

ROLE OF MEDIA INFLUENCING INVESTOR'S INVESTMENT DECISION

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ABSTRACT

In order to assess how the role of media influence investors investment decisions, a survey was administered to N=567 to investors working in IT sector in Chennai city. The survey was administered through a questionnaire and with questions related to the influence of media towards individual investments in equity. Analysis confirmed that there is a difference between gender, age and income of investors and role of media, as well as the investment profile of amount invested by investors, their experience and average returns earned by them and role of media.

KEYWORDS: *Investors, Investment, Media, Influence, Equity, Stock*

INTRODUCTION

In today's world people are forced to make decisions at every point of their life either knowingly or unknowingly about many things like personal, medical, career or financial. When it comes to financial decisions it requires a multi-step approach and a complex procedure as one wrong or hasty decision may wipe away the hard earned savings and investments. Investment decisions are basically influenced by many factors and one such important factor is media. The investor gets a lot of information from media but is that all enough to invest and get good returns. Getting financial news through various media forms such as the internet, various news channels and mobile updates play a significant role in trading and have a powerful impact on investment decisions, as every piece of information can bring a considerable change to the investor and the market.

REVIEW OF LITERATURE

Meir Statmam (2017) states that the first generations of behavioral finance described people as irrational, misled by ads into cognitive and emotional errors Whereas the second generations of behavioral finance describes people as normal it acknowledges the full range of people normal wants and distinguishes wants from errors. Some financial ads exploit errors, whereas other cater to wants.

John M. Griffin et al., (2011) in their paper studies the differences in the information content of the news announcements made around the world. They have also tested several hypotheses for their findings. It was viewed that developed market firms have more news articles written about them and more days with news coverage, market reactions to their public news events are considerable stronger than for emerging markets. This could be due to the extent of public news dissemination before the news announcement insider trading, the quality of the news transmission mechanism, and the quality of accounting. And on non-news days, there is less liquidity.

K. Ramya and Dr. R. Shanmugham (2011) conceptualized individual investor's decision-making behavior as complex. Their investment decisions are influenced by rational or irrational factors which lead to the efficient or inefficient functioning of the security markets. The author studies 455 active traders in the city of Coimbatore. It is concluded that investors are prone to various behavioral biases and hence, make irrational decisions.

Stefano Dellavigna and Joshua M, Pollet (2009) examines a decision in which attention to new information plays a crucial role: the response to earnings surprises. A comparison was made with announcements that occur just before the weekend, on Friday, to announcements on other weekdays. It was also observed that on Fridays investors are distracted from work related activities. Given limited attention, distractions came under reaction to the earnings information but eventually investors recognize the mispricing and incorporate the information. And the findings of the study indicate that under reaction to new information is an important source of post earnings announcement drift.

Paul C Tetlock (2007) systematically explores the interactions between media content and the stock market activity. It was observed that high values of media pessimism induce downward pressure on market prices; unusually high or low values of pessimism lead to temporarily high market trading volume. The results are similar and also consistent with theoretic model of noise and liquidity traders and are also inconsistent with theories of media contents as a proxy for new information about fundamental assets values, as a proxy for market volatility, or as a sideshow with no relationship to asset markets.

Lin Peng (2005) studies the fact that investors have limited time and information processing capacity thereby provides a continuous time equilibrium model to analyse the effects of a capacity constraint in the learning process of an investor who allocate their information across multiple sources of uncertainty. Consequently the capacity constraint generates delayed consumption behavior. The finding and the model predicts assets with greater volatility attract more capacity allocation from investors. This also implies both on consumption behavior and the cross-sectional differences in price information in terms of supply of information, speed of price adjustments and price reactions.

OBJECTIVES

- To analyse the demographic profile and investment profile of investors
- To analyse the role of media influencing investors investment decision

RESEARCH METHODOLOGY

The study is based on survey method which analyses the influence of role of media with respect to individual investors in shares. The study is confined to 567 respondents working in IT sector based on simple random sampling method. To interpret findings, statistical tools such as percentage analysis, student t test and one way ANOVA were applied with the help of statistical software SPSS.

LIMITATIONS

- The study is purely based on primary data exploring the perception of respondents. The perceptions may vary over a period of time due to the environmental dynamics. Therefore, the findings may not hold good forever.
- The investors investing in shares have been chosen for the study. In other words, the investors of other financial

products like mutual funds etc have not been taken for the study.

ANALYSIS AND FINDINGS

Demographic Profile of Investors

Table 1

Dimensions	Variables	Frequency	Percentage	Cumulative
Gender	Male	432	76.2	76.2
	Female	135	23.8	100
	Total	567	100	
Age group (in years)	Less than 30	101	17.8	17.8
	30 – 40	365	64.4	82.2
	40 – 50	96	16.9	99.1
	Above 50	5	0.9	100
	Total	567	100	
Monthly income (in rupees)	Below 50000	73	12.9	12.9
	50000 – 100000	189	33.3	46.2
	100000 – 150000	119	21	67.2
	150000 – 200000	101	17.8	85
	Above 200000	85	15	100
	Total	567	100	

The table displays the Gender wise classification of the respondents. It can be seen from the table that out of the total 567 respondents 432 (76.2 Percent) are male investors and the remaining 135 (23.8 Percent) are female investors. In short it can be concluded that the response category is predominantly composed of male members.

It is inferred from the table that 17.8 percent of the respondents are below 30 years, 64.4 percent within 30 to 40 years age group, 16.9 percent of respondents belongs the 40 to 50 years age group and only 0.9 percent of the respondents are above 50 years. It is clearly stated that most of the respondents belong to the 30 to 40 years group the most impending group.

Monthly salary received by Investors depicted in the table indicates 12.9 percent of respondents earn a salary below Rs.50,000, whereas 33.3 percent of respondents earn salary between Rs.50,000 to Rs.1,00,000 per month. Those earning above Rs.1,00,000 per month constitute together 53.8 percent (Rs.1,00,000 to Rs.1,50,000 around 21 percent, Rs.1,50,000 to Rs.2,00,000 around 17.8 percent and 15 percent earn above Rs.2,00,000).

INVESTMENT PROFILE OF INVESTORS

Table 2

Dimensions	Variables	Frequency	Percentage	Cumulative
Annual investment in share market	Up to 1 Lakh	273	48.1	48.1
	1-3 Lakhs	162	28.6	76.7
	More than 3 Lakhs	132	23.3	100
	Total	567	100	
Investment experience (in years)	Less than 5	281	49.6	49.6
	10-May	213	37.6	87.1
	More than 10	73	12.9	100
	Total	567	100	
Average returns earned	Less than 10%	136	24	24
	10%-20%	169	29.8	53.8

	20%-30%	89	15.7	69.5
	30%-40%	150	26.5	95.9
	More than 40%	23	4.1	100
	Total	567	100	

The annual amount of Investment made by the investors in the share market has been displayed in the above table. A close scrutiny of the table brings to the surface that the majority of 48.1 percent of respondents invest up to Rs.1 Lakh per annum, 28.6 percent invest between Rs.1 to 3 Lakhs and 23.3 percent are more privileged and invest in more than Rs.3Lakhs.

Experience of investing in the share market plays a vital role in the investment decision made by the investors. The above table presents the details regarding experience of the investors. 49.6 percent of investors have less than 5 years of experience, 37.6 percent have experience between 5 to 10 years and a negligible 12.9 percent of investors are well experienced above 10 years.

It is common knowledge that the average returns earned is one of the potent tools to evaluate one's performance excellence. The above table describes the average returns earned by the investors. 24 percent agree that they can get only less than 10 percent of return on their investment, 29.8 percent investors get a return in between 10 to 20 percent, 15.7 percent get 20 to 30 percent return, 26.5 percent touch a little higher level of return around 30 to 40 percent and a meager of 4.1 percent get more than 40 percent on the amount invested by them.

ANALYSIS OF ROLE OF MEDIA

Table 3

Dimensions / Opinions	Role of Media											
	Never		Rarely		Sometimes		Often		Very often		Total	
	Nos	%	Nos	%	Nos	%	Nos	%	Nos	%	Nos	%
Watching stock news in Internet	90	15.9	97	17.1	193	34	164	28.9	23	4.1	567	100
Watching stock news channels	42	7.4	128	22.6	178	31.4	178	31.4	41	7.2	567	100
Reading stock news through newspapers	41	7.2	118	20.8	184	32.5	172	30.3	52	9.2	567	100
Going through mobile update on stocks	80	14.1	155	27.3	171	30.2	126	22.2	35	6.2	567	100
Depending on media for information about stock trading.	43	7.6	138	24.3	210	37	152	26.8	24	4.2	567	100
I believe that media enriches my trading knowledge	40	7.1	94	16.6	234	41.3	186	32.8	13	2.3	567	100
I think that financial information on media is more reliable	43	7.6	104	18.3	239	42.2	167	29.5	14	2.5	567	100
I purchase stocks which are on news	63	11.1	126	22.2	186	32.8	170	30	22	3.9	567	100

Source: Primary Data

ANALYSIS OF ROLE OF MEDIA

Many researchers have been made to analysis the role of media influencing investors. This table gives the percentage analysis of the opinion of the investors of the sample size.

- 34 percent of investors prefer to watch stock news in internet sometimes, 28.9 percent often 17.1 percent rarely and 15.9 percent surprisingly never like to watch news in internet. The remaining 4.1 percent very often watch news in the internet.
- 31.4 percent of investors watch stock news channels sometimes and often, 22.6 percent watch rarely, 7.4 percent never and the remaining 7.2 percent watch news channels related to stocks very often.
- Reading stock news in news paper is done by 30.3 percent of investors often, 9.2 percent very often, 32.5 percent spend sometimes reading news, 20.8 percent rarely and 7.2 percent of the respondents never.
- Going through mobile updates on investment news is often and very often done by 22.2 percent and 6.2 percent of the respondents respectively. 30.2 percent does sometimes, 27.3 percent rarely and 14.1 percent never go through their mobile updates on investments.
- 37 percent of respondents depend sometimes on media for gathering information about investments, 24.3 percent rarely, whereas 7.6 percent never depend on media information, 26.8 percent often and 4.2 percent depend very often on the information given by media about investments.
- Media enriching knowledge in investments is accepted by 2.3 percent on a very often node, 32.8 percent often, 41.3 percent sometimes, but 16.6 percent rarely and the remaining 7.1 percent do not think that media enriches their trading knowledge.
- When it comes to financial information 7.6 percent think media never gives reliable information, 18.3 percent rarely believe in reliability, 42.2 percent sometimes, 29.5 percent often and 2.5 percent more often feel the information given by media to be reliable.
- Majority of 30 percent and 3.9 percent purchase the stocks on news often and very often, 32.8 percent sometimes, 22.2 percent rarely and remaining 11.1 percent never purchase stocks on the news.

ANALYSIS OF GENDER OF INVESTORS AND ROLE OF MEDIA INFLUENCING INVESTORS

Null Hypothesis Ho: There is no significance between gender of investors and role of media influencing investors.

ANALYSIS OF GENDER OF INVESTORS AND ROLE OF MEDIA INFLUENCING INVESTORS

Table 4

Gender	Mean	(SD)	T Value	P Value
Male	3.06	0.714	5.106	0.001**
Female	2.70	0.733		

Source: Primary Data

Note: 1. ** Denotes Significant at 1 % Level of Significance.

Gender Role of Media: In the light of the test results, the null hypothesis has been rejected at one percent level of significance meaning that the male and female investors differ in their perception about the role of media affecting their decisions. Perhaps men have more leisure time to go through all the different types of media (Television, News paper, Internet).

ANALYSIS OF AGE OF INVESTORS AND THE ROLE OF MEDIA INFLUENCING INVESTMENTS

Null Ho: There is no significance between age of investors and the role of media influencing investments.

ANALYSIS OF AGE OF INVESTORS AND THE ROLE OF MEDIA INFLUENCING INVESTMENTS

Table 5

Age	Mean Value	SD	F value	P value
Less than 30	2.63	0.730	10.302	0.001**
30 – 40	3.08	0.692		
40 – 50	2.94	0.802		
Above 50	3.20	0.360		

Source: Primary Data

Note: 1. ** Denotes Significant at 1 % Level of Significance.

Age The role of media influencing the age group, watching news channels and internet about stocks is given more preference over reading news papers and mobile updates about stocks. More over investors do rely on the media news as it certainly influences the investors of various age groups.

ANALYSIS OF INCOME OF INVESTORS AND THE ROLE OF EXTERNAL FACTORS INFLUENCING INVESTMENTS

Null Hypothesis Ho: There is no significance between income of investors and the role of media influencing investments.

ANALYSIS OF INCOME OF INVESTORS AND THE ROLE OF EXTERNAL FACTORS INFLUENCING INVESTMENTS

Table 6

Income	Mean Value	SD	F value	P value
Below 50K	2.79	0.700	4.200	0.002**
50K to 1 L	2.98	0.709		
1L to 1.5L	3.09	0.658		
1.5L to 2L	3.09	0.721		
Above 2L	3.14	0.808		

Source: Primary Data

Note: 1. ** Denotes Significant at 1 % Level of Significance.

Income It is observed that the null hypothesis has been rejected at one percent level of significance meaning to say the respondents based on their income level differ in their perception about the role of media influencing them. This may also be due to the understanding of the message that is being conveyed in media.

ANALYSIS OF AMOUNT INVESTED BY INVESTORS AND THE ROLE OF MEDIA INFLUENCING INVESTMENTS

Null Hypothesis Ho: There is no significance between amount invested by investors and the role of media influencing investments.

ANALYSIS OF AMOUNT INVESTED BY INVESTORS AND THE ROLE OF MEDIA INFLUENCING INVESTMENTS

Table 7

Amount Invested	Mean Value	SD	F value	P value
Up to 1 Lakh	2.92	0.685	14.199	0.001**
1-3 Lakhs	2.85	0.753		
More than 3 Lakhs	3.26	0.828		

Source: Primary Data

Note: 1. ** Denotes Significant at 1 % Level of Significance.

Amount Invested There is a significant difference of amount invested by investors and role of media as the null hypothesis is rejected at 1 percent level of significance. It can be stated that based on the mean score the factors of media do influence the group who invest more than Rs.3,00,000 per annum. Jeol Peress (2011) states that the trading volume falls by approximately 18 percent on strike days, indicating that media influences investors trading behaviours but not stock returns.

ANALYSIS OF EXPERIENCE OF INVESTORS AND THE ROLE OF MEDIA INFLUENCING INVESTMENTS

Null Hypothesis Ho: There is no significance between experience of investors and the role of media influencing investments.

ANALYSIS OF EXPERIENCE OF INVESTORS AND THE ROLE OF MEDIA INFLUENCING INVESTMENTS

Table 8

Experience	Mean Value	SD	F value	P value
Less than 5	2.96	0.685	3.698	0.025*
10-May	2.93	0.753		
More than 10	3.19	0.828		

Source: Primary Data

Note: 1. * Demotes Significant at 5 % Level of Significance.

Experience of Investors The table clearly states that there is a significant difference between the experience of the investors and investors watching stock news channels, going through news papers and mobile updates on stock news to make their investment decisions. But at the same time they do not solely depend on media for enriching their trading knowledge.

ANALYSIS OF AVERAGE RETURNS OF INVESTORS AND THE ROLE OF MEDIA INFLUENCING INVESTMENTS

Null Hypothesis Ho: There is no significance between average returns of investors and the role of media influencing investments.

ANALYSIS OF AVERAGE RETURNS OF INVESTORS AND THE ROLE OF MEDIA INFLUENCING INVESTMENTS

Table 9

Amount Invested	Mean Value	SD	F value	P value
Less than 10%	2.76	0.684	5.047	.001**
10%-20%	2.99	0.818		
20%-30%	3.14	0.616		
30%-40%	3.07	0.673		
More than 40%	2.94	0.914		

Source: Primary Data

Note: 1. ** Denotes Significant at 1 % Level of Significance.

Average Returns Media gives timely and more information about the market to investors which means that investors should be more efficient but the investors do perform freighted with their own set of fears and biases. This is because the investors get abundant information but is all that valid information? This is proved in the above table as the null hypothesis is accepted for factors like depending on media for getting information and media enriches investors knowledge as well as the reliability of the information shared on media. Whereas the investors do purchase stocks that are on news as the null hypothesis is rejected at 1 percent level of significance and there is a significant different between the same.

SUGGESTIONS

- The role of media has a very good impact on the male investors, the female investors should spend some time collecting information through media and analyse them accordingly.
- Though the reference of newspapers, internet, and financial news is necessary the investors should make the financial decisions regarding the choice of investment themselves.
- Lack of financial literacy is the root cause of many investment problems, to overcome this awareness can be created through television, newspapers, special investment programmes, etc.

SCOPE FOR FURTHER RESEARCH

- Since the present study is confined only to role of media influencing investors, the study can be extended to other factors influencing investor's decision making process.
- The present study is only about investment in equities, and further study can be done with investment avenues like mutual funds and other investment areas.

CONCLUSIONS

Demographic variables such as gender, age, income and investment variable such as the amount invested by the investor, investor's experience and average returns earned by the investor along with the role of media influence the investor's financial decisions. The investors believe that the investments made by them provide safety to their future and they also feel the investment made by them guarantees safety for their well being. Investors based on their gender have different opinion about the role of media in their investment decision. Media influence the investment decision made by

the investors to a very great extent. The investors gather investment information from media and feel media gives more information which is more helpful for them to make their financial decisions.

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