



ISSN: 0976-3031

Available Online at <http://www.recentscientific.com>

CODEN: IJRSFP (USA)

*International Journal of Recent Scientific Research*  
Vol. 8, Issue, 9, pp. 20062-20067, September, 2017

**International Journal of  
Recent Scientific  
Research**

DOI: 10.24327/IJRSR

## Research Article

### BEHAVIOURAL FACTORS INFLUENCING IN SMALL INDIVIDUAL INVESTORS IN TIRUNELVELI DISTRICT

**Shunmugathangam, P\***

Department of Business Administration, Sri Sarada College for Women,  
Ariyakulam - 627 012, Tirunelveli District, Tamilnadu, India

DOI: <http://dx.doi.org/10.24327/ijrsr.2017.0809.0818>

#### ARTICLE INFO

##### *Article History:*

Received 16<sup>th</sup> June, 2017  
Received in revised form 25<sup>th</sup>  
July, 2017  
Accepted 23<sup>rd</sup> August, 2017  
Published online 28<sup>th</sup> September, 2017

##### *Key Words:*

Behavioural finance, Individual investor,  
Overconfidence, Heuristic, Herding,  
Emotional intelligence

#### ABSTRACT

The research is about behavioural finance because behavioural finance has made its impact on almost every field of life. In this concept study the how cognitive behavioural factors affect investment decisions making process towards preferred more than one investment avenues. Global financial markets are influenced by many factors, the economic processes which take place in the country and the world, institutional and political constraints information. But behavioural finances influence the behavioural factors in small individual investors' investment decision making. The researcher has focused only on the small individual investors investing in more than one investment avenues. As a researcher has observed that the problem of this study is that a few research works have proved that there is a great impact one or two behavioural factor influences the small individual investors preferred investment avenues for stock market and mutual funds but this research has focuses that not only stock market, mutual fund investments are influenced by the small individual investors behavioural factors and also reflect result on investment performance. This study attempts to small individual investors who invests small amounts of money in his / her account in more than one investment avenues. The research to find out the result for the small individual investor 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. The research suggest to the 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.

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#### INTRODUCTION

Behavioural finance is a relatively new paradigm of finance, which seeks to supplement the standard theories of finance by introducing behavioural aspects to the decision making process. Early proponents of behavioural finance are considered by some to be visionaries. This was the first time a psychologist was awarded the Nobel Prize and played a key role in convincing main stream financial economists that investors can behave irrationally. It attempts to explain and increase the understanding of the reasoning patterns of investor, including the emotional processes involved and the degree to which they influence the decision making process. Essentially, it explain the what, why, and how of finance and investing. It endeavors to bridge the gap between neo-classical finance and cognitive psychology. It takes into account the individual investor's decision making formula as well as his / her behaviour, which, in turn, sheds light on the observed departures from the

traditional finance theory. Thus, behavioural finance is the application of scientific research on the psychological, social and emotional contributions to market participants and market price trends.

##### *Statement of the problem*

The research is about behavioural finance because behavioural finance has made its impact on almost every field of life. In this concept study the how cognitive behavioural factors affect investment decisions making process towards preferred more than one investment avenues. Global financial markets are influenced by many factors, the economic processes which take place in the country and the world, institutional and political constraints information. But behavioural finances influence the behavioural factors in small individual investor's investment decision making. There are two types of investors classified in India: one is small individual investors and another one is

\*Corresponding author: **Shunmugathangam, P**

Department of Business Administration, Sri Sarada College for Women, Ariyakulam - 627 012, Tirunelveli District, Tamilnadu, India

institutional investors. The researcher has focused only on the small individual investors investing in more than one investment avenues. As a researcher has observed that the problem of this study is that a few research works have proved that there is a great impact one or two behavioural factor influences the small individual investors preferred investment avenues for stock market and mutual funds but this research has focuses that not only stock market, mutual fund investments are influenced by the small individual investors behavioural factors and also reflect result on investment performance. 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.

### **Significance of the Study**

#### **To the field of behavioural finance**

The concept of behavioural finance emerged due to the financial difficulties facing the traditional concepts. The following points are stronger than the traditional theories of behavioural finance to support it. Behavioural finance theories assume that investors make rational decisions. But most of the studies conducted reveal that the investors do not act in a rational manner. They fill an important gap in understanding the interplay of behavioural finance and investor psychology and detail errors and try to influence the decision-making process. The development of variance investment channels, behavioural finance is widely used to study the behaviors that affect investment decisions; this study hopes to confirm the suitability of the investments made by using all sorts of behavioural finance.

#### **To the field of behavioural factors**

This research is an investment previously unspecified factors, diagnose earlier and later investing impact and lead to the major behavioural factors for: heuristic behavior, prospect ❖ behavior, gambler's fallacy behavior herding behavior, self-confidence, delegates, availability bias, loss effect, ❖ disappointment, regret aversion, disposition effect, depressed ❖ affect, framing, risk capacity, self-intelligence, emotions. ❖ Current and future investors to invest in ways you can help to ❖ change their course.

#### **To the individual investors or small individual investors**

To the 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.

### **Scope of the Study**

#### **Area of the study**

Research in behavioural finance has impact applications. A better understanding of behavioural process and outcomes is important for financial planners because an understanding of how investors generally respond to return should help investment advisors device appropriate allocation, strategies for their small individual investors. An individual investor investing small amounts of variance investment avenues as opposed to an institutional investor or foreign investor. The small individual investor / retail investor in today world every individual running for money and is considered as a root of happiness. For secure life for bright future people start investing. Still many people not take correct decisions for investing variance investment avenues. They are confuse by the excess wealth and at present India provides variance investment avenues in market and also behavioural finance factors impact on the preferred more than one investment avenues. So this research focus by identifying the most influencing behavioural factors on their in investment decisions selecting more than one investment avenues.

#### **Geographical coverage of the study**

The geographical coverage of the study survey will be limited to Tirunelveli district.

#### **Who will be benefit?**

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 and this study help to control it to explore behavioural factors.

#### **Objectives and Hypothesis of the Study**

##### **Objectives**

To identify and impact level of behavioural factors on the investment decisions and performance of the small individual investors.

To give some recommendations for small individual investors to adjust their behaviors for achieving better investment results.

##### **Research Hypotheses**

Ho14 - behavioural variables do not influence by the investment performance of small individual investors.

## **RESEARCH METHODOLOGY**

### **Type of research design**

Existing research, have used two types of research designs that is Descriptive Research Design and Experimental Research Design. Why it that the two types of research designs have used is in present analysis highlights the following paragraphs;

In the present study, mainly Descriptive Research Design had been adopted, as the main purpose of this study was to make fact finding study of preferred investment avenues, factors to make an investment, behavioural factors influencing and investment performance of small individual investors and to achieve new insights into it. Since the scope of the study was very vast, the existing research also represented the

Experimental Research Design. In experimental research design, two groups should be established; one is experimental group and control group.

**Type of survey**

The research has used sample survey.

**Sample design**

Sample design of the present study includes the following points:

**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.

**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.

$$n = 2949964.8 / 7683.15$$

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.

**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.

**Sample frame work**

The researcher has adopted probability structured convenient stratified sampling technique to collect the required data. 11 taluk in Tirunelveli district and 384 proportionate stratified allocation respondents are illustrated in the table below:

As it can be seen from the above Table 1 stratified sampling has been done in a two-way process in which the population is proportionate into strata (Tirunelveli district in rural and urban). In the group every population element assigned one and only one stratum and no population element was omitted.

**Table 1** Proportionate stratified allocation of respondents in the main study.

Taluk name in Tirunelveli district	Population strata and sample allocated using proportionate sampling		Total number of samples		
	Rural	Urban			
	Population size (proportion of each stratum)	Number of sample size allotted	Population size (proportion of each stratum)	Number of sample size allotted	
Tirunelveli	145009/3077233*384	19	497026/3077233*384	62	81
Sankarankovil	284530/3077233*384	36	65614/3077233*384	9	45
Sivagiri	72498/3077233*384	9	121658/3077233*384	15	24
Nanguneri	149520/3077233*384	18	76082/3077233*384	10	28
Tenkasi	171306/3077233*384	21	228640/3077233*384	29	50
Ambasamudram	182786/3077233*384	22	245245/3077233*384	31	53
Radhapuram	195626/3077233*384	24	109026/3077233*384	14	38
Palayamkottai	91176/3077233*384	11	0/3077233*384	0	11
Veerakeralampudur	87865/3077233*384	11	35272/3077233*384	4	15
Alangulam	125131/3077233*384	16	51007/3077233*384	6	22
Shenkottai	51557/3077233*384	6	89859/3077233*384	11	17
Total		193		191	384

**Sampling unit**

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

**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 2011 in 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.

$$n = 1.96^2 * 0.5(1-0.5) * 3072880 / (0.05)^2 (3072880 - 1) + 1.96^2 * 0.5(1-0.5)$$

$$n = 2949964.8 / 7682.19 + 0.96$$

Next elements were selected from each group based on proportionate stratified sampling, in that the size of sample drawn from each group is proportionate to the relative size of that group in the total population.

This method was used, i.e. the researcher selected the respondents who preferred more than one investment avenues. This was necessary because while this research work was finalized, it was found that the behavioural factors highly influenced by the small individual investors preferred more than one investment avenues. The first step is proportionally stratified in the sample size allocated in the 11 taluk. The sample of present investigation comprises three hundred eighty three (N = 383) small individual investors in rural and urban areas 11 taluk in Tirunelveli district and as per aim of the present study, one hundred and ninety three (193) rural areas and one hundred and ninety one (191) urban areas in Tirunelveli district were considered. The data was collected through convenient stratified sampling method.

### **Pilot study**

The research areas in 11 taluk have been selected at stratified random around Tirunelveli district for the conduct of pilot survey. A well structured interview schedule was prepared and tested with a sample of 64 which is 1/6 of the total sample size. Based on the responses of the respondents, suitable modifications had been made in the interview schedule for the purpose of large sample survey. Reliability test revealed that cronbach's alpha value was  $>0.86$  for variance components of schedule. Hence the constructed schedule was found to be reliable and well administered for survey.

### **Tools used for analysis**

The collected primary data have been statistically processed, classified and tabulated using appropriate methods, tables and figures. The statistical results have been derived with the help of computer package called Statistical Packages for Social Sciences (SPSS).

## **REVIEW OF LITERATURE**

### **Introduction**

Review of the relevant literatures on behavioural finance is done in these behavioural factors. From the above mentioned studies, to identify research gaps and overcome the problem statement undergoing the study:

### **Behavioural factor influencing in investment decision making**

The study by [Charles and Kasilingam \(2014\)](#), this paper tries to find out whether individual's emotions determine their investment personality or not. For that purpose, multi stage sampling technique is adopted to collect the data from 742 retail investors who are accessing Indian stock market. The result of the study emotion is the only psychological factor was taken to find out whether it influences their investment personality or not. The major implications of this study will be useful to retail investors to understand the influence of emotions on determining their investment personality, investment success etc. Further, this study is also useful to investment analysts, broking firm and investment managers to create awareness among their clients on successful investments in equity market. At the same time, fund managers can use this study to design a suitable product to meet their clients' needs.

The paper by [Luu Thi Bich Ngoc \(2014\)](#), the present research aims to investigate behavioural factors influencing the decisions of individual investors at the securities companies in Ho Chi Minh city, Vietnam. There are five behavioural factors of individual investors at the Ho Chi Minh stock exchange: herding, market, prospect, over confidence-gamble's fallacy and anchoring-ability bias. Securities of companies may also use the result of this research for better understanding on investor's decision to give better recommendations to them. Stock prices then reflect their true value and Ho Chi Minh stock market becomes the yardstick of the economy's wealth and helps enterprises to raise capital for business activities.

The paper by [Mustapha Chaffai and Imed Medhioub \(2014\)](#), in this paper studied the influence of these psychological and emotional factors on the behaviour of Tunisian stock market investors, in this study taken into investor's decision making depend on many parameters such as utility maximization

return, socio economics, age, education, capital invested, profession and their preference. These parameters are helpful to determine biases rising from the investors' behavioural finance and also to explain the irrational factors which affect in the investment decisions portfolio selection in the Tunisian financial market. This study targets the Tunisian stock market. The sample size was determined by the 300 investors on the Tunisian stock market. The result of this study that person having a high level of education respondents mostly affect the behavioural biases in the Tunisian stock market and lack of investor behavior rationally in the Tunisian market.

The study by [Huei-Wen Lin \(2011\)](#), the present research paper aims to test the role of herd behaviour in determining the day-of-the-week anomaly. The sample comprises the 846 listed firms in Bursa Malaysia from 1 January 1990 until 31 December 2010. This research has two different daily returns. The result of this paper herd behaviour is the determinant of investors' Monday irrationality in Malaysian stock market, particularly in small cap industries. We build this claim based on our four-layer test result. First, it is found that the day-of-the-week anomaly in Malaysia; and it did not disappear through time. Second, herd behaviour did not exist in market downswings and market upswings through the week. It implies that the irrationality of investor in a week cannot be explained by the herd behaviour.

[Suman and Warne \(2012\)](#), this study attempts to understand the behaviour of individual investor in stock market, specifically their attitude and perception with respect to the stock market. A survey is conducted to attain the objectives of the paper. Respondents are classified in to different categories on the basis of income, profession, education status, sex and age. Primary data is collected from a sample around 50 investors of Ambala district. Finally the result of the study there are different factors which affect the investment behaviour of individual investors such as their awareness level, duration of investment etc.

### **Major findings**

#### **Factor analysis**

KMO measures sampling adequacy and Bartlett's test of sphericity. The KMO value is 0.881, which fall into the range of being great. So we should be confined that factors analysis is appropriate for these data.

The rotated factor matrix for the investor behavioural variables among the overall sample respondents are given in Table 1. The table exhibits the rotated factor loadings for the 76 statements of respondents feeling about the behavioural factors. Hence there were a highly negative loading; some 10 factors were neglected by the factor matrix. It is clear from table that all the 76 statements have been extracted in the 10 factors namely F1, F2, F3, F4, F5, F6, F7, F8, F9 and F10.

#### **Varimax solutions**

- Factors with higher positive loadings on factor 1 are categorized and termed as "Representativeness". The Eigen value for the above factor 1 was 25.472 and the percentage variance was 35.516%. It could be concluded that the perception level concerning with factor 1, is that the investors fully responsible for the investment

decision for the results is based upon specific skill knowledge about the investment activities and also expect the positive return in future and they are dislike the greatest risk in investment actives.

- Factors with higher positive loadings on factor 2 are categorized and termed as “Anchoring”. The Eigen value for the above factor 2 was 6.798 and the percentage variance was 8.945. It could be concluded that the perception level concerning with factor 2, is that investors if believe that the good performance will continue because investors rely on past performance do some research in the past performance investment activities. We are predictive skill for investment decision making in feel angry most dislike the bad financial soundness so the investors have positive feeling about the investment.
- Factors with higher positive loadings on factor 3 are categorized and termed as “External Information”. The Eigen value for the above factor 3 was 5.176 and the percentage variance was 6.811. It could be concluded that the perception level concerning with factor 3, is that above external information support to the investors preferred more than one investment avenues.
- Factors with higher positive loadings on factor 4 are categorized and termed as “Gamblers Fallacy”. The Eigen value for the above factor 4 was 3.760 and the percentage variance was 4.948. It could be concluded that the perception level concerning with factor 4, is that investors able to adopt a new investment avenues mind is frequently selected if often it difficult to select the investment for other person view point and also prefer to invest in investment avenues from different investment avenues so can diversify the risk.
- The factors with higher positive loadings on factor 5 are categorized and termed as “Loss Aversion”. The Eigen value for the above factor 5 was 3.239 and the percentage variance was 4.948. It could be concluded that the perception level concerning with factor 5, is that investors like the good terms of financial soundness and more of concerned about a large loss investment tent to treat each element of many investment profit on separately.
- The factors with higher positive loadings on factor 6 are categorized and termed as “Regret Aversion”. The Eigen value for the above factor 6 was 6.798 and the percentage variance was 8.945. It could be concluded that the perception level concerning with factor 6, is that investors has dislike the good enough of long term financial soundness, history of boor earnings, ready to explode and tempered.
- The factors with higher positive loadings on factor 7 are categorized and termed as “Mental Accounting”. The Eigen value for the above factor 7 was 2.407 and the percentage variance was 3.167. It could be concluded that the perception level concerning with factor 7, is that investors study about the market fundamental analysis if which investment as higher stable income as compared to others investment avenues so investors have properly demonstrated by the particular investment cash flow.
- The factors with higher positive loadings on factor 8 are categorized and termed as “over confidence”. The Eigen

value for the above factor 8 was 2.248 and the percentage variance was 2.958. It could be concluded that the perception level concerning with factor 8, is that investors confident about ability to do better than other picking investment avenues and not increase my poor investment performance.

The factors with higher positive loadings on factor 9 are categorized and termed as “Herding”. The Eigen value for the above factor 9 was 6.798 and the percentage variance was 8.945. It could be concluded that the perception level concerning with factor 9, investors feel more sorrow about holding losing amount to log than about selecting winning start soon.

The factors with higher positive loadings on factor 10 are categorized and termed as “Self-Confidence”. The Eigen value for the above factor 10 was 1.790 and the percentage variance was 2.355. It could be concluded that the perception level concerning with factor 10, is that investors if believe that the skill and knowledge of the investments is support to the actively involved in investment activities feel nervous the loss have in invested in selected investment.

#### ***Small individual investors’ behavioural variables with higher factor loadings in the factor rotation***

‘Plan to increase investment in future’ with a factor loading of .725, ‘believe good with a factor loading of .839’, ‘experience of investment under my considerations for in my investment’ with a factor lading of .745, ‘other investors’ decisions of buying and selecting the investment have impact on my investment decisions’ with a factor loading of .912, ‘experienced investors’ with a factor loading of .767, ‘tried to avoid to investing in investments with a history of poor earnings’ with a factor loading of .793, ‘I study about the market fundamental of underlying before making an investment decisions’ with a factor loading of .925, ‘I am confident of my ability to do better than other in picking investment’ with a factor loading of .761, ‘feel more sorrow about holding losing amount to long than about selecting winning start soon’ with a factor loading of .760 and ‘I am actively involved in investment activity’ with a factor loading of .883 were found ladings under F1 to F10. Therefore, those identified 10 behavioural variable which influencing small individual investors.

#### ***Investment performance***

The table exhibits the rotated factor loadings for the 3 statements of respondents’ returns on preferred variance investment avenues. Hence there were a highly negative loading; some 1 factor was neglected by the factor matrix. It is clear from table that all the 3 statements have been extracted in the 1 factors namely F1 the new name is return.

***Varimax solutions:*** the factors with higher positive loadings on factor 1 are categorized and termed as “Return”. The Eigen value for the above factor 1 was 35.472 and the percentage variance was 41.516%. It could be concluded that the perception level concerning with factor 1, the rate return is must to the individual investors feel satisfied with my investment decisions in the loss choosing investment and deciding the investment amount.

**Small individual investors' investment performance with higher factor loadings in the factor rotation:** 'my rate of return is equal to or higher than the rate of return of the investment' with a factor loading of .835, were found loading under F1. Therefore, those identified one investment performance impact level of small individual investors.

#### **Suggestions and Future Research Scope**

The findings of this study, based on the recommendations of small individual investors who preferred more than one investment products are offered as well as investment service provider. The study's findings are based on small individual investors in the stock market, mutual funds, life insurance, such as investments in the more money brokers based on the recommendation of the low experience of the investment carried out and representativeness, anchoring, external information, overconfidence, gambler's fallacy, loss aversion, regret aversion, Mendel accounting, herding, emotional self-intelligence behavioural factors such as the investment of more than one small individual investors to invest in the most heavily impacted. All of these behavioural factors also impact investment activity and capability. The stock market, mutual funds, life insurance investment avenues are as difficult to weld together the small individual investors. The above mentioned factors influences the behavior of investment is very high. Therefore, small individual investors in the future more than one investment patterns option is selected when the brokers of the recommendation on the basis of investment products unless you choose the right investment strategy and investment patterns should choose and representativeness, anchoring, external information, overconfidence, gamblers fallacy, loss aversion, regret aversion, Mendel accounting, herding, emotional self-intelligence behavioural factors such as small individual investors, investment of more than one controller, the study recommends that the need to get more profit.

#### **CONCLUSION**

Behavioural finance is a field of finance that proposes psychology-based theories to explain stock market anomalies. Within behavioural finance, it is assumed that the information structure and the characteristics of market participants systematically influence individual's investment decisions as well as market outcomes.

#### **How to cite this article:**

Shunmugathangam, P.2017, Behavioural Factors Influencing In Small Individual Investors in Tirunelveli District. *Int J Recent Sci Res.* 8(9), pp. 20062-20067. DOI: <http://dx.doi.org/10.24327/ijrsr.2017.0809.0818>

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Behavioural factors influencing to prefer more than one investment avenues in small individual investors is a significant topic within the behavioural finance literature is the notion of behavioural factors influencing pertaining to novice small individual investors. There are a substantial number of behavioural factors that influence an investors preferred more than one investment avenues.

#### **Acknowledgement**

I would like to express my deep and sincere gratitude to my research supervisor Dr. E. Raja Justes, Professor, Department of Management Studies (Finance), Manonmaniam Sundaranar University, Tirunelveli for giving me an opportunity to do research and for providing valuable guidance throughout this research work.

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