

# The Behaviour of Equity Investors In Coimbatore District

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Individuals who invest relatively smaller amounts of money on equities should try through institutional investment. Teamwork is needed among the market players for improving the system and communication of the same to the investors.

This research paper discuss the investment behavior of equity investors, based on a questionnaire survey conducted in Coimbatore district of Tamilnadu. The first part of the study concentrates on the decisions taken by investors while investing in equity markets. Analysis show that investors tend to follow their own analysis of simple percentages and hypotheses. The second part of the study identified the factors that affect investment behavior of equity investors, regularity of investment, motive of investment, types of market preferred, and number of companies in which investments are made, and annual value of trading as important factors.

The findings suggest that the investors who invest relatively smaller amounts of money on equities should try through institutional investment. Accordingly, certain suggestions are made to improve the investors confidence in equity market. The study emphasizes the need of teamwork among the market players for improving the system and communication of the same to the investors.

## Introduction

Capital market development has been closely related to an economy's overall development. By the time economy develops, the indirect lending by savers to investors tends to become more efficient. As economy grows further, specialized financial intermediaries and securities markets develop. As securities markets mature, investors can invest their funds directly in financials, as groups issued by firms. Investment takes place with the purchase of any group that offers expectation of future income or profit or both. Every individual who has more money than he needs for current consumption is potentially an investor. In the present day socio-economic conditions, financing has become scarce and the investors try to maximize with the minimum of risk - which is inherent in investment. Successful investing is not in avoiding risk but about understanding it.

Of all the sections of society, the household group contributes much of the capital, forming the lifeblood for the economy. The contributions of small investors is critical to the economic and social development of the country. Investors need to preserve and build their wealth through various alternatives. The investors should examine all the aspects before making any investment decision. Equity as a group class, offers better long-term and superior returns compared to other instruments. Moreover, investment in equity shares of growth companies can protect the investors against inflation.

## Review of Literature

A vast number of studies have been conducted both in India and abroad, relating to investors investment behaviour. Lease, Lewellen, and Schlarbaun (1974) made an attempt to explain the attributes and attitudes of the individual investors in their study entitled "The individual investor: Attributes and Attitude". Blume and Friend (1975) attempted to ascertain behaviour at both micro and macro levels in their studies titled 'the asset structure of individual portfolio and some implication for utility functions'. In India, an early attempt was made by Gupta (1991) in his study 'Indian share owner: A survey'. His main aim was to ascertain the behaviour of share owners. A study conducted by Muthupandi (2000) has conducted a study on the title "factors influencing investment decision" which

reveals the various characteristics of an investor. A sample of 100 investors was selected in Madurai city. The study reveals that marital status, nature of occupation and income of investors affect the investment decisions.

Shanmugam (2000) studied the "factors influencing investment decision" A group of 200 investors was taken to examine the factors influencing investment decisions. Further, the analysis also leads to the conclusion that psychological and sociological factors dominate the economic factors in investment decision making.

## Operational Definitions

**Investment:** Investment is the employment of funds with the aim of achieving additional income or growth in value. One makes investment for a return higher than what he can get by keeping the money in commercial or co-operative banks or even in an investment bank

**Equity Investment:** Any investment decision is a trade between risk and return. When the return is high, the risk is bound to be high and where the risk is low, the return is bound to be low. Equity shares are also called common shares and are from the point of view of investment more risky than both bonds and preference shares. They however, afford greater advantages than both the other securities and in the capital market enjoy a better position as for as the investors attraction is concerned.

## Study Objectives

1. To identify the investment behaviour of equity investor
2. To find out the factors associated with investment behaviour
3. To analyze the problems of investors and methods of redressal system employed to solve their grievances

## Methodology

This study is based on primary data collected from a random sample of 213 equity investors of Coimbatore District in Tamilnadu, using a structured questionnaire. The questionnaire contained items relating to socio-economic profile of the investors, source of investment information, investment behaviour, and their

grievances. Simple and cross-tabulations served processing the data. Using Chi-Square test the association between personal factors and investment behaviour was analysed. The sample consisted of 213 equity investors.

The five groups of null hypotheses were related to the following aspects:

- the regularity of investment
- the motive of investment
- the type of market preferred
- the number of companies invested
- the annual value of trading

These were verified against eight investor attributes gender, age, marital status, level of education, monthly income of the investor, family income, reading investment column in newspapers and magazines, and occupation of the investor.

#### FINDINGS

The respondents ranked the items in the questionnaire. The ranking and the weighted average that indicates the significant concerns of the investors are shown in table 1.

**Table 1** FACTORS CONSIDERED WHILE PURCHASING A SHARE

Factors	Rank										Total 213	Weighted Average Rank
	1	2	3	4	5	6	7	8	9	10		
Return on Investment	35	27	25	37	16	27	14	8	11	08	213	I
Nature of Industry	36	21	20	33	16	18	19	21	15	14	213	II
Expected Earnings	20	23	27	19	42	28	20	13	10	11	213	III
Dividend Polarity	13	13	31	29	31	24	25	17	13	10	213	IV
Price Movement of Shares	30	15	14	21	22	24	20	25	20	14	213	V
Liquidity of shares	14	22	15	18	24	16	24	24	28	22	213	VI
Management	23	21	17	15	18	22	24	14	33	24	213	VII
Growth Prospectus of the company	13	28	18	10	13	21	32	25	33	20	213	VIII
Price /Earning ratio	10	14	24	15	22	17	20	34	34	17	213	IX

The findings of this study are divided into two sections namely factors influencing investment behaviour of equity investors and socio-economic profile of sample investors.

#### Factors influencing investment behaviour of equity investors:

The 'investor attributes' revealed unique combinations of associations with investment behaviour. The main findings are given below:

(A) 'Regularity of investment' was found to be associated with investor attributes of [1] occupation and [2] reading investment columns in newspapers and magazines.

(B) 'Motive of investment' showed association with [1] age, [2] occupation, and [3] family income.

(C) 'Market preference' was found to be linkaged with [1] gender difference, [2] family income, [3] educational qualification, [4] reading investment columns in newspapers and magazines.

(D) The 'number of companies in which investment is made' is found to be determined by investor attributes of [1] gender difference and [2] reading investment columns in newspapers and magazines.

(E) The 'annual values of trading' seemed to be *independent* of [1] gender difference, [2] age, [3] marital status, [4] occupation, [5] monthly income of the investor, [6] family income, [7] educational qualification, or [8] reading investment columns in newspapers and magazines.

## **2. Socio-Economic Profile and Investment behaviour of equity investors:**

- Males prefer to invest in equity shares [more than the female investors]
- Majority (59%) of the investors belong to the age group of 31 to 50 years and married investors are more interested in investing shares than the unmarried investors
- Most of the investors are post graduates, and 61% of the investors are employed
- Monthly income of majority (63%) of the investors is up to Rs. 10,000/-.
- 55% of the investors are heads of their families and 63% of them have three/four members in their family
- Most of the respondents have monthly savings up to Rs. 2,000/-
- Majority (93%) of the investors read newspapers and 50% of the investors are referring general newspapers for collecting investment related information
- 45% of the sample reads prospectus occasionally at the time of making investment in shares
- 77% of the investors are not associated with any investor forum
- Those who are associated with investor forums were found to be satisfied with the information supplied by the forum about investment scenario
- 71% of the investors are satisfied about the information supplied by the investor forum with regard to latest issues of equity shares and majority (67%) of the investors are satisfied about the assistance provided by the investor forum regarding redressal of their grievances
- It is found that, 77% investors are satisfied with their stock broker's service in relation to the consultancy and execution of orders

- 62% of the sample are influenced by only one source of investment decision at the time of making an investment
- 68% of the sample occasionally invested in shares
- 40% of the respondents invest funds with an aim to get short-term capital gain.
- 39% of the investors prefer primary and secondary markets for their investment transactions
- 36% of the investors take investment decisions within few days
- It is found that main source of investment of 60% of the investors is personal savings
- 63% of the investors have invested only a minimum part of their wealth in shares
- Majority (65%) of the investors are holding shares in an average of five companies
- 54% of the sample invested in shares up to Rs. 25,000/-
- 52% of the investors expect more than 20% of returns from their equity investment
- Out of 213 investors, majority (76%) does not face any difficulty in selling their shares
- 78% of the investors are satisfied with the functioning of SEBI

## **SUGGESTIONS**

The survey findings reveal the scope of certain suggestions for the parties involved in the investment ground, to the investors, companies, brokers, the regulatory body, investor forums, and to SEBI.

### **To The Investors**

- Investment is a specialized activity, therefore, the relatively small investors need assistance of institutional investment
- Investing in equities shares does not guarantee return from investment
- Investment in shares should be diversified
- The investors must keep in touch with the market daily

- The investors should purchase shares, which have regular trading in the stock market
- A broker should be consulted before making a wide investment.

#### **To The Company**

- Public disclosure of annual report through websites must be made accessible
- Share prices should be published in Tamil dailies
- Companies should provide dividend insurance like foreign companies

#### **To The Brokers**

- Brokers have to clear the doubts of the investors and should always protect the interest of their clients
- Transaction of brokers at the time of executing the orders must be transparent

#### **To The Regulatory Body**

A regulatory body for the capital market can make an important contribution to a healthy corporate sector, investment machinery and trading in securities, to ensure liquidity and price continuity, to ensure relative price stability.

#### **To The Investor forum**

- Many investors are not aware of the working of investor forum, so proper advertisement must be made to educate those people.
- Investor forum should open branch offices at all places.

#### **To SEBI**

- SEBI may insist the companies to declare their results, offer documents, and applications in local languages to help the common investors
- SEBI should regulate the high-level price fluctuations
- SEBI should investigate the companies when they decrease the rate of dividend continuously

#### **Conclusion**

Capital gains and dividends are the important ingredients that investors regard as return on investment. Investors accessing reliable information are likely to be successful in the capital market. To avoid wrong decisions one may need professional guidance.

Individual investor's behaviour can influence stock markets behaviour and stock markets behaviour in turn influence the course of the economy. Hence, players and regulators should endeavor to protect the interest of individual investors and thus create confidence in their mind. The development and the smooth functioning of the capital market in the long run is not possible without protecting the interest of investors.

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