

RETAIL INVESTOR'S BEHAVIOR TOWARDS FINANCIAL INVESTMENTS- BENGALURU CITY

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Abstract

This paper is going to make a pertinent revelation that the behavior of retail investors towards financial investment is quite different but this paper will extract the knowledge and awareness differ the retail investors' taste towards the investment options in terms of getting the return out of the employed amount to the respective options, for the completion of this paper I had employed the questionnaire for sampling and for recording the responses accordingly for the further interpretation and analysis in Bengaluru city on 300 respondents respectively, the objective of this paper is to know the behavior of retail investor and experience of investors does matters in terms of return and capital appreciation.

Keywords: Investment; Return; Behavior; Income; Experience; Gender; Residence; Investor alternatives

Introduction

The term investment is used to convert the money or cash into a future return or claim the profit in the future as a return. Investment is an application that is used to claim the return and save the future, Now I days stock exchange is the major attraction for investors to invest in shares, bonds, etc. the investments decision have become riskier, and more new entrants have entered into the capital markets with attractive screams of investments. As the size and volume of investors have increased and the capital markets have expanded rapidly, malpractices have increased tremendously; the investment in the stock market is very risky because the ultimate losers are always the household investor.

The present study is a small attempt in the direction of understanding individual retail investor's trading behavior and contributing to the field of behavioral finance and also intended to address what are the factors which the firms offering financial services in developing nations like India need to keep in mind while offering products/services and/or in their marketing campaigns while targeting retail investors of the Indian equity market. The study intends to embrace.

Types of investors

- ❖ Controlling shareholders/investors: This may comprise an individual a family, or a



group of corporations acting through a holding company or cross shareholders, by having a substantial shareholding, they can influence the working of the corporation.

- ❖ Non-Institutional or individual shareholder/investors: They are a widely scattered group of individuals holding small amounts of shares known as minority shareholders.
- ❖ Institutional shareholders: They represent an organized and highly motivated group; they are being dependent upon to improve the quality of governance in the corporation.

Flow chart drawing shows the different categories of investors which includes individuals and professional individual investors are those who invest their savings while professional investors are those who manage the funds on behalf of others, like mutual funds provident funds, etc. the individual was further divided into two categories. The first is the experienced investors who need to be properly advised about the intricacies of investment in industrial securities. The second one is an experienced investor who understands the risks involved in investment and who needs no advice.

Investors Categories:

❖ Financial investments

Before investing in the stock market, the investors have some concepts in mind regarding its working, and all in this process he suffers various myths, i.e., he thought something to be true but actually, they are his myth and the reality is something different.

❖ Research Methodology

The study has been conducted on 300 samples through a stratified simple random sampling method of different financial marketing areas of Bengaluru. Bengaluru is suitable for this study because of its role in the industrial and economic growth of the country.

❖ Statistical tools

For the study, some tools statistical tools like calculation of percentage, average, chi-square test, and other necessary methods like mean mode and median.

Objectives of the study

1. To study the investment pattern of retail equity investors in Bengaluru.
2. To analyze the information search and investment options of retail investors.
3. To categorize the various investment preferences and investors' perceptions of risk and return.
4. To scrutinize factors influencing investment evaluation and decision of investors.
5. To estimate investors' level of satisfaction and their futuristic perceptions towards retail equity investment.
6. To ascertain the relationship between demographic variables of investors and their

investment objectives, decision, and satisfaction.

Research Methodology and Hypothesis:

There is no significant difference between the level of risk and returns of retail investors. There is no relationship between investment objectives and satisfaction. There is no relationship between investment decision and satisfaction and also there is no significant control on demographic variables of investors and investment objectives, decisions, and satisfaction. The investor's levels of satisfaction do not differ significantly concerning share investments.

Retail investor's behavioral profile

The retail investor's behavioral profile provides a combination of characteristics based on personality traits of retail investors' behavior including age, education, occupation, family size, gender, marital status, sources of income, the experience of investment, and the residence

S.No	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
1	20-40	225	75	75	75
2	40-60	66	22	22	88
3	above 60	15	5	5	100
	Total	300	100	100	

of retail investors, investment knowledge, investment patterns.

Age of respondents

The age of the respondents (retail investors) is one of the most important characteristics in understanding their views about particular conditions. Age is an important factor for retail investors that indicates the level of maturity towards various financial investments, in that sense age becomes more important to examine the response from the respondents towards particular situations.

Source: Primary survey

Interpretation

The above table data indicates the age of the 300 respondents separately. 75% of respondents are those whose age is 20-40 age group, 22% of respondents are those whose age is in between the 40- 60 age group, and 5% of respondents are those whose age is 60 and above, so, we understood from the data that the investors are mostly from 20-40 of age group and are young and passionate who can invest their present savings or funds for better future.

The gender profile of the investors

The Sex of respondents is one of the main factors which determine the behavior of retail

investors. According, to the sex distribution they both behave separately towards the financial investment as per their perceptions and investment behavior.

Interpretation: The below table shows that there are 300 respondents and out of them there are 60% male respondents and their value is (180) and 40% of respondents are females and their value is (120).

Educational background of the respondents

Education is an important characteristic that affects the person’s attitude and the way of looking and understanding and monitoring particular socio-economic and financial situations. In this way, the behavior towards any situation of an individual is likely to be determined by his education and therefore it becomes important to know the educational background of the respondents. Hence the variable ‘educational background’ was investigated by the researcher and the data about education is presented in the table.

S.No	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
1	School education	92	30.7	30.7	30.7
2	College education	154	51.3	51.3	82
3	Professional	45	15	15	97
4	Others	9	3	3	100
	Total	300	100	100	

Source: Primary survey

Interpretation

The data interpretation of the above table shows the layout of the educational background of respondents. So, far as the education of the respondents is concerned, 30.7% of respondents (retail investors) are those who are having school education (8th, 10th, 12th), 51.3% of respondents (retail investors) are those who are having college-level education, 15% respondents (retail investors) are those who are having professional knowledge and the 3% respondents are those who are doctorates. So, the data indicates that most of the respondents are having college-level education i.e., 51.3% followed by school education 30.7%, and the other two categories that are professional, and doctorates are less in percentage or number (Figure 3).

Occupation of the respondents: Occupations do have a bearing on persons or individuals’ personalities and the ways of investment habits. The quality of life is also determined by an individual’s occupation and the incomes he generates or derives from it. Occupations of an investor also socialize him in a particular way which in turn reflects their pattern of behaviors

and level of understanding. The person's response to a problem is possibly determined by the type of occupation in which he or she is engaged, and hence variable occupations were investigated by the researcher, and data about occupation related is below Table.

S.No	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
1	Salaried	85	28.3	28.3	28.3
2	Professional	91	30.3	30.3	58.7
3	Business	89	29.7	29.7	88.3
4	Other	35	11.7	11.7	100
	Total	300	100	100	

Source: Primary survey

Interpretation

The data in the above table shows the occupational patterns of the respondents. According to the data in the table, 28.3% of respondents are those who belong to the salaried category, 30.3% of respondents are those who belong to a professional category, 29.7% of respondents are those who belonging are from the business category and 11.7% are those who belongs to another category (speculators, laborers). Therefore, from the data, the above two occupational categories which are salaried and professional are higher in percentile than the other two categories which are business and others (speculators, laborers).

Income of the respondents

Income is considered an important variable in shaping the economic stability of an individual. Income is a factor of stable source for investors which attracts them to various financial investments. Therefore, in this study, the researcher investigated the income variable, and the data related to the income variable of different investors are presented in the table below given Table.

S.No	Income	Frequency	Percent	Valid Percent	Cumulative Percent
1	Above 20000	72	24	24	24
2	20000- 40000	99	33	33	57
3	40000 and above	129	43	43	100
	Total	300	100	100	

Source: Primary survey

Interpretation: The Table represents the monthly income of the retail investors (respondents). The table presents the level of income separately as 24.0% are having a monthly income of above 20,000, 33.0% those who are having 20,000 to 40,000 monthly income, and 43.0% are those who are having above 40,000 monthly incomes. So, the data

indicates that the highest number of respondents (retail investors) which is 43.0% are having the highest monthly income rest of the remaining investors.

Residence of the respondents: Residence is one of the important factors which explains the background of a person and it also determines the better investing future of investors in various financial investments as an investment depends on the living standard of the investor.

Source: Primary survey

Interpretation

The above table is all about the residence of respondents which indicates 83.7% percent of respondents are those who are having their residences and, 16.3% of respondents are those who are living in rented based residences. So, the data shows that most of the respondents who are investing in various financial investments are having their residences which are 251 in number, and the data also shows that there is less number of investors or respondents who are doing investment in various financial investments are living their lives in rent based residences.

Work starting age

Work starting age is an initiative of investors towards their investment policies and it plays a vital role in their perception and experience which build the commandment over the investment

S.No	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
1	20-30 years	189	63	63	63
2	15-19	90	30	30	93
3	Below 15	21	7	7	100
	Total	300	100	100	

S.No	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
1	Own	251	83.7	83.7	83.7
2	Rented	49	16.3	16.3	100
	Total	300	100	100	

Source: Primary survey

Interpretation: The above table shows the working age of respondents for the various financial investments. As 20-30 years of age group are 63.0% of respondents, the 15 to 19 years of age group are 30.0% of respondents and the age below 15 years are 7.0% of respondents. So, the data indicates that the 20 to 30 years of age group is dominant in financial investments, followed by the age group of 15 to 19 and below 15 years of age group.

Investment experience: Experience is having the most important role in the investments of the investors. Experience plays a basic role in investors’ returns and risks on investments. The more experience any investor has the more he or she can invest in various financial investments and the more he or she gets the return.

S. No	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
1	4-8 years	24	8	8	100
2	2-4 years	58	19.3	19.3	92
3	Up to 2 years	218	72.7	72.7	72.7
	Total	300	100	100	

Source: Primary survey

Interpretation: The above data shows the experience of the respondents in the field of investment as, 8% who are having experience of 4-8 years, 19.3% those who are having 2-4 years of experience, and 72.7% are those who are having up to 2 years of experience in the investment. So, the data indicates that the respondents who are having up to 2 years of experience are more in percentile followed by the respondents who are having 2-4 years experience and up to 4-8 years of experience.

Type of investor: Type of Investor provides the category of different investors based on hereditary (family background) investor and new investor. Who invest their funds to grab the new opportunities in the market according to the potential and their needs.

S.No	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
1	Hereditary investor	69	23	23	23
2	New investor	231	77	77	100
	Total	300	100	100	

Source: Primary survey

Interpretation: The above table shows the type of investors, as 77.0% of respondents are who are new investors, and 23.0% of the respondents are those whose belongings are from the investor’s family (hereditary). So, from the data, we understand that the investor who belongs to the hereditary type is lesser in number or percentile as compared to the new investors.

Category of investors: The category of investors represents the division among the different investors who invest the savings towards the investment according to their capacity or potential

S.No	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Day Trader	150	50	50	50
	Short term investor	114	38	38	88
	Long term investor	15	5	5	93
	All	21	7	7	100
	Total	300	100	100	

Source: Primary survey

Interpretation

The data in the above table shows the different categories of investors 50.0% of the respondents are day traders, 38.0% of the respondents are short-term investors, 5.0% of the respondents are long-term investors, and 7.0% of the respondents belong to all types of investors category. So, from the data, it's understood that the day traders are the most investors in numbers or percentile of investors, followed by short-term, long-term investors, and all types of investors category.

Marital status

Marriage is one of the most important social institutions, it has undergone many changes. The perceptions and attitudes of the person can also differ on the marital status of the person because the marriage might make the person a little more responsible and mature in understanding and giving the responses to the questions asked. The details of the marital status of the respondents are presented in Table.

S. No	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
1	Married	112	37.3	37.3	37.3
2	Unmarried	188	62.7	62.7	100
	Total	300	100	100	

Source: Primary survey

Interpretation

The above data table indicates the investor's marital status separately most of the investors 188 are unmarried, and their percentage is 62.7%, 112 respondents are who are married, and their percentage is 37.3% only so, we investigate here most of the investors prefer to invest their savings even before marriage

Findings

This study was about the “behavior of retail investors towards the various financial investments” (with special reference to Bengaluru. In this study 300 respondents were investigated through stratified simple random sampling to know the objectives and hypothesis of the research the data was collected through a well-framed questionnaire and then the data were analyzed and tabled in chapter four namely “behavioral profile of retail investors” and the conclusion deduced from that analytical tabled data.

- ❖ Regarding the Age of the respondents 75% of the 20 to 40 age group, 22% of the 40 to 60 age group, and 5% of 60 above age group were investigated to know the behavior of retail investors toward the various financial investments in Bengaluru city, because people in these age groups remain active towards financial investments so, age is an important factor which influences the behavior of the individual investors and the investigating ability also differs according to the age of investors. From the data, it is clear that the young respondents or investors in the age group 20 to 40 (75%) prefer to invest in various financial investments and take more risks rest of the other age groups.
- ❖ In the present study as for as the gender of the respondents is concerned 60% male respondents and 40% female respondents were investigated. As the study indicates that males are doing more investments than female respondents as the data shows there is a high percentage of male respondents i.e., 60% out 100.0%. So, it is inferred that most of the investment decisions are taken by the male respondents only.
- ❖ As the educational backgrounds of the respondent in the present study were investigated 51.3% of respondents had college-level education, 30.7% had school education 15.0% with professional education, and 3.0% had other educational qualifications like doctorate, etc. so the study shows that the respondents who are doing more investment are having college-level education and followed by those who are having school level education.
- ❖ It was seen through the present study that most of the unmarried respondents. I.e., (62.7%) are observed doing more investments as compared to married i.e., (37.3) ones.
- ❖ Regarding the Occupation of respondents towards the investment, 30.3% of respondents are professional, 29.7% are of business man, 28.3% are of salaried occupation and 11.7% are others including lawyers, doctors, and so on. Occupation is one of the main deciding factors in the investor’s behavior in investing. People are investing irrespective of their occupation and the study reveals that most of the investors are professional followed by those who are having the business category and by salaried.
- ❖ It was seen in the study that a high portion of 43.0% of respondents who are having 40,000 above Income are making investments in different financial alternatives more than those who are having 20,000 to 40,000 are 33.0% respondents and above 20,000 are 24.0% of respondents’ monthly income. Income is the important factor without which no investment decisions are to be taken, it is the source and is basic while making

investment decisions and the investable amount depends upon the monthly income of the investors. It is observable from the data that most of the respondents (investors) have a monthly income of Rs. 40,000 and above. Regarding the family members, the present study discovered a higher percentage of families 74.0% who are having 4-6 family members at their families. And the present study also found a lower percentage, 14.3% of families who are having less than 4 family members and 11.7% with above 6 family members.

- ❖ Regarding the investment options majority of the respondents (investors) have made their investment in shares 34.7% and followed by real estate with 20.3%, gold, and silver with 12.3%, mutual funds with 11.7, fixed deposits with 11.0%, and debentures/ bonds with 10.0% of respondents respectively.
- ❖ The present study shows a high portion of 83.7% out of 100% of respondents are having their residence of living and the study also reveals that those who are living in rented based dwellings are investing less in number. So, Investment decisions are also depending upon the residence of the investors. As the data of the present study understand that only those respondents are investing are having their residence instead of those who are having rented based residence.
- ❖ So, as the Starting working age in investment is concerned 63.0% of 20 to 30 years of age, 30.0% of 15 to 19 years of age, and 7.0% of below 15 years of age. Here it becomes clear from the data that 20 to 30 years of age are higher in percentage when we check the starting of working age. So, it is clear that investment decisions need investors' maturity.
- ❖ Regarding the Experience of respondents, the study shows a high percentage of 72.7% with 4 to 8 years of experience followed by 19.3% of respondents with 2 to 4 years and 8.0 % with up to 2 years of experience. This shows that the level of experience matters when we check the data the more experienced we found making more investments than those who are having less experience.

Suggestions

After analyzing the profile of retail investors' behavior, we come to know what the hurdles investors face while opting for the investments and we came to the findings and conclusion from which point of view we generate some suggestions related to the retail investor's interest and which may be helpful form them for upcoming future investments.

- ❖ Before entering into the investment investors have to learn a complete knowledge about financial investments.
- ❖ The investors have to invest their funds or savings in less risky financial investments like mutual funds, debentures, real estate, gold, and silver because these alternatives of financial investments have minimum risk, while compare to other financial investments.

- ❖ The investors have to make it their habit to invest their savings as early as their respective ages.
- ❖ Investors need to check all types of sources of information because when they learn the information, they also can know about the day-to-day market rates.
- ❖ The retail investor can opt the gold bars or gold coins because gold coins have no wastage.
- ❖ Real estate investors have to purchase urban land because it will increase in value day by day.
- ❖ Banks also offer saving schemes compared with the post office so that investors can save their savings properly in different schemes of banks like saving deposits, fixed deposits, etc.

Conclusion

In respect of providing a conclusion of the behavior of retail investors towards various financial investments. The study has found the behavior of retail investors in terms of age, gender, marital status, educational qualification, income, residence, experience, type of investor, preferences towards investment alternatives, level of risk and returns, post satisfaction on investment, future investment and sources of information.

- ❖ According to the study, it was observed that the mature age group (20-40) plays a vital role in investment.
- ❖ As far as gender is concerned the males were found more investable as compared to the female investors.
- ❖ Regarding the educational background, the study indicates that the one who is having more educational level and experience, more he/she can invest and provide good decisions towards financial investments.
- ❖ The occupation is to be found as one of the deciding factors in the investor's behavior while investing, through this study people were found investing irrespective of their occupations as the study shows that most of the investors who do investments were professionals.
- ❖ Income is to be considered a basic requirement when making investment decisions and the investable amount depends upon the income of the investors, as the present study observed that those who have sound incomes were found doing more investments.
- ❖ This study also observed that most of the investors are having their residents and are more interested in investing residence of retail investors is one of the innovative factors that helps the investors to take part in investments.
- ❖ This present study has seen new generation is more interested in investment because everyone has a future but some of them making safe for upcoming years.

- ❖ Regarding the experience of the respondents towards the investment, the study recorded as the investor has more experience and they can make a decision towards the investment as the experience matters related to the investment.

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