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A Study on Investors Behavior among Individuals Investment Styles

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Abstract:
Behavior biases are the elements which shape the investment decision of an investor. Investors are emotionally attached towards the decisions they take on investments. Hence this paper resents the preliminary finding on an investors behaviour and how its affects various strategies that the investors have been invested. A structured questionnaire was framed and distributed to various groups of people in Coimbatore District. Totally 210 respondents were collected and analysed by using SPSS, using the statistical tools frequency distribution and factor analysis. Around 150 respondents are making investments are employed full time and out of 150, 108 female respondents are investing in various financial instruments out of 108, 30 women respondents are unemployed who completely concentrates on investments in various financial instruments. 78 respondents are investing in value investing, because its helps to spread the risk and reduce the impact of any individual investments performance.

Keywords: Investment decision making, styles of investments and Investors Behavior.

Introduction

Investor behavior refers to the actions, decisions, and psychological factors that influence how individuals or groups of investors behave in the financial markets. It is a multidimensional concept that combines elements of economics, psychology, and sociology to understand why investors make certain choices and how they respond to market conditions. Understanding investor behavior is essential for financial institutions, policymakers, and market regulators to design effective investment products, provide appropriate advice, and maintain market stability. It also helps individual investors make informed decisions, manage their portfolios, and achieve their financial goals.

Stocks, also known as equities or shares, represent ownership in a company. When you purchase stocks, you are buying a portion of the company's ownership and becoming a shareholder. Bonds are debt securities issued by governments, municipalities, and corporations to raise capital. When you buy a bond, you are essentially lending money to the issuer in exchange for regular interest payments and the return of the principal amount at maturity. Bonds are considered fixed-income investments because they generally pay a fixed interest rate over a specified period. Mutual funds are investment vehicles that pool money from multiple investors to invest in a diversified portfolio of securities, such as stocks, bonds, and other assets. They are managed by professional fund managers who make investment decisions on behalf of the investors. Mutual funds offer individual investors access to a diversified investment portfolio without the need to directly manage the investments themselves.

Cryptocurrencies are digital or virtual currencies that use cryptography for secure financial transactions, control the creation of new units, and verify the transfer of assets. Unlike traditional currencies issued by governments, cryptocurrencies are decentralized and operate on a technology called blockchain. Commodities are raw materials or primary goods that are used in the production of other goods or consumed directly. They can be classified into different categories, including agricultural commodities (such as wheat, corn, coffee), energy commodities (such as crude oil, natural gas), metals (such as gold, silver, copper), and other commodities like lumber, cotton, or sugar.

Review of Literature

2010 (Wen-I Chuang, Raul Susmel) In this paper, we investigate the trading behavior of individual versus institutional investors. We find that individual investors trade more aggressively following market gains in the three conditional states of the market and in high-volatility market states than institutional investors. Also, individual investors trade more in relatively riskier securities following gains than institutional investors. These findings provide evidence that individual investors are more overconfident traders than institutional investors.

2012 (Sanjay Kanti Das) This paper aims at identifying the factors which influencing the stock selection decision. The purpose of this study is to examine the role of various socio-economic, demographic and attitudinal factors affecting the investment decision of investors in the market. According to sample small investors, there were four factors with the lowest priority or which had low influence on the Stock Selection Decision. These are Government policies, Calculation of risk, Economic variables and Discounted cash flow tools.

2015 (Bülent Tekçe, Neslihan Yilmaz) This paper investigates overconfidence among individual stock investors. The study how common overconfidence is, what factors affect overconfidence and how overconfidence relates to investor return performance. Our findings show that overconfident behavior is common among individual stock investors. Male, younger investors, investors with a lower portfolio value, and investors in low income and low education regions exhibit more overconfident behavior. Moreover, we find that overconfidence has a negative effect on portfolio wealth.

2018 (Dr.T.Sisili, S.Gokul kumar, S.Sivakumar, G.Manikandan, V.Dineshkumar) In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or appreciate and be sold at a higher price. An investment is confronted with array of investment avenues like Equity share, Mutual fund, Public Provident Fund, Bank Deposits/ FD, Gold/Silver, Insurance, Real Estate, National Pension scheme. Among all investment, investment in banks deposits, Public Provident fund are safest and most preferred by individuals and in equity proportionately are most profitable.

2018 (Samina Gill, Muhammad Kashif Khurshid, Shahid Mahmood, Arfan Ali) This study investigates the factors affecting the investment decision making behavior through the mediation role of information searches. Two factors i.e. overconfidence bias and economic expectations are used as independent variables while investment decision making behavior is taken as dependent variable. The results showed positive and significant relationship between economic expectations and investment decision making behavior but when information search was included as mediator the relationship became insignificant and negative; which suggests full mediation in case of economic expectations.

2019 (Jyoti Bhoj) Traditional finance consider humans to be homoeconomicus i.e., beings that are rational with focus on maximising their returns but this assumption is flawed as we are here ignoring the biases, emotions , perceptions and other behavioural processes that affect the decisions of investors. Behaviour finance is still a new field of study in India whereas many studies are going on and have been done abroad. This article makes an attempt to compile the results of some Indian behavioural finance studies and throw light on the behaviour biases present in investors.
2019 (Mansi Jain, Dr. P K Chopra, Dr Amit Khare) This study explores the association of demographic factors with the investment objectives affecting the preference of investment options of the women investors. The investors decisions depend on the risk and return relationship of various investment avenues influenced by the psychology of the investors. This study has helped in finding the relationship between investment objective and investment preference of the investors. It is concluded that high return is the main objective for preferring share and real estate as an investment option. A mutual fund is preferred with the tax-saving objective. Safety objective is fulfilled by investing in fixed deposit and NSS/PPF/PF and insurance. Gold silver is the most liquid investment option.
2020 (C. Sathish Kumar, Dr. G. Madan Mohan) Students and well-educated investors are highly judicious in making investment decisions while those with low income and low educational qualifications are quite irrational in their investment decisions. It is important to inculcate awareness among the investors with different levels of educational background and income to realise the importance of making rational investment decisions to multiply their hard-earned money.
2022 (S. Vimala, Dr. A. Stephen) Investment is the employment of funds with the purpose of earning additional income or capital appreciation. Nowadays countries like India facing great challenges for finding sufficient capital for its development. Indian Government take measures for improving the saving habits of people especially in rural area. It shows that our country slowly shifted to digital economy by the way of creating various investment avenues. This study covers the investment behaviour and opportunities for investment. People want to invest their hard money in these financial assets and they get safety and principle amount with high liquidity, income, stability and appreciation.
2022 (Raju Bhai Manandhar) The objective of the study was to assess the impact of accounting information and business performance on investment decisions. The study has found that accounting information and business performance positively correlate with an investment decision. Moreover, no difference was found in investment decisions across male and female investors in the stock market. As per the result, investors prefer business performance as the essential factor in investment decisions, whereas accounting information is perceived as the second most important factor influencing the investment decision in the stock market. That indicates that investors consider business performance before investing in the stock market.

Objective of the study

The main objective of the study is to analyse the investors' behaviour on selecting the various strategies of investment.

Methodology

The main idea of investing in stock market is to obtain high returns.

Sources of data:

Primary Data:

Prirmary data was collected by conducting a survey by distributing questionnaires to 210 investors in Coimbatore. These 210 investors are from different age group, different income level, different occupation and different education qualifications.

Statistical Tools:

Data collected was analysed using statistical tools such as Factor Analysis and frequencies.A

Data analysis and interpretation

I. Demographic Profile

1. Gender of Respondents

Table 1: Frequency Analysis of Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	102	48.6	48.6	48.6
	Female	108	51.4	51.4	100.0
	Total	210	100.0	100.0	

The gender of respondents was classified into two categories, i.e., Male and Female. Table 1 shows the result of frequency analysis of the Gender profile of the respondents which shows that out of 210 respondents 48.6% (n=102) respondents were male and 51.4% (n=108) respondents were Female.

2. Age of Respondents

Table 2: Frequency Analysis of Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	24	11.4	11.4	11.4
	25-34	48	22.9	22.9	34.3
	35-44	108	51.4	51.4	85.7
	45-54	24	11.4	11.4	97.1
	65 and above	6	2.9	2.9	100.0
	Total	210	100.0	100.0	

The age of respondents as classified into five categories, i.e., Between 18-24 years, Between 25-34 years, Between 35-44 years, Between 45-54 years and 65 and above. Table 2 shows the result of the frequency analysis of Age profile of the respondents which shows that out of 210 respondents, respondents having age between 18-24 years have percentage is 11.4% (n=24), Between 25-34 years have percentage is 22.9% (n=48), Between 35-44 years have percentage is 51.4% (n=108), Between 45-54 years have percentage is 11.4% (n=24) and 65 and above is 2.9% (n=6).

3. Educational Background of Respondents

Table 3: Frequency Analysis of Educational Background of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor's Degree	42	20.0	20.0	20.0
	Master's Degree	96	45.7	45.7	65.7
	Doctorate Degree	72	34.3	34.3	100.0
	Total	210	100.0	100.0	

Educational Background of respondents was classified into Bachelor's Degree, Master's Degree and Doctorate Degree. Table 3 shows the result of the frequency analysis of the Educational Background of respondents. Which shows that out of 210 respondents the respondents who hold Bachelor's Degree percentage is 20.0% (n=42), respondents who hold Master's Degree percentage is 45.7% (n=96) and respondents who hold Doctorate Degree is 34.3% (n=72)

4. Employment Status of Respondents

Table 4: Frequency Analysis of Employment Status of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employed full-time	150	71.4	71.4	71.4
	Self-employed	18	8.6	8.6	80.0
	Unemployed	30	14.3	14.3	94.3
	Student	12	5.7	5.7	100.0
	Total	210	100.0	100.0	

Employment status of respondents was classified into Employed full-time, Self-emploued, Unemployed and Student. Table 4 shows the result of the frequency analysis of the Employment status of respondents. Which shows that out of 210 respondents 71.4% (n=150) are employed full-time, 8.6% (n=18) respondents are self-employed, 14.3% (n=30) respondents are unemployed and 5.7% (n=12) respondents aree students.

5.Annual Income of Respondents

Table 5: Frequency Analysis of Annual Income of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than Rs..25,000	24	11.4	11.4	11.4
	Rs.25,000-Rs.49,999	42	20.0	20.0	31.4
	Rs.50,000-Rs.74,999	24	11.4	11.4	42.9
	Rs.75,000-Rs.99,999	24	11.4	11.4	54.3
	Rs.1,00,000-Rs.1,49,999	24	11.4	11.4	65.7
	Rs.1,50,000 and above	72	34.3	34.3	100.0
	Total	210	100.0	100.0	

Annual income of the respondents was classified into less than Rs.25,000, Rs.25,000-Rs.49,000, Rs.50,000-Rs.74,999, Rs.75,000-Rs.99,999, Rs.1,00,000-Rs.1,49,999 and Rs.150,000 and above. Table 5 shows the result of the frequency analysis of the annual income of respondents. Which shows that out of 210 respondents 11.4% (n=24) are earning less than Rs.25,000, 20.0% (n=42) are earning Rs.25,000 – Rs.49,999, 11.4% (n=24) are earning Rs.50,000 – Rs.74,999, 11.4% (n=24) are earning Rs.75,000 – Rs.99,999, 11.4% (n=24) are earning Rs.1,00,000 – Rs.1,49,999 and 34.3% (n=72) are earning Rs.1,50,000 and above.

6. Marital Status of Respondents

Table 6: Frequency Analysis of Marital Status of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	42	20.0	20.0	20.0
	Married	168	80.0	80.0	100.0
	Total	210	100.0	100.0	

Marirtal Status of the respondents are classified into two categories Single and Married. Table 6 shows the result of the frequency analysis of Marital Status of respondents. Which shows that out of 210 respondents 20.0% (n=42) respondents are Single and 80.0% (n=168) respondents are Married.

II. Investors Profile

1. Period of Investment

Table 7: Frequency Analysis of Period of Investment by the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	108	51.4	51.4	51.4
	1-10 years	84	40.0	40.0	91.4
	11-20 years	18	8.6	8.6	100.0
	Total	210	100.0	100.0	

Period of Investment of the respondents are classified into three categories less than 1 year, 1-0 year and 11-20 years. Table 7 shows the result of the frequency analysis of Period of Investment by the respondents. Which shows that out of 210 respondents 51.4% (n=108) respondents are investing less than 1 year, 40.0% (n=84) respondents are investing 1-10 years and 8.6% (n=18) respondents are investing 11-20 years.

2. Investment Decision Making

Table 8: Frequency Analysis of Investment decision making by the Respondents

		Frequency	Percent	Valid %	Cumulative %
Valid	Independent decison-maker	90	42.9	42.9	42.9
	Decision-making with spouse / partner	72	34.3	34.3	77.1
	Advice from financial professionals	6	2.9	2.9	80.0
	Rely on online research and analysis	12	5.7	5.7	85.7
	Recommendations of friends or family	30	14.3	14.3	100.0
	Total	210	100.0	100.0	

Investment decisison making of the respondents are classified into five categories i.e., independent decision-maker, decision-making with spouse / partner, advice from financial professionals, rely on online research and analysis and recommendation of friend or family. Table 8 shows the investment decision making of the respondents. Which shows that out of 210 respondents 42.9% (n=90) respondents are independent decision-maker, 34.3% (n=72) respondents are decision-making with spouse / partner, 2.9% (n=6) respondents are taking advice from financial professionals, 5.7% (n=12) respondents are relying on online research and analysis and 14.3% (n=30) respondents are taking recommendations of friends or family.

3. Investments styles

Table 9: Frequency Analysis of Investments Styles of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Value Investing	78	37.1	37.1	37.1
	Quality Investing	36	17.1	17.1	54.3
	Index Investing	24	11.4	11.4	65.7
	Buy and Hold Investing	36	17.1	17.1	82.9
	Growth Investing	36	17.1	17.1	100.0
	Total	210	100.0	100.0	

Investment style of the respondents are classified into five categories Value Investing, Quality Investing, Index Investing, Buy and Hold Investing and Growth Investing. Table 9 shows the result of the frequency analysis of Investment style of the respondents. Which shows that out of 210 respondents 37.1% (n=78) are using the style of value investing, 17.1% (n=36) are using the style of quality investing, 11.4% (n=24) are using the style of index investing, 17.1% (n=36) are using the style of buy and hold investsing and 17.1% (n=36) are using the style of growth investing.

Factor Analysis for Investors Behavior

Table 10: Test of Sample Adequacy KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.636
Bartlett's Test of Sphericity	Approx. Chi-Square	6715.709
	df	300
	Sig.	.000

Table 10 portrays that KMO value is 0.636, suggesting that factor analysis can be done with available data. Further, Chi-square value for Bartlett's test of Sphericity is 6715.7, which is significant at 1% level. This establishes the adequacy of smaple size for conduct of factor analysis.

Factors	Variables	Standardised Factor Loading	% Variance
Value Investing	1. While investing do you look up on the company or prices of the stock.	.523	27.296
	2. While investing on the shares will you look into the brand name of the company.	.822	

	3. I always invest in the specific companies only.	.706	
	4. I invest in the companies where the stocks are over performing.	.591	
	5. When I diversify the shares I become stressed.	.197	
Quality Investing	6. I make an investment only on high earnings stock.	.605	46.945
	7. The higher period of investing is a long term success.	.726	
	8. The losses in the investment are acceptable.	.626	
	9. Would you consider the quality of investment while fetching an investment opportunity.	.853	
	10. Do you think GDP affects the investment quality.	.730	
Index Investing	11. Fluctuation in the market are acceptable.	.838	59.838
	12. Investing price is low and term period is high.	.720	
	13. There is an exposure for the investor without the need to select and manage stocks.	.808	
	14. Diversification helps spread risk across several companies or securities reducing the individual stocks' poor performance.	.804	
	15. Risk is reduced.	.783	
Buy and Hold Investing	16. Are you aware of the market trends.	.602	68.725
	17. Accepting downturns or fluctuations in the market is a feature of good investment perspective.	.784	
	18. Investors are benefited from compounding returns by holding investments for a longer period.	.817	
	19. The risk is spread to the overall portfolio.	.828	
	20. How benefited are you with the lower transaction costs.	.711	
Growth Investing	21. I prefer growth investing.	.836	76.854
	22. Would you assess the company's ability to sustain and accelerate growth.	.847	
	23. Dividends may or may not be payable to the investors.	.424	
	24. Does your investment company informing about market and industry developments.	.522	

	25. Growth investors seek to invest in competent companies with contemporary product, services or business ideologies and with an impressive credentials.	.862	

The factor explains 27.296% of the variance, suggesting that investors who prioritize company analysis, brand character and specific company investments contribute to the value investing approach. This factor explains 46.945% of the variance, indicating that investors who prioritize high earnings stocks, long-term success, acceptable losses, investment quality, and the impact of GDP on investment quality align with the quality investing approach. This factor explains 59.838% of the variance, suggesting that investors who accept market fluctuations, prefer low prices with a long-term investment horizon, seek exposure without managing stocks, focus on diversification, and value risk reduction are inclined towards index investing. This factor explains 68.725% of the variance, indicating that investors who are aware of market trends, accept market downturns, benefit from compounding returns through long-term holding, spread risk across their portfolio, and appreciate lower transaction costs align with the buy and hold investing approach. This factor explains 76.854% of the variance, suggesting that investors who prefer growth investing, assess a company's ability to sustain and accelerate growth, consider market and industry developments, and invest in companies with impressive credentials align with the growth investing approach.

Results and Discussion

The total number of respondents in the sample is 210, representing 100% of the respondents. Overall, the data provides information about the gender distribution within the sample, with nearly equal representation of males and females. The data provides information about the age distribution within the sample, indicating the proportion of respondents in each age group. It shows that the largest age group among the respondents was 35-44, followed by the age groups of 25-34, 18-24, 45-54, and 65 and above. The data provides information about the distribution of educational backgrounds within the sample. It indicates that the largest proportion of respondents held a Master's degree, followed by those with a Doctorate degree and a Bachelor's degree. The data provides information about the distribution of employment statuses within the sample. It indicates that the largest proportion of respondents were employed full-time, followed by those who were unemployed, self-employed, and students. The data provides information about the distribution of annual income within the sample. It indicates the proportion of respondents in each income range, ranging from less than Rs.25,000 to Rs.1,50,000 and above. The data provides information about the distribution of marital status within the sample. It indicates that the majority of respondents were married, while a smaller proportion identified as single. The data provides information about the distribution of the period of investment within the sample. It indicates the proportion of respondents in each investment duration category, ranging from less than 1 year to 11-20 years. The data provides information about the distribution of investment decision-making approaches within the sample. It indicates the proportion of respondents who make independent decisions, involve their spouse/partner, seek advice from financial professionals, rely on online research, or consider recommendations from friends or family members. The data provides information about the distribution of investment styles within the sample. It indicates the proportion of respondents who identify with value investing, quality investing, index investing, buy and hold investing, and growth investing. The results indicate that the dataset has moderate sampling adequacy (as indicated by the KMO measure) and that the correlation matrix is significantly different from an identity matrix (as indicated by Bartlett's test). These results support the use of factor analysis to explore the underlying structure of the data. However, further examination and interpretation of the factor analysis results are required to understand the specific factor structure and relationships among the variables.

Implications of the study

The role and importance of individual investors and their trading behaviour in Indian stock market is very crucial. It is believed that trading behaviour of individual investors rarely influences the stock prices. They are people who are affected by emotions, biases and other psychological processes.The major drawback of this research is that this research draws conclusions about the investors investment behavior of the investors of Coimbatore District only. It means if information about market is properly collected by investors before investing then economic expectations influence their decisions in a negative way. The conclusion is that people who are financially literate and reluctant to buy a financial products, because they do not understand where to invest and what parameters to consider while investing.

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