Understanding Individual Investor's Behavior: A Review of Empirical Evidences

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The diversification of the financial services sector has provided the individual investor with a wide range of opportunities to invest. The individual's decision to invest in the financial market is greatly influenced by the variety of benefits each individual wants from owning a particular stock. Besides these the investor's portfolio practices, preferences, risk perceptions, intentions, pattern of investment, their awareness level, factors affecting their investment behavior and the problems faced by them need to be analyzed in order to understand the individual investor behavior. Knowledge about the expectations, demographic profile, attitude of an investor towards risk, personal circumstances of an investor also play a vital role in the financial markets. In the present study, the diverse literature available worldwide on individual investor behavior has been explored. Its main purpose is to understand individual investor behavior. In order to review the relevant literature, research papers have been collected from various referred journals related to individual investors' behavior. By using interpretative approach, viz. objectives, research methodology, sample, respondents and the results of the study have been taken for further enquiry. This study builds up a strong conceptual framework for the researchers by thoroughly analyzing the empirical studies on the investor behavior in different countries. The paper demonstrates that there are several variables that govern an investors' decision to invest. The study suggests that understanding the individual investor behavior could be of great help in order to explain the stock market anomalies and to help the policy makers, the investment agencies, the researchers as well as managers of firms to prepare themselves to respond to the varying moods of an investor.

Keywords: Individual Investor, Behavior, Financial markets, Investments, Factors.

Introduction

Investing in various types of assets is an interesting activity that attracts people from all walks of life. It is the employment of funds with the aim of earning income or capital appreciation (Pandian, 2001). Today, the financial services sector has become highly diversified offering the individual investor with a wide range of opportunities to invest.

The investment strategies of one investor are quite different from that of another. The motivation of an investor to invest is complex and depends upon a number of factors. Researchers across different countries have analyzed the behavior of investors and have attempted to enhance our understanding of why people manage investments in different ways. Today an extensive body of literature exists that seeks to explain the investor's portfolio practices, preferences, risk perceptions, intentions, pattern of investment, factors affecting their investment behavior and the problems faced by them which need to be analyzed and diagnosed in order to predict the investors' behavior.

Individual Investor and Investment in Financial assets

Individual Investors mainly include the household investors. These investors purchase relatively small lots of stocks for their portfolio and are the ultimate investors, owning most financial assets directly, in their own name, or indirectly in the name of funds, trusts, or corporations. For most of the population, investment is a way of saving for retirement or for the education of children. These investors are prepared to accept high risks in pursuit of high returns. The investment made by them can lead to rapid economic growth in the country.

According to the RBI data, the Households contributed 87.1 percent of its savings towards investments in fixed income instruments during 2010–2011, which had increased in comparison to 85.6 percent in 2009–2010. In the fiscal year 2010–2011, the household sector invested 47.3 percent of its financial savings in deposits, 33.3 percent in insurance/provident funds, 6.5 percent in small savings, and - 0.4 percent in the securities market including government securities, units of mutual funds, and other securities (Table 1).

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Table 1: Savings of Household Sector in Financial Assets (in Percent)			
Financial Assets	**2008-09**	**2009-10**	**2010-11**
Currency	12.7	9.8	13.3
Fixed income investments	88.0	85.6	87.1
Deposits	60.7	47.2	47.3
Insurance/Provident & Pension Funds	31.1	34.1	33.3
Small Savings	-3.8	4.3	6.5
Securities Market	**-0.3**	**4.8**	**-0.4**
Mutual Funds	-1.4	3.3	-1.8
Government Securities	0.0	0.0	0.0
Other Securities	1.1	1.5	1.4
Total	**100**	**100**	**100**

Source: RBI Annual Report 2010-11

Conceptual Framework

For a long time, it was believed that the decisions of an individual investor were based on the modern portfolio theory and the efficient market hypothesis. However, researches have proved that most individual investors do not pick their stocks and portfolio based solely on the three criteria of modern portfolio theory — expected return, standard deviation, and correlation. Analyses of portfolios indicate that they hold too few stocks and fail to adequately diversify (Kiran and Rao, 2004). In fact the individual investors' portfolio practices, preferences, risk perceptions, intentions, pattern of investment, their awareness level, factors affecting their investment behavior and the problems faced by them need to be analyzed in order to understand the individual investor behavior.

Data Base and Research Methodology

For the present study, a thorough review of the existing empirical literature has been conducted. Articles published in various online databases and Search engines such as SSRN, NBER, Science Direct and Google Scholar were reviewed. In addition, Surveys conducted by organizations such as SCMRD, NCAER and NASD Investor Education Foundation along with various books on the topic were reviewed.

Studies were explored to gather information about the attitude and behavior of the investors in relation to the stock market and various types of investments. Thereafter, an exhaustive study of the literature was undertaken in order to bring out the factors that influence an investor to invest in the stock market and to suggest the policy makers as well as the investment agencies ways so as to prepare themselves to respond to the varying moods of an investor.

The studies have been reviewed in terms of important measures viz. objectives, research methodology, sample and respondents and the factors that influence an investor's behavior in the financial markets.

Objectives: Following are the specific objectives of the study:

1. To discover the various factors affecting Individual Investors' Behavior as explored by various researchers.

2. To provide an up to date and comprehensive review of studies on Individual Investors' behavior in the Financial Markets.

Sample and Respondent selection: Most of the studies reviewed are based on the data collected from primary sources. It has been found that the researchers have used different approaches of collecting primary data in order to reach the respondents i.e. through surveys, interviews and questionnaires. The secondary sources of data include data from various Stock exchanges such as Greece (Athens Stock Exchange), Shanghai and China, Household investor surveys conducted by organizations such as SCMRD, NCAER and NASD Investor Education Foundation, various stock broking firms and individual investor surveys. These studies conducted in different countries of the world have been selected mainly by using purposive and convenience sampling techniques.

Review of Literature:

Academic researchers have identified various factors influencing the behavior of an individual investor as shown in Table 2. Besides this earlier studies on individual investor behavior have been reviewed (as shown in Table 3).

Table 2 explains the various factors that influence the behavior of an individual investor. The demographic variables include the age, income level, gender, marital status, education and occupation. The stock fundamentals such as beta, past return, risk, EPS, firm size, age, share price, share turnover and book to market equity ratio influence the investor's decisions. Besides these various psychological facets such as the desires, goals, prejudices, biases and emotions also guide an investor's decisions. The parameters i.e. safety, liquidity, capital

appreciation, return and risk coverage also have an impact on the investment decisions of an investor. Personal beliefs including socially and religiously expressive characteristics that determine the attitude of an investor towards controversial stocks, stocks with environmental records, stocks with progressive practices for women, minorities and homosexuals and sin stocks (firms that profit from alcohol, tobacco, and gambling) leads the investors to be generally selective in their investments. The personal ability, confidence level and

dependency level of the investors also determine the choice of investments of an individual investor. Nagy and Obenberger (1994) identified a scale consisting of 34 items characterized into 5 categories i.e. Neutral Information, Accounting Information, Self image/firm image coincidence, Advocate Recommendation and Personal Financial Needs. These items cover the various aspects that influence the behavior of individual investor.

Table 2: Factors Influencing the Individual Investor Behavior extracted from various Academic Sources

Factors Influencing the Individual Investor Behavior
Demographic Factors: Investor's gender, age, marital status, education, income, occupation etc.
Stock Fundamentals: Beta, past return, risk, EPS, firm size, age, share price, share turnover and book to market equity ratio.
Lifestyle Characteristics: Personal ability, confidence level and dependency level of the investors.
Psychological Influences: Desires, goals, prejudices, biases and emotions that guide the investor's decisions.
Risk Bearing Capacity: Parameters of safety, liquidity, capital appreciation, return and risk coverage.
Personal Values : Socially and R eligiously expressive characteristics that determine the attitude of an investor towards controversial stocks, stocks with environmental records, stocks with progressive practices for women, minorities and homosexuals and sin stocks (firms that profit from alcohol, tobacco, and gambling).
Other Factors *(a) Neutral Information :* Information about Government Holders , Information from Internet , Fluctuations in the stock market, Coverage in press, Recent price movements, Statement by government officials and Economic Indicators.
(b) Accounting Information : Information about Stock Merchantability , Expected Corporate Earnings , Financial Position , Dividend Paid, Expected Dividend and the Past Performance.
(c) Self image/firm image coincidence : Information regarding the   Product and Service , Reputation of the firm in the Industry, Expectation of Getting Rich Quickly, Firm Status and Efforts made by the firm for the   Development of the Community.
(d) Advocate Recommendation: Advice or recommendation from the Broker, Family members, Friends and Stock holder.
(e) Personal Financial Needs: Diversification needs, Easy Availability of funds whenever needed, Need to Minimize the risk and loss and maximize the return.

Source: Compiled from various studies

Table 3: Empirical Literature Focusing on the Individual Investor Behavior

Author	*Country*	*Research Objectives*	*Sample and Respondents*	*Methodology*	*Results of the Study*
Cohn et. al (1975)	U.S.	To investigate the effect of change in wealth on the proportions of individual portfolios allocated to risky assets.	972 respondents.	Regression analysis, Multiple Discriminant analysis, Chi-square contingency analysis and Automatic Interaction Detection analysis.	The proportion of individual portfolio allocated to risky assets decreased with the increase in wealth.
Lease et. al. (1977)	U.S.	To study the asset portfolio of U.S investors and their decision making behavior.	The respondents from a list of accounts of a brokerage firm over a period from January 1, 1964 to December 31, 1970.	Descriptive Statistics.	The investors preferred securities with long term capital appreciation instead of short term gains. Age, income level and gender were the most dominant factors effecting individual investor's investment decisions.
Warren et. al. (1990)	U.S.	To segment the investors on the basis of demographic and lifestyle characteristics.	152 respondents.	Multiple Discriminant Analysis.	The study segmented the investors on the basis of their investment behavior i.e. active and passive investors as well as light and heavy investors.
Gupta (1991)	India	To enquire into the investors profile, portfolio practices, experiences, preferences, risk perceptions, intentions and problems.	5212 household investors.	Descriptive Analysis.	Buying from the new issue market was preferred by the investors as compared to buying from the secondary market. It was found that the share ownership had become a middle class phenomenon which was earlier confined to the wealthy class and that the shareowners were dissatisfied with the information provided by the companies and the stock brokers.
Lal (1992).	India.	To know the profile of Indian Investors.	1200 individual investors from different regions of India.	Descriptive Analysis.	The Indian Investors preferred to invest in larger portfolios with more than five companies.
Gupta (1993)	India	To analyze the changing pattern of ownership of Indian Households.	40998 unit holders and 165819 shareholders from over 19 states/Union Territories and 76 cities/places in India.	Descriptive Analysis.	The study revealed a massive shift towards units/mutual fund products, a moderate continuing shift towards shares and debentures and a shift away from traditional financial assets.
Nagy and Obenberger (1994)	U.S.	To examine the factors that had the greatest influence on the individual stock investor.	Individual equity investors with substantial holdings in Fortune 500 firms.	Factor Analysis.	Neutral Information, Accounting Information, Self -Image/Firm-Image Coincidence, Classical wealth maximization criteria, Social Relevance, Advocate recommendation and Personal financial needs were found t o influence individual investor behavior.
Gupta et. al. (1994)	India.	To examine the distribution of the share owning population and to analyze the changing pattern of distribution over various places/regions.	1,65,819 shareholders and 63,157 debenture holders from 1,060 cities/places and 32 states/union territories of India.	Descriptive Analysis.	Shareownership in India was largely an urban phenomenon and that too followed an uneven pattern. Inadequate share market infrastructure was the cause of the concentration of share ownership in a few regions.
Gupta et. al. (2001)	India.	To examine and compare the pattern of investors' preferences among Mutual Fund organizations/schemes and other financial products.	312 household investors.	Descriptive Analysis.	The study revealed that among Mutual Fund schemes UTI owned US -64 was the most popular but its position with regard to equity schemes was weaker than the others.
NCAER (2000)	India.	To study the primary considerations of the investors while choosing a financial instruments.	288,081 Indian investors.	Descriptive Analysis.	Safety and liquidity were the primary considerations of the investors while choosing an asset.

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Author	Country	Research Objectives	Sample and Respondents	Methodology	Results of the Study
Rajarajan (2002)	Chennai (India)	To identify the association between the demographic profile and the risk bearing capacity of individual investors in Chennai.	405 individuals from Chennai.	Chi Square test and Correspondence analysis.	A strong association was found between the demographic profile of the individuals and their risk bearing capacity.
Rajarajan (2003)	Chennai (India)	To study the determinants of portfolio choice of individual investors.	405 individuals from Chennai.	Multiple regression analysis.	The expected rate of return on investments, risk bearing capacity of investors, locus of control and investor's loss avoidance behavior had a positive relationship while the locus of control had an inverse relationship with the portfolio choice.
Kiran and Rao (2004)	India.	To identify the investor group segments on the basis of demographic and psychographic characteristics of investors.	96 respondents.	Multinomial Logistic Regression and Factor Analysis.	Four major Investor segments were identified based on their demographic and psychographic characteristics. The risk-bearing capacity of an individual was strongly dependent on the demographic and psychographic variables of the investor.
Merikas et. al. (2004)	Greece.	To examine the factors that influence the behavior of individual investors in the Greek stock exchange.	150 respondents from Athens Stock Exchange.	Factor Analysis.	The variables identified by the classic wealth maximization criteria i.e. expected corporate earnings, conditions of financial statements and firms status in the industry were found to be the most influencing factors.
Wood and Zaichkowsky (2004)	Canada.	To identify and characterize individual investors into segments based on their investing attitudes and behavior.	90 respondents.	Heirarchical cluster analysis with ward's linkage and ANOVA.	Four segments of investors namely risk tolerant traders, confident traders, loss averse traders and conservative long term traders were identified.
Ng and Wu (2005)	China.	To examine the stock preferences of Chinese individual investors as revealed by their executed trades.	6.8 million active local investors from Shanghai Stock Exchange for the period April 2001 to April 2002.	Cross sectional regression analysis.	Less wealthy individual investors favored stocks with high betas, low market prices, high turnover, small market capitalization and stocks that have performed poorly in the past year while wealthier individual investors preferred highly liquid and volatile stocks, stocks with high state -ownership and stocks that have performed well over the past year.
SCMRD (2005)	India.	To understand the problems and needs of the investors.	5908 household investors from over 90 cities/towns and 24 states/union territories.	Descriptive Analysis.	Too much volatility and price manipulation were found to be the major cause of worries of the retail investors.
NASD Investor Education Foundation (2006)	U.S.A	To gain knowledge about key factors that influence investment behavior.	911 U.S. households with annual household incomes of $75,000 or higher.	Descriptive Analysis.	Demographic and economic characteristics, financial management behavior, sources of investment information and the investment decision-making process, investor socialization/parents influence had an impact on the respondents' money management and investing.
Ranganathan (2006)	Mumbai (India)	To evaluate the financial behavior and to assess the conceptual awareness of individual investors towards Mutual Funds.	100 respondents chosen from Mumbai over the period of September 2004 to October 2004.	Factor analysis and Multinomial Logistic Regression.	Fund related qualities, fund sponsor qualities and investor related services were found to effect the investor fund selection decision but these factors varied as per the type of the investor.
Feng and Seaholes (2007)	China.	To examine the investment behavior of Chinese men and women on the emerging stock markets.	51,218 investors	Cross sectional statistics, descriptive, survival analysis and correlation.	Men and women exhibited similar behavior in terms of home bias and showed similar performance and portfolio returns.
Al-Ajmi (2008)	Bahrain.	To determine the risk tolerance of individual investors in Bahrain.	1,484 individual investors.	Descriptive analysis, Univariate analysis and Analysis of covariance.	Investors with more financial commitment, those approaching towards retirement or retired show a decline towards risk tolerance.

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Author	Country	Research Objectives	Sample and Respondents	Methodology	Results of the Study
Gupta and Jain (2008)	India.	To bring out the investors' preferences among the various types of financial assets and also their problems concerning the stock market.	1,463 household investors.	Descriptive Analysis.	The household investors preferred investing in Shares as compared to Mutual Funds due to relatively lower returns because of entry loads and management fees charged by the funds.
Kumar et. al. (2008)	Tamil Nadu (India)	To study the financial product preference of the respondents.	120 respondents.	Analytical Hierarchy process and Multi criteria decision making techniques.	The investors needed to choose the financial products from among the alternatives available and according to his own priority rating of an attribute in the product.
NCAER (2008)	India.	To gain insight into the motives of financial savings, the degree of financial security and sophistication of the saving and investment decision s made by households.	60,000 urban and rural households.	Descriptive Analysis.	People in India saved for the long term goals such as emergencies, education and old age. The respondents preferred keeping their savings in bank and post office deposits and other liquid assets as compared to investing them in the stock market.
Al-Tamimi and Kalli (2009)	UAE	To examine the relationship between financial literacy and the factors influencing the investment decisions of the UAE individual investors.	290 respondents.	Regression analysis and One way ANOVA.	Financial literacy level was affected by income level, education level and work place activity.
Walia and Ravikiran (2009)	Punjab (India)	To analyz e the investor's expectations towards mutual funds.	100 individual investors were selected from different regions of Punjab.	Ranking and rating methodology, Chi - square test, ANOVA and Average preference Scores (APS).	The preferences of investors va ry and so innovations and added quality dimensions in existing s ervices was required in order to continue investing in them.
Zoglami and Matoussi (2009)	Tunisia.	To identify the psychological biases that influences the investor behavior.	92 brokers.	Univariate and multivariate analysis.	The investor behavior in Tunisia was driven by various psychological factors such as precaution, under confidence, conservatism, under optimism and informational inferiority complex.
Kabra et. al. (2010)	India	To study the factors that influenced the investment risk tolerance and decision making process on the basis of gender and age.	196 investors working in the government and private sectors in India.	Regression analysis and Factor analysis.	The investor's age and gender affected their risk taking capacity.
Parashar (2010)	India	To find out the effect of Personality Traits on Investment Choice made by individual investors.	100 respondents.	Cluster Analysis, Correspondence Analysis, Kruskal Wallis test and Factor Analysis.	The demographic variables such as gender, age, income , education, occupation as well as the various personality types affect the investment choice made by individual investors.
Hood et. al. (2011)	U.S.	To examine the factors that influenced the investment decisions of socially responsible investors.	The respondents chosen from a nationwide discount stock brokerage list of firms with socially and religiously expressive characteristics over the period from 1991 to 1996.	Descriptive Statistics, Logistic Regression, Correlation and Clustered standard error approach.	Social characteristics and personal values had an impact on the stocks owned by individual investors.
NCAER (2011)	India	To understand the behavior of household investors in dealing with various financial instruments which were traded in markets regulated by SEBI.	38,000 households across 44 cities and 40 villages.	Descriptive Analysis.	The survey revealed relatively low rates of participation by the households in the securities market. The degree of risk aversion was found to be extremely high in Indian households and so commercial banks and insurance schemes were their primary choice for saving and investment.
Dawar and Wadhwa (2011)	Punjab (India)	To identify the factors influencing investors' behavior in Punjab.	275 investors living in Jalandhar.	Correlation Analysis and Independent Sample T test	Neutral Information, Accounting Information, Self -Image/Firm-Image Coincidence, Classica l wealth maximization criteria, Social Relevance, Advocate recommendation and Personal financial needs were found to influence individual investor behavior in Punjab.

Source: Compiled from various studies.

Analysis

The researchers found that an enquiry into the investor's portfolio practices, preferences, risk perceptions, intentions, pattern of investment, their awareness level, factors affecting their investment behavior and the problems faced by them is needed in order to understand the individual investor behavior. Factors such as demographic profile, stock fundamentals, lifestyle characteristics, psychological influences and personal values influence the behavior of the investor. Besides these, Nagy and Obenberger (1994) have explored some additional factors such as Neutral Information, Accounting Information, Self-Image/Firm-Image Coincidence, Classical wealth maximization criteria, Social Relevance, Advocate recommendation and Personal financial needs that have an influence on the behavior of the investor.

Academic researchers have attempted to understand the individual investor behavior. Cohn et. al. (1975), Lease et. al. (1977) and Rajarajan (2003) observed that the proportion of individual portfolios allocated to risky assets depends upon the wealth possessed by an investor as well as the level of capital appreciation and short term gains desired by him. Safety and liquidity were the primary considerations of the investors while choosing an investment. Gupta and Jain (2008), Kumar et. al. (2008), NCAER (2008) and NCAER (2011) discovered that the degree of risk aversion among investors was extremely high and so commercial banks and insurance schemes were their primary choice for saving and investment. Risk aversion was also the reason behind the relatively low rate of participation by the investors in the securities market. Gupta (1991), Lal (1992), Gupta (1993), SCMRD (1994), NCAER (2008) and Walia and Ravikiran (2009) studied the preferences of the investors and found that the investors in India preferred buying from the new issue market as compared to buying from the secondary market. The Investors also preferred to invest in larger portfolios with more than five companies and therefore preferred mutual fund products as compared to shares and debentures. Besides this the preferences of investors were found to vary and they always required some innovations and added quality dimensions in existing services in order to continue investing in them.

On studding the pattern of investment, Warren et. al. (1990) segmented the investors into active and passive investors as well as light and heavy investors. SCMRD (2004) studied the investment pattern in India and found that shareownership in India was largely an urban phenomenon and that too followed an uneven pattern i.e. it was concentrated only in a few regions. Gupta (1991), SCMRD (1994), SCMRD (2005) and NCAER (2000) identified inadequate share market infrastructure, dissatisfaction from the information and services provided by the companies and the stock brokers, entry loads and management fees charged, too much volatility and price manipulation as major problems of retail investors. Low per capita income, fear of loss of capital and economic insecurity also inhibited the investors from investing in the securities market. NCAER (2008) and Al-Tamimi and Kalli (2009) held that the awareness level of investors was low and therefore there was an urgent need for financial literacy programmes in order to make people understand the options available and their financial needs at different stages of life. Lease et. al. (1977),Warren et. al. (1990), Rajarajan (2002), Kiran and Rao (2004), NASD Investor Education Foundation (2006), Kabra et. al. (2010), Parashar (2010), Dawar and Wadhwa (2011) segmented the market on the basis of the demographic variables while Wood and Zaichkowsky (2004), Zoglami and Matoussi (2009), Ranganathan (2006) etc. segmented the investors on the basis of psychographic influences. Risk bearing capacity was also used as the basis of segmentation by various studied by Cohn et. al. (1975), NCAER (2011) and Hood et. al. (2011) segmented the market on the basis of social characteristics and personal values of the individual investors whereas Ng and Wu (2005) made use of various stock characteristics such as beta, past return, risk, EPS, firm size, age, share price, share turnover and book to market equity ratio in order to segment the individual investor. Many studies have used a 34 item scale as developed by Nagy and Obenberger (1994), representing 5 categories of factors that influence the behavior of individual investors. Studies by Al-Tamimi and Kalli (2009), Dawar and Wadhwa (2011), Merikas and Vozikis (2004) have made use of this scale.

Recommendations of the Study

On the basis of the above discussion, following recommendations can be made:

To the Policy Makers

✓ The creation of a conducive environment and simplification of procedural formalities is required for the revival of the lost confidence of the investors. The policies of the government should be such so as to induce the semi urban and rural investors' to plank their savings into corporate securities.

✓ There is a need for a favourable fiscal policy and the development of appropriate regulatory mechanisms in order to encourage investments in financial assets.

✓ There is an urgent need for financial literacy programmes in order to make people understand their financial needs at different stages of life and the investment options available to them.

To the Investment Agencies

✓ Since information asymmetry and its poor quality were found to be the most significant source of retardation in the rate of participation by the investors in the financial markets, latest and complete information should be made available to the investors in time. The agencies engaged in giving investment advice should attempt to remove the doubts of the investors.

✓ The investment industry should equip themselves with

information on the various segments of Investors and the factors that affect their risk-bearing capacity so as to specifically target particular segments through their instruments and effective marketing programs. When the target market is very large, companies usually resort to market segmentation based on the characteristics of the individual investor. However, due to intense competition, the basis for market segmentation is becoming increasingly complex. Hence, financial product designers/marketers need to study the complex behavior of individual investors' in order devise appropriate asset allocation strategies for their clients to target them effectively.

To the Researchers

✓ Research needs to be carried out on specific segments of investors such as women investors, investors with particular education and age levels, wealthy investors and expatriate investors etc. in order to find out their portfolio practices, preferences, risk perceptions, intentions, pattern of investment, awareness level of investors and the factors affecting their investment behavior.

To the managers of Firms

✓ Social characteristics are important to investors and so the managers should make sure that the firm's products and their management practices should be such so as to create a positive impact on the minds of the investors.

Conclusion

The diversification of the financial services sector has provided the individual investor with a wide range of opportunities to invest. The individual's decision to invest in the financial market is greatly influenced by the variety of benefits each individual wants from owning a particular stock. This paper has examined published work relating individual investor behavior. The investor's portfolio practices, preferences, risk perceptions, intentions, pattern of investment, their awareness level, factors affecting their investment behavior and the problems faced by them have been studied in order to understand the individual investor behavior. Knowledge about the expectations, demographic profile, attitude of an investor towards risk, personal circumstances of an investor play a vital role in the financial markets. It is suggested that understanding the behavior of investors could be of great help to explain the stock market anomalies and to help the policy makers, the investment agencies, the researchers as well as managers of firms to prepare themselves to respond to the varying moods of an investor.

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