CHAPTER - II
REVIEW OF PREVIOUS STUDIES

INTRODUCTION

Chapter two portrays review of literature, which briefly discusses about six objectives which is stated in the objectives of the study.

Behavioural Finance is the study of how humans interpret and act on information to make informed investment decisions. It is one of the most interesting and fascinating fields of research throwing light on the motives, preferences, perceptions and expectations of the investors. The emergence of behavioural finance has presented a new realm for analyzing the ways in which investors make decisions that includes psychological factors, as well as providing new grounds of modeling investor behaviour. The study of investor behaviour has attracted researchers with a variety of backgrounds. In this chapter the various literatures over a period of 10 years has been reviewed and presented.

2.2 The investment profile and pattern of retail equity investors.

1. Mart Grinblatt and Matti Keloharju, (2011), in their study entitled, “The Investment Behaviour and Performance of Various Investor Types: Study of Finland’s Unique Data set”, analysed the extent to which past returns determine the propensity to buy and sell. The study revealed that foreign investors tend to be momentum investors, buying past winning stocks and selling past losers. Domestic investors, particularly households contradicted the same. This difference in Investor behaviour was consistent in regular intervals. The portfolios of foreign investors outperformed the portfolios of households, even after controlling the behaviour difference.

2. Maruthu Pandian. P, Benjamin Christopher , (2010), conducted a study entitled, “A Study on Equity Investor Awareness” in order to study the stock
market literacy of the investors about the company, stock exchanges as well as capital market regulatory bodies. The primary data using multiple regression, path analysis and chi-square test along with ANOVA clearly revives difference in the awareness among the investors. The research work found that the awareness index is high among young male investor, post-graduates and meticulous business men.

3. 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 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.

4. HorstRaff and Michael J.Ryan, (2008), in their paper, “Firm-Specific Characteristics and the Timing of Foreign Direct Investment Projects”, this paper uses a proportional hazard model to study foreign direct investment by Japanese manufacturers in Europe between 1970 and 1994. We divide each firm’s investment total into a sequence of individual investment decisions and analyze how firm-specific characteristics affect each decision. We find that total factor productivity is a significant determinant of a firm’s initial and subsequent investments. Parent-firm size does not have a significant influence on the initial decision to invest. Large firms simply have more investments than smaller firms. Other firm-specific characteristics, such as
the R&D intensity, export share and keiretsu membership, also play a role in the investment process.

5. Sudershan kuntluru and D. Mohd Akbar Alikhan, (2009), in their article, “Financing pattern of foreign and domestic owned pharmaceutical companies in India”, foreign Direct investment has often seen as major source of long term capital which provides bundle of other benefits to the host county company. In this paper, we made an attempt to examine the financing pattern of foreign and domestic owned pharmaceutical companies in India. It has been hypothesized that there is no significant difference between the financing pattern of domestic and foreign owned companies. The financing pattern has been analyzed based on traditional methodology such as common size statement, trend analysis and ratio analysis. The results and analysis indicate that domestic companies are highly levered than foreign owned companies in pharmaceutical industry.

6. 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.

7. Diptendu simlai, (2009), in his paper, “An inquiry into the origin and growth of the capital market in India”, India’s modern capital market did not emerge in a day. This market, since its inception in the 18th century with the
establishment of the Bank of Hindustan (1770) in Calcutta, laid the foundation of the modern capital market in India according to A. K. Sur, a noted stock market economist of his time (Sur, Evolution of Capital Market in India, Economic Affairs, Nov-Dec/1960). The objective of this paper is to trace the evolution of this market right from the late 18th century up to our times. For purposes of our study the entire time span has been divided into four periods. The first covers the 18th and 19th centuries. The second extends from the early 20th century up to 1947, the year of Independence. For the enormous impact of the economic reforms upon the capital market, the post-Independence era has been divided into two periods: one ending with 1990 and the other starting with 1991.

8. 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.

2.3 The information search and investment option of retail investors.

9. Bloomfield, Libby and Nelson, (2011), in their study entitled, “Confidence and the Welfare of Less Informed Investors”, have indicated that less informed investors are over confident in investments. Providing more information to professional investors only could harm the welfare of less informed investors if less informed investors are not aware of the extent of their informational disadvantage.

10. Statman, (2010), in his research entitled, “A Century of Investors”, compared the investors a century ago with investors today. He concluded that today’s investors are more rapidly informed than their predecessors, but they are neither better informed nor better behaved.
11. Stout, (2010), in his study entitled, “The Investor Game”, has indicated that investors have adaptive and not rational expectations. Adaptive expectations result in both trust and mistrust in securities market based on past actions.

12. 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. Realising 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.

13. Alok Kumar, (2009), in his paper, “Who Gambles In the Stock Market? “this paper examines whether socio-economic and psychological factors, which are known to influence lottery purchases, lead to excess investment in lottery-type stocks. The results indicate that, unlike institutional investors, individual investors prefer stocks with lottery-type features. The demand for lottery-type stocks increases during bad economic times and demand shifts influence the returns and idiosyncratic volatility of those stocks. The evidence of the study indicates that people’s attitudes towards gambling are reflected in their stock investment choices and stock returns.

14. Nagarajan. R, (2006), in his article, “Green shoe option in IPO”, for stabilizing post-listing share price, a company making an Initial Public Offer (IPO) through the Book Building mechanism can hold the Green Shoe Option. This is an option that allows underwriter of an Initial Public Offering to sell additional shares to the public. The challenge for the regulator would be to keep fraudulent issues away from the market. In order to avoid
fraudulent issues investors too should do their homework before investing in 
IPO, because it is investor's hard earned money and he should invest it 
carefully.

Ahead”, addressed the current issues in the Indian capital market, lack of 
individual participation and the ways of restoring investor confidence. The 
article concluded that the responsibility of creating an environment of trust 
and confidence lies with the regulators, stock exchanges and companies. 
Each of them should act in a responsible way and provide a healthy 
atmosphere for the functioning of an efficient capital market.

behavior of individual investors towards mutual funds: With reference to 
Mumbai city”, consumer behavior from the marketing world and financial 
economics has brought together to the surface an exciting area for study and 
research: Behavioral finance. As this is a serious subject analysts seem to 
treat financial markets as an aggregate of statistical observations, technical 
and fundamental analysis. A rich view of research waits this sophisticated 
understanding of how financial markets are also affected by the “financial 
behavior” of investors. Hence, this study is an attempt to examine the related 
aspects of the fund selection behavior of individual investors towards mutual 
funds, in the city of Mumbai and it showed the way for further research in 
this field.

Examining the Impact of Pro-Social Attitudes and Perceived Financial 
Performance on Socially Responsible Investment Behavior”, this article 
dresses the growing industry of retail socially responsible investment 
(SRI) profiled mutual funds. The study examined the impact of a number of 
pro-social, financial performance, and socio-demographic variables on SRI 
behavior in order to explain why investors choose to invest different 
proportions of their investment portfolio in SRI profiled funds. Some 528
private investors including women were investigated the results showed that women and better-educated investors were more likely to invest a greater proportion of their investment portfolio in SRI. Overall, the findings indicate that both financial perceptions and pro-social attitudes are connected to consumer investment in SRI.

18. Mahabaleswara Bhatta. H.S., (2009), in his paper, “Behavioral Finance- A discussion his individual investor biases”, in this article, an attempt has been made to throw light on the investors’ biases that influence decision making process. Empirical studies have time and again proved that the irrational behaviors have caused stock market bubbles and crashes. The knowledge so developed through the studies would provide a framework of behavioral principles within which the investors react. The article suggests for a time bound program to educate and counsel the individual investors about the wisdom required in stock trading and be aware of unethical and tactical practices of brokers, shady dealings of the companies and the insider trading.

19. Chattopadhyay. P, (2010), in his article, “Retail investors in IPO subscription”, in the liberalization regime of India, there has been a renewed emphasis on the equity cult and a growing stress of what is termed market capitalization. The number of retail investors has already become substantial and is still growing. This underlines the need for safety and security of the money invested along with the promise of augmented yield. These have required the government and the regulatory bodies to provide necessary systems and methods for safeguarding the interests of the small, retail investors The Securities and Exchange Board of India has recently mooted a proposal to the effect that in the cases of retail investors seeking to subscribe to the share offers by the public limited companies, cash transactions should take place only after the allotment has been made. The proposed intention of SEBI is to be lauded; there are other parts which are not as commendable. The proposal does not appear fool-proof on one side, and may be easily subject to abuse, on the other. Least of all, the proposal may not restore
parity between the institutional and retail investors, which is the major objective of the new approach. The steps taken by the regulatory authorities are not enough and the centrifugal forces triggered internally, that would lead to undesirable repercussion.

2.4 Investment preferences and investors perception on risk and return.

20. Rajarajan. V, (2011), conducted a study entitled, “Investors Life Styles and Investment Characteristics”, with the objective of analyzing the investors life styles and to analyse the investment size, pattern, preference of individual investors on the basis of their life styles. Data was collected from 405 investors in Madras using questionnaire method. The investors were classified into 3 groups’ viz., active investors, individualists and passive investors. Cluster Analysis, Correspondence Analysis and Kruskal Wallis Test were used to study the association between lifestyle groups and the various investment related characteristics. The study revealed that the level of expenses, earnings and investment were associated with the size of the household. Active investor group was dominated by officers, individual group by clerical cadre and passive investors group by professionals. The expected rate of return from investments varied between investment styles. The study clearly indicated that market performance of the share, company’s operating level, capital performance and the expectation of the investors were found to influence the risk perception of the investors.

21. Bandgar. P.K, (2011), in his study entitled, “A Study of Middleclass Investor’s Preferences for Financial Instruments in Greater Bombay”, studied the existing pattern of financial instruments in India and the performance of middle class investors, their behaviour and problems. Questionnaire was administered to collect data. Average, Skewness, Chi-square test and Fisher Irving Test were used to analyse the data. The study revealed that only 16% of the investors were facing difficulties in buying and selling securities. Middle-class investors were highly educated but they were lacking skill and knowledge to invest. Female investors preferred to invest in risky securities
as compared to male investors. The study also revealed that there was a moderate and continuing shift from bank deposits to shares and debentures, and a massive shift towards traditional financial instruments namely, life insurance policies and government securities.

22. Charles Lee, M.C and Balakrishna Radhakrishna, (2010), in an article entitled, “Inferring Investor Behaviours: Evidence from TORQ Data”, made an attempt to examine the several techniques commonly used to infer investor behaviour from transaction data. They adopted Lee-Ready (1991) algorithm for distinguishing trade decision. The results show that frequency, size and direction of observed trades provide a reasonable basis for evaluating the incoming flow of market orders.

23. Dechow, Hutton and Sloan, (2011), in their study entitled, “Mastering Finance”, found that analysts’ growth forecasts are routinely over optimistic around new equity offerings, but the most over optimistic are those analysts employed by the lead underwriters of the offerings.

24. Malcolm Baker and Jeffrey Wurgler, (2011), in their paper, “A catering theory of dividends”, we develop a theory in which the decision to pay dividends is driven by investor demand. Managers cater to investors by paying dividends when investors put a stock price premium on payers and not paying when investors prefer nonpayer. To test this prediction, we construct four time series measures of the investor demand for dividend payers. By each measure, nonpayer’s initiate dividends when demand for payers is high. By some measures, payers omit dividends when demand is low. Further analysis confirms that the results are better explained by the catering theory than other theories of dividends.

25. Selvam. M, et.al, (2010), in their study entitled, “Equity Culture in Indian Capital Market’, examined the need for promoting equity culture, which deserves special attention for the development of economic growth. The study discussed in detail the current trend of equity culture, its implications
and its revival and remedial measures. The study suggested intervention by government, SEBI and RBI and evaluation of suitable credit policy for projects in order to assure safety and assured returns to the investors, in order to restore investor confidence.

26. Alexander LJungquist and Matthew Richardson , (2010), in his study, “The Investment Behaviour of Private Equity Fund managers”, using a unique dataset of private equity funds over the last two decades, this paper analyzes the investment behavior of private equity fund managers. Based on recent theoretical advances, we link the timing of funds’ investment and exit decisions, and the subsequent returns they earn on their portfolio companies, to changes in the demand for private equity in a setting where the supply of capital is ‘sticky’ in the short run. We show that existing funds accelerate their investment flows and earn higher returns when investment opportunities improve and the demand for capital increases. Increases in supply lead to tougher competition for deal flow, and private equity fund managers respond by cutting their investment spending. These findings provide complementary evidence to recent papers documenting the determinants of fund-level performance in private equity.

27. Santi Swarup. K, (2010), in his survey entitled, “Measures for Improving Common Investor Confidence in Indian Primary Market: A Survey”, analysed the decisions taken by the investors while investing in primary markets in the first part: secondly the factors affecting primary market situation in India was analysed and finally the survey evaluates various revival measures available for improving investor confidence. The survey was conducted in 10 cities in India by mailing questionnaire. The survey results of 367 investors revealed that the investors give importance to own analysis and market price as compared to broker’s advice.

28. Stephanie Desrosiers, Jean - Francois L”Her and Jean – Francois Plante , (2010), in their article, “Style management in Equity Country Allocation”, strategies that entailed country selection based on relative strength
(momentum) posted significant market risk–adjusted returns over the past 30 years, but relative-value strategies based on book value of equity to market value of equity did not. Because these two fixed-style strategies are negatively correlated, using them for style diversification and for style timing (rotation) is potentially rewarding. In the study described here, style diversification enhanced return and lowered risk but style timing provided consistent risk-adjusted performance that was superior to the performance of fixed-style strategies or style diversification.

29. Jaspal Singh and subhash chandler (2011), in their article, “Investors’ preference for investment in mutual funds: An empirical evidence”, since interest rates on investments like PPF, NSC, bank deposits, etc., are falling, the question to be answered is: What investment alternative should a small investor adopt? One of the alternatives is to invest in capital markets through mutual funds. This helps the investor avoid the risks involved in direct investment. Considering the state of mind of the general investor, this article figures out: (i) the preference attached to different investment avenues by the investors; (ii) the preference of mutual funds schemes over others for investment; (iii) the source from which the investor gets information about mutual funds; and (iv) the experience with regard to returns from mutual funds. The results show that the investors consider gold to be the most preferred form of investment, followed by NSC and post Office schemes. Hence, the basic psyche of an Indian investor, who still prefers to keep his savings in the form of yellow metal, is indicated. Investors belonging to the salaried category, and in the age group of 20-35, years showed inclination towards close-ended growth (equity-oriented) schemes over the other scheme types. A majority of the investors based their investment decision on the advice of brokers, professionals and financial advisors. The findings also reveal the varied experiences of respondents regarding the returns received from investments made in mutual funds.

investment pattern, preference, influencing factors and problems of women investors in Erode town. The findings of the study reveal that, women investors prefer to invest in bank deposits and jeweler, they are influenced by safety and liquidity and the problems faced by them are cumbersome procedures and formalities, commission and brokerage.

31. Shobana. V.K. and Jayalakshmi. J, (2010), in their study entitled, “Investor Awareness and Preferences”, studied the investors’ preferences, the level of investor awareness and the factors influencing investor awareness of 100 respondents in Salem District. The study reveals that real estate, bank deposits and jeweler were the preferred investments. Investors above 50 years of age, post graduates and professionals had high level of awareness. Age and education do not have any significant influence over investor awareness but occupational status leads to difference in the awareness level of people.

32. Meir Statman, Steven Thorley and Keith Vorkink, (2010), in their paper, “Investor overconfidence and Trading volume”, the proposition that investors are overconfident about their valuation and trading skills can explain high observed trading volume. With biased self-attribution, the level of investor overconfidence and thus trading volume varies with past returns. We test the trading volume predictions of formal overconfidence models and find that share turnover is positively related to lag returns for many months. The relationship holds for both market-wide and individual security turnover, which we interpret as evidence of investor overconfidence and the disposition effect, respectively. Security volume is more responsive to market return shocks than to security return shocks, and both relationships are more pronounced in small-cap stocks and in earlier periods where individual investors hold a greater proportion of shares.

33. Viswambharan A.M, (2008), in his article entitled, “Indian Primary Market – Opportunities and Challenges”, has examined the recent trends in primary market, the current IPO system – book building process, opportunities for
investors, problems faced by the investors and has suggested that investors should rely on long term investment than speculation. Investor education shall be strengthened. Commercial banks may take-up investment consultancy for their clients to improve investor participation.

34. Narendra Jadhav, (2010), in his article, “Development of Securities Market – The Indian Experience”, the Indian securities markets have witnessed far-reaching reforms in the post-liberalization era in terms of market design, technological developments, settlement practices and introduction of new instruments. The markets have achieved tremendous stability and as a result, have attracted huge investments by foreign investors. There still is tremendous scope for improvement in both the equity market and the government Securities market. However, it is the corporate debt market, which needs to be given particular emphasis given its importance for providing long-term finance for development.

35. Dan palmon and Fred Sudit, (2011), in their article, “shareholders’ defensive security shares”, the purpose of this paper is to explore the possibilities and merits of offering shareholders an equity instrument (new class of common shares) designed to protect their investments from managerial opportunism. To this end, we propose a special class of shares, the Shareholders ’ Defensive Security Shares (SDSS), which would oblige Boards of Directors to declare a pre-specified extra dividend whenever executive pay exceeds a contractually pre-determined threshold. SDSS could be extended into a larger class of Defensive Security Instruments (DSI) that includes regular bonds, convertible bonds, and preferred stocks. We argue that this defensive equity, the Shareholders ’ Defensive Security, or SDSS, could be beneficial to managers as well as shareholders. What’s more, the use of SDSS is completely voluntary and requires no additional regulation.

36. Kameswari. P, (2008), in his article, “Foreign Direct investment and its role in developing Indian economy”, investment is an important factor in influencing the economic development of a country. Developing countries
like India have investment requirements far greater than their domestic savings can meet. Their investment deficits can be bridged by foreign capital flows in the form of Foreign Direct Investment and Portfolio Investment. But the huge flows of foreign capital may introduce some problems like inflation. In the interest of future economic growth and development a developing economy has to institute some safeguards in its national interest while welcoming the foreign investment. This article studies how India is faring in its efforts to attract foreign direct investment and in channelising the flows for the growth of economic development.

37. Som Sankar Sen and Santanu Kumar Ghosh, (2008), in their paper, “Stock Market Liquidity of BSE and NSE: A Comparative Study (1995-2005)”, this study compares between BSE and NSE in terms of Stock Market Liquidity during the study period of January 1995 to December 2005. The study reports that mean liquidity of NSE is higher than that of the BSE during this period. It also reveals that in most of the months BSE remains more vulnerable than NSE during this span of time in terms of liquidity. A monthly pattern of liquidity could be observed in case of NSE but no such monthly pattern is there in case of BSE. Finally, a positive correlation between these two exchanges has been reported indicating no significant movement of volume from one exchange to another.

38. Nissim Ben David, (2008), in his paper, “An indicator for internalization of analyst’s recommendations by investors”, this paper proposes an index for evaluating the internalization of an analyst’s recommendations by investors at various points of time that follow the recommendation day. The model is applied to the Israeli stock market for the years 2004 and 2005. The results indicate that investors in the Israeli stock market internalize a recommendation 14 days after its publication. Internalization continues 30 days after the publication day. The importance of this paper is that it is the first time an index for evaluating investor’s reaction to analyst’s recommendations in various stock markets has been proposed. Such information is valuable, since it can improve investment strategies that
follow the publication of an analyst’s recommendation. An investor would prefer buying a recommended stock when he expects a large return and would sell it when the recommendation’s effect is exhausted.

39. Mohanty. B.K , (2008), in his article, “Market capitalization: A suitable growth approach for share holders’ value creation”, before economic reforms were initiated in 1991, companies in the Indian corporate sector had to function amidst the license regime, quotas and restrictions, high taxes and host of other rules and regulations. Companies are now allowed to borrow from and invest abroad quite liberally. All this has done wonders for corporate India. Over the past 15 years of reforms, corporate profits have gone from Rs. 6440 crore in financial year 1991 to Rs.1,67,801 crore in financial year 2006.

40. Henry L. Petersen and Harrie Vredenburg, (2009), in their article, “Morals or Economics? Institutional Investor Preferences for Corporate Social Responsibility”, this article presents the results of a study that analysed whether social responsibility had any bearing on the decision making of institutional investors. Being that institutional investors prefer socially aligned organizations, this study explored to what extent the corporate actions and/or social/environmental investments influenced their decisions. Our results suggest that there are specific variables that affect the perceived value of the organization, leading to decisions to not only invest, but whether to hold or sell the shares, and therefore having a consequential impact on the capital market’s valuation.

41. Sakthivel. N, (2010), in his paper, “EVA – MVA: Shareholders’ value measure”, maximizing shareholders value is becoming the new corporate standard in India. The corporate, who gave the lowest preference to the shareholders’ inquisitiveness, are now bestowing the utmost inclination to it. Shareholders’ value is measured in terms of the returns they receive on their investment. The returns can either be in the form of dividends or in the form of capital appreciation or both. For measuring the corporate financial
performance, there are accounting profitability measures and shareholders’
value based measures. Accounting profitability measures include ROI, ROE,
EPS, ROCE and DPS etc., Shareholders valued based measures include EVA
and MVA. EVA in Indian environment and relationship between EVA
(Economic Value Added) and MVA (Market Value Added).

2.5 **Factors influencing investment evaluation and decision of investors.**

42. Iran Peacock and Stuart Cooper, (2011), in their article, “Private equity:
implications for financial efficiency and Stability”, this article (1) describes
the current state of the UK private equity market. It also considers the extent
to which private equity promotes efficiency by facilitating the ‘shake-up’ of
businesses, and whether the success of investment houses in attracting
substantially increased funds for investment poses any threats to financial
stability. Private equity comprises equity investment in all types of unquoted
companies, whether provided by individuals, funds or institutions.(2) The
article concentrates on larger transactions (particularly management buy-outs
and buy-ins of over £10 million), and excludes start-up and early-stage
venture capital finance, which in effect forms a distinct market with different
characteristics.

43. Security Exchange Board of India (SEBI) along with National Council of
Applied Economic Research (NCAER) (2011), conducted a comprehensive
survey of the Indian investor households entitled, “Survey of Indian
Investors”, in order to study the impact of the growth of the securities market
on the households and to analyse the quality of its growth. 25,000 investors
were drawn from places all over India and the data were collected by
administering questionnaire and through personal interviews. The survey
was carried out with the major objective of drawing a profile of the
households and investors and to describe the demographics, economic,
financial and equity ownership characteristics. The study revealed that
majority of the equity investors had long term motive of investment.
Investors revealed that they had a number of broker related problems than the issuer related problems.

44. David R. Gallagher, (2011), in his study, “Investment manager characteristics, Strategy, top management changes and fund performance”, this study examines the performance of Australian investment management organisations with direct reference to their specific characteristics and strategies employed. Using a unique information source, performance is evaluated for actively managed institutional balanced funds, Australian share funds and Australian bond funds. The study examines the performance of top management and the impact on returns when turnover arises. The research documents that a significant number of active Australian equity managers earned superior risk-adjusted returns in the period; however active managers perform in line with market indices for balanced funds and Australian bond funds.

45. Hall, (2011), has conducted research entitled, “Do Brokers Buy, Hold and Sell Recommendations of Value to Individual Investors? he found that investors, who invested in the Johannesburg Securities Exchange (JSE) based on their brokers’ advice, were able to get risk adjusted returns superior or equal to the market.

46. Santi Swarup. K, (2010), in his study entitled, “Role of Mutual Funds in Developing Investor Confidence in Indian Capital Markets”, identified safety and tax savings as the important factors affecting investment in various avenues by the investor and developed strategies for enhancing common investor confidence such as good return, transparency, investor education, guidance etc.

47. Mohammad salahuddin and Md. Rabiul Islam, (2010), in their article, “Factors affecting investment in developing countries: A panel data study”, this paper investigates the gross investment behavior in a panel of 97 developing countries spanning a period between 1973 and 2002. Fixed Effect Model is employed to analyze data. Variance Inflation Factor (VIF) test is
conducted to ensure that the data are free from multicollinearity. Also, Granger Causality test is conducted to see if reverse causality exists. 2- Step 1st Difference Generalized Method of Moments (GMM) dynamic panel estimator has been employed to offset unobserved heterogeneity and endogeneity of regressors. The results suggest that investment decisions still seem to be significantly affected by traditional determinants such as growth, domestic savings, trade openness etc. The variable aid appeared to potentially affect investment which calls for developing country’s measures to ensure proper utilization of it.

48. Alexandra Dawson, (2004), in his study, “Investigating decision-making criteria of private equity investors in family firms”, 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 analysed 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.

49. Xuewu Wang, (2004), in his paper, “sentiment strategies”, this paper documents the profitability of the sentiment strategies. Using the aggregate closed-end fund discount as a proxy for investor sentiment, a simple sentiment strategy is constructed on the basis of the exposure of stock returns to the closed-end fund discount. The sentiment strategies buy stocks with highest exposure to closed-end fund discount and sell stocks with lowest exposure to closed-end fund discount in the past 36 months. It is shown that such a strategy can lead to an annualized profit of 11%. The source of the profitability is explored and it is found that neither market risk nor momentum anomaly can account for the profitability. However, the traditional four factor asset pricing model when augmented with an
additional sentiment factor can account for the profit. This finding is interpreted as supportive evidence to the fact that the pricing of the investor sentiment risk may be a potentially useful explanation for profitability.

50. Arvid O I Hoffmann and Wander jager, (2005), in their paper, “The effect of different needs, decision-making processes and network-structures on investor behavior and stock market dynamics: A simulation approach”, striking investor and stock market behavior have been recurrent items in the world press for the recent past. Crashes and hypes like the internet bubble are often hard to explain using existing finance frameworks. Therefore, the authors provide a complementing multi-theoretical framework that is built on existing finance research to describe and explain investor’s behavior and stock market dynamics. This framework is built on three main components: Needs, decision-making theory, and (social) network effects. This framework will be used to build a future simulation model of investor behavior and to generate stock market dynamics. A brief outline of the design of these simulation experiments as well as examples of the first results will be given.

51. Qiang Cheng and Terry D. Warfield, (2005), in their article, “Equity incentives and earnings management”, this paper examine the link between managers’ equity incentives. We hypothesize that managers with high equity incentives are likely to sell shares in the future and this motivates these managers to engage in earnings management to increase the value of the shares to be sold. Using stock – based compensation and stock ownership data over the 1993- 2000 time period, we document that managers with high equity incentives sell more shares in subsequent periods. As expected, we find that managers with high equity incentives are more likely to report earnings that meet or just beat analysts’ forecasts. We also find that managers with consistently high equity incentives are less likely to report large positive earnings surprises. This finding is consistent with the wealth of these managers being more sensitive to future stock performance, which leads to increased reserving of current earnings to avoid future earnings
disappointments. Collectively, our results indicate that equity incentives lead to incentives for earnings management.

52. Vibha Mahajan and Poonam Aggarwal, (2005), 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 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.

53. Marcela Meirelles Aurelio, (2008), in his article, “Going Global: The Changing pattern of U.S. Investment Abroad”, over the past decade, U.S. holdings of foreign financial assets- stocks and bonds – have grown remarkably. At the same time, foreign physical assets, such as foreign direct investment in production plants, have also become far more common. Overall, the share of U.S. investments allocated to foreign assets swelled from 40 percent of GDP in 1990 to 89 percent in 2005. This article investigates the recent behavior of U.S. foreign investment and the factors driving the change in its fastest growing category – namely, international equity investment. Home bias in U.S. equity investment has indeed during the last decade. However, the propensity to invest abroad has varied significantly across assets from different foreign economies. Specifically, U.S. investors tend to prefer investing in other industrial countries rather than in emerging markets. This pattern has likely been developed because the assets of industrial countries provide a better hedge during downturns in the U.S. business cycle.

54. Minh Quang Dao, (2009), in his paper, “The impact of investment climate indicators on gross capital formation in developing countries”, this paper
examines the impact of investment climate indicators on gross capital formation in developing countries. Based on data from the World Bank Investment Climate Surveys for a sample of thirty-six developing countries, we find that corruption constraint as measured by the share of senior managers that ranked “corruption” as a major or very severe constraint in the investment structure.

55. Maria May Seitanidi, (2007), in his paper, “Intangible economy: how can investors deliver change in businesses? Lessons from nonprofit-business partnerships”, the intangible economy (trust, human resources, information, and reputation) that co-exists draws attention to new expectations that request the continuous, active and within the public sphere involvement of investors in order to protect their assets by prioritising intangible resources.

56. Brimberg. J , P Hansen , G Laporte , N Mladenovic and D Urosevic , (2008), in their article, “ The maximum return-on-investment plant location problem with market share”, this paper examines the plant location problem under the objective of maximizing return-on-investment. However, in place of the standard assumption that all demands must be satisfied, we impose a minimum acceptable level on market share. The model presented takes the form of a linear fractional mixed integer program. Based on properties of the model, a local search procedure is developed to solve the problem heuristically. Variable neighbourhood search and tabu search heuristics are also developed and tested. Thus, a useful extension of the simple plant
location problem is examined, and heuristics are developed for the first time
to solve realistic instances of this problem.

domestic and foreign equity returns. In emerging markets, institutional flows forecast statistically indistinguishable movements in country closed-end fund NAV returns and price returns. In contrast, closed-end fund flows forecast price returns, but not NAV returns. Furthermore, institutional flows display trend-following (trend-reversing) behavior in response to symmetric (asymmetric) movements in NAV and price returns. The results suggest that institutional cross-border flows are linked to fundamentals, while closed-end fund flows are a source of price pressure in the short run.

58. Shollapur. M.R. and A B Kuchanur, (2008), 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.

59. Eva Hofmann, Erik Hoelzl and Erich Kirchler, (2008), in their article, “ A comparison of models Describing the impact of moral decision making on investment decision”, as moral decision making in financial markets
incorporates moral considerations into investment decisions, some rational decision theorists argue that moral considerations would introduce inefficiency to investment decisions. The investment decisions are influenced by both financial and moral considerations. Several models can be applied to explain moral behaviour. The study tested the suitability of (a) multiple attribute utility theory (MAUT), (b) theory of planned behavior, and (c) issue-contingent model of ethical decision making in organizations. Results indicate that moral considerations influence investment decisions, controlling for profit. Differences between the three models are discussed.

60. Malcolm Baker and Yuhai xuan, (2009), in their study entitled, “Under New management: Equity Issues and the Attribution of past Returns”, there is a strong link between measures of stock market performance and equity issues. Typically, this performance is considered a characteristic of the firm, not the CEO who happens to run the firm. In contrast, we find that equity issues depend on changes in Q and returns to a greater extent if the current CEO was at the helm when those past returns were realized. Moreover, the specific share price that the CEO inherited is an important reference point, while salient share prices prior to turnover are not. A corollary is that a firm with poor stock market performance will not raise new capital unless the current CEO is replaced.

2.6 Investors level of satisfaction and their futuristic perceptions towards retail equity investment.

61. Fieldstein and Yitzhaki, (2011), in their study entitled, “Are High Income Individuals Better Stock Market Investors?” have presented evidence to suggest that the corporate stock owned by high-income investors appreciate substantially faster than stock owned by investors with lower incomes. They have indicated that high-income individuals have larger portfolios and can therefore denote more time or resources to their investments, thus resulting in higher returns.
62. Panda, K. Tapan N.P and Tripathi, (2011), in their study entitled, “Recent Trends in Marketing of Public Issues: An Empirical Study of Investors Perception”, attempted to identify the investors awareness and attitude towards public issues. One hundred and twenty five investors covering the salaried and business class, from the city of Bhuvaneshwar were selected at random. The data was collected by administering a questionnaire and was analysed using simple percentage and weighted average analysis. The study revealed that majority of the investors relied on newspapers as the source of information. Financial journals and business magazines were ranked next to newspapers. A large number of investors were of the opinion that they were not in a position to get the required information from the company in time. A sizable number of investors were found to face problems while selling securities. ‘Safety and Regular Return’ stood first and second with regard to the factors associated with investment activities. Equity shares were preferred for their higher rate of return by the investors.

63. Hong Kong Exchanges and Clearing Ltd (HKEx) conducted the “Derivatives Retail Investor Survey (DRIS)”, for the first time in 2001–2002 to study retail participation in the Hong Kong derivatives market and the investment 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.

64. Deborah Tan and Julia Henker, (2011), in their article, “Idiosyncratic volatility and retail investor preferences in the Australian market”, we explore the negative relation between idiosyncratic volatility and future stock
returns observed by previous researchers. We argue that, based on the observation described in prospect theory, retail investors prefer stocks with a high level of idiosyncratic volatility and are subsequently willing to overpay for those stocks. In support of our argument, we find that the negative idiosyncratic-volatility return relation is present in the Australian market, and that this relation is affected by the magnitude of retail trading. The relation is particularly strong when returns and realized volatility are measured at a daily frequency.

65. Julan Du, (2010), in his paper, “heterogeneity in investor confidence and asset market under-and overreaction”, this paper develops a behavioral finance model that may explain under reaction and overreaction in asset markets from the perspective of heterogeneous investors with different confidence levels. The model explains the occurrence of under reaction by the sequential entry of investors with different confidence levels in interpreting earnings shocks. It is shown that in repeated trading episodes with repeated earnings shocks, the average investor confidence level would be higher as a result of the biased self-attribution and confirmatory bias, causing overreaction more likely to occur. Also, the higher average confidence level of investors gauged by the later timing of winding up their asset holding positions also makes overreaction more likely to occur.

66. Lieven Baele , Olivier De Jonghe and Rudi Vander Vennet, (2005), in their paper, “ Does the stock market value bank diversification? “this paper investigates whether or not diversified banks have a comparative advantage in terms of long-term performance/risk profile compared to their specialized competitors. To that end, this study uses market-based measures of return potential and bank risk. We calculate the franchise value over time of European banks as a measure of their long-run performance potential. In addition, we measure risk as both the systematic and the idiosyncratic risk sensitivities derived from a bank stock return model. Finally, we analyze the return/risk trade-off implied in different diversification strategies using a panel data analysis over the period 1989-2004. Diversification affects banks’
franchise values positively. Diversification increases the systematic risk of banks while the effect on the idiosyncratic risk component is non-linear and predominantly downward-sloping. These findings have conflicting implications for different stakeholders, such as investors, bank shareholders, bank managers and bank supervisors.

67. Andreas Kemmerer and Tom Weidig, (2005), in his study, “Reporting Value to the private Equity Fund Investor”, 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 voluntarily 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.

68. Masashi Toshino and megumi suto, (2005), in their paper, “Cognitive biases of Japanese institutional investor’s consistency with behavioral finance,” this paper investigates the cognitive biases to which Japanese institutional investors are subjects. Investors showed optimism in forecasting market returns, and this tendency was much more significant for domestic markets and for longer forecasting time-horizons. This optimism is consistent with the existence of availability heuristics. Herding behavior was also detected. In addition, Japanese institutional investors showed loss aversion, as suggested by Tversky and chainman (1979). The median of the relative weight for loss versus gain was two or three, depending on the amount of possible loss, and this number is consistent with a coefficient of 2.25 for the value function estimated in Tversky and kahneman (1992). We conclude that the concepts of behavioral finance have universality in the sense that they are
pertinent among institutional investors as well as students, and that they are found in an Asian country as well as the U.S.

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

70. Ming Dong, Chris Robinson and Chris veld, (2006), in their paper, “why individual investors want dividends”, the question of why individual investors want dividends is investigated by submitting a questionnaire to a Dutch investor panel. The respondents indicate that they want dividends, partly because the transaction costs of cashing in dividends are lower than the transaction costs involved in selling shares. Their answers provide strong confirmation for the signaling theories of Bhattacharya (1979) and Miller and Rock (1985). They are inconsistent with the uncertainty resolution theory of Gordon (1961, 1962) and the agency theories of Jensen (1986) and Easterbrook (1984). The behavioral finance theory of Shefrin and Statman (1984) is not confirmed for cash dividends but is confirmed for stock dividends. Finally, the results indicate that individual investors do not tend to consume a large part of their dividends. This raises some doubt as to the effectiveness of the reduction or elimination of dividend taxes in order to stimulate the economy.

71. Michael Kaestner, (2006), in his article, “investors’ Misreaction to unexpected earnings: evidence of simultaneous overreaction and under reaction”, this article investigates the current and past earnings surprises and subsequent market reactions for listed US companies over the period 1983-1999. The results suggest that investors simultaneously exhibit short-term under reaction to ‘earnings announcements’ and long-term overreaction to
‘past highly unexpected earnings’. A potential explanation for the reported overreaction phenomenon is the representativeness bias. The author shows that overreaction and the later reversal is stronger for events which exhibit a long series of similar past earnings surprises.

72. 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.

73. Larry D. Wall, (2007), in his article, “on investing in the equity of small firms”, this comment provides a brief discussion of the roles of different investors in small business firms. It then evaluates the contribution made in papers by in this issue by Robinson and Cottrell on informal investors in Alberta, Canada, and by Pintado, Perez de lema, and van Auken on venture capital investment in Spain.

74. Som Sankar Sen., Bidyut Kumar Ghosh and Dr. Santanu Kumar Ghosh, (2007), “Stock Market Liquidity and Exchange Rate – A Case Study on BSE & NSE “, this paper explores significant impact of exchange rate on stock market liquidity. Taking monthly data on both BSE and NSE the paper reveals the positive relationship between exchange rate and stock market liquidity in concurrent, lagged and lead forms. Using R2 statistic it shows a
considerable variation in liquidity is explained by exchange rate in both the major stock exchanges in India.

75. Gerben de zwart, Brian Frieser and Dick van Dijk, (2007), in their article, “A recommitment strategy for long term Private equity fund investor”, this paper develops a reinvestment strategy for private equity which aims to keep its portfolio weight equal to a desired strategic allocation, while taking into account the illiquid nature of private equity. Historical simulations (1980{2005) show that our dynamic strategy is capable of maintaining a stable investment level that is close to the target. This does not only hold for unrestricted portfolios, but also for investments limited to buy-out or venture capital, a specific region, or management experience. This finding is of great importance for investors, because private equity funds have a finite lifetime and uncertain cash flows.

76. 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.

77. Costanza Consolandi, Ameeta Jaiswal-Dale, Elisa Poggiani and Alessandro Vercelli, (2008), in their article, “Global standards and ethical stock indexes: The case of the Dow Jones sustainability Stoxx Index”, this article examines whether these incentives have been so far detectable with particular reference to the Dow Jones Sustainability Stoxx Index (DJISSI) that focuses on the
European corporations with the highest CSR scores among those included in the Dow Jones Stoxx 600 Index. The aim of the article is twofold. First, we analyse the performance of the DJISSI over the period 2001–2006 compared to that of the Surrogate Complementary Index (SCI), a new benchmark that includes only the components of the DJ Stoxx 600 that do not belong to the ethical index to evaluate more correctly the size of possible divergent performances. Second, we perform an event study on the same data set to analyse whether the stock market evaluation reacts to the inclusion (deletion) in the DJISSI. In both cases, the results suggest that the evaluation of the CSR performance of a firm is a significant criterion for asset allocation activities.

78. Gangadhar. V and G. Naresh Reddy, (2008), in their paper, “The Impact of Foreign Institutional Investment on Stock Market Liquidity and Volatility in India”, this paper is aimed at examining the investment trends and patterns of FIIs and their impact on stock market liquidity and volatility. Liquidity with reference to capital market refers to easy conversion of capital market securities into cash. Whereas the stock market volatility implies the fluctuations in the stock market returns over a time period. Volatility is the inconsistency or variability in the returns of aggregate market portfolio.

79. AI Jun Hou, (2009), in his study, “EMU Equity markets’ return variance and spill over effects from short-term interest rates”, this paper examines the spillover effects from the movement of short term interest rates to equity markets within the Euro area. The empirical study is carried out by estimating a Markov Switching GJR-M model with a Bayesian based Markov Chain Monte Carlo (MCMC) methodology. The result indicates that stock markets in the Euro area display a significant two regimes with distinct characteristics. The study indicates that there is a significant impact of fluctuations in the short term interest rate on the conditional variance and conditional returns in the EMU countries. Such impact is asymmetrical, and it appears to be stronger in the bear market and when the interest rate changes upward.
80. Batni Raghavendra Rao, (2009), in his paper, “Exchange traded funds - the cardinal investment option in turbulent times”, the global meltdown, international reputed firms going bankrupt, fudging of accounting numbers and dubious corporate governance have made equity investing more challenging then ever before. The investors are constantly on a look out for secure and promising bets. Stock picking is not easy as it looks and therefore construction of equity portfolio is imperative. The premise that diversification reduces the risk is beyond doubt. Diversification entails scouting of investment avenues in terms of risk and return. It calls for developing a portfolio of assets or securities in such a way to minimize the risk. The individual investors hardly can match up to the institutional investors in terms of the expertise and also majority of them are not market savvy. In this context, Exchange traded funds (ETFs) come in handy to help out the individual investors in the stock market. ETFs are the safe bets and provide scrupulous diversification. In fact in the developed markets ETFs are the most sought after means of investing in the equities. In India ETFs are yet to catch up the attention of the investors.

81. Mamunur Rashid1 and Md. Ainun Nishat, (2009), in their article, “Satisfaction of retail investors on the structural efficiency of the market: Evidence from a developing country context”, satisfied investors are a necessary element of the stock market. They help to finance rapid expansion in developing countries. This study explores the components of market structure that contribute to the satisfaction level of retail investors. Around 300 retail investors from 25 randomly selected brokerage houses registered with the Dhaka Stock Exchange, Bangladesh were surveyed using a structured questionnaire. Analyses reveal that most investors were young and inexperienced but educated, with shortages of skills and income. 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.
82. Raja. M and J. Clement sudhakar, (2010), in their article, “An empirical test of Indian stock market efficiency in respect of bonus announcement”, as capital market is said to be efficient with respect to an information item if the prices of securities fully impound the return implications of that item. The efficiency with which the capital formation is carried out depends on the efficiency of the capital markets and financial institutions. A capital market is said to be efficient with respect to corporate event announcement (stock split, buyback, right issue, bonus announcement, merger & acquisition, dividend etc) contained information and its disseminations. How quickly and correctly the security prices reflect these event contained information show the efficiency of stock markets. Present study is an attempt to test the efficiency of Indian stock market with respect to bonus issue announcement by IT companies.

83. Roopam Kothari and Narendra Sharma, (2010), in their paper, “Testing the Beta stability of banking sector over various phases in Indian stock market”, our study aims at creating a banking stock portfolio which serves as a representative of all the banking stocks traded on Bombay Stock Exchange and testing the beta instability of the banking sector stock portfolio over various phases in the Indian stock market. We also evaluate the monthly stock price returns of the banking portfolio vis-à-vis the market portfolio from the period ranging from July 1994 to December 2008. The journey of Sensex during the span of past fourteen years in the post liberalization period has been divided into three phases based upon technical analysis. An attempt is made to evaluate the under/ over performance of the banking stock portfolio returns under various phases.

2.7 Relationship between demographics variable of investors and their investment objectives, decision and satisfaction.

in the wealth of the people, there is a growing demand for wealth management functions. Wealth management involves understanding the clients’ financial and investment requirements and accordingly providing financial planning and portfolio management services. Behavioral finance is a nascent but growing discipline, which studies investor’s psychology while making financial decisions. This paper aims to investigate the effect of demographic profile and personality type of the investor on investment choice. Such understanding could prove to be a boon for the burgeoning wealth management industry in India.

85. Manish Mittal and R K Vyas, (2008), 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, behavioral finance researchers have scientifically shown that investors do not always act rationally. They have behavioral 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 demographic 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.

2.8 Summary

The above review of literature helps to identify the research gaps and frame suitable objectives and hypothesis.
REFERENCES


63. Hong Kong Exchanges and clearing Ltd (HKEx), (2001-02), “Derivatives Retail Investor Survey (DRIS)”.


77. Costanza Consolandi, Ameeta Jaiswal-Dale, Elisa Poggiani and Alessandro Vercelli,


