Chapter - II

Review of Literature Relevant to the Present Study of Investors’ Behaviour
REVIEW OF LITERATURE RELEVANT TO
THE PRESENT STUDY OF INVESTORS’ BEHAVIOUR

Review of literature includes the substances of the past research study conducted by many researchers found in the research thesis, websites, books, and journals. Those literatures are classified in five different categories which are as follows:

1. INFORMATION SEEKING

**Verrecchia, (1982)** documented that wealthier investors are better informed than poorer investors, and therefore wealthier investors benefit better from the availability of diversified financial information. It explains that information sophistication is depending on the richness of investors. When the investors are wealthy, they can afford to various modes of information availability and poorer investors are confined to limited modes of information sophistication.

**Kadiyala and Rau (2001)** found that the investors are associated with corporate event announcements. It reveals that announcement on Right Issue, Bonus Issue, Dividend and Stock Split are the important information to the investors. A similar view was found in **Mian and Sankaraguruswamy (2012)** that firm-specific earnings news of small stocks, young stocks, high volatility stocks, non-dividend-paying stocks influence the investors’ sentiment. **Shanmugasundaram, V. and Jansi Rani, N. (2012)** also found that investors behave rationally or irrationally towards various capital market information like bonus issue, rights issue, dividend declaration, etc., but the result show that investors behave rationally towards specific capital market information.

**Wood, R.,(2004)** surveyed ninety individual investors via a questionnaire on the four main segments of individual investors: 1) Risk intolerant; 2) Confident traders; 3) Loss averse young traders, and 4) Conservative long term investors and found that investors seek advice from financial advisors. It gives the information that Stock market professionals’ advice is mostly taken by the long-term investors. But there is a contrary view by the study conducted by **Shanmugasundaram, v.**
and Jansi Rani, N. (2012) that only small investors more depending on the advice of leading companies.

Brad M. Barber and Odean, T., (2005) found that Individual investors do not face the same information search problem when selling shares. This study reveals that when selling shares investors do not seek for information; rather they seek information at the time of purchase only.

Baker and Wurgler (2006), found that the stock price sensitivity to good earnings news is higher during high sentiment periods than during periods of low sentiment, whereas the stock price sensitivity to bad earnings news is higher during periods of low sentiment than during periods of high sentiment. It gives the opinion that investors react more to good news in Bull Market and bad news in Bear market.

Shylajan & Marathe (2006) identified that through informal sources, investors control over their investments, risk taking ability, the confidence of the investor as compared to formal sources such as financial analysts and advisors. This study justifies the usage of informal sources of information by the investors. A similar view was found in Chakravarty, S., and Ray, R., (2010) that private information dominates heterogeneous priors in explaining trading volume.

Tetlock, P.C. (2007) examined the influence of media on the stock market. Using the Wall Street Journal’s “Abreast of the Market” column, the author constructs a measure called Pessimism Media Factor (PMF) and uses it to predict the stock market performance, prices, and volume. They found that media plays a major role in stock market. The study also predicts high trading volume when media pessimism is unusually high or low. The relevance of local media in investment was found in the study of Engelberg, J., and Parsons, C., (2011) and explains the fact that local media coverage strongly predicts local trading, after controlling for earnings, investor, and newspaper characteristics. Another study conducted by Hiller, A et. al (2014) suggest that media coverage can exacerbate investor biases, leading return predictability to be strongest for firms in the
spotlight of public attention. These results collectively lend credibility to an overreaction-based explanation for the momentum effect due to media effect.

**Lee, K.C., et. al. (2008)** documented that the quality of information affects the usefulness of investment decisions. Reliable and accurate information are more important for better returns to investors. A similar view was found in the study of **Loibl & Hira, (2009)** that Investors with and without accurate information will have different investment outcomes and therefore different satisfaction levels. They also documented the importance of the speed and accuracy of information for investment effectiveness.

**Mardyla, M., and Wada, R., (2009)** focused on individual investors trading strategies in response to public information about prices, macroeconomic news, relevant individual stock information. They found that the more information leads to more frequent trading. In the study conducted by **Ozsolev H.N. et. al (2014)** reveals the fact that information diffusion among the investor population influences trading behaviour and returns. It explains the reaction of the stock market depends on the information is spread among the investors.

**Tetlock, P.C. (2011)** Using news data on S&P 500 firms, he investigated stock market responses to public news stories that may contain stale information. He found that individual investors overreact to stale information, leading to temporary movements in asset prices.

**Norman, A.S.K., (2012)** documented that small investors realised poor use of financial information compared to other groups of investors, large investors were more sensitive to the use financial information when deciding to invest than other groups of investors. The findings reveal that only 12 percent of all investors use/consider the financial information when deciding to invest.

**Lodhi* (2014)** found in their study that accounting information helps investors in lowering information asymmetry and allows investors to invest in risky instruments. However, as age and experience increase investors preference changes to less risky investments, it does not mean that investor does not prefer to
invest in shares, he will but with the intention of getting dividend return rather than capital gain.

The results of all the findings related to information search expose relevance and importance of media and its bias, financial information, financial advice, information spread, speed and accuracy of information, information flow at the time of good or bad sentiments, and retrieval of information according to the richness of investors.

2. INVESTOR AWARENESS

Gupta et. al. (1994) in their study pointed out that individual shareholders are highly concentrated in a few traditional areas. Nearly two-thirds (65.3 percent) of India’s total number of shareholders in 1992 were in top ten cities.

Vinayakam (1994) in his study opined that investors’ awareness is the need of the hour. Volpe, R et. al (2002) found that investors who are male and have graduate degrees are more knowledgeable about investments. Lusardi et al. (2010) found that the level of financial literacy was significantly influenced by socio-demographic attributes and the family financial situation and sophistication. Johan, A., and Dreber, A., (2011) found that men have more financial literacy than women. Xu, Lisa and Zia, Bilal. (2012) Summarized the findings of various financial literacy studies conducted across the world and their important result is that financial education tends to be more effective when it is targeted to the specific needs and desires of the audience. Agarwalla et. al (2013) documented that the level of financial literacy among the working young in urban India is similar to the levels that prevail among comparable groups in other countries. Despite the education levels of the respondents in the sample being high (large proportion being graduate and post-graduate), that does not translate into adequate financial literacy. This is likely to be due to the absence of inputs relevant to financial literacy in the general education process.

Sankar and Maran, (2013). Some reasons for low participation of people in the equity market are volatility, frequent frauds and financial illiteracy. Guiso,
L., and Viviano, E., (2014) High-literacy investors are likely to trade more. Balloch, A., et. al. (2014) found that for stock market participation the most important factor is literacy rather than sociability. Lodhi (2014) examined the impact of financial literacy and concluded that financial literacy and accounting information helps investors in lowering information asymmetry and allows investors to invest in risky instruments.

Volpe, R et. al (2002) found that investors who trade online are more knowledgeable than those who did not. In the study conducted by Bogan, V., (2008), they concluded that computer usage has a significant effect on stock market participation. The above studies reveal that awareness on technology leads to trade more in the stock market. The same was opined by Deene, s., and Pathi, S., (2013).

Brad M. Barber and Odean, T., (2003) in their study analysed the tax awareness of individual investors. They found strong evidence that taxes awareness matter in investments.


Vaidya and Parajuli (2004) indicated that among the general public there is an increase in awareness level about the capital market through promotional campaigns, seminars, publications, and programs in radio and television. Fodor (2008) found that Lack of Investors’ awareness programmes leads to financial crime, whereas an increase in awareness programmes leads to decrease in financial crime. Those studies reveal the importance of awareness programmes and the impact of such events.

Guiso, L., and Jappelli, T., (2005) found that awareness is positively affected by demographic variables – education, wealth, income and birth cohort – that increase the probability of purchasing stocks and the amount invested, long-term bank relations, the intensity of social interactions and national newspaper readership. Moreschi (2005) also found that gender and education are the most
significant factors in explaining the ability of individuals to accurately forecast their own risk tolerance score. Deene, s., and Pathi, S., (2013) also documented the significance of the educational level of the respondents and its impact on the knowledge and awareness level.

Rooj, V.M., et. al. (2006) found that the majority of respondents display basic financial knowledge and have some grasp of concepts such as interest compounding, inflation, and the time value of money. However, very few go beyond these basic concepts; many respondents do not know the difference between bonds and stocks, the relationship between bond prices and interest rates, and the basics of risk diversification.

Korniotis, G.M. and A. Kumar (2009) examined the investment decisions of older individual investors. They found that older and experienced investors are more likely to reflect greater investment knowledge. The results indicate that older investors' portfolio decisions reflect greater knowledge about investing but investment skill deteriorates with age due to the adverse effects of cognitive ageing.

Rita S., and Rajkumar A.D., (2011) concluded in their study that rural people are not willing to invest in securities market due to lack of awareness of security market investment avenues, fear of risk and poor investment advice.

Rao, P.V.D., et. al (2013) opined that the authorities, like SEBI, NSDL etc., should organise more seminars and awareness programs for these underprivileged retail investors.

Bhatt, K.A., (2013) documented in his study that Equity market is also popular among investors due to higher return, but due to uncertainty and lack of proper knowledge, investors do not invest in that sector. However, investors who have the proper knowledge and willingness to take risk up to some extent are investing in the Equity market.
Thampatty, M., and Krishnan, M., (2014) found that most of the government employees perceive stock market somehow similar to gambling or betting. Hence lion share of them is yet to make investment in stock market.

Khaparde and Bhute, (2014) documented that Financial knowledge is more important to measure and understand the interest calculations, the relationship between inflation and return, inflation and prices, risk and return, and the role of diversification in risk reduction.

Attarwala, A.A., (2014), documented that through information, investors can develop the skills and confidence to become more aware of financial risks and opportunities and make informed choices to improve their financial position.

The results of all the study findings related to awareness level of investors reveal that financial literacy is lacking among various groups namely, women, poorer investors, investors who are not highly educated. So awareness programmes are needed to increase the financial literacy level. It also specifies the significance of other demographic variables of investors, gender gap, use of technology, wrong perception about share investments.

3. INVESTMENT PREFERENCE

Potter, (1971 documented that retail investors normally invest over the long-term). So the preference of retail investors is to invest for more than one year.

Mayya (1977), Barua and Reghunathan (1992) and Prabhakar (1989) examined empirically the hedge provided by stocks and bullion against inflation. These studies found that while gold provided a complete hedge against inflation, silver and stock were only partial hedges against inflation. When anyone wants to have hedging, investments in stocks should be preferred as the secondary option due to the possibility of perfect hedging in gold investments.

Panda (1980) studied the working and role of stock exchanges before and after independence. It reveals that the investment in stocks and shares were no
longer the monopoly of any particular class or a small group of people. It attracted the interest of a large number of small and middle-class individuals. The people, in general, were not reluctant to invest in equity shares. The same view was found in the study of Vinayakam and Charumathi (1995) and they observed that equity cult had spread to different parts of the country and millions of Indian investors invested their savings in the booming stock markets. What was once considered as the exclusive game of the rich and privileged class is now becoming a matter of day interest for millions of middle and low-income groups of investing public in India.

Jegadeesh and Titman (1993) found that as far as the demographics were concerned, the mature/older, experienced, and businessmen investors were less likely to use Internet stock trading as compared to young, inexperienced, and non-businessmen investors. Young and non-business investors prefer internet stock trading. The same view was found in the study by Li, Y.M. et. al (2002) that investors who are younger and more willing to take investment risk intend to adopt online trading, whereas investors who value human interaction and those with full brokerage accounts do not have an intention to adopt. Another view on internet trading was documented by Balasubramanian et al. (1999) and they found seven basic reasons for adopting online trading: feeling of empowerment, cost, speed, and availability, convenience, easy access to reliable information, lack of trust in and unsatisfactory experiences with traditional brokers, and investors' discomfort when communicating directly with traditional brokers.

Regarding internet trading studies by various researchers reveal similar views. In the study of Lee and Ho (2002), it was stated that internet stock trading is one of the fastest growing e-finance areas, with South Korea being the current leader not only Asia but possibly worldwide with up to 60% of trades conducted online. Gopi and Ramayah (2007) identified the factors that influenced the intention to use internet stock trading among investors in Malaysia. Findings showed that attitude, subjective norm, and perceived behavioral control had a direct positive relationship towards behavioral intention to use internet stock trading. Ramayah, T. et. al (2009) findings show that attitude and subjective norm
have a direct positive relationship towards behavioral intention to use Internet stock trading. **Mathur, M (2014)** analysis indicated that the investors find mobile trading convenient but a riskier mode of transacting as compared to online trading and therefore prefer online trading over mobile trading.

**Claessens (1995)** in his study on ‘Equity investment in developing countries’ pointed out that the benefits available to equity investor in emerging markets are ultimately depending on the trade-off between the Expected Rate of Return and its associated Risk.

**Nandi (1995)** studied the international mobility of capital in the context of India and found that there is a relationship between the capital markets of major countries. Investors prefer to have their trading activities in line with the world market.

**Levine Ross and Zervos (1996)** in their study documented that liquidity affects investments. So without liquid markets or other financial arrangements that promote liquidity, less investment may occur in the higher return projects. More investors prefer liquid markets.

**Barberis et al. (1998)** presented a parsimonious model of investor sentiment and found that stock prices overreact to consistent patterns of good or bad news. So when there is a constant good or bad news investors prefer to react to the situation.

**Nofsinger and Sias (1999)** documented a strong positive correlation between changes in institutional ownership and returns measured over the same period. It was found that institutional buying influences the stock price. When an institution buys the stock, it is preferred by the majority of investors.

**Rajarajan (2003)** found the level of risk bearing capacity increases with increase in income levels. So the preference on risk taking level is also influenced by the investors household size, the occupation of investors, employment status.
Hong et al., (2004) found in their studies that social interaction influences stock-market participation. According to them, any given “social” investors finds the market more attractive when more of his peers participate. The preference in stock investment is based on the peer’s participation also. Changwony, ., et. al. (2014) documented that social group involvement has a positive effect on stock market participation whereas a strong tie (measured by frequency of talking to neighbors) has no effect. Investors who have social engagement prefer to have more stock market participation.

Brad. M Barber, et.al. (2004) documented that Individual investors account for over 97 percent of all day trading activity. Day trading is extremely concentrated. Gupta L. C and Naveen Jain (2008) found that Investing in equity shares is predominantly oriented towards short-term speculation rather than long-term investment. As a result, Indian stock market is excessively dominated by speculative players. So intraday trading is preferred by most of the investors.

Wood, R.,(2004) opined that the Confident traders have the highest levels of confidence and control, and are the most active traders. These experienced investors are older and have the largest portfolios. This group invests heavily in technology and smaller growth stocks, but also maintains a diversified portfolio.

Jaffar & Namasivayan (2006) argued that the investors in the age group of below 35 years prefer to participate actively in the speculative trade whereas the age group above 55 hesitate to take the risk. Wang et al. (2006) found that the average Chinese investors are speculators. Mitton and Vorkink (2007) hypothesize that retail investors have a taste for stocks with lottery-like payoffs.

Mittal & Vyas (2007) study provides evidence that the investment preference depends on and is affected by the demographic variables. People with low income like to invest in post office/banks (low-risk), middle-income investors like mutual funds (medium risk), while people with high income prefer equities (high risk).
Guido (2008) stated that investors change their preferences in response to previous outcomes, and they tend to use simplified heuristics to construct their portfolio.

Jasim Y. Al-Ajmi (2008) findings indicate that as investors, specifically men have a high propensity towards risk tolerance than women. One of the most important implications of the results is that the investment industry should not treat investors as one homogeneous group: therefore, men and women as investors should be treated as separate market niches, each with its own needs and requiring targeted marketing strategies. The same view was found in the study of Jaffar & Namasivayan (2006) and they stated that males are more interested than females to invest their money in share market or risky assets. Ton and Nguyen (2014) found that male have more willingness to take risks in making investment decision than female; the elderly or retirement investors make the options of not taking risk; the investors with five-year-or-more investment experience often take higher risks than the others; the investors of different income levels have the same ability to take risk; the single investors show a tendency to take higher risks than married investors.

There is a different view by Tabassum Sultana Syed (2010) that irrespective of gender, most of the investors (41%) are found to have low-risk tolerance level and many others (34%) have high-risk tolerance level rather than moderate risk tolerance level. It was also found that there is a strong negative correlation between Age and Risk tolerance level of the investor.

Mittal & Vyas (2008) reveal that the Indian investors can be classified into four dominant investment personalities- casual, technical, informed and cautious. Casual investors prefer high-risk investment, cash equivalent and other low-risk investment are preferred by technical and cautious investors. Informed investors like moderate risk- moderate return investments.

James J. Choi, et.al (2009) states that investors expect investments in which they experienced past success will be successful in the future, whether or
not such a belief is logically justified. They also stated that their preference on return chasing and variance avoidance diminish with age.

**Dorn and Sengmueller (2009)** stated that investors who report enjoying investing or gambling trade at twice the rate of other investors. So investors who enjoy investment and who feel investment as gambling prefer to trade more.

**Glaser et al. (2009)** found out that there exists a mutual influence between sentiment and stock market returns, but only in the very short-run (one and two trading days). Returns have a negative influence on sentiment, while the influence of sentiment on returns is positive for the next trading day. This result is mainly driven by experienced investors and investors with high levels of investor sophistication.

**Martin. Bohl, et. al. (2010)** examined individual investors’ trading behavior by testing the presence of Monday and January anomalies and found that those anomalies are overstated.

**Hoffman, et. al. (2012)** found that individual investors prefer to continue to trade actively and do not de-risk their investment portfolios during the crisis.

**Aparna, & Burghate, (2012)** documented that it is not only the income of the household that has an immediate bearing on the investment preferences but also the age group to which the head of the household belongs that influences the choice of investment avenue.

**Paul, T., and Bajaj, S., (2012)** stated that investment in share market by the retail investors is influenced by their occupation and income.

**Lodhi (2014)** found that as age and experience increase investors preference changes to less risky investments, it does not mean that investor does not prefer to invest in shares, he will but with the intention of getting dividend return rather than capital gain. So older investors prefer to get dividend.
Schmittmann, et. al. (2014) found that retail investors trade more on inclement weather days. This result is consistent with the notion that retail investors incur an opportunity cost for spending time trading on days with good weather.

The findings and suggestions of all the above study reveal the factors influencing the preference level on equity market investments. The factors namely demographic, social engagement, weather conditions, crisis period, date of a month, day of a week, sentiments of stock markets, investment personalities, outcome of experience in investment, attitude, expected rate of return, hedging and investment period. All the factors and its influence are explicitly mentioned in their study which gives a clear picture of the various investors’ preferences on stock market investments.

4. INVESTMENT STRATEGIES AND DECISION

Return on investment on a particular day of a week and during the particular month of a year is considered to be most important factor in equity investment. Because researchers have documented the same in their various studies. Kelly (1930) based on three years data of the US market there are evidences of day of the week effect in stock market returns. The Monday effect was identified as early as the 1920s. He found Monday to be the worse day to buy stocks. Rozeff and Kinney (1976) documented the January effect in New York Exchange stocks for the period 1904 to 1974. They found that average return for the month of January was higher than other months implying pattern in stock returns. Ariel (1987) conducted a study using US market indices from 1963 to 1981 to show that half-month effect in literature. Various studies have reported that daily stock returns in the first half of month are relatively higher than last half of the month. Agarwal and Tandon (1994) also found in their study such effect in other international markets. Jay (1988) documented in his paper that the ratio of stock purchases to sales by individual investors displays a seasonal pattern, with individuals having a below-normal buy/sell ratio in late December and an above-normal ratio in early January.
So many other studies also reveal the importance of the day, date and month in making investment decisions. **Itzhak Venezia and Zur Shapira (2007)** found that returns on the Israeli stock market are correlated in general with the behavioral traits exhibited by the investors in the sample. In particular, the returns on the days following the weekend are lower than those in other weekdays in a manner consistent with the behavioral patterns. So it is an evident fact from the above studies that investment decision is based on the particular day, date and month.

**Lease (1973)** documented that individual investor has to be primarily a fundamental analyst who perceives himself to hold a balanced, and well-diversified portfolio of income and capital appreciation securities. **Vanitha (2008)** Survey findings reveal that investors use both fundamental as well as technical analysis while investing in Indian Stock Market. There has been a substantial change in investment strategies used by active investors in Indian stock market over the past five years. In a nutshell, there has been a shift from purely technical analysis based strategies to the one which involves both fundamental and technical analysis. **Gautam, Harish (2011)** documented that the theories of Technical analysis do wonders in stock market analysis and decision making. There is no doubt that technical analysis works. However, some of the theories seem to have very poor logics. Thus, concluded that ‘Herd Behaviour’ of investors sets the trends. **Motwani (2013)** found that majority of infrequent small scale investors appraise fundamental factors of a company.

**Werner et. al (1987)** documented in their study that investors overreact to short – term (few years) earnings movements. **Rivoli (1995)** opined that much shareholder behavior is ethically motivated. As a result, the basis for both the neoclassical and the stakeholder view are weakened. **Hoffmann, et. al. (2013)** documented that individuals make different risky choices in a multi-period compared to a single-period setting. In particular, individuals’ aspiration level is their main reference point during the early stages of decision-making, while their starting status (wealth level at the start of the experiment) becomes the central reference point during the later stages of their multi-period decision-making.
Lakonishok and Smidt (1988) studied Dow Jones Industrial Average and reported that half of the positive returns occur during the 10 preholiday trading days in each year. The holiday effect refers to higher returns around holidays, mainly in the pre-holiday period as compared to returns of the normal trading days.

Malhotra (1994) examined the empirical relationship between equity prices and various explanatory variables like dividend per share, earnings per shares book value to par value, P/E ratio, growth, etc. for the period from 1982 to 1985. According to the study, the dividend per share and earnings per share are the strongest determinants of market price. A similar view had been obtained from the study by Amanullah and Kamaiah (1998). Their study was to test the Capital Asset Pricing Model (CAPM) reflection in Indian stock market. The study concludes that the investment decision of investors is based on the factors such as Price Earnings Ratio, Earnings Per Share, Dividend, Bonus and Right Issue besides the CAPM estimates.

Werner (1998) documented that many investors’ portfolio is not properly diversified, and they trade in suboptimal ways. Dorn and Huberman, (2005) found that investors who think themselves knowledgeable about financial securities indeed hold better-diversified portfolios. Hoffmann and Shefrin (2014) stated that individual investors who use technical analysis and trade options frequently make poor portfolio decisions, resulting in dramatically lower returns than other investors.

Many researchers have documented in their study on disposition effect. Odean (1998) examined the behavior of individual investors and found them exhibiting disposition effects. The disposition effect is found to influence market prices, but its economic significance is likely to be the greatest for individual investors. Dhar and Zhu (2002) in their empirical study evidenced that wealthier and individual investors in professional occupations exhibit less disposition effect. Consistent with experimental economics, trading experience also tends to reduce the disposition effect.
Schubert et al. (2000) documented that gender differences may arise in ambiguity frames: women are more ambiguity averse than men in the investment context, but not in the insurance context.

Rashes (2001) examined the co-movement of stocks with similar ticker symbols and found that investors invest in stocks with similar name or symbol by mistake. Example: (MCI-MCIC). Investors make wrong investment decisions due to similar ticker symbol.

Raju and Patil (2001) documented that setting up of Depositaries and providing encouragement to trade and settle equity shares in Demat form has led to improvement in volumes traded in the Indian stock exchanges. So investors decide to buy and sell more due to Demat form of shares.

Wood (2004) surveyed ninety individual investors via a questionnaire on the four main segments of individual investors: 1) Risk intolerant; 2) Confident traders; 3) Loss averse young traders, and 4) Conservative long-term investors. 1) The Risk intolerant group has medium levels of confidence and control. They are not active traders but do check their investments frequently.

Raju and Ghosh (2004) stated that since volatility is a standard measure of financial vulnerability, it plays a key role in assessing the risk/return tradeoff and forms an important input in asset allocation decisions.

Lamba (2004) in his research paper, found that Indian market is influenced by the large developed equity markets including the US, UK and Japan and that this influence has strengthened during the more recent period of January 2000 - February 2003. In addition, he does not find that the Indian market exerts any significant influence on the Pakistani and Sri Lankan markets.

Lamba and Ariff (2006) found evidence consistent with the explanation that the removal of short selling restrictions results in more complete markets and is valued by market participants, particularly for actively traded stocks. So restriction has more influence on the investment decisions.
Brad et.al.(2006) documented that virtually all of individual trading losses can be traced to their aggressive orders; passive orders placed by individuals are profitable at short horizons and suffer modest losses at longer horizons. Linnainmaa (2010) documents losses on limit orders and gains on market orders in Finland. Barber, Lee, Liu, and Odean (2009) find the opposite result in Taiwan short-term gains on passive orders and short-term losses on aggressive (quasi-market) orders. Kelley and Tetlock (2011) documented short-term profits on retail trades emanating from both market and limit orders in the U.S.

So the type of buying orders namely market order or limit order has more impact on return on investment which has to be borne in mind by the investors while making investment decisions.

Meditinos, et. al (2007) documented that Individual investors rely more on newspapers/media and noise in the market when making their investment decisions, while professional investors rely more on fundamental and technical analysis and less on portfolio analysis. Tabassum Sultana Syed (2010) found that Television is the media that largely influences the investors’ decisions. Investors’ decisions are towards the direction in which media expresses and specifies.

Kyrolainen Petri (2007) found that the magnitude of gains and losses strongly affect individual investors' abnormal selling volume. The larger the gains or losses, the less the investors will sell. This study indicates that when the profit or loss is at a higher level, then investors decision to sell the stocks is very less.

Stoffman (2008) mentioned his book based on research that individuals account for 20.6 percent of trading by a number of shares traded and 17.4 percent by value, indicating that individuals tend to trade more heavily in low priced stocks. So individual investors’ decision to go for low-priced stock is very high.

Jaeger (2008) focused on investment skill and presented several important discussion points and concluded that an efficient view of markets does not rule out skill, but does rule out the myth that skill can be detected from historical performance alone and that it is a reliable predictor of future success.
Jasim (2008) documented that investors with a better level of education and wealth are more likely to seek risk than less educated and less wealthy ones. The study also reports that investors’ risk tolerance declines when they have more financial commitments as well as when they are approaching their retirement age or retired persons. The study reveals that highly educated and wealthy investors decide to take more risk. The same view was found in the study conducted by Merikas et. al. (2009) states that individuals base their stock purchase decisions on economic criteria combined with other diverse variables.

Saurabh Singh (2009) stated that investment decisions made by investors are not solely dependent on price movement and stability of the markets. His study has resulted in listing factors as age, sex, education, family and the past performance of a company’s securities as variables or attributes, having significant influence and impact on the investors’ investment decision-making process. This study states that demographic factors play a major role in investment decisions. Korniotis and Kumar (2009) examined the investment decisions of older individual investors. They found that investment skill deteriorates with age due to the adverse effects of cognitive aging.

Mark and Randall Shannon (2010) argue that Investors pay less attention to new information and analysis when making decisions about loss makers and are therefore slower to sell them when arguments in favour of holding cease to be valid.

Firat (2011) concluded that investors are not always rationally, they behave with their feelings in decision-making process of investment. Brad and Odean (2013) in their study “The Behavior of Individual Investors” documented that individual investors (1) underperform standard benchmarks (e.g. a low-cost index fund), (2) sell winning investments while holding losing investments (the “disposition effect”), (3) are heavily influenced by limited attention and past return performance in their purchase decisions, (4) engage in naive reinforcement learning by repeating past behaviors that coincided with pleasure while avoiding past behaviors that generated pain, and (5) tend to hold undiversified stock
portfolios. These behaviors deleteriously affect the financial well-being of individual investors.

**Bennet (2011)** documented the factors influencing the stock selection decision are Return on Equity, Quality of Management, Return on Investment, Price to Earnings Ratio and finally, various ratios of the company.

**Surendar and Rao (2011)** documented that more than 70 percent of the sample investors who have gone through corporate governance reports found them useful in taking investment decisions. The sample investors’ opinions regarding various issues relating to corporate governance are not the same. They accept that, ‘companies conduct annual general meetings regularly,’ ‘they receive their dividends on time’ and ‘corporate governance is slowly practiced in Indian companies.’

**Johan and Dreber (2011)** found that the gender gap in risk attitudes remains significant also when controlling for financial literacy. They also found that women report being less risk-taking than men. **Dharmaja, Ganesh and Santhi (2012)** found that there are also some behavioral factors like the investor’s financial tolerance, emotional risk tolerance and financial literacy which influence the investor’s behavior.

**Wang et. al (2011)** the authors show that a too low or a too high CSR performance could lead to undesirable responses from investors. Therefore, managers should pay attention to optimizing firms’ CSR activities.

**Sujoy Kumar Dhar (2012)** analyzed the impact of volatility in the Indian Capital Market on the retail investors. The study reveals that the retail investors are totally in a confused state to take the investment decision due to high volatility in the markets.

**Shanmugasundaram and Jansi Rani (2012)** documented that Investors’ decisions are influenced by psychological factors and behavioural dimensions in accordance with the research results shown in other countries. **Ton and Nguyen**
(2014) in their study opined that apart from the market situation, the investment decisions on stock markets are based on the mentality of investors at the decision-making time. It was illustrated that male have more willingness to take risks in making investment decision than female; the elderly or retirement investors make the options of not taking risk; the investors with five-year-or-more investment experience often take higher risks than the others; the investors of different income levels have the same ability to take risk; the single investors show a tendency to take higher risks than married investors.

Obamuyi (2013) indicated the five most influencing factors on investment decisions of investors in Nigeria which are the past performance of the company’s stock, expected stock split/capital increases/bonus, dividend policy, expected corporate earnings and get-rich-quick. Also, the five least influencing factors include religions, rumors, loyalty to the company’s products/services, opinions of members of the family and expected losses in other investments.

Reena (2014) documented that the most general factors that have a significant impact on the investors’ behavior are herding, over-reaction, cognitive bias, confidence (over or under), gender, age, income, education, risk factor, dividends, influence of people’s opinion (friends or family), past performance of the company, accounting information, ownership structure, expected corporate earnings.

Abu Bakar, et. al. (2014) documented that a greater proportion of investors are more pessimistic in the early days of the week, and become more optimistic as the week progresses.

The results of all the above studies reveal the factors influencing the investment decision and the reaction of stock market against various investment decisions. The most important factors are day of a week, date of a month, particular month of a year, demographic profile of investors, corporate announcements, behavioural aspects of investors, volatility of stock market, corporate social responsibilities of companies, investment skill, price of the stock, type of orders, intervention of media, trading restrictions, disposition effect among
investors, fundamental analysis, Technical analysis and market sentiments. The studies are based on the individual investors of various countries and various stock markets around the world.

5. **INVESTMENT SATISFACTION**

*Vinayakam (1994)* in his study documented that apart from the investors’ awareness, education and associations which go a long way in giving the much-needed protection to small investors, a separate legislation or compendium conferring protection to investors was the need of the hour. *Feldman and Kumar (1995)* in their article examined the main characteristics of emerging stock markets. They pointed out that without effective regulation and enforcement, domestic and international investors will be reluctant to commit resources to the stock markets.

*Rangarajan (1995)* stated that effective and efficient capital market requires a stable and sturdy infrastructure for payment, settlement, and clearing system and setting up of depositories. This infrastructure is the life-line of the securities market as it helps market participants to exercise economic choice.

*Kishore (1997)* in his article pointed out that the Foreign Institutional Investors (FII) are manipulating equity market through price rigging even during Global Deposit Receipts (GDR) issues of Indian companies for their own benefit at the cost of domestic investors.

*Raj Kabila and Uma Kabila (1998)* in its discussion paper pointed out that as the process of economic reform continues and the share of the corporate sector in the economy increases, the role of securities markets as a source of raising funds for investment is expected to become more critical. If Indian markets are to serve the need of firms as well as a nationwide community of investors, it is essential that efforts to lower transaction costs and to increase the integrity and fairness of Indian markets to continue.
Bhave (1998) in his study points out that depositories for securities market can bring change in the capital market in India with a significant impact on the banking industry.

Crockett Andrew (1998) in his study revealed that because of innovation and liberalization new products have emerged in the financial market. Availability of financial assets to end – users has been enlarged. The cost of financial intermediation has fallen. Risk management tools have become increasingly sophisticated.

Brad and Odean, (2000) documented that active individual traders are paying a tremendous performance penalty. Active traders are losing money in stock market. Brad et.al. (2004) documented that heavy day traders earn gross profits, but their profits are not sufficient to cover transaction costs. Moreover, in the typical six-month period, more than eight out of ten-day traders lose money.

Murphy & Soutar (2004) in their studies have found that investors strongly emphasize recent trading experience and personal preferences, which are largely affected by their level of satisfaction. A similar view was found in the study by Nicolosi et. al. (2008)that the retail investors’ stock trades for potential learning behavior and they presented evidence that individual investors learn from their trading experience and improve their investment performance.

Wang et al. (2006) concluded in their study that many aspects of Chinese stock markets are still developing and that investors are partly dissatisfied with the institutional framework for the provision of investment services.

Dean and Pinder (2007) documented that small proportion of individual investors able to benefit from the discounted tax treatment.

Jasim (2008) documented that investment companies and financial service marketers should design investment programs to respond to the particular needs of women investors, men investors, investors with particular education and age levels, wealthy investors, and expatriate investors.
Natalie et. al. (2008) found that their online trades mainly explain the disadvantage suffered by individual investors. So online trading is considered to be a disadvantaged tool due to frequent trades.

Rashid and Nishat (2009) documented that the investors put the strongest emphasis on effective investment analysis, followed by ease of the transaction process, effective information management, and timely risk management. The study suggests the importance of effective regulation, disclosure requirements to ensure a supply of quality information, investor education, and technology driven trading in brokerage houses for overall investor satisfaction.

Tuli et. al. (2009) study indicated that customer satisfaction is a metric that provides valuable information to financial markets. The robust impact of customer satisfaction on stock returns risk indicates that it would be useful for firms to disclose their customer satisfaction scores in their annual report to shareholders.

Loibl & Hira (2009) mentioned in their study that the speed and accuracy with which information will be reflected in prices is dictated by the presence or absence of an effective infrastructure in the market. Investors with and without accurate information will have different investment outcomes and therefore different satisfaction levels.

Edmans, A., (2011) found that employee satisfaction is positively correlated with shareholder returns. Imran et. al (2011) documented that significant influence of CSR upon investors' satisfaction and loyalty is observed in Pakistan.

Hayashi (2011) predicts that decision makers set their cut-off line so as to equalize the size of two different types of regret. One regret is for a price rise just after selling it or drop after just buying it and the other is a decline in price when they decide to keep it or an increase in price after not buying.

Siganos, A. (2012) findings show that only the earnings/price strategy can enjoy net gains for small investors showing some evidence against stock market efficiency.
Marc M. Kramer (2012) findings indicate that portfolios of advised investors are better diversified and carry significantly less risk. Using of financial advice in investment gives lesser risk in the portfolio of investors.

Obamuyi (2013) study recommends that the investment climate and the market environment be made friendly and conducive to attract investors by creatively developing programmes and policies that impact on investors’ decisions in order to maximise the value of the firms and enhance the wealth of the investors. The market players should re-organise the market and implement accommodating policies which will eliminate fraud and resolve the leadership crisis in the market.

Rao et. al (2013) opined that the authorities, like SEBI, NSDL, etc., should organize more seminars and awareness programs for these underprivileged retail investors.

Siganos (2014) examined the relation between daily sentiment and trading behavior within 20 international markets by exploiting Facebook's Gross National Happiness Index. They found that sentiment has a positive contemporaneous relation to stock returns. Moreover, sentiment on Sunday affects stock returns on Monday.

The above studies reveal the various factors influencing the level of satisfaction of investors and various requirements to be fulfilled to increase the investor sophistication. The factors are Social networks, need and importance of various regulatory institutions, conducive market environment, professionals’ advice on investment, return on investments, speed, accuracy and quality of information flow, customer satisfaction, effective investment analysis, investment programs, past experience of investors, taxation rules, institutional framework, active trading, availability of risk management tools, activities of depositories, transactions cost in investments, Foreign Institutional Investors manipulation and investors awareness level.