

An Empirical Analysis of Investors Behaviour Decision Styles and Share Market Outcomes

Dr P Govindasamy¹ and K Sankar Singh²

^{1,2}(Assistant Professor, Vels Institute of Science, Technology & Advanced Studies, Chennai, India)

ABSTRACT

Capital markets are becoming risky and in day to day affairs investors' perform uncontrollably upon various market conditions. The efficient market and behavior of the investors are become equally important and vital for making investment. The Investment decision has come from the behavior of investors towards market and this equally important with fundamental, technical analysis, and other models of predicting the expected returns before making to invest. Hence the study of "Behavioral Finance" has emerging. In view of the focal attention of the decision styles of investors, this study focuses the most meaningful concepts of behavioral and psychosomatic factors involved in finance. The decision styles of the investors are disposed by the market outcomes and it depends on the behavior perspectives of investors. This study was taken by the researcher to describe the realistic views and opinions of the investors in Indian stock market on the basis of interview with 160 respondents based in Chennai. The study was conducted during Oct'2018 – Dec'2018.

Keywords: Investment Decision, Market outcomes, Market Expectation, Pattern of Investment

INTRODUCTION

The more difficult part of investing , is understanding the behavior of stock markets. Market fluctuations are based on the varied opinions expressed by its participants, which in turn are subject to change commensurate with the changing sentiments of investors. It is crowd behavior that dominates the decision making and is responsible for the sudden changes in the sentiments. Take for instance the First Wednesday in Dec'2018, the market has lost around 300 points when the elections brought the Congress to power. What participated this this huge fall? Had anything gone drastically wrong with the performance of the companies whose stock prices crashed? Definitely not, But the sentiments changed. The BJP was voted out of power in five states were

a big change and normally we do not like changes. Hence there was a gloom all around and people dumped stocks as though there was no future. The herd mentality was at work and the markets crashed as each investor's wanted to get out faster than his neighbor. If the emotionally strong investors had bought the shares and others were panicking. The emotionally strong investors have ended making a huge fortune. But this seems easy only hindsight. At the point of time to go against the crowd is the most difficult but the most sensible thing to do. Understanding behavioral science is the key success in the financial markets. Its application not only helps you to control your investments decision styles but also helps you to understand others styles and benefit from their mistakes. This study focuses in three significant factors such as demographic (age, income and occupations), investors preferences and announcement of company results.

REVIEW OF LITERATURE

Hence the study reviews few latest researches with respect to human behaviors.

Jothilingam et al (2016) his study concludes that investors favored wealth making decisions having with less risk avenues and probably sense that Indian investors learning to avoid high risks.

R.Narayanasamy (2016) in his study highlights that it is noteworthy to express that the Indian share market exhibits a positive risk-return relationship.

Clifford S (2015) the equity premium has historically been taught to be the most reliable source of long-run returns; many investors today question that assumptions going forward and feel that they are over-exposed.

OBJECTIVES OF THE STUDY

- To study the influence of Investors age, income level and occupations of the investors and investment decisions.
- To rank the investment avenues as per investors preference.
- To study the impact of investors decision styles and announcement of annual result of the Company.

RESEARCH PROCEDURE

Research Design

In order to explore the new reality behind the investors' decision styles and behaviors are equally depends on par with fundamental and technical analysis. Descriptive research has employed for this study and to address the research gap with the latest market data.

Data Collection

The researcher structured a questionnaire and validated by using statistical tools. The data collected from the individual investors in Chennai city. The time duration of the study has three months starts from Oct'2018 to Dec'2018.

Sampling Method

The size of the sample is 160 individual investors in Chennai. Convenience sampling has employed for collecting data. The respondents of the study are individual investors and we got the data with the fullest cooperation and satisfaction of each and every individual.

ANALYSIS AND INTERPRETATION

AGE DISTRIBUTION OF THE INVESTORS

Table-1 depicts that maximum number of investors are in the Age Group of 35-45 years. Therefor 82% (130 respondents) of the investors are below 25-45 years of Age Group and they are relatively young.

TABLE-1 AGE OF THE INVESTORS

Age Group	No. Of Investors	% Age
<25 years	35	22
25-35 years	43	27
35-45 years	52	33
45-55 years	18	11
55 years above	12	07
Total	160	100

INVESTORS INCOME LEVEL

Majority of the investors are under the income level of 4 lakhs to 5 lakhs that 30% (48 respondents). From this we conclude that 72% of the investors (115 respondents) are 2 lakhs and above income level and more particularly 51% of the investors (81 respondents) are 4 lakhs and above income level.

TABLE-2 INCOME LEVEL OF THE INVESTORS

Income levels	No. of Investors	% of Income
<1,00,000	14	9
1,00,000-2,00,000	31	19
2,00,000-4,00,000	34	21
4,00,000-5,00,000	48	30
5,00,000 above	33	21
Total	160	100

OCCUPATION OF THE INVESTORS

From the Table-3 shows around 47% of the investors (75 respondents) are of Business and Professional class.

TABLE-3 OCCUPATION OF THE INVESTORS

Occupation	No. of Investors	% Occupation
Business	39	24
Professional	36	23
Service	31	19
Students	22	14
Retired	32	20
Total	160	100

PREFERENCE OF INVESTMENT AVENUES

Tabel-4 shows the ranking of investment preference of the investors as fixed deposit, equity shares, mutual funds, real estates, gold commodities, post office savings and others

TABLE-4 PREFERENCE OF INVESTMENT AVENUES

Investment Avenues	No. of Investors	% of Investment Avenues
Fixed deposit	36	22
Post office saving scheme	13	8
Mutual funds	25	16
Shares\Equity	32	20
Real estate	25	16
Gold commodities	16	10

Others	13	8
Total	160	100

DECLARATION OF ANNUAL RESULTS AND INVESTORS DECISION STYLES

There is firm direction in actions of investors after announcing annual results of the company. After announcing annual results:-

Company Performance above anticipation;

42% (67 respondents) of the investors wanted to buy more stocks
 31% (50 respondents) of the investors preferred to hold the stocks
 27% (43 respondents) of the investors preferred to sell the stocks

Company Performance as per anticipation;

30% (48 respondents) of the investors want to buy the stocks
 42% (67 respondents) of the investors want to hold the stocks
 28% (45 respondents) of the investors preferred to sell the stocks

Company Performance below anticipation;

51% (82 respondents) of the investors preferred to hold the stocks
 34% (54 respondents) of the investors sell the stocks
 15% (24 respondents) of the investors preferred to buy the stocks

TABLE-6 DECLARATION OF ANNUAL RESULTS AND INVESTORS DECISION STYLES

Response	If Results are		
	Above Anticipation	As per Anticipation	Below Anticipation
Buy the stocks	67 (42%)	48 (30%)	24 (15%)
Hold the stocks	50 (31%)	67 (42%)	82 (51%)
Sell the stocks	43 (27%)	45 (28%)	54 (34%)
Total	160 (100%)	160 (100%)	160 (100%)

LIMITATIONS OF THE STUDY

- The study limited to Chennai city and therefore the conclusion cannot to wide-ranging.
- The study limited to individual investors and institutional investors’ views are not considered.
- The structured questionnaire contains opinion of the investors and this may not be static at all times.
- We may not conclude the opinion of 160 individual investors as the opinion of the entire population of the country.

CONCLUSION

Successful investors sometimes believe that they are skillful because they are doing well with their investments. However, they fail to realize that their investment performance is the result of stock market performance, not necessarily their individual abilities. The blend of choosing the high yield stocks will not only depends the efficiency of comprehending the fundamental and

technical analysis and more particularly the investors' behaviors and decision styles are prone in the process of selecting portfolio and making investment. So therefore, the present study helps the requirement of investors' emotional intelligence and intellectual contribution decides the winning of the investment goals.

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