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SMALL INVESTOR'S BEHAVIOUR ON STOCK SELECTION DECISION: A CASE OF GUWAHATI STOCK EXCHANGE

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Abstract: *One of the important components of Behavioural Finance is the Stock Selection Process. This paper aims at identifying the factors which influencing the stock selection decision. This study follows a qualitative methodology to investigate small investor's behaviour in choosing stocks in Guwahati stock market. The purpose of this study is to examine the role of various socio-economic, demographic and attitudinal factors affecting the investment decision of investors in the market. The researcher collected primary data from 100 small investors living in Assam and linked with Guwahati Stock Exchange during the period between June and July, 2011 through a Structured Questionnaire. It is found that majority of the sample small investors in Assam took into consideration all the 38 factors before selecting the stocks to invest. According to the sample small investors of Guwahati Stock Exchange ,the average value of the top five highly influential factors were 'Financial statements of companies' with a mean value of 4.90, 'Referral' with a mean value of 4.86, 'public information' with a mean value of 4.72 and 'Profitability variable's' with mean value of company's of 3.84 and so on. According to sample small investors, there were four factors with the lowest priority or which had low influence on the Stock Selection Decision. These are 'Government policies' (1.66), 'Calculation of risk' (1.86), 'Economic variables' (2.24) and 'Discounted cash flow tools' (2.54) and so on.*

JEL Classification: *A12, D03*

Keywords: *Behavioural Finance, Influential factor, Risk perception, Small Investor, Stock Selection process.*

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INTRODUCTION

The aim of behavioural finance is to analyses the phenomena of market keeping in view the psychological factors involved in the behaviour of investors. Behavioural Finance mainly focuses on how investors interpret and act on micro and macro information to make investment decisions. According to Kent et al. (2001), the most common behaviour that most investors do when making investment decision are (1)Investors often do not participate in all asset and security categories, (2)Individual investors exhibit loss-averse behaviour, (3) Investors use past performance as an indicator of future performance in stock purchase decisions, (4)Investors trade too aggressively, (5) Investors behave on status quo, (6) Investors do not always form efficient portfolios, (7) Investors behave parallel to each other, and (8) Investors are influenced by historical high or low trading stocks. The proposition that has dominated finance is Efficient Market Hypothesis (EMH). There are three basic theoretical arguments that form the basis of the EMH. The first and most significant is that investors are rational. Secondly it is based on the idea that everyone takes careful account of all available information before making investment decisions. It is related to internal consistency. The third principle is that the decision maker always pursues self-interest.

The globalization of financial markets has increased the participation and number of retail investors' over the past two decades by providing a wide variety of market and investment options. However, it makes their investment decisions process more complex. There are many investment products which are available for investment to investors in the stock market ranging from bonds to options. These products vary with regard to risk factor involved and the return. Investors choose the investment products which have matching to their risk tolerance. Moreover, investor make up their mind regarding risk factor involved in any investment based on the financial information they receive from different channels or sources. Moreover, knowledge of investors regarding financial market and their past experience contribute a lot towards the risk assessment in various products. Investors who have experienced loss in the past formulate new investment decision having kept in mind their past experience. These factors along with some other factors constitute the risk aversion and risk perception of the investors. After formulating risk attitudes the investors formulate their potential returns from that investment. Low return products are accepted if

the risk attached with them is low and high risk products are selected if risk premium associate with risk level is offered to investors. Investors will invest in those products which offer the return suitable with the risk level of those products.

With this perception about the individual investors, majority of trading strategies and stock market policies are designed and focused to their institutional counterparts, thereby ignoring the individual investor's interests to some extent. The purpose of this paper study is to analyse the attitudes and perceptions of small investor's and their behaviour in stock selection.

I. STATEMENT OF THE PROBLEM

The research in Behavioural Finance is comparatively less in India, when compared to other developed countries. Within Behavioural Finance, it is assumed that information structure and the characteristics of market participants systematically influence individual's investment decisions as well as market outcomes. The globalization of financial markets has been increasing the number of small investors over the past two decades by providing a wide variety of market and investment options. However, it makes the investment decisions process much more complex. The small investors generally consider their investment needs, goals, objectives and constraints while making investment decisions. But it is not possible for them to make a successful investment decision at all times. Their attitude is influenced by a variety of factors such as dividend, get rich quickly strategy, stories of successful investors, online trading, investor awareness programme, etc. A better understanding of behavioural processes and outcomes are important for financial planners because an understanding of how investors generally respond to market movements would help them in devising appropriate asset allocation strategies for clients (Al-Tamimi, 2006). The small investors consider their investment needs, goals, objectives and constraints in making investment decisions, but it is not possible to make a successful investment decision at all times. It to be noted that there are many studies conducted in different countries including India, but to the best of the researcher's knowledge, a comprehensive study covering Assam has not been made. Further a study of this nature should be conducted at periodical interval as the attitude of investors' keep changing. Hence, this study attempts to find out the factors influencing the stock selection decision of small investors of Assam and to study the attitude and perception of small investor's of Assam.

II. OBJECTIVE OF THE STUDY

The main objective of the study is to analyze the small investors' behaviour on Stock Selection Decision.

III. HYPOTHESIS OF THE STUDY

The study tested the following hypothesis and other corollary hypothesis as indicated in the analysis.

H_0: The small investor's firmly believe that many factors do influence their future investment.

IV. METHODOLOGY OF THE STUDY

The research design for the study is descriptive in nature. The researcher collected primary data from the small investors living in Assam during the period between June and July, 2011 through a Structured Questionnaire. The sample size covered 100 small investors who were spread through five different business centers in Nagaon, Kamrup, Tezpur, Cachar and Dibrugrah districts of Assam. The important business centers, where large number of investors is available, are identified for this study using Purposive Sampling Method. In order to collect referred information from the small investors, the sampling design was carefully decided and properly chosen for the study. From each identified Investment Centre, five approved stock brokers were chosen and four investors were contacted with the help of stock sub-brokers. Thus, this study was based on the responses by 100 selected respondents from the small investors.

The respondents were asked to evaluate the importance of thirty eight variables (Clubbed into thirteen dependent variables) which were grouped from the survey of literature and personal interviews with select investors, brokers and sub-brokers, as important factors that influence the small investors in Stock Selection Decision. There were four choices against each of the 38 variables: "Strongly agree" for the variables which had strong influence on the value of equity shares and "disagree" for the variables which did not have much influence on the Stock Selection Decision. The degree of each statement was determined using a four-point rating scale viz. Strongly Agree =3, Agree = 2, Neutral = 1, and Disagree = 0. The independent variables selected for this study are demographic characteristics, namely, gender, age, marital status, educational qualification, occupation, number of family

dependants, domicile and annual income and they were measured on nominal scale. The data whatsoever collected were analysed through the application of simple statistical tools.

V. REVIEW OF LITERATURE

A number of attempts have been made by researchers to identify the types of information that investors need to choose a definite share. These studies have empirically identified the influential factors in choosing different stocks by surveying the behaviour of two levels of institutional and individual investors. Potter (1971) and Baker and Haslem (1974) observed several profitability variables such as dividends, rapid growth and quick profits beside other variables such as investment for saving purposes and long-term growth were empirically identified as effective factors on the attitudes of individual investors in making investment decisions. Peter (1970) carried out a study to identify those factors which motivate or guide the investment decisions of the small stock investors. The study identified factors such as income from dividends, rapid growth, purposeful investment as a protective outlet of savings and Professional investment management. In the study of Baker and Haslem (1973) importance of accounting information for investment decisions was identified as one of the selection criteria. Financial statements were also found to be another important source of information for a minority of individual investors in some other studies. Further, evidence revealed that corporate reports are dramatically considered by investors as the most important sources of information for investment decisions (Abdulla, 1992). According to importance of the various sources of corporate information, Abu-Nassar and Rutherford (1996) argued that the annual corporate reports are the most important source of information to make decision the different groups of investors. In a study, Naser et al. (2003) found that individual investors classify the annual report as the second most important source of information and institutional investor's rank annual reports as the main source of information. The evidence of Mirshekary and Saudagaran (2005) detected how investors apply the information items disclosed in the annual reports of financial statements for making investment decisions Also, Fisher and Statman (1997) believed that the investment decision is a complex process since an investor beside the risk and rate of return should consider several other financial and non financial items. Moreover, in study of Wharton, an attempt to examine how demographic variables such as age, income, education level, etc., affect the investment choice and portfolio composition process was

provided. Similarly, Blume and Friend (1978), using Wharton survey results, provided a comprehensive study on implications of behavioural finance and found that basic measures of risk undertaken by individual investors are price and earning volatility. The study of Nagy and Obenberger (1994) developed a questionnaire that included 34 questions including financial and non-financial items, that impact on shareholders' perception. Their findings suggested that classical wealth–maximimization criteria are important to investors, even though investors employ diverse criteria when they choose the stocks. Shanmugam (1990) studied a group of 90 investors to examine the factors affecting investment decision. The study focused its analysis on the investment objective and the extent of awareness on factors affecting investment decision. The study found that the Indian investors were high risk takers. The investors possessed adequate knowledge of government regulations, monetary and fiscal policy. The research evidence of Shiller (2000) detected that stock market is managed by the market information which directly affects the behaviour of the investors. Several demographics variable were empirically considered such as gender, age and risk tolerance level of individuals to analyze the investor's purchasing behaviour. Lihara et al. (2001) documented herding behaviour in various investors' classes on the Tokyo Stock Exchange. The money-flow instruments allowed the separation of the measurement of sentiment from the measurement of asset returns. Krishnan and Booker (2002) analysed the influencing factors on decisions of those investors who use analyst's recommendations to arrive at a short-term decision for holding or selling a definite stock. The research evidence of Hodge (2003) detected that the investors' perceptions of earnings quality, auditor independence, and the usefulness of audited financial information can influence investors' behaviour in choosing the stock, against lower perceptions of earnings quality are associated with greater reliance on a firm's audited financial statements and fundamental analysis of those statements when making investment decisions. Merikas et al. (2004) analyzed the factors influencing Greek investor's behaviour on the Athens Stock Exchange. The results indicated that individuals base their stock purchase decision on economic criteria combined with diverse other variables. Furthermore, the key role of prior information such as return continuations to determine an appropriate behaviour patterns was identified as another influencing factor on investor's decisions (Kadiyala and Rau, 2004). Chandra (2011) collected the data from survey to know the factors influencing Indian

individual investor behaviour in stock market. Using univariate and multivariate analysis and found five major factors that affect the investment behaviour of individual investor in stock market namely prudence and precautions attitude, conservatism, under confidence, informational asymmetry and financial addition . Finally, he concluded that these are the major psychological components seem to be influencing individual investor's trading behaviour in Indian stock market. In addition, Al-Tamimi (2006) indentified the factors influencing the UAE investor behaviour. Using questionnaire found six factors were most influencing factors on the UAE investor behaviour namely expected corporate earnings, get rich quick, stock marketability past performance of the firm's stock, government holdings and the creation of the organised financial markets. The most influencing factors include corporate earnings; get rich quick, past performance of the stock. Kannadhasan (2006) examined the factors that influence the small investor's decision in investing. The decision of the small investors are based on various dependent variables viz., Gender, age, marital status, educational level, income level, awareness, preference and risk bearing capacity. Mittal and Vyas (2007) have investigated how investment choices have been affected by the demographics of the investors. Such knowledge would be highly useful to the financial advisors as it would help them advise their clients regarding investments which are appropriate with respect to their demographic profile. The salaried class people preferred to invest their money in equities and mutual funds while business classes have shown an inclination to invest their money in debenture/bonds and real estate or bullions. Ajmi (2008) used a questionnaire to know determinants of risk tolerance of individual investors and collected responses from 1500 respondents. He concluded that the men are less risk averse than women, less educated investors are less likely to take risk and age factor is also important in risk tolerance and also investors are more risk tolerance than the less wealthy investors. Maditinos et al. (2007) in his study stated that individual investors, while making investment decision, prefer to think more about the media, newspapers and noise in market, despite this, professional investor would rather concentrate more on technical and fundamental analysis and less on portfolio analysis. In addition, their evidence describe that all kind of investors according to accounting instruments, first look at the earnings (P/E) as their first priority and consider earnings per share (EPS) as their second priority, later pay attention to the net operating profit after taxes (NOPAT) as their third priority, and finally,

regard return on equity (ROE) as their fourth priority. Further, FASB (2008) emphasized key role of corporate financial statement reports in choosing different stocks. To extend the FASB work, evidence of Al-Ajmi (2009) revealed that financial reporting should provide useful information for the potential investors, creditors and other users in making rational investment. Also, more evidence indicated that investors pay attention to several factors in choosing shares. These factors are involving historical profits, expectation of a higher price of the stock, increase in the distribution of cash dividends, newspaper and rumors from the market. Kabra et al. (2010) studied the factors effecting investment behaviour and concluded that investor's age and gender are the main factors which decide the risk taking capacity of investors. Bennet and Selvam (2011) found out that SPERTEL risks had influenced the value of equity shares in the market. The market factors had influenced the stock selection decision of small investors in India. Bennet et al. (2011) carried out a study and found that most of the investors expect the stock prices to go up to a degree greater than most of their investments. If the market has gone down, they think it would rebound. If the market is up, they think it would go further. In either case, they make investment decision on account of the assumption that the stock market would give better returns.

In addition, many other studies have identified several factors that have different levels of influencing investors' decisions to buy and sell stocks. These factors which are classified by profitability variables, government policies, past stock price (return), firms' public information, and consultative information are involving current and future profitability, dividends policy, government subsidies and support, stock price and future growth, members of the boards, line of business, and friends' recommendations (Abdelsalam, 1990; Al-Razeen and Karbhari, 2004, 2007; Al-Attar and Al-Khater, 2007). To make investment decisions in the firms' stock, investors expect the firms to disclose a set of information about their financial position, sources of financial, management forecasts, investment programs, and financial policies. Meantime, investors obtain other types of information from different sources. Generally, the literature evidence follows two areas of researches; some researches concentrate empirically on institutions' purchasing behaviour along with their influential determinants on stock selection, while other studies have generally focused upon individual behaviour in choosing different shares beside identification of their influencing factors. The literature evidence identify numerous influential factors which are

classified based on below vital categorizes involving demographic levels, financial statements of companies, accounting instruments, economic variables, discounted cash-flow tools, past stock price (return), consult with different resources, second-hand information resources, firms' public information, profitability variables, government policies, risk of stock, and past trading volume of stocks. Therefore, the extracted factors and their main categories are utilized as issues and topics discussed during the process of interview.

After analysis of the existing literature on individual investor behaviour the main issues reported in the above studies can be summarized as follows:

- There is no support for the overreaction hypothesis.
- Investor over-reaction to a long series of bad news could produce predictable mispricing of stock.
- Classical wealth-maximization criteria are important to investors.
- The recommendations of brokerage houses, individual stock brokers, family members and co-workers go largely unheeded.
- Investors exhibit a strong demand for information about product safety and quality, and about the company's environmental activities.
- There exist strong forms of the analyst summary recommendation report, which influence the stock selection decisions.
- Individual investors are influenced by a number of psychological factors while making investment decisions.
- The behaviour of individual investors caused by underlying sentiments has a significant relationship with the movements in stock prices.
- Net trading by individual investors is a powerful predictor of future prices and returns that is not subsumed by either past returns or past volume.
- Most of the studies are carried out in developed economies context. Little evidence has been available from emerging economies. This aspect particularly makes the present research study more relevant in Indian context. Studying Indian individual investors trading behaviour would seem an interesting proposition for both the market stakeholders and the regulators and policy makers.

From the above review, it is clear that there are some differences among the small investors on the factors that influence investors' attitude towards investing in shares and stocks. It is

to be noted that the literature on investor's sentiment is still in its infancy, and much remains to be discovered and learnt. There is no comprehensive study in India and particularly in Assam, focusing on market specific factors that influence investor's sentiment. Hence this study, with the primary objective of analysing data on small investors attitudes and perceptions about investment decisions and to identify the market specific factors that influence investors stock selection decisions.

VI. ANALYSIS AND INTERPRETATION

a) Key factors influencing Stock Selection Decision

Table 1 shows the Mean Value of each statement that could possibly influence the Stock Selection Decision of small investors in Assam and their respective ranks. According to the sample small investors of Guwahati Stock Exchange ,the average value of the top five highly influential factors were 'Financial statements of companies' with a mean value of 4.90, 'Referral' with a mean value of 4.86, 'public information' with a mean value of 4.72 and 'Profitability variables' with mean value of Firm's of 3.84 and so on. Further, according to sample small investors of Guwahati Stock Exchange, there were four factors with the lowest priority and had low influence on the Stock Selection Decision which includes 'Government policies' (1.66), 'Calculation of risk' (1.86), 'Economic variables' (2.24) and 'discounted cash flow tools' (2.54) .

Table I: Factors Influencing on Stock Selection Decisions.

	Effective factors in choosing stock	Total number of informants [n= 100]	Average of scores given by responders	Ranks
I	Financial statements of companies	70	4.90	I
	Profit and loss statement			
	Balance sheet			
	Corporate financial statement reports			
	Fund flow statement			
II	Accounting Information	65	3.80	V
	Earnings per share			
	Return on equity			
	Net operating profit after taxes			
	P/E			
III	Second hand information resources	65	2.83	VIII
	Newspapers			
	Rumors in market			
	Media			
IV	Public information about Company	80	4.72	III
	Reputation of the company			
	Protection of the investor			
	Company status in industry			
	Members profile of the board			
V	Profitability variables	75	3.84	IV
	Dividends			
	Current and future portability			
	Quick profits			
	Historical profits			
	Expected corporate earnings			
VI	Referral	75	4.86	II
	Consulting with the friend			
	Majority stockholders			
	Broker			
	Coworker and colleague			
VII	Financial ratios	65	2.58	IX
	Profit and loss statement			
	Cash flow statement			
	Auditor's report			
VIII	Past trading volume of stocks	80	3.33	VII

IX	Past stock price trend	80	3.75	VI
	Stock price of two years			
	Stock price of three years			
	Stock price of more than five years			
X	Discounted cash flow tools	60	2.54	X
	Net present value			
	Internal rate of return			
	Dividend discount model			
	Return on investment			
XI	Government policies	30	1.66	XIII
	Government agencies			
XII	Calculation of risk	25	1.86	XII
XIII	Economic variables	30	2.24	XI
	Market value added			

b) Financial statements

All of our respondents (70%) use the financial statements of companies in their evaluation. The "profit and loss statement", "corporate financial statement reports" and "balance sheet" are being used more than others, where 56%, 28% and 16% respectively of respondents are using them. So, it may be concluded that most of them ensure that these 3 statements will let them know a good image of financial background of the company which they are investing in. However, respondents categorically assigned average score of 4.9 out of six as strong influential factors in stock selection decision. This factor is, therefore, ranked as top influential factor in stock selection decision by the respondents of Guwahati Stock Exchange.

c) Referral

Based on the results (response of 75% respondents) obtained through this study, more than 28% of small investor's consult with experts to give their recommendation for making better investment decision. Only 12% rely on their personal experiences and knowledge. From those people who would like to consult with others, consulting with a friend and peer is selected as the most consulting method (42%). Second priority of investors for making decision would be opinions of the firm's majority stockholders (10%) and the third is broker (8%). Finally, colleague recommendations are placed on the first preferences respectively. However, respondents categorically assigned average score of 4.86 out of six as strong influential factors in stock selection decision. Thus, this factor is, therefore, ranked as

second influential factor in stock selection decision by the respondents of Guwahati Stock Exchange.

d) Public information about Company

It is further observed that 80% of the respondents use firms' public information in their evaluations to choose the stock. From the investors' perspective, the reputation of the firm has highest impact on their decision making. Further they mention that the protection of the investor, profile of management and firm status in industry as the significant factors to influence decisions. However, respondents categorically assigned average score of 4.72 out of six as strong influential factors in stock selection decision. This factor is, therefore, ranked third out of thirteen variables as top influential factor in stock selection decision by the respondents of Guwahati Stock Exchange.

e) Profitability variables

This study further reveals that 75% of the respondents use profitability variables to evaluate the stock performance. Profitability variables are mostly ratios and are defined as indicators of a firm's success at making profits. It is observed that 75% of the respondents commented in respect to use profitability variables and consider current, future portability and quick profits through trading and historical profits as one of the tool to assess the stock performance but assigned low score (3.84).

f) Accounting information's

A significant portion of respondents (65%) use the accounting statements of companies in their evaluation. Informants count a few tools of accounting instruments which are able to help them in promoting their knowledge to purchase stock. The employed accounting instruments by respondents were in order of importance "earnings per share ", "return on equity " and "net operating profit after taxes ". Further, P/E was less used accounting statement that respondents mentioned. However, respondents categorically assigned average score of 3.8 out of six as strong influential factors in stock selection decision. This factor is, therefore, ranked fifth out of six points as strong influential factor in stock selection decision by the respondents.

g) Past stock price and trend

This research shows that all investors (80% of the respondents) are unanimous on using historical stock price due to the fact that most investor's predictions regarding future stock

price would be determined just by past stock prices. Based on this study, the major small individual investors 50% of the respondents consider the past stock prices of two years for making decision whether to do the trade or not, as well as 15% of interviewees mentions that they usually just look at the last year of the company information. Only 25% trace the stock prices of three years ago. Finally, 10% consider the stock prices of more than 5 years ago to evaluate the performance of firm's stocks.

h) Past trading volume of stock

It is observed from the survey of literature that the trading volume is a critical and fundamental element to stock selection decisions. Volume is an indicator to measure the value of a share in terms of market share. If the markets price move up or down the strength of that move depends on the volume for that period. The higher the volume during that price move the more significant the move. Kent et al. (2001), in his study mentioned that investors are influenced very much by historical performance of the stock price. Similar to these findings, Tvernsky and Karneman (1974) suggested the idea of anchoring where investors set a primary value for future prices. Further, Sultana (2010) observed that Indian investors make decision based on their own initiative, 60% respondents said they use past trading volume of the stocks, where 25% of them used less than 2 years historical data. However, 80% respondents categorically assigned average score of 3.33 out of six as strong influential factors in stock selection decision. This factor is, therefore, ranked seventh out of thirteen variables as strong influential factor in stock selection decision by the respondents.

i) Second-hand information resources

The study explains that 65% of investors use the second hand market information. Based on our findings newspapers are the most common second-hand information sources among the other recourses. So, many investors believe that, rumor has an important factor on the market price and they believe that by the rumor, sell the fact is an old trading rule, however, interpreted incorrectly – the rules dictates that you do not have to sell the fact and not buy the fact. Further, on the basis of this survey, the media is thought of as the last sources of getting second hand information. It is observed that 65% of the respondents commented in respect to use second hand market information as one of the tool to assess the stock performance but assigned low score (2.83).

j) Financial ratios

Further, 65% of investors use the financial ratios in their evaluations to choose the stock. From those people who would like to take advantage of the financial ratios, consulting balance sheet is selected as most applied method. According to this study, second priority of investors is profit and loss statement while cash flow statement is considered as the third priority. Finally, auditor's report is one of the essential tools on reporting financial information to users, especially in business. However, respondents categorically assigned average score of 2.58 out of six as strong influential factors in stock selection decision. This factor is therefore ranked ninth out of thirteen variables as strong influential factor in stock selection decision by the respondents.

k) Discounted cash-flow tools

According to the findings, 60% of the interviewees apply the discounted cash-flow means to evaluate their stock values. As it was explained in literature review, the IRR and NPV are most common tools to compare and select investment opportunities. Each year's cash flow is discounted to the present, at a predetermined discount rate, which reflects the project risk and the investors' minimum investment criteria. The NPV is the sum of these discounted annual cash flows. It is observed that NPV and IRR as the most common tools amongst investors, since 60% of the respondents who use discounted cash-flow most particularly NPV and IRR as their evaluation methods. However, respondents categorically assigned average score of 2.54 out of six as strong influential factors in stock selection decision. This factor is, therefore, ranked tenth out of thirteen variables as strong influential factor in stock selection decision by the respondents.

l) Economic variables

Using the economic variables in evaluations of choosing the stock was a less used variable in the study (30%), as one of them mentioned that "those variables cannot be reliable variables". However, a few of respondents are using, "market value added" as the economic variable. However, respondents categorically assigned average score of 2.24 out of six as strong influential factors in stock selection decision. This factor is, therefore, ranked eleventh out of thirteen variables as top influential factor in stock selection decision by the respondents.

m) Calculation of risk

There are some methods to help the investors in calculating the risk but investors are not aware of those models. It is observed that 25% of the respondents mentioned that they calculate the risk of their investment before investing in stocks for example they go for consultation and they follow the exchange rate movements if the company in multinational. Malkiel (1996) believed that an individual's risk tolerance is related to his/her household situation, lifecycle stage and subjective factors. Mittra **(1995**) also mentioned some factors related to individuals risk tolerance, such as years until retirement, knowledge level and income. However, respondents categorically assigned average score of 1.86 out of six as strong influential factors in stock selection decision. This factor is, therefore, ranked least influential factor in stock selection decision by the respondents of Guwahati Stock Exchange.

n) Government policies

Government policy and regulations can help investors make better decisions and will increase the market prices efficiency. Politics and government influence the stock market, for example it responds to inflation which is depends on monetary policies (Bittlingmayer, 1993). In spite of this fact, based on the results obtained through this survey, majority of our respondents prefer not to use government policies to evaluate and choose the stocks (30%). Amongst those who rely on government policies, all interviewee mentioned that they just use government agencies to evaluate their stocks. However, respondents categorically assigned average score of 1.66 out of six as strong influential factors in stock selection decision. This factor is, therefore, ranked least influential factor in stock selection decision by the respondents.

VII. CONCLUSION

Indian stock market is considered to be highly volatile, sensitive and reactive to unanticipated shocks and news and it takes no time to impact the market activities. However at the same time, Indian stock market is resilient and recovers soon after shocks. The role and importance of individual investors and their trading behaviour in Indian stock market is also very crucial. Unlike institutional investors, individual investors are believed to be less informed, have psychological biases and also thought of as the proverbial noise traders in the stock market. It is believed that trading behaviour of individual investors rarely influences the stock prices. With this perception about the individual investors,

majority of trading strategies and stock market policies are designed and focused to their institutional counterparts, thereby ignoring the individual investor's interests to some extent. From this research study it is found that majority of the sample small investors in Assam took into consideration all the 38 factors before selecting the stocks to invest. The average value of the top five highly influential factors, according to the sample small investors, were Financial statements of companies with a mean value of 4.90, Referral with a mean value of 4.86, public information with a mean value of 4.72 and Profitability variables with mean value of Firm's of 3.84 and so on. According to sample small investors, there were four factors with the lowest priority or which had low influence on the Stock Selection Decision. These are Government policies (1.66), Calculation of risk (1.86), Economic variables (2.24) and discounted cash flow tools (2.54).

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