

A study on the Information seeking and Investment Behaviour of Equity Investors

¹Reshma Roy & ²Jismy Maria Joseph

¹Assistant Professor, Research and PG Department of Commerce, Marian College Kuttikkanam, Kerala (India)

²Assistant Professor, Research and PG Department of Commerce, Marian College Kuttikkanam, Kerala (India)

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Corresponding Author

Email: jismyjoseph034[at]gmail.com

ABSTRACT

An investor has various alternative avenues of investment in which he can invest his savings. Investors find it difficult to choose an appropriate investment opportunity. Equity investment is considered to be one among the best investment avenue available in India. The capital market in India has witnessed remarkable growth. Somehow, stock market irregularities crept into the market. This led many investors to burn their fingers. In order to protect themselves from stock market vagaries, investors should know what their rights are, what are the steps taken by the government through their regulatory bodies and what are the protection measure available through stock exchange. The study examines investor's awareness and the factors that influence it.

1. Introduction

Investment is the quintessence of economic development as it is more live today than at any time ever before. To invest is to allocate money (or sometimes another resource, such as time) in the expectation of some benefit in the future. In finance, the expected future benefit from investment is a return. The return may consist of capital gain and/or investment income, including dividends, interest, and rental income etc. There are many types of investments that will ensure safe and secured financial future. The top ten best investment options available in India are Equity shares, Public Provident Fund, Mutual Fund, Real Estate Investment, Investment in gold, Post office monthly income schemes, Company Fixed Deposit, Initial Public Offerings, United Linked Insurance Plans, Bond.

An Equity Investment generally refers to the buying and holding of shares of stock on a stock market by individuals and firms in anticipation of income from dividends and capital gain. In other words, Equity investment refers to the money that are invested in a firm by its owner or shareholder of common stock (ordinary shares) which is not returned in the normal course of the business. Investors recover it only when they sell their holdings to other investors, or when the assets of the firm are liquidated and proceeds distributed among them after satisfying the firm's obligation. Equities have the potential to increase in value over time. It is considered to be the most rewarding, when compared to other investment options. If we take the nifty index return for the past fifteen years, Indian stock market has returned about 16% to investors on an average in terms of increase in share price or capital appreciation annually.

An investor should educate himself about the developments in the capital market environment. The Indian Capital market has passed through different stages and over the years it has witnessed some of the worst scams that gave a jolt to its effective functioning. The Indian stock market has to be reviewed and insulation should be provided for its future growth. It has become virtually impossible for an average Indian investor to seek justice under existing law. This calls for changes in the legal and institutional structure. The need of the hour is to educate the investors. The need of the hour is to

educate the investors not only on the rudiments of investment but also on how to seek justice under existing law. The Securities and Exchange Board of India (SEBI) has been taking all efforts to protect investors and streamline the capital market. The investors also should keep themselves abreast of the events that are happening in the market.

2. Statement of the problem

An investor has various alternative avenues of investment in which he can invest his money. Savings are invested in assets depending on their risk and return characteristics. There are a lot of difficulties in taking an appropriate decision on how to go about investing in the various financial instruments available in the market. An investor should educate himself about the developments in the capital market environment. Newspapers, magazines, television, internet, brokers and consultancies are some of the sources of information available to investors.

The motive of investors differs and their risk perception may not be the same. Institutional investors employ experts to procure, analyse and interpret financial information where as an individual investor generally lack the necessary knowledge, competence and experience to make the best use of the available information. In order to play safe, an investor should take necessary precaution in choosing the securities. This brings the situation, where it becomes necessary to know what his level of awareness is and what factors influence his level of awareness. Against this backdrop, it becomes imperative to know the information seeking and investment behaviour of the investors.

3. Objectives of the study

1. To examine the investment information seeking behaviour of equity investors.
2. To ascertain the investment behaviour of equity investors.
3. To findout the level of awareness of equity investors about investor right.

4. Research Methodology

- **Research Design:** The present project is a sample study and is descriptive and analytical in nature.
- **Sample Design:** The population of the study consist of investors of Trivandrum district. A sample size of 50 respondents is selected for the purpose of conducting this study.
- **Sample Technique:** The technique used here is snow ball sampling
- **Data Collection:** Both primary and secondary data have been collected for the purpose of the study. The primary data have been collected from the sample respondents selected by using structured questionnaires. The secondary data have been collected from various publications including newspaper reports, magazines and journals.
- **Tools of Analysis:** The tools used in this project are mathematical and statistical such as percentages, scaling with mean scores and ranking methods were used for analysis and interpretation.

5. Review of Literature

Henry Allen Latane (1960) carried out a study with an aim to measure individual risk perception. The study was based on the choices but hypothetical risky portfolios and safe portfolios carried out by three college investment classes. The findings of the study indicated that there was no clear linear relationship between the proportions of students choosing a specified risky portfolios and the expected. The most noteworthy result of the study is that the majority preferred to hold the safe portfolio rather than the risky portfolios.

Randolph western feed (1969) in his study entitled “ A behaviour approach to the investment management decision and the securities market ,“ examined the individual financial investment decision it explored the relationship that existed between amateur investors and non investors and examined individual risk performance and its importance in determining and explaining investment managements and performance.

Potter Rogar Ewing (1970) carried out a study entitled, “Motivating factors guiding the common stock investors,” with an aim to identify those factors which motivate or guide the investment decisions of the common stock investors

Keller Franks (1973) in his study on “The behaviour of individuals in security investment decision,” focused his attention on the common stock investment decision process to develop data that would facilitate the formulation of hypotheses concerning the determinants of security values , the stock holder satisfaction and the nature of successful investment practice

Croch, Gary Michael(1977) in their study on “An investigation of investors financial statement knowledge,” made an attempt to measure the knowledge of financial statement

terms and concepts currently held by the average non-professional investors.

Madhumathi R(2005) carried out a study to examine the risk perception of individual investors and its impact on their investment decision. The result of the study revealed that a large number of investors are risk bearers. The risk bearers had the tendency to use company performance as a basic factor to take investment decision and they used to depend on the advice of share brokers and investment consultants

JohTelesphoreBast (1980) in his study “ The expectation of stock market participants for selected stocks,” investigated the nature of investor’s expectations of financial return from common stocks.

6. Analysis and Interpretation

The capital market in India has witnessed remarkable growth. Somehow, stock market irregularities crept into the market. This led many investors to burn their fingers. In order to protect themselves from stock market vagaries, investors should know what their rights are, what are the steps taken by the government through their regulatory bodies and what are the protection measure available through stock exchange. The study examines investor’s awareness and the factors that influence it. This chapter deals with the analysis and interpretation of data that have been collected on the basis of questionnaire provided at the end of this report. The primary data was collected from a sample size of 80 respondents. The data has been represented in the form of tables and respective interpretations of each are given below. The methods used for analysis of data were simple percentage, ranking method, scaling method and mean score.

• **Reading/ viewing of investment related information**

Of the late, print media is playing an important role in the dissemination of information about corporate sector. An investor who is in the habit of collecting information is in a position to have a better awareness. The following table shows the reading habit of investment related information among the investors.

Table 1.1
Reading/ viewing of investment related information

Reading Habit	No: Of Respondents	Percentage
Regular	13	26
Occasional	33	66
Not At All	4	8
Total	50	100

Source: primary data

With regard to reading/viewing of investment related information,66%(33) are occasional readers 26% (13) are regular readers , and the remaining 8%(4) doesn’t read investment related information at all.

Newspapers , often dismissed as a dying medium in the electronic age, is provided enduring popularity with sales in many nations increasing dramatically. It is found that

majority of the investors are occasional readers and a few of them are regular readers of investment related information in magazines and newspapers.

- **Amount spent on collecting investment information**

An investor who depends upon more sources can get a detailed and clear picture about capital market. The following table depicts the amount normally spent by the investor in collecting investment related information.

Table 1.2
Amount spent on collecting investment information

Amount Spent	No: Of Respondents	Percentage
NIL	20	40
BELOW Rs 200	23	46
Rs200-Rs400	07	14
TOTAL	50	100

Source: Primary Data

With regard to the amount spent on collecting investment information, the present study revealed that out the total investors ,majority of the investors 46%(23) spent below Rs 200 for collecting investment information, 40% (20) spent nothing and 14%(7) spent between Rs 200-400.

An efficient has to gather large amount of details about the investment awareness if he wants to enjoy the benefits of the ups and downs of the market fluctuations. Majority of the investors spend a minimum amount of Rs 200 for collecting investment information from various sources.

- **Frequency of attending annual general meeting**

Shareholders democracy will not become a reality unless they actively participate in the meetings of the company. The table below shows the frequency of attending annual general meeting by the investors.

Table 1.3
Frequency of attending annual general meeting

Particulars	No. Of respondents	Percentage
Regular	-	-
Occasional	10	20
Not at all	40	80
Total	50	100

Source: primary data

With regard to the frequency of attending annual general meeting, the present study revealed that around 80%(40) investors do not attend the meeting at all,20%(10) of the investor attend annual general meeting occasionally and a majority of investors do not attend the meeting at all.Shareholders do not show much interest in attending meetings. One of the reason of the shareholders not attending meeting may be due to location of the registered office at far of places.

- **Intention of investment**

Investors invest in the shares with different motives. The following table depicts the different motives of investment.

Table 1.4
Intention of investment

Intention of investment	No: of respondents	Percentage
Short term profit	13	26
Long term profit	22	44
Dividend income	15	30
Total	50	100

Source: primary data

It is observed that out of the total investors, 44 %(22) have a motive of earning long term profit, 26 %(13) investors have a motive of earning profit within a short period. On the other hand, 30% (15) investors have dividend income as their motive.

Investors invest in the shares with different motives. The study portrays that majority of the investors had the intention of making long term profit on other hand only few investors had the intention of earning short term profit and dividend income.

- **Factors considered while buying shares**

Investment in equity shares involves consideration and evaluation of several variables. The following table depicts the various factors considered before investing in shares.

Table 1.5
Factors considered while buying shares

Factors	Combined score	Rank
Debt equity position	174	9
Return on investment	282	2
Dividend policy	211	6
Nature of industry	287	1
Management	198	8
General business condition	212	5
Liquidity	249	4
Growth prospects of the company	275	3
Risk factors	202	7

Source: primary data

The above table depicts the factors for selecting equity investment. It is clear from the table that the most important factor considered by the respondents is the nature of industry (RANK 1) followed by return on investment with RANK 2, RANK 3 and 4 goes to growth prospects of the company and liquidity respectively, then comes general business condition with RANK 5. Dividend policy is given RANK 6, RANK 7 and 8 is given to risk factors and management respectively and the least considered factor is debt equity position

Investment in equity shares involves consideration and evaluation of several variables. The factors considered by investors vary. Of the total investors, majority are of the opinion that they look into the nature of industry to which the company belonged before investing in the equity shares of that company. Debt equity position comes last in the list of factors considered. This shows that leverage level of a company is relegated to the last position.

- **Awareness about the company and investor's right**

There are several rights provided to the investor’s in order to protect their interest. The following table shows the awareness level of investor’s about the company and investor’s right.

Table 1.6
Awareness about the company and investor’s right

Awareness About	Mean
Companies Act Governs The Companies	1.57
The Investors Who Are Not Allotted Shares Can Get Back Their Money	1.64
Eligible To Receive An Amount Of Interest In Case You Are Not Allotted Shares Within Specified Time	1.66
Eligible To Receive Interest For Delay In Refund Of Allotment Money	1.54
Eligible To Receive Audited Report From The Company	1.36
Right To Inspect The Minutes Of Meeting	1.58
In Case Of Request For Transfer Or Sale Of Shares The Company Has To Transfer Shares Within 2 Months	1.38
The Company Has To Send The Allotment Letter and Refund Order To The Investor Only Through Registered Post	1.4
The Company Has To Maintain An Interval Of 12 Months Period Between 2 Issue Of Equity Shares	1.3
The Company Has To Attach A Prospectus Along With Application Form	1.4
Eligible To Receive The Notice Of Meeting From The Company	1.5

Source: primary data

Awareness of investors are analysed by classifying the factors. For this purpose scaling is used. Analysis was done on the basis of mean value.

Awareness Level

- Values between 2-3 implies full awareness**
- Values between 1-2 implies partial awareness**
- Values less than 0-1 implies unawareness**

It is clear from the above table that investors are partially aware about the investor’s right. Among them, investors are more aware about rights such as the investors who are not allotted money can get back their money, eligible to receive an amount of interest in case investors are not allotted shares within specified time .Investors are least aware about rights such as the company has to maintain an interval of 12 months period between 2 issue of equity shares and in case of request for transfer of shares the company has to transfer shares within two months.

• **Awareness about sebi guidelines**

Several rights are provided by the Securities and Exchange Board of India to the investors in order to protect their interest. The following table depicts the awareness level of investors regarding the SEBI guidelines.

Table 1.7
Awareness about sebi guidelines

Awareness About SEBI Guidelines	Mean
Has Given The Comprehensive Authority To Regulate Stock Exchange	1.44

Sole Authority For New Capital Issue	1.8
Has The Right To Regulate Stock Market Intermediaries	2.1
Has Issued Norms For The Amount If Brokerage In Broker’s Contract Note Book	1.8
Has Instructed The Broker To Keep Their Client’s Money In A Separate Bank Account	2
Has Banned Preferential Allotment Of Shares At Discount	1.9
Has Fixed A Lock In Period For Promoter’s Quota Of Shares	1.9
Has Granted New Right To Shareholders To Decide About The Amount Of Premium	2.2
Has Introduced Grievance Cell	2
Has Taken Proper Steps To Educate Investors To Recognized Investor’s Association And Stock Exchange	2.1

Source: Primary Data

Awareness of investors are analysed by classifying the factors. For this purpose scaling is used. Analysis was done on the basis of mean value.

Awareness Level

- Values between 2-3 implies full awareness**
- Values between 1-2 implies partial awareness**
- Values less than 0-1 implies unawareness**

It is clear from the above table that investors are partially aware about SEBI guidelines. Among them, the investors are more aware about the guidelines such as SEBI is given the sole authority to regulate stock market intermediaries , SEBI has granted new right to shareholders to decide about the premium amount , has introduced grievance cell, has taken proper steps to educate investors to recognized investor’s association and stock exchange. The investors are least aware about guidelines such as SEBI has given comprehensive authority to regulate stock exchange and new capital issues, has issued norms for the amount of brokerage in broker’s contract note book separately, has instructed the broker to keep their client’s money in a separate bank account, has banned preferential allotment of shares at discount, has fixed a lock in period for promoter’s quota of shares.

7. Findings, Suggestions and Conclusion

• **Findings**

- The study found out that with regard to reading/viewing of investment related information, 66 % (33) are occasional readers 26% (13) are regular readers, and the remaining 8 % (4) doesn’t read investment related information at all.
- With regard to the amount spent on collecting investment information, the present study revealed that out the total investors ,majority of the investors 46%(23) spent below Rs 200 for collecting investment information, 40% (20) spent nothing and 14%(7) spent between Rs 200-400.
- The present study revealed that around 80%(40) investors do not attend the meeting at all, 20%(10) of the investor attend annual general meeting occasionally and a majority of investors do not attend

the meeting at all. Shareholders do not show much interest in attending meetings.

- It is observed that out of the total investors, 44 % (22) have a motive of earning long term profit, 26 % (13) investors have a motive of earning profit within a short period. On the other hand, 30% (15) investors have dividend income as their motive.
- Investment in equity shares involves consideration and evaluation of several variables. Most of the investors are of the opinion that they look into the nature of industry which the company belongs before investing in the equity shares of that company.
- SEBI has granted new right to shareholders and taken proper steps to educate investors through recognized investor's association and stock exchange but the study revealed that investors are least aware about guidelines issued by SEBI.

• Suggestions

A few measures have been suggested to improve investors' awareness. The protective measures to be taken by government as well as the regulatory authorities an exponential growth. There has been no corresponding increase in the awareness levels of investors about their rights and how to enforce the same. Hence, the following **suggestions are made to the investors.**

(i) To the Investors

1. By attending company meetings and taking active part in the deliberations of the company, investors would be in a position to enrich their awareness.
2. Reading investment-related news in newspapers, magazines, circulars and reports of companies will enable the shareholders to know more about the corporate world.
3. There has been no death of companies that depend on small investors. Investors can guard themselves by becoming members of investor forums to have more knowledge about the capital market. So an investor forum should be started.
4. Viewing investment related television and usage of internet will improve the awareness of investors.
5. Investors Grievance Division is formed by SEBI. All grievances can be sent to SEBI.

Even the best managed companies have some skeletons in their cupboards that they would like to hide from their shareholders. Most of the companies have sent regard for the investment of the small investors. Therefore, investors have to be vigilant. Investor should remember that their active participation in the activities of the forum is a must. Otherwise, shareholder democracy will not become a reality and it will

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remain illusory for which shareholders themselves would be responsible.

(ii) Suggestions to the regulatory authorities

Perhaps, India is the no.1 country in the world with maximum laws and minimum enforcement. There are several agencies connected with the capital market. Investors should be aware as to where they should seek redressal for their grievances.

- a) The department of company affairs should ensure that SEBI regulations are circulated in the various regional languages also.
- b) The Investor Education and Protection Fund (IE & PF) is to be utilised for conducting direct selection programmes, organizing seminars, and symposia, conducting specific projects for investor protection including research activities and providing legal assistance to genuine investor. The department of company affairs has to ensure that the amount is used for the purposes for which the fund has been created.
- c) Judicial powers may be granted to SEBI to punish the delinquent companies and intermediaries.
- d) The penal laws of the land have not deferred people from committing crimes. Hence, it is necessary for the investors to remind themselves that even the best of laws cannot protect them unless they are aware of the rights available to them under the various laws.

• Conclusion

The Indian capital market has passed through different stages and over the years it has witnessed some of the worst scams that gave a jolt to its effective functioning. Yet the stock markets in India are still in operation, thanks to the honest lot of investors, brokers as well as companies, who operate in the capital market. The Indian stock market has to be reviewed and insulation is to be provided for its future growth. This calls for changes in the legal and institutional structure. The existing laws should be enforced in letter and spirit. India is the number one country in the world with maximum laws and minimum enforcement. Whatever little attention is taken is due to extraneous considerations, it has become virtually impossible for an average Indian investor to seek justice under the existing laws. It is due to the failure of the existing laws or the authorities. The need of the hour is to educate the investors not only on the rudiments of investment but also on how to seek legal remedies. The Securities and Exchanges Board of India (SEBI) has been taking all efforts to protect the investors and streamline the capital market. The investors also should keep themselves abreast of the events that are happening in the market.

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