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## Individual Investors' Attitude Towards Select Investments –A Study with Reference to Chidambaram Taluk, Cuddalore District, Tamil Nadu, India

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### ABSTRACT

Investment is the process of 'Sacrificing something now for the prospect of gaining something later. It is an economic activity which involves creation of assets or exchange of assets with profit motive. Eventhough utmost care should be taken by the Individual investors while making investment decisions. Because sometimes emotions such as fear and greed may play a vital role while making their investment decisions. Keeping this in mind the authors in this paper make an attempt to analyse the attitude of the individual investors on select investments in Chidambaram taluk of cuddalore district. The study has been conducted among 100 individual investors living in different parts of Chidambaram taluk through a structured questionnaire. There is a general view that the research work should even be understood by the young budding research scholars. Keeping this in view no statistical tools have been used in this research paper.

**Keywords:** Investments, Individual Investors, investment decisions, Attitudes.

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## INTRODUCTION

Investment is the process of ‘Sacrificing something now for the prospect of gaining something later. It is an economic activity which involves creation of assets or exchange of assets with profit motive.<sup>1</sup> It is the employment of funds with the purpose of earning additional income or growth in value. It is an important means for channelizing the savings into the development of the economy.<sup>2</sup> It is an essential process in the economy. Investment is also defined as the buying of securities, such as shares, debentures/bonds, mutual funds units, etc.<sup>3</sup>

## REVIEW OF LITERATURE

The authors have reviewed the literature relating to the topic. Some of them are given below. Karthikeyan B (2001)<sup>4</sup> in his thesis titled small investors’ perception on post office small savings schemes has made an attempt to assess the level of awareness among the small investors in urban area and semi-urban areas. An attempt has also been made by him to elicit the perceived opinion of the small investors on the post office small savings schemes. According to the author necessity of life and tax benefits play a vital role in motivating the small investors in urban and semi-urban areas to invest in post office small savings schemes.

Gaur Arti, Julee and Sukjiha Sunita (2011)<sup>5</sup> in their article titled Difference in Gender Attitude in Investment Decision Making in India have concluded that female investors tend to display less confidence in their investment decisions and hence have lower satisfaction levels. Female investors are more cautious vis-à-vis males with regards to prospective investment in equity shares especially if availability of funds is low.

Hisashi Kaneko (2004)<sup>6</sup> in his article titled Individual Investor Behaviour has stated that when investments are running at a loss, rather than realize the loss, investors hold on to their investments in the hope of reducing their losses despite the risk of further losses. The author has pointed out that investor behavior may be unduly influenced by the prevailing atmosphere. He has concluded that investors have a strong preoccupation with purchase price, and tend to sell rapidly when unit price exceeds purchase price.

Jasim Y and Al-Ajmi (2008)<sup>7</sup> in his article Risk Tolerance of Individual Investors in an Emerging Market has stated that men are less risk adverse investors compared with women. They have concluded that male and female investors must be treated as separate market groups, each with its own needs and requiring different marketing strategies. Bahraini investment companies and financial service marketers should design investment programs to respond to the particular needs of men and women, people of different education and expatriates.

Ujwala Bairagi and Charu Rastogi (2013)<sup>8</sup> in their article titled An Empirical Study of Saving Pattern and Investment Preferences of Individual Household with Reference to Pune City have found that out of the ten investment products placed before the sample investors, most investors have preferred bank deposits and small savings schemes. They have stated that capital market securities, like corporate debt securities, equity shares, preference shares are not popular among the investors. The authors have concluded that different groups of investors like professionals, businessmen pay less attention while evaluating the pros and cons of investing in different securities.

Mark Grinblatt and Matti Keloharju (2000)<sup>9</sup> in their titled The Investment Behavior and Performance of Various Investor Types: A Study of Finland's Unique Data Set have pointed that Government investors and nonprofit institutions, seemingly more sophisticated than households, but perhaps less sophisticated than the other two classes of Finnish institutional investors, is less contrarian than household investors but more contrarian than non financial corporations and finance and insurance institutions. They have concluded that the performance differences between the sophisticated and unsophisticated investors should increase rather than decrease if we take into account transaction costs. This is because the most sophisticated investors (Foreign Investors and Finnish Finance and Insurance Institutions) who generate the highest performance probably have relatively smaller transaction costs than the least sophisticated investors (households) who generate the worst performance.

### **Objectives of the Study**

The prime objective of this study is to examine the individual investors' behaviour towards select investments. However the study has the following specific objectives.

- 1) To know the preferences of individual investors in chidambaram taluk.
- 2) To analyse the attitude of the individual investors in chidambaram taluk.

### **Research Methodology<sup>10</sup>**

The study has been conducted among 100 individual investors living in different parts of Chidambaram taluk. The study was conducted in the month of July, 2014. The sample investors were selected by adopting convenience sampling method. Primary data relating to the study was collected by using questionnaire method. The questionnaire contained three parts. In part A questions relating to demographic variables were included. In part B a question relating to investment preference of individual investors was included. In part C ten statements to measure the attitude of the individual investors were included. The collected data have been analyzed with the help of SPSS package. Percentages alone have been used to analyze the collected data.

### Data Analysis and Interpretation

The demographic profile of the individual investors in Chidambaram taluk in cuddalore district is explained in the following paragraphs. The Gender classification of the individual investors is presented in the following table.

**Table: 1 Gender of the individual investors**

Sl. No	Gender	No. of investors	Percentage
1	Male	75	75.0
2	Female	25	25.0
	Total	100	100 .0

**Source:** Primary data

From the above table it is crystal clear that out of the 100 individual investors 75percentage of them belong to male category and the remaining belong to female category. The age-wise classification of the individual investors is presented in the following table.

**Table: 2 Age of the individual investors**

Sl. No	Age(in years)	No. of investors	Percentage
1	Below 20	6	6.0
2	21 to 30	43	43.0
3	31 to 40	25	25.0
4	41 to 50	13	13.0
5	Above 51	13	13.0
	Total	100	100.0

**Source:** Primary data

The above table exhibits that out of the 100 sample investors 43 percentage of them belong to the age group of 21-30 years, 25 percentage of them belong to 31-40 years category, 13 percentage of the individual investors belong to the age group of 41-50 years, Another 13 percentage of the individual investors belong to the age group of above 51 years. A meager number of investors i.e., 6 (6 percent) belong to the age group of below 20 years. The researcher wanted to know the educational qualification of the individual investors who have invested in physical/financial assets. Hence the researcher had included a question relating to this in the questionnaire and the responses of them have been presented in the following table.

**Table: 3 Educational status of the individual investors**

Sl. No	Educational status	No. of investors	Percentage
1	Uneducated	11	11.0
2	Primary School	6	6.0
3	High School/H.S.C	22	22.0
4	Degree	28	28.0
5	PG Degree	25	25.0
6	Diploma/ITI/Others	8	8.0
	Total	100	100.0

**Source:** Primary data

The above table reveals that out of the 100 sample individual investors 28 percentage, 25 percentage, 22 percentage, 8 percentage 6 percentage of them are having Degree, PG Degree, High school/H.S.C, Diploma/ITI and primary level of education respectively. At the same time 11.0 percent investors are illiterates. The occupational status of the individual investors is presented in the following table.

**Table: 4 Occupational Status of the individual investors**

Sl. No	Occupational status	No. of investors	Percentage
1	Farmer	29	29.0
2	Homemaker	12	12.0
3	Employed	28	28.0
4	Businessman	10	10.0
5	Professional	12	12.0
6	Others	9	9.0
	Total	100	100.0

**Source:** Primary data

The above table reveals that out of the 100 individual investors 29 percent,28 percent,12 percent, 12 percent,10 percent and 9 percent of them belong to farmer, employed, home maker, professional, businessman and others category respectively. The researcher in order to know which income groups of individual investors are investing more in the physical assets /financial assets had included a question and the responses of them are given in the following table.

**Table: 5 Annual income of the individual investors**

Sl. No	Annual income	No. of investors	Percentage
1	Below Rs. 60,000	15	15.0
2	Rs.60,001 to Rs.1,20,000	43	43.0
3	Rs.1,20,001 to Rs.1,80,000	22	22.0
4	Above Rs.1,80,001	20	20.0
	Total	100	100.0

**Source:** Primary data

The above table exhibits that a major chunk of individual investors are having an annual income of Rs.60, 001 to Rs.1, 20,000. The marital status of the individual investors is portrayed in the following table.

**Table: 6 Marital status of the individual investors**

Sl. No	Marital status	No. of investors	Percentage
1	Married	63	63.0
2	Unmarried	37	37.0
	Total	100	100.0

**Source:** Primary data

Out of the 100 individual investors 63percentage of them are married and 37 percentage of the investors are unmarried. There is a relationship between the number of members in a family and the type of assets (physical assets /financial assets) preferred by the individual investors. Hence a question had been included in the questionnaire. The statistical information is presented in the following table.

**Table: 7 Number of family members**

S. No	No. of members	No. of members	Percentages
1	Less than2	17	17.0
2	3-5	68	68.0
3	Above5	15	15.0
	Total	100	100.0

**Source:** Primary data

Out of the 100 individual investors 68 of them have stated that their family contains 3-5 members; 17 investors have mentioned that their family contains less than 2 members and 15 investors have expressed that their family contains above 5 members. Individual investors have different investment avenues to park their hard earned savings. The investment habit will also differ from one individual investor to another. For example some may prefer physical assets like bullion and real estate. And some may prefer financial assets like post office small savings schemes, bank deposits, life insurance policies etc. Hence the researcher has made an attempt to find out the preference of the individual investors in the sample area i.e. in Chidambaram taluk and the preferences of them are presented in the following table. The investment avenue/s preferred by the individual investors in Chidambaram taluk is presented in the following table.

**Table: 8 Preference of individual investors**

Sl. No	Investment avenues	No. of respondents
<b>Financial assets</b>		
1	Post office small savings schemes	61
2	Bank deposits	81
3	Company deposits	9
4	Chit fund	22
5	Life insurance polices	64
6	Mutual fund	12
7	Corporate Securities(shares, debentures, bonds)	15
8	Government bonds	13
<b>Physical assets</b>		
9	Bullion(gold, silver)	88
10	Real estate	33

**Source:** Primary data

The above table reveals that majority of the investors have invested in physical assets. Particularly the individual investors have given much weight age for gold and silver than real estate. Among the financial assets, bank deposits have been preferred by the majority of the investors (81) followed by life insurance policies and post office small savings schemes. In the recent past many individual investors were duped by the finance companies and they even lost their principal amount. This was due to the greediness of the individual investors. In other words emotions such as fear and greed might have played a vital role while making their investment decisions. Keeping this in mind the authors in this part have made an attempt to measure the attitude of the individual investors in Chidambaram taluk. For this purpose ten statements had been included and the individual investors were asked to express their level of agreement against the statements. Their level of agreement against each statement is given below.

**Table: 9 Attitude of the individual investors**

Sl. No	Statements	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree	Total
1	Emotions such as fear and greed play a pivotal role while I make investment decisions.	16 (16.0)	71 (71.0)	10 (10.0)	2 (2.0)	1 (1.0)	100 (100.0)
2	There is a strong relationship between the risk and returns associated with an investment avenue and how I make investment decisions.	35 (35.0)	43 (43.0)	15 (15.0)	7 (7.0)	0	100 (100.0)
3	I carefully /Seriously consider all available information before making investment decision.	59 (59.0)	24 (24.0)	9 (9.0)	6 (6.0)	2 (2.0)	100 (100.0)
4	My investment decisions are affected by past experience and thought.	13 (13.0)	42 (42.0)	36 (36.0)	9 (9.0)	0	100 (100.0)
5	I always make correct investment decisions	22 (22.0)	46 (46.0)	24 (24.0)	6 (6.0)	2 (2.0)	100 (100.0)
6	My investment decisions are influenced by the factors such as psychological.	14 (14.0)	23 (23.0)	28 (28.0)	28 (28.0)	7 (7.0)	100 (100.0)
7	I can make investment judgments independently.	10 (10.0)	29 (29.0)	23 (23.0)	22 (22.0)	16 (16.0)	100 (100.0)
8	I believe that the turnover rate in my investment will exceed the inflation rate and cover rates.	17 (17.0)	45 (45.0)	25 (25.0)	6 (6.0)	7 (7.0)	100 (100.0)
9	Financial assets are better than physical assets.	21 (21.0)	29 (29.0)	19 (19.0)	19 (19.0)	12 (12.0)	100 (100.0)
10	Individual investors may turn away from financial instruments to gold and other unproductive forms of investment for a hedge against inflation.	14 (14.0)	37 (37.0)	32 (32.0)	14 (14.0)	3 (3.0)	100 (100.0)

**Source:** Primary Data

An attempt has been made by the authors to assess whether the individual investors, irrespective of their age are influenced by the emotions while they make their investment decisions or not. The cross tabulation relating to this is presented below.

**Table: 10 Relationship between age and emotions**

Sl. No	Age	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Total
1	Below 20	0	0	0	6(100.0)	0	6(100)
2	21 to 30	0	0	5(11.7)	29(67.4)	9(20.9)	43(100)
3	31 to 40	0	0	3(12.0)	20(80.0)	2(8.0)	25(100)
4	41 to 50	1(7.7)	0	2(15.3)	7(53.9)	3(23.1)	13(100)
5	Above 51	0	2(15.4)	0	9(69.2)	2(15.4)	13(100)
	Total	1	2	10	71	16	100

**Source:** Primary data

From the above table it can be concluded that irrespective of the age of the individual investors majority of them have agreed that they have been influenced by the emotions such as fear and greed while making investment decisions. But a mention is to be made at this juncture that individual investors (15.4) who belong to the age group of above 51 years have expressed that they are not influenced by emotions. The cross tabulation between level of education of the individual investors and their opinion on Financial Assets (FA)/Physical Assets (PA) are given below.

**Table: 11 Relationship between educational status and FA/PA.**

Sl. No	Educational qualification	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree	Total
1	Uneducated	0	3(27.3)	2(18.2)	4(36.3)	2(18.2)	11(100)
2	Primary School	2(33.3)	0	2(33.3)	0	2(33.4)	6(100)
3	High School/H.S.C	1(4.6)	2(9.1)	1(4.6)	12(54.5)	6(27.2)	22(100)
4	Degree	1(3.6)	8(28.6)	4(14.2)	11(39.4)	4(14.2)	28(100)
5	PG Degree	5(20.0)	6(24.0)	7(28.0)	2(8.0)	5(20.0)	25(100)
6	Diploma/ITI/Others	3(37.5)	0	3(37.5)	0	2(25.0)	8(100)
	Total	12	19	19	29	21	100

**Source:** Primary data

The above statement has been agreed by the majority of the respondents who belong to High School/H.S.C, Degree level individual investors. But that statement has been disagreed by majority of the individual investors who belong to uneducated and Diploma/ITI/Others category investors. It is quite natural and there is no wonder in it. But it is astonishing to note that a majority of PG

level investors too have disagreed (when the responses under the heads strongly disagree and disagree are put together) with the statement.

### **Findings;**

Out of the 100 individual investors-

- 1) 75 percent of the individual investors belong to male category.
- 2) 43 percent of them fall in the age group of 21-30 years.
- 3) 53 percent of them are having degree and post graduate level of educational qualification.
- 4) 28 percent of them are employed and 29 are engaged in agricultural activities.
- 5) 43 percent of them fall in the income group of Rs.60, 001-1, 20,000.
- 6) Majority of them (63 percent) are married investors.
- 7) 68 percent of the individual investors have stated that their family contains 3-5 members.
- 8) Majority of the investors have preferred bullion (88), bank deposits (81), life insurance policies (64), post office small savings schemes (61) in the order of priority.
- 9) (i) The responses under the heads “Strongly Agree” and “Agree” reveal that
  - (a) majority of the individual investors (87) have been influenced by emotions such as fear and greed while making investment decisions.
  - (b) 78 individual investors have agreed that their investment decisions and risk and returns on their investments are interrelated.
  - (c) 83 individual investors have considered all available information before making investment decisions.
  - (d) 55 percent of the individual investors have agreed that their investment decisions are based on their past experience and thought.
  - (e) 68 individual investors are always taking correct investment decisions.
  - (f) 62 individual investors have agreed that they are in the belief that their turnover on their investment will exceed the inflation rate and cover rates.
  - (g) The statement ‘financial assets are better than physical assets’ is agreed by 50 individual investors.
- (ii) The responses under the heads ‘Disagree’, ‘Strongly Disagree’ reveal that
  - (a) 35 individual investors have disagreed with the statement ‘my investment decisions are influenced by the factors such as psychological’.
  - (b) 38 individual investors have disagreed with the statement ‘I can make investment judgments independently’.

(iii) 32 individual investors have neither agreed nor disagreed with 'individual investors may turn away from financial instruments to gold and other unproductive forms of investment for a hedge against inflation.

10) majority of the individual investors have been influenced by the emotions such as fear and greed while making investment decisions.

11) majority of the individual investors who belong to uneducated and Diploma/ITI others category have stated that financial assets are better than physical assets.

## CONCLUSION

Findings of the present study reveal that the individual investors in Chidambaram taluk are preferring bullion, bank deposits, life insurance policies and post office small savings schemes in the order of priority. Since the sample individual investors belong to semi-urban and rural areas there is no wonder in the attitude of the individual investors in preferring the investments in the order of priority. Besides this, irrespective of the age of the individual investors most of them are influenced by emotions while making investment decisions. The study also confirms that individual investors in the sample area carefully consider all available information before making investment decision. Hence it may be concluded that individual investors in the sample area are very cautious and intelligent.

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