Attitude of Retail Investors: A Study of Investors in Mysore

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ABSTRACT

"Be fearful when others are greedy and greedy when others are fearful" one of the famous adages, it attributes the attitude of retail investors in one of the important market situations i.e., bearish market. Efficient Market Hypothesis attributes the attitude of investors is depending on the information availability and accessibility concerned to stocks and stock market. Attitude of investors cannot be measured easily in the stock market in view of the fact that investors act according to the market situation. With the core objective to study the investment made by individual investors in various avenues and to study the volume of investment made by individual investor in various avenues this study has taken up and it has been studied based on the data collected from secondary sources. Study has been revealed that the Indian investors are facing attitudinal problems such as, Emotions, Fear, Greed and Hope (EFGH) while making investment decisions in stock markets. Finally, Indian investors are irrational and panic investors. Therefore, Indian investors need to be rectified their attitudinal mishaps and must be rational while making investment decisions.

Keywords---- EFGH, Capital gain, Retail, Investor

I. INTRODUCTION

A behavioral approach to buying is low and selling is high. Getting in at a market high isn't going to make you money. Nor is selling out at a market bottom.

"The trend is your friend" or "don't fight the tape." Being bearish when the market is bullish makes it difficult to make money in the market. For contrarian investors to make money, the market has to come around to their thinking. That can take a while.

"Don't put all your eggs in one basket." An argument for diversification and, with a bit of a stretch, portfolio rebalancing. Especially true when people invest both their human capital and their financial capital in the firm where they work.

"Put all your eggs in one basket and - WATCH THAT BASKET." -- Mark Twain from "Pudd'nhead Wilson." (Often attributed to Andrew Carnegie.) It's the anti-diversification point of view. Keep to what is in your wheelhouse because that is what you know best, and you can better manage the outcome.

"Never confuse brilliance with a bull market." Or, "A rising tide lifts all boats." It's easy to feel good about being invested in the stock market, coming off a year when the S&P 500 earned about a 32 percent yield. Owning the index doesn't make you a market genius.

"Bears make money, bulls make money, pigs get slaughtered." A reminder that greed can be bad. Investors can make money in bull markets. They can make money in bear markets. But, when an investor gets greedy and tries to capture the last dollar in an investment, he or she can get slaughtered.

"No tree grows to the sun." I think this one is my favorite. Growth tapers off with time and maturity. High, price-earning multiples are justified only when a company's earnings continue to grow.

II. INVESTMENT

The term investment may be described as the process of investing money in shares, debentures, gold, mutual funds, life policies, fixed deposits, real assets and money market instruments. All these avenues where the money is invested are known as investment assets. Investor by investing commits the current funds to one or more assets to be held for some future return in the form of dividends, interest or capital gain.

An investment is a monetary asset purchased with the idea that the asset will provide income in the future or value appreciated and be sold at higher price. It involves the exchange of present funds for the benefits to be received in future.

Investment is a decision making process; it is a versatile and multifaceted subject that changes over a
period of time. Investment is a selection process that is concerned with selecting the best assets out of available assets or avenues. Investment is the outline of deliberation and constant thoughtful consideration.

Investment is a commitment of funds made in the expectation of some positive return, if the investment is properly made then the return will be proportionate with the risk assumed by the investor. The objective of the investment varies from one person to another and from one business to another. Though all investors want security some investors give more importance to returns alone.

In India number of investment avenues are available for the investors Some of them are marketable and liquid while others are non-marketable and illiquid Some of them are high risky while others are almost risk free. Therefore, the investor has to choose Proper Avenue among the available avenues depending upon his expected return, risk level, specific need and preferences.

III. WHO ARE RETAIL INVESTORS?

A retail investor is an individual investor who purchases or sells securities for his or her own personal account rather than for an institution or organization. Retail investors generally invest and trade in very smaller quantities and amounts than institutional investors such as mutual funds, insurance companies, pension funds or endowment funds.

Retail individual investor means “an investor who makes a formal application or bids/offer for securities of or for worth of not more than one lakh rupees”.

A retail investor is an individual investor who has shares of a given security. Retail investors can be broadly divided into two categories of share ownership.

A beneficial shareholder is a retail investor who maintains the share of their securities in the account of banks or brokers or depository participants, also known as ‘in street names’. Here, the broker or banker is having the possession of the securities in the interest of the underlying share holder.

A registered shareholder is a retail investor who directly holds the share of their securities through the company issuer or company transfer agent. Even today a few registered shareholders have physical copies of their stock certificates.

Retail investment generally occurs through the following four main channels
1. Individual investors
2. Retail brokers
3. Investment clubs
4. Managed accounts.

IV. ROLE OF RETAIL INVESTORS IN INDIAN STOCK MARKET

Retail or individual investors play a very vital role in Indian stock market, retail investment in equity is the top most investment avenues among the various available avenues to the investors. Equity investment alone accounts for 21.4% of the total investment made in the country. Retail investment in equity is maintaining the top two positions in terms of investment from last six years.

V. OBJECTIVES OF THE STUDY

Following are the objectives of the study.
1. To study the investment made by individual investors in various avenues.
2. To Study the volume of investment made by individual investor in various avenues.

VI. DATA ANALYSIS AND INTERPRETATION

The following tables reveal the volume of funds invested by retail investors in stock market in India during the last six years [2010-2015]

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail investment in equity</th>
<th>Fixed deposits and bonds</th>
<th>Insurance</th>
<th>Savings deposits</th>
<th>Provident and Mutual funds</th>
<th>others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>31.1%</td>
<td>30.3%</td>
<td>14.3%</td>
<td>9.2%</td>
<td>7.7%</td>
<td>7.4%</td>
</tr>
<tr>
<td>2011</td>
<td>29.78%</td>
<td>30.95%</td>
<td>17.64%</td>
<td>7.13%</td>
<td>8.1%</td>
<td>6.4%</td>
</tr>
<tr>
<td>2012</td>
<td>25.4%</td>
<td>25.1%</td>
<td>19.7%</td>
<td>14.3%</td>
<td>9.0%</td>
<td>6.5%</td>
</tr>
<tr>
<td>2013</td>
<td>22.1%</td>
<td>23.0%</td>
<td>17.2%</td>
<td>13.7%</td>
<td>8.0%</td>
<td>16%</td>
</tr>
<tr>
<td>2014</td>
<td>19.79%</td>
<td>21.82%</td>
<td>16.43%</td>
<td>12.09%</td>
<td>8.38%</td>
<td>21.49%</td>
</tr>
<tr>
<td>2015</td>
<td>21.4%</td>
<td>20.7%</td>
<td>14.7%</td>
<td>12.4%</td>
<td>9.2%</td>
<td>21.6%</td>
</tr>
</tbody>
</table>

Table No. 2: Showing the volume of investment made by the individual investors in various avenues (financial assets).

<table>
<thead>
<tr>
<th>Type of financial assets</th>
<th>Retail investment in equity</th>
<th>Fixed deposits and bonds</th>
<th>Insurance</th>
<th>Savings deposits</th>
<th>Provident and mutual funds</th>
<th>others</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>22,73,043</td>
<td>22,16,307</td>
<td>10,46,145</td>
<td>6,75,134</td>
<td>5,59,512</td>
<td>5,37,737</td>
<td>73,07,878</td>
</tr>
<tr>
<td>2011</td>
<td>25,76,317</td>
<td>26,76,878</td>
<td>15,25,735</td>
<td>6,16,917</td>
<td>7,00,444</td>
<td>5,53,473</td>
<td>86,49,764</td>
</tr>
<tr>
<td>2012</td>
<td>23,49,529</td>
<td>23,11,653</td>
<td>18,18,585</td>
<td>13,20,908</td>
<td>8,31,368</td>
<td>5,94,047</td>
<td>92,26,090</td>
</tr>
<tr>
<td>2013</td>
<td>24,31,030</td>
<td>25,30,608</td>
<td>18,93,766</td>
<td>15,08,599</td>
<td>8,74,049</td>
<td>17,48,114</td>
<td>1,09,86,166</td>
</tr>
<tr>
<td>2014</td>
<td>26,66,202</td>
<td>29,39,702</td>
<td>22,12,654</td>
<td>16,28,628</td>
<td>11,29,236</td>
<td>28,94,738</td>
<td>1,34,71,160</td>
</tr>
<tr>
<td>2015</td>
<td>34,39,861</td>
<td>33,26,429</td>
<td>23,59,790</td>
<td>19,90,249</td>
<td>14,76,351</td>
<td>34,63,006</td>
<td>1,60,55,686</td>
</tr>
</tbody>
</table>


Interpretation: Above tables reveal that retail investment in equity is in top position and accounts for Rs.34,39,861 crore i.e. 21.4% of total investment in 2015, however the percentage of retail investment in equity is decreasing in India during last six years. Investment in other avenues like saving deposits, cash, gold and other funds are increasing. The total individual investment is increased more than twice in last six years from Rs.73,07,878 crore in 2010 to Rs.1,60,55,686 crore in 2015. This shows the positive approach of individual investor towards investment in India.

Retail investors in the beginning appear to be small, but as the time elapses more and more people are into investments and taking control of their portfolios and because of this the influence of retail investors are increasing.

Retail investors/investment activities were receiving little attention because of institutional investors, retail investment activities fades in the shadow of institutional investments in India. Retail investors tend to trade in smaller volume and also trade less frequently as compared to institutional investors, which accounts for most of the market trading volume.

However, development and widening use of online trading and better opportunity to use the financial information has increased the number of retail investors in recent years in India.

In India, retail investors typically employ less impact on corporate decision than larger institutional investors. Retail investors not often have access to company’s boardroom or meetings and rarely have access to meet the company’s executives personally.

India has many generations of retail investors India has the Asia’s oldest stock market. Retail investors in Indian are silent most of the times but do voice their opinions in the shareholders meeting or annual general meetings and companies are ill advised and eventually neglect their views.

Retail investors play a prominent role in keeping Indian companies on track by voicing their opinions and by raising insightful questions mainly on allocation of capital, corporate governance, governance policies and practice, remuneration practices and many. Thus retail investors are providing service to the nation by rendering an extra economical benefit.

Retail investors play a very important role in Indian stock market. The investment practices has undergone a vast change, attitude of the investors are changing towards stock market so the investment companies continually launch new types of securities, funds and schemes in order to attract investors capital and maximize their total market value of investments managed by them.

The following are the most important factors affecting the Indian retail/individual investors.

- Personal analysis
- Broker’s advice
- Financial analyst advice
- Current price of the stock
- Investor’s confidence
- Risk tolerance level
- Strength of Indian economy
- Media focus of stock market
- Political stability
- Government and RBI policy towards business.

VII. ATTITUDE OF INDIAN RETAIL INVESTORS

A questionnaire is distributed to 50 investors in Mysore, in the month of December 2015, from the responses of the investors their attitude towards stock market can be summarized as follows.

- Retail investors are mostly long term investors they tend to keep securities or stock for long term usually more than 24 months.
- Most of the investors likely to receive the returns from the growth rate in securities value or Asset Value.
• Individual investor prefers high return on their investment, investors usually prefers more than 20% returns per annum.
• Indian investors have partial knowledge on stock market.
• Most of the investors have lesser awareness about the securities and shares that are traded stock exchanges.
• Retail investors in India are highly influenced by the past performance of share and market.
• Individual investors in India are following trends in stock market, if the market is bullish investors want to buy shares and securities and if the market is bearish investors wants to sell their securities and shares.
• Retail investors today have more risk appetite and ready to take more risk and face the volatility in market.
• Main objective of individual investors in India is to generate income/returns and also capital appreciation through stock market.
• Investors in present days have positive perception towards stock market.
• Retail investors today investing in stock market according to the conditions and situations prevailing in the market.
• Retail investors are irrational in nature they don’t have any reasonable ideas and lacking mental clarity in their investment.
• In recent days individual investors have high involvement and have confidence and they are much optimistic about the future view of market and they have positive approach towards market.
• Retail investors instead of buying mutual funds and other funds, now a day they are creating their own portfolios, and they are diversifying their investment.
• If the investors having high sentiment on particular stock, the following returns from that stock would be low.
• Retail investors are not fully aware about the functioning of stock market and how stock market operates.
• Indian retail investor’s level of awareness has no relation with analytical and technical driven basis.

VII. CONCLUSION

Indian investors are facing attitudinal problems, the main attitudinal problems faced by Indian retail investors can be generalized as Emotions, Fear, Greed and Hope (EFGH).

Emotions: - Majority of individual investors in India do not adhere to discipline strictly, during critical situations they give into their emotions.

Fear: - Indian retail investors are taking inappropriate decisions in the fear of losing their valuable investment.

Greed: - Many retail investors in India will have the greed to acquire higher results even their target has been achieved but most likely majority of them would end up losing a large percentage of their initially achieved profit.

Hope: - Hopes will leads to speculation many retail investors in India are speculating in stock market instead of investing.

Hence, it can be summarized that the Indian investors are still lacking orientation and awareness about the performance of stocks and the market.

REFERENCES