INVESTMENT DECISION MAKING FOR SMALL INDIVIDUAL INVESTORS – A STUDY WITH SPECIAL REFERENCE TO TIRUNELVELI DISTRICT

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Abstract - *Decision-making can be defined as the process of choosing a particular alternative from many available alternatives. It is a complicated multi-step process involving analysis of various personal, technical and situational factors. There are no exceptions in the case of making decisions in the stock markets either. Taking investment decisions is the most crucial challenge faced by investors. Some personal factors are age, education, income etc. On the technical side, investment decisions can be derived from various models of finance, for e.g. the capital asset pricing model (CAPM). Decisions should not be reached without considering situational factors that take into an account the environment, the market psychology in other words. Investors can educate themselves about the various biases they are likely to exhibit and then take steps towards avoiding it thus improving their effectiveness. Some common mistakes made by investors are selling too soon while booking profits, holding too long while facing losses, buying overpriced stocks based on market sentiments and positive evaluation by all and sundry.*

***Key Words*: Decision Making, Capital Asset Pricing Model, Investment Decision, Market Psychology, Individual Investor, Investment Experience, Investment Objectives.**

1. INTRODUCTION

Investors can educate themselves about the variance biases they are likely to exhibit and then take steps towards avoiding them thus improving their effectiveness. Some common mistakes made by investors are selling too soon while booking profits, holding too long while facing losses, buying overpriced stocks based on market sentiments and positive evaluation by all and sundry. The key, according to Parikh, for an investor to succeed is to get in touch with the emotional indiscipline he has exhibited and deal with it so that it is not repeated.

1.1 Statement of the problem

This study attempts to small individual investors who invests small amounts of money in his / her account in more than one investment avenues. The small individual investors generally consider their investment needs, goals, objectives and constraints while making investment decisions. But it impossible for them to make a successful investment

decision at all times because behaviour factors highly influenced by the small individual investors preferred more than one investment avenues. Make the best investment decisions to guide the research and selection of small individual investors in managing their investment in ways to understand the errors tend to support this research. In this study, half of small individual investors in the early and late results of this study help to control it, to explore behavioural factors and earn better investment returns.

2. OBJECTIVES OF THE STUDY

To study before making an investment decision factors for small individual investors towards preferred more than one investment avenues.

2.1 Hypothesis

Ho – There is no significant relationship between the investment experience of the respondents and their investment objectives.

3. REVIEW OF LITERATURE

3.1 Before Making an Investment Decision Making

D. Harikanth and B. Pragathi (2013), the study aims to investigated the to study investment decision-making process and to study the factors that influence investment behaviour of individual investors, to study the attitude of respondents towards different financial instruments and to evaluate the awareness about variance investment opportunities, to study the factors which influence the investors to make an investment, to analyze investors savings and risk attitude towards different investment avenues and to offer suitable suggestions to the investors to make their investment in better way. It is hypothesized that secretly attached for the above objectives were formulated there is no significant difference in income and investment avenue selection, there is no significant difference in occupation and investment avenue selection. This study was based on primary data obtained through a structured questionnaire containing 35 questions. The sample was determined by the 200 sample. The final result of this study it is seen that there is significant relationship between income and occupation on investment avenues in order to satisfy safety, periodic return, liquidity, better future and

future contingency needs, etc. Risks bearing capacity and educational level of investors are also the two main factors which affect in investment avenues selection.

The paper by **Josiah Aduda and Odera Eric Oduor (2013),** the study seek to find out how the individual investors make their investment decisions i.e. what factors do they take into consideration as they go about investing; find out whether the investors are familiar with the best investment practices that are ascribed to in the traditional standard finance; The study also seek to find out the results of the individuals' investment decisions. Whether they proved to be profitable or not as will emerge from the financial evaluation of the companies their investment activities were centered on. The study adopted an exploratory approach using descriptive survey design to investigate the behavioural factors that affected investment decision making by individual investors and consequently their financial performance was determined as was deduced from the financials of the companies their investment were directed to. The target population of this study was individuals who traded shares at the NSE as part of their investment portfolios. There were about 919, 727 investors at the NSE as at 30-03-2011 with 870, 203 being the total number of individual investors. The result of this study was found out that there were varied behaviours and financial performance of individual investors in Kenya. Some investors exhibited rational behaviour in making their investment decisions. This can be seen in investors who decided to go for stocks from companies with good financial performance and dominant niche the stocks market.

The article by **Lakshmi and Visalakshmi (2013),** this paper investigated to what extent long term and short term stock investors share different behavioural characteristics. A structural model is employed to compare the traits of the investors and examine how investment decision making and behavioural biases are related, as well compare the relative differences of behavioural biases such as herding, social contagion, representative heuristic, over confidence, risk aversion, disposition effect and cognitive dissonance and to identification of behavioural traits commonly associated with investment tenure aids in providing opinions and framing trading strategies. The psychological impact of investment decision making among investors is studied through a sampling survey of 318 valid respondents from voluntary retail investors in India between January 2012 and May 2012. Analytical results indicated this study structural path model closely fits to the sample data, implying the role of behavioural biases in investment decision making among individuals. Our results further demonstrate that long term and short term investors significantly differ in behavioural traits.

The paper by **A. Robert and W. Robert (2012),** the present study addressed the two specific questions. First, what relative importance do decision variables have for individual investors making stock purchase decisions? Second, are there homogeneous groups of variables that form identifiable constructs that investors rely upon when making equity investment decisions? The sample sizes were determined by the study 500 experienced shareholders whose names were obtained from a proprietary source involved in financial marketing research. The result of in this study classical wealth-maximization criterion is important to investors, even though investors employ diverse criteria when choosing stocks. Contemporary concerns such as local or international operations, environmental track record and the firm's ethical posture appear to be given only cursory consideration. The recommendations of brokerage houses, individual stock brokers, family members and co-workers go largely unheeded. Many individual investors discount the benefits of valuation models when evaluating stocks.

4. 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.

a) 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.

b) Sampling unit

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

c) 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 2011in Tirunelveli district was collected from the manual.

Formula for finite population

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

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.

d) 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.

5. MAJOR FINDINGS

5.1 Frequently invested in the preferred more than one investment avenues

Frequently invested in the preferred more than one investment avenues in small individual investors were analyzed and the results are presented in Table - 1.

Table – 1: Frequently invested in the preferred more than one investment avenues

S. No.	Annual Investment Amount	Number of Small Individual Investors	Percentage
01.	Daily	119	31.0
02.	Weekly	186	48.4
03.	Monthly	79	20.6
	Total	384	100.0

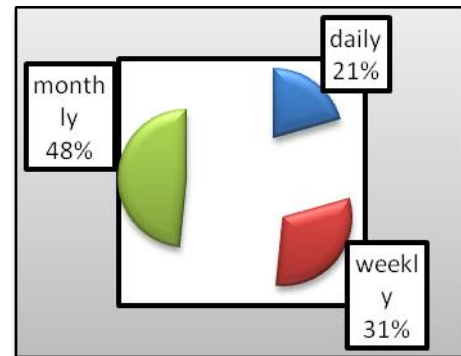*Source: Primary data & computed data*

Chart – 1: Frequently invested in the preferred more than one investment avenues

It is inferred that the majority of respondents belonging to the frequently invested group on weekly basis and lower proportion of respondents belong to the frequently invested in monthly basis (Chart – 1).

5.2 Investment horizons about preferred more than one investment avenues

Investment horizons about preferred more than one investment avenues in small individual investors were analyzed and the results are presented in Table - 2.

Table – 2: Investment horizons about preferred more than one investment avenues

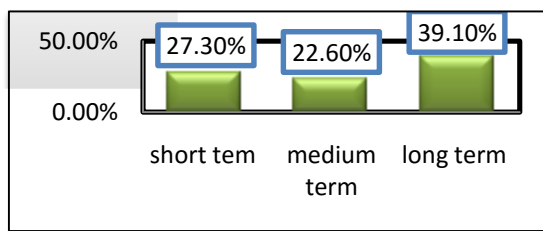| S. No.	Annual Investment Amount	Number of Small Individual Investors	Percentage
01.	Short Term Investment	105	27.3%
02.	Medium Term Investment	129	33.6%
03.	Long Term Investment	150	39.1%
	Total	384	100.0

Source: Primary data & computed data

Chart – 2: Investment horizons about preferred more than one investment avenues

It is inferred that the majority of respondents are for long term investment and the lowest proportion of investment horizons about preferred more than one investment avenues is for medium term investment (Chart – 2).

Table – 3: Investment experience in preferred more than one investment avenues

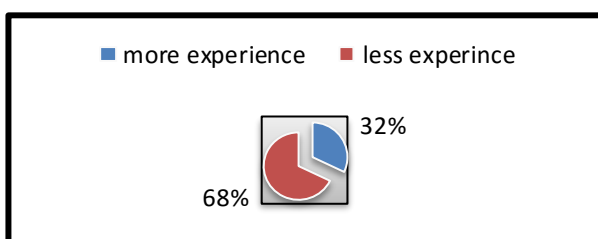| S. No.	Annual Investment Amount	Number of Small Individual Investors	Percentage
01.	More Experience	123	32.0%
02.	Less Experience	261	68.0%
	Total	384	100.0

Source: Primary data & computed data

Chart – 3: Investment experience in preferred more than one investment avenues

It is inferred that the majority of the respondents belong to the less experienced in preferred more than one investment avenues (Table – 3 & Chart – 3).

Hypothesis

Ho – There is no significant relationship between investment experience and investment objectives.

Table – 4: Cross tabulation of investment experience and their investment objectives

S. No.	Investment Experience	Investment Objectives							Total
		To purpose	Future purpose	To have a tax holder	To receive income generation	Growth income	Family purpose	Other purpose	
01.	More Experience	77	97	46	11	10	07	13	261
02.	Less Experience	45	33	34	04	03	03	01	123
	Total	122	130	80	15	13	10	14	384

Table – 5: Pearson chi-square test outcomes for investment experience and their investment objectives

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.665	6	.009

Sources: Computed data

Ho accepted at 5%

It is clearly that about the calculated value chi-square x^2 is 26.923. The p – value of .002 is lower than commonly accepted significance level of 0.05. So we reject the null hypothesis and accept the alternative hypothesis. In other words, there is significant relationship between investment experience and their investment objectives (Table – 4 & Table – 5).

6. CONCLUSIONS

The present study has been ever-growing body of research that has attempted to delineate behavioural factors influence by preferred more than one investment avenues. Behavioural factors influence is not only a theoretical issue but also forms the basis for behavioural finance theories. If financial institutions understand their small individual investors needs and the way they use the information given they are able to fulfil their needs and satisfy their small individual investors. The results from this study also can

help financial advisors to give appropriate information to their clients. it is hoped that the findings of the study would encourage further development of the knowledge concerning complex nature of investors behavioural factors influence the preferred more than one investment avenues in broad-spectrum.

ACKNOWLEDGEMENT

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BIOGRAPHY

Dr. P. Shunmugathangam is now working as an Assistant Professor in the Department of Business Administration. She received Doctor of Philosophy degree in Management Studies from Manonmaniam Sundaranar University in 2017 respectively. She received Master of Commerce degree in Banking & Insurance Management and Post Graduate Diploma degree in Finance and Taxation from Annamalai University in 2016 and in 2015 respectively. She has published various original research articles in many international journals.