

Investment Awareness of Equity Holders of Kerala

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Abstract: *The stock market is always uncertain and equity holders are subject to investment mistakes while making investment decisions. This may lead to improper decision making and unfruitful results. Information asymmetry and lack of investment awareness will lead to behavioural mistakes and improper decisions. The present study focussed on the investment awareness of equity holders of Kerala. 390 equity holders were collected from three zones of Kerala using purposive sampling method with length of investment experience as the criterion. The study reveals that some equity holders were not fully aware in terms of knowledge about adequate source of information, consciousness about stock market documents and updates, knowledge about the basic information, financial information and general information etc. of the company.*

Key words: *Investment awareness, Stock market documents, Sources of information, Awareness about company.*

1. INTRODUCTION:

The stock market is systematic and well-regulated market where companies can raise capital and investors can earn return on their investments. Investors can access the ownership of the company and a share of gains based on the company's future performance. Large numbers of sellers and buyers trade their stocks in the stock market. The stock market or share market is always subject to certain fluctuations and these fluctuations are reflected in the day-to-day share price indices.

Several reasons can be found for market fluctuations that lead to various trends and market situations. These market trends include bullish trend, bearish trend, etc. If prices tend to show an upward trend, it is a bull market and if the prices are going on a decline, it is termed a bearish trend. Investing in the stock market makes people ambiguous about the return and they tend to be speculative in trading. Information asymmetry and lack of investment awareness lead investors take wrong decisions and it will result in wrong result.

2. LITERATURE REVIEW:

Crooch, Gary Michael (1977) in their study tried to find out the knowledge of non-professional investors about financial statement definition, concepts and terms. 554 respondents were selected and factors like demographic attitude and behavioural variables were identified for the study. The study observed that average non-professional investors lack knowledge about financial statement whereas professional investors have sufficient knowledge about financial statement.

Mohammed Hassan et.al. (2013) tried to look at the effect of behavioural financial knowledge on the behaviour of the investors in Tehran stock market. The study focused on six behavioural biases namely compatibility, familiar concept, idealistic belief, event oriented, fresh pot and irreversibility. By Structural Equation Modeling, it is concluded that event oriented doesn't have meaningful relationship with investors' decisions.

Inanga (1976) explained in his study that accounting information and financial report of public companies are inevitable for worthy investment decision. Long term share holders seek information like economic and financial reports. The study also stated that rational investors consider past and recent information for making investment decision

3. OBJECTIVE OF THE STUDY

- To measure investment awareness of equity holders of Kerala.

4. HYPOTHESES OF THE STUDY

Base on the above objectives, following hypotheses were made

- H0: There is no significant difference between length of investment experience and investment awareness
- H0: There is no significant relationship between length of investment experience and awareness on stock market documents.

5. MATERIALS & METHOD:

This section proposes to present a detailed account of research design, data sources, population and sample, sampling procedure, selection of investors, pilot study, research instruments used, reliability of the instrument and normality of the collected data

5.1 Research Design

The present study is descriptive cum analytical in nature.

5.2 Data Sources

The data for the study were collected from both primary and secondary sources.

Secondary Data

The secondary data were collected from different journals of finance, books on portfolio management and behavioural finance, financial magazines and from websites.

Primary Data

The primary data were collected from the equity holders of Kerala by using a structured questionnaire

5.3 Sampling Design

Survey method has been applied using a structured questionnaire. The present study has been conducted among the three zones of Kerala namely south, central and north. From these zones, three districts namely Trivandrum, Ernakulam, and Calicut were selected respectively.

Population and Sample Size

Population of the study consists of the individual investors of Kerala who invest in equity shares. Since the population of the study could not be identified, the technique Raosoft sampling for selecting sample size under infinite population (Raosoft, 1991) was adopted. Hence the sample size selected is 390.

Sampling Procedure

Since the population is unknown, the purposive sampling method has been administered. The criterion of sampling is length of investment experience in years. Data were collected from equity holders of three different group namely short-term investment experience, medium-term investment experience and long-term investment experience. From the available list, individual equity holders belong to 3 categories of investment experience were selected non randomly as given in the table 1

**Table1
Sample Design**

Districts	Total available sample	Investment experience in years			Total samples selected
		Below 5	5 to 8	Above 8	
Trivandrum	400	43	43	43	390
Ernakulum	420	44	44	44	
Calicut	400	43	43	43	
Total	1220	130	130	130	

Source: Primary data

5.4 Reliability of the Questionnaire

The variables in the questions are divided into two categories namely, independent, optional type and statements in Likert’s five-point scale. The reliability is checked for both the types of variables using normal distribution method and Cronbach alpha method respectively. It is showed that the socio economic variables have the skewness in the normal distribution. Special care has been taken for these variables to ensure representation rationally. In the case of Likert’s five-point scale all the statements showed the Cronbach alpha coefficients greater than 0.75 to ensure high reliability.

5.5 Normality of the Data Collected

To test the normality of the data, the ‘Kolmogorov-Smirnov’ test is used. If p-value is greater than 0.05, the data are assumed to be normal. Since the p- value for all the variables are less than 0.05, it can be concluded that the data are normal.

5.6 Tools for Data Analysis

The collected data were processed and analysed with the help of statistical package –SPSS. Different arithmetic and statistical techniques were used for analyzing the data. The statistical tests used for the study were correlation, independent sample t test, ANOVA, LSD test etc.

6 ANALYSIS AND DISCUSSION:

Investment Awareness of Equity holders

Investors’ awareness about stock market documents and updates, sources of information used for decisions, knowledge and awareness about the company, etc. were identified in order to measure investment awareness of equity holders.

Awareness about Stock Market Documents

Here, investors’ awareness about stock market document is studied in terms of awareness about SEBI regulations, IPO document and market evaluations.

Awareness about Stock Market Documents: Overall analysis

It is inferred from table 2 that SEBI regulations (mean score=3.72), market evaluations (3.67) and IPO Document (3.62) are ranked as first, second and third rank respectively.

Table 2 Awareness about Stock Market Documents

Information Sources	Mean	Rank
SEBI regulations	3.72	1
IPO document	3.62	3
Market evaluations	3.67	2

Source: Primary data

Analysis of Awareness about Stock Market Documents and Updates with Length of investment Experience

It can be concluded from the below table that there is 2.25 per cent (-0.15²) correlation between length of investment experience and awareness about stock market documents and updates. The correlation is highly significant at 1per cent level as the p value is 0.00.

Table 3. Relationship between Awareness about Stock Market Documents and Length of investment Experience

Correlations				
			Awareness about Stock Market Documents	Length of investment Experience
Spearman’s rho	Awareness about Stock Market Documents and Update	Correlation Coefficient	1	.15**
		Sig. (2-tailed)		0.004
		N	390	390
	Length of investment Experience	Correlation Coefficient	.15**	1
		Sig. (2-tailed)	0.004	
		N	390	390

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data

Use of Information Sources

Use of better information is crucial for investment decision making. Information asymmetry and lack of awareness about proper source of information are some of the major reasons of behavioural mistakes and faulty assumptions about investment decisions. Various sources recognized for the purpose of the study are prospectus, news papers and magazines, TV channels, investment related web sites, brokers/ analysts’ forecasts, investor forum, technical analysis, company’s financial analysis, digital information, publications of financial institutions company announcements, stock exchange announcements and others (friends, relatives etc.)

Analysis of source of information with Length of Investment Experience

H0: There is no significant difference among various categories of length of investment experience in using sources of information.

The table 4 exhibits detailed analysis of information sources. There is significant difference among various categories of length of investment experiences about prospectus, news papers and magazines, TV channels, investment related web sites, brokers/ analysts’ forecasts, investor forum, technical analysis, company’s financial analysis, publications of financial institutions company announcements and others (friends, relatives etc.) as p values are less than 0.05.

Based on mean scores, it is inferred that investment related web sites (4.15), brokers or analysts’ forecasts (3.84), investor forum (3.53), technical analysis (3.63), company announcements (3.92) and others (friends, relatives etc) (3.72) are mostly used by equity holders with medium term experience. Equity holders with long term investment experience are more relying on about prospectus (3.75), news papers and magazines (4.08), TV channels (4.02), company’s financial analysis (3.89) and publications of financial institutions (3.80).

With regards to digital information and stock exchange announcements the null hypothesis is accepted at 5 per cent significance level. Thus there is no significant difference among various categories of length of investment experience with regard to digital information and stock exchange announcements

Table 4. Analysis of source of information with Length of Investment Experience

Sources	Statistics	Length of Investment Experience			ANOVA	
		Short term (below 5)	Medium term (5-8 yr)	Long term (above 8 yr)	F	Sig.
Prospectus	Mean	3.32	3.69	3.75	7.61	0.001
	SD	0.91	0.95	1.05		
News papers and magazines	Mean	3.85	3.95	4.08	3.44	0.033
	SD	0.74	0.72	0.75		
TV Channels	Mean	3.65	3.78	4.02	4.90	0.008
	SD	1.00	0.98	0.92		
Investment Related web sites	Mean	4.02	4.15	3.72	6.32	0.002
	SD	0.88	0.73	1.29		
Brokers/ Analysts’ Forecasts	Mean	3.68	3.84	3.77	0.71	0.049
	SD	0.97	1.01	1.14		
Investor Forum	Mean	3.32	3.53	3.48	1.31	0.048
	SD	1.13	1.12	1.10		
Technical Analysis	Mean	3.43	3.63	3.15	7.80	0.00
	SD	0.93	0.73	1.25		
Companies’ Financial analysis	Mean	3.32	3.63	3.89	6.85	0.001
	SD	1.24	1.31	1.23		
Digital Information	Mean	3.53	3.66	3.61	0.39	0.676
	SD	1.22	1.16	1.21		
Publications of Financial institutions	Mean	3.74	3.79	3.80	0.11	0.049
	SD	1.08	1.02	1.28		
Company announcements	Mean	3.91	3.92	3.65	3.29	0.038
	SD	0.74	0.81	1.19		
Stock Exchange Announcements	Mean	3.58	3.82	3.85	2.28	0.104
	SD	1.11	1.10	1.23		
Others (Friends, Relatives etc.)	Mean	3.58	3.72	3.25	4.27	0.015
	SD	1.14	1.14	1.60		

Source: Primary data

Based on LSD Multiple comparison test, there is significant variation between short term and medium term and; short term and long term with respect to prospectus. There is significant difference between short term and medium term about news papers and magazines. Regarding TV channels, there is significant difference among short term and long term. No other category is significantly different. As far as investment related web site is concerned, there is significant variation between short term and medium term and; short term and long term. With regard to brokers or analysts’ forecasts, the pair short term and long term differ significantly. There is no significant difference is found among other pairs. There is significant variation between short term and long term and; medium term and long term with respect to investor forum, technical analysis, publications of financial institutions, company announcements and others (friends, relatives etc.). In the case of companies’ financial analysis significant variation is found between short term and medium term.

Table 5. Least Significant Difference Test: Sources of Information with Length of Investment Experience.

Multiple Comparisons				
LSD				
Dependent Variable			Mean Difference (I-J)	Sig.
Prospectus	Short term	Medium term	-.315*	.044
		Long term	-.577*	.000
	Medium term	Short term	.315*	.044
		Long term	-.262	.095
	Long term	Short term	.577*	.000
		Medium term	.262	.095
News papers and magazines	Short term	Medium term	-.131	.049
		Long term	-.077	.605
	Medium term	Short term	.131	.049
		Long term	.054	.717
	Long term	Short term	.077	.605
		Medium term	-.054	.717
TV Channels	Short term	Medium term	-.054	.702
		Long term	-.062	.048
	Medium term	Short term	.054	.702
		Long term	-.008	.956
	Long term	Short term	.062	.048
		Medium term	.008	.956
Investment Related web sites	Short term	Medium term	-.377*	.002
		Long term	-.431*	.000
	Medium term	Short term	.377*	.002
		Long term	-.054	.655
	Long term	Short term	.431*	.000
		Medium term	.054	.655
Brokers/ Analysts' Forecasts	Short term	Medium term	-.100	.274
		Long term	-.238*	.009
	Medium term	Short term	.100	.274
		Long term	-.138	.130
	Long term	Short term	.238*	.009
		Medium term	.138	.130
Investor Forum	Short term	Medium term	-.131	.275
		Long term	-.369*	.002
	Medium term	Short term	.131	.275
		Long term	-.238*	.047
	Long term	Short term	.369*	.002
		Medium term	.238*	.047
Technical Analysis	Short term	Medium term	-.138	.264
		Long term	.292*	.019
	Medium term	Short term	.138	.264
		Long term	.431*	.001
	Long term	Short term	-.292*	.019
		Medium term	-.431*	.001
Companies' Financial analysis	Short term	Medium term	-.154	.048
		Long term	-.085	.512
	Medium term	Short term	.154	.048
		Long term	.069	.592
	Long term	Short term	.085	.512
		Medium term	-.069	.592

Publications of Financial institutions	Short term	Medium term	-.200	.106
		Long term	.285*	.021
	Medium term	Short term	.200	.106
		Long term	.485*	.000
	Long term	Short term	-.285*	.021
		Medium term	-.485*	.000
Company announcements	Short term	Medium term	-.008	.947
		Long term	.254*	.029
	Medium term	Short term	.008	.947
		Long term	.262*	.025
	Long term	Short term	-.254*	.029
		Medium term	-.262*	.025
Others (Friends, Relatives etc.)	Short term	Medium term	-.131	.422
		Long term	.331*	.043
	Medium term	Short term	.131	.422
		Long term	.462*	.005
	Long term	Short term	-.331*	.043
		Medium term	-.462*	.005

Source: Primary data

Awareness about Company

Awareness about the company, the stock of which the investor intends to select is another key factor for better investment decision. The company's awareness is measured with history, promoters, policies, companies under the same management, authorized capital, size of the present issue, objectives and terms issue, financial position, EPS/ PE ratio, dividend policy, stock exchange updates, listing information and credit ratings.

Awareness about Company

Awareness about the company, the stock of which the investor intends to select is another key factor for better investment decision. Awareness about company is measured by using basic information, financial information and general information of the company

Awareness about basic information of the company

Basic information about the company include history, promoters, policies, companies under the same management, authorized capital, size of the present issue and objectives and terms of issue.

Analysis of Awareness about basic information of the company with Length of Investment Experience

H0: There is no significant difference among the categories of length of investment experience about awareness about basic information of the company.

It can be evident from the below table that p values of history, promoters, authorized capital, size of the present issue and objectives and terms of the present issue are less than 0.05. Thus it can be realised that there is significant difference among various categories of length of investment experience about these items. . It is clear from the mean scores that equity holders with medium term investment experience dominate in terms of awareness about history of the company (3.77) and promoters (3.92). Highly experienced investors are more aware in terms of authorized capital (3.98), size of the present issue (3.87) and objectives and terms of the present issue (3.98).

The null hypotheses about policies and companies under the same management are accepted and concluded that there is no significant difference among various categories of length of investment experience about these items as the p values are greater than 0.05.

Table 6. Analysis of Awareness about basic information of the company with Length of Investment Experience

Factors	Statistics	Length of Investment Experience			ANOVA	
		Short term (below 4)	Medium term (5-8 yr)	Long term (above 8 yr)	F	P Value
History	Mean	3.50	3.77	3.58	4.54	0.011

	SD	0.63	0.70	0.88		
Promoters	Mean	3.65	3.92	3.84	3.05	0.048
	SD	0.79	0.88	1.01		
Policies	Mean	3.62	3.77	3.75	1.53	0.218
	SD	0.71	0.77	0.85		
Companies under the same management	Mean	3.69	3.85	3.87	2.11	0.122
	SD	0.72	0.71	0.87		
Authorized capital	Mean	3.53	3.94	3.98	4.80	0.009
	SD	0.77	1.91	0.92		
Size of the present issue	Mean	3.59	3.62	3.87	5.23	0.006
	SD	0.75	0.77	0.77		
Objectives and terms issue	Mean	3.35	3.61	3.98	13.66	0
	SD	0.80	1.11	0.97		

Source: Primary data

Based on LSD Multiple comparison test, there is significant variation between short term and medium term and; medium term and long term about history of the company. Short term and long term are not significant. In the case of promoters significant difference is found between short term and medium term. As far as authorized capital is concerned, there is significant difference between short term and medium term and; short term and long term. With regard to Size of the present issue, the pairs short term and long term and; medium term and long term vary significantly. There is significant difference among all the pairs with respect to objectives and terms issue.

Table 7. Least Significant Difference Test: Awareness about basic information of the company by Length of Investment Experience

Dependent Variable			Mean Difference (I-J)	Sig.
History	Short term	Medium term	-.269*	.004
		Long term	-.077	.404
	Medium term	Short term	.269*	.004
		Long term	.192*	.037
	Long term	Short term	.077	.404
		Medium term	-.192*	.037
Promoters	Short term	Medium term	-.269*	.016
		Long term	-.185	.098
	Medium term	Short term	.269*	.016
		Long term	.085	.448
	Long term	Short term	.185	.098
		Medium term	-.085	.448
Authorized capital	Short term	Medium term	-.408*	.012
		Long term	-.454*	.005
	Medium term	Short term	.408*	.012
		Long term	-.046	.775
	Long term	Short term	.454*	.005
		Medium term	.046	.775
Size of the present issue	Short term	Medium term	-.023	.808
		Long term	-.277*	.004
	Medium term	Short term	.023	.808
		Long term	-.254*	.008
	Long term	Short term	.277*	.004
		Medium term	.254*	.008
Objectives and terms issue	Short term	Medium term	-.254*	.035
		Long term	-.623*	.000
	Medium term	Short term	.254*	.035
		Long term	-.369*	.002

	Long term	Short term	.623*	.000
		Medium term	.369*	.002

Source: Primary data

Awareness about financial information of the company

Awareness about financial information of the company is measured in terms of financial position, EPS/ PE ratio, dividend policy etc. of the company.

Analysis of Awareness about financial information of the company with Length of Investment Experience

H0: There is no significant difference among the categories of length of investment experience about awareness about financial information of the company.

It can be evident from the below table that p values of financial position, EPS or PE ratio and dividend policy are less than 0.05. Thus it can be realised that there is significant difference among various categories of length of investment experience about these items. Equity holders with long term experience are more familiar with financial position (3.80), EPS or PE ratio (3.98) and dividend policy (3.92).

Table 8. Analysis of Awareness about basic information of the company with Length of Investment Experience

Factors	Statistics	Length of Investment Experience			ANOVA	
		Short term (below 4)	Medium term (5-8 yr)	Long term (above 8 yr)	F	P Value
Financial position	Mean	3.42	3.62	3.80	5.13	0.006
	SD	0.84	1.04	0.96		
EPS/ PE Ratio	Mean	3.75	3.82	3.98	3.05	0.048
	SD	0.79	0.82	0.90		
Dividend Policy	Mean	3.55	3.59	3.92	7.83	0
	SD	0.87	0.80	0.80		

Source: Primary data

LSD Multiple comparison test is administered as significant difference is found among length of investment experience and awareness about financial information. In the case of financial position and EPS/ PE ratio, only short term and long term differ significantly. There is significant difference between short term and long term and; medium term and long term about dividend policy.

Table 9. Least Significant Difference Test: Awareness about basic information of the company by Length of Investment Experience

Dependent Variable		Mean Difference (I-J)	Sig.	
Financial position	Short term	Medium term	-.200	.090
		Long term	-.377*	.001
	Medium term	Short term	.200	.090
		Long term	-.177	.134
	Long term	Short term	.377*	.001
		Medium term	.177	.134
EPS/ PE Ratio	Short term	Medium term	-.069	.507
		Long term	-.231*	.027
	Medium term	Short term	.069	.507
		Long term	-.162	.122
	Long term	Short term	.231*	.027
		Medium term	.162	.122
Dividend Policy	Short term	Medium term	-.038	.708
		Long term	-.369*	.000
	Medium term	Short term	.038	.708
		Long term	-.331*	.001
	Long term	Short term	.369*	.000
		Medium term	.331*	.001

Source: Primary data

Awareness about general information of the company

General information includes stock exchange updates, listing information and credit ratings etc. of the company.

Analysis of Awareness about general information of the company with Length of Investment Experience

H0: There is no significant difference among the categories of length of investment experience about awareness about general information of the company.

It can be evident from the below table that p values of stock exchange updates and listing are less than 0.05. Thus it can be understood that there is significant difference among various categories of length of investment experience about stock exchange updates and listing. Equity holders belong to medium term experience are more aware about stock exchange updates (3.92) and those of long term category are more aware about listing (3.98). The null hypothesis about credit ratings is accepted and concluded that there is no significant difference among various categories of length of investment experience about credit rating as the p value is greater than 0.05.

Table 10. Analysis of Awareness about general information of the company with Length of Investment Experience

Factors	Statistics	Length of Investment Experience			ANOVA	
		Short term (below 4)	Medium term (5-8 yr)	Long term (above 8 yr)	F	P Value
Stock exchange updates	Mean	3.52	3.92	3.86	5.34	0.005
	SD	1.04	1.02	1.13		
Listing	SD	3.63	3.90	3.98	6.61	0.002
	Mean	0.76	0.74	0.95		
Credit ratings	Mean	3.72	3.67	3.79	0.98	0.378
	SD	0.68	0.59	0.84		

Source: Primary data

Based on LSD Multiple comparison test the pair short term and medium term as well as short term and long term vary significantly in relation to stock exchange updates and listing.

Table 11. Least Significant Difference Test: Awareness about general information of the company by Length of Investment Experience

Dependent Variable			Mean Difference (I-J)	Sig.
Stock exchange updates	Short term	Medium term	-.400*	.003
		Long term	-.338*	.011
	Medium term	Short term	.400*	.003
		Long term	.062	.641
	Long term	Short term	.338*	.011
		Medium term	-.062	.641
Listing	Short term	Medium term	-.269*	.008
		Long term	-.354*	.001
	Medium term	Short term	.269*	.008
		Long term	-.085	.406
	Long term	Short term	.354*	.001
		Medium term	.085	.406

Source: Primary data

7. CONCLUSION:

Due to information asymmetry, investors may be guided by various investment mistakes. Lack of investment awareness may also lead to improper decision making. The study reveals that some equity holders were not fully aware in terms of knowledge about adequate source of information, consciousness about stock market documents and updates, knowledge about the basic information, financial information and general information etc. of the company.

It is concluded from the study that equity holders have to enhance their financial literacy and improve investment awareness in order to make investment decision better.

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