

## Individual Investment Behavior of Young Investors in Stock Market

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### ABSTRACT

*This study is conducted on “Individual investment behavior of young investors in stock market”. This research is conducted in and around Dakshina Kannada and Udupi District. This research is all about the individual investors who lie between the age group of 20 to 35 years, and how they are investing in the stock market and analyze the young investor attitude towards investment. And also, they are really aware of investment options are available to them.*

*This study based on identifying the individual young investor’s behavior with identifying the most and least influencing factors. This research design is based on descriptive way. Here, the data were collected through the help of questionnaire. The sample size taken in this research was 100 wherein all the data were collected in and around Dakshina Kannada and Udupi district with the help of the designed questionnaire.*

*The main aim of this research was to understanding the behavior of young investors like how the perception of this investors towards the stock market and pattern of investment and also their preference and factors while investing in stock market, and also suggest them to better investments available in the stock market. Till now there is no research done so far on focused group of young investors between the age of twenty to 35 years. It is necessary to understand the investment pattern of these kinds of investors. And the behavior pattern is deferred from their attitude, age, income and wealth, gender, marital status, personality and educational attainment and also their level of financial knowledge and experience. Throughout my research what I found like the young investors are not taking more risk in investing in stock market if they did also they go for speculation that is quick return on investment and also sometimes they are not aware of available financial products for investment. The main thing is to they do not have patience to hold the stocks to a long run.*

**Keywords:** *behavior, investment, speculation, stock market*

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### INTRODUCTION

The Karvy group was formed in the year of 1983 at Hyderabad, India. KARVY is a legendary name in financial services, Karvy’s recognition stays defined by its mission to prosper, passion for professionalism, outstanding work ethics and customer centric values. The Karvy Group is a premier integrated financial

services provider, ranked among the top-5 in the country through its business segments. The Group services over 70 million individual investors in various capacities, and over 600 corporate houses provide investor services. Karvy Group established its presence through a wide network of over 450 branches, covering in excess of 400 cities and towns.

Karvy Consultants Ltd was founded in 1982 at Hyderabad. It was established by the group of a Hyderabad based practicing Chartered Accountants. It was started with a capital of Rs. 1, 50,000. Initially it was only offering taxation and auditing services. Later, it acts has the share transfer activities, registrar and subsequently into financial services and providing other services like investment Advisory Services, Financial product distribution, D-mat Services, Corporate Finance, and Insurance, etc.

Company has out of 160 cities it had 230 branch offices all over the India. The company every month adds 5 new offices to the company's always upward national network in corner of the country. The company service up to sixteen million individual investors, handle corporate disbursements and 180 corporate that exceed Rs. 2500 Crores.

Karvy Computershare is the market leader servicing and largest registrar over 70 million accounts of depositors are spread over 900 issuers including banks, PSUs and mutual capitals. With experienced professionals of over 2500 workforce drawn from various restraints, Karvy Computershare consumes developed as a market leader in Investor Servicing in the country, by contribution its services through its network of 450 Branches plus 400 locations spread across the country. Headquartered in Hyderabad, India, Karvy Computer share Pvt. Ltd. It is Joint Venture of 50:50 between Karvy and Australia-based Computershare – the world's largest Transfer Agent.

## LITERATURE REVIEW

Through my research entitled to the numerous finding from the deferent researches relating to the individual

investment behavior towards the stock market investment.

- [1].Identifies individual investment behavior: A brief review of research, His finding was to understanding of and attitude to investment risk and also number of investment fund options [1].
- [2].Behavior pattern of individual investors in stock market. This research recognizes the behavioral factors influencing the investors that are by saying five behavioral factors that impact on the individual investors at the stock market [2].
- [3].Behavioral factors influencing individual investor's decision making and performance. The finding here to try to exploring the behavioral factors influencing individual investor's decisions and also the relationship between these factors and investment performance are examined [3].
- [4].Factors affecting investment behavior among young professionals. This paper tries to discovery out the aspects responsible for increased investing activities among young professionals. On the basis of age, income and gender by concluding that young investor's investment is independent of age, income and gender [4].
- [5].Relationship among financial literacy and Investment performance of salaried personalities. This research tries to find out the affiliation among financial literacy of salaried individuals and also their awareness regarding financial products. And also, the relationship among financial literacy and investment behavior of salaried individuals is studied in this research [5].
- [6].A survey of the features influencing investment results: The case of individual depositors at the NSE. The

objective of the study was to establish the features influencing investment results at the NSE and also estimated corporate earnings, past performance firms stock on how their upcoming policies and strategies as well as market outcomes [6].

### NEED FOR THE STUDY

Investing in stock market based on the two assumptions. As firstly, investors make rational decisions and secondly investors are impartial in their guesses about future returns of the stock. This analysis of individual investment behavior of young investors in stock market is attempted to know the profile and characteristics of investors and understanding the behavior of young investors like how the perception of this investors towards the stock market and pattern of investment and also their preference. The three golden rules for all investors are like invest early, invest regularly and investment for long term and not for short term.

Here, it is necessary to know that young investors should take advantage of their ability to take on risk by investing in the earlier age. Applying investing fundamentals early can It help lead to a superior portfolio later in life.

Objectives of the study:

- To study the young investors preferences towards various investment.
- To study the factor affecting investment behavior of young investors.
- To know their long term financial goals.
- To know the investment pattern of investors.

### PRIMARY DATA

In the initial step, we collected a record of young investors from the different

workstations and fixed schedules with them. The sample size taken in this research was 100 wherein all the data were collected in and around Udupi district with the help of the designed questionnaire.

### SECONDARY DATA

In secondary data, I have collect information from magazines, Newspapers and Internet.

### SAMPLING DESIGN

The targets respondents include all such young individual investors who must invested in different options available for investments and have some knowledge about the basic terminologies of the market that falls within the age of 20 to 35 years.

### DATA ANALYSIS AND INTERPRETATION

*Table 1. Responses of age and gender.*

Age	Gender		Total
	Male	Female	
20-25	31	13	44
26-30	14	7	21
31-35	32	3	35
Total	77	23	100

Out of 100 respondents 77% respondents are male and 23% are female in which maximum respondents who fall below the age group of 20–25 years because their risk tolerance level is high but comparing their investments, the age group of 31–35 they are more rational and familiar with equity market by taking high risk apatite so investing more in the stock market. The female investors are looking for safe investment principle so investing less. The mean for this age and gender are 1.91 and 1.23.

**Table 2.** Responses about the years of trading, education and stock broking which hold your shares.

Years of trading	No. of response	Education	No. of response	Broking company	No. of response
Less than 1 year	31	SSLC	2.0	Karvy stock broking	41
1-3 years	40	PUC	3.0	Way to wealth	13
3-5 years	12	Graduation	30.0	Angel stock broking	15
More than 5 years	17	Post-graduation	65.0	others (specify)	31

Out of 100 respondents, 31 percent of respondents are fall under the lees than 1 year of trading and 40 percent respondents are those who investing 1 to 3 years. And reaming 12 percent respondents are lies between 3 to 5 years and other 17 percent respondents are investing more than 5 years. Here, their education level also noted that most of investors that is 30 percent of the investors are graduates and 65 respondents are post graduates. While considering the Udupi district up to 41 percent of people having their d-mat account in Karvy stock broking and 31 percent of investors having account in deferent broking.

**Table 3.** Familiar with mobile application for trading.

Awareness about mobile app	Response
Yes	44
No	56

The broking institutions are proving the additional services like mobile applications in which it enables the helpful to investors the they can trade the shares without the help of brokers and also, they are feel like more familiar with the stock.

**Table 4.** Responses regarding income bracket and sources of fund utilize to invest

Income bracket	Response (%)	Sources of fund	Response (%)
Below Rs. 100000	59	Savings	99
Rs. 100000 and above	41	Loans	1
		Pledging	0

59 percent of respondents, who investing in stock market are who lies in the income bracket of less than of below Rs. 100000 and 41 percent respondents are 100000 and above income bracket. It is clear that from the above diagram up to maximum 99 percent of investors who utilize savings fund to invest in stock market and only some that is 1 percent of respondents are utilize loan and pledge to invest in the stock market.

**Table 5.** Response of techniques while investing in stock market.

Techniques while investing	Response (%)
Yes	32
No	68

From the above table it is quite clear that the people who use technique while investing in the stock market is 32 percent, some are specified that they use technical and fundamental analysis while investing in the stock market rather than media and

internet. And 68 percent respondents are depending on the broker’s advice and the

suggestions from the TV, Internet and experts.

**Table 6.** Response regarding kinds of stock trading and risk tolerance level of investors.

Kinds of stock	Response (%)	Risk tolerance level	Response (%)
Large cap	16	High risk and high return	47
Mid cap	32	Low risk and low return	53
Small cap	23		
Depends	29		

Here, up to 32% of the investors are investing in mid cap funds and the 23% are investing in small cap funds because the mid cap fund are comparatively risk free, stable and subject to moderate dividend return. In small cap funds the returns are very less, safe investment and less risky to the investors. So, the behavior of young investors also depends on risk tolerance level that only 47 percent of investors are taking high risk and higher return on depending on the market. But 53 percent of people are taking lower risk in investing and resulting for lower return.

International stocks	2.0
Gold ETF	6.0
Commodities	2.0
Mutual funds	20.0

Equity market it is one of the most vital area of market economy. It helps investors by potential to realize gains based on its future performance. So, 68 percent of young investors are more familiar with this market. Only 20 percent of the investors are investing in mutual funds and only few like 2 percent are in bonds and 2 percent are in commodities and other 6 percent in gold ETFs. It may some investors are not aware of other investments available in stock market.

**Table 7.** Response regarding investments which are familiar with investors.

Investments	Response (%)
Bonds	2.0
Equities	68.0

**Table 8.** Response concerning important factor while investing.

Factors	Response (%)
How quickly I will be able to increase my wealth	11
The opportunity for steady growth	42
The amount of monthly income the investment will generate	15
The safety of my Investment principle	32

Here, we can easily analyze that what factors that influence the young investor to invest. In which from the above table it’s quite clear that nearly 42 percent of investor who investing in a stock market are looking for steady growth and 32 percent are investing in safe principle. And

rest of the investors risk tolerance is very high so they are expecting immediate return, only 11 percent investors are looking for quickly increase their wealth and 15 percent responses are like they try to the amount of monthly income the investment will generate.

**Table 9. Responses of pattern of investing of investor**

Pattern of investment	Response (%)
Repeatedly invest or trade in same set of stocks	18
Invest or trade in variety of stocks	40
Depends on the other factors	42

The table reveals that the on an average 42 percent of young investors are investing in depending on the other factors but the most of the investors that is 40% are

investing or trading in variety of stocks, and rest 18% are invest in same set of stocks.

**Table 10. Response regarding while 20% continuously falling in the stock price what will the investors take on that.**

Decision	Response
Sell it all	6
Sell part of the Investment	27
Hold neither buys or sells	67

From the above table only 6 per cent of investors say that they will sell all the shares if the share price is falling continuously, 27 per cent of responses investors say that they will sell part of their shares, most of 67 per cent of investors say that they will hold the shares

and they will neither buy or sell any shares if the share price is continuously falling. The mean for the above interpretation is 2.61 which is significantly acceptable factor. And the standard deviation is less than 1 that is 0.60126.

**Table 11. Sources while making decision to invest in stock market.**

Sources	Response (%)
Internet	29
Broker advise	26
TV	29
Others	16

In the above table clearly shows that the young investors who more prefer the TV and internet that is 29 percent equally in both the cases. And rest is through 26

percent are from broker’s advice and 16 percent are from other factors like suggestions from experts, relatives, friends and family advice.

**Table 12. Aspect of the company while take into account when purchasing the shares and selling the shares.**

When purchasing shares	Response (%)	When selling the shares	Response (%)
Dividend policy	10	Low or no-dividend	7
Low share price	15	Low share price	16
Expectation of share price increase	53	Expectation of share price decrease	48
Corporate governance standard of the company	12	Inappropriate corporate governance practice	12
Others	10	unethical business practice	17

Nearly 53 percent of investors are looking for the share price increase while

purchasing the shares and other 15 percent of investors are looking for the low share

price and remaining investors who looking for the dividend policies and corporate governance standard of company. So, it is necessary to the young investors to look at the share price fluctuations while investing. As likewise, although in selling also 48 percent respondents are look at the share price. If it continuously falling, they sell those shares and remaining 17 percent investors are sell shares by unethical business practice and other factors like low share price and inappropriate corporate governance.

**Table 13.** Response regarding investment time horizon of young investors.

Duration of investment	Response (in percentage)
Between 1 week	4
Between 1 week and 1 month	15
Between 1 and 6 month	40
Between 6 month and 2 years	30
Over 2 years	11

Young investors are not taking more risk by investing in stock. If they did also they are not go for long run investment. It is clear that only 11% young investors are who are investing more than 2 years. Here, common investment time horizon of young investors is between 1 and 6 month that we can saw in the diagram 40% investors are investing in this time horizon.

**Table 14.** Response while future equity market as per investors.

Future equity market	Response (%)
Bullish	60
Bearish	9
Can't say	31

As per investors view the equity market in future will be bullish that we can clearly notice in the above diagram that is nearly 60% responses are positive towards the equity market. And the 31% peoples are not stable view on equity market due to unpredictable market.

**MAJOR FINDINGS OF THE STUDY**

- Through my research what I found was the most important factors which influence the behavior of young investors in stock market are risk tolerance level of young investors, pattern of investment and kind of stock which they are trading and also what sources influence the decisions of young investors to invest in stock market. The other factors are like political and also the economic policies while investing stock market. The most important factor that influences to take decision was TV and Internet. In which 29% responses are equally on these two sources so it's quite clear that the young investors are more depend on these two sources while investing in stock market.
- In my designed questionnaire I supposed to ask the question like which are the techniques while investing in the stock market, I got all the responses that they are not using any technique while investing but nearly 30% peoples are using technique and some are specified that is through technical and fundamental analysis. In my research all the investors are utilizing the money which is saved to invest in stock market but only 1% of investors who speculate by taking loans and pledge gold and documents to invest in shares.
- Here most of the young investors are looking for the expectation of share price increase while purchasing the shares its clear the 53% investors are looking for this factor and remaining investors that is 15% are go for low share price and 10% are investing by looking at the dividend policies. And also same way while selling the shares also nearly 48% investors is selling the shares by when the expectation of the share price decreases and remaining are go for inappropriate corporate

governance practice and low share price.

- In general, their investment time horizon also up to 40% people are investing short run that is one to 6 month and 30% are 6 month to two years. Only the few that is 11% peoples are investing in long run that is more than 2 years because their perception towards the equity market will be bullish.

### SUGGESTIONS

- Good investment thoughts are not always easy to find. Predicting is never good, but while investing because the market moves so quickly. It is significant to perform on it earlier. Young investors are less experienced in taking good decision on good ideas out of fear or inexperience.
- Young investors have earlier advantage in the investing life. So, young investors can obtain bigger return by taking higher risks. This is because young investor sufficient age to recover if they lose money through income generation.
- Any young investors will must an inclination to speculate if they do not fully understand the investment process. As an alternative of gambling and speculating, a young investor should invest by look at the companies that have higher risk but greater upside potential over a long run. While a diversified portfolio and also young investors is better equipped to take that risk and can take advantage consequently.
- Young investors have superior capability to recover from losses through upcoming income generation. Though, similar to speculation, leverage can shatter even a good portfolio. It is possible that young investors, if there is ever a time when investors have the ability to add better portfolios.

- Investors have the greater opportunity when they have a long-term time horizon they seek a greater return with taking the higher risk. Young investors are to be less aware of using by having money. So, they are frequently tempted to focus on how money can be benefited to them in present without focusing on any long-term goals.

### CONCLUSION

The study enabled “Individual investment behavior of young investors in stock market” would help to understanding the behavior of young investors like how the perception of this investors towards the stock market and pattern of investment and also their preference and factors while investing in stock market. Young investors have a greater ability to recover from losses through future income generation; when a young investor loses money also the young investor has time to recover the losses through income generation. So, the young investors are not taking more risk while investing, they did also some people are go for speculation instead of investing or holding the shares in long run.

This questionnaire includes 18 items and 6 important factors, namely risk tolerance level of investors, kinds of stock which they are investing, pattern of investing and using techniques of investing, deferent sources that influence to take decisions and also the period of holding the stocks. The research design that is adopted to the study is descriptive design.

This research helped the young investors to know these investors perception toward the stock market and also factor influence these kinds of investors and focus on those factors to understand and invest in better investment options. And also suggest young investor for better options in stock market. The disciplined and regular investment in a portfolio with diverse

holdings can yield good long term returns when the time of retirement and also try to diversify in selecting the stocks which is broad spectrum in market categories.

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