
AN ENQUIRY INTO THE BEHAVIOUR OF INDIVIDUAL INVESTORS IN STOCK MARKET

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Abstract

Behavioural finance has emerged as a new concept in the research area in recent times. Within this framework many countries in the world take effective steps to develop the Capital Market to achieve good economic growth. We have made a study to enquire the effect of Awareness and Perceived Risk Attitude on the Investment Behaviour in Stock Market. Using several statistical and econometrics tools and techniques such as descriptive statistics, Cronbach Alpha, Factor Analysis, Correlation Coefficient and Probit Regression Model by SPSS and Stata Softwares for analyzing the primary data that have been collected from 500 randomly selected individual Stock Market investors from different districts of West Bengal through a structured questionnaire on 5 point Likert scale in appropriate areas the study has found that there has significant effect of Awareness and Perceived Risk Attitude on Investment Behaviour of individual investors of Stock Market as the different components of Awareness and Perceived Risk Attitude has significant impact on the different components of Investment Behaviour of individual investors of Stock Market. The individual investors rely more on Financial Awareness in comparison to Social Learning. The Perceived Risk Attitudes of individual investors is mainly based on Cognition component of Perceived Risk Attitude in comparison to Affect component of Perceived Risk Attitude.

Keywords: *Stock Market, Behavioural Finance, Awareness and Perceived Risk Attitude.*

JEL classification: *G1, G02*

1. BACKGROUND OF THE STUDY

Investment is the employment of funds on assets with the aim of earning income or capital appreciation. It has two attributes namely time and risk. Present consumption is sacrificed to get a return in the future. The sacrifice that has to be borne is certain but the return in the future may be uncertain. This attribute of investment indicates the risk factor. The risk is undertaken with a view to reap some return from the investment.

Behavioral finance has emerged as a new concept in the research area in recent times. Within this framework many countries in the world take effective steps to develop the capital market to achieve good economic growth. Under this concept, it is presumed that information structure and characteristics of capital market participants (individual/ retail investors) systematically influence their own decisions as well as market outcomes.

In conventional financial theory, investors are assumed to be rational wealth-maximisers, following basic financial rules and on the basis of their investment strategies purely on the risk-return consideration they generally take their investment decision. Traditional economic theory assumes that people are rational agents who make decisions objectively to take advantage of the opportunities available to them. Investors also think of themselves as rational and logical. But at the time of investment investors' emotional inclinations, ingrained thought patterns, psychological biases, and other factors may affect their investment behaviour. ***In this backdrop, our present study attempts to enquire the impact of Awareness and Perceived Risk Attitude on the Investment Behaviour in Stock Market.*** The rest of the study is organized into four sub sections. Section 2 discusses review of some related literature to find out research gaps; section 3 discusses the data and methodology used in the study i.e. the research design; while section 4 presents the analysis and interpretation of the study; and finally, section 5 summarizes the result and concludes the study.

2. AN OVERVIEW OF THE EXISTING LITERATURE

This section highlights the intricacy in the relationship among Awareness and Perceived Risk Attitude and Investment Behaviour by making a survey of selected previous studies. Al-Tamimi and Al Anood Bin Kalli (2009)¹ have examined the financial literacy level of UAE individual investors and the factors that influence their investment decision and they find that the financial literacy is far from the needed level. The UAE investors are more knowledgeable about the benefits of diversification while they are least knowledgeable about the type of UAE financial markets indices. The financial literacy level is found to be affected by income level, education level, and workplace activity. A significant difference in the level of financial literacy is found as well between the respondents according to their gender. Specifically, women have a lower level of financial literacy than men. The top four most influencing factors on investment decision are religious reasons, reputation of the firm, perceived ethics of the firm, and diversification purpose, whereas the least four influencing factors are rumours, family member opinions, ease of obtaining borrowed funds, and friend recommendations. Financial literacy affects significantly the investment decisions of the individual investors. Specifically, financial literacy has a negative effect on each of the five categories that affect the investment decision, with the exception of the accounting information category. The effect of financial literacy on the accounting information category was positive but statistically insignificant. Kabra, et, al.(2010)² have made a research work to study the factors that influenced the investment risk tolerance and decision making

process on the basis of gender and age, taking 196 investors working in the government and private sectors in India. Regression analysis and Factor analysis are used as statistical method. They have concluded that the investor's age and gender affect their risk taking capacity. Patidar (2010)³ intends to analyse the behaviour, attitude of investors towards stock market and also to study the decision process of investors of Dhar district of Madhya Pradesh in India during the month of April to July, 2010. The sample size for this survey is 80. They find that as per the age-wise classification, the investors in the age group of below 35 years are actively participating in the speculation trade and the age group above 55 hesitate to take risk and are not at all interested in the share market. Professional people are not interested to invest their money in the share market. Investors falling under income group below Rs.20, 000 show more interest in investing their earnings into the share market. Mostly, investors are investing their money through share brokers. Jagtap and Malpani (2011)⁴ have intended to identify the major factors that affect retail investors' decision before investing in an equity market, the sources of information that affect investors' decision before investing in a capital market, and also to help retail investor for generating profit against influencing factors like psychological, social, economical and political factors. They find performance of company, nature of industry, company's global exposure highly affect investors' decision while investing in equity market. Factors like newspapers, television, annual report published by company's itself and internet highly affect investors' decision but some investors' also rely on brokers' advice before investing in equity market. Psychological, social, economical and political factors relatively affect each other & these factors also affect investor's decision while investing in equity market. They conclude that none of the factor solely affects the investor decision but all factors are highly dependent on each other. Dharmaja, et al. (2012)⁵ have made a research work taking 200 investors in India to study the various factors influencing the investment behaviour of individual investors. They have used Mean score values, Chi-square test as statistical tools. They conclude that majority of the respondents are influenced by the accounting information of the companies and advocate recommendation is the least influencing group. They have also made some suggestions for further understanding of the investor behaviour. Jain and Mandot (2012)⁶ explore relationship between level of risk and demographic factors of investors' confined to Rajasthan state. On the basis of cross analysis by applying Correlation analysis they identify that most of the investors' primary objective of investment is to earn regular income and expected rate of return differs from individual to individual based on their level of market knowledge and risk taking ability. This paper further reveals that there is a negative correlation between marital status, gender, age, educational qualification and occupation of the investors and their risk taking ability. At the same time there is a positive correlation between income level and investment knowledge of the investors with their risk taking ability. They also say that there is no relation between city and risk taking ability. Elankumaran and Ananth (2013)⁷ have investigated on 525 respondents using descriptive analysis, cronbach alpha method, multivariate analysis called principal component method of factor analysis with varimax rotation to identify the major factors those have greater influence on the behavior of commodity market investors and also to evaluate the investors' perception about extent of influence of each major factor on behaviour of investors towards commodity market. There are multiple factors that have greater influence on the behaviour of commodity market investors in India. According to them the main factors that have such greater influence are: information asymmetry, objective knowledge, high return and low risk. The extent of influence of all these four factors on the commodity market

investors' behaviour is found to be significant with 95 per cent confidence level. Rakesh (2014)⁸ aim to understand the behaviour of individual investor in stock market, specifically their attitude and perception in respect of the stock market. He also attempts to find the factors affecting the investment behaviour of individual investors such as their awareness level and duration of investment. The study reveals that the respondents assimilate the objectives of saving, the factors influencing the saving and the sources of information for decision making. The annual income and the annual saving are given importance by the respondents, because the level of income decides the level of savings. The investors are fully aware about the stock market and they feel that market movements affect the investment pattern of investors in the stock market. Lodhi (2014)⁹ has made a study to examine the impact of financial literacy, accounting information, openness to experience and information asymmetry on individual investors' decision making through the empirical research of the people living in Karachi city. He says that financial literacy and risk taking are in positive correlation which proves that the financial literacy of a person increases his risk taking capability. He also finds that as investors' experience will increase he will invest in less risky instruments; it may be fixed deposits or high pay dividend stocks. Study also proves statistically that accounting information and risk aversion are in direct relationship that is along with experience, as person's accounting information increases he prefers to invest in less risky investments. It may be investor accepts to get lower but is not ready to suffer huge loss. Usually old age people or the retired people are found with this concept. Survey statistics show high response who say that information asymmetry leads to adverse selection of investments. To overcome this problem, hypothesis is tested and results indicate that information asymmetry can be lower by analyzing more and more financial statements. The more and detail, investor will study the financial statements of the desired company; better will be his investment decision. Analysis of relation between age and preference investment in shares shows that both are in positive relation but not perfectly positive. As the age of an investor increases he may prefer to invest in shares but it's not necessary that he invested in shares with the intension of getting the capital gain, as stated above that old citizens are risk averse so they can chose stocks as their preferred investments because of high dividend payout. In the end it is concluded that financial literacy and accounting information helps investors in lowering information asymmetry and allows investors to invest in risky instruments. But as age and experience increase investors preference changes to less risky investments, it does not mean that investors do not prefer to invest in shares, they do that with the intension of getting dividend return rather than capital gain.

From the literature review it is observed that a good number of studies have been made to determine the factors influencing investment behaviour. Undoubtedly, the above mentioned research studies have a great contribution in this field. But the output of a research work depends on various important factors like choice of countries, variable selection, the time period studied, methodology used, etc. It is difficult to generalize the results because each market is unique in terms of its own rules, regulations, and type of investors. For instance the work of Dharmaja, Ganesh and Santhi (2012) has been conducted for a period of 50 days and a sample size of only 200 investors was taken for the study. The study of Jagongo and Mutswenje (2014) has been conducted on the 42 investors. Arnott and Chevas (2012) have used only demographic factor as independent variable. Ngoc (2014) uses only two components of heuristics dimensions. The present study under the title "An enquiry into the behaviour of individual investors in Stock Market." is an endeavour to overcome these limitations through the empirical analysis to come to

a valid conclusion.

3. Objectives of the Study

Given the background previously provided, the principal objective of the present study is to enquire into the effect of Awareness and Perceived Risk Attitude on Investment Behaviour in Stock Market. The principal objective can be decomposed into the following specific objectives:

- i. To examine how investor Awareness affects Investment Behaviour in Stock Market.
- ii. To explore the effect of investor Perceived Risk Attitude on Investment Behaviour in Stock Market.

4. Hypotheses of the Study

The principal objective of the present study is to enquire into the effect of Awareness and Perceived Risk Attitude on Investment Behaviour in Stock Market. For this purpose our independent variables are Awareness, Perceived Risk Attitude and at the same time the dependent variable is Investment Behaviour in Stock Market.

Hypothesis – I:

H₀: Awareness does not affect Investment Behaviour in Stock Market.

H₁: H₀ is not true.

Hypothesis – II:

H₀: There is no the effect of Perceived Risk Attitude on Investment Behaviour in Stock Market.

H₁: H₀ is not true.

5. RESEARCH DESIGN AND METHODOLOGY

5.1. Variables under Study

In the present study the Awareness and Perceived Risk Attitude are consider as independent variables and Investment Behaviour is consider as dependent variable.

5.1.1. Awareness

Awareness refers to the consciousness about a given aspect. There are two components of Awareness namely Social Learning and Financial Awareness.

5.1.2. Perceived Risk Attitude

Perceptions encompass psychological and emotional aspects, which subsequently guide judgment and decision making. There are two components of Perceived Risk Attitude namely affect and cognition. Affect is the emotional component whereas cognition is the mental process involved in gaining knowledge and comprehension including thinking, knowing, remembering, judging and problem solving.

5.1.3. Investment Behaviour

According to Gerald Appel (2006), investor behaviour is one that an investor displays in searching for purchasing, using, evaluating, and disposing of goods, services, ideas, or experience to satisfy their needs and desires. Individual investor behaviour is influenced by four types of biases such as heuristics biases, prospect biases, market biases and herding biases.

5.2. Sample Design and Methodology

The study is mainly based on primary data that have been collected from 500 randomly selected individual Stock Market investors from different districts of West Bengal through a structured questionnaire using 5 point Likert scales ranging from strongly disagree to strongly agree in appropriate areas. For this study we have collected the required data during September, 2014 to August, 2016. With a view to accomplish the pre-determined set of objectives of the study we have used several statistical and econometrics tools and techniques such as Descriptive Statistics, Cronbach Alpha, Factor Analysis, Correlation Coefficient and Probit Regression Model using SPSS and Stata Softwares for analyzing the data.

6. ANALYSIS AND FINDINGS OF THE STUDY

This chapter contains the presentation of results and interpretation of the findings of the results of Cronbach's alpha test for measurement of reliability, factor analysis to know the relative importance of the factors included in the variables namely Awareness and Perceived Risk Attitude, correlation coefficient among the variables as well as regression analysis through Probit model in relation to the objectives of our study.

6.1. Findings of reliability test

The result of the reliability test or internal consistency test by Cronbach alpha shows that the value of alpha for Awareness is 0.780, for Perceived Risk Attitude is 0.660 and for investment behaviour is 0.712. Many statisticians believe that it can be acceptable if the Cronbach's alpha is over 0.6 (Shelby, 2011, p.143). So we can say that the scale is reliable as values of Cronbach alpha is more than 0.6 in all the cases.

6.2. Findings of Factor Analysis

From the table we can see that in case of financial awareness the Eigen value is 4.71, KMO is .746 (sig. is 0.000), percentage of total variance explained is 58.87% and most of the factors loading are more than 0.5 except. So, we can say that all the factors have relative importance. Important factors of financial awareness that may affect awareness are, whether they have trouble paying attention to the information on the stock market (.830), whether they are somewhat knowledgeable of stock market activities (.775), Stock exchange often holds educational programmes to sensitize the public on a quarterly basis (.580), whether they easily access the latest reports, prospectus and financial statements of any company on the stock exchange annually (.564), whether they usually attend seminars, conferences & workshops hosted by stock exchange at least 3 times a year (.537), Companies listed on the stock exchange publish financial statements more frequently (every 3 months) (.514), whether they clearly understand the role of brokerage firms in listing on stock exchange (.508) and Stock exchanges give reports on corporate developments of various companies listed on a timely basis (.401).

From the table we can see that in case of social learning the Eigen value is 3.14, KMO is .612 (sig. is 0.000), percentage of total variance explained is 52.30% and most of the factors loading are more than 0.5. So, we can say that all the factors have relative importance. Important factors of social learning that may affect awareness are, whether they usually follow the stock market through Financial news on TV at least twice a week (.690), whether they usually visit the stock exchange website (at least every 3 months) (.627), whether they always have trust when trading on stock market (.561), whether they usually follow the stock market through financial news papers every week (.501), When seeking financial advice, whether they deal with licensed brokers, intermediaries or financial services companies (.395) and whether their peers influence their participation on the Stock Market (.364).

From the analysis we can say that individual investors of the study areas rely more on financial awareness in comparison to social learning.

From the table we can see that in case of affect component of Perceived Risk Attitude, the Eigen value is 5.206, KMO is .525 (sig. is 0.000), percentage of total variance explained is 65.08% and all the factors loading are more than 0.5. So we can say that all the factors have relative importance. Important factors of affect that may affect Perceived Risk Attitude are, whether they usually have a fear to invest in stocks that have exhibited a sure gain (.761), whether they are cautious about stocks which show sudden changes in price or trading activity (.729), whether they feel that the idea of participating in a buy/sell on the stock market is appealing (.700), whether they usually have worry investing in stocks that have had a past negative performance in trading (.694), whether they are usually at ease with the stock trading system on stock exchange (.694), whether they feel regret of a drop in the price of a stock that they have purchased (.626) and whether they are always attracted to invest in stock (.600).

From the table we can see that in case of cognition component of Perceived Risk Attitude the Eigen value is 4.14, KMO is .599 (sig. is 0.000), percentage of total variance explained is 69.00% and all the factors loading are more than 0.5. So we can say that all the factors have relative importance. Important factors of cognition that may affect perceived risk attitude are whether they are hopeful when undertaking investment in stocks that have exhibited a sure loss (.986), whether they can easily ascertain the expertise of the brokers offering service (.706), whether they usually consider the credibility of brokerage firms that provide the financial services (.673), whether their investment in stocks is largely based on investment knowledge, experiences and education (.636), whether they can easily tell the reputation of brokerage firms staffing service (.626) and whether it is always easy to determine the credibility of the stock market (.513).

From the analysis we can say that the Perceived Risk Attitude of individual investors of the study areas is mainly based on cognition in comparison to affect.

6.3. Findings of relationship between the variables by using Correlation Coefficient

From the analysis of the relationship of Awareness and the factors of different dimensions of Investment Behaviour we can see that in case of social learning on Heuristics dimension social learning has significant relationship with all the factors such as representativeness, over confidence, anchoring, availability bias and gamblers' fallacy. On Prospects dimension social learning has significant relationship with regret aversion and mental accounting only. On Market dimension social learning has significant relationship with price changes, market information,

past trend of stocks and companies' customer preference only. On Herding dimension social learning has significant relationship with buying and selling pattern and choosing stock type only. In case of financial awareness on Heuristics dimension financial awareness has significant relationship with representativeness, anchoring, availability bias and gamblers' fallacy only. On Prospects dimension financial awareness has significant relationship with all the factors such as loss aversion, regret aversion and mental accounting. On Market dimension financial awareness has significant relationship with all the factors such as price changes, over reaction, market information, past trend of stocks, companies' customer preference and fundamentals of underlying stocks. On Herding dimension financial awareness has significant relationship with buying and selling pattern, stock volume and speed of herding only. (Table 6.3.5.-6.3.8.)

From the analysis of the relationship of Perceived Risk Attitude and the factors of different dimensions of Investment Behaviour we can see that in case of affect component of Perceived Risk Attitude, on Heuristics dimension affect has significant relationship with representativeness, over confidence, availability bias and gamblers' fallacy only. On Prospects dimension affect has significant relationship with regret aversion and mental accounting only. On Market dimension affect has significant relationship with all the factors such as price changes, over reaction, market information, past trend of stocks, companies' customer preference and fundamentals of underlying stocks. On Herding dimension affect has significant relationship with choosing stock type only. In case of cognition component of Perceived Risk Attitude on Heuristics dimension it has significant relationship with all the factors such as representativeness, over confidence, anchoring, availability bias and gamblers' fallacy. On Prospects dimension cognition has significant relationship with regret aversion and mental accounting only. On Market dimension cognition component of Perceived Risk Attitude has significant relationship with price changes, over reaction and past trend of stocks only. On herding dimension cognition component of Perceived Risk Attitude has no significant relationship. (Table 6.3.9.-6.3.12.)

6.4. Findings of effect of Awareness and Perceived Risk Attitude on investment behaviour by using Probit Model

From The result of the analysis of effect of Awareness on Investment Behaviour of individual Stock Market investor we can say that Social Learning has significant effect on Heuristics dimension ($P > Z = 0$), Prospects dimension ($P > Z = 0.094$) and Market dimension ($P > Z = 0.072$). Financial Awareness has significant effect on Market dimension ($P > Z = 0.024$) and Herding dimension ($P > Z = 0.007$). From the result we can also say that if social learning increases heuristics dimension increases by 96.73%, Prospects dimension increases by 42.52%, Market dimension increases by 65.45% and herding dimension decreases by 17.55%. If Financial Awareness increases, Market dimension increases by 52.47% and Herding dimension increases by 50.46%. (Table 6.4.1-6.4.4.)

Result of the analysis of effect of Perceived Risk Attitude on investment behaviour of individual Stock Market investor indicates that Affect component of Perceived Risk Attitude has significant effect on Heuristics dimension ($P > Z = 0$), Market dimension ($P > Z = 0$) and on Herding dimension ($P > Z = 0.031$). Result also indicates that Cognition component of Perceived Risk Attitude has significant effect on Heuristics dimension ($P > Z = 0$) and on Herding dimension ($P > Z = 0.007$). From the result we can also say that if Affect component of Perceived Risk Attitude increases Heuristics dimension increases by 116.83%, Market dimension increases by 183.38% and

Herding dimension decreases by 61.57%. If Cognition component of Perceived Risk Attitude increases Heuristics dimension increases by 113.72% and Herding dimension increases by 58.91%. (Table 6.4.1-6.4.4.)

7. SUMMARY AND CONCLUSION

In this study, the effect of Awareness and Perceived Risk Attitude on Investment Behaviour in Stock Market is investigated in the context of the individual investors of West Bengal in India. In the study we have applied different statistical and econometrics tools and techniques like Descriptive Statistics, Cronbach Alpha, Factor Analysis, Correlation Coefficient and Probit Regression Model in appropriate areas to analyse the primary data that have been collected from 500 individual Stock Market investors using a structured questionnaire.

7.1. Summary of Awareness.

From the result of the Descriptive statistics like Percentage, Graphical presentation of Awareness of the individual investors of Stock Market we can say that individual investors rely more on Financial Awareness in comparison to Social Learning.

From the result of the Probit regression analysis we can say that in case of affect of Awareness on Investment Behaviour in Stock Market of individual investor in West Bengal, Social Learning has significant effect on Heuristics dimension, Prospects dimension and Markets dimension as when Social Learning changes Representativeness, Over Confidence, Anchoring, Availability Bias and Gambler's Fallacy, Consideration of Price Changes, Market Information, Past Trends of Stocks, Companies' Customer Preferences and Fundamentals of Underlying Stocks changes in the same direction when Regret Aversion changes in the opposite direction. Financial Awareness has significant effect on Markets dimension and Herding dimension as financially aware individual investors consider every component of Markets dimensions and every components of Herding dimension carefully before taking decision to make investment in Stock Market. From the result we can also say that if Social Learning increases Heuristics dimension increases, Prospects dimension increases, Markets dimension increases and Herding dimension decreases. If Financial Awareness increases, Market dimension increases and Herding dimension increases.

So, in line with the earlier findings made by Maditinos, Sevic and Theriou (2007), Ravichandran (2008), Al-Tamimi and Al Anood Bin Kalli (2009), Patidar (2010), Jagtap and Malpani (2011), Paul and Bajaj (2012), Dharmaja, et al. (2012), Rakesh (2014) and Lodhi (2014) the findings of this study reveal that there is significant effect of Awareness on Investment Behaviour of individual Stock Market investor.

7.2. Summary of Perceived Risk Attitude.

Descriptive statistics like Percentage, Graphical presentation of the Perceived Risk Attitude of the individual investors of Stock Market shows that the Perceived Risk Attitude of individual investors of the study areas is mainly based on Cognition component of Perceived Risk Attitude in comparison to Affect component of Perceived Risk Attitude that means their Perceived Risk Attitude is based on mental process involved in gaining knowledge and comprehension including thinking, knowing, remembering, judging and problem solving rather than emotional component

of an attitude that refers to an individual's feeling about something or someone.

The earlier findings made by Ravichandran (2008), Deck et al. (2009), Lutfi (2010), Suman and Warne (2012), Benett, Selvam, Indumathi, Ramkumar and Karpagam (2011), Babajide and Adetiloye (2012), Salimov (2012), Wamae (2013) reveal that there is significant effect of Perceived Risk Attitude on Investment Behaviour of individual Stock Market investor. The Result of the Probit regression analysis of our study also indicates that in case of in case of affect of perceived risk attitude on Investment Behaviour in Stock Market of individual investor in West Bengal, Affect component of Perceived Risk Attitude has significant effect on Heuristics dimension, Market dimensions and on Herding dimension. Cognition component of Perceived Risk Attitude has significant effect on Heuristics dimension and on Herding dimension. From the result we can also say that if Affect component of Perceived Risk Attitude increases Heuristics dimension increases, Markets dimension increases and Herding dimension decreases as then Perceived Risk Attitude of the individual investors of Stock Market mainly guided by the emotional component of an attitude. If Cognition component of Perceived Risk Attitude increases Heuristics dimension increases and Herding dimension increases as the process of gaining knowledge and comprehension including thinking, knowing, remembering, judging and problem solving increases in the Perceived Risk Attitude of the individual investors of Stock Market.

The result of the study is interesting and useful to guide portfolio allocation decisions, both by helping us to understand the kinds of errors that investors tend to make in managing their portfolios, and also by allowing us to understand better how to locate profit opportunities for investment managers. Moreover understanding the psychological foundation of human behaviour in financial markets facilitates the formulation of macroeconomic policy.

7.3. Conclusion

The study concludes that the awareness levels of the individual investors are on moderate level and they rely more on Financial Awareness in comparison to Social Learning. The Perceived Risk Attitudes of individual investors are in a good position and it is mainly based on Cognition component of Perceived Risk Attitude in comparison to Affect component of Perceived Risk Attitude that means their Perceived Risk Attitude is based on mental process involved in gaining knowledge and comprehension including thinking, knowing, remembering, judging and problem solving rather than emotional component of an attitude that refers to an individual's feeling about something or someone. Heuristics dimension, Prospects dimension and Markets dimension are strong in the Stock Market whereas Herding dimension are not so strong in the Stock Market. There is a significant effect of Demographic Factors, Awareness and Perceived Risk Attitude on Investment Behaviour of individual Stock Market investors as the different components of Awareness and Perceived Risk Attitude has significant effect on the different components of Investment Behaviour of individual Stock Market investors.

There should be improvement in the awareness of Stock Market activities to the individual investors of Stock Market. They should be made financially more aware and Social Learning also has to be improved. There is an urgent need of holding more awareness programs, conferences and seminars which should be distributed evenly to all districts rather than centralized in some well known cities only. It will also help to reduce the biasness in the trading on the Stock Market.

The study would help different interested parties to take care of the factors influencing the behaviour for proper planning and decision making. This study suggests some future research to enhance our understanding about the effect of Awareness and Perceived Risk Attitude on the Investment Behaviour of individual investors. Further research studies could either eliminate some of the limitations or expand the scope of investigation in this study. The possible extension of this study is to consider the institutional investors also besides the individual investor, the use of larger sample size and the more diversified respondents. But these are beyond the aim of this present study. These are left for further research.

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Table 6.2.1. Factor Analysis of Awareness

Awareness	Financial Awareness	Social Learning
FA1: I am somewhat knowledgeable of stock market activities.	.775	
FA2: I clearly understand the role of brokerage firms in listing on stock exchange.	.508	
FA3: I easily access the latest reports, prospectus and financial statements of any company on the stock exchange annually.	.564	
FA4: I usually attend seminars, conferences & workshops hosted by stock exchange at least 3 times a year.	.537	
FA5: Stock exchange often holds educational programmes to sensitize the public on a quarterly basis.	.580	
FA6: Companies listed on the stock exchange publish financial statements more frequently (every 3 months).	.514	
FA7: Stock exchanges give reports on corporate developments of various companies listed on a timely basis	.401	
FA8: I have trouble paying attention to the information on the stock market.	.830	
SL1: I usually follow the stock market through Financial news on TV at least twice a week.		.690
SL2: I usually follow the stock market through financial news papers every week.		.501
SL3: I always have trust when trading on stock market.		.561
SL4: I usually visit the stock exchange website (at least every 3 months).		.627
SL5: My peers influence my participation on the Stock Market		.364
SL6: When seeking financial advice, I deal with licensed brokers, intermediaries or financial services companies		.395
Eigen Value	4.71	3.14
Variance%	58.87	52.30
KMO	.746	.612
Sig	.000	.000

Table 6.2.2. Factor Analysis of Perceived Risk Attitude

Perceived Risk Attitude	Affective	Cognitive
A1: I usually have a fear to invest in stocks that have exhibited a sure gain.	.761	
A2: I am cautious about stocks which show sudden changes in price or trading activity.	.729	
A3: I usually have worry investing in stocks that have had a past negative performance in trading.	.694	
A4: I am always attracted to invest in Stocks.	.600	
A5: I feel that the idea of participating in a buy/sell on the stock market is appealing.	.700	
A6: I am usually at ease with the stock trading system on stock exchange.	.694	
A8: I feel regret of a drop in the price of a stock I have purchased.	.626	
C1: I am hopeful when undertaking investment in stocks that have exhibited a sure loss.		.986
C2: My investment in stocks is largely based on investment knowledge, experiences and education.		.636
C3: I usually consider the credibility of brokerage firms that provide the financial services.		.673
C4: I can easily ascertain the expertise of the brokers offering service.		.706
C5: It is always easy to determine the credibility of the stock market.		.513
C6: I can easily tell the reputation of brokerage firms staffing service.		.626
Eigen Value	5.206	4.14
Variance%	65.08	69.00
KMO	.525	.599
Sig	.000	.000

Table 6.3.5. - association between Awareness and Investment Behaviour component- wise

Awareness	Investment Behaviour				
	Heuristics				
	Representativeness	Overconfidence	Anchoring	Availability Bias	Gambler's Fallacy
Social Learning	0.2002**	0.2218**	0.2466**	0.1521**	0.2015**
Financial Awareness	0.3145**	0.0651	0.4306**	0.1266**	0.0993*

** - AT 1% (0.10), * - AT 5% (0.07)

Table 6.3.6. - association between Awareness and Investment Behaviour component- wise contd..

Awareness	Investment Behaviour		
	Prospects		
	Loss Aversion	Regret Aversion	Mental Accounting
Social Learning	(0.0559)	(0.1215)**	0.3989**
Financial Awareness	0.1813**	(0.1106)**	0.2610**

** - AT 1% (0.10), * - AT 5% (0.07)

Table 6.3.7. - association between Awareness and Investment Behaviour component- wise contd..

Awareness	Investment Behaviour					
	Markets					
	Price Changes	Over Reaction	Market Information	Past Trend of Stocks	Companies' Customer Preference	Fundamentals of underlying stocks
Social Learning	0.2470**	0.0553	0.3173**	0.3809**	0.1220**	0.0253
Financial Awareness	0.1224**	0.0925*	0.1516**	0.3453**	0.2461**	0.2933**

** - AT 1% (0.10), * - AT 5% (0.07)

Table 6.3.8. - association between Awareness and Investment Behaviour component- wise contd..

Awareness	Investment Behaviour			
	Herding			
	Buying and Selling	Choosing Stock Type	Stock Volume	Speed of Herding
Social Learning	0.0769*	0.0871*	0.0040	0.0113
Financial Awareness	0.0890*	0.0461	0.0846*	0.0967*

** - AT 1% (0.10), * - AT 5% (0.07)

Table 6.3.9. - association between Perceived Risk Attitude and Investment Behaviour component- wise

Perceived Risk Attitude	Investment Behaviour				
	Heuristics				
	Representativeness	Overconfidence	Anchoring	Availability Bias	Gamblers Fallacy
Affective	0.3093**	0.0965*	0.0155	0.3158**	0.1733**
Cognitive	0.0721*	0.3505**	0.3598**	0.2122**	0.2028**

** - AT 1% (0.10), * - AT 5% (0.07)

Table 6.3.10. - association between Perceived Risk Attitude and Investment Behaviour component- wise contd.....

Perceived Risk Attitude	Investment Behaviour		
	Prospects		
	Loss Aversion	Regret Aversion	Mental Accounting
Affective	0.0441	(0.0799)*	0.2682**
Cognitive	(0.0078)	(0.3041)**	0.3060**

** - AT 1% (0.10), * - AT 5% (0.07)

Table 6.3.11. - association between Perceived Risk Attitude and Investment Behaviour component- wise contd.....

Perceived Risk Attitude	Investment Behaviour					
	Markets					
	Price Changes	Over Reaction	Market Information	Past Trend of Stocks	Companies' Customer Preference	Fundamentals of underlying stocks
Affective	0.1610**	0.1868**	0.4117**	0.3569**	0.1559**	0.1444**
Cognitive	0.1874**	0.0716*	0.0658	0.2236**	0.0453	(0.0131)

** - AT 1% (0.10), * - AT 5% (0.07)

Table 6.3.12. - association between Perceived Risk Attitude and Investment Behaviour component- wise contd.....

Perceived Risk Attitude	Investment Behaviour			
	Herding			
	Buying and Selling	Choosing Stock Type	Stock Volume	Speed of Herding
Affective	0.0111	0.0888*	0.0528	0.0599
Cognitive	0.0079	0.0553	0.0589	0.0387

** - AT 1% (0.10), * - AT 5% (0.07)

Table 6.4.1. effects of Awareness and Perceived Risk Attitude on Heuristics Dimension of Investment Behaviour

probit heu sol fia aff cog				
Probit regression		Number of obs	=	500
		LR chi2(10)	=	151.53
		Prob > chi2	=	0.0000
Log likelihood = -132.09084		Pseudo R2	=	0.3645
Heuristics	Coefficient	Std. Err.	z	P>z
Sol	0.9673	0.2636	3.67	0.000
Fia	-0.2867	0.2150	-1.33	0.182
Aff	1.1683	0.2879	4.06	0.000
Cog	1.1372	0.2076	5.48	0.000
_cons	-2.7287	0.6569	-4.15	0.000

Table 6.4.2. effects of Awareness and Perceived Risk Attitude on Prospects Dimension of Investment Behaviour

probit pros sol fia aff cog				
Probit regression		Number of obs	=	500
		LR chi2(10)	=	82.94
		Prob > chi2	=	0.0000
Log likelihood = -255.94484		Pseudo R2	=	0.1394
Prospects	Coefficient	Std. Err.	z	P>z
Sol	0.4252	0.2541	1.67	0.094
Fia	-0.1152	0.1538	-0.75	0.454
Aff	-0.0272	0.2749	-0.1	0.921
Cog	-0.1734	0.1863	-0.93	0.352
_cons	-0.7033	0.5005	-1.41	0.16

Table 6.4.3. effects of Awareness and Perceived Risk Attitude on Markets Dimension of Investment Behaviour

probit mkt sol fia aff cog				
Probit regression		Number of obs	=	500
		LR chi2(10)	=	202.01
		Prob > chi2	=	0.0000
Log likelihood = -94.078221		Pseudo R2	=	0.5178
Markets	Coefficient	Std. Err.	z	P>z
Sol	0.6545	0.3643	1.8	0.072
Fia	0.5247	0.2330	2.25	0.024
Aff	1.8338	0.3753	4.89	0.000
Cog	0.1044	0.3024	0.35	0.73
_cons	2.5305	0.9098	2.78	0.005

Table 6.4.4. effects of Awareness and Perceived Risk Attitude on Herding Dimension of Investment Behaviour

probit hrd age edu occ ay exp obj sol fia aff cog				
Probit regression		Number of obs	=	500
		LR chi2(10)	=	37.54
		Prob > chi2	=	0.0000
Log likelihood = -204.35397		Pseudo R2	=	0.0841
Herding	Coefficient	Std. Err.	z	P>z
Sol	-0.1755	0.2598	-0.68	0.499
Fia	0.5046	0.1867	2.7	0.007
Aff	-0.6157	0.2853	-2.16	0.031
Cog	0.5891	0.2178	2.7	0.007
_cons	0.5020	0.5456	0.92	0.357