A STUDY ON RELATIONSHIP OF INVESTOR BEHAVIOR IN STOCK MARKET ON THE BASE OF YEARLY INCOME OF RESPONDENTOF RAJKOT DISTRICT

Prof. (Dr.) Sanjay Bhayani,
Research Guide and Professor,
Saurashtra University,
RAJKOT

Mr. Pratik Paun,
Assistant Professor,
Sunshine Group of Colleges
RAJKOT

Abstract

Numerous people discover speculation to be entrancing in light of the fact that they can take part in the dynamic cycle and see the consequences of their decisions. Not all ventures will be beneficial, as financial backers won't generally settle on the right speculation choices over the time of years. Nonetheless, one ought to procure a positive profit from an expanded portfolio. What's more there is a rush from the significant achievement, alongside the desolation related with the stock that drastically rose after an individual sold or didn't accepting.. Venture is definitely not a game yet a genuine subject that can significantly affect financial backer's future prosperity. The requirement for speculation emerges because of expanding family expenses, production of riches, expanding average cost for basic items, monetary necessities as per life stages, customary pay, and blend of all portrayed previously.

Key Words: Investment Limit in stock market; Income of respondent

Introduction

Securities exchange has been exposed to hypotheses and shortcomings, which are stranded to the soundness of the financial backer. Conventional account hypothesis depends on the two suspicions. Right off the bat, financial backers settle on judicious choices; and also financial backers are fair-minded in their expectations about future returns of the stock. Anyway monetary business analyst have now understood that the since a long time ago held suspicions of customary account hypothesis aren't right and discovered that financial backers can be nonsensical and make unsurprising blunders about the profit from speculation on their ventures. This exact investigation on speculation examples of financial backers is an endeavor to know the profile and attributes of the financial backers to know their inclination as for their ventures. The investigation additionally attempts to feature hazard resilience level of the financial backers and advancement of rules to foster venture propensities among the financial backers.

Investor behavior explained in terms of the behavioral biases exhibited has been the focus of several researchers lately. The investors had been assumed to be rational in most classical financial theories like, portfolio theory (Markowitz, 1952), capital asset pricing model (Sharpe, 1964), efficient market hypothesis (Fama, 1965a, 1965b, 1970). A rational investor is one who always makes normatively acceptable decisions and amends his beliefs on a continuous basis based on the incoming information (Thaler, 2005). The efficient market theory assumed that investors were rational and were able to process all the available information (Shiller, 1999). Several behavioral economists had questioned this rationality assumption, given the limited resources of time, money and processing capability of the human mind. According to them, the irrationality of the investors was reflected as random patterns in the stock prices in the stock market. Sentiments influenced the stock price movements and even led to extreme mispricing (Mathur and Rastogi, 2018).

Literature Review

Mittal and Vyas (2008) empirically proved that investors with annual income of less than Rs 1 lakh belonged to the cautious investment personality; whereas investors in the annual income range of Rs 1 to 2.5 lakhs belonged to the casual investment personality. Investors with higher annual income of Rs 2.5 to 4 lakhs belonged to the technical investment personality, and those with more than Rs 4 lakhs belonged to the informed investment personality.

Chandra (2009) surveyed the investors in the Delhi region and found that the investors in the high annual income category were more competent and also trade frequently in the stock market as the high-income investors were more overconfident compared to the investors with lower annual income. But however, investors of all income groups preferred safety of their equity investment and avoided taking too many trading decisions thereby preferring status quo.

Bhatt and Bhatt (2012) recorded that the low-income investors have less saving capacity and hence invest in safe investment options like bank deposit and post office deposit. On the other hand, the high- income investors invest in equity, insurance, mutual funds, F&O, real estate and commodities.

Tirupathi and Ignatius (2013) examined the preference of the various investment avenues among the salaried investors in the Namakkal region of Tamil Nadu. They found that the investor's income level played a prominent role in deciding the portfolio composition. The lower-income investors were found to prefer Insurance and Bank Deposits compared to the other investment avenues.

Umamaheswari and Kumar (2014) analyzed the salaried middle-class investors in the Coimbatore region of India and found that the majority of them have the knowledge to make good investment decisions and choose the right proportion to save for the future, but one-third of them lack investment awareness to choose the correct financial plan.

Velmurugan et al. (2015) examined the investors' perception about the different investment avenues in the Vellore region in India and recorded that the high-income investors preferred to invest only in safe investment options like post office and bank deposits.

Gupta and Sharma (2016) recorded that the investors with higher income have higher risk bearing capacity and are more likely to invest in mutual funds while analyzing the factors affecting the level of satisfaction of the mutual fund investors in the Jaipur region.

Objective of the Study

- ❖ To study the role of income in the behavior of investors with respect to the behavioral biases
- ❖ To study the investment limit in stock market on the base of yearly income of respondent for Rajkot district

Research Methodology

❖ **Sources of Data:** The study is exploratory in nature and is based on primary data. Primary data was enumerated from a field survey by questionnaire in the study region. (Saurashtra Region, Rajkot District)

❖ **Area of Sampling:** The study was conducted in the various parts of Rajkot district through a field survey by questionnaire

❖ **Sample Size:**365 samples of investorsfrom various parts of Rajkot District including tehsil part of Rajkot district for the study of investment limit in stock market on the base of yearly income of respondent for Rajkot district.

❖ **Statistical tools:** Chi-square test has been used as tools for the present study.

Researcher is trying to analyze Investment limit in stock market with Yearly income of respondents to identify the relationship between investment limit in stock market and yearly income of respondents.

Table-1
Analysis of Investment limit in stock market with Yearly income of respondent

Observed Data (Collected)						
Yearly income (Rs. in Lakhs) of Respondent	**Investment limits (Rs. in Lakhs) in stock market**				**Total**	**%**
	0 – 2.5	**2.5 – 5**	**5 – 7.5**	**Above 7.5**		
0 - 5	141	0	4	6	151	41.37
5 to 10	98	29	7	2	136	37.26
10 to 15	7	10	5	1	23	06.30
15-20	11	12	0	1	24	06.58
Above 20	7	5	15	4	31	08.49
Total	264	56	31	14	365	
Percentage	72.33	15.34	08.49	03.84		100
Expected Data (Calculated)						
Yearly income (Rs. in Lakhs) of Respondent	**Investment limits (Rs. in Lakhs) in stock market**				**Total**	**%**
	0 – 2.5	**2.5 – 5**	**5 – 7.5**	**Above 7.5**		
0 - 5	109.22	23.17	12.82	5.79	151.00	41.37
5 to 10	98.37	20.87	11.55	5.22	136.00	37.26
10 to 15	16.64	3.53	1.95	0.88	23.00	06.30
15-20	17.36	3.68	2.04	0.92	24.00	06.58
Above 20	22.42	4.76	2.63	1.19	31.00	08.49
Total	264.00	56.00	31.00	14.00	365.00	
Percentage	72.33	15.34	08.49	03.84		100
Source: Primary Data						

From the above table it is evident that 41.4% respondents having income less than 5 lakhs during the year and 37.3% respondents having income between 5 to 10 lakhs during the year. Approximately 20% respondents are having income more than 10 Lakhs during the year. Of the total respondents 72.3% respondents are having less than Rs. 2.5 Lakhs investment limits while 15.3% respondents are having investment limits between Rs. 2.5 lakhs to 5 lakhs in stock market only 12% respondents under study are investing more than 5 lakhs in stock market.

- **Statistical Analysis**

Table 2
Chi-Square Calculation for
Analysis of Investment limit in stock market with Yearly income of respondent

H_0: **There is no significant relationship between Investment limit in stock market with Yearly income of respondent**

H_1: **There is significant relationship between Investment limit in stock market with Yearly income of respondent**

Rs. in Lakhs		Oi	Ei	Oi-Ei	$(Oi\text{-}Ei)^2$	$(Oi\text{-}Ei)^2/Ei$
Yearly Income of Respondents	**Investment Limits**					
0 – 5	**0 – 2.5**	141	109.22	31.78	1010.19	9.25
	2.5 – 5.0	0	23.17	-23.17	536.72	23.17
	5.0 – 7.5	4	12.82	-8.82	77.87	6.07
	Above 7.5	6	5.79	0.21	0.04	0.01
5 – 10	**0 – 2.5**	98	98.37	-0.37	0.13	0.00
	2.5 – 5.0	29	20.87	8.13	66.17	3.17
	5.0 – 7.5	7	11.55	-4.55	20.71	1.79
	Above 7.5	2	5.22	-3.22	10.35	1.98
10 – 15	**0 – 2.5**	7	16.64	-9.64	92.85	5.58
	2.5 – 5.0	10	3.53	6.47	41.88	11.87
	5.0 – 7.5	5	1.95	3.05	9.28	4.75
	Above 7.5	1	0.88	0.12	0.01	0.02
15 - 20	**0 – 2.5**	11	17.36	-6.36	40.44	2.33
	2.5 – 5.0	12	3.68	8.32	69.19	18.79
	5.0 – 7.5	0	2.04	-2.04	4.15	2.04
	Above 7.5	1	0.92	0.08	0.01	0.01
Above 20	**0 – 2.5**	7	22.42	-15.42	237.84	10.61
	2.5 – 5.0	5	4.76	0.24	0.06	0.01
	5.0 – 7.5	15	2.63	12.37	152.95	58.09
	Above 7.5	4	1.19	2.81	7.90	6.65
					χ^2_c	**166.18**
					χ^2_t	**21.03**

From the above table it shows that χ^2_c =166.18and 5% level of significance with d.f. = 12 [(r-1) (c-1) = (5-1) (4-1)], χ^2_t= 21.03 that means $\boldsymbol{\chi^2_c = 166.18 > \chi^2_t = 21.03}$, Hence $\mathbf{H_0}$ is rejected and $\mathbf{H_1}$ is accepted.

Conclusion

This study examined if there is a relationship between the incomes earned by the investor and his/her behavior with respect to the investment in stock market. In total, 365 secondary equity investors residing in Rajkot city were surveyed using the questionnaire survey method to measure investment limit on the base of various income group of peoples. By using the Chi-Square test, it was determined that there is significant relationship between Investment limit in stock market with Yearly income of respondent. Hence, special attention needs to be given to the lower-income category of investors. Due to reasons like less money available to spend on good financial advice, less financial knowledge, poor education and low financial literacy level, the lower-income category of investors could be more prone to exhibit biases. Financial advisors and wealth mangers should advice the lower-income investors accordingly and educate them to be more cautious regarding the biases they are prone to exhibit.

References:

1) Mittra, S. (1995). Practicing financial planning: A complete guide for professionals. Michigan: Mittra& Associates.

2) Rajarajan.V (1997) “Investment size based segmentation of Individual Investors”, Management Researcher, Vol.3, No. 3 & 4, January – June 1997, pp.27-36.

3) Rajarajan.V (1998) “Stages in Life Cycle and Investment Pattern”, The Indian Journal of Commerce, Vol.51, No. 2 & 3, April-September 1998, pp.27-36.

4) Rajarajan.V (2000) “Investors’ Lifestyles and Investment Characteristics”, Finance India, Vol. XIV, No. 2, June 2000, pp.465-478.

5) National Savings Institute (2008), “Impact of Income Tax in Transaction of SmallSavings Products among Small Investors at Trivandrum (Kerala State)”.

6) RenuIsidore R & Christie P (2019) “The relationship between the income and behavioral biases” published in Journal of Economics, Finance and Administrative Science vol.24 no.47 Lima jun. 2019 ISSN 2077-1886 http://www.scielo.org.pe/scielo.php?pid=S2077-18862019000100009&script=sci_arttext