INTRODUCTION

There are many problems in the field of investment. Investors are in the need of investment decision-making every time. But investment decision-making is a complicated process because various factors like fundamental, technical, behavioural and etc. affect the decision-making process in different ways. An Investor focuses on mostly fundamental and technical aspects of securities at the time of decision-making. But to beat the market every time, it is necessary to analyse the psychological factors, investor’s astrology and other own principals of the investors every time. Investor’s perception leads the investment decision and affects the investment strategies. Therefore, various aspects of investor’s behavior should be studied before taking any decision.

WHY IS THE LITERATURE REVIEWED?

To probe the problem at hand in an efficient and effective manner, review of existing and related literature is very important. In the words of Watter R., Bong, “The literature in any field forms the foundation upon which all future work will be built.” If the researcher fails to build this foundation of knowledge provided by the review of literature work is likely to be shallow and waive and will often duplicate work that has already been done better by someone else. Thus, the review of literature justifies the study, cheks the repetitive research work on the same subject matter, eliminates the chances of academic piracy and give the researchers an understanding of what still remain to be done in the area of subject under the study.
Further, the review of literature helps the researchers to set the appropriate methodology, proper research design, data analysis, interpretation, discussion part of the study, etc.

REVIEW OF LITERATURE

Raj and Murugan (2011) found that the middle aged persons (30-40) are very conscious in savings and investment. The study revealed that the Mutual Fund (MF) investment widely prevalent among men (80%) than that of women (20%) in his study area. This may be due to the reason that men are economically stronger than women. The study revealed that 22% of respondents are not graduates and the study majority of sample respondents are Graduales (78%) indicates that there is a strongly relationship between academic qualification. The study observed that majority of the people surveyed were from the salaried class (70%).

The study observed that the majority of the sample investors fall in the income group of Rs. 2 lakh – 3 lakh, yollowed by 1 lakh – 2 lakh, followed by above 3 lakh. The study revealed that the growth fund is very popular among mutual fund investors the respondents gave first rank. The respondents gave second preference for income fund and third preference for balanced fund. The study observed that the investors look for good return first in MF products followed by Capital Appreciation, Tax benefits and liquidity.

Garg adn Chhabra (2010) examined the trading pattern of Foreign Institutional Investors (FIIs) and Indian mutual fund (IMFs) across the days of the week for a period of nine years from 1 January 2000 to January 2009. A set of parametric and econometric tests were employed to test the equality of daily mean investment of FIIs and IMFs. They found that net investment made by the FIIs follow Friday effect, while the investments made by the IMFs are equally distributed among the various days of the week. As far as their relation with stock market trend is concerned, day anomalies in the Indian share market return same how correlated with the investment pattern of foreign institutional investment, as they behave in same manner as the market is behaving.

Vasantavalli (2010) examined the nature of relationship between acceptable levels of risk and expected annual rate of return. The hypothesis framed and tested an individual investor responses, using chi-square test helped to obtain an idea of the risk return preferences of respondents. A hypothetical situation was outlined and 5 options given to respondents ranging from risk to successively higher levels of risk and reward. The testing of hypothesis revealed that the null hypothesis was not supported in the case of the first and fourth prize options. The urban investors are informed investors whose risk appetite is significantly influenced by the growth prospects of a stock. In other words, a normally risk averse investor of the past is now willing to consider higher risk level (even borrowing) if convinced about the potential of an investment. It is again relevent to recall that the expected rate of return of the average majority of respondents lies between 20-40 percent per annum.
Sultana (2010) concluded with the following objectives:

1. To know risk tolerance level of the individual retail investor and classify them in to low, medium and high risk tolerance level.
2. To find out whether there exists any relationship between the demographic factors of the investor and risk tolerance level.
3. To identify the demographic factors on which risk tolerance level of the investor is dependent.

Sample selection most of the investors were reluctant to disclose their investment details so, referral sampling method and also convenience sampling used for this empirical study. Since the questionnaire is administered personally to the investors the size of the sample is confined to 150 investors. The empirical study concludes that Indian investors are conservative investors since 41% of the investors are low risk tolerance. The study confirms the earlier finding with regard to the relationship between demographics and the risk tolerance level of retail investor. This analysis of the relationship between investor demographics and risk tolerance reveals that age, marital status, earnings and occupations are significantly associated with risk tolerance. Contrarily gender and education are significantly not associated with risk tolerance level of the retail investors.

Jasmeen (2009) analyzed investment choice of individual investor about risk. The main objectives of the study are to identify the risk taken by individual investors while making investments and to examine the association between personal profile of the investors and the risk taken by them. This study based on primary data collected from in respondents with the help of questionnaire. The questionnaire has twelve items relating to investments such as saving in past office savings banks, gold, debentures, shares and others. For the purpose of finding association between the profile of the respondent and risk, chi-square test is employed with the help of SPSS package. He was found that a little over 50 percent of the respondents have made low risk investments more than one third of the respondents have gone for high risk investments and the remaining has gone for medium risk. Age wise classification has shown the same trend. Gender wise it is observed that women have made moderate and high risk investments compared to men. Qualification wise classification indicated that more number of Graduates (professional) has gone for high risk instruments compared to others. The trend of low risk, high risk and medium risk investments are there in almost all the categories. The association between profile of the respondents – age, gender, religion, qualification, income, profession and the risk taken while investments is not significant.

Bhatta (2009) stated in this article, an attempt has been made throw light on the investors’ biases that influence decision making process. Retail investors are an important segment in the stock market and their prudent presence is very essential for a healthy growth of stock market. The long belief of the efficient market hypothesis is gradually being eroded. Empirical studies have time and again proved that the irrational behaviours have caused stock market bubbles and crashes. The knowledge so developed through the studies would provides a framework of behavioral principles within which the investor can critically inspect their investing decision and if need be, take corrective actions to hopeful make their future
financial decision a bit more national and a lot more lucrative as well. The article finally, suggests for a time bond program to educate and counsel the individual investors about the wisdom required in stock trading and be aware of unethical and tactical practices of brokers, study dealings of companies and the insider trading.

Tripathi and Iyer (2008) analyzed the variations and effects of prepayment risk associated with residential mortgage backed securities in India. It suggests a method option adjusted spread (OAS) of finding a commensurate risk premium required by investor. The study is based on data collected from secondary sources. Data about the Government of India bonds have been taken from the RBI Bulletins published between June 2000 to January 2009. Data for pools and prepayment have been taken from different agencies like originators credit rating agencies and service and paying agents associated with the process of securitization. The analysis of the data and subsequent discussions highlight the impact of prepayment risk exposures on the junior and senior tranches of securitized instruments separately. It appears that the subordinate tranche may possibly stain to gain from the pre-payment risk expasure. The senior tranche is likely to be adversely affected by pre-payment. As the pre-payment levels keep an changing with respect to time (the same is exponentially reducing), the same could be quantified at every time instant. For assessing the correct probability of prepayment, any investor should analyze different model for this purpose. Investor risk premium on pre-payment and other risk factor depends on the magnitudes of these risks. The OAS method of measuring the risk premium is a reasonably easy and comprehensive.

Nayak and Das (2007) made to find out the common grievances and the regulatory measures undertaken to provide protection. An empirical approach has been established in this study. The method followed this study was personal interview and survey method. A schedule was prepaid after doing an extensive literature review on investor grievances and protection. This schedule was sent for cross checking of reliability and validity to experts who were mostly academicians and a few corporate people. The samples were chosen in a non-probabilistic and convenience method. The sample size was one hundred in number. By studying the different methods of investment it was found that there has been a large number of people who have invested in equity. It means the government policies after liberalization has been beneficial for the equity market. Investor’s faith has increased and their risk taking ability has also increased. Instruments in banks have ranked second which little is surprising. Since bank have been the largest sectors for investments in India for ages. Then it was followed by mutual funds and lastly by other sectors like post offices.

Kadiyala and Rau (2004) investigated investor reaction to corporate event announcements. They concluded that investors appear to under-react to prior information as well as to information conveyed by the event leading to different patterns return continuations and return reveals, both documented in long horizon return. They found no support for the overreaction hypothesis.

Hassan Al Tamimi (2003) conducted a study that analysis the factors that influences individual investor behaviour of the UAE Financial market study aims at exploring the UAE investor’s behaviour, representing
the first attempt to be undertaken in the UAE. The study is important for individual investors, companies listed in Dubai financial market and Abu Dhabi securities market and govern.

Merikas et al. (2003) used a modified questionnaire to analyze factors influencing Greek investor behaviour on the Athens stock exchange. The result indicated that individuals base their stock purchase decisions an economic criteria combined with other diverse variables. The results also revealed that there is a certain degree of correlation between the factors that behaviour finance theory and previous empirical evidence identify as the influencing factors for the average equity investor, and the individual behaviour of active investors in Athens Stock Exchange (ASE) influencing by the overall trends prevailing at the time of the survey in the ASE.

Malmendier and Shandhi kumar (2003) found that large investors generate abnormal volumes of buyer – initiated trades after a positive recommendation only if the analyst is unaffiliated. Small traders exert abnormal buy pressure after all positive recommendations, including those of affiliated analysts.

Lynch and Musto (2003) showed that the literature documents a convex relation between past returns and fund flows of mutual funds. In this paper author show this to be consistent with funds incentives, because funds discard exactly those strategies which under perform. Past return tell less about the future performance of funds which discard, so flows are less sensitive to them when they are poor. This model predicts that strategy changes only occur after bad performance and that had performers who change strategy have dollar flow and future performance that are less sensitive to current performance than those that do not empirical test support both predictions.

Rajan (2000) examined a new basis, life styles and uses cluster analysis, a statistical technique, hitherto not used to segment Indian individual investors. This article brings out interesting details about the association between life styles of individual investor and their demographic and investment related characteristics on the basis of primary data collected from 405 individual investors. It suggests the use of these characteristic for a better understanding of individual investors and their financial product needs. This analysis clearly brought out the associations between life styles clusters and investment related characteristics.

Zheng (1999) studied the fund selection ability of aggregate mutual fund investors’ portfolio. The study finds that investors in aggregate are able to make buying and selling decisions based on good assessment of short-term future performance. To investigate the magnitude and practical implications of investors’ fund selection skills, he examines returns on different strategies based on new money signals. The result from the trading strategies confirms the smart money effects that aggregate newly invested money in equity mutual funds is able to forecast short-term future funds performance, in that funds that receive more money subsequently perform significantly better than those that loss money. There is evidence that astute investors can outperform the average mutual funds. For the whole sample, there is no statistically significant evidences that investors can beat the market by investing in funds with positive new money flow. However, there is some evidence that the positive new money flow small funds outperforms the market. For the sample of small funds, there is also evidence supporting the information effect, that is,
new money flow has information that can be used to outperform the market. The smart money effect is short-lived, the performance ranking of the positive and negative portfolio after 30 months.

REFERENCES

- Sultana, Syed Tabassum, “Impact of demographics on Retail Investors’ Risk tolerance”, The sustaining shareholder value: Role of Investor and Regulation, 2010, pp. 149-158.