

# Individual Investor Behaviour, a Critical Literature Review of 10 years



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*Purpose; the aim of this paper is to critically evaluate the literature on individual investor behaviour and identify the factors affecting their behaviour for investment on the basis of available literature for the last 10 years. By keeping different parameters in view, different application area of different countries are studies to know customer satisfaction, loyalty and behaviour etc. One of the important objectives is to identify the gap from the literature and provide future research path in the domain of individual investor behaviour.*

**Research design/methodology/approach:** A wide range of online data was searched for the study, A total of 16 paper which had experience as their primary research topic where considered for the study.

**Finding:** The finding of research paper is categorising into 3 parts such as experience, financial literacy and individual investor behaviour.

**Practical implication:** The research will help the academician and future researcher to have clear understanding of individual investor behaviour.

**Originality:** Focusing on investor behaviour, the study is unique in itself and gives a clear idea on the work done in this field to the last 10 years to the investor and academician.

**Keyword:** Individual Investor Behaviour, Research Literature Review, Paper Type: Literature Review

## 1. Introduction

The globalization of financial markets has been increasing the size of the community of retail investors' over the past two decades by providing a wide variety of market and investment options. Hence, it makes their investment decisions process more complex. (Dr. M.Malathy, Saranya.J, 2017).

In today's scenario it is important to investigate the factors which influence and effect individual investors trading behaviour in India. Within behavioural finance, it is supposed that information configuration and the features of capital market participants scientifically influence individuals' decisions regarding investments as well as market results (Jeet Singh, Preeti Yadav, 2016).

Individual route their saving into investment and rationale use of saving is determined by how quickly and efficiently information about investment reaches the investor, the income the individual will get and the level of risk. Likewise, proper pricing cannot be realized on the occasions that the information accuracy in the markets is not reflected to the investors completely and transparently (Mehmet Islamoğlu, Mehmet Apan, Adem Ayvali 2015)

In this article author, analyse the literature available to understand individual investment behaviour and factors affecting the same. This research aims to develop an overall understanding by reviewing earlier research related to individual investment behaviour and the factors which effect customer's investment decision. This research is significant in present circumstances where investment options are huge but due to consumerism the spending habits of Y generation has increased in comparison to saving habits.

This research will develop an important insight of factors effecting individual investment behaviour and it shall support marketer to design an appropriate investment schemes.

This article is a set of following. 1. We will discuss about individual investment behaviour and factor effecting. 2. We present the review of existing research in sequential order to understand an investor's response towards various investment schemes. Finally the conclusion of review is presented and explores the prospective area for further research.

## 2. Literature Review

### 1. Financial Advisor's Suggestion

This factor is the most important factor which influences investor's investment decision. Financial planners provide estate planning advice and tax planning services. A good financial planner will not make recommendations until they understand your goals and have run a long term financial plan for you. A good financial planner will want to gather account statements and data on all aspects of your financial life. Investment advice can range from a general recommendation as to what type of asset allocation model you should follow, to specific recommendations on which investments to buy and sell.

## 2. Return

Return on investment (ROI) measures the gain or loss generated on an investment relative to the amount of money invested. ROI is usually expressed as a percentage and is typically used for personal financial decisions, to compare a company's profitability or to compare the efficiency of different investments. ROI is one of the most used profitability ratios because of its flexibility. That being said, one of the downsides of the ROI calculation is that it can be manipulated, so results may vary between users. When using ROI to compare investments, it's important to use the same inputs to get an accurate comparison

## 3. Friends and Family

Friends and family are very important as they can influence one's investment decision. They do suggest their family member and friends to where to invest, when to invest and how much to invest.

## 4. Financial Analysis

Firm analysis is to determine the strengths and weaknesses of a firm and to determine the core competence that can be built on to establish a competitive advantage. It means that old information of company which includes its financial statements, dividends, market position, company background, goodwill etc.

## 5. Current Market Price

Current market price is a very important factor seeing which influences investor that how much to invest and knowing would the prices of those stocks how would they perform as well as know would that investment is fees able.

**Table 1** Review of Research on Factor Influencing Investments Decision

Author	Year	Research Focus	Finding
Sashikala P & Girish G. P	2015	Identify the factors which influence and affect retail investor's trading behaviour in Indian equity market.	<ul style="list-style-type: none"> <li>The results of the study suggests that factors like broker's advice, personal analysis, current price of the equity stock, financial analyst's recommendations, inclination towards online trading; investor's confidence in advice given by his/her financial advisor plays a major role in influencing and affecting trading behaviour of retail investors.</li> <li>The results of the study gives insights to firms offering financial services in developing nation like India to keep these factors in mind while offering products/services or in their marketing campaigns while targeting retail investors of Indian equity market.</li> </ul>
Jeet Singh Mahamaya & Preeti Yadav	2016	The study tried to find out the factors that had major influence on the share investment decisions of a sample of 100 investors in Moradabad city of Uttar Pradesh.	<ul style="list-style-type: none"> <li>Both male and female investors concern about considering past dividends paid by companies while investing in equity shares. Those companies which pay higher rate of dividends are considered good for investment purpose;</li> <li>Male investors analyse the financial ratios such P/E ratio, D/P ratio and other liquidity ratios while female investors due to lack of financial literacy are not so convenient with financial ratios.</li> <li>Male investors analyse the current financial position of the company in terms of profitability, liquidity and performance in terms of productivity and innovation while female investors due to lack of financial literacy are not so convenient with financial data.</li> <li>Both male and female investors accept the recommendations given by trusted and reputed stock brokers or experts while investing in equity shares.</li> <li>Female investors gives more importance to the advice given by their friends and relatives and on their advice female investors invest in the shares</li> </ul>
Ambrose Jagongo & Vincent S. Mutswenje	2014	To establish the factors influencing investment decisions at the Nairobi Stock Exchange.	<ul style="list-style-type: none"> <li>Results of factor analysis revealed that the most important factors were: Firms position and performance; Investment returns and economic conditions</li> <li>The other factors were reputation of the firm, firm's status in industry, expected corporate earnings,</li> </ul>

			profit and condition of statement, past performance firm's stock, price per share, feeling on the economy and expected dividend by investors
Mehmet Islamoğlu, Mehmet Apan & Adem Ayvalı	2015	It was aimed to investigate the factors that influence individual investor behaviour	<ul style="list-style-type: none"> <li>Income effect factor was the most extensive one that explains the study on investment decision.</li> <li>There was not positively a significant relation between religion and society during investment decisions</li> </ul>
G. Velmurugan, V. Selvam & N. Abdul Nazar	2015	The present empirical study is an attempt to examine the investors' perception towards various investment avenues in Vellore city, Tamil Nadu, India.	<ul style="list-style-type: none"> <li>In orders of preference towards various investment avenues are same across the gender except gold and post office.</li> <li>The order of preference towards real estate and insurance are same across the age group though it varies with regard to stock market, gold, bank savings and post office.</li> <li>The perception of order of investment towards post office are different among the various income level of the respondent</li> </ul>
Prof. Kartikey Koti	2014	The present study was to understand the investor's preference towards investment. And Investor's awareness in stock market and their philosophy	<ul style="list-style-type: none"> <li>Investors prefer bank deposits, stock market, other (real estate and insurance etc) and gold and silver</li> <li>Safety and returns, Family and Friends were most important factors</li> </ul>
Dr. R. Angamuthu	2015	Study on the preference towards investing in equity shares as a best form of investments	<ul style="list-style-type: none"> <li>Receiving Annual Dividend, Profit attained in shorter time were the most important reason for investing</li> <li>While investor's knowledge about equity market was the second most important factor for investing.</li> </ul>
Dr. M.Malathy & Saranya.J	2017	To identify the investor's perception towards company, and the major aspects of an investors perception	<ul style="list-style-type: none"> <li>The factors that were ranked highly in level of importance, namely, company reputation, return on investment, reputation of the board, past financial performance, dividend policy is all ascertained with the help of the information available in the stock market decision.</li> <li>Return on investment is a very important factor that influences the investment decision. Return is the ultimate aim for an investor.</li> <li>Every investor should be very cautious in market trend or risk while investing. The main factors influencing investments are the return on investment and for the short-term profitability</li> </ul>
Anuradha samal, & K.Das Mohapatra	2017	The study has endeavoured to find out the major factors influencing investment decisions of the investors in the Odisha province of India.	<ul style="list-style-type: none"> <li>It was found that the most influencing factors on investment decisions of investors in Indian Capital Market are             <ol style="list-style-type: none"> <li>Past performance of company stock,</li> <li>Recommendations of financial advisors and analyst,</li> <li>Expected Stock split/ capital increase/ bonus,</li> <li>Recent price movement in company stock,</li> <li>Dividend policy</li> <li>Expected corporate earnings.</li> </ol> </li> <li>Also, the least influencing factors include religions, rumours, loyalty to the company's products/services, opinions of members of the family and expected losses in other investments.</li> </ul>
Mahalakshmi T.N. & Anuradha N.	2017	Provides insights to the professionals and service providers to substantiate effective investment strategies for the investors.	<ul style="list-style-type: none"> <li>An individual is also influenced by external factors such as level of engagement and spouse effect, which has not been explored earlier</li> </ul>
Dr. Akanksha Singhi	2016	Aimed to understand the behaviour of individual investor in stock market, specifically their attitude and perception with respect to the stock market.	<ul style="list-style-type: none"> <li>It was found that apart from religious reasons, rumours and friends recommendation other factors like stock affordability, minimizing risk, financial statement, current economic indicators, past performance of company stock, expected bonus issue, diversification of investment, firms commitment to CSR, dailies, govt. Share in company, recommendation of financial advisor, chart pattern, firm status in industry, exchange</li> </ul>

			listing, local operations and tax effect do have significant influence on individual investors decision.
Tomola Marshal Obamuyi	2013	The study seeks to determine the main factors influencing investment decisions of investors and how these factors are related to the investors' socio-economic characteristics in the Nigerian Capital Market.	<ul style="list-style-type: none"> <li>The five most influencing factors of investors' investment decisions in the Nigerian capital market in order of importance are: Past performance of the company's stock, expected stock split/capital increases/bonus, dividend policy, expected corporate earnings and get-rich-quick. On the other hand, the five least influencing factors include: religions, rumours, loyalty to the company's products/services, opinions of members of the family and expected losses in other investments</li> </ul>
Aruna P & Dr.H. Rajashekar	2016	To identify the various factors influencing investment decisions of Retail investor. To suggest the policy makers, to come up with lot of innovative investment avenues based on the influencing factors of investment decisions of retail investors	<ul style="list-style-type: none"> <li>This paper concludes that the investor's behaviour depends on how the available information is being presented to them and how much they are prone to taking risk while making decisions; thus each variable of the factors playing a significant role in determining the investment style of an investor.</li> </ul>
Dr. Taqadus Bashir, Ms. Scholar Aaqiba Javed, Ms. Scholar Arslan Ali Butt, Ms. Scholar Nazish Azam, Ms. Scholar Ayesha Tanveer, Ms. Scholar Irtaza Ansar	2013	The influence of firm image/self-image on the individual investor behaviour in making investment decisions. To identify the effect of factors those are related to the neutral information on investor behaviour. To interpret the influence of factors those are related to the personal financial needs of investor on his behaviour and to identify the most influencing factor in investing decision of individual investor.	<ul style="list-style-type: none"> <li>Five main categories taken as independent: self-image/firm image, neutral information, accounting information, personal financial needs and advocate recommendation.</li> <li>Most important category by order of importance was: accounting information, self-image/firm image, personal financial needs, neutral information and advocate recommendation.</li> <li>Out of all variables the most influencing 6 items by the order of importance were dividend paid, reputation of firm, feelings for a firm's products and services, get rich quick, firm's involvement in solving community problems, and firm's status in industry related to firm's image/self-image and accounting information</li> </ul>
Mr. Girish S. R, Mr. Kantesha Sanningammanavara	2014	This research was to mainly identify and prioritize those behavioural factors that influence investor's decision making process.	<ul style="list-style-type: none"> <li>Indian individual investor behaviour these seven factors on the basis of the underlying variables are named as (Representativeness, Anchoring, Information Heuristics, Risk Aversion, Overconfidence, Disposition Effect, and Gamblers Fallacy).</li> <li>Other factors such as psychological biases, such as Representativeness, Anchoring, Information Heuristics, are playing significant role in determining individual investor behaviour.</li> </ul>
Priyanka Zanvar, Dr. Sarang S. Bhola.	2016	The study was to understand investment pattern among the investors of Pune (India).	<ul style="list-style-type: none"> <li>The individual investors buying behaviour is influenced by various factors such as social, economic, psychological and demographic.</li> <li>Individual investor's investments are backed by benefits and money.</li> <li>Individual investor still prefers to invest in financial products which give risk free returns</li> </ul>

### 3. Conclusion

The purpose behind the development of the research article was to analyse the literature available to develop and overall understanding of individual investors behaviour and the factors which effect the investment decision of an individual. Individuals need money to continue their lives or incentive processing. While they put a certain amount of their income aside to meet their needs, they make saving to guarantee their future with the other part. They direct economic costs that they made, saving at financial instruments with different purposes (capital maintenance, having perpetual income generation, providing capital gain). The literature review revealed that they were five major factors namely, Financial advisor suggestion, Return, Family and friends, Current market price and Financial analysis. Return on investment was found as the most dominating factor while taking an investment decision of an individual. Financial analysis and financial advisors suggestion was consumers priority for safeguarding their risk for investment. Current market price and suggestions of friends and family can also influence investor's investment decision. Keeping these different parameters in view, it will be easier for a marketer to design an appropriate investments scheme

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