

Public Announcement and Investor Behaviour: An Indian Perspective

¹Dr. Mitesh Patel and ²Prof. Shraddha Patel

¹ Assistant Professor, S.V. Institute of Management, Kadi, Gujarat, India,

² Assistant Professor, S.V. Institute of Management, Kadi, Gujarat, India,

Abstract

Behavioural finance captures the influence of investors' psychology and the subsequent effect on markets. Behavioural finance is interesting because it helps to explain why and how markets might be inefficient. The primary objective of this research was to analyse the investor behavior with respect to the public announcement. Total 384 respondents are surveyed for the study using a judgmental sampling. This study focused on two public announcements, dividend announcement and financial result announcement. The study found that currently the investors are very aware about the public announcement and give moderate importance to the public announcement for their investment decision. The study also concluded that dividend announcement somewhat influences and financial result announcement slightly influences the stock price. Investors also believe that there is a significant difference in knowledge regarding the public announcement between different age groups of the respondents and there is a significant difference in the level of importance to the public announcements while making investment decisions between different age groups of the respondents.

Key Words: Public announcement, investor's behaviour, behavioral finance, investment decision.

1. Introduction

The stock market is the market in which shares are issued and traded either through exchanges or over-the-counter markets. It is also known as an equity market, which is one of the most vital areas of a market economy as it provides companies with access to capital and investors with a slice of ownership in the company and possibility of gain based on future performance of the company. Many authors have discussed behavioural finance as it captures the influence of investors' psychology and the subsequent effect on markets. Behavioural finance is interesting because it helps to explain why and how markets might be inefficient (Sewell, 2007). Selden (1912) wrote a book *Psychology of the Stock Market*, he said, "this book is based upon the belief that the movements of prices on the exchanges are dependent to a very large degree on the mental attitude of the investing and trading public." Rational investor is the key assumption of most of the behavioural finance theories (Miller and Modigliani, 1961).

Public announcement is a significant piece of news given to the public by corporate bodies. For example, if a company declares a dividend, the announcement occurs when the day the news is given to the media to report to the public. The individual investors' do not have access to private information about the corporate bodies, but they share access to public information about the companies. The investor may react to the information contained in the announcement. The content of announcements may differ from one corporate entity to another depending on the sectors. This would lead to knowledge about the firm by the investors and it has more advantage to the investors, who can execute their investment decisions based on the importance of announcements. Thus, the public announcements play a vital role in the investment behavioral pattern of the individual investors. The changes in the investor's investment behavioral pattern on the basis of public announcement followed by the share market have a significant role in the share price reactions.

2. Review of Literature

In past many studies have done investor's buying behaviour. There are some behavioral factors like the investor's financial tolerance, emotional risk tolerance and financial literacy which

influence the investor's behavior (Dharmaja *et al.*, 2012). Occupation, age, education does affect the investment decision of individuals dealing with the stock market. It was also found that new generation investors, whose age is less than 35 prefer online trading rather than offline (Bhatt, 2013). Percentage of income invested in the equity market is dependent on monthly family income, behavior in the bearish market is dependent on investment experience and stock market prediction is dependent on education qualification (Patel & Patel, 2012).

The savings of the people are invested in assets depending on their risk and return demands, Safety of money, Liquidity, the available avenues for investment, various financial institutions, etc (Kothari, 2013). Respondent gave more preference to savings, safety, but at the same time, they want higher interest at low risk in a shorter span. Respondent has less knowledge of managing their income and assets (Brahmabhatt *et al.*, 2012). The positive (negative) stock market reaction to eco-friendly (-harmful) events is smaller for companies with higher levels of environmental CSR. (Flammer, C., 2013).

Investor's in Egypt prefer to receive dividends. If the company cannot pay cash dividends, they prefer to receive stock dividends compared to not receiving dividends at all (Gad and El Din, 2013). Most of the decisions are rational and influenced by the various information available in the market. It was also found that investors prefer the wait and watch policy for taking their decision, and are very cautious and their decisions are influenced by various psychological factors and behavioral dimensions (Jains, D., & Dashora, N., 2012). The study identifies stock attributes including dividend, price trends and volatility, firm's status in the market, the source of recommendation, corporate reputation, corporate social performance, firm's visibility in the media having significant on the stock selection behavior of individual equity investors in Pakistan (Ali, I., & Rehman, K. U., 2013).

There was a presence of asymmetric dynamic behaviour of prices predictability as well as risk and return relationships across different market states, risk states and quantiles data segments. (Tuyon, J., & Ahmad, Z., 2016). Low self-monitor take less time to make an investment or trading decision compared to high self-monitors, but on the average, low self-monitors have yielded more returns than high self-monitors (Varadharajan, P., & Vikkraman,

P., 2010).Majority of the sample small investors in Assam took into consideration all the 38 factors before selecting the stocks to invest. (Das, S. K., 2012)

The investment horizon seems to have a direct association with the relative importance of the techniques that professionals use for stock analysis (Madinios *et al.*, 2007).The investors at Karachi Stock Exchange have irrational behavior and this behavior influences the preference of dividend and gambling (Rehman, M. W. U., & Arif, K., 2015).Most of the people are hesitant in going for new age investments like mutual funds and prefer to avert risks by investing in less risky investment options (Mane, P., 2016).

Polish pension fund investors are to a greater extent involved in herd-like behavior and pursue feedback trading strategies more often than their counterparts in mature markets. (Voronkova, S., & Bohl, M. T., 2005) .Most of the investors are to preferred bank deposit because of more respondents invested for purchasing home and long-term growth (Muthumeenakshi, M., 2017).

Research Gap

On scanning the literature on public announcement and investor's behaviour, it was found that very few studies have tried to analyze it. Given the fact that, the Indian marketplace is lacking the good studies and research in this area, the need becomes more relevant. Till date, the research is undertaken on the behaviour of investor with respect to the public announcement, but no research is carried out on an investor's behaviour covering primary survey. Only secondary data were used to analyze the behaviour of the Investor. So, in order to full fill this gap, this present study is done to study the investor's behaviour using primary data.

3. Research Methodology

The primary objective of this research was to analyses the investor behavior with respect to the public announcement.Descriptive research design (single cross-sectional) is used for studying investor's behaviour towards the public announcement(Bajpai, N., 2011). Total 384 respondents are surveyed for the study using a judgmental sampling.This study focused on two public announcements, dividend announcement and financial result announcement. The data

collection pattern is shown in figure 1. The study covered analytical tools such as mean score analysis, ANOVA, Chi-Square test and independent sample t-test. Here, the sample size of 384 has been decided using a sample determination method suggested by (Kothari, C. R. 2010).

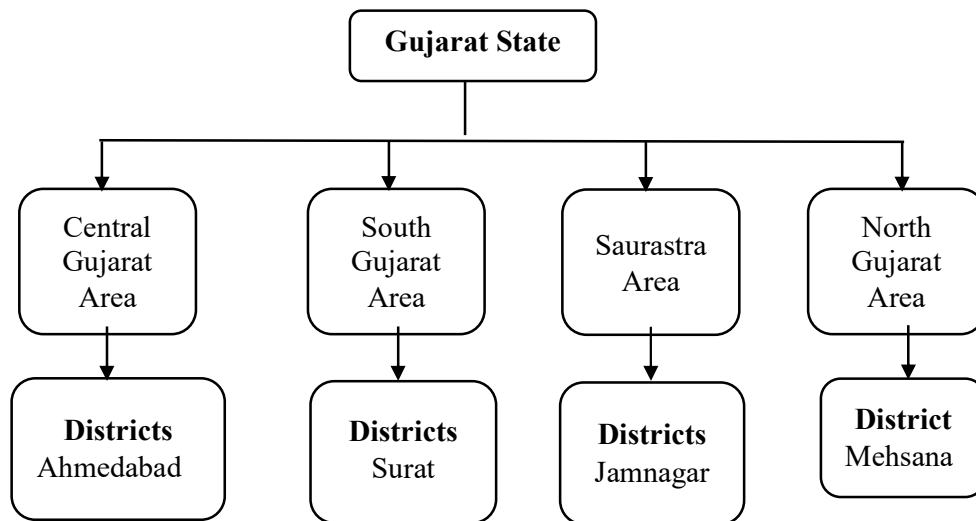
$$n = \frac{Z^2 \times p \times q}{e^2}$$

$$n = \frac{1.96^2 \times 0.5 \times 0.5}{0.05^2}$$

$$n = \frac{0.9604}{0.0025}$$

$$n = 384$$

Figure 1. Data collection Pattern



4. Data Analysis and Interpretation

4.1 Personal Information of the Respondent

Table 1. Personal Information

Personal Details	Particular	Respondents	%
Gender	Male	305	79.43%
	Female	79	20.57%
Age	Below 20	4	1.04%
	20-30	135	35.16%
	31-40	125	32.55%
	41-50	73	19.01%

	51-60	25	6.51%
	Above 60	22	5.73%
Occupation	Government Employee	65	16.93%
	Employee in Private Sector	170	44.27%
	House wife	15	3.91%
	Self Employed	122	31.77%
	Student	12	3.13%
Educational Qualification	Till HSC	27	7.03%
	Undergraduate	30	7.81%
	Graduate	138	35.94%
	Post Graduate	167	43.49%
	Other	22	5.73%
Monthly Income	Below 10,000	17	4.43%
	10,000-20,000	91	23.70%
	20,001-30,000	105	27.34%
	30,001-40,000	57	14.84%
	40,001-50,000	65	16.93%
	50,001 – 75000	27	7.03%
	75,001 – 100000	9	2.34%
	More than 100000	13	3.39%

4.2 Information consider as important at the time of investment

Table 2.Importance of information while investment

Sr. No.	Factor	Mean	SD
1	Information from the company as a basis for a fundamental analysis	2.03	0.72
2	Recommendations and advice form stock brokers	1.42	0.69
3	Forecasts from professional investors	2.18	0.92
4	Overall past performance of the market	2.39	0.92
5	Information from various medias	2.72	1.07
6	Information from the internet	2.37	1.08
7	Own study of future performance	1.55	0.91

The objective behind this question is to know, which information consider as important by investors at the time of investment. The study found that recommendations and advice form

stock brokers (M=1.42) and own study of future performance (M=1.55) were an important factor before making an investment.

4.3 Knowledge regarding Public announcement

Table 3. Knowledge regarding public announcement

Particulars	Respondents	%
Extremely Aware	168	43.75%
Very Aware	135	35.16%
Moderately Aware	43	11.20%
Slightly Aware	19	4.95%
Not at all Aware	19	4.95%
Total	384	100
Mean	2.08	
S.D.	1.14	

The objective behind this question is to know the level of knowledge of the investor's regarding the public announcement. The result shows that currently the investors very aware (Mean = 2.08, S.D. = 1.14) about the public announcement.

4.4. Importance to Public announcements for investment decision

Table 4. Importance regarding public announcement

Particulars	Respondents	%
Highly Important	97	25.26%
Important	119	30.99%
Moderately Important	67	17.45%
Slightly Important	62	16.15%
Not Important	39	10.16%
Total	384	100
Mean	2.64	
S.D.	1.32	

The objective behind this question is to know the importance of investors in Public announcements for their investment decision. The investors give moderate importance (Mean = 2.64, S.D. = 1.32) to the public announcement for their investment decision.

4.5. Monitor returns before and after Public announcement

Table 5. Monitor returns while public announcement

Particulars	Dividend Announcement		Financial Result Announcement	
	Respondents	%	Respondents	%
Yes	84	21.88%	68	17.71%
No	300	78.13%	316	82.29%
Total	384	100	384	100

The objective behind this question is to know, whether investors monitor their return before and after the public announcement. From the above table, it can be concluded that mostly the respondents do not monitor their returns before and after the dividend and financial result announcement.

4.6. Public announcements could influence the stock price

Table 6. Impact of public announcement on stock market

Particulars	Dividend Announcement		Financial Result Announcement	
	Respondents	%	Respondents	%
Yes	243	63.28%	157	40.89%
No	141	36.72%	227	59.11%
Total	384	100	384	100

The objective behind this question is to check, whether the dividend and the financial result announcement influence to the stock price or not. 243 (63.28%) respondents believe that dividend announcement could influence the stock price and 141 (36.72%) respondents believe that dividend announcement could not influence the stock price. While 157 (40.89%) respondents believe that financial result announcement could influence the stock price and 227 (59.11%) respondents believe that financial result announcement could not influence the stock price.

4.7. Level of influence for the particular public announcement.

Table 7. Level of influence for public announcement

Particulars	Dividend Announcement		Financial Result Announcement	
	Respondents	%	Respondents	%
Extremely Influential	39	10.16%	25	6.51%
Very Influential	64	16.67%	32	8.33%
Somewhat Influential	87	22.66%	47	12.24%
Slightly Influential	43	11.20%	53	13.80%
Not at all Influential	141	36.72%	227	59.11%
Total	374	100	384	100
Mean	3.21		3.99	
S.D.	1.4		1.3	

The objective of this question is to know the level of public announcement influence to the stock price. From the above data, it can be concluded that dividend announcement somewhat influence and financial result announcement slightly influence to the stock price.

4.8. Reliability test

Table 8. Reliability Statistics

Cronbach's Alpha	N of Items
.887	31

The Cronbach's Alpha is done to check, whether the scale is reliable or not. Scale is reliable when Cronbach's alpha is greater than 0.60. Here the Cronbach's alpha is 0.887 which further confirm that the scale is reliable and further test can be applied. (Ngoc, 2013)

4.9. Chi Square Analysis

Table 9. Chi Square Analysis

Sr. No.	Null Hypothesis	Significance Value	Result
H ₀ 1	Reaction of the investors with respect to dividend announcement is independent on gender of the respondent	0.445	Accepted
H ₀ 2	Reaction of the investors with respect to dividend	0.786	Accepted

	announcement is independent on age of the respondent		
H ₀₃	Reaction of the investors with respect to dividend announcement is independent on occupation of the respondent	0.331	Accepted
H ₀₄	Reaction of the investors with respect to dividend announcement is independent on educational qualification of the respondent	0.033	Rejected
H ₀₅	Reaction of the investors with respect to dividend announcement is independent on monthly income of the respondent	0.336	Accepted
H ₀₆	Reaction of the investors with respect to dividend announcement is independent on district of the respondent	0.191	Accepted
H ₀₇	Reaction of the investors with respect to financial the result announcement is independent on gender of the respondent	0.56	Accepted
H ₀₈	Reaction of the investors with respect to the financial result announcement is independent on age of the respondent	0.330	Accepted
H ₀₉	Reaction of the investors with respect to the financial result announcement is independent on occupation of the respondent	0.940	Accepted
H ₀₁₀	Reaction of the investors with respect to the financial result announcement is independent on educational qualification of the respondent	0.043	Rejected
H ₀₁₁	Reaction of the investors with respect to the financial result announcement is independent on monthly income of the respondent	0.533	Accepted
H ₀₁₂	Reaction of the investors with respect to the financial result announcement is independent on district of the respondent	0.180	Accepted

H ₀ 13	Perception regarding dividend announcement influence the stock price is independent on gender of the respondent	0.619	Accepted
H ₀ 14	Perception regarding dividend announcement influence the stock price is independent on age of the respondent	0.873	Accepted
H ₀ 15	Perception regarding dividend announcement influence the stock price is independent on occupation of the respondent	0.583	Accepted
H ₀ 16	Perception regarding dividend announcement influence the stock price is independent on educational qualification of the respondent	0.607	Accepted
H ₀ 17	Perception regarding dividend announcement influence the stock price is independent on monthly income of the respondent	0.601	Accepted
H ₀ 18	Perception regarding dividend announcement influence the stock price is independent on district of the respondent	0.200	Accepted
H ₀ 19	Perception regarding the financial result announcement influence the stock price is independent on gender of the respondent	0.661	Accepted
H ₀ 20	Perception regarding the financial result announcement influence the stock price is independent on age of the respondent	0.079	Accepted
H ₀ 21	Perception regarding the financial result announcement influence the stock price is independent on occupation of the respondent	0.439	Accepted
H ₀ 22	Perception regarding the financial result announcement influence the stock price is independent on educational qualification of the respondent	0.516	Accepted
H ₀ 23	Perception regarding the financial result announcement influence the stock price is independent on monthly	0.091	Accepted

	income of the respondent		
H ₀ 24	Perception regarding the financial result announcement influence the stock price is independent on district of the respondent	0.369	Accepted

From the above table, the study found that reaction of the investors with respect to dividend announcement and financial result announcement is dependent on educational qualification of the respondent.

4.10. One way ANOVA Analysis

Table 10. One way ANOVA Analysis

Sr. No.	Null Hypothesis	Significance Value	Result
H ₀ 1	There is no significant difference in knowledge regarding the public announcement between different age groups of the respondent	0.002	Rejected
H ₀ 2	There is no significant difference in knowledge regarding the public announcement between different occupation of the respondent	0.181	Accepted
H ₀ 3	There is no significant difference in knowledge regarding the public announcement between different educational qualification of the respondent	0.184	Accepted
H ₀ 4	There is no significant difference in knowledge regarding the public announcement between the different monthly income of the respondent	0.492	Accepted
H ₀ 5	There is no significant difference in knowledge regarding the public announcement between different districts of the respondent	0.236	Accepted
H ₀ 6	There is no significant difference in level of importance to the public announcements while investment decision between different age groups of the respondent	0.013	Rejected

H ₀₇	There is no significant difference in level of importance to the public announcements while investment decision between different occupation of the respondent	0.289	Accepted
H ₀₈	There is no significant difference in level of importance to the public announcements while investment decision between different educational qualification groups of the respondent	0.081	Accepted
H ₀₉	There is no significant difference in level of importance to the public announcements while investment decision between different monthly income groups of the respondent	0.395	Accepted
H ₀₁₀	There is no significant difference in level of importance to the public announcements while investment decision between different districts of the respondent	0.982	Accepted
H ₀₁₁	There is no significant difference in opinion regarding the level of influence for the dividend announcement between different age groups of the respondent	0.463	Accepted
H ₀₁₂	There is no significant difference in opinion regarding the level of influence for the dividend announcement between different occupation of the respondent	0.568	Accepted
H ₀₁₃	There is no significant difference in opinion regarding the level of influence for the dividend announcement between different educational qualification of the respondent	0.286	Accepted
H ₀₁₄	There is no significant difference in opinion regarding the level of influence for the dividend announcement between different monthly income groups of the respondent	0.860	Accepted
H ₀₁₅	There is no significant difference in opinion regarding the level of influence for the dividend announcement between different districts of the respondent	0.043	Rejected

H ₀ 16	There is no significant difference in opinion regarding the level of influence for the financial result announcement between different age groups of the respondent	0.315	Accepted
H ₀ 17	There is no significant difference in opinion regarding the level of influence for the financial result announcement between different occupation of the respondent	0.567	Accepted
H ₀ 18	There is no significant difference in opinion regarding the level of influence for the financial result announcement between different educational qualification of the respondent	0.212	Accepted
H ₀ 19	There is no significant difference in opinion regarding the level of influence for the financial result announcement between different monthly income groups of the respondent	0.306	Accepted
H ₀ 20	There is no significant difference in opinion regarding the level of influence for the financial result announcement between different districts of the respondent	0.191	Accepted

From the above table, the study found that there is significant difference in knowledge regarding the public announcement between different age groups of the respondent and there is significant difference in level of importance to the public announcements while investment decision between different age groups of the respondent. There is significant difference in opinion regarding the level of influence for the dividend announcement between different districts of the respondent

4.11. Independent Sample t test

Table 11s. Independent Sample t test

Sr. No.	Null Hypothesis	Significance Value	Result
H ₀ 1	There is no significant difference in knowledge regarding the public announcement between male and female of the respondent	0.047	Rejected

H ₀₂	There is no significant difference in level of importance to public announcements while investment decision between male and female of the respondent	0.736	Accepted
H ₀₃	There is no significant difference in opinion regarding the level of influence for the dividend announcement between male and female of the respondent	0.790	Accepted
H ₀₄	There is no significant difference in opinion regarding the level of influence for the financial result announcement between male and female of the respondent	0.604	Accepted

From the above table, the study found that there is significant difference in knowledge regarding the public announcement between male and female of the respondent.

5. Conclusion

Behavioral finance is the study of the influence of psychology on the behavior of investors or financial analysts. It also includes the subsequent effects on the markets. It focuses on the fact that investors are not always rational, have limits to their self-control, and are influenced by their own biases. The primary objective of this research was to analyse the investor behavior with respect to the public announcement. The result shows that currently the investors are very aware about the public announcement. The investors give moderate importance to the public announcement for their investment decision. The study also found that dividend announcement could influence the stock price. Reaction of the investors with respect to dividend announcement and financial result announcement is dependent on educational qualification of the respondent. There is significant difference in knowledge regarding the public announcement between different age groups of the respondent. There is significant difference in knowledge regarding the public announcement between male and female of the respondent.

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