CHAPTER – II

OBJECTIVES AND METHODOLOGY OF THE STUDY

This chapter presents the statement of the problem, objectives, hypothesis, scope of the study, geographical coverage, field work and collection of data, limitations of the study, research methodology, data analysis, measurement of variables and construction of scales, framework of data analysis, chapterisation, review of literature and references.

STATEMENT OF THE PROBLEM:

The stock market is one of the most vital and dynamic sectors in the financial system making an important contribution to the economic development of a country. Investors are the backbone of the capital market and they are not alike. Institutional investors are capable of understanding the stock market activities and trends but the small investors’ lack of adequate awareness about it. Large amount of savings emanate from the households, and the small investor is still the only source of risk capital for upcoming enterprises, to undertake new industrial activities, the capital market cannot grow without their participation, directly or indirectly. As small investors find it difficult to participate directly in the capital market to a significant extent, SEBI encourages them to offer innovative products to suit the risk appetite of the small equity investors.

Household income, its consumption and its distribution are fundamental to any economic analysis. These determine the nature and rate of saving in an economy which, in turn, implies the rate of economic growth. Sustained research in this field thus becomes imperative in order to understand the patterns of savings and capital formation in our country. The performance of the capital markets will be determined and dominated by a few large and wealthy players. High dependence on foreign institutional investor’s funds will lead to a volatile and high risk market which will make the small equity investor the only risk capital providers. This will hamper the total growth of the securities market and in turn the economic growth of the nation. So bringing the small equity investors back into the equity market would be a very healthy structural development for the nation itself.
Guntur district and Krishna district are considered to be the top 50 centers in India for mobilizing capital through new issues. It shares more than three percent of the traded activity in the National Stock Exchange. Hence, Guntur and Krishna districts have been selected for the survey.

OBJECTIVES OF THE STUDY:

Against this background the study is undertaken with the following objectives:

1. To review the capital market developments in recent times in India.
2. To know the impact of socio-economic profile on the investment decision of small equity investors.
3. To identify the investment pattern of small equity investors, their portfolio practices based on demographic factors and the problems associated with small equity investment;
4. To know the investors' perception towards risk-return of investment and the post-investment satisfaction of the small equity investors in Indian capital market.
5. To suggest measures to overcome the problems for enhancing small investor’s participation in Indian capital market.

HYPOTHESES:

a) **Hypothesis**: The demographic factors like Investors’ age, sex, family income, type and category of investor and market experience of the investor have no significant influence over risk-return factors of small equity investors.

b) **Hypothesis**: Small equity investors’ investment is not influenced by the demographical factors.

c) **Hypothesis**: Various socio-economic factors of the small equity investors have no significant influence on various investment factors.
RESEARCH METHODOLOGY:

(i) Selection of the sample:

The sample selection for this study is done by using multistage random sampling. In the first stage the state of Andhra Pradesh was selected as a sample unit. In the second stage by using deliberate sampling or judgment sampling method Guntur and Krishna districts were selected as sample units. In the third stage the revenue divisions of those districts were selected as sample units particularly Guntur, Tenali, Narasaraopet and Bapatla in Guntur district and Vijayawada, Nuziveedu, Gudivada, Machilipatnam in Krishna district. For this purpose, a list of active trading members of the Regional Stock Exchange was obtained. The Guntur and Krishna districts revenue divisions comprise of a network of more than 100 active stock broking institutions. Each stock broker has more than 40 clients or investors, among those 20 active investors who have been trading for the last five years out of 40 were picked up purposively. Initially, sample size was 2000 (100 X 20).

By using stratified sampling method it is framed into several sub-groups (strata) viz. domicile, age, gender, marital status, educational level, occupation, family size, no. of earning members in the family, monthly family income, type of investor, category of investor, type of market operated, market experience. Based on these sub-groups, availability and accessibility of 700 investors was found to be the sample size. After scrutinizing the information supplied by the respondents, only 600 were found to be suitable, free from errors and so the effective sample size of the study is 600.

(ii) Scope of the study:

The present study titled “a study on the factors determining the investment decision of small equity investors” aims to probe into the investment decisions, demographic factors influencing small equity investors, pattern, risk-return perceptions, evaluation of post investment satisfaction and the problems associated with equity investments of small equity investors in Guntur and Krishna districts of Andhra Pradesh. The area of coverage for the study is Guntur and Krishna districts in the State of Andhra Pradesh. These are
the largest industrial and commercial business districts in the state of Andhra Pradesh. These are considered to be the top 50 centers in India for mobilization of capital through new issue market.

(iii) Collection of data:

Personal interview by the researcher was the major tool used for data collection. Structured interview schedule was used during personal interviews. Interviews were conducted at various stock broking houses and at the residence of the equity investors at their convenience. Before the interview, proper rapport was established. The data collected was recorded by the researcher in the interview schedule. The schedules thus filled up were thoroughly checked to ensure accuracy, consistency and completeness. On an average, each interview took about an hour’s time. The data thus collected were categorized and posted in the master table for further processing.

(iv) Data analysis:

The study is empirical in nature based on survey method. The data was collected both from primary and secondary sources. Primary data was collected by interview method by using a structured schedule. The secondary data was collected from the published and unpublished records, annual reports of SEBI and NSE web sites, manuals, bulletins, booklets, journals, magazines, etc., the officials of Security Exchange Board of India (SEBI) and various regional stock exchanges have been consulted to gather information for constructing the schedules. Interview schedule for the small equity investors was constructed in English for the pilot study. In the light of the pilot study the schedule was revised. The study is individual, investor oriented and the factors selected are personal in character.

(v) Measurement of variables

The study has been carried out by the researcher, with the objectives of examining and assessing:
a. The impact of investors’ socio-economic profile on their investment decision in order to give priorities towards different objectives of investment.

b. The sources of investment information are on the mode of trading of investment of small equity investors.

c. The Investment pattern of small equity investors and their portfolio practices are based on demographic factors.

d. The investor’s perception is towards risk – return of investment.

e. The factors that influence the investment decision and to study the post- investment satisfaction of the small equity investors.

The variables considered in the study have been categorized and have been measured by the four point scales developed by the researcher, to measure the level of return, level of risk, level of importance, level of influence and level of satisfaction.

(vi) **Statistical techniques:**

In order to suit the requirements of the present study, the following tools have been employed by the researcher:-

- Four Point Scaling Technique
- Descriptive Analysis
- Average Score Analysis
- Average Rank Analysis
- Correlation Analysis
- t-Test
- Chi-square Test
- Kruskal Wallis H-Test
- Factor Analysis
- Multiple Regression Analysis
All the tests in this study were carried out by formulating suitable hypotheses and were also tested at 5% level of significance.

(vii) Limitations of the study:

The major limitations of the study are:-

- The study is confined to Guntur and Krishna districts only. Hence the findings may not be generalized for the other parts of the country.

- The study is confined to the small equity investors alone. Institutional investors remain uncovered.

- The limitations associated with the statistical tools are applicable for the tools employed in this study also.

(viii) Chapterisation:

A thorough review of the capital market developments in India has been made in the first chapter. The second chapter consists of objectives and methodology of the study and review of literature includes statement of the problem, hypothesis, scope of the study, geographical coverage, field work and collection of data, limitations of the study, data analysis and measurement of variables and construction of scales, framework of data analysis, chapterisation and references. The third chapter presents the impact of socio-economic profile of small equity investors towards their investment decision and highlights the sources of investment information for trading of their investment. The fourth chapter deals with investment pattern of small equity investors and their portfolio practices based on demographic variables and their perception towards risk and return. The fifth chapter deals with evaluation of post investment satisfaction of small equity investors. The sixth chapter presents the summary of findings, problems faced by the small equity investors, suggestions for enhancing small investor participation and scope for further study, social relevance and conclusion for policy makers.
Behavioral finance is the study of how humans interpret and act on information to make informed investment decisions. It is one of the most interesting and fascinating fields of research throwing light on the motives, preferences, perceptions and expectations of the investors. The emergence of behavioral finance has presented a new realm for analyzing the ways in which investors make decisions that include psychological factors, as well as providing new grounds of modeling investor behavior. The study of investor behavior has attracted researchers with a variety of backgrounds. In this chapter the various literatures have been reviewed and presented.

A number of studies have been conducted in behavioral finance abroad and it outnumbers the Indian studies of a similar kind. Reviews of the existing foreign studies on small equity investors are highlighted below:

1. Henry Allen Latane¹, (1960), in his study, “Individual Risk Preference in Portfolio Selection”, measured individual risk preference. The study was based on the choice between the risky portfolio and the safe portfolio, carried out by three college investment classes. The noteworthy result of the study is that the majority preferred to hold the safe portfolio rather than risky portfolio. Students liked returns as measured by Geometric mean and disliked risk as measured by Standard deviation. Results contradicted the hypothesis that people must be paid a premium to induce them to undertake moderate risks instead of subjecting themselves to either small or large risks.

2. Randolph Westerfield², (1969), in his study, “A Behavioral Approach to the Investment-Management Decision and to the Securities Markets”, studied the individual financial-investment decision. 125 investors were examined with respect to their portfolio choice in two investment periods. The study used Markowitz / Sharpe Linear portfolio model to describe and evaluate the salient aspects of the individual investment decision. The results of the study showed that there was a significant difference between an amateur investor and a non-investor with respect to risk preference. Certain personality and cognitive judgment factors were associated with choice, rationality, perceived risk and risk preference.
3. Stern P. Walter, (1969), in his study, “The Investment Scene- An Overview”, identifies the two broad styles of investing that are emerging: firstly the “gunslinger”—the aggressive investor, who feels that he can identify the change before the next guy and capitalize on it. He is identifiable, he is young, he is able, he is arrogant and he deals in concepts but not in price-earnings ratio. He is “opportunity oriented” and he checks out every idea you present to him before he acts. He wants freedom to act quickly. Secondly the “serious” long-term investor is, basically interested in earnings trend, concepts relating to areas of long term growth and fundamental work. He is less concepts oriented and more P/E ratio oriented.

4. Potter, Roger Ewing, (1970), carried out a study on, “Motivating Factors Guiding the Common Stock Investor”, aimed to identify those factors which motivate/guide the investment decisions of the common stock investors. 689 investors were surveyed and the study isolated six motivating factors within the group of non-professional investors and five motivating factors within the group of professional investors. The study revealed that the factors like desire for (i) income from dividends (ii) rapid growth (iii) purposeful investment as a protective outlet for savings and (iv) professional investment management were common to both groups of investors. The exceptions are the desire for professional management and desire for long term growth.

5. Keller Frank R, (1970), in his study on, “The Behavior of Individuals in Security Investment Decisions”, studied the common stock investment decision process to develop data that would facilitate hypothesis formulation, concerning the determinants of security values, stock holder satisfaction and the nature of successful investment practice. The study was carried out with four individual investors comprising two sophisticated investors and two unsuccessful investors. Personal interview was conducted and it was found that each decision process was highly individualized, and it was possible to synthesize a multi step general model. The expectation of desirable future ‘reported earnings’ to be generated from adequate company resources by a ‘good management’ was found the requisite to any investment.

approach in the field of financial decision making. According to him many decisions were made, not by individuals but by groups. The ultimate finding was that, decisions made by groups were riskier than the average of the individual member’s decision.

7. Lease Ronald C, et.al., (1974), in their study entitled, “The Individual Investor: Attributes and Attitudes”, studied the demographic characteristics, investment strategy patterns, information sources, asset holdings, market attitudes and perceptions, to identify the record of portfolio position and realized investment returns of the group. 990 American shareholders, stratified according to the geographic distribution, reported by the New York stock exchange were surveyed through a questionnaire, and processed with the help of cluster analysis and Automatic Interaction Detection analysis. The study showed strong positive correlation between

(i) Annual income and total wealth.

(ii) Age and percentage of portfolio invested in income securities.

(iii) Age and rating of dividend as a portfolio objective and

(iv) Expressed interest in dividend income and percentage of portfolio investment in income securities.

A significant negative correlation existed between annual income and percentage of portfolio invested in income securities. The results clearly showed that the individual investor is primarily a fundamental analyst, who perceived to hold a balanced and well diversified portfolio of income and capital appreciation securities, the proportion constituting income and capital appreciation securities amounted to 40/60 proportion. The decision behavior showed that half of the sample respondents spent less than 5 hours a month and less than $ 15 a year on collecting the information for making the decision about securities.

8. Blume, et.al., 8, (1974), in their study entitled, “Stock Ownership in the United States: Characteristics and Trends”, studied the characteristics and trends of stock ownership in
the United States. Their study found a mild relationship between dividend yields of investor portfolios and investor tax brackets.

9. Blume, and Friend⁹, (1975), in their study entitled, “The Asset Structure of Individual Portfolios and Some Implications for Utility Functions” concentrated on the asset structure of individual portfolios and its implications for utility functions. This paper documented the degree of diversification in individual portfolios and explained the investors’ utility function for the households who hold diversified portfolios. According to their study, poor diversification in portfolios was due to the heterogeneous expectations of investors. This work assumes significance in the matter of measuring the extent of diversification in portfolios of individuals.

10. Cohn, et.al.,¹⁰ (1975), in their study entitled, “Individual Investor Risk Aversion and Investment Portfolio Composition”, examined the issue of relative risk aversion among the investors. The study found strong evidence in support of decreasing relative risk aversion. i.e., as wealth increases, a higher proportion of the total is committed by the individual to risky assets. The study applied both parametric and non-parametric tests for the purpose of analysis. By using Multiple Discriminate Analysis (MDA), the study concluded that age, marital status, income and wealth indicated a difference across different subgroups of investors. The stepwise Multiple Discriminate Analysis showed three variables namely, wealth, marital status and age of investors in the order of diminishing classificatory power.

11. Irwin Friend and Marshall E Blume¹¹, (1975), in their paper on “The Demand for Risky Assets”, used cross sectional data of household asset holdings to assess the nature of households’ utility function. They viewed the relationship between utility functions and wealth of all investors as the basis to construct an aggregate demand function for risky assets.

12. John Telesephore¹², (1975), in the study, “The Expectations of Stock Market Participants for Selected Stocks”, investigated the nature of 800 individual investors’ expectation of financial return for common stocks. The investors belonged to 4 types of
stock market participants namely, buyers, sellers, owners and security analysts. The study led to the conclusion that investors expect a higher return from risky stocks and sellers expect a lower return than buyers or owners of stock.

13. Gooding Arthur E\textsuperscript{13}, (1975), in his study on, “Quantification of Investors Perception of Common Stocks: Risk and Return Dimensions”, examined the role of expected risk and return in making asset decisions. Three investor groups were asked to judge nine common stocks in an investment context. Psychometric techniques were used to estimate each investor group’s average stock perception. Three investor groups with potentially dissimilar perceptions were identified on the basis of their investment related experience and education. The most interesting finding of the study was that, each investor group’s average uni-dimensional return perceptions were almost identical to the exposed return measures and secondly their risk perceptions correlated significantly.

14. Lease Ronald C\textsuperscript{14}, (1976), in his study entitled, “Market Segmentation: Evidence on the Individual Investor”, surveyed 972 investors grouped based on their investment goals, the kind of information they used and the number and kind of assets in their portfolio. The study revealed that older investors were more conservative in their investment behaviour, placed less emphasis on capital gains and more on dividend income, relied less on brokers advice, spent more time on security analysis and had a more diversified portfolio containing fewer high risk assets.

15. Lewellen Wilbur G\textsuperscript{15}, et.al. (1977), in their study, “Patterns of Investment Strategy and Behaviour among Individual Investors”, ascertained the portfolio decision processes of individual equity investors. Data was collected from 972 individual investors residing in the US. The result shows that age has a strong influence on the portfolio goals of the investors. Older investors have interest in long-term capital gains and young investors have a desire for short-term capital gains. Age and risk-taking propensities were found to be inversely related. Women investors were found to be broker-reliant unlike men.

individual common stock investors. Investors exhibited a strong association between expected annual rates of return and acceptable risk levels on common stocks. According to the study, there appeared to be differences among the nature and shape of the relationship as evidenced by statistical tests. First, the association between risk and expected annual return appeared to be positive. Secondly, the risk-dividend relationship appeared to be negative and thirdly the risk-capital appreciation relationship was found to be positive.

17. Lewellen, et.al.,17 (1978), in their study entitled, “Some Direct Evidence on the Dividend Clientele Phenomenon”, examined the issue whether any tax induced “clientele” effect is present in the equity market place. For this purpose, the securities-holding data for a large and diverse sample of individual shareowners were used. The study focused on yields of individual securities in the portfolio of investors and concluded that tax-rate distinctions among common stock dividend-yield sub-groups did not exist in the case of individual segment of the market.

18. Lewellen W.G, et.al.,18 (1979), in their article entitled, “Investment Performance and Investor Behavior”, paid particular attention to the question of whether there existed investment strategies on investing entities, capable of producing consistently superior investment performances. One thousand individual investors were surveyed. Multiple Discriminate Analysis and Stepwise Multiple Discriminate Analysis were used for analyzing data. The result showed that there existed no indication that investment skill improved with age and investment experience. There was no difference between the male and female investors in enjoying trading profits. The only visible links between performance and demographics were investor education and income brackets, but the relationship was negative in each case.

19. Reckers and Stagliano19, (1980), conducted a survey entitled, “How Good are Investor’s Data Sources?”, whereby the investors were asked to determine the type of data they considered most useful in making investment decisions. These are the three major conclusions:
a) 91% of the investors indicated a somewhat thorough reading of the annual report, but half of the respondents apparently disregarded the financial statement footnotes.
b) Forecasts generally were thought to possess some positive use of decision making.
c) Quality of management assessment and operational credits appear to be the most inaccessible or unavailable major item of decision relevant data, even though this information was used by investors.

20. Arnold and Moizer (1984), in their study entitled, “A Survey of the Methods used by UK Investment Analysts to Apprise Investments in Ordinary Shares”, investigated the methods used by the U.K. investment analysts to appraise the investments in the ordinary shares of companies. The respondents in this study were the investment analysts and not the investors per se. The study opined that investment analysts are both investors in their own right and also advisers to other institutional and individual investors. They found that the principal share appraisal technique used by investment analysts was fundamental analysis. Although some of the principles of technical analysis like price-earnings ratio and dividend-yield were used for appraisal, none of them mentioned that they used technical analysis. The most influential sources of information according to investment analysts’ perception, was found to be the company’s Annual Profit and Loss Account, Balance Sheet and its Interim results.

21. Arnott, Robert D. et.al., (1985), in their study on, “The Business Cycle and Security Selection”, identified the business cycle, which was associated with security selection by the investing public. According to them, many investors used security selection model to evaluate a broad spectrum of investment information. But, individual models often proved vulnerable to the dynamics of the business cycle. A model that performed well in one economic environment was found to perform poorly in a different one. Correlation between various models and measures of interest rates and inflation indicated that growth models were more effective during periods of high inflation and less effective in a strong economy. Value oriented models performed well in periods of low inflation. Most of the models tested performed better in periods of low real interest rates. Past model performance was a generally good indicator of future performance.
22. Ledereich and Siegel\textsuperscript{22}, (1988), in their study entitled, \textit{“Planning your Portfolio today and Tomorrow”}, emphasized the role of factors like age and health, marital status, family status, objectives, risk tolerance, investment preferences, liquidity, employment stability and tax rate in personal financial planning. This paper, though not an empirical one, explained the need for accountant’s involvement in personal financial planning of their clients. It provides a background of the variables to be analysed in a research concerned with individual investors.

23. Yunker and Krehbiel\textsuperscript{23}, (1988), in their study entitled, \textit{“Investment Analysis by the Individual Investor”}, discussed the issue of time devoted to the analysis of investment opportunities since most of the income of wealthy capital owners is derived from investments. Why does not one devote more time to one’s analysis and selection? This question is examined by taking the data from Individual Investor Research Project conducted at Purdue University in 1971. The study found that the mean time devoted to investment analysis by the entire group of investors was 9.18 hours per month, while 15.4 percent of respondents who are active in the stock market spent more than 20 hours per month. The highlight of Yunker and Krehbiel’s research is the development of an exponential equation representing a “plateau productivity function” between investment analysis time and the rate of return to financial capital wealth. They observed that the estimated plateau productivity function was sufficiently steep, that a relatively small input of time suffices to achieve very near the asymptotic upper limit on rate of return.

24. Gniewosz\textsuperscript{24}, (1990), in his study entitled, \textit{“The Share Investment Decision Process and Information Use: An Explanatory Case Study”}, examined the use of accounting and other information in the share investment decision process of an institutional investor. It was an exploratory case study conducted within the context of an organisation’s everyday working environment. The interaction between information from different sources over a full investment period and the extent to which information in the annual report were used in share investment decision process was considered to be the specific orientation of the paper.
25. Warren, et.al.,\textsuperscript{25} (1990), in their study entitled, "Using Demographic and Life Style Analysis to Segment Individual Investors", attempted to develop lifestyle and demographic profiles of investors based on the value and types of investment holdings. The authors pointed out that in a diversified market, demographic characteristics alone may not be sufficient to serve as a basis for segmenting individual investors. This study was based on mailed questionnaires to 600 households. Only 152 usable responses were obtained. Multiple Discriminent Analysis was used to determine whether investment patterns differed according to demographic and lifestyle dimensions. The results indicated that lifestyle dimensions not only help to differentiate between investor behaviors types (active/passive), but also useful in differentiating between light and heavy investors in particular investments i.e., stocks and bonds.

26. Josef Lakonishok et.al.,\textsuperscript{26} (1990), in their article, "The Weekend Effect: Trading Patterns of Individual and Institutional Investors", pointed out the weekend effect of transactions. The study was based on the unique data namely NYSE odd lot sales and purchases of Cash–account customers of Merrill Lynch and NYSE block transactions. The study indicated that the propensity of individuals to transact on Monday was highest, as compared to the other days of the week and that of the institutions was the lowest. The propensity of individuals to sell on Monday was comparatively higher than that to buy. The buy and sell transactions of individuals on Mondays was not symmetric.

27. Riley Jr. and Chow\textsuperscript{27} (1992), in their study entitled, "Asset Allocation and Individual Risk Aversion", used the data on the investments of a random sample of the U.S population to derive relative risk-aversion indexes from actual asset allocations of individuals. A model of risk aversion was developed by the authors who considered the age, education, total household wealth and annual income of individuals as important variables. The analysis found that relative risk aversion decreases as one rises above the poverty level and decreases significantly for the very wealthy. It also decreases with age, but only up to a point. The model showed that after the age of 65, risk aversion increased with age.
28. Nagy Robert A. and Robert W. Obenberger, (1994), in their article entitled, “Factors Influencing Individual Investor Behavior”, studied various utility maximization and behavioral variables underlying individual investor behavior in understanding the investment decision process. The data was collected from 133 experienced equity investors through mailed questionnaire. The equity investors were asked to evaluate the importance of 34 variables identified as influencing equity investment decisions. The study revealed that most of the variables ranked significant were classical wealth maximization related ones such as expected earnings, diversification needs and minimizing risk.

29. Brennan M.J, (1995), in his article entitled, “The Individual Investor”, analyzed the several phenomena that arose from the limited information possessed by the individual investors. He studied the sources through which investors received information about securities and found out the extent of information disseminated by brokers. An individual investor who did not possess expert knowledge of financial markets had to venture unaided into the treacherous waters of the market for primary securities, guided perhaps by the sometimes-unreliable advice of friends or stock brokers.

30. Mckelvey, (1996), in the study entitled, “Intangible Factors in Stock Evaluation”, pointed out that when making an investment decision one should look for certain factors beyond current earnings and dividends. The factors suggested in his study are growth trend, quality of growth, qualititative factors, management factors, volatility of earnings, use of coverage diversification, shareholder relations and other intangible factors. The intangible factors are stocks with restricted voting rights, full voting rights, reputation of the underwriter and length of time the shares have been on the market. The study emphasizes that current earnings and yield are important factors in determining the attractiveness of stock, but they are not the only ones.

31. Zvi Bodie and Dwight Crane, (1997), in their article entitled, “Personal Investing: Advice, Theory and Evidence”, made an attempt to know whether the advice available to individuals from newspapers, magazines and other providers of financial products were in agreement with economic theory and to examine the actual behaviour of a group of survey respondents to see whether they behaved in accordance with the advice. The study revealed
that the survey respondents were better informed and more experienced about investing than their counterparts at other places. The percentage of equity in total financial assets declined with age and rose with wealth. Apart from age and wealth, there were still substantial differences among individuals in the fraction of their total assets invested in equity.

32. Terance Odean\textsuperscript{32}, (1998), in his article entitled, \textit{“Are Investors Reluctant to Realize Their Losses?”}, probed into the trading records of 10,000 accounts at large brokerage houses and found that the investors exhibited disposition effect except in December. According to him, the disposition effect represented the tendency of investors to hold losing investment too long and sell winning investments too soon. These investors demonstrated a strong preference for ‘realizing winners’ rather than for ‘losers’. Their behaviour did not appear to be motivated by a desire to rebalance portfolios or to avoid the higher trading costs of low priced stocks nor was it justified by subsequent profitable performance.

33. Mart Grinblatt and Matti Keloharju\textsuperscript{33}, (2000), in their study entitled, \textit{“The Investment Behaviour and Performance of Various Investor Types: Study of Finland’s Unique Data set”}, analysed the extent to which past returns determine the propensity to buy and sell. The study revealed that foreign investors tend to be momentum investors, buying past winning stocks and selling past losers. Domestic investors, particularly households contradicted the same. This difference in Investor behaviour was consistent in regular intervals. The portfolios of foreign investors outperformed the portfolios of households, even after controlling the behaviour difference.

34. Charles Lee, M.C and BalaGuntur RadhaGuntur\textsuperscript{34}, (2000), in an article entitled, \textit{“Inferring Investor Behaviours: Evidence from TORQ Data”}, made an attempt to examine the several techniques commonly used to infer investor behaviour from transaction data. They adopted Lee-Ready (1991) algorithm for distinguishing trade decision. The results show that frequency, size and direction of observed trades provide a reasonable basis for evaluating the incoming flow of market orders.
35. Fieldstein and Yitzhaki\textsuperscript{35}, (2000), in their study entitled, "Are High Income Individuals Better Stock Market Investors?", have presented evidence to suggest that the corporate stock owned by high-income investors appreciate substantially faster than stock owned by investors with lower incomes. They have indicated that high-income individuals have larger portfolios and can therefore devote more time or resources to their investments, thus resulting in higher returns.

36. Dechow, Hutton and Sloan\textsuperscript{36}, (2001), in their study entitled, "Mastering Finance", found that analyst' growth forecasts are routinely over-optimistic around new equity offerings, but the most over-optimistic are those analysts employed by the lead underwriters of the offerings.

37. Bloomfield, Libby and Nelson\textsuperscript{37}, (2002), in their study entitled, "Confidence and the Welfare of Less Informed Investors", have indicated that less informed investors are over-confident in investments. Providing more information to professional investors only could harm the welfare of less informed investors if, less informed investors are not aware of the extent of their informational disadvantage.

38. Statman\textsuperscript{38}, (2002), in his research entitled, "A Century of Investors", compared the investors a century ago with investors today. He concluded that today’s investors are more rapidly informed than their predecessors, but they are neither better informed nor better behaved.

39. Hall\textsuperscript{39}, (2002), has conducted research entitled, "Do Brokers Buy, Hold and Sell Recommendations of Value to Individual Investors?" He found that investors who invested in the Johannesburg Securities Exchange (JSE) based on their brokers’ advice, were able to get risk adjusted returns superior or equal to the market.

40. Stout\textsuperscript{40}, (2002), in his study entitled, "The Investor Game", has indicated that investors have adaptive and not rational expectations. Adaptive expectations result in both trust and mistrust in securities market based on past actions.
41. Hong Kong Exchanges and Clearing Ltd (HKEx), conducted the “Derivatives Retail Investor Survey (DRIS)”, for the first time in 2001–2002 to study retail participation in the Hong Kong derivatives market and the investment behavior attitude and opinions of derivative investors in Hong Kong. DRIS was conducted in two stages through a mail questionnaire survey and personal interviews. The survey revealed that investors were predominantly males in their 40’s, mostly highly educated and of a high working class. HSI futures and options were the preferred ones. The median number of years of experience in trading was 4 years and the median trading frequency was 1-2 times a week. The median deal size was HK $ 60,000. Males were found to trade more frequently than females. Higher income group had a higher usual deal size. Profit was the motive behind trading derivatives. Overall, the mail survey respondents’ perception of HK Ex. derivatives market was positive.

42. John R. Graham, Alokkumar, (2006), in their study entitled, “Do Dividend Clientele Exist? Evidence on Dividend Preferences of Retail Investors”, studied the stockholding and trading behaviour of more than 60,000 households and found evidence consistent with dividend clientele. Retail investor stockholdings indicate a preference for dividend yield that increases with age and decreases with income, consistent with age and tax clienteles respectively. Trading patterns reinforce this evidence.

43. In a research conducted by Samantha (2010) “Effect of KUJ preference on investors behavior; a survey based research” on effect of friends on the investment decisions of individuals, she conducted a survey in USA among 500 respondents and she found that some are investing just because their friends are also investing. Their objective is not just earning good returns on their investment, but to be in association of their friends.

Behavioral finance is of recent origin in India. Only limited studies have been carried out in this area. A review of the existing Indian studies is presented below:

44. The National Council of Applied Economic Research (NCAER) Survey of households, (1964), entitled “Attitudes Towards and Motivations for Saving”, provides one of the earliest attempts on the study of savings of households. The survey covered a sample of
4650 households spread over India. It provides an insight into the attitude towards and motivations for savings of individuals. One of the key findings was that the investment in securities was preferred only by the high-income households.

45. Another study by NCAER in (1966), entitled, “Capital Market in a Planned Economy”, analyzed the structure of the capital market and presented the views and attitudes of individual shareholders. For this purpose, a sample of 4000 shareholders was selected on a random basis from the Register of Members of 25 Companies. The response was available from 600 members. The study was aimed at finding out the investment preferences and consideration on which shareholders based their investment decisions.

46. Gupta, (1987), conducted a study entitled, “Geographic Distribution of Equity and Bond Ownership”, in India. This study established that, contrary to the general belief, semi-urban and rural areas constituted a negligible proportion of the shareholding population of India. Equity shareholding has remained, by and large, an urban or rather a metropolitan phenomenon in India. Besides this, a ‘regional pull’ effect, that is a strong local preference among investors towards the companies registered in their home state, was also found by the study.

47. Gupta, (1991), conducted another major survey entitled, “Indian Share Owner–A Survey”. This survey generated a new set of data on Indian investors, their investment habits and preferences. The survey involved interviewing about 6,000 households in 250 residential blocks spread over more than 250 cities of India. The major findings of the survey were as follows.

a) Share ownership has become a middle class phenomenon: the median income of the Indian share owning households is about Rs. 62,000 per annum.

b) Influx of young people into the share market.

c) Inadequate diversification in the share investment portfolio.

d) Majority of Indian shareowners are long term investors, with holding duration of over 3 years.
e) New issue market found favor with the investors rather than buying from the secondary market.

f) The Unit Trust of India/Mutual Fund units were perceived as safe by a majority of investors.

g) Investors were dissatisfied with the mechanism for redressing of their grievances and

h) More than 50 percent of share owners had specific complaints against stock brokers and over 60 percent of the investors had specific complaints against the companies.

48. Bhagawati Prasad, Subhas M.S. (1991), in their study entitled, “Problems Faced by the Investors”, have examined the problems faced by the investors by surveying 200 small investors belonging to Hubly and Dharwar districts. The study reveals that majority of the investors were very active belonging to the middle income group. High returns motivated them to invest in capital markets and majority of the shareholders were satisfied with the content of the published information. Only some investors were not satisfied with the content of the published information.

49. Barua and Srinivasan (1991) “Experiment on Individual Investment Decision making Process” The investment decision making process of individuals has been explored through experiments. They conclude that the risk perceptions of individuals are significantly influenced by the skewness of the return distribution. This implies that while taking investment decisions, investors are concerned about the possibility of maximum losses in addition to the variability of returns. Thus the mean variance framework does not fully explain the investment decision making process of individuals.

50. Gupta and Ramesh (1992), conducted a study entitled, “Portfolio Management for an Individual Investor”, and studied the importance of considering individuals characteristics in portfolio management. An analysis of an individual’s investment situation requires a study of his personal characteristic such as age, health conditions, personal habits, family responsibilities, business or professional situation, and tax status. All these factors affect the investor’s willingness to assume risk.
51. Lal Jawahar, (1992), in his study entitled, “Investors Understanding of Information: Some Evidence”, made an attempt to know the understanding of Indian investors regarding some accounting information reported by Indian companies. The study covered about 1200 investors. The findings revealed that 48.83 percent of respondents although understood the information, found it irrelevant for investment decisions. Another finding was that a significant number of investors expressed that the information did not have the same degree of utility as the companies might have assumed. The study also observed that investors who have invested their funds in many companies have been found to possess better understanding than the investors investing in a few companies.

52. Jawaharlal, (1992), in his study entitled, “Understanding Indian Investors”, identified the behaviour of individual investors using questionnaire method. The study covered major cities of India. 1200 shareholders and debenture holders were selected at random for the study. The study revealed that Indian investors generally invested in more than 5 companies and preferred a larger portfolio. They lacked knowledge and experience in accounting matters. There was a strong positive association between level of understanding and volume of shareholding. The study indicated that the disclosures made by the companies need to be improved for the benefit of the investors.

53. According to Taraporewala, (1994) the Indian Capital Market has witnessed unprecedented euphoria in the early nineties and it has won critical appreciation from various quarters. At present there are 22 Stock Exchanges in India. The National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) together account for more than 99 percent of the total turnover having a combined market capitalization of $ 125.5 billion.

54. Radha V, (1995), in her study entitled, “A Study on Investment Behaviour of Investors in Corporate Securities”, examined the investment plan of corporate security investors in Tamilnadu. The analysis revealed that the largest segment of sample was constituted by young generation model investors. They were generally better educated and also belonged to the salaried class. Capital appreciation was considered as the most important objective. Investors relied more on magazines and journals for their investment
information. The success of the investment decision made by the investors entirely depended upon the successful performance of industry.

55. Levine and Ross (1996), found that a well functioning securities market is conducive to the sustained economic growth of any country in the world. There exists a direct relationship between the development in the securities market and economic growth of a country. The securities market provides a bridge between ultimate savers and ultimate investors and creates the opportunity to put the savings of the cautious at the disposal of the enterprising, thus promising to raise the total level of investment and growth. It allocates scarce savings to the enterprises and forces them to focus on their performance, which is continuously evaluated through share prices in the market. It thus converts a given stock of investible resources to a large flow of goods and services.

56. Dash R.K and Panda. J (1996), in their paper entitled, “Investors Protection: An Analysis”, had critically examined the need for investor protection. They found that unincorporated bodies and Nidhis whose deposit acceptance activities did not come under the guidelines of the Reserve Bank of India, shook the investor confidence for the past several years. They stated that the poor growth level, dearth of innovative schemes, poor marketing and unsatisfactory investor servicing etc., were the reasons for the low level of confidence. They strongly emphasized the importance of instilling the confidence in the minds of the investors.

57. Santi Swarup and Amika Verma, (1998), in their study entitled, “Effect of Stock Exchange Reforms (1992-97) on the Development of Indian Capital Markets: Intermediaries Perception”, examined the important Stock Exchange reforms and their impact on capital market developments from the view of the intermediaries. The perception of 30 brokers from Delhi Stock Exchange relating to the major reforms that have taken place in the operation of Stock Exchanges like changes in forward trading, introduction of depositories, reduction in settlement period, changes in capital adequacy norms and the segregation of transitions were obtained through questionnaire. The study suggested to brokers that the investors need to be educated about scripless trading and the brokers should be qualified enough to deal with the clients effectively.
58. Gupta, LC, (1998), carried out a study entitled, “What Ails the Indian Capital Markets?” to find out the problems associated with the Indian Capital Market. Three hundred middle and upper middleclass households were selected at random and were interviewed for the study. The study stated that majority of the respondents were not satisfied with the company management and the statutory auditors. Majority of the investors did not have much confidence even with the regulatory agencies. Many respondents had complaints against companies rather than stock brokers.

59. Shanmugam, R. and Muthuswamy, P, (1998), in their study entitled, “Decision Process of Individual Investors”, studied the views of individual share investors on their investment objectives, basic approach to investment decisions and the nature of their equity portfolio. Two hundred and one investors of Coimbatore city were selected at random and interviewed. Chi-square Test and Analysis of Variance were used to analyse data. The study revealed that majority of the shareholders were young first generation investors belonging to the salaried class. The time spent on investment analysis was inadequate and equity portfolio diversification was moderate. Regional industry had its impact on industrial portfolio. Educational level of investors had its impact on the use of technical analysis and the occupational category had impact on the use of fundamental approach.

60. Madhumathi, R, (1998), in her study entitled, “Risk Perception of Individual Investors and its Impact on Their Investment Decision”, examined the risk perception of 450 individual investors, selected at random from major metropolitan cites in India, dividing them into three groups as risk seekers, risk bearers and risk avoiders. The major findings of the study revealed that majority of the investors were risk bearers and they had the tendency to use the company performance as a basic factor to take investment decisions. They also depended on the advice of share brokers and investment consultants. The risk seekers generally took decisions based on market conditions, industrial position and social changes. They relied on newspapers and reports for information. Risk avoiders did not have any specific traits. They were very objective and looked for facts and certainty in their investment decisions. They relied on the advice of their friends and relatives.
61. In a survey conducted by ORG-Marg\textsuperscript{61}, a research organization (1999), \textit{“Investors Choices over the Investment Avenues”}, it had been revealed that majority of investor’s favored fixed deposits in Banks, Post office Savings Schemes, Insurance Schemes, Bonds issued by government, Equity Shares were preferred by investors in the order. Mutual Fund schemes for small investors were the least preferred. Guaranteed return coupled with capital appreciation was expected by most of the investors. The survey report concluded with the remark that awareness was still lacking towards mutual funds and it suggested a new to promote awareness towards mutual fund schemes.

62. Shanmugham (2000)\textsuperscript{62} conducted a survey \textit{“Factors Influencing Investment Decisions”} of 201 individual investors to study the information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions.

63. Rajarajan V\textsuperscript{63}, (2000), conducted a study entitled, \textit{“Investors Life Styles and Investment Characteristics”}, with the objective of analyzing the investors life styles and to analyse the investment size, pattern, preference of individual investors on the basis of their life styles. Data was collected from 405 investors in Madras using questionnaire method. The investors were classified into 3 groups viz., active investors, individualists and passive investors. Cluster Analysis, Correspondence Analysis and Kruskal Wallis Test were used to study the association between lifestyle groups and the various investment related characteristics. The study revealed that the level of expenses, earnings and investment were associated with the size of the household. Active investor group was dominated by officers, individual group by clerical cadre and passive investors group by professionals. The expected rate of return from investments varied between investment styles. The study clearly indicated that market performance of the share, company’s operating level, capital performance and the expectation of the investors were found to influence the risk perception of the investors.

64. S.Balaji and R. Kumar Bhaskar\textsuperscript{64} (2001) in their paper titled \textit{“Investor’s Psychology, A study of Investment Behavior in the Indian Capital Market”} opine that, a) People learn by observing and analyzing the market psychology and use it to accomplish results.
b) Indian markets are directed and controlled by few players who have information unavailable to others. c) Market activity is concentrated in few scrips and psychological factors do play an important role in market.

65. Baker and Nofsinger\(^65\) (2002), in their paper “Psychological Biases of Investors” saw that difference between traditional and behavioral finance is an issue of how each discipline is developed. Traditional finance has developed in a normative way; it concerns the rational solution to the decision problem by developing ideas and financial tools for how investors should behave rather than how actually they do behave. In this respect, behavioral finance is descriptive because it offers explanations for what actually happens rather than what should happen.

66. Murali\(^66\) (2002) in a paper entitled “Restoring Investor Confidence” has indicated that new issues market focuses on decreasing information asymmetry, easy accessibility of capital by large sections of medium and small enterprises, national level participation in promoting efficient investments, and increasing a culture of investments in productive sector. In order that these goals are achieved, a substantial level of improvement in the regulatory standards in India at the voluntary and enforcement levels is warranted. The most crucial steps to achieve these goals would be to develop measures to strengthen the new issues market.

67. Diacon.S.\(^67\) (2002) found in his research titled “Investment Risk: A comparative study of the perceptions of consumers and advisers” that most of the investors perceive that equity investment is suitable to achieve their long term objective and hence those investors whose needs are arising in less than three years of investment prefer to invest on fixed income securities.

68. Rajarajan\(^68\) (2003) in his “Investors demographics and risk bearing capacity” identifies that a strong association exists between demographic characteristics and the risk bearing capacity of Indian investors. This study confirms the earlier findings with regard to the relationship between age and income and the risk bearing capacity of investors. He
opines that information on risk bearing capacity of investors will help the financial product designers to develop products, which suit the risk characteristics of the investors. And also this information will help the financial product marketers to target the prospective investors for the products instead of approaching every individual with an array of products, which may not suit them at all.

69. According to Bajpai G.N (2003) financial markets across the globe are undergoing profound, unprecedented and fast–paced changes. Technology has revolutionized the processes and the information explosion has sparked off remarkable changes in the way the world market has been operating. Change has become an inevitable phenomenon.

70. Furqan Qamar (2003) in his “Saving Behaviour and Investment Preferences among Average Urban Household” analyzed the savings behaviour and investment preferences among average urban middle class of Delhi. The following are the relevant findings of the study:

   a. Despite financial sector reforms and entry of private, domestic and foreign banks into the country, the nationalized commercial banks seem to be the favorite choice of an average household.

   b. Capital market imperfections and associated risk have not been a deterrent for many households as they were found investing in debentures and share either directly or indirectly.

   c. The saving behavior and investment preferences of average urban household seem to be significantly influenced by the level of educational attainments and income of the respondents.

71. In a survey conducted by Lakshmi C.N (2005), “What influences more on the consumer buying decision process?” we could see that one cannot omit the role of media on the decisions of individuals. Most of the people get the awareness about any product through the media. It is found that media is playing a larger role than any other source of information that is influencing consumer buying decision making process. She
stated that media is not just creating awareness among public but also playing a vital role in terms of providing them required knowledge.

72. Bodla and Turan (2005) in their “Investment Preferences of Retail Equity Investor: An Empirical study” study whether the retail investors’ perception about risk of a security is consistent with the return perceived concerning that security. The study is based on primary data and the respondents were asked to rank 11 investment vehicles (Blue chip stocks, Small company stocks, Preference shares, Debentures/Bonds, Stock futures and Options, Mutual funds, NSC/PPF/PF, Fixed Deposits, Insurance policies, Real Estate and Gold/Silver) by risk and return on a 5-point scale. Some of the relevant findings are as follows:

a. Most of the retail investors do not believe in the dictate of financial theory ‘the higher the risk, the higher the return’.

b. The perceptions of the investors vary according to the income level of the investors.

c. The perceptions appear to be somewhat different between investors of various age groups.

d. The return and risk rankings for all the assets except one asset (Fixed Deposits) do not match each other. Specifically, the perceived returns of four assets i.e., blue chip stocks, debenture/bonds, NSC/PPF/PF and insurance policies, are higher than the risk attached to them.

73. Lakshmi C. (2005) in her paper “What influences more on the consumer buying decision process?” has stated that the reason for not investing on equity shares and equity oriented securities by Indian investors is the perception that equity investments are risky. She added that though the investors are aware of success stories of equity investment, as they perceive that they do not understand various risk minimization techniques, they feel it is better to stay away from equity investment.

74. According to Chopra V.K. (2006) The ratio of market capitalization to GDP is approaching 100 per cent in India. Even Foreign Institutional Investors (FII’s) bring
capital into the country only to acquire shares in the existing highly profitable companies but do not provide risk capital to the corporate world. It is the small investor i.e. the household sector, who is the only source of providing risk capital. The small investor provides this risk capital, either directly by investing in equity market or through collective schemes popularly called as mutual funds. There are 39 mutual funds offering about 600 schemes to the households, managing assets to the tune of Rs. 3,10,171 cores (US $ 68 billion) at the end of October 2008.

75. Bandgar P.K\(^7\), (2006), in his study entitled, “A Study of Middleclass Investor’s Preferences for Financial Instruments in Greater Bombay”, studied the existing pattern of financial instruments in India and the performance of middle class investors, their behavior and problems. Questionnaire was administered to collect data. Average, skewness, chi-square test and Fisher Irving test were used to analyze the data. The study revealed that only 16% of the investors were facing difficulties in buying and selling securities. Middle-class investors were highly educated but they were lacking skill and knowledge to invest. Female investors preferred to invest in risky securities as compared to male investors. The study also revealed that there was a moderate and continuing shift from bank deposits to shares and debentures, and a massive shift towards traditional financial instruments namely, life insurance policies and government securities.

76. Chopra V.K.\(^7\) (2006) says Indian corporate mainly raises funds through capital market. Two types of capital are essentially raised viz., Equity and Debt. Equity forms part of the net worth and the Debt forms part of the outside liability of the firm. The capital raised through equity is superior to that of debt capital for both the firm and the investor. Equity enhances the borrowing power of the firm from banks and financial institutions. In India, looking at the 8 years Compounded Annual Growth Rate (CAGR), equity returns has outperformed debt to the tune of 15.8 percent.

77. Kannadasan (2006)\(^7\) in his “Risk appetite and Attitudes of Retail Investors with Special reference to Capital Market” analyzed the behavioral pattern of the Retail Investors, based on various dependent variables viz., Gender, age, marital status,
Only 25 per cent of the sample respondents were aware of all the investment avenues available in the capital market. However, all of them are aware of at least one avenue.

b. 90 per cent of the retail investors are not aware of the measures taken by the Government to protect the interest of the investors.

c. 79 per cent of the retail investors are interested to invest in Shares and Debentures as well.

d. The risk bearing capacity of the retail investors was not influenced by their age. The retail investors’ age is not a criterion to decide their investment behavior and investment option.

e. The investment strategy of the investors is influenced by their income level. The retail investors’ income level is playing a predominant role to decide their investment behavior and investment strategy as well.

f. The major attributes of risk in investment are dividend, redemption period and Value appreciation. Value appreciation is an important factor among the three.

78. Security Exchange Board of India (SEBI) along with National Council of Applied Economic Research (NCAER)\textsuperscript{78}, (2007), conducted a comprehensive survey of the Indian investor households entitled, “Survey of Indian Investors”, in order to study the impact of the growth of the securities market on the households and to analyze the quality of its growth. 25,000 investors were drawn from places all over India and the data was collected by administering questionnaire and through personal interviews. The survey was carried out with the major objective of drawing a profile of the households and investors and to describe the demographics, economic, financial and equity ownership characteristics. The study also focused to understand the investor’s investment preference for equity as well as other savings instruments, their perception about market risk, their expectations, nature of their grievances, and difficulties, to estimate the number of household which had refrained from investing in the equity market and the reasons for their reluctance. The survey
revealed that age, education, occupation and income were found to influence the attitude of an investor towards investment. The urban investor households had higher proportion of investment in equity shares, debenture and mutual funds as compared to the rural households. Income levels and investment of the households in capital market were found to be associated. Majority of the equity investors had long term motive of investment. Investors revealed that they had a number of broker related problems than the issuer related problems.

79. Panda K, Tapan N.P and Tripathi\textsuperscript{79}, (2007), in their study entitled, “Recent Trends in Marketing of Public Issues: An Empirical Study of Investors Perception”, attempted to identify the investors’ awareness and attitude towards public issues. One hundred and twenty five investors covering the salaried and business class, from the city of Bhuvaneshwar were selected at random. The data was collected by administering a questionnaire and was analysed using simple percentage and weighted average analysis. The study revealed that majority of the investors relied on newspapers as the source of information. Financial journals and business magazines were ranked next to newspapers. A large number of investors were of the opinion that they were not in a position to get the required information from the company in time. A sizable number of investors were found to face problems while selling securities. ‘Safety and Regular Return’ stood first and second with regard to the factors associated with investment activities. Equity shares were preferred for their higher rate of return by the investors.

80. Maruthu Pandian P, Benjamin Christopher S\textsuperscript{80}, (2007), conducted a study entitled, “A Study on Equity Investor Awareness” in order to study the stock market literacy of the investors about the company, stock exchanges as well as capital market regulatory bodies. Four hundred and eleven investors were selected at random in Coimbatore district and the data was obtained using a questionnaire. Chi-square Test, ANOVA, Correlation, Multiple Regressions and Path Analysis were used to analyse the data. The study revealed that in capital market operation, urban mass is high, female investors are very low in number, young investors are more and most of the investors fall under the salaried class. The study also revealed that awareness differs among different groups of investors. The socio-economic, information seeking behaviour as well as investment behaviour characteristics
cause such differences. The awareness index is high and significant in case of young male investors, post-graduates, businessmen, investors reading more number of magazines and viewing investment related programmes on television and the internet, members of the investor forum, secondary market investors associated with capital market for more than 11 years and who regularly invest, investors with short term motive, and who keep a maximum amount of their wealth in shares.

81. Muraleedhran.D\textsuperscript{81} (2008) “Pattern of Household Income, Savings and Investment” analyzed the pattern of investment preference among the different income groups in physical and financial assets. The relevant findings of the study are as follows:
   a. The composition of savings reveals that savings in financial asset (63.47%) is higher than savings in physical assets.
   b. Among the savings in financial assets savings in chit funds is the highest (44.58%).
   c. In physical assets, consumer durables are the highest (28.33%).
   d. For around 23.62% of the households, the saving motive is the educational and marriage purposes of their children.
   e. The average propensity to save shows that the level of savings is related to the level of income.

82. Santi Swarup K, (2008)\textsuperscript{82}, in his study entitled, “Role of Mutual Funds in Developing Investor Confidence in Indian Capital Markets”, identified safety and tax savings as the important factors affecting investment in various avenues by the investor and developed strategies for enhancing common investor confidence such as good return, transparency, investor education, guidance etc.

83. L.C.Prasad\textsuperscript{83} (2008) in “The Changing Investment Preferences of Indian Households”, conducted a survey to find out the preferences of household investors and the relevant findings of the study are as follows, the household investors most preferred type of investment was found to be shares.
84. Selvam M, et.al., (2008) in their study entitled, “Equity Culture in Indian Capital Market”, examined the need for promoting equity culture, which deserves special attention for the development of economic growth. The study discussed in detail the current trend of equity culture, its implications and its revival and remedial measures. The study suggested intervention by government, SEBI and RBI and evaluation of suitable credit policy for projects in order to assure safety and assured returns to the investors, in order to restore investor confidence.

85. Jasim Y Al-Ajmi (2008) in “Risk tolerance of Individual Investors in an Emerging Market” explores the relationship between risk tolerance and the demographic characteristics of the investors. The study was conducted to investigate the effect of gender, education, age and wealth of the investors on their risk tolerance level. Major findings of the study are as follows:
   a. Men are less risk averse than women.
   b. Less educated investors are less likely to take risk.
   c. The effect of age on risk tolerance is complex.
   d. Wealthy investors are more risk tolerant than the less-wealthy investors.

86. Santi Swarup (2008), in his survey entitled, “Measures for Improving Common Investor Confidence in Indian Primary Market: A Survey”, analysed the decisions taken by the investors while investing in primary markets in the first part: secondly the factors affecting primary market situation in India was analysed and finally the survey evaluates various revival measures available for improving investor confidence. The survey was conducted in 10 cities in India by mailing questionnaire. The survey results of 367 investors revealed that the investors give importance to own analysis and market price as compared to broker’s advice. Issue price, information availability, market price after listing and liquidity emerge as important factors affecting primary market situation in India. A number of suggestive measures in terms of regulatory policy level and market oriented were suggested to improve the investor confidence in equity primary markets.
87. Society for Capital Market Research and Development\textsuperscript{87} (2008), conducted a survey entitled, \textit{“Indian Household Investors Survey-2004”}, to identify the investors preferences, problems and policy issues. The study was based on direct interviewing of a very large sample of 5908 household heads over 90 cities and across 24 states. The study states that price volatility, price manipulation and corporate mismanagement / fraud have persistently been the household investors’ top three worries in India. A large percentage of investors had a negative opinion on company managements. A majority of retail investors in India do not regard mutual fund equity schemes as a superior investment alternative to direct holding of equity shares. Retail investors overwhelmingly prefer bank deposits rather than liquid / money market funds. Shareholding in 3-10 companies is the dominant practice among retail shareholders in all income and age classes. Middleclass investors are long term and conservative. Equity shares have achieved a much higher degree of penetration among middleclass households compared to other capital market instruments.

88. Gnana Desigan C. et.al.,\textsuperscript{88} (2009), in their study entitled, \textit{“Women Investors Perception Towards Investment–An Empirical Study”}, identified the investment pattern, preference, influencing factors and problems of women investors in Erode town. The findings of the study reveal that, women investors prefer to invest in bank deposits and jewellery, they are influenced by safety and liquidity and the problems faced by them are cumbersome procedures and formalities, commission and brokerage.

89. Mahabaleswara Bhatta H.S.\textsuperscript{89} (2009) \textit{“Behavioral Finance—A discussion on Individual Investors Biases”} made an attempt to throw light on the investors’ biases that influence decision making process. The researcher opined that the studies on the unpredictable human behavior would help the investors to critically inspect their investing decisions.

90. Subha M.V\textsuperscript{90}, (2009), in her article entitled, \textit{“Indian Capital Markets–A Road Ahead”}, addressed the current issues in the Indian capital market, lack of individual participation and the ways of restoring investor confidence. The article concluded that the responsibility of creating an environment of trust and confidence lies with the regulators, stock exchanges and companies. Each of them should act in a responsible way and provide a healthy atmosphere for the functioning of an efficient capital market.
91. Viswambharan A.M\textsuperscript{91}, (2009), in his article entitled, “\textit{Indian Primary Market – Opportunities and Challenges}”, has examined the recent trends in primary market, the current IPO system – book building process, opportunities for investors, problems faced by the investors and has suggested that investors should rely on long term investment rather than speculation. Investor education should be strengthened. Commercial banks may take-up investment consultancy for their clients to improve investor participation.

92. Shobana V.K. and Jayalakshmi J\textsuperscript{92}, (2009), in their study entitled, “\textit{Investor Awareness and Preferences}”, studied the investors’ preferences, the level of investor awareness and the factors influencing investor awareness of 100 respondents in Salem District. The study reveals that real estate, bank deposits and jewellery were the preferred investments. Investors above 50 years of age, post graduates and professionals had high level of awareness. Age and education do not have any significant influence over investor awareness but occupational status leads to difference in the awareness level of people.

93. Koundinya.C\textsuperscript{93} (2010) “\textit{Risk perception of Indian Investors}” concluded in his research that the perception of risk associated with equity investment made some of the Indian investors believe that equity investment is not suitable to them, especially after Indian stock market crash due to the global economic recession of 2007-08.

94. Rao.C.J\textsuperscript{94} (2010) “\textit{Why first time investors enter the stock market during global economic recession}” added another perspective to the impact of learning and motivation on investment decision of individuals. He said “People who always want to achieve something new in their life would like to learn things to enter into that area irrespective however risky that new area may be. They always want to remain as standout achievers in their society”. He conducted a survey among the first time equity investors in India, who had invested during the time of global economic recession to enquire the reasons for investing at that time and found that most of them were highly self motivated to learn and exploit the possible investment opportunities that were existing during deep crash of stock markets.
95. NCAER survey report (2011) National Council of Applied Economic Research conducted a survey on households saving and investment sponsored by Securities and Exchange Board of India (SEBI) in the year 2011 July. It revealed that the strong preference of investors is towards mutual funds (43 per cent) and secondary markets (22 per cent). In urban areas, 41 per cent of investors invest in mutual funds and 21 per cent in secondary markets, whereas 46 per cent rural population chooses mutual funds and 22 per cent secondary markets.

96. Hemanth. P.K (2011) “Role of IT education in India’s economic development” has conducted a survey among Indian investors and found that majority Indian equity investors tend to invest on equity investments through Mutual Fund schemes. He stated that they believe that management of equity investment is not a child’s play and hence it is better to trust the experts.

97. Sita L.Y. (2011) “Financial Institutions and Promotion of IPOs” found that income played a peculiar role in influencing Indian equity investor. He stated that, contrary to many earlier researchers’ opinion, a good number of low income group investors have also invested along with other income classes on equity oriented securities. He further stated that investors from equity investors usually are motivated by “get rich quickly” phenomenon of equity investment and with the introduction of equity derivatives in India; some of them are even speculating in that segment.

98. Harshvardhan.S. (2011) “What Influences investor – The role of financial freedom” pointed out the importance of financial freedom in making equity investment decision. According to him, financial freedom is the ability of the investor in making the funds available for investment and his independence on making investment decisions on his own. He said, the proportion of investment on equity oriented securities by most of the Indians is less when compared with proportion of investment on other financial assets like bank deposits and post office saving schemes as the element of risk associated with equity shares is relatively high and the social security measures by the Indian Government are very low.
99. Srivastava.V. (2012) “Attitude of Indian Investors” study conducted on investment attitude of Indian equity investors, it is found that Indian equity investors have a firm belief that in the long run equity investments will undoubtedly offer higher return than other investment alternatives and as a result, despite the Indian stock market crash in 2007, many new equity investors have made investments in subsequent years.

100. Verma.P. (2012) “Awareness of Indian Investors on Equity Oriental Securities” found that awareness of various equity oriented securities among Indian investors is increasing due to various investor education programmes conducted by Securities and Exchange Board of India (SEBI) and Association of Mutual Funds in India (AMFI). He stated that, due to the increased awareness about equity oriented securities, the number of new investors is growing at a healthy rate in India. He further stated that increased awareness is also motivating the equity investors to acquire knowledge on various investment strategies and risk minimisation techniques.

101. Arun Lawrence and Dr. Zajo Joseph (2013) in their study entitled “Factors leading stock investment: An Empirical Examination” had concluded that friends and media play a key role in influencing the investors share trading decisions.

102. Durga Rao, et al. (2013) in their study entitled “A study on Role of Demographic Factors in Small Investors Savings in Stock Market” Stock market helps to channelize household savings to the corporate sector which in turn is utilized for the development of industrial and service sector. An equity share is part of the ownership capital of a company and the holder of such a share is a member of the company, eligible to share many benefits of the company. One investing in shares keeps it for some time depending upon the stock price.

103. Durga Rao, Chalam and Murty (2013) in their study entitled “Demographic variables influencing in the retail investors investment – A Scientific Analysis” showed how the demographic variables influenced in the investment of small investors and suggested that
the government and regulatory bodies like SEBI should create lot of awareness and encourage small investors in equities to become greater part of development of economic system for making investment on long term basis.

104. Dr. T.N.Murty, P.V.S.H. Sastry\textsuperscript{104} (2013) in their study entitled “Investment Trading Of Small Investors’ Savings In Indian Capital Market” The study revealed that the awareness index is high and significant in the case of young male investors, post-graduates, businessmen, investors reading more number of magazines and viewing investment related programs on television and the internet, members of the investor forum, secondary market investors associated with capital market for more than 11 years and who regularly invest, investors with short term motive, and who keep a maximum amount of their wealth in shares. The study highlights the sources of investment information for trading of investment of small equity investors.

105. Durga Rao. P.V. et.al.\textsuperscript{105} (2013) in their study entitled “Perception of Equity Investors on Risk-Return in Indian Capital Market-A Scientific Analysis” showed that the investors should update the performance of their portfolio components with the changing capital market conditions that enables them for a consistent growth in their returns. The variations in the returns from the expectations of the investors lead to the risk and the subjective analysis of various attributes helps for the minimization or the avoidance of the risk. The return is the yield plus capital appreciation and risk is the variability of return or loss, which is inherent in any investment. The risk-return perceptions of the investors on various investments may differ from one another. These perceptions have important implications in the financial markets and have a significant impact on the asset allocation decisions of the investors.

106. Durga Rao et.al.\textsuperscript{106} (2013) in their “Evaluation of Investment Decision of Small Investors in Indian Capital Market” revealed that the Investment evaluation decision has become crucial for any retail. There are several avenues for investment attracts the investor in current environment. Investment in equities is considered to be risky as compared to other avenues of investment, so investors need to study several factors and information while making equity investment. Success of equity issues is totally dependent on two factors those are, post - investment satisfaction and investors’ confidence. Post -
investment satisfaction creates a lasting impact on the investing thoughts or ideas of the investors and investors’ confidence decides the quantity of investment.

107. Durga Rao P.V. and Prof. G.V.Chalam (2013) in “Role of Independent Variables on Investment Decision of Equity Retail Investors” say that investment refers to the employment of funds to asset with the aim of achieving additional income or growth in value over a given period of time. Investment may be defined as “a commitment of funds made in the expectation of some positive rate of return”. Today, investors have various avenues of investment with different features matching their needs. But the art of investment is to see that the return is maximized with minimum risk which is inherent in all investments. The funds allocated by the investors to various investment avenues depend to a large extent on the investment objectives perceived by them. Investors differ in their pattern of investment, preferences, perceptions and importantly objectives of investment.

108. Durga Rao et.al. (2014) in “Investment Pattern of Equity Investors in Indian Capital Market” find that trading in stocks is quiet simple that possesses some basic knowledge of the security trading. Investment pattern refers to a regular sequence of actions followed by the investment decisions of investor. Understanding the investment pattern of small equity investors in investment decision making is important in stock trading. The attitude of the investors has been changing due to the changes in the stock market scenario. When the investors avail the accurate and reliable information, then they can enjoy the taste of success from the share market.

109. Durga Rao et.al. (2014) “Role of Capital Market in Indian Financial System - Past, Present and Future” The development is testimony to the expanding Indian capital markets and their potential would help in further strengthening the participation of investors across the country. The market capitalization of BSE stood at Rs. 63.87 crore at end-March 2013 compared to Rs.62.14 crore as of end-March 2012 while its ratio to GDP stood at 63.7 percent for 2012-13. The market capitalization of NSE was Rs. 62, 39, 035 at end-March 2013 compared to Rs.60. 96 crore as of end-March 2012 while its ratio to GDP stood at 62.2 percent for 2012-13.
Thus, the review of literature clearly shows that Indian share owners throw light on the general investment pattern and preferences of households, there is no other detailed investigation on the investment practices of the small equity investors in the 21\textsuperscript{st} century. The truth is that a lot of ground is yet to be covered in the direction of pattern, risk return perception, post investment satisfaction and evaluation. The importance and impact of small equity investors on our economic development, changing capital market scenario and explosion of information and communication technology have contributed to the changes in small equity investor behavior and have provided scope for further research in this direction.

Hence, an attempt has been made by the researcher in the present study to analyze the current investment decisions; pattern, risk-return perceptions, and factors influencing investors, post-investment satisfaction and evaluation of the small equity investors in the 21\textsuperscript{st} century, with a view to help the corporate issues and strengthen small equity investor participation in India.

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