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INVESTORS RISK PERCEPTION AND INVESTORS INFORMATION SEEKING BEHAVIOUR ON INVESTMENT DECISION

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Introduction

Behavioural Finance has provided a better understanding of some financial phenomena by using models of not fully rational agents (Barberis & Thaler, 2002). It helped us the influence of psychology on the behaviour of financial practitioners and the subsequent effect on markets. Accordingly, it suggests that because of the imperfect market regulations and policies in Indian Stock Markets, the prevailing speculative and irrational behaviours of investors on risk and return may have a relatively larger impact on the Indian stock market. Past investment experience and expertise of investors provides them with risk awareness and so have become important commodity risk assessment factors in future. Sitkin and Pablo (1992) defined risk perception as risk assessment in uncertainty. Risk perception is determined from the questions investors ask, their familiarity with organizational and management systems etc. all of which are important factors. Psychologists and some economist, led by Kahneman and Tverskty, claim that investors do not always have a behaviour as expected utility maximisers (Samuelson, 1963; Kahneman and Tversky, 1979, 1984, Tversky and Kahneman, 1992; Benartzi and Thaler, 1995, 1999). In traditional financial theory, Fama's (1970) definition of Efficient Market Hypothesis (EMH) states that investors are rational, therefore on receipt of new information, they logically update their commitment towards their investment.

Efficient Market Hypothesis (EMH)

The term 'efficient market' introduced into the economics literature was defined as a market which 'adjusts rapidly to new information' (Fama, 1969). A more modern definition is that asset price in an efficient market 'fully reflect all available information' (Fama 1991) implying that the market processes information rationally, in the sense that relevant information is not ignored, and systematic errors are not made. It believes that market is said to be efficient with respect to information set if the price fully reflects that information set (Fama, 1970).

The words in this definition suggest that some of the subtleties inherent in defining an efficient asset market are masked. However, the EMH yields a number of interesting and testable predictions about the behaviour of financial asset prices and returns. The efficient market hypothesis is almost certainly the right place to start when thinking about asset price formation. Both academic research and asset market experience, however, suggest that it does not explain some important and worrying features of asset market behaviour (Beechey, Gruen, and Vickery, 2000).

Prospect Theory

The most popular descriptive theory of decision making under risk and uncertainty today is prospect theory. Its original version was introduced by Kahneman and Tversky (1979), a paper that constituted a breakthrough in decision theory. Up to that point, the common thinking had been that irrational behavior was too chaotic to be modeled, and that models of rational choice were the best descriptive approximation of irrational behavior (Arrow 1951). Prospect theory was the first convincing model that at the same time was tractable enough to allow for theoretical analyses and predictive applications, and was also able to model irrationalities commonly found in empirical choices. (Kothiyal, Spinu, and Wakker. 2011). Other empirical studies convincingly show that investors are reluctant to realize losses (i.e., there is a disposition effect). However, it is not clear why this effect exists. Knowledge regarding the causes of the disposition effect has implications for theoretical modeling of trading behaviour. In addition, it has important practical implications, as prescriptive advice crucially depends on the extent to which the effect is caused by preferences, beliefs, or psychological biases (Kaustia, 2010). Investors may sell winning stocks and hold on to losing stocks simply because they expect prior returns to reverse in the

future; that is, stocks that have gone down would outperform those that have gone up (Odean (1998)). This idea is also motivated by experimental evidence (Andreassen (1988)). An investor who is acting on mean reversion would tend to sell outperforming stocks and hold underperforming stocks, regardless of whether this leads to realizing gains or losses. In particular, this applies also to stocks with paper losses and good recent performance, as well as stocks with paper gains and bad recent performance. Acting on mean reversion would produce a reversed disposition effect for these stocks.

Expected Utility Maximization

In their comprehensive treatise of quantitative investing, Grinold and Kahn (2000) stated that 'active management is forecasting'. The investor models and estimates the distribution of future stock returns, which can then be used as input for a portfolio construction method such as mean-variance optimization (for example, Markowitz, 1952). Do individual decision-makers, other things being equal, prefer a more positively skewed distribution? There is a substantial and growing body of empirical evidence suggesting that they do. Building on the earlier seminal contributions of Arditti (1967) and Kraus and Litzenberger (1976), Harvey and Siddique (2000), for example, show in an asset pricing model that systematic skewness is economically important and commands a substantial premium.

Modern Portfolio Theory

Harry Markowitz ("Markowitz") is highly regarded as a pioneer for his theoretical contributions to financial economics and corporate finance. In 1990, Markowitz shared a Nobel Prize for his contributions to these fields, espoused in his "*Portfolio Selection*" (1952) essay first published in *The Journal of Finance*, and more extensively in his book, "*Portfolio Selection: Efficient Diversification* (1959). His groundbreaking work formed the foundation of what is now popularly known as 'Modern Portfolio Theory' (MPT). The foundation for this theory was substantially later expanded upon by Markowitz' fellow Nobel Prize co-winner, William Sharpe, who is widely known for his 1964 Capital Asset Pricing Model work on the theory of financial asset price formation. Technically speaking Modern Portfolio Theory ("MPT") is comprised of Markowitz' Portfolio Selection theory, first introduced in 1952, and William Sharpe's contributions to the theory of financial asset price formation which was introduced in 1964, which came be known as the Capital Asset Pricing Model ("CAPM") (Veneeya, 2006). Essentially, MPT is an investment framework for the selection and construction of investment portfolios based on the maximization of expected returns of the portfolio and the simultaneous minimization of investment risk (Fabozzi, Gupta, & Markowitz, 2002. A higher standard deviation translates into a greater risk and requisite higher potential return. If investors are willing to bear risk, then they expect to earn a risk premium. Risk premium is "the return in excess of the risk-free rate of return that an investment is expected to yield". In order to predict future returns (expected return) for a security or portfolio, the historical performance of returns are often examined. Expected return can be defined as "the average of a probability distribution of possible returns". Calculation of the expected return is the first step in Markowitz' portfolio selection model. Expected return, also commonly referred to as the mean or average return, can simply be viewed as the historic average of a stock's return over a given period of time (Benniga, 2006). Calculations for a portfolio of securities (two or more) simply involve calculating the weighted average of the expected individual returns (Ross, Westerfield & Jaffe, 2002).

Capital Asset Pricing Model (CAPM)

The CAPM conveys the notion that securities are priced so that the expected returns will compensate investors for the expected risks. There are two fundamental relationships: the capital market line and the security market line. These two models are the building blocks for deriving the CAPM. The capital market line specifies the return individual investors expect to receive on a portfolio. The security market line expresses the return an individual investor can expect in terms of a risk free rate and the relative risk of a security of portfolio. The model is an extension of Markowitz's (1952) portfolio theory. Sharp (1964), Linter (1965) and Black, Jensen, & Scholes (1972) are the researchers who developed the CAPM based on the assumptions and notions of portfolio theory. They suggest that high expected returns are linked with high levels of risk. In other words, the model demonstrates that expected return on a stock above the risk free rate has linear relation with non-diversifiable risk as measured by stocks' beta. Although there have been a number of researches on the validity of the model over

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the past 40 years, there are still some doubts on its ability to explain the actual movements of asset returns. Because standard capital asset pricing model is second moment (mean-variance) model, researchers and investors, on the basis of conflicting results, were motivated to use higher order moments like third moments (skewness) and fourth moments (kurtosis). Since the variance or standard deviation failed to capture fully the true risk of the distribution of stock market returns, the role of higher moments has become increasingly important. For example, if investors prefer right skewed portfolios, then more reward should be given to investors willing to invest in left skewed portfolios. Since one of the assumptions of CAPM is the efficient market which is not met in the emerging market, the risk-return relationship cannot be assumed as linear

Alternate Asset Pricing Models

Cochrane (2005) calls the consumption-based asset pricing model a complete answer to "all" asset pricing questions in principle, because asset prices should be driven by the covariance of asset payoffs with marginal utility and hence by covariance of asset payoffs with consumption. However, Cochrane notes that model works poorly in practice. Cochrane attributes the poor performance of the consumption-based model to unsatisfactory consumption data. Breeden, Gibbons, and Litzenberger (1989) state four measurement problems in the application of the Consumption CAPM: the reporting of expenditures rather than consumption, the reporting of an integral of consumption rates rather than the consumption rate at a point in time, infrequent reporting of consumption data relative to stock returns, and reporting aggregate consumption with sampling error due to measurement of only a subset of the total population of consumption transactions.

Arbitrage Pricing Theory

The issue of cross-sectional variation in stock returns has traditionally been investigated under the framework of the CAPM, which was advanced by Sharpe (1964) following the portfolio theory of Markowitz (1952). Under the CAPM, return is hypothesized to depend only, and linearly and positively, on the market (systematic) risk. The model assumes a perfectly competitive capital market, perfectly divisible assets, existence of a risk free asset, no transaction cost and homogenous investors' expectations about assets' returns. Although the CAPM was found by Black, Jenson and Scholes (1972), and Fama and MacBeth (1973) to be a good model in explaining the return behaviour, the subsequent research suggests the contrary. Ross (1976) presented an alternative approach, which has come to be known as the Arbitrage Pricing Theory.

Under this approach, return is explained not just through a single market factor like the CAPM, but through the multiple factors that influence all stocks uniformly. These multiple factors could be unknown and, if so, the factor analysis technique is applied to test the validity of the model. Alternatively, the said factors, called the macroeconomic factors, could be known and identifiable, and, if so, the two-step regression method could be used directly. The details on the methodology are provided in a subsequent section. It must be noted that the APT is based on assumptions similar to those of the CAPM mentioned in the previous paragraph. Recall that the problem under investigation in this study is 'to what extent does the APT explain the cross-sectional variations in stock returns on the KLSE?

The APT model hypothesizes that the rate of return on any security is a linear function of a set of the fundamental factors *F (k)* common to all securities:

$$Rj = E(Rj) + \beta j1F1 + \beta j2F2 + \ldots \beta jkFk + \varepsilon j \quad \text{---------- Eqn. 1}$$

Where,
Rj = stochastic rate of return on the *j* th stock
E (Rj) = expected level of return for stock *j*
Fk = value of the *k* th index that impacts the return on stock *j* (factors)
βjk = sensitivity of stock *j* 's return to the *k* th index (factor loading)
εj = random error term with mean equal to zero and variance equal to σei
A corollary to the APT states that the risk from each factor is priced as in the following cross-sectional equation:

$Rj = \gamma_o + \Sigma \gamma_j \beta_j + \varepsilon_j$ ---------- Eqn 2
Where,
Rj = rate of return of factor *j*
γ_j = parameters to be estimated
β_j = beta for factor *j* , calculated from equation (1).
Equation (1) is estimated for each stock or each portfolio of stocks in the sample, using the time series data. This provides the estimates of the market risks, called betas, which measure the sensitivity of the concerned return to the corresponding market risk factor. This is referred to as the first step or the estimation/first pass step of the two-step regression technique. Equation (2) uses the betas estimated in the first step for each stock/portfolio and then runs the cross-section regression of returns on the beta estimates. This step is referred to as the second step or the testing/second pass step of APT. The CAPM is a special case of APT, where the number of explanatory variables in equations (1) and (2) above is just one, and that is a sole measure of the market risk.

The results of the second regression provide the necessary inputs for testing the validity of the APT. The closer the value of the R-square to unity, the more appropriate the model is. Further, the estimates of the coefficients of equation (2), called gammas in the finance literature, would indicate as to whether the particular risk factor is priced or not. Thus, if only gamma one alone is significant, then only factor one is rewarded by the market in terms of return. If the sign of a gamma is positive, the reward is positive; and it is negative otherwise.

Mutual funds and hedge funds do not present the same style characteristics. The transparency of mutual funds allows managers to apply them to a holding-based or characteristic-based style analysis almost indifferently (Brown and Goetzmann 2003). Unfortunately, because hedge fund operations are essentially opaque and qualitative assessments of investment styles are likely to be biased, we have to turn to quantitative techniques (Lhabitant 2004).

Review of Literature
Khoon and Gupta (2001) uses monthly data (from September 1988 to June 1997) on 213 stocks listed on the Main Board of the Kuala Lumpur Stock Exchange to investigate whether cross-sectional variations in stock returns are sufficiently explained by the Arbitrage Pricing Theory (APT). The study uses two approaches—factor analysis and the macroeconomic factors technique. The results indicate that the APT model is quite robust, and that two unknown factors are significant in the first approach and just one (expected inflation) in the second approach to explaining the cross-sectional variations in stock returns.Ward (2007) contrasts the traditional and the modern approaches to the valuation of securities. The new ideas are straightforward and the models simply describe the way in which many professional investors go about the business of maximizing their wealth. The article is divided into two sections. The first focuses on modern portfolio theory to demonstrate the fundamental investment tradeoff between risk and return. The second presents a pragmatic approach to security valuation for investors who no longer believe in earnings multipliers.

Lizieri and Finlay (2010) describes two improvements to Gentry's fully homomorphic scheme based on ideal lattices and its analysis: we provide a more aggressive analysis of one of the hardness assumptions (the one related to the Sparse Subset Sum Problem) and we introduce a probabilistic decryption algorithm that can be implemented with an algebraic circuit of low multiplicative degree. Combined together, these improvements lead to a faster fully homomorphic scheme, with a $\sim O$ (3.5) bit complexity per elementary binary add/mult gate, where is the security parameter. For example, Robert Merton published "An Intertemporal Capital Asset Pricing Model" in 1973, which showed how to generalize the capital asset pricing model to a comprehensive intertemporal general equilibrium model. Robert Lucas published "Asset Prices in an Exchange Economy" in 1978, which showed that in a rational expectations general equilibrium, rational asset prices may have a forecast able element that is related to the forecast ability of consumption. Douglas Breeden published his theory of "consumption betas" in 1979, where a stock's beta (which measures the sensitivity of its return compared to some index) was determined by the correlation of the stock's return with per capita consumption. These were exciting

theoretical advances at the time. In 1973, the rest edition of Burton Malkiel's acclaimed book, *A Random Walk down Wall Street,* appeared which conveyed this excitement to a wider audience.

GREEN (1986) theoretically evaluates the robustness of the Security Market Line relationship when the market proxy employed is not mean-variance efficient. The analysis focuses on the behavior of the "benchmark errors," the deviations of assets and portfolios from the Security Market Line. First, we characterize how the location of an asset in mean-variance space determines its benchmark error

Magni (2008) Purpose – In investment decision making, the net present value (NPV) rule is often used alongside the well-known capital asset pricing model (CAPM). In particular, the use of disequilibrium NPV is endorsed in corporate finance for both valuation and decision. The purpose of this paper is to test the reliability of this approach to capital budgeting valuations and decisions. Design/methodology/approach.

Mabrouk and Bouri (2010) have attempted to do three things. First it presents an overview on the capital asset pricing model (CAPM) and the results from its application throughout a narrative literature review. Second the paper has argued that to claim whether the CAPM is dead or alive, some improvements on the model must be considered. Rather than take the view that one theory is right and the other is wrong, it is probably more accurate to say that each applies in somewhat different circumstances (assumptions). Finally it's argued that even the examination of the CAPM's variants is unable to solve the debate into the model. Rather than asserting the death or the survival of the CAPM, we conclude that there is no consensus in the literature as to what suitable measure of risk is, and consequently as to what extent the model is valid or not since the evidence is very mixed. So the debate on the validity of the CAPM remains a questionable issue.

Research Methodology

The Major Purpose of this investigation is to capture the information seeking behaviour of the investors, investors' risk perception and investor investment decision. It was decided that a descriptive study using primary data would be appropriate to investigate the objectives and the hypotheses. The instrument used to collect the data was a questionnaire. The researcher has presented and interpreted the collected data supported by quantitative techniques. In the subsequent sections, the researcher elaborates the method adopted to design and administer the questionnaire, the sampling technique used and the justification for choosing the samples. 1) investors' information seeking behaviour 2) investors' risk perception and 3) investors' investment decision making behaviour. The items capturing each factor were adopted from standardized questionnaires developed or used by earlier researchers. However, they were subjected to validity and reliability tests. Hence, the items that constituted adequate coverage of the factors under study were decided and agreed upon by the researcher. The second part of the questionnaire measured the investors' information seeking behaviour. The investment seeking behaviour was measured as a construct that included factors such as 1) advice seeking disposition 2) perceived risk in depending on oneself 3) desire for control 4) subjective expertise 5) access to information and tools 6) perceived environmental uncertainty 7) intrinsic motivation and 8) trust. The second part also captured the risk perception. The third part of the questionnaire measured the investment decision.

Validity Test

The questionnaire was subjected to face and content validity whose determination was judgmental. There are two schools of thought on the distinctiveness of face and content validity. The first one saw face validity as just an indirect approach to the measurement of content validity (Carmines, & Zeller, 1979; Nunnally, 1967) whereas the second one treated them as separate and different tests (DeVellis, 1991; Kerlinger, 1973). In this study, the researcher has subscribed to the second perspective where quantitative assessment of the content validity has been followed.

The face and content validity was conducted with 8 experts. The experts scrutinized the items, according to the definition generated against the constructs of information seeking behaviour, risk perception and investment decisions. Before they offered their opinion on the items, the researcher informed them of the objectives and the

need for the study and then encouraged to express the validity of each item in capturing the adequate information required for the study. Then they were requested to offer their feedback on each of the items. The experts also suggested a 5-point rating scale on all possible items. The content validity ratio (CVR) was applied to each item, using the formula developed by Lawsche (1975). They are presented in table.1. Based on this, a few redundant statements were removed.

$$\text{Content Validity Ratio} = \frac{Ne - N/2}{N/2}$$

Where Ne = number of panelists indicating "essential" and N = total number of panelists.

The Pilot Study

After finalizing the number of items in the research instrument using face and content validity tests, a pilot study was undertaken for the following reasons:

a) To assess the reliability of the research instrument constructed.
b) To ascertain the time taken to complete the questionnaire by the respondents.

To conduct the pilot study, it was decided to select 30 investors who were investing in market for more one year as the sampling frame for the pilot study.

Reliability Test

The Data collected from the pilot study was subjected to reliability test using Cronbach Alpha. The alpha values for the various dimensions are shown in table 2. From the table, it has been found that the reliability coefficients for the variables chosen for this study are more than 0.60, which is an acceptable value (Malhotra, 2004). So, the items constituting each variable under study have reasonable internal consistency.

Reliability Coefficients Using Cronbach Alpha

Sl. N	Dimensions	Reliability Coefficients (N = 40)
1.	Advice seeking disposition	0.77
2.	Perceived risk in depending on oneself	0.79
3.	Desire for control	0.63
4.	Subjective expertise	0.85
5.	Access to information and tools	0.65
6.	Perceived environmental uncertainty	0.77
7.	Intrinsic motivation	0.66
8.	Trust	0.61
9.	Investment decisions	0.84
10.	Risk perception	0.87

Sampling Frame: The geographical area of Coimbatore city was chosen as the Universe. The main reason for choosing Coimbatore City is that this city in the second largest education hub of South India. The climatic and geographical locations are strategically conducive for the large number of business and trade activities across India and abroad. Moreover, the investigator is located in Coimbatore City which is familiar with the place. More significantly, Coimbatore city has the distinction of being an active commercial centre with more employment opportunities and hence, people in large number salaried or doing their business have disposable income to invest on equitable shares. Sampling technique: A list of investors residing in Coimbatore district was prepared. From this list, only those investors who had been trading in Coimbatore Stock Exchange for at least one year were selected. **Techniques used for analysis:** The techniques used for analysis are Correlation, MANOVA and Multiple Regression.MANOVA is used to study the differences across the background characteristics on other study variables. Multiple regressions were used to study the influence of the role of management, influence of text / pictorial warnings factors on intentions to quit.

Analysis and Interpretation

The data collected from the respondents was tabulated and analyzed using appropriate statistical techniques mentioned in the research methodology. This chapter contains four parts. First part contains tabulation of the background characteristics, the mean and standard deviation and the intercorrelation between the variables, the second part contains tables testing the objective 1, the third part contains table testing objective 2 and the fourth part consists of testing objective 3.

The Association between amounts Invested in Stocks and the Demographic Details of the Investors

Description		Amount of money invested in stock Markets				Total	Chi-square
		Above Rs. 50,000 and upto 1 L	Above 1 L and upto 1.5 L	Above 1.5 L and upto 2 L	Above 2 L and 2.5 L		
Gender of the investors	Male	56	53	75	72	256	15.545*
	Female	41	10	24	39	114	
Total		97	63	99	111	370	
Age of the respondents	20-29 years	33	2	2	24	61	74.780*
	30 - 39 years	13	11	18	1	43	
	40-49 years	16	16	23	10	65	
	50-59 years	35	34	56	76	201	
Total		97	63	99	111	370	
Educational Qualification of the respondents	HSC	34	4	5	8	51	62.385*
	UG	10	9	13	4	36	
	PG	22	18	36	32	108	
	Others	31	32	45	67	175	
Total		97	63	99	111	370	
Income of the respondents	Above Rs. 20,000 and up to 40,000	34	3	1	8	46	108.041*
	Above Rs. 40,000 and60,000	15	18	23	14	70	
	Above Rs. 60,000 and up to 80,000	29	22	30	12	93	
	Above Rs. 80,000 and up to 1 L	19	20	45	77	161	
Total		97	63	99	111	370	

**Significant at 0.05 level*

The table 1a shows the association between the amount invested in stocks and the demography of the investors. It is seen that on all the demographic factors of the investors, H0 is rejected and H1 is accepted. The test is conducted at 0.05 significant levels. Hence it is proved that the amount invested in stocks is dependent on the demography of the investors such as the sex, age, income and educational qualification.

The Mean and Standard Deviation of the Study Variables

Variables	Mean	Std. Deviation
Advice Seeking Disposition	3.01	.93
Perceived risk in depending on oneself	2.7	.84
Desire for Control	3.06	.77
Subjective Expertise	2.70	1.10
Access to Information and tools	3.17	1.05
Perceived Environmental Uncertainty	3.03	1.06
Intrinsic Motivation	2.62	1.07
Intrinsic Trust	3.43	1.05
Risk Perception	2.55	.97
Investment Decision	3.42	1.05

It is seen from table 2 that information seeking behaviour trust is high (mean = 3.43; SD = 1.63) followed by Investment Decision (mean = 3.42; SD = 1.05); access to information and tools (mean = 3.17; SD = 1.05); desire for control (mean = 3.06; SD = .77) perceived environmental uncertainty (mean = 3.03; SD = 1.06); advice seeking disposition (mean = 3.01; SD = .93); perceived risk in depending on oneself (mean = 2,70; .84); subjective expertise (mean = 2.70; SD = 1.10); intrinsic motivation (mean = 2.62; SD = 1.07); risk perception (mean = 2.55; SD = .97). Intrinsic trust as measured appears to be high and Risk perception is the lowest. Hence, the first objective has already been fulfilled by a thorough simple means and standard deviation.

Multivariate Analysis of Variance (MANOVA) across gender and information seeking behaviour, risk perception and investment decisions

Effect		Value	F	Hypothesis df	Error df	Sig.
Gender	**Pillai's Trace**	.376	24.143[a]	9.000	360.000	.000
	Wilks' Lambda	.624	24.143[a]	9.000	360.000	.000
	Hotelling's Trace	.604	24.143[a]	9.000	360.000	.000
	Roy's Largest Root	.604	24.143[a]	9.000	360.000	.000

a. Exact statistic , b. Design: Intercept + Gender

Since the results of the MANOVA are significant, the 'Tests of Between Subjects Effects' (univariate results) are examined to determine whether the independent variables are significant for each of the variables. Table 5 shows the results of the tests between subject effects. On examination of the table, it is found that there is significant difference for advice seeking behaviour (F = 212.324, p =0.000), perceived risk in depending on oneself, (F = 13.733, p = 0.000), desire for control (F = 36.726; p = 0.000); risk perception (F = 6.617; p = 0.01).

Risk perception and information seeking behaviour of investors affect the investment decision.

This objective was studied with the following hypothesis. H0e: Risk perception and information seeking behaviour of investors are not related to the investment decision.

H1e: Risk perception and information seeking behaviour of investors are not related to the investment decision.

To test hypotheses H0f, advice seeking disposition perceived risk in depending on oneself, desire for control, subjective expertise, access to information and tools, perceived environmental uncertainty, intrinsic motivation, trust, risk perception entered the regression model, as independent variables and investment decision entered as the dependent variable. Multiple regressions are conducted to establish relationship between them, and the investor's investment decision.

Discussion and Implication

This has examined the implications of investors' risk perception and investor's information seeking behavior on investment decision. This has captured the behavioral aspect of risk perception, information seeking behavior and investment decision. This leads to two strong conclusions, one based on how the risk perception, investors' information seeking behavior and investor decision differ across the demography of the investors and the other, how risk perception and investors' information seeking behavior influence investment decision.

The pattern of demography suggests that individuals have become increasingly active in financial markets and market participation with more and more number of funds and instruments being floated in the market. Investment range also tend to be higher with 30% of them investing more than Rs. 2 lakhs This is a remarkable finding on the behavior of Indian investors. Such pattern of behavior also indicates that Indian investors are also gaining faith in the investment market. Another notable finding is the participation of female investors in the financial markets. Financial markets which were erstwhile considered a non-participating area among the males have increasing becoming a domain for females too. This is because of the awareness and the availability of surplus amount on investments. Also, the opinion on the traditional instruments as an investment destination is also changing. The tests for association between the amount invested on stocks and the demography of the investors suggest that amount of money invested in stocks is dependent on age, sex, income and the demography of the investors. Large participation of females in this study itself indicates the increasing investment desire of women in stocks. Investor in the age group of 50-59 suggests that investors at the verge of retirement do not have high risk perception and hence invest confidently on stocks. The same argument can be given for those who have other qualification unlike the traditional HSC, UG and PG. Obviously investors earning above Rs. 80,000 invest more on stocks compared to lower income groups. The Indian financial markets are strong and people have confidence on the system. This study conducted post-economic crises period reports that investors are unmindful of the crisis generated by the market.

On examination of the mean and standard deviation, it is seen that the perception of risk appears to be low. This makes the researcher to argue that investors in India are either not aware of the risk or not risk averse. Their faith on the Indian market condition drives them to have low risk perception. Surge in stock indexes as reported by the BSE and NSE is a strong indicator on this perception. The low risk perception may also be perhaps due to Indian investors relying on advice before their investment decision. This is indicated by a moderately high advice seeking disposition. This was further substantiated by the low dependence on oneself. With this study being conducted among educated investors, the perception on risk is shadowed by the advice seeking disposition and non-reliance on oneself and the desire for control. These three factors compound to a point that Indians risk taking perception is mitigating through a well-researched decision before investment. Moreover, the tools designed by the Indian financial markets also help them to reduce their perception on risk. This makes information available on the performance of each stock in the stock market. In general, it is seen that Indians have an intrinsic trust on the financial markets as indicated by the higher mean value and their intrinsic motivation, though, not so high. This finding and the subsequent discussion has high implication to all stakeholders. It implies that the Indian government should continue to be wise enough to keep base of the Indian financial system strong not going by the wisdom of the theories propounded by leading authors of western world which may perhaps apply to the western setting. India is unique and the psychology of the Indian investors is different as indicated by the simple low perception on the risk and the intrinsic trust, motivation and the desire to seek for information before making an investment decision.

Conclusion

The specific context of the professional advice seeking behavior and investment pattern of the investors. It was found that the investment decision was influenced by the variables. This is very useful to those who are concerned about the financial planning and returns more than safer instruments. This is harnesses the larger pool of investors who were not earlier studied. By proposing and testing a model of advice – seeking behavior and investment decision making, the study proposed that different factors impact the proclivity to seek professional guidance and the investment pattern in the financial planning context.