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## DECISION MAKING OF INDIVIDUAL INVESTORS DEALING IN STOCK EXCHANGE: AN ANALYSIS

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***Abstract:** Investment is the assets held by an individual or an organization in order to get future benefit or return on amount invested. Investment is an employment of funds with the objective of achieving growth in the value of money or getting an additional income. In financial intellect investments comprise of purchase of gold, Mutual Fund bonds, Stocks Shares Bonds, Debentures, or real estate property. The investor plays a very important role in the stock market because of their big share of savings in the country. The Supervisory body of the stock exchange can never ignore the performance of individual investor. This study aims to understand the behavior of individual investor in stock market, specifically their attitude and perception with respect to the stock market. A survey is conducted to collect data relating to the above subject. Respondents were classified into different categories like income, profession, education status, sex and age. The study also attempts to find the factors affecting the behavior investment of individual investors such as their awareness level, duration of investment etc.*

*This paper is an attempt to understand and present a glimpse of research work done on the said subject. For the purpose of the study the research papers were selected on random basis from various National and International Journals & Conference Proceedings.*

***Keyword:** Decision Saving, Investment, Investor, Stock Exchange, Stock Broker*

### INTRODUCTION

#### **Definition of saving**

The process of increasing wealth actually starts with savings. Savings are also essential for the nation's growth. If the savings are not properly channelized it will not give us the desired fruits. The portion of income saved after set aside for consumption of consumer goods can be

invested in various investment avenues directly in capital Assets or in paying off a home loan, or indirectly through purchase of securities

Decision Making is a complicated assignment. It is the process of evaluation of various alternatives on the basis of cost-benefit analysis and selection of the best alternative Wise decision making is absolutely necessary in every walk of life. Decisions taken abruptly lead to heavy losses. Such decisions cannot achieve desired goals. Portfolio decisions cannot be an exception to this rule. On the contrary, it is most important one for the investors. The hard earned money invested in different securities must fetch adequate return. For this purpose various theories in finance are used by the investors to maximize their turn on their investments. Investors consider various factors such as risk, return, appreciation, liquidity in taking a decision regarding investment. Today, these factors take a back seat in taking wise investment - decisions.

Investor is a person who invest his capital into various investment avenue on the basis of risk taking ability either in fixed or fluctuating securities. Investment can be classified on the basis of investor because generally there are two types of investor a person who like to risk and the one who would not like to take a risk. If a person is a risk taker, he/she will invest in equity shares where the rate of return is uncertain, it totally depends upon the profitability of the company and on the other hand the value of share price may also go up in the future, but if an investor wants to do a safe investment then he will invest in fixed securities where the rate of return is fixed and an individual gets interested irrespective of profit earned by the company they do not depend upon the profitability of the company.

Investment decision making is one of the important criteria which is highly influenced by individual behavior. The decision making has become very important. Hence, the research work on investment is taken for the study.

A stock investor is an individual or firm who puts money to use by the purchase of equity securities, offering potential profitable returns, as interest, income, or appreciation in value (capital gains). In current trends investors are eager to earn profit in a short span of time in speculative market buy-and-hold for a long term had become passive in nature, In addition, the financial markets are usually subjected to speculation.

## REVIEW OF LITERATURE

The present research study is based on the Investor in decision making at the time of purchase and sale of stock, the following reviews try to highlight the selected research topic. Although Various study have been taken by various researcher in investment decision but the above research is the comparison of investor residing in Mumbai region.

Kumar Singh (2006) analyze the investment pattern of people in Bangalore city and Bhubaneswar analysis of the study was undertaken with the help of survey conducted. It is concluded that in Bangalore investors are more aware about various investment avenues and the risk associated with that. And in Bhubaneswar, investors are more conservative in nature and they prefer to invest in those avenues where risk is less like bank deposits, small savings, post office savings etc.

Chandra collected the data from survey to know the factors influencing Indian individual investor behavior in stock market. Using univariate and multivariate analysis and found five major factors that affect the investment behavior of individual investor in stock market namely prudence, and precautions attitude, conservatism, under confidence, informational asymmetry and financial addition . Finally he concluded that these are the major psychological components seem to be influencing individual investor's trading behavior in Indian stock market.

Saptarshi Purkayastha (2008) in his article "Investor Profiling and Investment Planning: An Empirical Study" published in The Icfai journal of Management Research, Dec 2008 concluded that younger investors and those with high income are willing to take more risk. According to him people do not take much risk when the question of investment of their hard-earned money comes.

Mohit Gupta and Subhash Chander (2011) in their Article "Consideration of sources of Information as selection Criteria in Mutual fund Purchase: A comparative Study of Retail and Non-retail Investors" published in The IUP Journal of Accounting and finance, January 2011, concluded that there is a significant difference between retail and Non- Retail mutual fund investors with respect to factors of 'advertisements and shows' and 'published returns'; while the former is more important for the retail investors, the latter is more important for the non-retail investors. The study has also found that 'data and information' and 'advice and recommendation' make no significant difference between retail and non-retail mutual fund investors.

KarPratip, Natarajan I and Singh J P (2000) in their research paper "Survey of Indian Investors" published in SEBI-NCAER June 2000 concluded that the households investment in shares, debentures and mutual funds was below 10% and the equity investor households portfolio was of relatively small value and undiversified. Further they found that one set of households, in spite of their lower income and lower penetration level of consumer durables, were in the securities market, while another set of household with higher income and higher penetration level of consumer durables did not have investment in securities market.

Ajmijy. A. (2008) used a questionnaire to know determinants of risk tolerance of individual investors and collected responses from 1500 respondents. He concluded that the men are less risk averse than women, less educated investors are less likely to take risk and age factor is also important in risk tolerance and also investors are more risk tolerance than the less wealthy investors.

Tamimi, H. A. H. identified the factors influencing the UAE investor Behavior. Using questionnaire found six factors were most influencing factors on the UAE investor behavior namely expected corporate earnings, get rich quick, stock marketability past performance of the firm's stock , government holdings and the creation of the organized financial markets.

### **OBJECTIVES OF THE STUDY**

1. To study the factors affecting investors dealing in stock exchange.
2. To study the impact of saving of investors behaviors in stock markets in Mumbai.
3. To study the decision of individual dealing in stock exchange.

### **LIMITATIONS OF THE STUDY**

1. The study is limited to 150 Investors
2. The study have been conducted to analyze some factors effecting saving habit of investment of individual investors
3. The survey is conducted in only one city (Mumbai )

## **RESEARCH METHODOLOGY**

A Study on Investors preferences towards various investment avenues in capital market. The research study was intended to find preference level of investors on various capital market instruments and type of risk considered by investors. The sample was collected from 150 investors in derivative markets from Mumbai from a structured questionnaire. Descriptive research type is used and convenience sampling method was adopted to gather data. Various parametric and non-parametric techniques have been used for analyzing data. The findings reveal that friends and relatives followed by brokers who pull the investors into capital market. Respondents preferred short term investments. It has been suggested by the author to develop more number of products which it can attract more number of investors

The primary data were used for the study. Data have been collected through questionnaire method and survey method. 150 responses have been collected from the stock market investors of Mumbai City.

Secondary data have also been used for the study. These data were collected from newspapers, magazines and various research articles. Percentage method is used for analyzing the gathered data.

### **Sampling Plan:**

The sample would be selected on purposive / judgmental basis. A survey of about 150 respondents from different parts of Mumbai region of Maharashtra will be undertaken. A study of 150 respondents will throw a sufficient light on behavioral pattern of investors for making investment decisions. The information will be collected by communicating with the respondents with the help of a structured questionnaire. The comprehensive questionnaire will be prepared in layman English language so as to enable the respondents to answer the questions easily.

### **Tools used for data collection:**

Structure Questionnaire will be the tools used for data collection.

### **Statistical Tools:**

Various statistical tools such as time series analysis, and multiple correlations and regression analysis by using appropriate variables to test the stated Questionnaire.

## CONCLUSION

- 1) In general investors hold well diversified portfolios and trade infrequently so as to minimize taxes and other investment costs.
- 2) In reality investors holds stock for a long period even though he is incurring loss expecting to gain and accordingly incurred huge losses.
- 3) Generally investor sells their winners and holds their losers, generating unnecessary tax liabilities. Many hold poorly diversified portfolios, resulting in unnecessarily high levels of diversifiable risk,
- 4) Many of the investor depend on news provided by media. It play a very important role for few Individual investors who rely on such news.
- 5) Majority of investors have still not formed any attitude towards mutual fund investments. Due to lack of Knowledge and awareness of investment concept and working of the mutual funds companies.
- 6) According to researcher the factors responsible for investment in mutual funds are, 'return potential' has got first rank, 'liquidity' has got second rank and 'flexibility', 'affordability' and 'transparency' have been ranked third, fourth and fifth, respectively.
- 7) Younger investors and those with high income are willing to take more risk. According to researcher people do not take much risk when the question of investment of their hard-earned money comes.

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