



**A STUDY ON INFLUENCE OF BROKERS ADVICE ON INVESTMENT DECISION
OF INDIVIDUAL STOCK INVESTORS WITH SPECIAL REFERENCE TO
ERNAKULAM DISTRICT**

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ABSTRACT

An Investor is the backbone of the security market. Each investor has their own unique investment objectives that are affected by short- term and long-term needs and requirements. In the past year's investment was made by only a few people they are high class, but now a day's investment is made by people from all walks of life. There are various factors which influence the investment decision of retail investors like return, safety, liquidity, capital appreciation, tax benefit etc. in present scenario online stock trading open world-wide investment opportunities to investors, they can everything understood with the help of a stock broker, they give the right advice regarding investment & management of these investments also at the right time for investors which will be more beneficial for them. With this background, this research is done to find out the dependency level of retail investors on stock brokers for their investment decisions. Target group for research is 50 respondents from Ernakulam district. On the basis of the findings Finally, the research concludes that In Ernakulam district, investors with higher levels of education& stock market trading experience which make them capable of making more independent & rational investment decisions without the support of stock brokers.

Keywords: Stockbroker or Advisor, Investment decision, Retail investors, Capital market.

1.INTRODUCTION

Every country depends on a financial system for the economic growth and development of the country. The financial system promotes

savings by offering a variety of financial assets/ investments to the common public. The stock exchanges play a major role in the financial system. The Bombay Stock

Exchange (BSE) and National Stock Exchange (NSE) are the two major players in the securities market. The investment of funds in stock is remarkable among business operations in that it is almost always based in some degree on recommendation received from others. The greater part of investors is non-professional. Naturally they feel that in choosing their stock they can make profit from professional guidance. If the reason for the investment of an investor is to make money, then in seeking recommendation they are asking others to guide them how to make money. That idea has some element of wisdom. Businessmen seek professional advice on various elements of their business, but they do not expect to be told how making a profit. Non-business people, rely on others to make investment profits for them, they are assuming a kind of satisfactory outcome for which there is no true counterpart in normal business affairs. Furthermore, many investors are short term investors and are not ready to wait for returns and withdraw money from market, even if there is a minor loss or profit. Such investors need the right advice of brokers, who in turn need to provide the right advice to the investors and help them make a correct decision. The Indian stock market & all recent financial changes are familiar to stock brokers, who also have expertise of how to trade. Investors should always seek the counsel of reputable, experienced stock brokers as a result. We cannot predict the pattern of individual investment decisions. With this background, the present study tries to find out the influence level of investors on

brokers advice for investment decision making.

2.OBJECTIVES OF THE STUDY

1. To find out the investment pattern of the investors.
2. To find out the behavior of investor in broker selection.
3. To understand the influence of the broker's advice on the decisions of the investors.
4. To analyze the dependency level of investors on stock brokers.

3.HYPOTHESIS OF STUDY

H0: There is no significant relationship between Gender and stock broker's advice.

H0: There is no dependency on stock broker by the investor the decision making of investment.

4.ANALYTICAL FRAMEWORKS AND METHODOLOGY

The study was restricted to Ernakulam district. The study mainly focused on the influence of brokers advice on investment decision of investors. The research is based on retail investors from all sectors with mostly all age groups. All findings and conclusions are arriving from the responses gathered from 50 samples who are residing in Ernakulam.

5.STATISTICAL ANALYSIS

Data analysis has been done by appropriate mathematical and statistical tools such as percentage & chi-square test.

6.REVIEW OF LITERATURE

Bodie and crane (2000) Attempted to find out whether the advice available to individuals from the media and providers of financial products was in line with the economic theory and also checked whether the respondents behaved according to the advice. It was found that such investors were better informed and experienced than others who did not receive such advice.

Hussein A Hassan (2006) titled “Factors influencing Individual Investor Behavior: An empirical study of the UAE Financial Markets “published in The Business Review, Cambridge- identified the factors influencing the UAE investor behavior. The most influencing factors were expected corporate earnings, get rich quick, past performance of the firm’s stock. On the other hand, expected losses in international financial markets family member opinion, factors were found to be least influencing.

Peter Roger Ewing (1970) Carried out a study to identify those factors which influence or guide the retail stock investors

to take an investment decision. The study identified these factors (i) Income from dividends (ii) rapid growth (iii) purposeful investment as a protective outlet of savings (iv) Professional Investment management.

V. Sachithanatham, et.al, (2007) studied the relationship between capital market reforms and amount of money invested by the investors. It was found that the educational reforms and attractive reforms were statistically significant, but they had a negative influence over money invested by the investors in the Indian Capital Market.

7.RESULTS AND DISCUSSIONS

7.1Analysis of relationship between Gender & stock broker advice

To test the hypothesis chi-square is applied (Appendix- II) and the result is given in the table 7.1 below.

HYPOTHESIS

H0: There is no significant relationship between Gender and stock broker’s advice.

H1: There is significant relationship between Gender and stock broker’s advice.

Chi-Square Test

Particulars	Values
Table value	3.841
Calculated value	1.018
Level of significance	0.05
Degree of freedom	1

Source: Primary data

Here the chi square value is lesser than the critical value, i.e., $1.018 < 3.841$. Therefore, H_0 is accepted and H_1 is rejected. it means that the Gender of the respondents does not have any effect or impact investment decision of investors. Whether the respondent is male or female, it does not matter in investment decision of investor.

7.2 Analysis dependency on stock broker & investors investment decision making

To test the hypothesis, chi-square is applied and the result is given in the table 7.2below.

HYPOTHESIS

H_0 : There is no dependency on stock broker by the investor the decision making of investment.

H_1 : There is dependency on stock broker by the investor the decision making of investment.

Chi-Square Test

Particulars	Values
Table value	3.841
Calculated value	.2226
Level of significance	0.05
Degree of freedom	1

Source: Primary data

Interpretation: Here the chi-square value is lesser than the critical value, i.e., $.226 < 3.841$. Therefore, H_0 is accepted and H_1 is rejected. So, stock broker advice and investors, investment decision making are independent, higher level of education & stock market trading experience which make them capable of making more independent & rational investment decisions without the support of stock brokers.

8.MAJOR FINDINGS OF THE STUDY

1.According to Gender, the sample consists of 64% respondents are male and the rest of them belong to female category.

2. In the study it is found that the highest percentage (44%) of respondent belongs to the age group of 30-40years and the majority of the respondents are degree qualified and qualified master degree.

4. Most of the respondents make investment for long term profit, second highest percentage of respondents invests for the objective of making short term profit, their main investment avenue is security (64%)

5. It is found that highest percentage of respondents include those persons whose total investment in securities comes under the class interval of 50000-100000. Second highest

percentage of respondent's total investment is above 100000.

6. In the analysis of investment pattern, it is found that stocks and mutual fund contributes a major proportion in the portfolio of the majority of investors, on the contrary fixed deposits, government securities and debt securities are less preferred by investors in their portfolios.

7. Majority of the respondents participate in the stock market 3 to 6 years so that majority of the people have experience in the stock market.

8. In the analysis of frequency of trading, most of the respondents trade monthly basis only few people trade quarterly and yearly basis.

9. Majority of the respondent's trade in the stock market directly and only few people trade through brokers. In the analysis of factors determine the selection of brokers, majority of respondent select brokers because of the quality of services they provide.

10. The Majority of the respondent's mode of trading is offline because the reasons of connectivity problems and lack of awareness.

11. While analysing the behaviour of investors majority of investors agree with the statement they usually invest in familiar companies and companies with stable returns. Analysing the risk attitude majority of the investors are high risk taker and only a few people make riskier investments for enjoyment.

12. In the analysis of the influence of broker's advice, majority of respondents' (85%)

investment decision making is not influenced by broker's advice. There is no significant relationship between gender and broker's advice

13. The Majority of respondents considered research reports in newspaper, magazine and websites, relative strength analysis, P.E ratio, moving average, rate of dividend and research reports in the media as important factors in decision making. Brand name, size of company, advice of relatives and familiarity of products are less preferred by investors in making investment.

9.CONCLUSION

The Present study has made an attempt to understand the influence of brokers advice in the investment decision. The findings reveal that the majority of respondents didn't give importance to the broker's advice while some respondents gave importance to the broker's advice in their decision-making process. Results about the factors affecting investor's investment decisions, it is found that the research reports in newspaper, magazine and websites price earnings ratio, relative strength analysis, rate of dividend are the most important factors considered valuable by investors in their investment decision. The behavioural traits play an important role in choosing between different investment decision process and their relative importance in some particular investment situation in hand. The study shows that individuals have inconsistent attitudes towards risk in making investment decisions. They exhibit a risk aversion in a profit-making situation while risk

seeking behaviour is exhibited a loss-making situation. Investors with higher levels of education & stock market trading experience which makes them capable of making more independent & rational investment decisions without the support of stock brokers. Therefore, investment decision of an individual stock investor is less influenced by stock broker's advice.

10.SUGGESTIONS

- Educating all investors to take independent investment decisions.
- Ensuring fair, ethical practices in stock broking.
- To meet the challenges with strong marketing strategies.

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