

“THE STUDY OF FACTORS THAT AFFECT INVESTMENT OF INDIVIDUAL IN THE CAPITAL MARKET”

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ABSTRACT:

The present study attempts to understand the various factors which affect on investment of individual in the capital market on the basis of a review of available research. Household sector was the highest contributor to gross saving with a share of 59.25 percent of gross domestic saving out of that 41.47 percent saving is in a financial asset in 2015-16. but out of that saving in financial assets only 6.16% share in the stock market in the form of share and debenture.

There are many factors which affect the individual investors to invest their saving in physical and financial assets other than share and debenture.

KEYWORDS: INVESTMENT, CAPITAL MARKET, SAVING

INTRODUCTION:

The capital market is the market for financial assets that have long or uncertain maturity. The capital market offers an ideal source of external finance. In the capital market various type of securities helps to mobilize savings from various sector of the population. Investments are funded through domestic saving and foreign capital inflow. Gross Domestic Saving consists of savings of the household sector, private corporate sector, and the public sector.

India household sector is a major contributor to domestic saving but the saving of the household sector are held mainly in physical assets and financial asset. Physical assets include housing, machinery, furniture, fixture and real estate. The conventional form of financial assets like currency, bank deposits, post office saving, chit fund, life insurance fund, provident and pension fund, shares and debentures, claims on government, mutual funds, national savings certificates

Financial Assets of the Household Sector (as % of gross financial saving)

Financial Assets	2011-12	2012-13	2013-14	2014-15	2015-16
Currency	11.39%	10.48%	8.30%	10.54%	13.46%
Bank Deposits	56.39%	54.05%	54.05%	46.63%	41.34%
Non-Bank Deposits	1.07%	2.62%	1.81%	2.61%	2.71%
Life Insurance Funds	20.98%	16.91%	15.34%	19.51%	18.29%
Provident Funds and Pension Fund	10.26%	14.71%	15.86%	16.11%	14.17%
Claims on government	-2.35%	-0.67%	0.70%	0.08%	3.59%
Shares and Debentures	1.77%	1.60%	3.54%	4.19%	6.16%
Units of UTI	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Handbook of Statistic on the Indian Economy RBI 2015-16 P.N.49

As per above table investment in share and debenture of household sector is 6.16% in 2015-16 as compared to 1.77% in 2011-12 it increased but less compare to Investments in fixed income instruments which accounted for 80.10% of the gross household financial savings during 2015-16.

STATEMENT OF PROBLEM:

In the Indian capital market there are 25.36 million of investors in the stock market .there are two types of investors individual or institutional investors mobilize sufficient fund required for development and ensure continuous liquidity in the market.

There is a need to study the factors which effect on investment of individual. The participation of Individual investors will be a great boost for the development of the Indian capital market and for reducing the volatility in the stock market many time stock market witnesses volatility due to the entry and sudden exit of institutional investors in the capital market. The stock market is important to resource management so the present study attempts to study the various factors which affectthe individual to think about entry and exit from the market.

RESEARCH METHODOLOGY:

This research paper study is based on a research paper related to factors influencing investment decision of investors.

OBJECTIVE OF STUDY:

TO STUDY THE VARIOUS FACTORS THAT AFFECT INVESMENT OF INDIVIDUAL INVESTORS IN THE STOCK MARKET.

REVIEW OF LITERATURE:

Ebenezer Bennet& other (2011)¹, In their research paper “FACTORS INFLUENCING RETAIL INVESTORS ATTITUDE TOWARDS INVESTING IN EQUITY STOCKS: A STUDY IN TAMILNADU”, as per their research paper they review the total 26 variables in his paper out of that as per study only 5 factors which affect investor in equity stock . As per their study, these factors are investor’s tolerance for risk, the strength of the Indian economy, the media focus on the stock market, political stability and government policy towards business. Their study concluded that only these 5 factors has high influence towards investing in equity stocks

AnandaGudimetla (2012)², as per his article, Capital Markets are primarily driven by the exchange of Capital in the form of cash or security by those in need of Capital and by those offering it. The investment attracted by any Capital Market is influenced by many factors, the 5 most important factors are Systemic Risks, Efficiency, Reliable, Systems Cost .Technology Influence

Dr.Shanmugasundaram, Mrs.N.Jansirani (2012)³, In their research paper “INFLUENCING FACTORS IN INVESTMENT DECISION MAKING”, as per the research of the study investor’s decision influenced by psychological factors and behavioural dimension the dependence of small investors on the advice of leading company. It shows their knowledge to decide investors behave differently during bullish and bearish market condition. Research also shows that investors behave rationally towards capital market information.

TARAK PAUL & SITESH BAJAJ (2012)⁴, In their research paper “INFLUENCE OF DEMOGRAPHIC PROFILE OF EQUITY INVESTORS ON THEIR LEVEL OF AWARENESS ABOUT EQUITY MARKET”, As per their study equity investors has a moderate level of awareness about equity market .they observed gender and age has not significantly associated with awareness about equity market but significant association between occupation and income and level of awareness level of awareness about equity market. They conclude that investment in share market by the retail

investors is influenced by their occupation and income. They conclude that investment in share market by the retail investors is influenced by their occupation and income.

Ambrose Jagongo, Vincent S. Mutswenje(2014)⁵, in their Research paper “A SURVEY OF THE FACTORS INFLUENCING INVESTMENT DECISIONS: THE CASE OF INDIVIDUAL INVESTORS AT THE NSE” in this paper they studied the various factors which influence in investment decision in NSE. They identified firm or business related information is very important for an investment decision. In this study, they collected the sample of 50 respondents and tested the tenets of the behavioral finance theory on the factors that influence investment decisions under conditions of uncertainty. They find a certain degree of correlation between the factors that behavioral finance theory and previous empirical evidence identify as the influencing factors for the average equity investor, and the individual behavior of active investors in the NSE.

Dr. Mohammad Shafi (2014)⁶, in his Research papers “DETERMINANTS INFLUENCING INDIVIDUAL INVESTOR BEHAVIOR IN STOCK MARKET: A CROSS COUNTRY RESEARCH SURVEY”, In this research paper he reviews the research paper and conclude the various factors influencing the individual investor’s behavior in the stock market. He divides the factors into demographic, economic, social, and psychological in nature. He found the most common factors which impact on the investors are herding, over-reaction, cognitive bias, irrational thinking, confidence, gender, age, income, education, risk factor, dividends, influence of peoples opinion (friends or family), past performance of the company, accounting information, ownership structure, bonus payments, expected corporate earnings, get rich quick. Many factors which were found uncommon in various studies conducted across different countries. These factors are Stock marketability, expected losses in international financial markets, perceived ethics of the firm, diversification purpose, tax consequences of an investment, inflation, trading opportunity, publicity, the composition of the board of directors of companies, brand perception, social responsibility, economic expectation and control orientation.

ReenaRani(2014)⁷, in her research paper “Factors Affecting Investors Decision Making Behaviour In The Stock Market: An Analytical Review” review 19 research paper concludes that various factors affect the individual investor behavior in the stockmarket. As per her research, some factors affect majority and some affect slightly. She classifies the factors in demographical, economic, social and sociological. As per her research, most common factors are gender age income herding over-reaction confidence education risk factor Dividend E.P.S accounting information ownership structure.

Deepak Sood , NavdeepKaur (2015)⁸, in their Research paper “IMPACT OF DEMOGRAPHIC FACTORS ON INVESTMENT RISK BEHAVIOUR OF INDIVIDUAL INVESTORS-A STUDY IN PUNJAB”, they analyze using the sample of 200 investors, their study concludes that investors demographic characteristics positively correlate with investors behaviour and type of investment chosen. As per the study, investors prefer to put their money in bank accounts and real assets. By investing their funds in riskier assets, the risk-seeking investor may expect higher returns from those assets.

Sharda Kumara (2016)⁹, in her Research paper “UNDERSTANDING THE IMPACT OF BEHAVIORAL FACTORS ON THE INDIVIDUAL INVESTORS FINANCIAL DECISION MAKING: A REVIEW OF EMPIRICAL EVIDENCE”, as per this research paper she identified various biases and contextual factors. Study the various behavioural biases their view on investor’s which are influenced by other biases & with the individual socio-demographic status of each individual which are unique & impact differently for different individuals.

CONCLUSIONS:

There are many factors which affect on investment of individual in the capital market these factors divided into investors related, company related, behaviour related and other factors

- Age, Gender, Education, Occupation, Income
- Business information, Dividend, E.P.S, Market Capitalization, Accounting information, Ownership structure ,Past Performance of the company, Bonus
- Psychological factors, herding, over-reaction, confidence, behavioural dimension ,moderate level of awareness , biases and contextual factors , get rich quick
- Systemic Risks, Efficiency ,Reliable ,Political stability ,Strength of the Indian economy, Media focus on the stock market, Government policy towards business,Technology Influence ,Stock marketability

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