



## “A STUDY OF INDIVIDUAL’S BEHAVIOR IN INVESTMENT OF EQUITY”

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### ABSTRACT

Investment is a type of activity that is engaged in by the people who have to do savings i.e. investments are made from their savings, or in other words it is the people invest their savings. A variety of different investment options are available that are bank, Gold, Real estate, post services, mutual funds & so on much more. Investors are always investing their money with the different types of purpose and objectives such as profit, security, appreciation, Income stability. Researcher has here in this paper studied the different types and avenues of investments as well as the factors that are required while selecting the investment with the sample size of 120 respondents those who are investing their money by conducting the survey through questionnaire in Vadodara city of, India. Actually, here the present study identifies about the preferred investment avenues among individual investors using their own self-assessment test. The researcher has analyzed and found that that salaried persons consider the safety as well as good return on investment that is invested on regular basis. Respondents are much more aware about the investment of Equity in India.

This Current study deals with the behavior in Investment of Equity with Special Reference to Vadodara City (India).

## KEY WORDS

Equity market, Factors, Demographic variables, Mode of investment, etc.

## INTRODUCTION

The Security Market enables an investor to invest in Equity and Debt. Equity gives the investors a right to ownership in the company. Debt is a form of loan that the company borrows from investors in exchange of fixed return on their investment. It is essential to formulate with a good understanding of what the Indian equity market is like.

Equities are mostly traded on stock exchanges in India. In Indian stock market, equities are available for trading at National Stock Exchange (NSE), The Bombay Stock Exchange (BSE) and metropolitan Stock Exchange (MSE).

Equity consists of funds that shareholders invest in a company plus a certain amount of profit earned by them that is retained by company for further growth and expansion.

Equity is a primary asset class when it comes to investing and diversifying one's portfolio. Trading in equity needs an in depth analysis and research of the share market.

- **Trading in Equity.**

Equity may be traded in primary market, when a company makes an initial public offering (IPO) and new securities may be bought. Shares that have already been issued are bought and sold in the secondary market. In order to trade in equities, investors must have a **DEMATE** account and **TRADING** account.

- **Equity for shareholders.**

Apart from knowing the value of equities in which one has invested, it is also important to know the value of personal share of equity, which may be calculated by subtracting total liabilities owned from total assets owned.

Equity= Value of assets- Value of liabilities

- **Equity investment returns.**

Return on equity measures a company's ability to use its investor's funds to increase its profit and earnings. It is important to keep track of equity returns to understand if there are long term benefits from investing in a particular company.

### **1.1 Types of Equity Markets.**

#### **Primary market**

Every company that proposes to go public must come out with an initial public offering (IPO). During the IPO, company offers a certain portion of its equity to public. After the closing of IPO the shares are listed on one of the stock exchanges, which are an important component of stock market.

## **Secondary market**

After the listing of IPO shares, these are traded on the secondary market. This platform offers the initial investors an option to exit their investments. In addition, investors who failed to procure shares during IPO can purchase these from secondary market.

## **LITERATURE REVIEW**

### **ANJALI, AKSHAT (2020)**

Impact of behavioral finance on equity selection by retail investors- An analytical study of Varanasi and Praygraj.

An analysis is conducted of the retail investor's behavior pattern when it comes to equity investing and how the various perceptions and demographic factors influence the financial decisions. Especially when it comes to financial investment awareness our country is full of educational inequalities. So to overcome that drawback, this study is done.

### **BODA, JHANSI RANI (2018)**

Investor's psychology in investment decision making: A behavioral finance approach.

This study observed that the State of mind and way of thinking of investors cannot ignored for forecasting market movements. It would be easier to convert the psychological biases into financial benefits through identifying Investor's investment behavior.

### **PS KUMARI, S MALEKAR (2017)**

A study of investor behavior on investment avenues in Mumbai Fenil.

It is a study to analysis of the investor behavior and investor preference for the same. Investor's perception will provide a way to accurately measure how the investor think about the products and the services provided by the company. Today's trying economic condition have forced difficult decisions for company. During these difficult times understanding what investors on an ongoing basis is critical for survival.

### **A Dhaoui, S Bacha (2017)**

Investor's emotional biases and trading volume's asymmetric response: A non-linear ARDL approach tested in S&P500 stock market.

This paper investigates the dynamic linkages between trading volume and investor's sentiments for the S&P500 stock exchange. Two sentiments indicators are considered, the overconfidence and the optimism-pessimism indicator. Non-linear dynamic approach model is used to capture the long term and short term non-linear connections between investor sentiments and stock market liquidity.

### **Deshmukh,Dr. G.K. (2016)**

Behavioral finance: An introspection of investor's psychology.

Observed that for making Investment decision, Service class Investor is based upon the fund performance whereas Business class or Professional investors were reliant if the legal process for their annual maintenance contract is determined.

**GUPTA YAMINI, AHMED SHAHID (2016)**

The impact of psychological factor on investment decision making of investors. An empirical analysis.

It is assumed that in traditional financial theories, decision makers were believed to be logical, and stock markets were considered to be ideal markets. Which means that whatever information is available in market is fully reflected in share price and no one can make extra money just by getting insider information. On the opposite, modern theory suggests that the decision-making of investors is not often motivated by these theories. Sometimes they take unpredictable decisions. The decisions of investors are influenced by a number of psychological factors.

**AMIT B. MIRJI, DR. PRASHANTHA (2016)**

Stock market analysis and Investment decision making, A case study of Investors in north Karnataka region.

Investment decision is of considerable importance as the process involves taking the risk of an estimated return, with the stock market being particularly unpredictable and unpredictable investors need to be cautious when analysing the market. Investors with agricultural experience focused mainly on traders, media analysis and expert alternatives. Company clients and staff preferred their own opinions and advice from analysts and associates.

**AMLANJYOTI SHARMA (2016)**

Role of Behavioral finance in Financial Markets.

There are generally two disciplines in the study of the stock market. The Conventional Finance Structure is largely focused on productivity. In this paper, shortcomings regarding traditional financial theories have been notified, along with the discussion on significance of Behavioral finance.

**ARMAKI&ABBASI (2015)**

The effect of Gender, Age and Educational level on overconfidence and loss Aversion in IRAN'S capital market.

It was concluded that age was negatively related to confidence, but education is positively related to those prerequisites. Highly educated investors are more influenced by the trust. Gender difference is observed in loss-aversion biases.

**RESEARCH METHODOLOGY****RESEARCH DESIGN**

For this research, **Descriptive study** has been used. To get the answers of what, when, how, how many, the study is to be carried out which is descriptive in nature.

## Research Objectives

- To study the investment behavior of individual investors
- To understand the impact of age and gender on investment decisions.
- To examine the biases influencing the decision of the investor.
- To understand the psychology of an individual behind his/her investment.

## SAMPLE DESIGN

Sampling design requires taking decisions related to target population, sampling frame, sample size and sampling method.

## SAMPLE SIZE

Sample size is number of elements to be studied out of sampling frame. In our research sample size would be about 120 investors or individual.

## DATA COLLECTION TOOL

### **PRIMARY DATA COLLECTION**

The primary data are those data that are collected for the first time, and thus happen to be original in character.

To know investors' attitude requires meeting them and asking questions. And So, the best suitable instrument for data collection is **questionnaire**. The main Source of data for this research is **questionnaire**.

### **SECONDARY DATA COLLECTION**

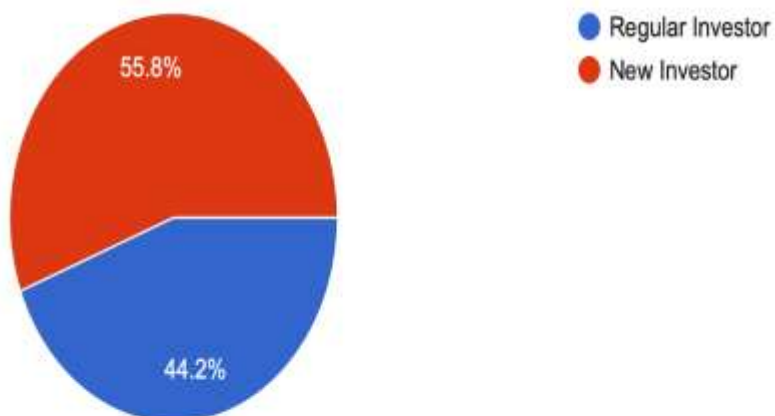
The secondary data collected from the various Internet websites (BSE, NSE, and Investopedia) are used.

## DATA ANALYSIS & INTERPRETATION

What kind of invest are you?

What kind of Investor are you?

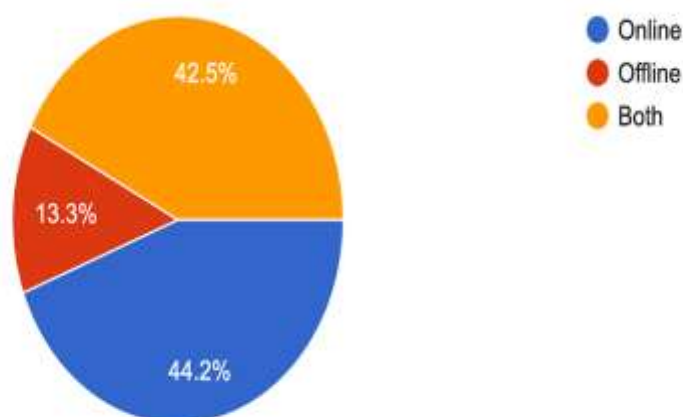
120 responses



Which mode do you use for investing money?

Which mode do you use for investing money

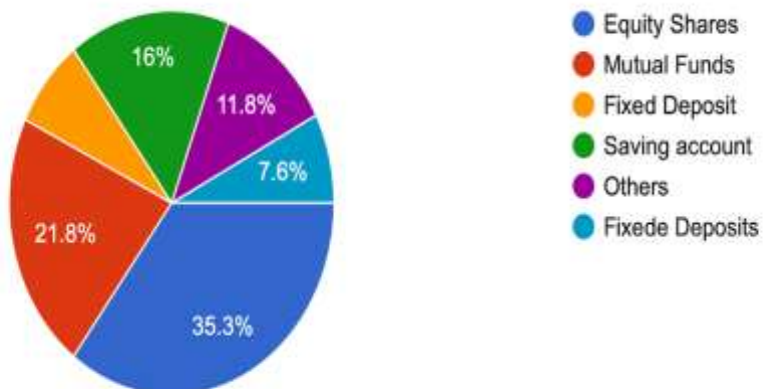
120 responses



### Where do you prefer to invest?

Where do you prefer to invest

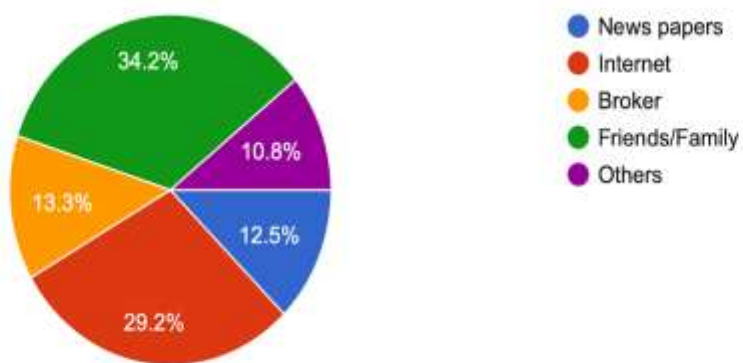
119 responses



### From where do you obtain the information of Investment?

From where do you obtain the information of investment?

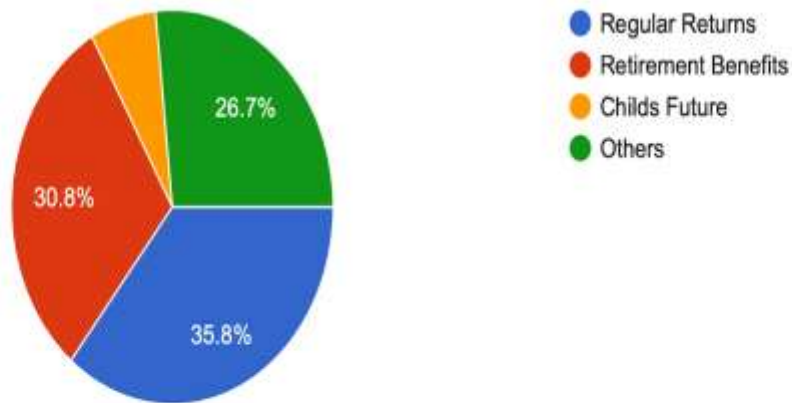
120 responses



### What is your main objectives of investment?

What is your main objectives of investment ?

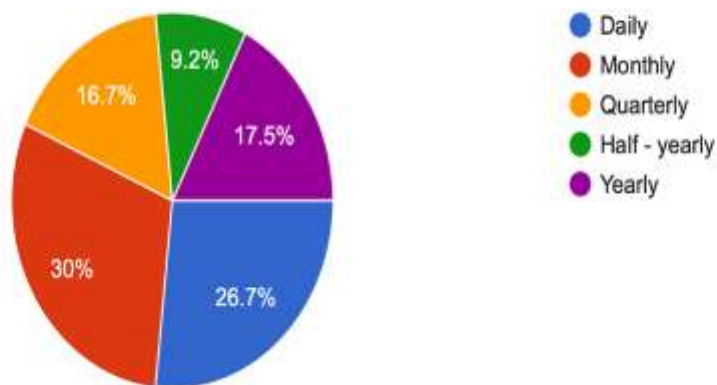
120 responses



### What is your frequency of investment?

What is your frequency of investment?

120 responses



## HYPOTHESIS TESTING

Q 1: Which mode do you use for investing your money?



## Solution

H<sub>0</sub>: There is no Significant different between online and offline mode of investing.

H<sub>1</sub>: There is Significant different between online and offline mode of investing.

### Chi-square Test

#### Observation Frequency

|              | Equity Shares | Mutual fund | Fixed Deposit | Saving account | Others    | Total      |
|--------------|---------------|-------------|---------------|----------------|-----------|------------|
| Online       | 31            | 8           | 3             | 5              | 6         | <b>53</b>  |
| Offline      | 1             | 4           | 0             | 4              | 7         | <b>16</b>  |
| Both         | 10            | 14          | 7             | 10             | 10        | <b>51</b>  |
| <b>Total</b> | <b>42</b>     | <b>26</b>   | <b>10</b>     | <b>19</b>      | <b>23</b> | <b>120</b> |

#### Expected Frequency

|              | Equity Shares                       | Mutual fund                         | Fixed Deposit                      | Saving account                     | Others                              | Total      |
|--------------|-------------------------------------|-------------------------------------|------------------------------------|------------------------------------|-------------------------------------|------------|
| Online       | $\frac{53 \cdot 42}{120}$<br>=18.55 | $\frac{53 \cdot 26}{120}$<br>=11.48 | $\frac{53 \cdot 10}{120}$<br>=4.42 | $\frac{53 \cdot 19}{120}$<br>=8.39 | $\frac{53 \cdot 23}{120}$<br>=10.16 | <b>53</b>  |
| Offline      | $\frac{16 \cdot 42}{120}$<br>=5.6   | $\frac{16 \cdot 26}{120}$<br>=3.47  | $\frac{16 \cdot 10}{120}$<br>=1.33 | $\frac{16 \cdot 19}{120}$<br>=2.53 | $\frac{16 \cdot 23}{120}$<br>=3.07  | <b>16</b>  |
| Both         | $\frac{51 \cdot 42}{120}$<br>=17.85 | $\frac{51 \cdot 26}{120}$<br>=11.05 | $\frac{51 \cdot 10}{120}$<br>=4.25 | $\frac{51 \cdot 19}{120}$<br>=8.07 | $\frac{51 \cdot 23}{120}$<br>=9.78  | <b>51</b>  |
| <b>Total</b> | <b>42</b>                           | <b>26</b>                           | <b>10</b>                          | <b>19</b>                          | <b>23</b>                           | <b>120</b> |

Degree of Freedom (d.f) =  $(r - 1) * (c - 1)$

r = rows c = columns

$$= (3 - 1) * (5 - 1)$$

$$= (2) * (4)$$

$$\mathbf{d.f = 8}$$

| Data           |                | O  | E     | (O - E) | (O - E) <sup>2</sup> | (O - E) <sup>2</sup> / E |
|----------------|----------------|----|-------|---------|----------------------|--------------------------|
| <b>Online</b>  | Equity Shares  | 31 | 18.55 | 12.45   | 155.0025             | 8.35592992               |
|                | Mutual funds   | 8  | 11.48 | -3.48   | 12.1104              | 1.05491289               |
|                | Fixed deposit  | 3  | 4.42  | -1.42   | 2.0164               | 0.4561991                |
|                | Saving Account | 5  | 8.39  | -3.39   | 11.4921              | 1.36973778               |
|                | Others         | 6  | 10.16 | -4.16   | 17.3056              | 1.70330709               |
| <b>Offline</b> | Equity Shares  | 1  | 5.6   | -4.6    | 21.16                | 3.77857143               |
|                | Mutual funds   | 4  | 3.47  | 0.53    | 0.2809               | 0.08095101               |
|                | Fixed deposit  | 0  | 1.33  | -1.33   | 1.7689               | 1.33                     |
|                | Saving Account | 4  | 2.53  | 1.47    | 2.1609               | 0.85411067               |
|                | Others         | 7  | 3.07  | 3.93    | 15.4449              | 5.03091205               |
| <b>Both</b>    | Equity Shares  | 10 | 17.85 | -7.85   | 61.6225              | 3.4522409                |
|                | Mutual funds   | 14 | 11.05 | 2.95    | 8.7025               | 0.78755656               |
|                | Fixed deposit  | 7  | 4.25  | 2.75    | 7.5625               | 1.77941176               |
|                | Saving Account | 10 | 8.07  | 1.93    | 3.7249               | 0.46157373               |
|                | Others         | 10 | 9.78  | 0.22    | 0.0484               | 0.00494888               |
|                |                |    |       |         | <b>Total</b>         | <b>30.5003638</b>        |

For this study we will use 95% of level of confidence. So we will check Chi-square table @ in 0.05%

Percentage Points of the Chi-Square Distribution

| Degrees of Freedom | Probability of a larger value of $\chi^2$ |       |       |       |       |       |       |       |       |
|--------------------|-------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
|                    | 0.99                                      | 0.95  | 0.90  | 0.75  | 0.50  | 0.25  | 0.10  | 0.05  | 0.01  |
| 1                  | 0.000                                     | 0.004 | 0.016 | 0.102 | 0.455 | 1.32  | 2.71  | 3.84  | 6.63  |
| 2                  | 0.020                                     | 0.103 | 0.211 | 0.575 | 1.386 | 2.77  | 4.61  | 5.99  | 9.21  |
| 3                  | 0.115                                     | 0.352 | 0.584 | 1.212 | 2.366 | 4.11  | 6.25  | 7.81  | 11.34 |
| 4                  | 0.297                                     | 0.711 | 1.064 | 1.923 | 3.357 | 5.39  | 7.78  | 9.49  | 13.28 |
| 5                  | 0.554                                     | 1.145 | 1.610 | 2.675 | 4.351 | 6.63  | 9.24  | 11.07 | 15.09 |
| 6                  | 0.872                                     | 1.635 | 2.204 | 3.455 | 5.348 | 7.84  | 10.64 | 12.59 | 16.81 |
| 7                  | 1.239                                     | 2.167 | 2.833 | 4.255 | 6.346 | 9.04  | 12.02 | 14.07 | 18.48 |
| 8                  | 1.647                                     | 2.733 | 3.490 | 5.071 | 7.344 | 10.22 | 13.36 | 15.51 | 20.09 |
| 9                  | 2.088                                     | 3.325 | 4.168 | 5.899 | 8.343 | 11.39 | 14.68 | 16.92 | 21.67 |
| 10                 | 2.558                                     | 3.940 | 4.865 | 6.737 | 9.342 | 12.55 | 15.99 | 18.31 | 23.21 |

In the above situations the **Null Hypotheses is rejected** because here, the calculation value is greater than the table value so here the null hypotheses are rejected.

$$\chi^2_{\text{tab}} > \chi^2_{\text{cal}}$$

$$15.51 < 30.50$$

### **FINDINGS**

Out of 120 respondents, 86 were male whereas only 34 were female. This shows that males are more risk takers and have much specific knowledge regarding investments. Almost 55% which means 66 of the respondents were employees. From the above analysis we found that 53 of the respondents prefer to invest through online mode, whereas 51 of them like to invest in traditional offline method.

We observed that 34% of the investors have their annual income with less than 2 lakhs, whereas 30% of investors fall in the group of annual income more than 6 lakhs. The analysis shows that 35% people like to invest in the field of equity shares. We found that most of the investors takes their investment decisions from either friends/family, internet or brokers who have specific and detailed knowledge regarding various investment avenues.

On asking regarding the amount of their annual income spending, 19% of the investors agreed that they invest less than 10% of their annual income, where 24% said that they like to invest 10-20% of their annual income and almost 30% and 27% said they invest 20-30% and more than 30% of their annual income respectively. Then we asked investors that what is their main objective of investing money on which 36% people said that regular return is their main objective, 31% agreed to have retirement benefits, 7% went with future of their children and 27% investors responded to others.

Out of all investors, 27% investors like to invest on daily basis, 30% of investors invest on monthly basis, 17% quarterly, 9% on half yearly whereas 17.5% prefer to invest on yearly basis. Further we took our analysis towards satisfaction of their investments, on which almost 30% investors said that they are highly satisfied with their investments, where 25% of them were neutral with it and 2% of investors' respondent dissatisfied.

On applying statistical tool, we found that the above done test passed to reject null hypothesis as table value is less than calculated value ( $15.51 < 30.50$ ). So, we have to accept that there is a significant difference between online and offline mode of investing.

## **Problem Statement**

Our comprehensive project topic is "A STUDY OF INDIVIDUAL'S BEHAVIOR IN INVESTMENT OF EQUITY" and these are some problems faced in the study.

- Lack of proper study design in published papers.
- Shortage of time for data collection.
- Fear of data theft among the respondents.

## **Limitations**

- Data collection was done only from those who mainly belong to finance sector, as our project is based on investment behavior.
- Time limit for data collection was very limited.
- Due to pandemic situation, data was collected through questionnaire in online mode, so there may be possibility that the respondents may or may not be fully loyal in answering the questions asked.

## **Conclusion**

From the above test and research done, we came to conclusion that we passed to reject null hypothesis as the table value is less than calculation value. This indicates that there is significant difference in online and offline mode of investment. From the questionnaire solution, we can also conclude that there is difference in investment pattern and behavior of investors. Most of respondents are more attracted towards investment of equity and that too in online mode. Recently due to fear of Covid, people prefer online mode of investing more than offline as it is much simpler and quick compared to that of offline mode. After the equity market, next preference for the investors to invest their money are mutual funds, saving account, fixed deposits and many more. From the above calculations it is much clearer that people are interested in putting their money in Equity market that too in online mode because of more convenience and time saving procedure. Overall we can conclude that Online mode of investment is more preferable than Offline.

## **Recommendations**

As investment is a systematic and well planned subject and is related to the money making so proper knowledge regarding it should be provided at an early stage like in schools/colleges so at that stage an investor do not get distracted towards wrong avenues or fraud investing agents and make loss of their money. Imparting proper knowledge at initial stage of life gives a confidence, boosts morale of new investors and they would be able to make a good return of their money.

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