

## **Factors influencing on trading and investment behavior of stock market investors - A stock brokers perspective**

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### **Abstract**

The study is an attempt to examine the factor influencing the investment behavior of equity investments in respect with gender differences. Plenty of earlier studies have been conducted to understand the trading behavior, investment decisions in different investment avenues, investment behavior in respect to individual investors but studies are lacking in stock brokers perspective. Hence the present study was undertaken to find out the influential factors of investment behavior of male and female differences in equity investments with the view of stock brokers. Based on the results of factors analysis there are two factors found similar for both male and female, i.e. attitude and good rumors, expectation and bad rumors. The other factors both male and females were differing as far as the influential variables for decision making are concerned. Hence the individual investors should consider the above two factors such as attitude and good rumors, expectation and bad rumors while making the investment irrespective of gender.

**Key words:** Trading behavior, Investment decision, Stock brokers, Stock market investors, Factors influencing.

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### **1. Preamble**

Investment is a pledge of money with the expectation of positive return in the future. The expected return may be in regular income or increasing the investment appreciation or both. Generally, investors making investment in long term, because the decision what we take today it may be resulted in another shape in the future. Investment decision have acquired a fascinating topic as today's investment decision resulted for tomorrow's profit or loss. Certainly all the investment may not generate profit because investors may not behave and act rational at all the times. There are so many factors influence the investment decision such as overconfidence, framing effects, a bad judgement, lack of knowledge etc. If investors can judge properly how, where and when to invest, it may have positive impact for their investment. Behavioral Finance is a new emerging science that blends psychology with strict conservative finance to explain the behavior of investors. In general, it defined as the application of psychology to apprehend human behavior in finance or investment. The subject of behavioral finance is becoming more popular to study the investments as trader's decision making in adversely influences to the investors performance. Psychologically men are differing from women in many aspects, the crux of this research is to know whether there exists any difference for the investment behavior among gender or both behave in the similar way in the line of rationality.

Gender plays a pivotal role in investment and trading behavior. Both men and women taking investment decisions especially in financial decision in equal manner irrespective with developed and developing economies, but still some of the factors influencing their decision making such as choice, pattern, confidence etc. As the investment decisions are subject to psychological parameter and it is a proven fact that there exists a marked difference in the psychology of male and female. In earlier time, men used to dominate in all the financial aspects and they used to make their own decisions and decide for the female too. But at present due to gender equity in many aspects of life as both men and women are economically independent. Thus, there is a need to study the factors influencing the investment behavior of various investment decision making. Over the years, women have gained economic independence. Obviously, they also participate in investment decision making as much as the men do. In spite of economic independence, studies suggest that

women are less knowledgeable or less spontaneous than men, about money matters and investing. So, it is necessary to find out whether the gender difference exist in investment behavior and also the factors influencing investment decisions in equity investments.

While taking decision regarding investment and the trading behavior of individuals, are mainly consult with stock broker, who is a regulated person can do the activity of both buying and selling for their own as well as their client for commission. Since the transaction have performed through over the counter market, which mean trading through online or telecommunication. Stock brokers knows well about the investors and their behavior regarding stock, their preference and their investment decisions. Many a times investors instead of taking their own investment decisions they are depend on the advice, suggestion of brokers. In turn brokers also are seen to advice the clients as per their choice and preference to get better acceptability of their suggestion. Hence it was felt fit to take the view of brokers who see the investors from close quarters and who are the right persons to give their views of factors influencing towards trading behavior of stock market investors and their decision making skills. Hence this research work is devoted on analyzing the influential factors of trading behavior and investment decisions on stock market, as brokers' point of view.

## 2. Earlier studies

The topic of research like investors attitude towards investment options, factors influencing the trading behavior of investors are quite normal with individual investors, there were plenty of research work carried out in this topic. But studying the investors attitude, factor influencing trading behavior with the view of stock brokers is quite one. In this section provides the earlier research work so far carried out in the above mentioned topic.

**Matoussi, H. & Zoghlami, F. (2009)** examined the psychological factors influencing trading behavior and investment decision by Tunisian investors. The study shows that precaution, under confidence, conservatism, under opportunism and informational inferiority complex are the influential factors while making investments. **Mittal, M. & Vyas, R. K. (2009)** studied the relationship between income and investment decision of the investors and found that overconfidence, self –attribution, overreaction, framing effect, purchase price as reference point, regret or loss avoidance as the influential factors and also pointed out income is the key factor which impact the above said psychological factors. **Mittal, M and Vyas, R. K. (2010)** examined the behavioral bias with salaried class and business class investors and found that business class investors are more prone to cognitive biases i.e., more confident,

self-attribution and larger tendency to overreaction etc., The salaried class investors are prone to prospect theory, framing effect, regret avoidance and larger tendency to use purchase price as reference point. **Chandra, A., & Sharma, D. (2010)** identified the psychological factors like sensitivity to rumors, conservatism bias, representativeness was found the influential factors of investors and the other psychological factors like overconfidence, opportunism, informational inferiority complex did not found as influential factors of Indian investors. **Haddas, F., & AL-Horani, A.A.M. (2011)** examined the psychological factors influencing while making investment decision and found that overconfidence, self-attribution, conservatism, Opportunistic behavior, Sensitivity to rumors and mimicking attitude as a psychological factor in case of Jordanian investors. **Lee, K., et al. (2013)** studied the behavioral factors influence while making investment decision in respect with gender. The study found that there is behavioral difference persist in respect with gender. The following behavioral factors like Anchoring and Adjustment Bias and Ambiguity effect were more evident in female respondents and Mental Accounting Bias was more evident in male respondents. The males have a higher holding period, while females have a higher risk adjusted return.

The earlier research work has been undertaken in the area of factors influencing in investment decisions like investor behavior, investor preference, risk tolerance etc. However mostly they are general in nature and mostly confined with individual investors. A specific and detailed study of factors influencing investment behaviors of gender, are very limited that too with brokers point of view. Many a times the investors consult the brokers for their investment decisions. Instead of taking their investment decisions independently. Whether brokers take into account while advising their clients the gender psychology and preferences into account to get more acceptability of their suggestions or their advice all investors equally in the same manner irrespective of gender have not been studied. No study is found which takes the perception of brokers who deal with the investors directly while studying the factors influencing of investment decision making in respect with gender. Considering the above gap, the present study made an attempt to analysis the factors influencing investment decisions in equity, to know from stock brokers' their perception on the behavior of gender.

### **3. Materials and Methods**

The main aim of this study is to find out the factors influencing the trading behavior of equity investors on their investments decision is opined by registered stock brokers. The important

influential factors have focused to identify equity investors in respect for their investment decision in respect with gender. The study used exclusively primary data which was collected based on convenience sampling method by using detailed questionnaire. Initially, it was decided to have a sample of 100 registered stock brokers by applying scientific sample size estimator, of which 91 have complete information which constitute the final sample. To find out the factors influencing the trading and investment decision, the study used factor analysis technique for collected respondents.

#### 4. Results and Discussion

To find the factors influencing of trading and investment behavior of investors in respect with gender opined by stock brokers, the study used factor analysis method. While using factor analysis one has to follow all the steps in sequential manner such as KMO test, factor extraction by using principal component analysis and total variance explained, followed by factor identification, this study follows all the steps one by one in proper sequence.

**Table – 1. KMO Value**

	Male	Female
KMO value	0.629	0.640
Bartlett's Test	53.798	64.304
D.f	28	45
Sig.	0.002	0.031

As the analysis is based on gender, the values are presented separately for male and female. It was found out 10 statements for male and 8 statements for female that have shown as influenced on investment decisions. Each statement explains one characteristic of interest and used ordinal scale (Likert scale) measurement to find out the view of investment decisions. At the initial stage of factor analysis one has to test the two statistics namely KMO test and Bartlett's test to find out the suitability of the factor analysis. Based on the results of above table the coefficient of KMO shows 0.629 in case of male and 0.640 in case of female. Since both the coefficient values shows more than 0.6 then the variables chosen for the factor analysis is appropriate, with this variable the researcher can proceed the factor analysis to find out the important factors under study.

**Table – 1.1. Principal Component Analysis**

Component	Extraction (male)	Extraction (Female)
Investors attitude	0.701	0.739
Attitude about expectations	0.644	0.649
Reaction about bad news	0.733	0.652
Reaction about good rumors	0.660	0.558
Reaction about bad rumors	0.505	0.501
Opportunity regarding intervention	0.651	0.731
Orders without proper knowledge	0.591	0.677
Copying other investors	0.801	0.528
Reaction about good news	-	0.772
Orders transmitted to brokers	-	0.833

To find out factor extraction the study used principal component analysis method for both male and females separately with each component. In principal component analysis, by default it used rotated component matrix for extract the information from each component, this extraction shows each component can extract the information from the individual components up to the value of 1. The results of Varimax shows the extraction values for both male and female in separately, this extraction values give clear picture with their loading information. The value of coefficient in rotated matrix shows both correlation and regression weights in respect with their components.

**Table – 1.2. Total Variance Explained (male)**

Component	Initial Eigen Values			Extraction sum of squared Loadings			Rotation sums of squared loadings		
	Total	Variance %	Cumu %	Total	Variance %	Cumu %	Total	Variance %	Cumu %
1	1.819	18.192	18.192	1.819	18.192	18.192	1.610	16.100	16.100
2	1.432	14.325	32.517	1.432	14.325	32.517	1.501	15.006	31.106
3	1.252	12.521	45.038	1.252	12.521	45.038	1.265	12.650	43.756
4	1.106	11.059	56.097	1.106	11.059	56.097	1.145	11.448	55.205
5	1.032	10.317	66.414	1.032	10.317	66.414	1.121	11.210	66.414
6	.835	8.352	74.766						
7	.760	7.597	82.363						
8	.666	6.660	89.023						
9	.576	5.758	94.781						
10	.522	5.219	100.00						

**Table – 1.3. Total Variance Explained (female)**

Component	Initial Eigen Values			Extraction sum of squared Loadings			Rotation sums of squared loadings		
	Total	Variance %	Cumulative %	Total	Variance %	Cumulative %	Total	Variance %	Cumulative %
1	1.668	20.848	20.848	1.668	20.848	20.848	1.524	19.055	19.055
2	1.431	17.882	38.73	1.431	17.882	38.73	1.338	16.721	35.776
3	1.140	14.253	52.983	1.140	14.253	52.983	1.230	15.377	51.153
4	1.048	13.099	66.082	1.048	13.099	66.082	1.194	14.929	66.082
5	0.875	10.934	77.016						
6	0.781	9.769	86.784						
7	0.591	7.393	94.177						
8	0.466	5.823	100						

**Table – 2. Perceptual Factors with percentage of Variance (male)**

Component	Eigen value	% Variance	% Cumulative
1	1.610	16.100	16.100
2	1.501	15.006	31.106
3	1.265	12.650	43.756
4	1.145	11.448	55.205
5	1.121	11.210	66.414

The table – 2 illustrates the perceptual factors along with variance explained for male, explains the perceptual factors with percentage of variance for male. Based on the above table there are 5 components which extracted by using factor extraction and total variance explained with the value of initial Eigen value. Out of 5 components in male, component 1 explains the highest observed variance in respect with Eigen value and percentage of variance explained followed by component 2 has the highest observed variance and so on. From the above table, it is seen that component 1 accounts for 16.100% of the total observed variability while component 2 explains 15.006%, component three 12.650%, component four 11.448% and the last component is 11.210. The five extracted components explain 66.414 of the total variability for all the 10 variables.

**Table – 3. Perceptual Factors with percentage of Variance (female)**

Component	Eigen value	% Variance	% Cumulative
1	1.668	20.848	20.848
2	1.431	17.882	38.730
3	1.140	14.253	52.983
4	1.048	13.099	66.082

Table – 3 illustrates the perceptual factors along with variance explained for female, which explains the perceptual factors with percentage of variance for female. Based on the above table there are 4 components have extracted based on factor extraction and total variance explained with the value of initial Eigen value. Out of 4 components in female, component 1 explains the highest observed variance in respect with Eigen value and percentage of variance explained followed by component 2 has the highest observed variance and so on. From the above table, it is seen that component 1 accounts for 20.848% of the total observed variability while component 2 explains 17.882%, component three 14.253% and finally component four 13.099%. The four extracted components explain 66.082 of the total variability for all the 8 variables.

#### Factor selection:

**Table – 4. Factor Extraction (male)**

Factor	Variables	Factor Extraction
Expectations and bad rumors	Attitude about expectations	0.793
	Reaction about bad rumors	0.702
Attitude and good rumors	Investors attitude	0.821
	Reaction about good rumors	0.780
Opportunity lack of proper knowledge	Opportunity regarding intervention	0.734
	Orders without proper knowledge	0.712
Following other investors & bad news	Copying from other investors	0.849
	Reaction about bad news	0.594

The rotated matrix indicates both the correlation and the regression coefficient weights. Table - 4 represents the factor extraction for male. It includes Component 1(Expectations and bad rumors) consists of Attitude about expectations and reaction about bad rumors. Component 2 (Attitude and good rumors) consists of Investors attitude at the time of giving orders and reaction of good rumors. Component 3 (Lack of proper knowledge) consists of Opportunity



regarding intervention and orders without proper knowledge. Components 4 (Following other investors) consists of copying other investor and reaction about bad news.

**Table – 5. Factor Extraction (female)**

Factor	Variables	Factor Extraction
Lack of knowledge and bad news	Orders without proper knowledge	0.805
	Reaction about bad news	-0.749
Expectations, bad rumors and following other investors	Attitude about expectations	0.739
	Copying other investors	0.688
	Reaction about bad rumors	0.688
Good news and opportunity	Reaction about good news	0.814
	Opportunity regarding intervention	-0.700
Attitude and good rumors	Investor Attitude	0.704
	Reaction about good rumors	0.675
Orders	Orders transmitted to brokers	-0.909

Table – 5 represents the factor extraction for female. It includes Component 1(Lack of knowledge and bad news) consists of orders without proper knowledge and reaction about bad news, Component 2 (Good, bad rumors and following other investors) consists reaction of good rumors / bad rumors and copying from other investors. Component 3 (Good news and opportunity) consists of reaction of good news and Opportunity regarding intervention. Components 4 (Expectations and attitude) consists of attitude and expectations and investors attitude. Lastly, component 5 (Orders) consists of orders transmitted to brokers.

**Table – 6. Comparison of Gender with Factors**

Gender	Similar factors		Non similar factors		
Male	Attitude and good rumors	Expectations, bad rumors	Opportunity lack of proper knowledge	Following other investors & bad news	-----
Female	Attitude and good rumors	Expectations, bad rumors and following other investors	Lack of knowledge and bad news	Orders	Good news and Opportunity

In factor analysis only two factors were found similar for male and female. They are attitude and good rumors and expectations and bad rumors.

## 5. Concluding remarks

The study is an attempt to examine the factor influencing the investment behavior of equity investments in respect with gender differences. Plenty of earlier studies have been conducted to understand the trading behavior, investment decisions in different investment avenues, investment behavior in respect to individual investors but studies are lacking in stock brokers perspective. Hence the present study was undertaken to find out the influential factors of investment behavior of male and female differences in equity investments with the view of stock brokers. Gone are the days when investment was a male dominated avenue. But, now-a-days women also play an active role. They shine in all fields of work, showing their talent and skills by proving themselves, but when it comes to investments how they behave and on what are the factors to be consider while making an investment need to be investigated. Based on the results of factors analysis there are two factors found similar for both male and female, i.e. attitude and good rumors, expectation and bad rumors. The other factors both male and females were differing as far as the influential variables for decision making are concerned. Hence the individual investors should consider the above two factors such as attitude and good rumors, expectation and bad rumors while making the investment irrespective of gender.

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