CHAPTER- I

INTRODUCTION

Women investors behavior – An overview

Investment behaviors are defined as how the investors judge, predict, analyze and review the procedures for decision-making, which includes investment psychology, information gathering, defining and understanding, research and analysis. The whole process is “Investment Behavior” (Slovic, 1972; Alfredo and Vicente, 2010).

The foreign and Indian researchers surveyed on women investors behavior unanimously agree that women are not active investors, they are less likely to take above-average or substantial risk when choosing investments and their investment decisions are centered on family circumstances.

Regarding women’s likes and dislikes towards investment, the researchers are of the view that women do not describe themselves as being confident or knowledgeable about investing. They do not have diversified portfolios. They do not review and compare their investment performance with market benchmarks on a regular basis. They do not have control of their investments or have a consistent investment strategy. They are not satisfied with their current investment allocation. They do not invest regularly. They are less likely to have started investing early in life.

Women are more willing to wait if an investment did not produce the expected return. They consult with a financial advisor when their investment did not perform as expected. This behavior well explains their cautious approach towards investment. Women’s involvement in saving and investing is due to a specific life event (the birth of a child, a divorce, retirement, a death or sudden financial gain). This involvement is often sudden.
In terms of learning, women are more likely to know all of the details in fine print when learning something new about investing.

**Theories on investor behavior and investor perception**

Regret Theory - This theory deals with the emotional reaction people experience after realizing they have made an error in judgment. Faced with the prospect of selling a stock, investors become emotionally affected by the price at which they purchased the stock. So they avoid selling it as a way to avoid the regret of having made a bad investment as well as the embarrassment of reporting a loss.

Regret theory can also hold true for investors when they discover that a stock they had only considered buying has increased in value. Some investors avoid the possibility of feeling this regret by following the conventional wisdom and buying only stocks that everyone else is buying, rationalizing their decision with "everyone else is doing it". Oddly enough, many people feel much less embarrassed about losing money on a popular stock that half the world owns than about losing on an unknown or unpopular stock.

Mental Accounting - Humans have a tendency to place particular event into mental compartments and the difference between these compartments sometimes impacts our behavior more than the events themselves.

An investing example of mental accounting is best illustrated by the hesitation to sell an investment that once had monstrous gains and now has a modest gain. During an economic boom and bull market, people get accustomed to healthy, albeit paper gains. When the market correction deflates investor's net worth, they are more hesitant to sell at the smaller profit margin. They create mental compartments for the gains they once had, causing them to wait for the return of that gainful period.
Prospect/Loss-Aversion Theory - Prospect theory suggests people express a different degree of emotion towards gains than towards losses. Individuals get more stressed by prospective losses than they are happy from equal gains. A loss always appears larger than a gain of equal size - when it goes deep into our pockets, the value of money changes.

Prospect theory also explains why investors hold on to losing stocks; people often take more risks to avoid losses than to realize gains. For this reason, investors willingly remain in a risky stock position, hoping the price will bounce back. Gamblers on a losing streak will behave in a similar fashion, doubling up bets in a bid to recoup what has already been lost.

So, despite our rational desire to get a return for the risks we take, we tend to value something we own higher than the price we would normally be prepared to pay for it.

The loss-aversion theory points to another reason why investors might choose to hold their losers and sell their winners: they may believe that today's losers may soon outperform today's winners. Investors often make the mistake of chasing market action by investing in stocks or funds which garner the most attention. Research shows that money flows into high-performance mutual funds more rapidly than money flows out from funds that are underperforming.

Anchoring - In the absence of better or new information, investors often assume that the market price is the correct price. People tend to place too much credence in recent market views, opinions and events and mistakenly extrapolate recent trends that differ from historical, long-term averages and probabilities.
In bull markets, investment decisions are often influenced by price anchor, prices deemed significant because of their closeness to recent prices. This makes the more distant returns of the past irrelevant in investors decisions.

Over / Under-Reacting - Investors get optimistic when the market goes up, assuming it will continue to do so. Conversely, investors become extremely pessimistic during downturns. A consequence of anchoring or placing too much importance on recent events while ignoring historical data is an over or under-reaction to market events which results in prices falling too much on bad news and rising too much on good news.

At the peak of optimism, investor greed moves stocks beyond their actual values.

Extreme cases of over or under-reaction to market events may lead to market panics and crashes.

Overconfidence - People generally rate themselves as being above average in their abilities. They also overestimate the precision of their knowledge and their knowledge relative to others. Many investors believe they can consistently time the market. But in reality there is an overwhelming amount of evidences that proves otherwise. Overconfidence results in excess trades with trading costs denting profits.

# (source: http://investopedia.com/articles/05/032905.asp

**Online investing and Women**

According to Ms Madeline Thomas (article on ‘Online Investing and Women’, featured in ‘http://www.guardian.co.uk/money/2010/jun/19/online-investing-women’) private investing, day-trading and playing the stock market has always been a very male affair. Yet, over the past decade more and more women have joined in. Ten years ago, just 17% of the investors who used the online broker Selftrade were women. In 2010, the user base has risen to 34%. This trend is not restricted to the one website.
As per the report of Stockopedia, a site specializing in broker research and stock market analysis, between 30% and 40% of its user base is female. There are increasing numbers of smart, savvy women out there who are taking up the challenge of making their own investment decisions. The increasing availability of information and share services online has helped fuel this trend.

Comparing Share Market and Mutual Funds

Share market

Nature of share market - A stock market is primarily a virtual exchange of securities (i.e. shares and debentures, which companies use as a means of raising finance) and derivatives (i.e. virtual instruments such as contracts that relate to assets and securities and can be traded). It is virtual in the sense that the market is an intangible concept, rather than a physical place and as a result of advancing technologies traders can now get involved with little more than a laptop or mobile phone. The market brings together a range of traders of all shapes and sizes - from small, one-man bands trading for their own personal gains through to hedge funds managing billion in assets and everything in between.

Risk involvement - Risk is an inherent aspect of every form of investment. Investment in the share market is by no means a guaranteed investment.

- Risk of capital - When a company is performing poorly it may be difficult to find a buyer for the shares at the price one wants to sell them.
- Volatility risk - Share prices can rise and fall rapidly and investors must accept the fact that the value of their shares may fluctuate by as much as 50 per cent or more in a year. General market risk can relate to a particular sector, e.g. mining shares are usually more volatile than industrial shares such as bank shares.
Timing risk- Because of market cycles, some shares have a higher degree of risk when the overall share market has risen sharply and is set for a reaction. The opposite may apply when the market has gone into a strong decline and then starts to recover after showing some signs of stabilizing. Not all sectors of the market follow the same price cycles.

Risk of poor quality advice – Poor/merely hearsay investment recommendations won’t help to build a strong portfolio.

Legislative risk – Investment strategies could be affected by changes to the current laws.

**Returns** - Shares themselves are intangible assets entitling the bearer to an annual payment known as 'dividend' paid out of distributable profits and often corresponding voting rights in proportion to the size of the share held at the Annual General Meeting, where major strategic decisions such as electing the board are put to vote. The bearer of a share at any given point is in effect a part owner of the business to which those shares pertain and it is this aspect that gives a share any underlying value. The price of a share at any given stage is dictated by supply and demand within the market and rises or falls every time a share is bought or sold. This effectively means that shares are priced by the collective will and attitudes of the market, comprised of all the traders and investment houses that actively trade in those securities.

**Liquidity** - The liquidity of a stock refers to the degree to which a significant quantity can be traded within a short timeframe without incurring a large transaction cost or adverse price impact. Liquidity can be triggered by public information releases such as earnings announcements, company events such as issue of bonus shares, stock splits and share buy-backs, the return performance of the stocks etc. Decline in liquidity arises when there is a signal of something fundamental happening in the economy, negative market returns etc.
Chapter 1

Mutual Fund

Nature of Mutual Fund - A mutual fund is just the connecting bridge or a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. It will have a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). Mutual funds can be classified based on Structure (open-ended, close-ended & interval schemes), Nature (equity, debt, balanced), Investment objective (growth, income, money market) etc.

Risk involvement – Risk is an inherent aspect of every form of investment. For Mutual Fund investments, risks would include variability or period-by-period fluctuations in total return.

Equity funds invest a maximum part of their corpus into equities holdings. Equity investments are meant for a longer time horizon. Thus Equity funds rank high on the risk-return matrix. Debt schemes invest maximum of their total corpus in debt instruments while they take minimum exposure in equities. It gets benefit of both equity and debt market. These schemes rank slightly high on the risk-return matrix when compared with other debt schemes.

Returns - There are three ways, where the total returns provided by mutual funds can be enjoyed by investors. Firstly, income is earned from dividends on stocks and interest on bonds. A fund pays out nearly all income it receives over the year to fund owners in the form of distribution. Secondly, if the fund sells securities that have increased in price, the fund has a capital gain. Most funds also pass on these gains to investors in a distribution and finally if fund holdings increase in price but are not sold by the fund manager, the fund's shares increase in price. Investors can then sell their mutual fund shares for a profit. Funds will also usually give the investor a choice either to receive a cheque for distributions or to reinvest the earnings and get more shares.
Liquidity – Just like an individual stock, mutual fund also allows investors to liquidate their holdings as and when they want. Liquid Funds also known as Money Market Schemes (invest in short-term instruments like Treasury Bills, inter-bank call money market, Commercial Papers and Certificate of Deposits) provides easy liquidity and preservation of capital.
NEED AND IMPORTANCE OF THE STUDY

The person saving a part of his income tries to find a temporary repository for his savings until they are required to finance his future expenditure. This results in investments, probably with expectations of some positive returns.

Saving is one of the important indicators of economic development. So creating awareness about saving is inevitable in today's economic environment.

Economic liberalization and securities market reforms have paved the way for potential investors to look up at the stock market and mutual funds for their investment needs.

Share market is a viable investment option that can give the investors huge returns if the investment is done meticulously. There are plenty of trading options in share market such as intraday trading, delivery trading, trade in cash segment and trade in derivative segment. Similarly, there are a variety of investment choices in share market e.g., investment in growth stocks provide rapid gain or in dividend stocks for long term provide return by means of tax-free dividend that keeps coming year on year.

Investment in Mutual Fund is another viable option. In general, the mutual funds are established and incorporated to benefit small investors who cannot invest directly in money market or capital market securities due to any reason.

In order to achieve maximum profit out of investment in shares and mutual funds some amount of basic knowledge about stock market and mutual fund is very essential. There are so many mediums to keep watch on the stock market. In this age of internet and media boom, information has become easily accessible. Anyone can get detailed information on any business quite easily through internet. Companies publish quarterly and annual reports that are very much
helpful to judge the financial health and soundness of the company. Business news channels like CNBC offer live stock prices throughout the day. These channels simultaneously show stock prices of different stock market along with different other matrices like the currency market, commodity market and so on. In addition, there are so many institutions who offer analysis and tips on stock trading. For a fee these institutions provide detailed analysis reports and suggestions on buying and selling stocks that are very much helpful in making profitable investments. In the case of mutual funds, the operators give direct advertisement in newspaper, TV and via brokers and mobile phones. Their Registrars & Transfer Agents also play a major role in fund mobilization.

In the modern world, people tend to invest in safe avenues that yield quick and attractive returns. The introduction of online trading backed by new regulations and monitoring authorities has made it possible for Indian investors. In this mode, the investor can buy or sell stocks by himself with just a click of the mouse and that too sitting at the comfort of his home or office. There is no broker involved and there is no paper work either for online stock trading. The brokerage in online trading is also lower in comparison to the conventional stock trading. In short, online share trading has made the share market investment a profitable proposition for the individual investors.

The ambitious investors may have lot of ideas in mind for taking an investment decision. The basic needs which an investor tries to fulfill include security of original capital, wealth accumulation, comfort factor, tax efficiency, life cover, income, simplicity, ease of withdrawal.

Profit or loss of investment goes hand in hand. Loss of investment is always considered a risk. There are host of reasons for ending up with a loss. Investors lose because they try to apply rational measures, fundamental and technical to an irrational market of human emotion. Loss also occur when an investor go by the flawed investment advices. The ingenuous investor is mainly governed by the
hope of profit and fear of loss, especially the latter and consequently does the wrong thing at the wrong time. In this context firstly it is advisable that investor must not only price the right stocks but must correctly time the purchases and sales by anticipating the actions of others. Secondly, one should know himself for taking the right type of investment decision.

Age, education, occupation, monthly income and family size are some of the deciding factors of investment. These factors are common to all, irrespective of the gender. Private investing, day-trading and playing the stock market by women in developed countries is in a rising trend. In Indian scenario, though the financial sector reforms have prompted the Indian women investors who have predominantly concentrated in Bank Deposits, Insurance and other conventional avenues of investments switch to share market and mutual fund investments, for host of reasons their involvement in stock market and mutual fund investments cannot be matched with their foreign counterparts.

It is true that deep knowledge about stock market and mutual fund is important in order to get regular and safe return out of the investment made therein. In India, basic knowledge about stock market and mutual fund among investors is very limited. There is also no separate branch of study aimed at improving the knowledge of investing in stock market and mutual fund at affordable cost in Indian school/ college level. Thus Indian investors are deprived of learning this noble art.

Investible surplus money is the dire necessity for active participation in stock market and mutual fund investments. Though everyone may have some form of investment objective, in India the individual income in most of the cases will not support to achieve same.

Commitments in life play an important role in women investors. Married women have more commitments as compared to unmarried women and their investment
goal is centered around savings to meet education costs, marriage as well as for old age.

Freedom is so important to become a smart investor. In the case of married investor, often times the investors freedom gets squeezed, when the investment happens to be a loss. In the case of singles though family side pressure may be limited, over commitments do not allow the investor to take losses easily. In these situations, balanced approach method can help sort out the temperament and to remain a successful investor.
Chapter I

GAPS IN THE LITERATURE

The reviews of the investors behavior at National and International level clearly brought forth the following research gaps:

(i) Most of the international studies focused on investors behavior in general, particularly towards one Investment Avenue.

(ii) Many National and international studies focused on general investors, their personality traits and their risk taking capabilities.

(iii) The review of literature had identified that women investors behavior is very less and their investment potentials are not brought out by the previous researchers.

(iv) The comparative behavior of the women investors on the basis of 2 investment avenues are not abundantly found among the researchers.

These above mentioned gaps induced the researcher to conduct a research on women investors behavior on the basis of 2 investment avenues, viz. shares and mutual funds.
Chapter I

OBJECTIVES OF THE STUDY

1) To study the socio-economic profile and investment details of women investors in Chennai.

2) To analyze and compare women investors' awareness, preference and information search towards the mutual funds and share market.

3) To ascertain and compare the investment decision of women investors of shares and mutual funds.

4) To examine and compare the risk tolerance of women investors of shares and mutual funds in the study area.

5) To identify and compare the factors influencing women investors' satisfaction towards shares and mutual funds.

6) To analyze the influence of demographic profile, investment portfolio details and risk tolerance on investors' awareness and satisfaction.
HYPOTHESIS

The study was commenced to test the validity of the following assumptions relating to the women investors' behaviour.

1) There is no significant difference between women investors of shares and mutual funds regarding their risk tolerance.

2) There is no significant difference between women investors of shares and mutual funds regarding their awareness level.

3) There is no significant difference between women investors of shares and mutual funds regarding their investment preference.

4) There is no significant difference between women investors of shares and mutual funds regarding their investment decision.

5) There is no significant difference between women investors of shares and mutual funds regarding their investment satisfaction.

6) There is no influence of demographic variables of women investors on awareness, investment preference, investment decision and investment satisfaction.
Chapter I

RESEARCH METHODOLOGY

The sources of data are primary as well as secondary. The data collected from the female investors survey constitute primary data and information gathered through books, journals, magazines, reports and dailies constitute secondary data. The data collected from both the sources are scrutinized, edited and tabulated. The data are analyzed using Statistical Package for Social Sciences (SPSS) and other computer packages.

Area of the Study

The Chennai city has been chosen for undertaking the present study in view of its distinct and unique historical importance. Moreover, it is the work place as well as the domicile place of the researcher. The features of Chennai city are as under.

Chennai, formerly known as Madras is a city on the east coast of Southern India, situated on the shores of Bay of Bengal. This capital of the state of Tamil Nadu is India’s fourth largest metropolitan city and one of the 35th largest metropolitan areas in the world with a metropolitan population of about 7.4 million in 2005. The city is a large commercial and industrial centre in India and is known for its cultural heritage in which the women investors show special enthusiasm towards share market and mutual fund investments.

Chennai city is governed by the Corporation of Chennai. It consists of 10 zones and is divided into 155 wards for enforcing clean administration and providing welfare measures. The metropolitan region of Chennai covers many suburbs that are part of Kancheepuram and Thiruvallur Districts.

Chennai has a diversified industrial base. It is the base for over 40% of India’s automotive industry. Moreover, Chennai service sector is traditionally dominated by Finance and Banking. Also, Chennai is now an important hub for Software and Information Technology companies. In this city maximum number of women is employed in public and private sector organizations and a fair number of them are good investors.
Chapter I

Pilot Study and Pre-Testing

A preliminary investigation was undertaken by contacting 50 investors of mutual fund and share market to identify the important variables regarding characteristic features of share market and mutual fund investment. The information search, investors preference, investment decision and investors satisfaction are considered in the research instrument. The purpose of the pilot study is to test quality of the items in the questionnaire and to confirm the feasibility of the study. This preliminary investigation is conducted in different parts of Chennai. The random sampling method is applied to collect the responses from women investors. The cronbach alpha method is applied to check the reliability and validity of the variables in the research instrument. It is found that the cronbach alpha value is 0.889 and this shows that the variables are reliable at 88.9 percent level. The samples satisfy the normal distribution rationally. So the items in the questionnaire can be used further in the study.

Main Study

The data is collected for the study by means of a two section questionnaire. Section-I of the questionnaire is framed to obtain the general information about investment preferences and percentage of investment in share market and mutual funds. The respondents also gave their responses for the sources of information regarding mutual funds and share market. Section-II deals with purchase decision and investors satisfaction on share market and mutual fund investment. The section-I of the questionnaire is designed in optional type whereas the section-II is designed in Likerts 5-point scale, ranging from 5-strongly agree, 4-agree, 3-neutral, 2-disagree, 1-strongly disagree. The questionnaire with covering letter is handed over personally to each and every woman respondent and they are requested to return the fielding questionnaire after 15 days, when the researchers visit them. The respondents took 15 days to 2 months to return the completed questionnaire.
Sample Size
A sample size of 523 respondents is taken for the study in a random sampling method. Among the 523 questionnaires, only 514 respondents returned the filled in questionnaire. Out of this, only 500 of them are found usable. The sample of this study covers the different parts of Chennai. Hence the exact sample of the study is 500.

Scale Applied
This thesis employs two different scales in its measurement of the perception of respondents about the satisfaction of women investors preference and purchase decision. Each scale has its own range and options. The variety and number of scales are Likert's five point scale and Bipolar scale (e.g. Yes / No type).

The questionnaire used comprises both optional type and statements in Likert’s five points scale. The responses of these sections are obtained from the women investors in the five point scale, which ranges as follows: 5 – strongly agree, 4 – agree, 3 – Neutral, 2 – Disagree, 1 - Strongly Disagree.

This is allowed for the standardization of results as well as making it easier for respondents to complete the questionnaire. The author and supervisor discussed the Likert’s five point scale and decided to assign the numerical value 3 for undecided or neutral. By referring to several approaches in statistics, it was decided to assign 3 to neutral. Undecided had a connotation that the statements in the questionnaire do not have proximity to the respondents. But neutral implies that they are well acquainted with the statements in the questionnaire but they want to remain equidistant from the two extremities of agreement and disagreement. This would not affect the high Cronbach value (Levin & Rubin 2001 Statistics for Management).
Chapter I

Secondary Data

The secondary data are collected from journals, magazines, publications, reports, books, dailies, periodicals, articles, research papers, websites, company publications, manuals, booklets etc.

Data Analysis

All data analysis was conducted using SPSS V-15. Sample means, standard deviation and N are presented in the analysis chapter for all the variables of the study. The data were screened in order to obtain the variance between various customer satisfaction elements. Factor analysis, cluster analysis, one way analysis of variance, Karl Pearsons co-efficient of correlation, t-test, ranking analysis and multiple regression analysis are used to analyze the primary data.
LIMITATIONS OF THE STUDY

(i) The study covers share market and mutual fund women investors.

(ii) The study includes the women investors in different parts of Chennai without discrimination regarding family, lifecycle, age, education, income and occupation.

(iii) The scope of the study has been limited to certain important aspects of investors like information search, evaluation of capital market investments, preferences in investments and investment decision.

(iv) The pilot study is restricted to the statements regarding factors of preference, investment decision and satisfaction.

(v) This study focuses mainly on the implications of financial sector reforms and its impact on women investors of share market and mutual fund investment.

(vi) The study is limited to the sample size of 500 and Chennai geographic place only.

In the light of foregoing, this study cannot be generalized for all the States in India or any other country in the world.
CHAPTER ARRANGEMENT

Chapter I presents a brief account of women investors and their perception towards mutual fund and share market investment, need and importance of the study, objectives, hypothesis, research methodology and limitations of the study.

Chapter II deals with the comprehensive review of literature relevant to the present study. Studies on information search and behavior of investors, awareness of characteristics of shares and mutual funds, investors satisfaction and investment preference of women and general investors are included in this chapter.

Chapter III gives an account of growth of the market, trends in various years and certain important overviews.

Chapter IV evaluates the women investors awareness, information search and preference pertaining to shares and mutual funds investments.

Chapter V evaluates the women investors attitude and satisfaction towards shares and mutual funds investments.

Chapter VI summarizes the findings and presents suggestions to the investors for framing investment strategies.
A large number of studies on capital market and mutual funds have been carried out during the past, in India. For the purpose of review, research has been defined as doctoral dissertations, papers published in academic journals, books (including expository) and working papers or occasional unpublished papers (where such information is available) on Indian capital market and mutual funds. The dissertations for master degrees, seminar and reports of government committees are excluded.

Brief reviews of the following research works reveal the wealth of contributions on capital market and mutual funds.

1. Studies pertaining to Investors Information Search & behavior of investors

Mutual fund companies take lot of efforts in creating awareness about their schemes/products and this can be partly attributed to the open regime and stiff competition. The number of schemes and the complexity of the assets under them speak volume about the necessity to impart basic knowledge and awareness among investors. In the case of shares, the Brokers and Depository Participants in frequent intervals come up with their list of winning stocks for reference and benefit of their clients.

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities, Holmstrom, B and Milgrom, P (1987). The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them.