMENT OF THE PROBLEM

The development of any economy depends on healthy savings and proper allocation of capital for the developmental activities of any country. The reduction of disposable income increases the saving potential of individuals. The avenues of investment and the investor's opinion based on their preferences vary from person to person. Liquidity and safety play a major role in the investment decision. Now related studies related to household investments are emerging and their investment behaviors are considered important to enhance the savings of economy.

1.6 SCOPE OF THE STUDY

It is essential to understand the investment behavior of individuals as it forms the base for development of economy. If the savings and investment behavior among the people is good, it is a symptom for the development of both capital market and money market and also the economy. The main aim of every individual is to get higher return with minimum risk.

1.7 OBJECTIVES OF THE STUDY

- To determine the investment behavior of individual investors.
- To identify the preference of the individual investor about the various investment avenues
- To assess the level of awareness on investment
- To analyze the cause and effect of investment behavior of individual investors.

CHAPTER II

DESIGN REVIEW OF LITERATURE AND RESEARCH

2.1 INTRODUCTION

This chapter deals with findings and insights of various researchers, who previously worked on related papers; collected and analyzed by the researcher.

2.2 REVIEW OF LITERATURE

- **Bashir et al. (2013)¹** has carried out a study on “Influence of behavioral Biases on Cognitive Abilities”. The study aimed to analyze the role of individual’s level of cognitive abilities in making financial decisions and whether these abilities are affected by their behavioral biases. Cognitive Reflection Test (CRT) was used to investigate that whether behavioral biases that play major role in financial decisions are related with cognitive abilities. The research found that individuals who scored high on CRT are less likely to overconfidence, conjunction fallacy and conservatism biases. The research also related CRT with subjects such as time preferences and risk preferences and found that high score group are more patient and more risk seeker in domain of gain and less risk seeker in domain of losses. However behavioral biases are lower for people having higher cognitive abilities but they are still present in financial decisions.

Chita et al.(2011)² conducted a study on “Does personality traits influence the choice of Investment” analyses the psychological and personality characteristics of investors while investing their money in the stock market. The study analyzed the influence of seven personality traits emotional stability, extraversion, risk, return, agreeability, conscientiousness and reasoning – on the choice of investment pattern. The results of the study showed that these personality traits of the investors have an impact on the individual while taking decisions and also have a strong influence on determining the method of investment. The study found that the influence of personality traits on the investment decision is more compared to that of demographic variables.

Dharmaja et al. (2012)³ conducted a study on the topic “Factors Influencing the Individual Investor Behavior”. The study aims at identifying the most and the least influencing factors

of the individual investor behavior. The sample size considered for the study was 200 wherein all the samples were investors of GEOJIT BNP PARIBAS Financial Service Ltd., Coimbatore. The tools used for the analysis include Chi-square Test. The analysis was divided into 2 phases which are personal factors and behavioral factors. The study revealed that accounting information is the most influencing group of the individual investor behavior and neutral information is the least influencing group of the individual investor behavior. It was found that there are also some behavioral factors like the investor's financial tolerance, emotional risk tolerance and financial literacy which influence the investor's behavior.

VL Shobhana and J. Jayalakshmi (2006)⁴ in their study titled "Investors Awareness and Preferences – A Study" have examined the level of investor awareness regarding investment options and investment risks perceived by the investors. The analysis revealed that the

Investment in real estate is preferred by a majority of the respondents. The second most preferred investment among avenues is bank deposits. Awareness about investment options and risks are high among aged, highly educated and those who are professionals by occupation. Demographic variables such as age and education do not have significant influence over investor's awareness whereas difference in occupational status leads to difference in the awareness level of Investors. Thus, it has been found that the majority of the investors invest in Real Estate.

G.Jeyabal and G.Prabakaran (2009)⁵ in their article entitled "Investors Risk Tolerance towards Mutual Fund Investments". In his study stated that the mutual fund investors are low and moderate risk tolerant groups and the socio- economic variables alter the risk tolerance of individual investors. The mutual fund organizations must consider these socio-economic variables of the investors that have an important influence on investment decision making and investment pattern. In addition to that, mutual fund organization must concentrate on creating awareness among retail investors, controlling the operational costs, penetrating in the rural areas, avoiding the unethical practices, spreading the mutual fund culture, maintaining transparency and flexibility, introducing innovating products, creating a good rapport with the investors which will enable the mutual fund investors to have a high level of risk tolerance and mapping of risk.

- **Gaurav Kabra (2010)⁶** carry out a study “ Factors Influencing Investment Decision of Generations in India: An Econometric Study” the current study aims to gain knowledge about key factors that influence investment behavior and the ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups of individuals. It is to find out Factors which affects individual investment decision, Difference in perception of Investors in the decision of investing on the basis of Age and gender. The data were analyzed using standard techniques of factor analysis, Regression analysis and other basic techniques of statistics. The study concludes that investor’s age and gender predominantly decides the risk tolerance of investors.
 - **Gnana Desigan. C (2006)⁷** in his study entitled “Investors Perception towards Equity Share Investment – An empirical study” has examined the investment pattern of the equity investors and the problems faced by equity share investors in primary and secondary market. The analysis revealed the attitude and perception of the investors towards equity share investment. The study reveals the demographic profile of the investors. It can be seen that most of the equity share investors use up to 10 percent of their earnings to invest in equity shares investment. Most of them prefer balanced risk and prefer to monitor their investment daily to reduce risk profile. It is clear that speculative value is the main factor influencing them to make investment in equity shares. The main problems faced by the equity share investors are non- receipt of share certificates and delay in payment. Investors can be induced to invest more in equities provided; measures are taken to overcome the above said problems to avoid major risk in investment.
- Gupta L.C (2001)⁸** in their article entitled “Indian Household’s Investment Preference” found that there is a significant shift in the investor’s interest from shares to high quality bonds. The popular belief of investing in bonds requires greater experience than investing in shares. The bondholders come from higher income class than shareholders. The causes behind the erosion of investor’s confidence are due to weakness of corporate governance levels and secondary market price volatility. Thus, the study analyzed that there is a significant shift in the investor’s interest from shares to high quality bonds.

- **Haruna Issahaku (2011)⁹** conducted a study entitled “Determinants of savings and investment in deprived district capitals in Ghana- A case study of Nadowli in the upper west Region of Ghana” the paper portrays that there is propensity to save and invest in Nadowli in spite of low income. The factors that drive household investment are occupation, expenditure, assets and savings of individuals. Primary data were collected from households in Nadowli and Stratified random sampling technique was used to ensure the occupational groupings the levels of income, educational status, and occupation have positive influence on savings and investments; the number of dependents exerts a negative influence on savings. Hence, the study found that age composition and assets do not have a significant effect on savings of individuals.

- **Jawaharlal (1992)¹⁰** in his study entitled “Understanding Indian Investors” identified the behaviors of individual investors using a questionnaire method. The study covered major cities in India. 1200 shareholders and debenture holders were selected at random for the study as respondents. The study revealed that individual investors generally invest in more than five companies and preferred a large portfolio of investment. They lacked knowledge and experience in accounting matters and terms. There was a strong positive association between level of understanding and volume of shareholdings. The study indicated that the disclosures made by the companies, need to be improved for the benefit of the investors.

- **Jayabal et al. (2011)¹¹** has conducted a study on “Sources of Information among different Segment of Investors”. The study revealed that the investment decision is important for every individual because it involves commitment of capital. It also produces return which will have impact on standard of living of investors. To take right decision, the investors collect information from various sources. The different kind of people use different sources of information and the selection of particular source depend on characteristics of people and the outcome of decision is based on quality of information which in turn depends on right source. The study revealed that the source of information used is having indirect effect on both size of saving and choice of securities. Therefore, it is very important to know about the

source of information used by investors to understand their saving behaviors.

- **Jureviciene et al. (2013)**¹² conducted a study on “Behavioral Finance: Theory and Survey”. The paper analyses the importance of behavioral finance theories in household decision-making process. Behavioral finance theories investigate emotional characteristics to explain subjective factors and irrational anomalies in financial markets. In this regard, behavioral theories and behavioral anomalies in the decision-making process are examined and the application opportunities in the financial market are described. The aim of investigation is to determine the basic features and slopes of behavioral finance in concordance with financial decisions of a household. The survey method was applied to ascertain financial behavior of literate households. They found that the investors could be non-conscious of their financial decisions, as they can't always justify the financial motives, and, with a degree of uncertainty, their behavior is irrational in terms of a certain risk level. They concluded that, it is the necessity to consider behavioral factors in managing financial decisions of an individual.

- **Jospal Singh (2006)**¹³ in his study titled “A Study about the perception of Small Investors” a primary survey of 400 investors was conducted. The study found that among various avenues of investments, the mutual funds obtained the lowest preference by most of the investors.

- **Joseph et al. (2014)**¹⁴ has carried “A Study on Preferred Investment Avenues among the People and Factors Considered for Investment”. The study has been undertaken with the objective, to analyze the investment choice of people in few cities in Bangalore. The study is based on using a structured questionnaire. The study concludes that all the age groups among the respondents give more importance to invest in bank deposit and insurance. Income level of a respondent is an important factor which affects investment portfolio of the respondent. Respondents are more aware about various investment avenues like insurance, bank deposits, small savings like post office savings etc. Many people are not willing to take risk for their funds, so many prefer to invest in bank deposits, insurance, post office saving etc., The study suggested to every respondents that, they have to acquire a specific knowledge of various kinds of investment opportunities available in the financial market and appraisal of investment for avoiding loss.

- **Lakshmi et al. (2013)**¹⁵ conducted a research to investigate to what extent long term and short term stock investors share different behavioral characteristics. A structural model is employed to compare the traits of the investors and examine how investment decision making and behavioral biases are related, as well compared the relative differences of behavioral biases such as Herding, Social Contagion, Representative Heuristic, Over Confidence, Risk Aversion, Disposition Effect and Cognitive Dissonance. Identification of behavioral traits commonly associated with investment tenure aids in providing opinions and framing trading strategies. The psychological impact of investment decision making among investors is studied through a sampling survey of 318 valid respondents from voluntary retail investors in India between January 2012 and May 2012. Structure Equation Modeling [SEM] and path analysis is performed on how investment decision making and the proposed behavioral biases are related. Analytical results indicate that the structural path model closely fits to the sample data, implying the role of behavioral biases in investment decision making among individuals. The study also demonstrates that long term and short term investors significantly differ in behavioral traits.

- **Lease Ronald (1974)¹⁶** carried out a study entitled “The Individual Investor Attributes and Attitude” studied the demographic characteristics, assets holdings, investment strategy patterns, informative sources, market attitudes and perception of individual investors. The study also analyzed the records of portfolios and realized investment returns of the group of individuals. The samples of the study which comprise 990 investors stratified according to the geographical distribution of all the American shareholders as reported by the New York Stock Exchange were surveyed in the study. The data for the study were collected through a questionnaire and it was made with the help of a cluster analysis and automotive interaction detection analysis.
 - i. Individual income and total wealth of individuals
 - ii. Age and percentage of portfolio invested in income securities
 - iii. Analyzing the investment strategies of the selected group, the study found that long term capital appreciation was the prime concern for their investment with dividend and intermediate gains running second and short term gains ranking third in the list. A significant negative correction existed between annual income and percentage of portfolio invested in income securities.

- **Malekar et al. (2012)¹⁷** in their article entitled “A study of investor behavior on investment avenues in Mumbai Fenil” stated that investor’s perception will provide a way to accurately measure how the investors think about the products and services provided by the company. The objective of the study is to find out the need of the current and future investors and to study on investor behavior. A sample of 100 investors was taken for the study. Most of the investors were making conservative decisions that reflecting a survival mode in the business operation. During these difficult times, understanding what investors decide on an ongoing basis is critical for survival. Therefore, the study is identified that people like to invest in stock market as compared to any other markets, even if they face huge losses.

- **Naramisimhan and Somasundram L (2000)**¹⁸ in their research study titled “ Small – Savings: Time for the Government to quit” have mentioned in their study that escalating fiscal deficit caused increased in Government borrowings , which in turn, crowded out credit availability for investment and also keeps interest rate high. The study has found out that, when government reduced the interest rate on small savings by 1%, it had definitely reduced the interest burden on government finances. The study has concluded that it was time to indicate interest rate reforms. One of the key suggestions of researchers to the government was to make interest rate on small savings market oriented. Alternatively, for the existing deposits the interest rate could be fixed at 11% for the next 3 to 5 years and introduce the market related rates for the new deposit schemes. Center has to work on a solution to this problem. Further it has been concluded that as there are many banks with huge networks to mobilize retail savings of individuals, the government might now stop accepting small savings.
- **Pandian et al. (2013)**¹⁹ carried out a study on “A Study of Investors Preference towards Various Investments Avenues in Dehradun District”. The study was conducted to understand the awareness of people towards various investment avenues and the investors’ preference towards various investment avenues in Dehradun Districts. The investors are selected by convenient sampling technique. Accordingly, the researcher has selected 120 investors in the study area. The investigation shows that, majority of the investors invest their money in equity shares only and also the majority invest their money for the purpose of capital appreciation. The study revealed that when comparing the earnings and the loss incurred by the investors in stock market.

It is heartening to note that most of the investors incurred loss only. The study offered suggestion to the investors that; the investor has to invest their money in less risky securities like mutual fund and debenture.

- **Pasewark et al. (2010)**²⁰ found that investors consider personal values in addition to financial factors in the course of selecting investment avenues and also personal values network with expected rates of return to decide the investment choice. When return on investment with socially undesirable characteristics exceed returns on socially responsible investments, the strength of investor’s personal values becomes particularly important in determining their investment choice.

- **Preethi et al. (2014)²¹** studied the “Influence of Personality and Demographics in Investment Choice”. The primary objective of this paper was to find out the variation in investment pattern based upon demographic and personality factor. For which, the data is collected through questionnaire. This study has been conducted among the commerce and business administration department faculties who were working in the colleges of Tirunelveli city. 110 responses were used for data analysis. To determine the personality of the respondents, Big Five Inventory-10 has been used. It was found out that, based upon demographic and personalities, the investment pattern varied. Psychology factor of personality also influences the choice of the respondents.

- **Ramanujam et al. (2012)²²** carried out a study to compare the young and experienced women investors related to their investment avenues with their empirical analysis towards the success in investing in stock market. The study is based on personal interview of women investors, using a structured questionnaire. The study says that women should take some risk in the investment, which gives them a more knowledge in making out the correct and perfect judgment for their future investment.
Investors also need to mobilize them with regards to the men investors in the stock market investment.

- **Shantilal Sarupria (1963)²³** in their article entitled “Individual Savings in an under Development Economy-India-A Case Study” has made an attempt to disprove certain widely held views about the individual’s savings behavior in an under developed country like India and suggested potential savings of individual which could be mobilized for investment. It was contended that a large section of our population held the savings in the form of gold, landed property and other unproductive assets.

- **Stern P. Walter (1969)²⁴** in his study entitled “The Investment scene – An overview” identified the two broad styles of investing that are emerging; firstly the —Guns Lingers— the aggressive investor, who feels that he can identify changes before they invest and can

capitalize on it. He is identifiable, he is able, he is arrogant, he is young and he deals in concepts, not in price earnings ratio. He is an opportunity oriented one which checks out ideas before one present to him. He wants freedom to act quickly, secondly the serious long term investor, basically interested in long term earnings and long term pattern of investment. He is concepts oriented and is more profit earnings ratio oriented.

- **Society for Capital Market Research and Development (2004)**²⁵ conducted a survey entitled “Indian Household Investors survey- 2004” to identify the investor’s preference, problems and policy issues of investment. The study was based on direct interviewing of a large sample of 5908 household heads over 90 cities and across 24 States. The study states that price volatility, price manipulation and corporate

The woman mismanagement, fraud have been the household investor’s top three worries considered in India. A large percentage of investors had a negative opinion on company management. A majority of retail investors in India do not refer mutual fund equity schemes as a superior investment alternative to direct holding of equity shares. Retail investors prefer bank deposits rather than liquid or money market funds. A shareholding in 3-10 companies is the dominant practice among retail shareholders in all income and age classes. Middle class investors are conservative and they prefer long term investment. Equity shares have achieved a much higher degree of penetration among middle class households compared to other capital market instruments.

- **Singh (2012)**²⁶ has studied the “Investor Irrationality and Self-Defeating Behavior: Insights from Behavioral Finance”. The article explains that, the efficient markets hypothesis has posited investment decision-makers as rational, utility-maximizing individuals. Cognitive psychology, on the other hand, suggests that human decision processes are susceptible to several illusions: those caused by heuristic decision-making processes, as well as those arising from the adoption of "mental frames". Unfortunately, these heuristics may lead to cognitive illusions that include: representativeness, over-confidence, anchoring, gambler's fallacy, loss aversion, regret aversion, and mental accounting, among others. Behavioral

finance proponents argue that heuristic-driven bias and framing effects cause market prices to deviate from fundamental values. This paper argues that understanding of the findings of this research benefits individual investors the most as it seeks to create awareness of the various human biases and the high costs they impose on their portfolios'

- **Sahni (2010)²⁷** has studied the “Behavioral Finance: Testing Applicability on Indian Investors”. It was conducted with the objective to test the applicability of behavioral finance theories on Indian investors and with the sub-objectives to study the concept of behavioral finance and various theories associated with it and to prove the loss averse nature of investors. The sample size for the consumer survey is 135 and they are drawn randomly. They finally concluded that there is an investors' perception about market trend that is influenced by the past performance of a stock market on three consecutive days, which shows that the anchoring theory is relevant in case of Indian investors. The Indian investors are found to be loss averse, i.e., there is difference in investors' behavior in case of losses and gain.
- **Srivastava (2007)²⁸** has carried out a study on “An Analysis of Behavior of Investors in India”. The study attempts to measure the expectation and confidence of retail investors in Indian stock markets. In this study they concluded that the India investors do not believe in the stock market efficiency. Majority of the investors shared their views that it was smart to individual stocks and try to predict when they would rise. The researcher examined that investors have acquaintance with respect to the past performance of the stocks over the other universal investing instruments.
- **Sharma et al. (2013)²⁹** conducted “An Empirical Study of Gender Differences in Risk Aversion and Overconfidence in Investment Decision making”. The purpose of the research paper is to study possible gender effects on risk aversion and overconfidence in investment decision making. A sample of 168 respondents conveniently selected were administered a behavioral finance questionnaire comprising nine closed ended questions. Chi-square has been used as a statistical tool for data analysis. The

authors have found female are more conservative than their male counterparts in terms of risk aversion. In terms of overconfidence, they could not reach to any conclusion with certainty because research has shown mixed results.

- **Sireesha et al. (2013)**³⁰ has carried out a study on impact of demographics on select investment avenues: a case study of twin cities of Hyderabad and Secunderabad, India. The research study seeks to reveal the relationship between the demographic factors and investment avenues selected by investors. A survey method is adopted to gather information from 165 respondents through questionnaire in Hyderabad and Secunderabad and the samples were selected at random from different age groups, occupations, income levels, and qualifications. Points were allotted to the preferences specified by the respondents through the questionnaires. The study finally concludes that income and amount saved has an impact on the purpose of investment made by the investors. Most of the investors preferred to invest their money in the bank and post office savings schemes and this reflects the conservative nature of an investor i.e., the investor wants their money to be safe and they do not require any higher return and capital appreciation. The study offers a suggestion to the wealth manager to design a portfolio to their client according to their income pattern.

CHAPTER – 3

RESEARCH METHODOLOGY

The study is descriptive in nature. The present study is done using questionnaire method for assessing the determinants of investment behavior of individual investors. In order to effectively conduct a valid analysis in the presentation and analysis of the data collected on the research field, the researcher used descriptive statistics such as tables and charts to depict the relevant data.

Both the primary and secondary sources are used for this study.

1. Primary data

Data collected through questionnaires.

2. Secondary data

The secondary data is used such as websites, magazines, journals, financial reference book and other published sources

3.1 SAMPLING METHOD

The convenience sampling techniques is used to collect data.

3.2 POPULATION

Population of the study is unknown.

3.3 SAMPLE SIZE

Since it is difficult to cross examine all the beneficiaries, therefore sample size is confined to 175 respondents only.

3.4 PERIOD OF THE STUDY

The period of the study is from December 2020-February 2021

3.5 AREA OF THE STUDY

The research was conducted in Chennai

3.6 LIMITATIONS OF THE STUDY

- ❖ The study is confined to 175 respondents only.
- ❖ The sample size chosen for the study may not be representative of the entire population.
- ❖ The investment behavior may change from time to time; hence the study is valid for specific period/ time only.
- ❖ The duration of the study is limited (December 2020-February 2021)

CHAPTER IV

DATA ANALYSIS AND INTERPRETATION

Table 4.1 SOCIO-ECONOMIC PROFILE OF THE RESPONDENTS

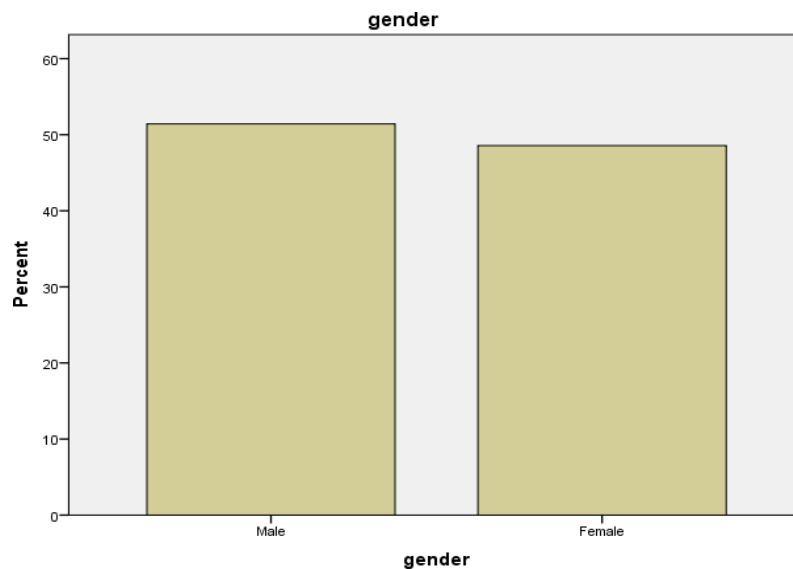
Factor	Classification	Frequency	Percentage(%)
Gender	Male	90	51.4%
	Female	85	48.6%
Age(in years)	21-30	69	39.4%
	31-40	43	24.6%
	41-50	38	21.7%
	Above 50	25	14.3%
Educational Qualification	Under graduate	36	20.6%
	Post graduate	81	46.3%
	Diploma	13	7.4%
	Others	45	25.7%
Marital Status	Single	59	33.7%
	Married with children	101	57.7%
	Married without children	15	8.6%
Nature of Family	Nuclear	131	74.9%
	Joint	44	25.1%
Residential Area	Rural	18	10.3%
	Semi-urban	94	53.7%
	Urban	63	36.0%
Nature of Organization	Public	20	11.4%
	Private	111	63.4%
	NGO	20	11.4%
	MNC	24	13.7%
No. of Earning Members in the Family	One	39	22.3%
	Two	100	57.1%
	Three	26	14.9%
	More than three	10	5.7%
Annual Income	Below 200000	23	13.1%
	200001-400000	58	33.1%
	400001-600000	39	22.3%
	Above RS.600000	55	31.4%
Savings Potential	Below Rs.100000	72	42.9%
	100001-200000	94	53.7%
	200000-300000	2	1.1%

	Above Rs.300000	4	2.3%
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4.1.1 Gender

In investment decisions the difference among women and difference among men are much greater than the difference between men and women. Hence the study of gender is an important factor in analysis of preference of portfolio. It is found that 51.4 per cent of the respondents are male and 48.6 per cent of the respondents are female. It is observed from Table 4.1 that, majority of the respondents (51.4 per cent) is male.

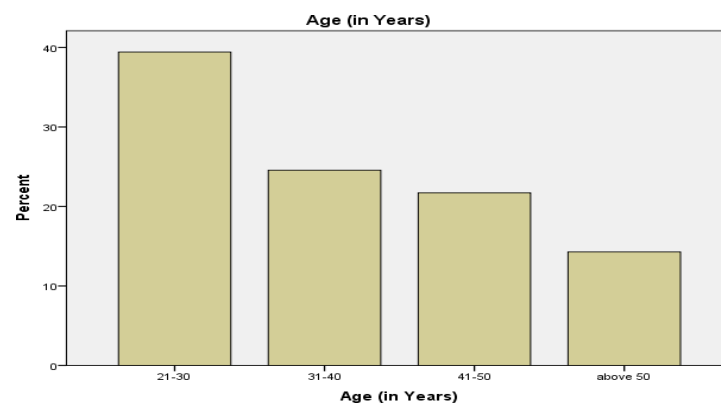
Figure 4.1 Percentage Analysis of Gender



4.1.2 Age

It is found that 39.4 per cent belong to the age group of 21 to 30 years, 24.6 per cent belong to the age group of 31 to 40 years, 21.7 percent belong to the age group of 41 to 50 years and the rest of the respondents covering 14.3per cent, belong to the age group of above 50 years. It is observed that the maximum numbers of respondents of 36.7 per cent belong to the age group of 31 to 40 years in the study area. It is also examined that, three-fourths of the respondents are from below 40 years age group.

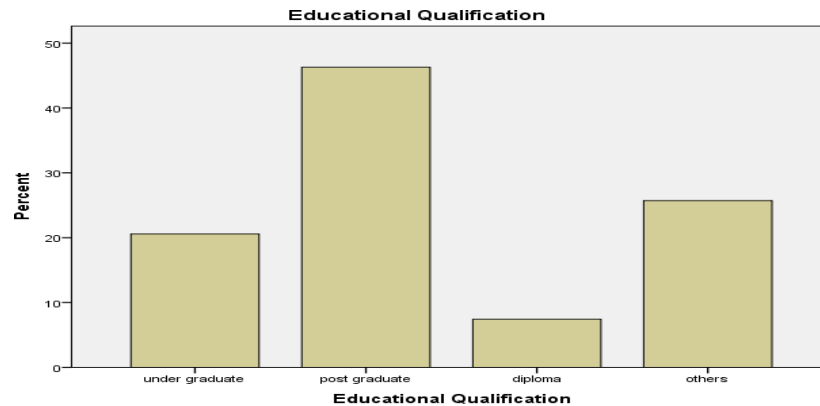
Figure 4.2 Percentage analysis of Age



4.1.3 Educational Qualification

The level of education of the individual influenced the saving behavior of the household's positively. Hence the respondents' educational qualification has been presented in Table 4.1. It is observed that 20.6 per cent of the respondents are Under Graduates, 46.3 per cent are Post Graduates, 7.4 per cent are Diploma holders and the rest of the respondents are Professional Degree holders. It is found that the maximum number of respondents (46.3 per cent) possess a Post Graduate degree.

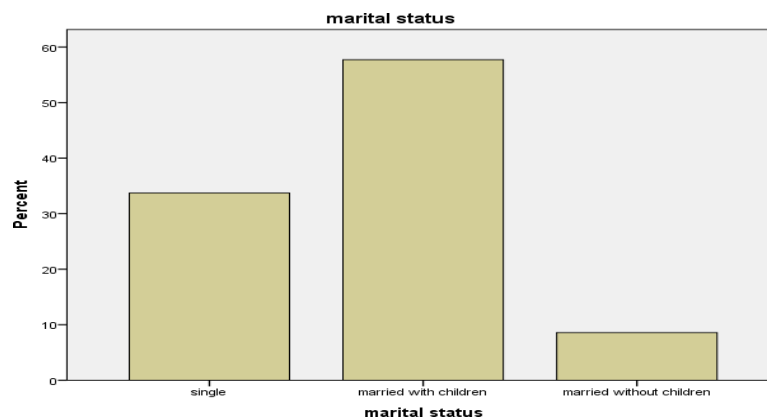
Figure 4.3 Percentage analysis of Educational Qualification



4.1.4 Marital Status

The married population is subjected to more liabilities which discourage them to invest more when compared to the unmarried and separated group. It is identified from Table 4.1 that maximum numbers respondents (33.7 per cent) belong to social status of single followed by the respondents in the category of married with children (57.7 per cent) and married without children 8.6.

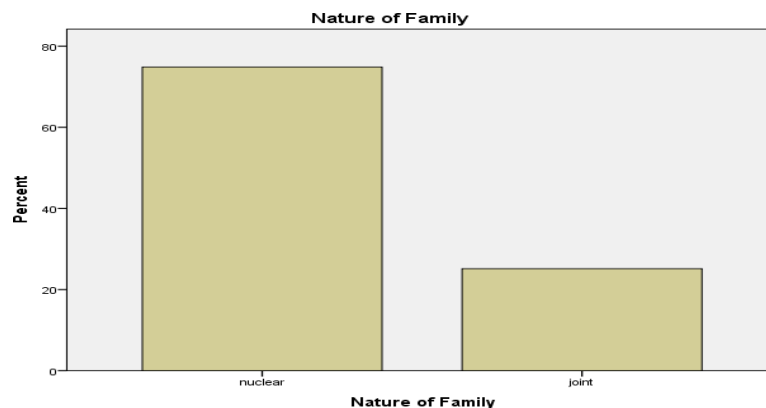
Figure 4.4 Percentage analysis of Marital Status



4.1.5 Nature of Family

In the nuclear family setup the income and consumption of people have been changing and giving rise to more investment when compared to joint family system. Majority of the respondents (74.9 per cent) belong to the nuclear family system and the rest of 25.1 per cent of the respondents belong to the joint family system.

Figure 4.5 Percentage analysis of Nature of Family



4.1.6 Number of Earning Members in the Family

The details of respondents based on the number of earning members in the family have been presented in Table 4.1. Majority of the respondents (57.1 percent) have two earning members in their family, 22.3 per cent of the respondents have only one earning member and 5.7 per cent of the respondents have more than three earning members in the family. It is observed that majority of the respondents' family are have two earning members in their family.

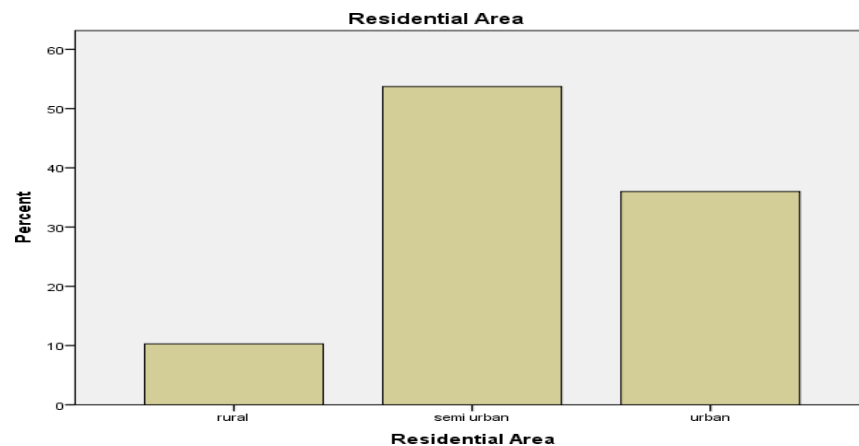
Figure 4.6 Number of Earning Members in the Family



4.1.7 Residential Area

Table 4.1 reveals the residential area of respondents 10.3 per cent of the respondents belong to rural area, 53.7 per cent of the respondents live in semi- urban area and 36 per cent of the respondents live in the urban area.

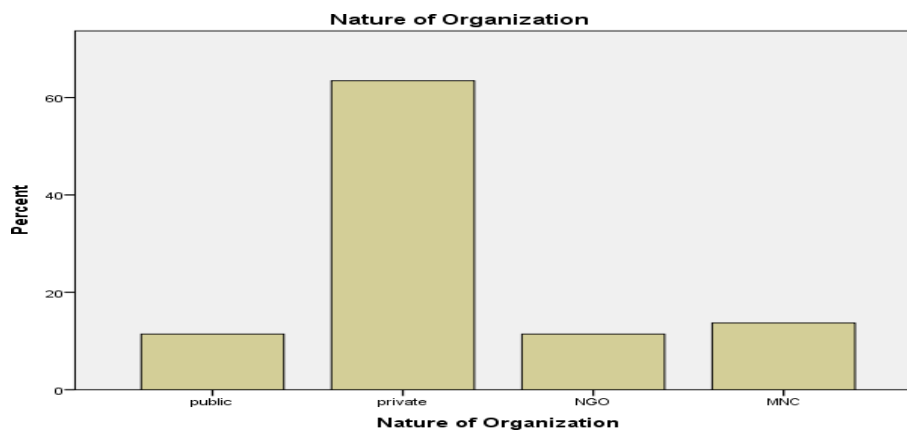
Figure 4.7 Percentage analysis of Residential Area



4.1.8 Nature of Organization

From the nature of organization of the respondents, it is identified that, out of 175 respondents, 11.4 per cent of the respondents belong to public Services, 63.4 per cent of the respondents belong to the private and together 25. Percent belongs to MNC and NGO'S.

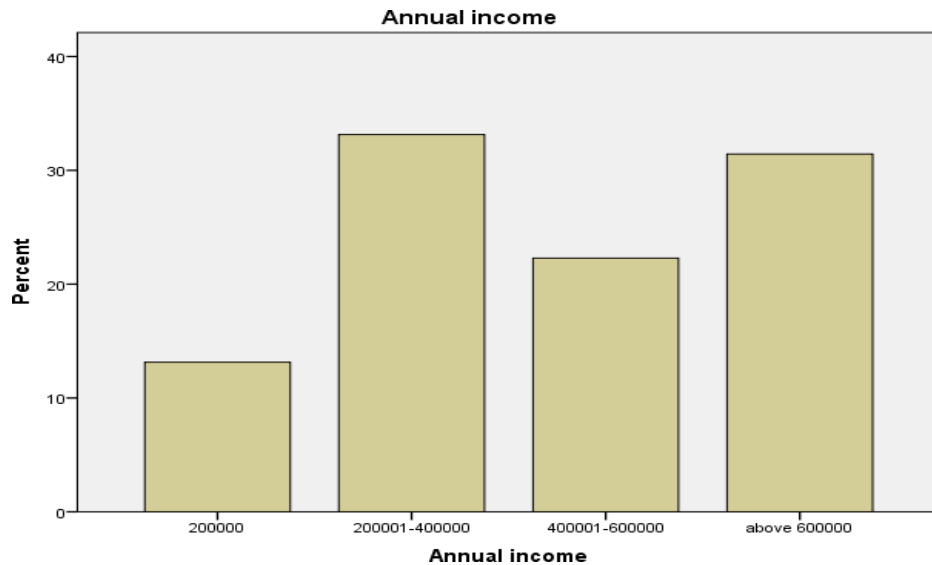
Figure 4.8 Percentage analysis of Nature of Organization



4.1.9 Annual Income

The income of the respondents reflects the purchasing power. The details of respondents based on their annual income have been presented in Table 4.1. It is inferred that 13.1 per cent respondents have the income below Rs.2,00,000, 33.1 per cent have the income level between Rs.2,00,001- Rs.4,00,000, 22.3 per cent of the respondents have the income level between Rs. 4,00,001- Rs.6,00,000 and 31.4 per cent of the respondents have an income of more than Rs. 6,00,000 per annum. It is found that maximum number of respondents' (33.1 per cent) income falls between rupees Rs.2,00,001- Rs.4,00,000 followed by 31.4per cent of respondents having an income of above Rs.6,00,000 per annum.

Figure 4.9 Percentage analysis of Annual Income



4.1.10 Savings Potential

42.9 per cent of the respondents have the savings potential of less than Rs.1,00,000 per annum, 53.7 per cent have the savings potential of between Rs.1,00,001 and Rs.2,00,000 per annum, 1.1 per cent of the respondents have the savings potential between Rs.2,00,001 and Rs.3,00,000 per annum and 2.3 per cent of the respondents have the savings potential of above Rs.3,00,000 per annum. It is found that maximum number of respondents (53.7 percent) have the savings potential of between Rs.1,00,001 and Rs.2,00,000 per annum followed by nearly 40 per cent of respondents who have the savings potential of less than Rs.1,00,000 per annum.

Figure 4.10 Percentage analysis of Savings Potential

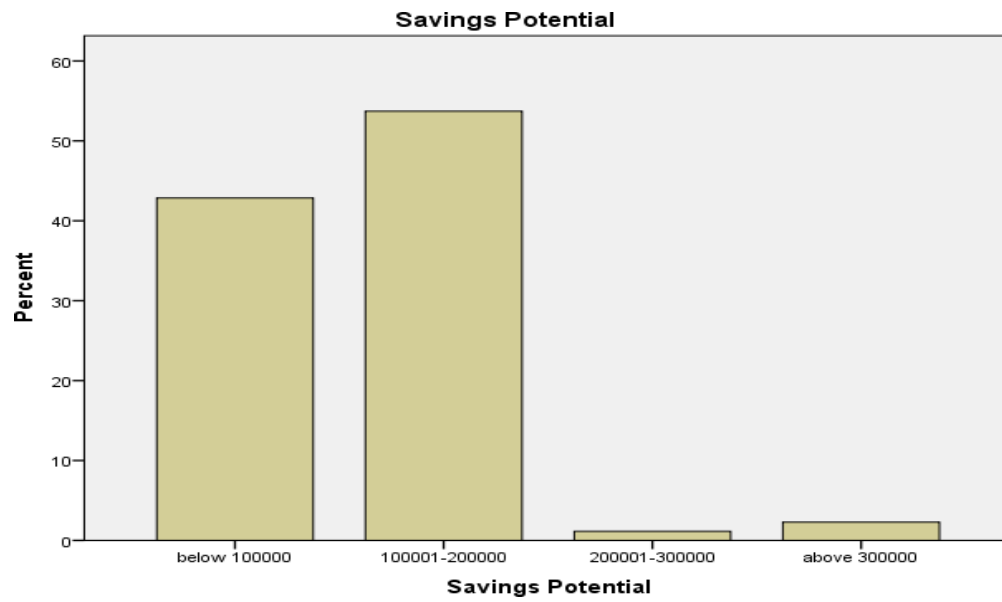


TABLE 4.2 LEVEL OF PREFERENCE ON THE FOLLOWING INVESTMENT AVENUES

	Mean	Std. Deviation	Rank
Bank deposit	2.91	0.930	VI
Public provident fund	2.68	1.034	IX
Company fixed deposit	2.41	1.012	XI
Post office saving scheme	3.01	0.986	V
Government securities	2.61	1.198	X
Mutual fund	2.84	1.198	VII
Insurance	3.02	1.444	IV
Debentures	2.75	0.995	VIII
Equity funds	3.15	1.486	III
Real estate	3.99	0.858	I
Gold/silver	3.56	0.938	II

From Table 4.2 it is clear that majority of investors prefer to invest in Real estate and have been ranked first with the mean of 3.99. Next Gold with the mean of 3.56, prefer to invest in Equity (3.15) because of highest return, followed by Insurance (3.02), Post office saving scheme (3.01), Bank deposit, Mutual fund, Debentures, Public provident fund, Government securities. The investors have given less preference on company deposit because of its security issues and regulations.

TABLE 4.3 AWARENESS ON INVESTMENT

	Mean	Std. Deviation	Rank
Knowledge on investment avenues	3.42	1.036	VI
Track investment on TV/newspaper	3.71	0.983	111
Often get advice from financial experts	3.67	0.985	1V
Usually visit to the website relate to investment	3.49	1.129	V
Usually review the reports of professional bodies	3.81	0.975	I
Review my investment progress	3.78	1.093	11

Table 4.3 shows the level of awareness on investment. Majority of the respondents stated that they usually review the reports of professional bodies for investment purpose with the highest mean of 3.81. To gain knowledge on investment avenues maximum number of respondents track investment on TV/Newspaper with the mean of 0.983 and it has been ranked third. Knowledge on investment avenues is the least with mean value of 3.42.

TABLE 4.4 ATTITUDES TOWARDS INVESTMENT

	Mean	Std. Deviation	Rank
Save money to have a secure life	4.03	0.961	I
Investment offer an additional income	3.49	1.098	IV
Prefer to save, when compared to save	3.52	1.118	III
Safety is the main motto in investment	3.55	1.081	II

Table 4.4 shows that majority of the investor prefer to save money to have a secured life. Investors invest in investment avenues with the motto of safety with the mean value of 3.55. Least of the respondents have an attitude that the investment offers an additional income.

TABLE 4.5 MOTIVATIONAL FACTOR IN INVESTMENT DECISION

	Mean	Std. Deviation	Rank
Spouse	3.66	1.076	III
Parents	3.60	1.165	V
Friends/Colleagues	3.45	1.173	VI
Financial advisors	3.63	1.186	IV
Professional bodies	3.98	1.075	I
Media and investment website	3.88	1.095	II

Table 4.5 shows that professional bodies are the major motivational factor in investment decision with mean value 3.98. Media and investment website is the second motivational factors for investment. Friends/Colleagues and financial advisors are the least motivational factors in investment decision with mean 3.45 and 3.63

CHAPTER V

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

1. Majority of the Investors prefer to invest in real estate and least in company fixed deposit because of its regulation and security issues.
2. Even though investments like government securities and public provident fund provide a safe zone of investment, investors prefer riskier investments to earn higher profit.
3. Majority of the respondents stated that they usually review the reports of professional bodies for investment purpose with the highest mean of 3.81. Knowledge on investment avenues is the least with mean value of 3.42.
4. Investors invest in investment avenues with the motto of safety with the mean value of 3.55. Least of the respondents have an attitude that the investment offers an additional income.
5. Professional bodies are the major motivational factor in investment decision with mean value 3.98. Friends/Colleagues and financial advisors are the least motivational factors in investment decision with mean 3.45 and 3.63.
6. Socio-economic factors, the age, educational qualification, marital status, nature of family, nature of organization, number of earning members in the family and annual income has significant influence on the selection of portfolio at five per cent level.
7. Factors except Nature of family, Nature of organization and savings potential have supported the relationship with level of awareness on portfolio in the study area.
8. There is difference in mean population between Overall preference of investor and factor Gender.
9. There is no significant difference in mean population between Overall preference of investor and Nature of Family.

10. It is found that 51.4 per cent of the respondents are male and 48.6 per cent of the respondents are female. It is observed from Table 1 that, majority of the respondents (51.4 per cent) is male.
11. . It is observed that the maximum numbers of respondents of 36.7 per cent belong to the age group of 31 to 40 years in the study area. It is also examined that, three-fourths of the respondents are from below 40 years age group.
12. It is observed that 20.6 per cent of the respondents are Under Graduates, 46.3 per cent are Post Graduates, 7.4 per cent are Diploma holders and the rest of the respondents are Professional Degree holders. It is found that the maximum number of respondents (46.3 per cent) possess a Post Graduate degree.
13. It is identified that maximum numbers respondents (33.7 per cent) belong to social status of single followed by the respondents in the category of married with children (57.7 per cent) and married without children 8.6.
14. In the nuclear family setup the income and consumption of people have been changing and giving rise to more investment when compared to joint family system. Majority of the respondents (74.9 per cent) belong to the nuclear family system and the rest of 25.1 per cent of the respondents belong to the joint family system.
15. Majority of the respondents (57.1 percent) have two earning members in their family, 22.3 per cent of the respondents have only one earning member and 5.7 per cent of the respondents have more than three earning
16. The residential area of respondents 10.3 per cent of the respondents belong to rural area, 53.7 per cent of the respondents live in semi-urban area and 36 per cent of the respondents live in the urban area.
17. From the nature of organization of the respondents, it is identified that, out of 175 respondents, 11.4 per cent of the respondents belong to public Services, 63.4 per cent of the respondents belong to the private and together 25. Percent belongs to MNC AND NGO'S.

18. It is inferred that 13.1 per cent respondents have the income below Rs.2,00,000, 33.1 per cent have the income level between Rs.2,00,001- Rs.4,00,000, 22.3 per cent of the respondents have the income level between Rs. 4,00,001- Rs.6,00,000 and 31.4 per cent of the respondents have an income of more than Rs. 6,00,000 per annum. It is found that maximum number of respondents' (33.1 per cent) income falls between rupees Rs.2,00,001- Rs.4,00,000 followed by 31.4per cent of respondents having an income of above Rs.6,00,000 per annum.
19. 42.9 per cent of the respondents have the savings potential of less than Rs.1,00,000 per annum, 53.7 per cent have the savings potential of between Rs.1,00,001 and Rs.2,00,000 per annum, 1.1 per cent of the respondents have the savings potential between Rs.2,00,001 and Rs.3,00,000 per annum and 2.3 per cent of the respondents have the savings potential of above Rs.3,00,000 per annum. It is found that maximum number of respondents (53.7 percent) have the savings potential of between Rs.1,00,001 and Rs.2,00,000 per annum followed by nearly 40 per cent of respondents who have the savings potential of less than Rs.1,00,000 per annum.

SUGGESTIONS

1. Today there are so many special investment schemes are available for investment, so investor are suggested to diverse their portfolio towards profitable avenues.
2. Investors should develop a habit of reading newspapers, magazines related to investments and other watching investment TV channels to make their investment as profitable one.
3. Investors could avoid taking suggestions from commoners. It is recommended to approach professionals such as tax consultants, chartered accountants and financial advisors to get dual benefits of investment as well tax reduction.
4. Recognition of bias in oneself is the first step to avoid behavioral bias in the process of investment decisions.
5. Tracking or reviewing of investment would help them to have a good knowledge about the present asset holding.

CONCLUSION

The study exposed the fact that, the investment strategies of the investors are largely influenced by the socio-economic factors and it further reveals that the behavioral bias plays a vital role in determining the investment process of individual investors. Different types of investment avenues are available and the investors have to become more alert and choosy in selecting profitable investment avenues with minimum risk. The selected investors in the study are not having adequate awareness about the investment and hence they prefer to invest in traditional and high earning financial products.

The study concludes that majority of the investor prefer to save money and the investor invest with the motto of safety. Professional bodies influence the investors in investment decisions. Investors need to consult with the financial advisors for the investment decision.

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