

SOURCE OF INFORMATION AND INVESTMENT DECISION BY INDIVIDUAL INVESTORS- A REVIEW OF LITERATURE

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ABSTRACT

There are various factors that influence the investors while making investment decisions. There are two main types of investments those are "Real investments" and "Financial investments". Decisions of investment made by investors are based on various factors. One of the important factors to be considered before making any investment decision is the source of information relating to the investment. This article highlights different sources of information available for investment decisions. For the study, only secondary data is used. Data is collected from various journals, articles, documents from websites, newspapers etc.

Key words: Real investment, financial investment, and Investment decisions.

INTRODUCTION

There are various factors that influence the investors while making investment decisions. There are two main types of investment those are "Real investments" and "Financial investments". Real investments are concerned with tangible assets like land and property; financial investments are concerned with an intangible asset like shares, debentures, bonds, etc. Type of investment to be made depends upon the individual's requirement and financial capacity. Decisions of investment made by investors are based on various factors. One of the important factors to be considered before making any investment decision is the source of information relating to the investment and its investment assets. This article mainly focuses on the source of information available for investment in financial assets.

Types and Need for Investment information

The types of investment information that are relevant for investment purpose are:

- World affair.

International factors that influence domestic income, output, and employment are the investments in the domestic market by F.F.I.s, O.C.B.s, etc. Also, foreign political affairs, wars, and the state of foreign markets affect our markets. This information is important in case the investors are investing in international financial assets.

- Domestic information

Gross domestic products like agricultural output, monsoon, money supply, inflation, Govt. policies, taxation, etc., are some of the factors which affect the markets. Financial markets are very sensitive in nature so it is important to obtain domestic information for investment in financial assets.

- Industry information

Market demand, installed capacity, competing units, capacity utilization, market share of the major units, market leaders, prospects of the industry, international demand for exports, inputs and capital goods abroad, import-competing products, labour problems, and Govt. policy towards the industry are all relevant factors to be considered in investment decision-making.

- Company information

Corporate data, annual reports, Stock Exchange publications, Dept. of company affairs and their circulars, press releases on corporate affairs by Govt., industry chambers or associations of industries, etc. are also relevant for security price analysis.

- Security market information

The Credit rating of companies, data on market trends, security market analysis, and market reports, equity research reports, trade and settlement data, the listing of companies and delisting, record dates and book closures, etc., BETA factors, etc. are the needed information for investment management.

- Security price quotation

Price indices, price and volume data, breadth, daily volatility, range, and rate of changes of these variables are also needed for technical analysis.

- Data and related markets

Govt. securities, money market, forex market, etc. are useful for deciding on alternative avenues of investment.

- Data on mutual funds

There schemes and their performance, N A V and repurchase prices, etc. are needed, as they are also investment avenues.

- Data on primary markets/New issues are also an important source of information for investment decisions.

NEED FOR INVESTMENT INFORMATION:

Investors require timely and accurate information for making investment decisions. This is because if the investor does not get the right information at right time regarding the right asset there are chances that he may not make the right investment decisions. To make the right investment decision investors should be aware of the right sources of information available in the market.

OBJECTIVE OF THE STUDY:

The main objective of this article is to highlight different sources of information available for investment decisions.

RESEARCH METHODOLOGY:

For the study, only secondary data is used. Data is collected from various journals, articles, documents from websites, newspapers etc.

A REVIEW ON VARIOUS SOURCE OF INFORMATION FOR INVESTMENT DECISION

A study conducted by Fawzi Al Sawalqa to find the importance of different sources of corporate financial information and investment decision opportunity with Jordanian individual investors found that Jordanian individual investors ranked the corporate annual report as the most important source of information for their investment decision. The second most important source of information was published daily share price this is followed by a corporate website which according to the author it will be the most important source near future. Newspaper and magazine were ranked fourth out of the given categories of a source of investment. This is followed by advice of friends, discussion with company staff, stockbroker, advice, tips, and rumors respectively. His study, in general, revealed that Jordanian individual investors place more emphasis on written information rather than verbal information as verbal information such as advice; discussions, etc. are ranked at the bottom list.

Gender differences in investment behavior have always existed around the world. Research on the gender difference in investment behavior suggests that women are not able to behave in the same manner as men in dealing with investment. Due to gender differences in the behavior of individual investors women investors exhibit different investment-related characteristics and rely upon different sources of investment compared to men. Tina Vohra did a study and Mandeep Kaur in Punjab attempted to identify the source of investment information that is preferred by women investors in Punjab while taking an investment decision. The result of the study indicated that personal opinion and family recommendation form the basis of investment decisions among women investors in Punjab.

Various research studies suggest that the source of information is one of the important factors to understand their financial behavior. Oscar Stalnacke has done a study to find out what information do individual investors use when making their financial decision and how it is related to their stock market expectations. He found that investors use filtered financial information (e.g.: information packaged by professional intermediaries) more frequently than they use unfiltered financial information (e.g.: information from annual reports and financial statements). He also found that investors who frequently use filtered financial information are

however more confident in their stock market expectation and take the larger risk in their stock portfolio. In the authors' opinion, investors should use unfiltered financial information to take lower portfolio risk and obtain higher portfolio returns.

Research conducted in the Chinese future market found that the source of information used by investors as a foundation of their financial choice has a significant impact on trading frequency. Financial advice from professionals is likely to increase the trading frequency in an investor with neuroticism and openness personality trait and no reduced frequency in conscientious and extravert investors. Similarly, financial information acquired via word of mouth communication results in more trading in extravert and agreeable investors. Finally, information acquisition from specialized press causes more adjustment of the conscientious investor portfolio.

There is a various expert level source of actionable information about publicly traded equities and equity market. The reputable stock market resources all offer a combination of breaking market and economic news, long-form analysis from experienced market participants, and powerful tools that empower to perform due diligence on the potential investment. Some of them are Motley Fool Stock Advisor, Motley Fool Rule Breakers, Atom Finance, Zack's investment research, Stock Rover, Morningstar, TIM'S alert, trade, Seeking Alpha, Yahoo! Finance, The Wall Street Journal, Google Finance, Your online brokerage's research portal.

(G, 2012) A research was conducted to describe the use of accounting and other information in the share investment decision process of an institutional investor. The study concluded that the significance of the annual report as an information source changes over the period of one year. It is concluded that the significance of annual report as an information source changes over the period of one year. It varies from serving as primary information source to serving in a confirmatory role.

(Ruud, 2006) A study was conducted on investment analysts in the Netherlands to determine the use and perceived importance of annual reports. The three main categories of investment analysts are Investment advisor, portfolio manager and directors/head of department. The researcher found that annual report appears to be vital, though not sufficient source of information to analysts. However, there are some clear difference between the three categories concerning the use and perceived importance of (part of) annual report.

(Elza & Thomas, 1998) A study was conducted on efficiency of investment information to investigate how the description of a correlation information V improves the investment in the stock market X . They found a single letter characterization of incremental growth rate (R), the maximum increase in the growth rate when V is described to the investor at rate R . The incremental growth rate specialized to the horse race market is related to source coding with the side information of Wyner and Ahlswede – korner. They provided two horse race examples: Jointly binary and jointly Gaussian. The initial efficiency (0) is the maximum possible increase in

the growth rate per bit of description. They show that the initial efficiency is related to dependency between V and the market. In particular, for the horse race market, the initial efficiency is the square of the Hirschfeld – Gebelein- Renyi maximal correlation between V and X . This provides a connection with the hyper contraction of the Markov operator of Ahlswede and Gacs. For the general market the initial efficiency is 1 when the side information V is equal to the stock market outcome X .

(Kritesh, 2020) 7 must known websites for Indian stock market investors are Money control, Screener, Investing.com, Economic times market, Live Mint, NSE India, BSE India. Two common websites that an individual investor can visit to know the IPO allotment result are LINK INTIME and Karvy.

Conclusion:

Various researches are done regarding the source of information available to investors for investment decision-making. Each Individual investor has a different investment objective. To obtain their objective they require various sources of information and analysis of the same in the information. In today's era investors are surrounded with abandoned information's so every individual investor needs to select the right information at the right time for the right investment. Some of the most common and reliable sources of information are corporate websites, Financial statement, Company presentation, News/Press Releases, contact information, Analyst reports, stockbrokers, Companies, Websites/services.

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