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Research Paper

DEMOGRAPHIC PROFILE AND PREFERRED INVESTMENT AVENUES FOR SMALL INDIVIDUAL INVESTORS IN TIRUNELVELI DISTRICT

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ABSTRACT

The researcher to define the, "behavioural finance is the study of the influence of psychology on the behaviour of financial practitioners and the subsequent effect on markets." The science deals with theories and experiments focused on what happens when investors make decisions based on hunches or emotions. Thus, behavioural finance can be defined as a field of finance that proposes explanation of stock market anomalies using identified psychological biases, rather than dismissing them as "chance results consistent with the market efficiency hypothesis." It is assumed that individual investors and market outcomes are influenced by information structure and variance characteristics of market participants.

KEYWORDS: *Investment strategies, Investment decision, Investment avenues, Gold financial market, Individual investors, Investment performance*

INTRODUCTION

Behavioural Finance

The traditional finance paradigm seeks to understand financial markets using models in which investors are "rational". Even though many traditional theories of varying complexities and explanatory power have existed and evolved over the past several decades, the rationality of investors is a central assumption all and sundry. The field of finance has evolved over the past few decades based on the assumption that people make rational decisions and that they are unbiased in their predictions about the future. Investors are thought of as a rational lot that take carefully weighted economically feasible decisions every single time. A rational investor can be defined as a one that always (i) updates his beliefs in a timely and appropriate manner on receiving new information; (ii) makes choices that are normatively acceptable. Behavioural finance is a branch of finance that studies how the behaviour of agents in the financial market and influenced by psychological factors and the resulting influence on decisions made while buying or selling the market, thus affecting the prices. The science aims to explain the reasons why it's reasonable to believe that markets are inefficient. Some of the key definitions of behavioural finance are discussed below.

Statement of the Problem

The research is about behavioural finance because behavioural finance has made its impact on almost every field of life. In this concept study the how cognitive behavioural factors affect investment decisions making process towards preferred more than one investment avenues. Global financial markets are influenced by many factors, the economic processes which take place in the country and the world, institutional and political constraints information. But behavioural finances influence the behavioural factors in small individual investors' investment decision making. There are two types of investors classified in India: one is small individual investors and another one is institutional investors. The researcher has focused only on the small individual investors investing in more than one investment avenues. As a researcher has observed that the problem of this study is that a few research works have proved that there is a great impact one or two behavioural factor influences the small individual investors preferred investment avenues for stock market and mutual funds but this research has focuses that not only stock market, mutual fund investments are influenced by the small individual investors behavioural factors and also reflect result on investment performance.

OBJECTIVES OF THE STUDY

- To study the demographical profile of the small individual investor in Tirunelveli district.
- To study the preferred more than one investment avenues of the small individual investors.

REVIEW OF LITERATURE

The paper by **Anli Suresh (2013),** paper is on understanding behavioural finance through biases and traits of trader vis-à-vis the investor attempts to fill the void and explore the relationship among these factors. The concluding observation is that understanding variance behavioural key biases and traits can help an individual take sound financial decision and in turn make him a better trader / investor.

The paper by **Babaraju, Bhatt, Apurva A. Chauhan (2014),** is concept oriented and not an empirical study. The objectives of the study were to understand behavioural finance new paradigm of finance and know the difference between traditional finance and behavioural finance, to identify variance behavioural factors influencing the decision of investor in stock market in conceptual wise investigation. The final result of the study can be drawn that investors do not always think and behave in a rational manner.

The paper by **Charu Thakeral, Babita Dosash and Vimal (2013),** provides an overview of theories of behavioural finance that seek to explain the non-financial indicators, the main analysis of this study is based on the concept personality of that the investor affects financial decision making. This study covers the personality characteristics of individual as well as the social environments. The result of this study is that there is a strong relation between personality and financial decision making. Five types of personality traits were discovered which shows that theses is a very strong association between the personalities of investors and thesis financial investment decision making.

The study by **Egidus Bikas and Pertas Dubinskas (2013),** investigates the behavioural finance factors influencing investment decisions in the Kenyan NSE with a particular interest in Machakos country. This study was aimed at better reflecting the way NSE investors think and behave by use of behavioural finance. It was intended to verify the extent to which these behavioural factors contribute to the success or failure of the investments made by these investors. Finally the study focuses on establishing the frequency at which these factors are utilized in informing investment decisions making by NSE investors. The result of this study is not an end in itself as it suggests further studies and research in this field with a view to identifying the most influential factors on stock market investors, behaviour on how they base their future investment strategies and how they are likely to affect their investment decisions.

The paper by **Muhammed Zul Qurnain Asab and Sobiaa Manzoor (2014),** the objective of this paper is to understand the psychology in human being. It plays a major role for taking a decision about the certain action. The paper also examines the cognitive biases and emotional deviation and factors effecting the decisions making process of the people. The study is helpful as a tool for better decisions making by the investors and decreasing the chance of mistakes. The paper concludes that behavioural finance plays an important role in investors' decisions making.

The paper by **Nicholas Barberis and Richard Thaler (2003),** behavioural finance argues that some financial phenomena can plausibly be understood using models in which some agents are not fully rational. The field has two building blocks: limits to arbitrage, which argues that it can be difficult for rational traders to undo the dislocations caused by less rational traders; and psychology, which catalogue the kinds of deviations from full rationality we might expect to see. They discuss these two topics, and then present a number of behavioural finance applications: to the aggregate stock market, to the cross-section of average returns, to individual trading behaviour, and to corporate finance. They close by assessing progress in the field and speculating about its future course.

The paper by **Shahid Iqbal, Nazik Hussain, Madiha Latif and Sumaira Aslam (2013)**, is to identify the relationship and link between investor behaviour and financial market anomalies. The paper also explains that either mentioned investor behaviours have a direct or indirect impact on stock market change or the change compels the investor to behave in specific ways and also explains that an individual investor performs poorly as compared to institutional investors because of having less information and sophistication. Individual investor behaviour, as identified in most of the research findings, is the reason for the existence of stock market anomalies. The most compelling factors behind stock market anomalies are investor overconfidence, overreaction, overestimation, investor biased behaviour and investors' less sophistication level. The result of the research is that local investors feel frustrated to invest in the stock markets due to irrationality and lack of information. Thus institutional and foreign investors are playing well and maximizing their wealth.

RESEARCH METHODOLOGY

a) Type of research design

Existing research, have used two types of research designs that is descriptive research design and experimental research design.

b) Type of survey

The research has used sample survey.

c) Type of universe

The first step in developing any sample design is to clearly define the set of objects, technically called the universe to the studies. There are two types of universe finite or infinite universe. The present research is based on the finite universe and the number of items is finite.

d) Population

There are 32 districts available in Tamilnadu; the districts are divided into four regions: east, west, south and north. The present only concentrate one south zone only. The zone includes five districts Dindigul, Madurai, Tuticorin, Kanyakumari and Tirunelveli. The current study deals with the higher level population of Tirunelveli district.

e) Sampling unit

The current study sample units, small individual investors include more than one preferred investment avenues.

f) Sample size determination

Present research based on the total population in Tirunelveli district has decided to sample size determination. In Tirunelveli district, the total population in 2011 in Tirunelveli district was collected from the manual.

Formula for finite population

$n = Z^2pqN / (N-1)\ e^2+Z^2\ pq$

Z = Z value e.g. 1.96 for 95% confidence level,

p = population proportion (expressed as decimal) (assumed to be 0.5 (50%) since this would provide the maximum sample size).

n = sample size for finite population.

$n = 1.96^2*0.5(1-0.5)*3072880 / (0.05)^2\ (3072880-1) + 1.96^2*0.5(1-0.5)$

n = 2949964.8 / 7682.19 + 0.96

n = 2949964.8 / 7683.15

Sample size determination proportionate method = 384.0004 (approximately 384)

Sample size = 384

By only 384 of the total population in Tirunelveli district and the sample size was determined by in the main study.

c) **Sampling technique**

- **Probability sampling**

A method for selecting individuals for each member of the population has an equal chance of being selected to be added to the study.

RESULTS ANALYSIS AND INTERPRETATION OF DATA

Demographical Profile of Small Individual Investors in Tirunelveli District

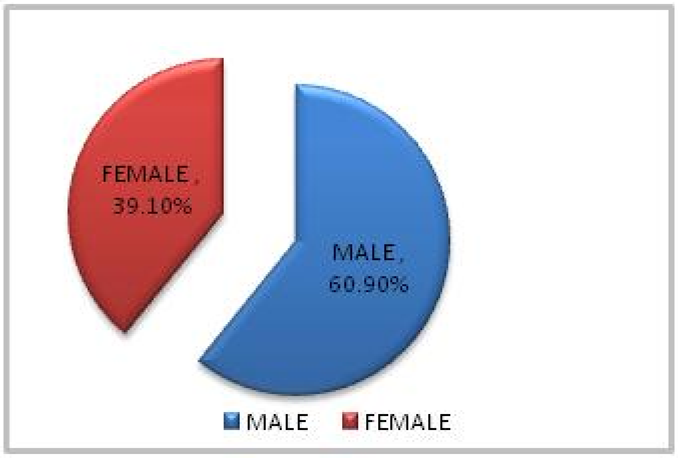
Gender of the respondents

The gender wise distribution of small individual investors was analyzed and the results are presented in Table 1.

Table 1: Gender wise classification of the respondents

S. No.	Gender	Number of Small Individual Investors	Percentage
01.	Male	234	60.9
02.	Female	150	39.1
	Total	**384**	**100.0**

Source: Primary data



Graph 1: Gender wise classification of the respondents

From the above table it is undershoot that 60.90% of the 384 respondents belong to the gender group of male followed by 39.10% of the 384 respondents belongs to the female. It is inferred that the majority of respondents belongs to the gender group of male (60.90%).

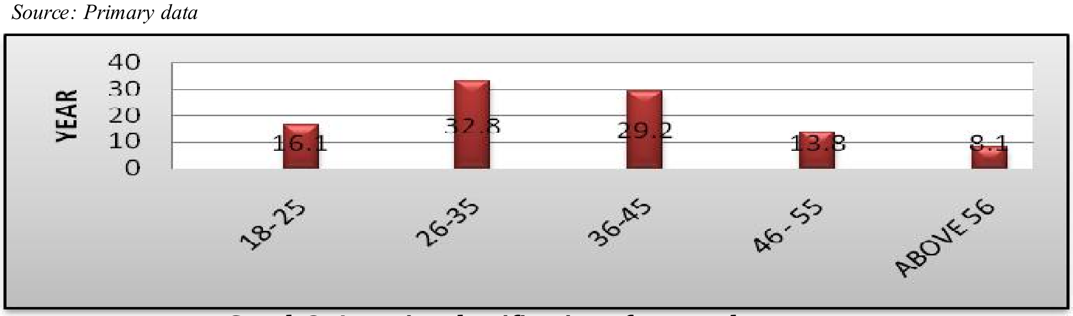
Age of the respondents

The age wise distribution of small individual investors was analyzed and the results are presented in Table 2.

Table 2: Age wise classification of respondents

S. No.	Age	Number of Small Individual Investors	Percentage
01.	18-25	62	16.1
02.	26-35	126	32.8
03.	36-45	112	29.2
04	46-55	53	13.8
05.	56 above	31	8.1
	Total	**384**	**100.0**

Source: Primary data



Graph 2: Age wise classification of respondents

The results indicate that about 32.8% of the 384 respondents belong to the age group of 26-45years followed by the 36-45 years (29.2%), 18-25years (16.1%), 46-55years (13.8%) and above 56 (8.1%) of the respondents. The majority of the respondents belong to the age group of 26-35 years (32.8%) and lower of the respondents belong to the age group of above 56 (8.1%).

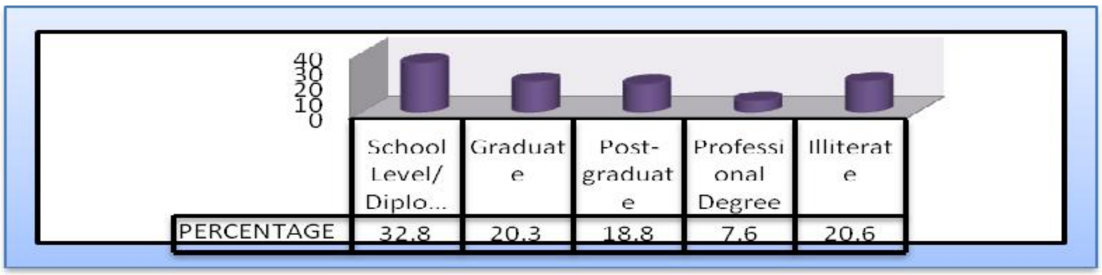
Education level of the respondents

Education level of small individual investors was analyzed and the results are presented in Table 3.

Table 3: Education level wise classification of respondents

S. No.	Education Level	Number of Small Individual Investors	Percentage
01.	School level / Diploma / ITI	126	32.8
02.	Graduate	78	20.3
03.	Post graduate	72	18.8
04	Professional degree	29	7.6
05.	Illiterate	79	20.6
	Total	384	100.0

Source: Primary data



Graph 3: Education level wise classification of respondents

It is observed the about 32.8% of the respondents belong to the education level is school / diploma / ITI followed by 20.6% of the respondents are illiterate, 20.3% of the respondents belong to the education level is graduate, 18.8% of the respondents are post graduate and 7.6% of the respondents belong to the education level is professional degree. It is inferred that the majority of the respondents belong to the educational level is school / diploma / ITI and lower proportion of respondents belong to the education level is professional degree.

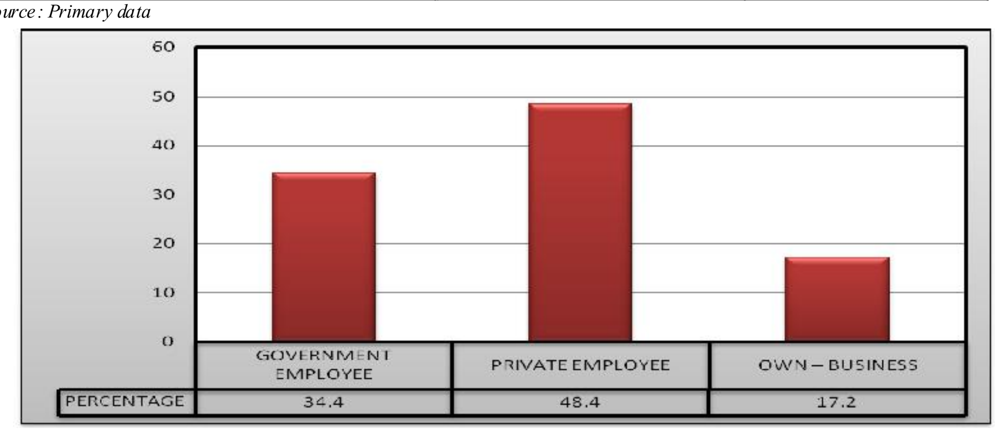
Occupation level of small individual investors

Employment factor determinates the commitment and obligation of respondents in the investment ground. It has its own influences on the anxiety and stance of the respondents was accurate investment preference. The employment status of the respondents was confined into government employees, private employees' and business. The occupation level of small individual investors was analyzed and the results are presented in Table 4.

Table 4: Occupation level wise classification of small individual investors

S. No.	Occupation	Number of Small Individual Investors	Percentage
01.	Government employee	132	34.4
02.	Private employee	186	48.4
03.	Own-business	66	17.2
	Total	384	100.0

Source: Primary data



Graph 4: Occupation level wise classification of small individual investors

It is clear that about 48.4% of the respondents belong to the occupation level of private employees followed by 34.4% of the respondents are government employee and 17.2% of the respondents belong to the occupation level of having own-business. It is inferred that the majority of the respondents belong to the occupation level of private employees and lower depict of the respondent belong to the having own-business.

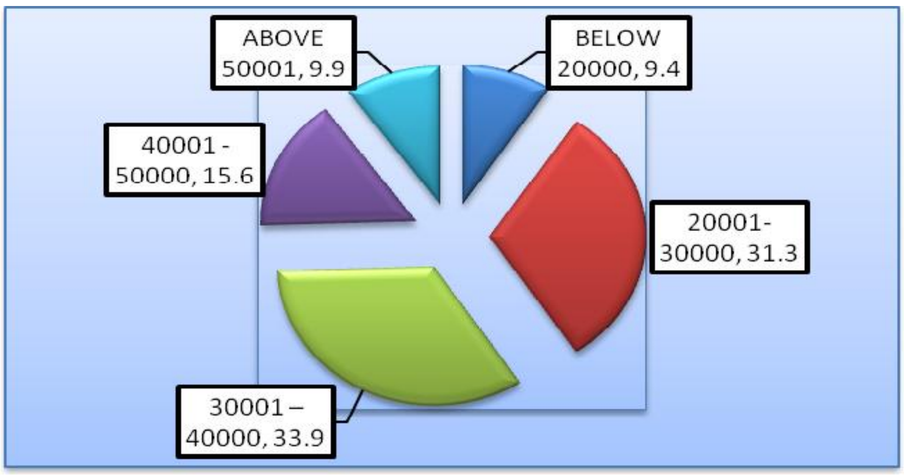
Income level wise classification of small individual investors

The income level wise classification of small individual investors was analyzed and the results are presented in Table 5.

Table 5: Income level wise classification of respondents

S. No.	Education Level	Number of Small Individual Investors	Percentage
01.	Below 20000	36	9.4
02.	20001-30000	120	31.3
03.	30001-40000	130	33.9
04	40001-50000	60	15.6
05.	Above 50001	38	9.9
	Total	**384**	**100.0**

Source : Primary data



Graph 5: Income level wise classification of respondents

Table 6 and Graph 6 shows that the 9.4% of the respondents monthly income belongs to the below 20000, 31.3% of the respondents monthly income belongs to 20001-30000, 33.9% of the respondents monthly income belongs to 30001-40000, 15.6% of the respondents monthly income belongs to 40001-50000 and 9.9% of the respondents monthly income belongs to above 50001. Thus it depicts a higher proportion of monthly income in 20001-300000 and lower proportion of monthly income in small individual investors belong to the below 20000.

INVESTMENT AVENUES

Preferred investment avenues by respondents

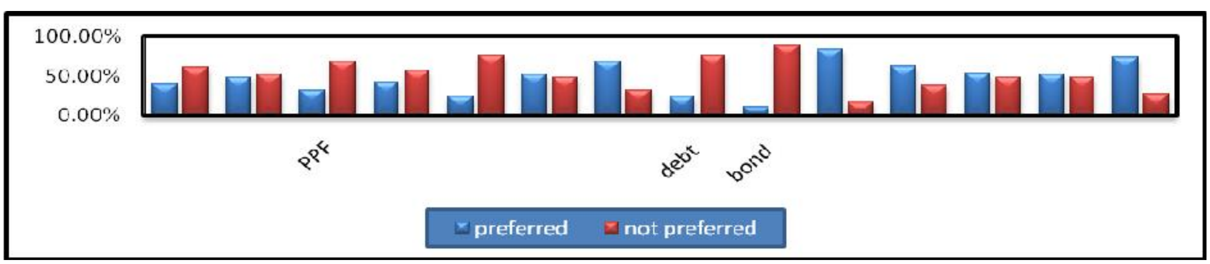
Investors are able preferred an investment avenues with potential risk and returns to suit their own preferences. However, at the time of purchase, investors' behaviour is formed by factors including expert advice from management consultants and reference investment experience. Investors who have experienced make new investment decisions bearing loss in mind. Additionally, small individual investors refer to financial news and other information sources as basis for their assessment of risk in products they are considering. All the factors affect investors preferred investment avenues by respondents was confined into eleven investment category such as post office, bank deposit, insurance, debt, bond, share market, public provident fund, government securities, gold, real estate, chit funds, national securities, others investment avenues for vehicles, ornaments, tangible and intangible good etc.

Preferred more than one investment avenues in small individual investors were analyzed and the results are presented in Table 6.

Table 6: Preferred investment avenues wise classification of small individual investors

S. No.	Preferred Investment Avenues	Classification of Preferred Investment Avenues	Number of Small Individual Investors	Percentage
01.	Post office	Preferred	152	39.6
		Not preferred	232	60.4
		Valid	384	100.0
02.	Bank deposit	Preferred	185	48.2
		Not preferred	199	51.8
		Valid	384	100.0
03.	Public provident fund	Preferred	121	31.5
		Not preferred	263	68.5
		Valid	384	100.0
04.	National savings securities	Preferred	163	42.4
		Not preferred	221	57.6
		Valid	384	100.0
05.	Government securities	Preferred	92	24.0
		Not preferred	292	76.0
		Valid	384	100.0
06.	Mutual fund	Preferred	199	51.8
		Not preferred	185	48.2
		Valid	384	100.0
07.	Life insurance	Preferred	261	68.0
		Not preferred	123	32.0
		Valid	384	100.0
08.	Dept	Preferred	93	24.2
		Not preferred	291	75.8
		Valid	384	100.0
09.	Bond	Preferred	41	10.7
		Not preferred	343	89.3
		Valid	384	100.0
10.	Share market	Preferred	322	83.9
		Not preferred	62	16.1
		Valid	384	100.0
11.	Real estate	Preferred	237	61.7
		Not preferred	147	38.3
		Valid	384	100.0
12.	Gold / silver	Preferred	200	53.1
		Not preferred	184	47.9
		Valid	384	100.0
13.	Chit funds	Preferred	199	51.8
		Not preferred	185	48.2
		Valid	384	100.0
14.	Other investment avenues	Preferred	282	73.4
		Not preferred	102	26.4
		Valid	384	100.0

Source: Primary data & computed data



Graph 6: Preferred investment avenues wise classification of small individual investors

The sample of 384 small individual investors preferred in each investment avenues. 152 of 384 (39.6%) of the respondents preferred investment in post office and remaining 232 (60.4%) of the respondents not preferred the post office. In bank deposit 185 of 384 (48.2%) of the respondents preferred and remaining 199 (51.8%) of the respondents preferred the bank deposit. 121of 384 (31.5%) of the respondents invested their money in PPF and remaining 263 (68.5%) of the respondents not invested in their money in that investment. 163 of 384 (42.4%) of the respondents invested their money in national savings securities remaining respondents not invested in their national savings securities. 92 of 384 (24.0%) of the respondents invested in their money in government securities and remaining 292 (76.0%) of the respondents not invested in their government savings securities. 199 of 384 (51.8%) of the respondents invested in their money in mutual funds and remaining respondents not invested their money in mutual funds. 261of 384 (68.0%) of the respondents invested in their money in life insurance and remaining 123 (32.0%) of the respondents not invested in their money in life insurance. 93 of 384 (24.2%) of the respondents invested in their money in debt and remaining 291 (75.8%) of the respondents not invested in the debt. 41 of 384 (10.7%) of the respondents invested in their money in bond and remaining respondents 343 (89.3%) of the respondents not invested in their money in bond. 282 of 384 (73.4%) of the respondents invested in their money in share market remaining respondents not invested in their money in share market. 237 of 384 (61.7%) of the respondents invested in their money in real estate and remaining respondents not invested their money in real estate. 200 of 384 (53.1%) of the respondents invested their money in gold / silver and remaining respondents not invested their in gold / silver, 199 of 384 (51.8%) of the respondents invested in their money in chit funds remaining respondents invested in their money in and 199 of 384 (73.3%) of the respondents not invested their money in chit funds and other investment avenues vehicles other necessity goods and remaining 184 (63.0%) of the respondents not invested their money in other investment avenues. It is inferred that the majority of the respondents have preferred in their investment avenues for share market 282 of 384 (73.4), other investment avenues 282 of 384 (73.3%) and most of the small individual investors have not preferred investment avenues in bond (89.5%).

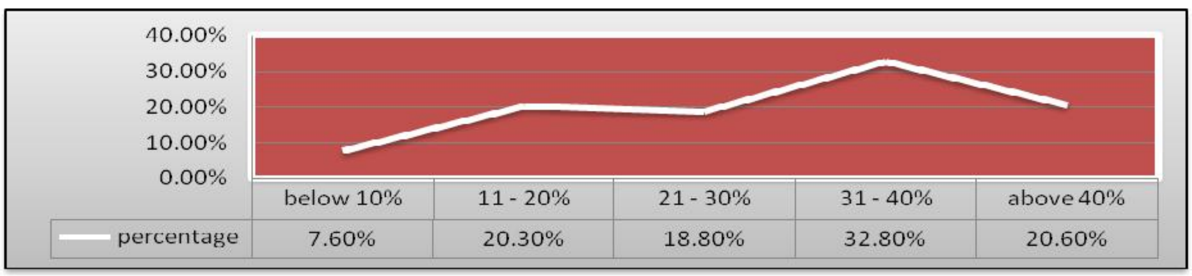
Investment amount of respondents

The below table shows the percentage of investment amount made by the respondents an invested in preferred investment avenues.

Table 7: Investment amount wise classification of small individual investors

S. No.	Annual Investment Amount	Number of Small Individual Investors	Percentage
01.	Below 10%	29	7.6
02.	11-20%	78	20.3
03.	21-30%	72	18.8
04	31-40%	126	32.8
05.	Above 40%	79	20.6
	Total	384	100.0

Source: Primary data & computed data



Graph 7: Investment amount wise classification of small individual investors

From the above table and graph it is understood that 32.80% of the respondents belong to the investment amount have invested in 31-40% followed by 20.60% (above 40%), 18.80 % (21-30%) and 7.60% (below 10%). It is inferred that the majority of respondents belong to the investment amount have invested in investment avenues 31-40% and lower proportion of the respondents belong to the investment amount have invested in investment avenues below 10%.

CONCLUSION

Behavioural finance is a field of finance that proposes psychology-based theories to explain stock market anomalies. Within behavioural finance, it is assumed that the information structure and the characteristics of market participants systematically influence individuals' investment decisions as well as market outcomes. Behavioural factors influencing to prefer more than one investment avenues in small individual investors is a significant topic within the behavioural finance literature is the notion of behavioural factors influencing pertaining to novice small individual investors. There are a substantial number of behavioural factors that influence an investors preferred more than one investment avenues.

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