CHAPTER – II
REVIEW OF LITERATURE

INTRODUCTION

An important step in research is to form a theoretical frame on the subject under research. Such a theoretical review helps the researcher to understand the problem better and serves as a location material, which will help to bring out clearly the real involvement of the present study. Review of related literature enables the researcher to get aware with the awareness in the field of study.

CONCEPTS RELATING TO INVESTOR BEHAVIOUR

Most financial theories are based on the idea that everyone is rational and takes careful account of all available information before making any decisions. But in reality it is not the case. Very often we are confronted with phenomena in financial markets that are difficult to explain with the traditional market theories. During the 1980s the financial economists began to consider the possibility that some market participants behave less rationally. During 1990s, the finance literature that uses psychological aspects to explain the Behaviour of market participants became a separate field of research called Behavioural Finance.

“Behavioural finance is the study of how psychology affects financial decision making and financial markets.” Shefrin (2000). Behavioural Finance is a field of study which has gained importance in recent times. The traditional Finance Experts did not approve of the new field of study in the beginning. In 2002, the Nobel Prize in ECONOMIC was given to Psychologist Daniel Kahneman and Experimental Economist Vernon Smith for their pioneering research in the field of psychology and ECONOMIC. This is seen by many as a victory for the development in the field of Behavioural ECONOMIC.
There are four theories of Behavioural aspects investing. They are as follows

1. Prospect Theory
2. Regret Theory
3. Anchoring
4. Over-and-under reaction

The prospect theory proposed by Kahneman and Tversky as early as 1979 describes how people frame and value a decision involving uncertainty. According to the prospect theory, people look at choices in terms of potential gains or losses in relation to a specific reference point which is often the purchase price.

STUDIES RELATED TO INVESTOR BEHAVIOUR

1. F. Adler. [1956]\(^2\) Consequently” Psychographics or life style, measures have become a popular means of identifying consumers and describing their differences along with psychological dimensions which supersede traditional Socio- Economic variables the concept of life styles was introduced in marketing by Adler.

2. A Bernard. [1959]\(^3\) Investment analysts have long recognized that need to understand more clearly the detailed process underlying investment decisions. Bernard observed that, whether the mental processes of consistently successful investors are intuitive or rational must be made understandable.

3. Arthur Koponen [1960]\(^4\) The concept of life styles has been extensively researched in marketing. No one can accurately date the origin of the attempts to measure life styles and their relationship to consumer Behaviour. Is all part of the continuing effort by marketers and other communication specialists to Lease more about their target audiences. Starting with the classic study by Koponen,

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4. Moloolovsky [1960] This study have demonstrated that the overall Gain to Investors for the eighty eight years, 1871-1957 has averaged about 5 per cent per annum in dividend return and 2.5 per cent per annum in price appreciation both taken against annual market prices.

5. Wallach, M. A. & Kogan, N. [1961] the study relationship between risk tolerance and age? Cohn, Lewellen et.al found the risky asset fraction of the portfolio to be positively correlated with income and age and negatively correlated with marital status. Morin and Suarez found evidence of increasing risk aversion with age although the households appear to become less risk averse as their wealth increases.

6. RBI. [1962] The Reserve Bank of India conducted its survey of ownership of shares at the end of 1959, 1965 and 1978. The 1959 study found that the number of Individual shareholders accounted for 98.9% of the total number of shareholders and in value then, held 52.05%. The holdings of 52% reported and 51% in the U.S.A. The 1965 survey found the value of Individual shareholders, ownership to decline to 45.6%.

7. William Lezer. [1963] “The concept of lifestyle patterns and its relationship to marketing was introduced in 1963 by William Lazer. He defined life style patterns as “a systems concept, it refers to a distinctive mode of living in its aggregate and broadest sense… IT embodies the patterns that develop and emerge from the dynamics of living in a society.

8. NCAER. [1964] The 1964 survey revealed that rarely 31% urban households preferred to invest their savings in business followed by housing, agricultural Lands, bank

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5Moloolovsky [1960] Stock Values and Stock Prices Financial Analysts Journal,


deposits and smaller savings more than 50% of households expressed a preference for investing their savings in physical assets. The proportion of households expressing a preference for financial assets was found to increase with the level of education and the important motivation for savings among the urban households were found to be: protected against emergencies, provision for old age and children’s education. The investment insecurities were higher in ease of managerial administrative and executive people.

9. RBI. [196510] The study also found that shareholdings up to Rs. 50,000 of paid up value of ordinary share capital was held greatly by Individuals (around 92%) and share holdings exceeding Rs. 50,000 were comparatively small and insignificant. The pattern of decreasing Individual share ownership and a shifting the pattern of ownership in favor of large financial institutions was compared to the similar trends observed in the studies in U.K. and U.S.A.

10. K. J. [197111]. In contrast, Arrow argues for theoretical reasons that relative risk aversion increase with wealth. Since wealth increases with age, Arrow’s argument suggests that older individuals will invest a smaller fraction of their wealth in risky assets as a by-product of the correlation between age and wealth.

11. Kahlon, A.S., Bal, H.S. and Singh, Gurubachan (1972)12. The Concentrating only on the carry out the study of saving and investing patterns in the state of Punjab. They conclude that farm families saving are concentrated only in the upper class, and the rate of increase in savings is less impressive in modern times. In general, saving in India has been growing in absolute amount as well as in relation to the GDP. The saving ratio had reached the highest figure of 24.4 percent of GDP in the period 1995-96. If the

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Economic growth has to take a more meaningful course, then the importance of increasing saving ratio cannot be denied.

12. P. Slovic. [1972\textsuperscript{13}] it would also help to understand the individual investor better. Although knowledge of the dynamics of risk taking is still limited, there is one important aspect that has been fairly researched-that dealing with the stability of a person’s characteristic-risk taking preferences as he moves from situation to situation. Typically a subject is tested in a variety of risk taking tasks involving problem solving, athletic, social, vocational and pure Gambling situations. The results of close to a dozen such studies indicate little correlation, from one setting to another, in a person’s preferred level of risk taking. The majority of evidence argues against the existence of risk taking propensity as a generalized characteristic of individuals. Evidence of the individuals risk taking inclination gleaned from other forms of Behaviour is unlikely to predict how he would behave in an investment situation.

13. Mikesell, R.F. and Zinser, J.E. (1973)\textsuperscript{14}. The defined saving as the income that is not consumed. According to them, determinants of consumption become indirectly the determinants of savings also. However saving being regarded as the key performance indicator of any economy, knowledge of determinants of saving Behaviour in any economy is critically important.

14. William D. Wells. [1972\textsuperscript{15}] The most recent trend in market segmentation has been in the direction of more sophisticated procedures and product oriented segmentations, so often, however, the segments developed from a study on one product category have little or no relevance to another product category, product benefit or attribute, segmentation has been useful to markets and advertisers and often has been the basis

\textsuperscript{13}P. Slovic. [1972\textsuperscript{13}] Op. Kit.


\textsuperscript{15}William D. Wells. [1972\textsuperscript{15}] Seven Questions about life style and psychographic paper presented at the 55th International marketing congress. NY City. April 1972. P. 4.
for multi brand development. It is in this area that lifestyle data-activities, interests and options-have proved their importance as a means of “duplicating” the consumer for the marketing researcher.

15. Surjit S. Bhalla (1978\textsuperscript{16}). The Investigates the effect that sources of income and investment opportunities have on the savings Behaviour of farm households in rural India. The panel nature of the data (agricultural years 1968–1969, 1969–1970 and 1970–1971) allows for the identification of the permanent and transitory components of a household's income. It is shown that income variability (rather than investment opportunities) can account for observed differences in the propensity to save out of different sources (agricultural/non-agricultural). A direct test of the effect of investment opportunities on savings is offered in the second part of the paper. It is observed that capital market conditions have an important effect on this relationship; poor households save more, and rich households save less, in response to an increase in investment opportunities.

16. Mujumdar, N.A., Venkatachalam, T.R. and Raghavachari, M.V. (1980\textsuperscript{17}) To have done an important study of saving Behaviour in India, because in the late 1970’s the saving in India witnessed a dramatic change. The saving income ratio which was consistently lower than 15 percent for 24 years rose to 17 percent in 1974, and then suddenly jumped to 21 percent in 1977. Taking a broader view MVR attempted to analyze the saving Behaviour of 29 years from 1950 to 1979. Their main purpose is to throw some light on the factors which could have presumably rendered the attainment of the high saving ratio possible. In another household saving and investment study, Gothoskar and Venkatachalam (1979) point out that, first official estimates of saving in


the Indian economy were prepared and published by the Reserve Bank of India in March 1960 that covered the period 1950 to 1957. The household sector was eventually given special consideration by several other studies (and report) including the one by National Council of Applied Economic Research (NCAER). After carrying out a review of existing literature in the first few sections the study analyzes saving behaviour up to 1977.

17. **Edward F. Stafford, Jock, J. Kabulis and Robert F. Lunch.** [1982] The found empirical evidence that consumers will have similar preference or activity structures that they will generally acquire financial assets in the same others. He found support for the notion that there is a financial socialization process. The order of acquisition of the financial assets suggests a priority pattern as follows: checking account, husband’s life insurance, savings account, wife’s life insurance, stock bonds, trusts and mutual funds.

18. **Morin, R. A. & Suarez, A. F. (1983).** The investigated the effect of age on the holding of risky assets using 1970 Canadian Survey of Consumer Finance data. Risky assets were defined as the sum of stocks, bonds, mutual funds, real estate other than owner-occupied home, equity in own business, and loans. Morin and Suarez (1983) concluded that on average, risk aversion increased with age. For those at the low levels of net worth, risk aversion increased with age. In contrast, for households with high net worth, risk aversion decreased with age. The authors concluded that both net worth and age influenced risk aversion.

19. **Ronald C. Lease, Wilbur G. Lewellen Gary G. Schlarbaum.** [1974] The individual investor to be primarily a fundamental analyst who perceived him to hold a balanced

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and well diversified portfolio of income and capital appreciation securities. “He invests predominantly for the long run, and is prone to use one of the broad based market indices as the benchmark by which to Judge personal investment performance results. He supplements his direct securities purchase activities quite frequently with ownership of mutual fund shares of the money he spends, the great bulk goes towards subscriptions to standard financial periodicals. Their direct market participation has its origins in consideration of fun as well as profit.”


The findings of this study, based on long-term time-series data, indicate that government investment in agriculture significantly stimulates private investment, thereby having a multiplier effect on raising capital stock available for productive activities in the rural areas. This increase in capital stock, apart from directly contributing to growth, can also help in removing constraints to rapid technological change. Furthermore, since some capital stock itself embodies new technology, it may make a direct contribution to technological change and higher productivity in agriculture.


This reviewed the important risks of owning common stocks and the ways to minimize these risks. They commented that the severity of financial risk depends on how heavily a business relies on debt. Financial risk is relatively easy to minimize if an investor sticks to the common stocks of companies that employ small amounts of debt. They suggested that a relatively easy way to ensure some degree of liquidity is to restrict investment in stocks having a history of adequate trading volume. Investors concerned about business risk can reduce

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it by selecting common stocks of firms that are diversified in several unrelated industries.

22. **Linda L. Tesar (1991)** analyzed the correlation between national savings and domestic investment rate and interpreted that that capital is not internationally mobile. This paper surveys the theory and evidence on the relationship between savings and investment. In a sample of 23 OECD countries a positive correlation between savings and investment rates is found in both the short and long runs, However, a wide variety of models generate such co-movements in savings and investment in response to exogenous disturbances, even under conditions of complete financial markets. Thus, the savings-investment correlation provides little evidence on the question of international capital mobility.

23. **Gupta. L.C. (1992)** The findings of his study that there is existence of wild speculation in the Indian stock market. The over speculative character of the Indian stock market is reflected in extremely high concentration of the market activity in a handful of shares to the neglect of the remaining shares and absolutely high trading velocities of the speculative counters. He opined that, short-term speculation. If excessive, could lead to "artificial price". An artificial price is one which is not justified by prospective earnings, dividends, financial strength and *assets* or which is brought about by speculators through rumors, manipulations, etc. He concluded that such artificial prices are bound to crash sometime or other as history has repeated and proved.

24. **Lewis Mandell (1992)** reviewed the nature of market risk, which according to him is very much 'global', He revealed that certain risks that are so global that they affect the

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23Linda L. Tesar (1991)


entire investment market. Even the stocks and bonds of the well-managed companies face market risk. He concluded that market risk is influenced by factors that cannot be predicted accurately like Economic conditions, political events, mass psychological factors, etc. Market risk is the systemic risk that affects all securities simultaneously and it cannot be reduced through diversification.

25. Pandya (1992)\textsuperscript{26} Observes that as a regulatory and development body SEBI’s efforts in the direction of investor protection are varied and unlimited. The measures brought in by SEBI broadly cover measures for allocate efficiency in the primary market with fair degree of transparency, reforms in the secondary market for visible and mutual funds, regulation of various market intermediaries and above all for the protection of the investing public.

26. Yasaswy N.J. (1993)\textsuperscript{27} The disclosed how ‘turnaround stocks’ offer big profits to bold investors and also the risks involved in investing in such stocks. Turnaround stocks are stocks with extraordinary potential and are relatively under priced at a given point of time. He also revealed that when the economy is in recession and the fundamentals are weak, the stock market, being a barometer of the economy, also tends to be depressed. A depressed stock market is an ideal hunting ground for ‘bargain hunters’, who are aggressive investors. Sooner or later recovery takes place which may take a very long time. He concluded that the investors’ watch work is ‘caution’ as he may lose if the turnaround strategy does not work out as anticipated.

27. R.Venkataramani.(1994)\textsuperscript{28} The disclosed the uses and dangers of derivatives. The derivative products can lead us to a dangerous position if its full implications are not

\textsuperscript{26}Pandya (1992)\textsuperscript{26}. Securities and Exchange Board of India: Its Role, Powers, Functions and Activities, Chartered Secretary, Vol.22, No.9, (Sept.), p.783.

\textsuperscript{27}Yasaswy N.J. (1993)\textsuperscript{27}. Turnaround Stocks, Big Profits for Bold Bargain Hunters, Vision Books, New Delhi, Bombay

clearly understood. Being off balance sheet in nature, more and more derivative products are traded than the cash market products and they suffer heavily due to their sensitive nature.

28. Donald E. Fischer and Ronald J. Jordan (1994)\textsuperscript{29} The Analyzed the relation between risk, investor preferences and investor Behaviour. The risk return measures on portfolios are the main determinants of an investor's attitude towards them. Most investors seek more return for additional risk assumed. The conservative investor requires large increase in return for assuming small increases in risk. The more aggressive investor will accept smaller increases in return for large Increases in risk. They concluded that the psychology of the stock market is based on how investors form judgments about uncertain future events and how they react to these judgments.

29. SujitSikidar and Amrit Pal Singh (1996)\textsuperscript{30} carried out a survey with an objective to understand the Behavioural aspects of the investors of the North Eastern region towards equity and MFs investment portfolio. The survey revealed that the salaried and self-employed formed the major investors in MFs primarily due to tax concessions. Unit Trust of India and State Bank of India schemes were popular in that part of the country then and other funds had not proved to be a big hit during the time when the survey was done.

30. Bhalla V.K. (1997)\textsuperscript{31} this paper viewed the various factors influencing the equity price and price earnings ratio. He is of the opinion that equity prices are affected primarily by financial risk considerations that, in turn, affect earnings and dividends. He also stated that market risk in equity is much greater than in bonds, and it influences the price also.

\textsuperscript{29}Donald E. Fischer and Ronald J. Jordan (1994)\textsuperscript{29} Security Analysis and Portfolio Management, Prentice Hall of India (Pvt) Ltd. New Delhi 110001.

\textsuperscript{30}SujitSikidar and Amrit Pal Singh (1996)\textsuperscript{30}

He disclosed that many analysts follow price earnings (P/E) ratio to value equity, which is equal to market price divided by earnings per share. He observed that inflationary expectations and higher interest rates tend to reduce P/E ratios whereas growth companies tend to have higher P/E ratios. He suggested that an investor should examine the trend of P/E ratios over time for each company.

31. Krishnamurthy (1997)\textsuperscript{32} defined savings as investment in financial assets like deposits in banks and post offices and investment in joint stock companies mostly in the form of deposits and shares. According to him amount of savings rural households are willing to make in shape of financial assets is dependent upon the (a) surplus available with the households; (b) willingness to save in these assets; and (c) awareness about and easy accessibility to the various types of financial investment avenues. The survey conducted by Krishnamurthy revealed that in 1971-72 the household’s savings from rural areas amounted to Rs. 930 crores of which Rs. 638 crores were brought by cultivators groups. 14% of households reported savings in shares and 6.8% in deposits. Total investment in shares by all rural households amounted to Rs. 140 crores which formed 15% of total financial assets. Among deposits, commercial bank deposits were Rs. 136 crores, Rs. 95 crores in post office and Rs. 30 crores with others. The study concluded that financial assets have increasingly become an important way to save the surplus income over consumption.

32. Eugene F. Fama (1998)\textsuperscript{33} The Market efficiency survives the challenge from the literature on long-term return anomalies. Consistent with the market efficiency hypothesis that the anomalies are chance results, apparent over reaction to information is about as common as under reaction, and post-event continuation of pre-event

\textsuperscript{32}Krishnamurthy (1997)\textsuperscript{32}

abnormal returns is about as frequent as post-event reversal. Most important, consistent with the market efficiency prediction that apparent anomalies can be due to methodology, most long-term return anomalies tend to disappear with reasonable changes in technique.

33. Mohammad Najand, Larry J. Prather (1999) examine the information content of mutual fund investment objectives to learn whether investors can use them to infer risk. For investment objectives to properly convey risk, risk must be heterogeneous between investment objective groups and homogeneous within them. The present study differs from earlier work in two important ways: (1) it reaches a generally different conclusion about within-objective class fund risk, and (2) it is being done against a backdrop of industry-wide incentive compensation structures that rely on these classifications as proxies for fund volatility. Empirical testing suggests that risk is heterogeneous within groups.

34. Selvaraj, A. (1999) The reviewed the strategies for combating risk. A risk management programme should encompass all parts of the organization and all types of potential risks. Risk management is essential and one should be aware of how to strategically organize an effective programme. He revealed that to safeguard a business against risk, it is necessary to know the various kinds of risks that the business faces. There are risks in everything and the degree of risk may vary. He recommended certain strategies for combating risks. When risks must be borne, prudence ties in the reduction of the area of uncertainty within which a business is operating. He opined that since most of these risks proceed largely from ignorance, they could be avoided by understanding them properly.

34Mohammad Najand, Larry J. Prather (1999)

35. **Juan H. Pujadas (1999)** commented on the models of measuring risks. He opined that the models of measuring risk are only as good as the assumptions underlying them. They are not realities, but models. Commenting on default risk in India, he stated that many default risks are not handled properly.

36. **Rajagopala Nair and Elamma Joseph (1999)** revealed the various risks experienced by investors in corporate securities and the measures adopted for reducing risks. They opined that calculated risk might reduce the intensity of loss of investing in corporate securities. As per their study, many investors are holding shares of those companies that are non-existent at present. They opined that investors may accept risks inherent inequity, but they may not be willing to reconcile to the risk of fraud. Promoters should not be allowed to loot the genuine investors by their fraudulent acts. They observed that political uncertainties and frequent changes in the government have put the investors in an embarrassing state of mind. They stated that most of the investors follow the policy of ‘wait and watch’ the political situation before making an investment decision.

37. **Brad M. Barber and Terrance Odean (1999)** studied the stock trading Behaviour and investment performance of 1,607 investors who switched from phone based to online trading during the period 1991 to 1996. After going online, they trade more actively, more speculatively, and less profitably than before – lagging the market by more than three percent annually. A rational response to lower trading costs, improved execution speed, greater ease of access, or unusual liquidity needs does not explain these findings. The increase in trading and reduction in performance of online investors

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**Footnotes:**

36Juan H. Pujadas (1999)


38Brad M. Barber and Terrance Odean (1999) Online Investors: Do the Slow Die First? September 1999,
can be explained by overconfidence augmented by self-attribution bias, the illusion of knowledge, and the illusion of control.

38. Mullainathan and Thaler (2000)\(^3\) Stated that financial markets have greater arbitrage opportunities than other markets, so Behavioural factors might be thought to be less important here, but it was concluded that even here the limits of arbitrage create anomalies that the psychology of decision making helps explain. Since saving for retirement requires both complex calculations and willpower, Behavioural factors are essential elements of any complete descriptive theory.

39. Report by the Investigation Enforcement and Surveillance Department of the SEBI (2000)\(^4\) states that in spite of some instances of high volatility, the Indian markets have remained stable and safe. It is observed that the Indian securities market has been witnessing a downtrend and instances of volatility. But the downtrend and the fall in the indices of the major capital markets around the world. According to the Report, the downtrend in the sensex could be attributed to (i) Rise in the oil prices In the global markets leading to increase in oil pool deficit (2) Downward pressure on the Indian Rupee, (3) Fears of an Economic slowdown as indicated by the key economy indicators, (4) Revival of competitive economies such as Malaysia and possibility of shifting some foreign investments to these countries etc.

40. Shiller (2000)\(^5\) Argued that regret theory may apparently help explaining the fact that investors defer the selling of stocks that have gone down in value and accelerate the selling of stocks that have going up in value. Since the fear of regret leads investors to postpone losses, symmetrically, the desire for pride leads to the realization of gains. In

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\(^3\)Mullainathan and Thaler (2000)\(^3\) Behavioral Economics (Less than 159). 57.

\(^4\)Report by the Investigation Enforcement and Surveillance Department of the SEBI (2000)\(^4\)

summary, we can infer that investors might feel regret when they realize a loss, and, conversely, feel pride when they realize a paper gains.

41. **Charles Schwab (2000)** Revealed very practical, authoritative and easy-to-follow tips and suggestions for good investment in the stock market. According to him growth is the heart of successful investment. He suggested that before investing, one should be clear about the goal. He opined that the biggest risk is not in investing but in doing nothing and watching inflation eating away the savings. A very useful suggestion of the author is not to draw upon the income from investment but to reinvest it. A low risk approach will yield low return. So the author urged the investor to be aggressive, subject to his personal limits.

42. **Hirshleifer (2001)** The categorized different types of cognitive errors that investors make i.e. self-deception, occur because people tend to think that they are better than they really are; heuristic simplification, which occurs because individuals have limited attention, memory and processing capabilities; disposition effect, individuals are prone to sell their winners too quickly and hold on to their losers too long.

43. **Ajay Jaiswal, (2001)** Evaluated the implications of 'Equity Risk Premium'. He opined that investors look for a certain level of return for assuming the 'risk of equities volatile return'. This level can be measured through the equity risk premium. Equity risk premium is the sum of the dividend yield and earnings growth less current bond annual yield. He observed that the risk premium rose very sharply towards the end of the last decade. The expectations of the earnings growth had moved up dramatically since 1998. But in the last year we saw a fall of the long-term growth expectations. He opined

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42Charles Schwab (2000)"42
43Hirshleifer (2001)"43
44Ajay Jaiswal, (2001)"44
that downturn is associated with a fall in the profitability of the corporate sector. He argued that the equity investments are not for the weak hearted, as the equity holders cannot escape the impact of the movements in the capital market. We are headed for a period of lower returns to the investors. He concluded that the scaling down of the return expectations would reduce the chances of wild swings. And this would be better for the health of the bruised equity investors.

44. **Stock Market Behaviour Arestis, et al (2001)** examined the relationship between stock market development and Economic growth in five developed countries after controlling for the effects of banking system and stock market volatility. The results support the view that, although both banks and stock markets are able to promote growth, the effect of the former is more powerful. They also suggested that the contribution of stock markets to Economic growth has been exaggerated by studies that use cross-country growth regressions.

45. **Stock Market Behaviour Biswal and Kamaiah (2001)** evaluated the Behaviour of stock market development indicators, viz. market size, liquidity and volatility and examined the presence of trend break in these indicators since liberalization in India. The findings of the study suggested that stock market has become larger and more liquid in the post-liberalization period. In respect of volatility, however, there was no significant change.

46. **Sinha (2002)** found that savings and investment rates are co-integrated for Myanmar and Thailand indicating the growth of savings rate causes the growth of investment rate. Interestingly, reverse causality between savings rate and investment rate has been observed for Hong Kong, Malaysia, Myanmar and Singapore.

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45Stock Market Behavior Articles et al (2001)
46Stock Market Behavior Biswal and Kamaiah (2001)
47Sinha (2002)
47. Stock Market Behaviour Durham (2002) tested the relevance of stock market development for lower income countries. The study showed that stock market development has a more positive impact on growth for greater levels of per capita GDP, lower levels of country credit risk and high levels of legal development. Similarly, equity price appreciation seemed to boost private investment growth in the short run, but only in rich countries.

48. Rajeshwari, T.R and Rama Moorthy V.E (2002) studied the financial behaviour and factors influencing fund/scheme selection of retail investors by conducting Factor Analysis using Principal Component Analysis, to identify the investor’s underlying fund/scheme selection criteria, so as to group them into specific market segment for designing of the appropriate marketing strategy.

49. Stock Market Behaviour According To Laurenceson (2002) the impact of stock market on Economic development is limited in China. Especially, the corporate governance effect has been ineffectual and stock markets are insignificant sources of financing for non-state owned firms. Besides, on a macro level, their impact on the overall level of savings mobilization and allocation efficiency of capital also has found to be negligible.

50. IndrajitBasu (2003) in his article says that an analysis by value research, which monitors mutual funds, has found that single investors hold anywhere up to 90 percent of 27 of India’s equity funds. Of those, eight have single investors holding anywhere from 80-100 percent. The market regulator summoned the leaders of all of India’s mutual funds to discuss high-net-worth investor concentration and to remind them that the need is to cater to small investors rather than rich ones and institutional clients.


50Stock Market Behavior According To Laurenceson (2002)

51IndrajitBasu (2003)
SEBI now believes that only about 30 percent of India’s fund totals are held by small investors. Big investor decisions can affect smaller investors’ fortunes if they decide to exit suddenly, especially in falling markets, said a SEBI official. Even in a bull market, large investors can cause harm by inflating net asset value, thus hiking unit prices at which smaller investors often enter.

51. Philip Bromiley, Sharon James-Wade (2003)\textsuperscript{52} says that both financial ECONOMIC and neoclassical Economic approaches to strategy attempt to understand the operation of competitive markets assuming market equilibrium and optimizing agents. These assumptions imply no strategies can exist that consistently outperform the market. However, Behavioural finance results clearly demonstrate this implication is wrong. For strategic management, a theory that implies no rules exist to outperform the market cannot explain why some firms consistently perform better than others. This paper argues that a Behavioural perspective of strategic management offers a coherent framework and set of assumptions that better inform the problems strategic management scholars attack.

52. Akiko Kamesaka, John R. Nofsinger, HidetakaKawakita (2003)\textsuperscript{53} using weekly aggregate investment flow from Japan, study the investment patterns and performance of foreign investors, individual investors, and five types of institutional investors. Securities firms, banks, and foreign investors perform well over the sample period. Individual investors perform poorly. They also find that foreign investor trading is associated with positive feedback market timing and that this trading earns high returns. Alternatively, individual investors use positive feedback trading in their market timing but earn low returns. Consequently, we document evidence consistent with information-based models (foreign investors) and Behavioural-based models (individual investors).

\textsuperscript{52}Philip Bromiley, Sharon James-Wade (2003)\textsuperscript{52}

\textsuperscript{53}Akiko Kamesaka, John R. Nofsinger, HidetakaKawakita (2003)\textsuperscript{53}
It is a particularly new and interesting finding that evidence of both information-based trading and Behavioural-based trading occurs in the same market.

53. **Stock Market Behaviour Sharia and Junankar (2003)** analyzed the impact of stock markets on Economic growth in Arab countries using panel estimation techniques. They found that the level of stock market activity is related to Economic growth in the Arab countries. Of the various stock market development measures used, the turnover ratio shows significant impact on growth when compared to market capitalization and value traded in the stock market.

54. **PronabSen Nikhil BahelShikharRanjan. (2003)** This research paper believe that small investor attitude towards debt instruments needs change, and that this will not be possible without a radical overhaul of the small savings schemes in India. The lack of depth and width in government bond markets needs to increase so that small investors can invest in debt securities for capital gains rather than simply hold them to maturity as income instruments. There seems to be widespread misconception about pooled investment vehicles that needs to be removed as investments such as mutual funds can really fulfill the entire range of risk appetite for small investors while increasing the depth and width of primary and secondary debt capital markets. Finally we suggest some market innovations in terms of a derivative product that we call counterparty risk protection security (crips) that may help allay small investors’ concerns while transacting in corporate debt and help fuel growth in these markets.

55. **Kadiyala and Rau (2004)** investigated investor reaction to corporate event announcements. They concluded that investors appear to under-react to prior

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54Stock Market Behavior Sharia and Junankar (2003)


information as well as to information conveyed by the event, leading to different patterns: return continuations and return reveals, both documented in long-horizon return. They found no support for the overreaction hypothesis.

56. Hussein A. Hassan Al-Tammie, [2004]\(^57\). Regarding the five groups of factors influencing the UAE investor Behaviour, the most influencing factors were found to belong to the accounting information group, namely the expected corporate earnings, stock marketability, past performance of the firm’s stock, dividends paid, condition of financial statements and expected dividends. Clearly, companies listed in the Dubai Financial Market and the Abu Dhabi Securities Market are required to give more attention to these factors in order to satisfy the desires of their investors and also to attract more investors to deal with their stocks. The second group was the self-image/firm-image coincidence group, in which there were three factors influencing the UAE investor Behaviour namely get rich quick, reputation of the firm and perceived ethics of firm. The third group was neutral information, followed by advocate recommendation; the last group was personal financial needs.

57. Alexandra Dawson, (2004)\(^58\). In this study, “Investigating decision-making criteria of private equity investors in family firms”, and this paper examines decision-making models used by private equity investors in their selection of family firms. Building on literature on investment criteria at start-up stage, a series of hypotheses is put forward, based on decision-making, strategic management and buyout theories. The theoretical model is tested through an experimental design for which data have been collected among 41 respondents based in Italy. Findings are analyzed using hierarchical linear models, in order to investigate which criteria are used, assess their relative importance and test whether


decision-making models are individual-specific or influenced by the firm individuals work for.

58. Michael Bowe, Daniela Domuta (2004)\textsuperscript{59} Used Jakarta Stock Exchange data to analyze the investment patterns of foreign and domestic investors for evidence of Grouping and positive feedback trading before, during, and after the 1997 Asian crisis. Results indicated that both investor classes herded, foreigners herded more than locals, and foreign Grouping increased following the onset of the crisis. Domestic Grouping did not increase during the crisis, and diminished subsequently. Domestic Grouping appears positively related to firm size, but there is very little evidence of size-conditioned foreign Grouping. There is no evidence of positive feedback trading in either class of investor, either at the market or the individual stock level. Overall, the evidence suggests that investor Behaviour was not inherently destabilizing and positive feedback trading did not exacerbate stock market movements in Indonesia at the time of the 1997 Asian crisis.

59. Narayan (2005)\textsuperscript{60} showed that low capital mobility also causes high saving and investment correlation in a study on China during the period of restricted capital mobility as indicated by low foreign direct investment.

60. Vibha Mahajan and Poonam Aggarwal, (2005)\textsuperscript{61}, In their paper, “Foreign investment – need for a more competitive and open policy”, the forces driving globalization are changing the way in which MNCs pursue their objectives of investing abroad. Traditional factors such as existence of a pro-FDI regime, natural resources, market


\textsuperscript{60}Narayan (2005)\textsuperscript{60}

growth prospects and market size, labor market conditions are important and also the surveys conducted by UNCTAD during the first quarter of 2004. FDI flows are expected to pick up particularly in Asia and Pacific and CEE. China and India in Asia and Poland in CEE is considered to be especially well positioned for an upswing. This paper is an attempt to find out ways how India can attract foreign investment.

61. **Andreas Kemmerer and Tom Weidig, (2005)**[^62], in this article, we look at the actual reporting Behaviour and information flow of the private equity (mainly venture capital) fund manager to the fund investors, based on access to a fund investor’s database. Overall, the study revealed we find that the European private equity industry has improved their reporting qualitatively and quantitatively, especially in terms of shorter delivery times of reports. This change is mainly due to the introduction of the EVCA reporting guidelines and willingness by both, fund managers and investors, to report voluntary or contractually bind by contract to report in accordance to these standards. The study also pointed out that aspects of the relationship between the entrepreneur and fund manager are also often found at the next level, between fund managers and investors.

62. **Stock Market Behaviour Handroyiannis, Et Al (2005)**[^63] studied the impact of the development banking system and stock markets on the Economic performance of Greece. The results suggest that there exist a bi-directional causality between finance and growth in the long run. Both bank and stock market promote growth in the long run, although their effect is small. Further, the contribution of stock market finance to Economic growth appears to be substantially smaller compared to bank finance.

[^62]: Andreas Kemmerer and Tom Weidig, (2005), in his study, “Reporting Value to the private Equity Fund Investor”,

[^63]: Stock Market Behavior Handroyiannis, Et Al (2005)
63. **Gupta, L.C. (2005)** in his Household Investors Survey stated that fifty per cent household investors, regardless of income or age, have a negative opinion of company managements, and 44 per cent think they cannot rely on company auditors to prevent fraud, a survey subscribed by the Investor Education and Protection Fund managed under the Ministry of Company affairs, finds.

64. **Brad. M Barber, Yi-Tsung Lee, et.al. (2006)** Documented that individual investors lose by trading in the stock market. On the contrary, institutions enjoy an annual increase in profits. The study conducted in Taiwan using a complete history of trading of individual investors proved that the individual investors suffered a loss of 2.8% of the total personal income or 2.2% of Taiwan’s G.D.P. This is mainly attributed to the investor bias.

65. **Cars H. Hommes (2006)** surveyed work on dynamic heterogeneous agent models in ECONOMIC and finance. Emphasis is given to simple models that, at least to some extent, are tractable by analytic methods in combination with computational tools. Most of these models are Behavioural models with bounded rational agents using different heuristics or rule of thumb strategies that may not be perfect, but perform reasonably well. Typically these models are highly nonlinear, e.g. due to evolutionary switching between strategies, and exhibit a wide range of dynamical Behaviour ranging from a unique stable steady state to complex, chaotic dynamics. Aggregation of simple interactions at the micro level may generate sophisticated structure at the macro level. Simple heterogeneous agent models can explain important observed stylized facts in

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financial time series, such as excess volatility, high trading volume, temporary bubbles and trend following, sudden crashes and mean reversion, clustered volatility and fat tails in the returns distribution.

66. Pi-Chaun Sun et al. (2006) examined the influences of overconfidence, mental accounting, regret aversion and self-control on the disposition effect of selling winners too early and holding losers too long. The results of empirical data analysis of 290 investors indicate that all four psychological factors have significant influences on the disposition effect. The findings show that (1) overconfidence, mental accounting and self-control positively influence the disposition effect, and (2) self-control negatively influences the disposition effect. As predicted, self control can reduce irrational Behaviour of the investor.

67. Sadhan Kumar Chattopadhyay and Samir Ranjan Behera, (2006) in their paper, “Financial Integration for Indian Stock Market”, the Indian stock market is considered to be one of the earliest in Asia, which is in operation since 1875. However, it remained largely outside the global integration process until 1991. The reform of the Indian stock market started with the establishment of Securities and Exchange Board of India (SEBI), although it became more effective after the stock market scam in 1991. With the establishment of SEBI and technological advancement Indian stock market has now reached the global standard. The study finds that contrary to general belief, Indian stock market is not co-integrated with the developed market as yet. It is derived from the study that although some positive steps have been taken up, which are responsible for the substantial improvement of the Indian stock market, these are perhaps not sufficient enough to become a matured one.
68. Geoffrey C. Friesen, Travis R.A. Sapp (2007) examine the timing ability of mutual fund investors using cash flow data at the individual fund level. Over 1991–2004 equity fund investor timing decisions reduce fund investor average returns by 1.56% annually. Underperformance due to poor timing is greater in load funds and funds with relatively large risk-adjusted returns. In particular, the magnitude of investor underperformance due to poor timing largely offsets the risk-adjusted alpha gains offered by good-performing funds. Investors in both actively managed funds and index funds exhibit poor investment timing. We demonstrate that our empirical results are consistent with investor return-chasing Behaviour.

69. Michael J. Robinson and Thomas J. Cottrell, (2007). In their article, “Investment patterns of Informal Investors in the Alberta Private Equity Market”, this study identifies three main types of informal investors in private equity markets: relationship investors, opportunity-based investors, and angel investors. We find evidence that the first two investor types are a major total source of capital and they prefer to invest smaller amounts close to home and in the context of existing relationships. With respect to angel investors, we find evidence of stratification in their desired investment amount which is consistent with a model where their investments evolve though a life cycle of investing. We also find evidence that change to capital market regulations that allow for lower investment amounts by this type of investor increase the amount of capital available for early-stage firms.

69Geoffrey C. Friesen, Travis R.A. Sapp (2007)

Manish Mittal and R K Vyas, (2008)\textsuperscript{71} In their paper, “personality type and investment choice: An empirical study”, investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. Over the past few years, Behavioural finance researchers have scientifically shown that investors do not always act rationally. They have Behavioural biases that lead to systematic errors in the way they process information for investment decision. Empirical evidence also suggests that factors such as age, income, education and marital status affect on individual’s investment decision. This paper classifies Indian investors into different personality types and explores the relationship between various Socio- Economic factors and the investment personality exhibited by the investors. The results of this study reveal that the Indian investors can be classified into four dominant investment personalities-casual, technical, informed and cautious.

Shollapur. M.R. and A B Kuchanur, (2008)\textsuperscript{72} In their article, “Identifying perceptions and perceptual Gaps: A study on individual investors in selected investment avenues”, investors hold different perceptions on liquidity, profitability, collateral quality, statutory protection, etc., for various investment avenues. In addition, they fix their own priorities for these perceptions. The formation of perceptions triggers the investment process in its own way, often leading to unrealistic apprehensions especially among individual investors. This study attempts to measure the degree of investors’ agreeableness with the selected perceptions as well as to trace the gaps between their perceptions and the underlying realities. Failure to deal with these gaps tends to lead the investment clientele to a wrong direction. Hence, there is a need to help investors develop a realistic perspective of the investment avenues and their attributes.


\textsuperscript{72}Shollapur. M.R. and A B Kuchanur, (2008)\textsuperscript{72},
72. Avijit Banerjee (1998) Reviewed Fundamental Analysis and Technical Analysis to analyze the worthiness of the individual securities needed to be acquired for portfolio construction. The Fundamental Analysis aims to compare the Intrinsic Value (I.V) with the prevailing market price (M.P) and to take decisions whether to buy, sell or hold the investments. The fundamentals of the economy, industry and company determine the value of a security. If the I.V is greater than the M.P., the stock is underpriced and should be purchased.

73. Javier Gil-Bazo, Pablo Ruiz-Verdu (2008). Developed a model of the market for equity mutual funds that captures three key characteristics of this market. First, there is competition among funds. Second, fund managers’ ability is not observed by investors before making their investment decisions. Third, some investors do not make optimal use of all available information. The main results of the paper are that (1) price competition is compatible with positive mark-ups in equilibrium, and (2) worse-performing funds set fees that are greater or equal to those set by better-performing funds. These predictions are supported by available empirical evidence.

74. Pradeep Agrawal, Pravakar Sahoo, Ranjan Kumar Dash (2009) says savings Behaviour is important because of the close relation between savings and growth. Thus this paper presents individual country analysis of the savings Behaviour in five main South Asian countries, namely India, Pakistan, Bangladesh, Sri Lanka and Nepal, using modern time series procedures. Our results show savings in South Asia are mainly determined by income, access to banking institutions, foreign savings rate and

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73 Javier Gil-Bazo, Pablo Ruiz-Verdu (2008)

74 Pradeep Agrawal, Pravakar Sahoo, Ranjan Kumar Dash (2009)
dependency rate. The impact of the real interest rate on savings is minor and inconclusive.

75. **Yadagiri. M and P.Rajender, (2009)**, in their article, “Analysis of investment portfolio of scheduled commercial banks”, the reforms have unleashed tremendous changes in the banking sector. The government of India issued guidelines to the banks by permitting and encouraging them to diversify their activities and contributing to the equity of companies by offering financial services.

76. **Shivkumar Deene, Madari D.M and Gangashetty, (2009)**, in their paper, “Capital market Reforms: some issues”, capital market is vital for the development and strength of economy. A strong and vibrant capital market assists corporate world initiatives, finance and exploration of new processes and instruments facilitates management of financial risk. Retail investor is the backbone of the capital market. But with the expansion of the capital market, scams and anomalies, also multiplies. It ultimately leads to the dilution of the faith of the small investor, mutual funds, pension funds, Foreign Institutional Investor and insurance companies in the capital. Realizing that the government made different as capital market reforms. This includes educating capital market participants regarding their rights and duties for proper functioning of capital market.

77. **Society for Capital Market Research and Development, (2009)**, conducted a survey entitled, “Indian Household Investors Survey-2004”, 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

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75 Yadagiri. M and P. Rajender, (2009), in their article,

76 Shivkumar Deene, Madari D.M and Gangashetty, (2009),

77 Society for Capital Market Research and Development, (2009),
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.

78. William A. Birdthistle and M. Todd Henderson, (2009), in their article, “one Hat Too many? Investment Desegregation in private Equity”, the nature of private-equity investing has changed significantly as two dynamics have evolved in recent years: portfolio companies have begun to experience serious financial distress, and general partners have started to diversify and desegregate their investment strategies. Both developments have led private-equity shops—once exclusively interested in acquiring equity positions through leveraged buyouts—to invest in other trenches of the investment spectrum, most particularly public debt. By investing now in both private equity and public debt of the same issuer, general partners are generating a host of new conflicts of interest between themselves and their limited partners, between multiple general partners in the same consortia, and between private investors and public shareholders.

79. Li-Wen Chen, Fan Chen (2009) examined that conflicts of interest may exist in cases where a hedge fund manager starts a mutual fund but not in the opposite case. They compare performance, asset flows, and risk incentives to establish several key differences between these two scenarios: First, prior to concurrent management, hedge fund managers experience worse performance while mutual fund managers achieve

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79William A. Birdthistle and M. Todd Henderson, (2009),

80Li-Wen Chen, Fan Chen (2009)
better performance relative to their full-time peers. Second, hedge fund managers who choose concurrent management are disproportionately the ones with less experience. Their hedge funds tend to suffer a decline in performance after the event. By contrast, mutual fund managers who choose concurrent management tend to outperform their full-time peers. Based on their findings, they make important recommendations for policy makers and companies. The relevance of our recommendations extends beyond the small share of companies presently engaged in concurrent management.

80. James S. Doran, David R. Peterson, Colby Wright (2010)\textsuperscript{81} identified finance professors’ opinions on the efficiency of the stock markets in the United States and assess whether their views on efficiency influence their investing Behaviour. Employing a survey distributed to over 4,000 professors, they obtained four main results. First, most professors believe the market is weak to semi-strong efficient. Second, twice as many professors passively invest than actively invest. Third, our respondents’ perceptions regarding market efficiency are almost entirely unrelated to their trading Behaviour. Fourth, the investment objectives of professors are, instead, largely driven by the same Behavioural factor as for amateur investors namely one's confidence in his own abilities to beat the market, independent of his opinion of market efficiency.

81. Karagiannidis (2010)\textsuperscript{82} investigated the relationship between performance and portfolio management team structure of open-end mutual funds during 1997–2004. They first analyzed differences in performance and risk taking between single-manager and multiple-manager mutual funds and find that the latter underperform the single-manager funds in terms of risk-adjusted returns during the 2001–2004 bear market. This underperformance is more evident among growth-oriented funds. There are no

\textsuperscript{81}James S. Doran, David R. Peterson, Colby Wright (2010)\textsuperscript{81}

\textsuperscript{82}Karagiannidis (2010)\textsuperscript{82}
differences observed in the 1997–2000 bull market. Not all multiple-manager funds, however, are managed by pure teams. When they compare the performance of single-manager and pure-team funds they do not find any differences in performance. The underperformance of multiple-manager funds documented in previous studies comes from multiple-manager funds that employ many investment advisors and, therefore, their exact management structure is unknown.

82. Syed Tabassum Sultana [2010]83 Indian individual investors along makes an attempt to discover the relationship between a dependent variable i.e., Risk Tolerance level and independent variables such as Age, Gender of an individual investor on the basis of the survey. Indian investors are high income, well educated, salaried, and independent in making investment decisions and conservative investors. From the empirical study it was found that irrespective of gender, most of the investors (41%) are found have low risk tolerance level and many others (34%) have high risk tolerance level rather than moderate risk tolerance level. It is also found that there is a strong negative correlation between Age and Risk tolerance level of the investor. Television is the media that is largely influencing the investor's decisions. Hence, this study can facilitate the investment product designers to design products which can cater to the investors who are low risk tolerant.

83. Fieldstein and Yitzhaki, (2011),84 In this 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 denote more time or resources to their investments, thus resulting in higher returns.


84Fieldstein and Yitzhaki, (2011),84 in their study entitled, “Are High Income Individuals Better Stock Market Investors?”
84. **Hong Kong Exchanges and Clearing Ltd (HKEX)**

For the first time in 2001–2002 to study retail participation in the Hong Kong derivatives market and the investment Behaviour 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’ perceptions of HKEx derivatives market were positive.

85. **Bhuvaneswari. (2011)**

The researcher carried out the study in this area with the objective of finding out the various parameters that governs the investor’s perception towards Equity/Tax saving mutual funds. The researcher had identify the following major parameters namely, Liquidity, Rate of Return and Market share. The researcher is interested in finding out which Equity/Tax saving mutual fund performs better, for this purpose the researcher used the Spearman’s Rank Correlation and the elite performance of the Equity/Tax saving mutual fund. The researcher has taken the growth in NAV in order to arrive at the elite performance of Equity/Tax saving mutual fund offered by Consultant. As the organization plays with the funds of the investment it is the moral responsibility to wealth maximization of the investor’s. Hence it is imperative that the organization should be cautious in making investment towards the various financial instruments which safeguard the interest of the investors.

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84Hong Kong Exchanges and Clearing Ltd (HKEX) conducted the “Derivatives Retail Investor Survey (DRIS)”.

86. Rajarajan. V, (2011),87 The objective of analyzing the investors life styles and to analyze 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.

87. Abhijeet Chandra and Ravinder Kumar (201188) In the paper presented the principal components analysis is carried out on the data collected from survey of sample individual investors, to extract the factors influencing Indian individual investor Behaviour in stock market. Especially the psychological biases which may drive their trading Behaviour were identified. The paper started with the twin objectives of identification and verification of the psychological biases considered to drive a momentum effect by influencing investor Behaviour in stock market. In fact a wide array of Behavioural financial literature was scanned in order to extrapolate the psychological and contextual factors influencing individual investor trading Behaviour. The results and conclusions resorted from the Behavioural financial literature and noted

87Rajarajan. V, (2011),87 conducted a study entitled, “Investors Life Styles and Investment Characteristics

psychologists’ experiments as well as from the discussions with stock market practitioners provided with thirteen psychological and contextual biases captured by seventeen variables. Then it tried to explore the investor trading Behaviour by directly addressing to the investor. To fulfill this objective the questionnaire technique was used. The questionnaire comprised of scenario based questions relating to all psychological and contextual biases.

**88. Sonu V. Gupta (2011)**

Form the survey conducted to know the perception of investors towards mutual funds it was found that 80% of the investor knows about mutual funds, so awareness level of mutual fund is there. Majority of investors are willing to invest in mutual funds. The investment of about 11 percent to 30 percent saving is done in mutual funds and expected returns are between 10 percent to 30 percent.

**89. Mart Grinblatt and Matti Keloharju, (2011)**

In their study entitled, analyzed 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.

**90. Anil G. Suryavanshi, [2011]**

The survey shows that 44% of the total sample size falls in the category of 25 – 40 whereas 39% of the respondents fall in the age group of 40-60 years. Similarly, 17% respondents fall in the age group of over 60 & above. The
respondents are classified into three age groups in the sense of to get information about standard of living, their experience & work culture, investment pattern at different stages of lifecycle.

91. **Ruiyao Feifei Wang Robert O. Weagley. (2011)** Socio- Economic variables included age, gender, and marital status, presence of related children, education achievement, and employment status. Age was a continuous variable in the data but a categorical variable in the scribe data. Therefore, age of the household head in this study was measured with six dichotomous variables as measured in the scrip data: <25 years old, 25–34, 35–40, 41–50, 51–60, and older than 60 (reference group).

92. **Seshaiah, SVenkata (2012)** This research predominantly dominated by unorganized or informal sector, till today 66% of the population living in rural area are away from banking facilities and no room for savings and hence difficult to get data on savings from these population. Since 64% of the people depend on agriculture sector and this sector always suffers from crop failure, because of drought or floods, there is always a need for money. Though investment in Indian capital market gives reasonably good returns people prefers to invest in informal capital markets because of higher returns compared to the capital market returns. Because of the boom in the real estate sector most of the money is moving to that sector where market value is greater than that of the government value. The difference money is not accounted anywhere. India’s deficit on the current account increased throughout the period and hence it is pushed into greater dependence on high interest commercial loans from international banks to finance their deficits. The growth in private savings could not finance most of India’s investment throughout the period except in some years; the point above may be the

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reason. The rise in savings could not finance investment even after 1990’s, this might be because of the new financial innovations in the Indian economy such as GDRs, ADRs and FCCBs, infrastructure bonds etc., coupled with lower interest rates in other countries attracted Indian private as well as public sector and hence a part of domestic savings must have moved to unorganized sector.

93. GnaniDharmaja. V. Ganesh. J. Dr. Santhi. V (2012)^94 The study entitled “Factors Influencing the Individual Investor Behaviour” would help the share brokerage firms to take care of the factors influencing their investors and can give proper asset allocation strategy to their investors. The listed companies can also look at the most influencing factors and can focus much on these factors to attract the investors to invest in them. Through this, the researcher helped the company to know more about the factors influencing their investors and also helped to focus on those factors to provide better customer Service. Majority of the respondents are influenced by the accounting information of the companies and advocate recommendation is the least influencing group. Suggestions were also made for further understanding of the investor Behaviour.

94. Brahmbhatt; P.S Raghu kumari; Dr. Shamira Malekar (2012)^95 Mumbai is a financial capital of India. Therefore the awareness of investment knowledge, investment opportunities is quite high. These people are helped by financial portals, financial news channels, financial newspapers; various markets related T.V. shows, Expert talks, magazines. For Indian public money is everything. So they are more sensitive about their money. They will think hundred times before investing in any market and will expect more than that. They feel that they are having enough money,


^95 Brahmbhatt; P.S Raghu kumari; Dr. Shamira Malekar (2012)^95 A study of investor behavior on investment avenues in Mumbai Fenil Trans Asian Journal of Marketing & Management Research vol.1 issue 1, September 2012,
time, resources and opportunities with them for investing. Though they are having sound knowledge of financial market and Economic condition of India yet they lack the edge above the others as this field is very unpredictable and vast hence they must be backed up by a financial planner.

95. Dr.V.Shanmugasundaram; Mrs.N.JansiranisathishChandra(2012) the Behavioural patterns indicate the investors follow the western analytical models. This research presents the dependence of small investors on the advice of leading companies. It shows their lack of confidence in their knowledge to decide. It is also found that investors behave differently during bullish and bearish market conditions. The results of this research shows that the investors behave rationally towards various capital market information. Thus, results reinforce Warren Buffet’s advice, “Avoid herd Mentality and keep your own counsel”. He further advised that it does not need extra brilliance to make profitable investment decisions, but it requires a lot of discipline.

96. Suman Dr. D. P. Warne, (2012) The study reveals that the respondents integrate the objectives of saving, the factors influencing the saving and the sources of information for decision making. The annual income and the annual saving are given importance of consideration by the respondents, because the level of income decides the level of savings. Today’s investors are fully aware about the stock market. The market movements affect the investment pattern of investors in the stock market.

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96Dr.V.Shanmugasundaram, Mrs.N.Jansiranisathish Chandra (June, 2012) influential Factors in Investment Decision Making Southern Asian journal of marketing and management research.Volume 2, Issue 6 (June, 2012)

97. **Naila Iqbal. (2012)**

this study conclude with the help of empirical data that the private sector Mutual Fund Companies have shown very impressive growth in comparison to public sector Mutual Fund companies and with the calculated "t" statistic result we can say that the private sector mutual funds have performed better and given good results with better NAV to the investors and due to their better performance, private sector MFs have captured lion's share in the total resources mobilized by the Mutual Fund Industry in India. The private sector Mutual Funds Companies has shown very impressive growth in comparison to public sector Mutual Funds organizations.

98. **Oluwatosin Adeniyi and Festus O. Egwaikhide: (2013)**

This study to tentatively sum up here, and the inclusion of all financial deepening measures did not alter the size of our FH estimates. This suggests, to a large part, that improving the quality and quantity of financial service provision might not lead to a better mobilization of domestic saving in SSA for the purpose of investment. Hence, finance seemingly matters little in the saving-investment nexus for sampled countries.


This revealed study the evidence of a long-run relationship between saving and investment. This result is consistent with a number of earlier studies in the literature that found saving and investment to be co-integrated in the long run. The implication of these findings suggests that a large proportion of domestic saving remains in the Nigerian economy to fund domestic investment. Also, the study showed a negative and significant error correction term which implies the adjustment process to restore equilibrium is very effective. Capital

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mobility is paramount in the allocation of resources to their best use. However, there are issues related to capital inflows and outflows. Capital inflows serves as a stimulant to investment as well as economic growth in the recipient country, allow inter temporal smoothing in consumption, and thus raise welfare of the people in the country. At the same time, they also increase the vulnerability of the recipients to a sudden reversal of capital inflows. Therefore, this study recommends that adequate supply of savings should be maintained as a central policy objective for economic stability. A national savings rate that is broadly in line with investment needs reduces the economist vulnerability to unexpected shifts in international capital flows.

100. Dr. Ruta Khaparde(2014)\textsuperscript{100} The study included a lot more number of other categorical variables and value based variables which have not been included, restricting the scope of the study to some limited objectives. With some selected macroeconomic factors and categorical variables, it was observed by the simplest means that the perception of the investors does differ towards the impact of macroeconomic performance on stock market behavior with respect to different individual factors like age and years of market investment experience. The study had been a possibility as more and more investors are doing market study before investing. Moreover, a study of this kind would be definitely of great help to fund management companies and for financial planners who will seek this to understand the awareness level of the investors and would able to build investment strategies accordingly.

101. Joshua Aroni; Prof. G. Namusonge(2014)\textsuperscript{102} This thesis concludes that financial information acquisition has the potential to improve investors’ decisions resulting on improved overall portfolio performance. Both the stock market regulators and financial

\textsuperscript{100} Dr. Ruta Khaparde(2014)\textsuperscript{100} Investors’ Perception towards Impact of Macroeconomic Performance on Stock Market Behavior (2014)

\textsuperscript{102} Joshua Aroni; Prof. G. Namusonge(2014)\textsuperscript{102} The Effect of Financial Information on Investment in Shares - A Survey of Retail Investors in Kenya, International Journal of Business and Commerce
advisers should therefore educate investors to improve their financial analysis knowledge, Economic, and commercial skills as a means to encourage more. To this end it is recommended that Brokerage firms should establish capacities in their respective institution to be able to continuously train investors and whenever necessary assist them to interpret key financial indicators to support in informed decision making. The Managers of listed companies should deliberately endeavor to avail financial information to the public in a timely manner, preferably by posting the annual reports on the website as announcement updates. This will avoid information asymmetry and ensure the market operates in near perfect competition which will enhance confidence, and make market participants to fully appreciate the role of financial information in investment decision making.

102. Ndirangu, Antony wahome: (2014)

The purpose of this study was to determine factors influencing individual investor Behaviour during IPO share issues in Kenya whether the variables such as Socio- Economic characteristics (age, gender) and investment patterns could be used individually or in combination to both differentiate among levels of men and women investment decisions and risk tolerance. Therefore investment managers must always consider these factors when designing their investment schemes.


the role of media is correct and appropriate for our stock market. The media has an impact on the stock markets and the economy in general. Media can play a role in the recovery of the broken stock market. We think, just as the media has likely created an over bleak idea about the economy and

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102 Ndirangu, Antony wahome: (2014) Factors influencing individual investor behavior during initial public offers in Kenya: International Journal of Economics, Commerce and Management:

created mass panic selling, when the slightest bit of good news hits, we will likely see this go in the other direction.

104. **Dr. M. Nandhini, D. Sivasakthi (2013)**

This paper related to running a successful mutual fund requires a thorough understanding of the psyche of the investors. It is obligatory on the part of every Asset Management Company to know what their investors’ think about the fund, risk factors, towards mutual fund investment. This study has made an attempt to understand the Behaviour of mutual fund investors. Nevertheless, it is sure that the analysis will have some useful managerial implication for the asset management companies. This project will also help the management while grants, investments and framing their return. A sincere attempt has been made to fulfill the said objectives and hope this would bring to the forefront certain findings of importance to the Asset Management Company.

105. **Fazelina Sahul Hamid (2013)**

This result also indicates that risk perception is significant and is negatively related to risk Behaviour. The findings are consistent with those of Kahneman & Tversky (1979) which suggest that an individual’s risk choice will be context dependent. However, the situational domain (positive or negative) the individual investor is only partially influences the relationship between personality traits which are an inherent determinant of risky Behaviour. In other words, this suggests that the framing of a situational context in the investor’s thought processes reduces but not total overwhelms the innate personality traits (either risk-seeking or risk-averse).

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105 A study on investment pattern of retail investors in mutual fund, with special reference to Franklin Templeton investments in Coimbatore city International journal of applied research and studies volume 2, issue 11.

CONCLUSION

The above review of literature on past works show that a considerable amount of empirical analysis has been carried out on the investor Behaviour. The differences in time span covered, methodology adopted and the crops and regions covered by various scholars render the conclusions reached by them of limited significance to other regions. This study, purely a regional and micro level study, therefore, attempts to bring out the determinants of investor behaviour Chennai.