

# A Study of Investor Attitude & Perception in Chennai City

Ms. R. Banu Reka<sup>1</sup>, Ms. R. Sasirekha<sup>2</sup>

<sup>1</sup> Associate Professor, DOMS, Easwari Engineering College, PH-044-43923026  
E-mail: banureka.r@eec.srmrmp.edu.in

<sup>2</sup> Assistant Professor, DOMS, Easwari Engineering College, PH-044-43923026  
E-mail: sasirekha.r@eec.srmrmp.edu.in)

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## Abstract:

The study of investor behavior arises from the imperfections in the assumptions of Efficient Market Hypothesis (EMH). The EMH assumes that investors will behave rationally; it is found that investors hardly act reasonably while taking investment decisions. Investors are afflicted by various psychological biases which affects the investment decision of individuals. Investors are afflicted by these behavioral biases both at the time of entry into capital markets and also at the time of exit from the capital markets. Their perception of financial information also distorts their investment decisions. This study focuses on the attitude & perception of investors while making investment choices, Also the study focuses on the impact of demographical factors like family back ground, age, occupation, sex, income, marital status, risk tolerance capacity, education etc on their investment choice. The present study is undertaken to highlight on investor behavior in light of socio-economic factors that makes them prefer a particular investment option.

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## I. INTRODUCTION

The study of investor behavior is an emerging field in India. India has emerged among one of the fastest growing economies in the world. This has no doubt impacted the Indian Capital markets. The surging capital market combined with the new millionaires being created by capital markets has created an attraction for Indian investors.

This growing number of investors provides an interesting field of study with respect to their decision making process, their risk profile, attitude etc. Also the impact of various psychological biases and its effect on their investment choices has provided a fodder for researchers.

The Efficient Market Hypothesis (EMH) is based on the assumptions that investors behave rationally.

However, subsequent researches have shown that investors do not always behave rationally.

This paper has also attempted to explain why investors do not always behave rationally. This study attempts to show that the investor attitude & perception affects the decision making process of investors. The differences in behavior of investors due to differences in their demographic profile have also been studied through this paper. The investors are characterized on the basis of their risk & return profile.

## 2 REVIEW OF LITERATURE

Alagu Pandian. V and Thangadurai. G in their research titled “A Study of Investors Preference towards Various Investments Avenues in Dheradum District” concluded that majority of investors prefer

bank deposits then gold investment.

Jeet Sing, Preeti Yadav in the research titled “A Study on the Factors Influencing Investors Decision in Investing in Equity Shares in Jaipur and Moradabad with Special Reference to Gender”, major influencers of the share investment decision based on a sample of 100 investors in Moradabad city of Uttar Pradesh. The paper concludes that investors hardly behave rationally while taking investing decisions. Investors just on the available information react accordingly.

K.Parimalakanthi and Dr. M.Ashok Kumar in the research titled, “A Study of Investment Preference and behavior of A Study on Investment Preference and behaviour of Individual Investors in Coimbatore City, studied the investment avenues

available in the Indian markets. They concluded that the preferred choice of investment was bank deposits followed by gold and then followed by silver.

Tai-Yuen Hon, in his the research titled “The Investment Behaviour of Small Investors in Stock Market: A Survey in Hong Kong”, investigated the behaviour of small investors in the Hong Kong stock market.

Muhammad Waseem Ur Rehman and Kashif Arif in the research titled “Investment behaviour and Stock preference of an Individual Investor: Evidence from Karachi Stock Exchange”, studied the individual investor’s behavior in Karachi Stock Exchange. It was found that the investors at Karachi Stock Exchange do not prefer capital gain but they want better payout and speculation in the market.

Dimitrios I. Maditinos , Nikolaos G. Theriou in the research titled “Investor’s behaviour in the Athens Stock Exchange””, studied the various methods and techniques used by Greek investors to evaluate further additions to their portfolios. The results showed a marked difference in the behaviour the behavior of individual investors & professional investors. While individual investors relied on newspapers/media and noise in the market,

professional investors relied more on fundamental and technical analysis.

Anna A. Merikas, Andreas G. Merikas ,George S. Vozikis and Dev Prasad in the research titled “Economic Factors And Individual Investor Behavior: The Case Of The Greek Stock Exchange”, undertook an empirical survey of the factors affecting individual investor behavior in the Greek stock exchange.

Prof. Pooja.S.Kawle in the research titled “A Review Of Inclination Of Individuals Investors Behaviour In Stock Markets Of India” aimed to study the behavior of individual investor in share market, with emphasis on attitude and perception towards the share market. The paper also analysed the impact of awareness level, duration of investment on behavior of individual investors.

Jhansi Rani Boda and Dr. G. Sunitha in the research titled “Investor’s Psychology in Investment Decision making: A Behavioral Finance Approach”, aimed to report the research of individual investor’s financial behavior in a historical perspective. This article uncovers the investor’s psychology in investment decision making focusing on the investor’s rationality by explaining psychological and emotional factors that affect investing.

### 3 RESEARCH METHODOLOGY

Research Methodology is the procedures and techniques undertaken by a researcher to identify, collect, process and analyze information pertaining to a particular research problem. Research Design is the master plan for carrying out research activities.

Descriptive research describes the characteristics of the sample or problem being studies. In this research, the characteristics of investors are being studied. Descriptive research design is being used for the study.

The investors of Chennai are the sample unit for the study. A sample of 125 investors was chosen for the study. Sampling technique used was convenience

sampling. A structured questionnaire was distributed for the purpose of this study.

### 3.1 OBJECTIVES

- To study the behavior, attitude and perception of individual investors in Indian stock market.
- To find the information source preferred by investors for their investment decision.
- To study the psychological bias influencing investment decisions.
- To identify factors influencing the investor while investing in equity market.
- To study the risk profile of investors.

## 4 ANALYSIS

The Gender profile of investors are as follows

TABLE 1  
Gender Profile of Investors

GENDER CLASSIFICATION	NO OF RESPONDENTS	%
Male	80	64%
Female	45	36%
Total	125	100%

The investors were classified into three categories – Risk Averse, Risk Neutral & Risk Takers based upon their responses.

TABLE 2  
Risk Profile of Investors

RISK PROFILE	NO OF RESPONDENTS	%
Risk Averse	30	24%
Risk Neutral	80	64%
Risk Takers	15	12%
Total	125	100%

The investors' criteria for deciding to invest in a particular share were studied. Financial performance as a criterion for decision making was studied

TABLE 3

Financial Performance as an Investment Criterion

	NO OF RESPONDENTS	PERCENTAGE
Strongly agree	30	24%
Agree	40	32%
Neither agree nor disagree	11	9%
Disagree	19	15%
Strongly disagree	25	20%
Total	125	100%

The investors' response to stock market crashes, was studied by asking the investor if they would exit the market if the market crashes.

TABLE 4  
Investor mimic Stock Market

	NO OF RESPONDENTS	%
Strongly agree	26	21%
Agree	24	19%
Neither agree nor disagree	30	24%
Disagree	26	21%
Strongly disagree	19	15%
Total	125	100%

## 5 DISCUSSIONS

### 5.1 DEMOGRAPHIC PROFILE

The demographic profile of the investors reveals that a majority of investors are young. Around 71% of investors are less than forty years of age. Also 64% of the investors were male. 75% of the investors were well qualified with either an under graduate or a post graduate degree. Most of the investors, 78% were employed in the IT & ITES sector. Around 87% of investors belonged to a nuclear family with the family size averaging 3 members.

## 5.2 RISK PROFILE

The attitude of investors towards risk shows a marked aversion to risk. Based on risk preference, only 12% of investors are characterized as risk takers, 64% as risk neutral & 24% as risk averse. Women showed lesser propensity to risk than men.

## 5.3 INVESTMENT PREFERENCE

The generally preferred investment avenues were capital market, bank deposits, insurance & gold.

## 5.4 PERCEPTION TOWARDS STOCK MARKET

Majority of investors, 64%, perceive that the stock market is an investment vehicle for capital appreciation. The perception of investors regarding the riskiness of the stock market shows that majority of investors, 55% believe that the stock market is a not a high risk investment .

## 5.5 DECISION MAKING

Around 72% of investors make investment decisions in the capital markets by themselves. 28% rely on advice of brokers, family and friends.

40% of investors said they would use financial performance as a basis for deciding whether to invest in a particular share.

## 5.6 BIAS

Most of the investors have overconfidence bias. 65% of investors feel that the reasons for unsuccessful investment are the incorrect advices or recommendations brokers/ analysts.

With respect to herd mentality, while 40% of investors agreed that they exit the market when share prices are falling, 36% said that they would not exit.

38.6% of investors are not ready to face loss more than 10%.

41.7% might buy an over-rated stock believing that they can sell it in even higher price.

It is found that if the stock prices are expected to fall

down, around 51.8% of the investors will sell only their half of the shares and wait for the share prices to increase.

## 5.7 INFERENCE ANALYSIS

With respect to the hypothesis that there was an association between occupation and risk profile, no such association was found.

However education was found to have an association on the risk profile of investors.

The study also found that age did not impact the decision to use financial performance as a criterion for decision making.

With respect to gender, women showed lesser propensity to risk than men. However, there was no significant difference in the way women and men interpreted corporate news.

## 6 CONCLUSION

The study of investor behavior continues to be an intriguing one. Indian capital market investors are relatively new compared to their western counterparts. This study aimed to find the attitude , perception of investors towards the capital market. The study was focused on investors in Chennai City. The study finds as with previous studies, that women are more conservative than men when it comes to investing. Investors reveal psychological biases such as overconfidence bias at the time of investing. However, the investors are displaying more maturity with respect to investment decisions.

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