

Analysis of Information Sources for Investment Decision in Stock Market by Individual Investors – Evidence from Odisha

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ABSTRACT

Investment refers to put money in different asset classes, all with the objective of protecting and increasing wealth. There are many factors to consider when an investment decision is made: What are the risks involved? What financial instruments to use. Investors require timely and accurate information for making investment decisions. This is because if the investor does not get the right information at right time regarding the right asset there are chances that he may not make the right investment decisions. To make the right investment decision investors should be aware of the right sources of information available in the market. This article highlights different sources of information available for investment decisions. The investors are inundated with information these days on different instrument. This article gives importance on source of information by using which the investor knew details about the instrument. 19 different sources of information were collected and put in the question to know the most preferred source of information among the investors.

Key words: Investment, Information source, Risk, Wealth, Decision

INTRODUCTION

Many individuals actively search for information when making their investment

decisions. Active information searchers tend to be those who believe they are knowledgeable about investments, those who are more risk tolerant and expect greater returns from their investments, which have a higher household income and those who are better educated. Consumers obtain information from a variety of sources, including literature, media, the Internet, friends/ family and professional financial service providers. These sources differ in terms of their values and costs. Whether or not consumers use a particular information source is affected by their subjective knowledge, risk tolerance, age, educational level, and income level (Lin and Lee, 2004). There is always a need of adequate, reliable and timely supply of relevant information to take good decisions. However, the importance of such information possessing such features increases when the decision is related to financial matters. Since, for investment, if there are surplus funds available with the investors, it is very essential to understand and analyze the information relevant to the financial products under consideration for investment. However, several sources of information are available to investors which they consider before making investment decisions which includes Advertisements in Print Media, Independent Financial Advisor, Tax Consultants, Company based websites, Satisfied Customer, Financial Journals, Syndicated websites, Point of Sale, Investment based programs on Electronic/

Print media, Editorials in business magazines /newspapers, Friends, Company's Financial Advisor, Internet/Virtual advisors, Relatives, Brochure Hoardings and other displays, Poster, Companies Tele-Caller

LITERATURE REVIEW

- Me Kelvey Richard D, and Page Talbot (1990) studied the way in which individuals made inferences from publicly available information. According to them individuals made inferences on the basis of both private and public information. They further derived that individuals made use of the public information to augment their original private information and increase their expected pay offs.
- Lin and Lee (2004), identified the factors that affected the consumers' information search behavior towards making investment decisions. Respondents were selected via two stage random sampling, with a stratified disproportionate random sample at the first stage followed by a simple random sample of all households at the second. Using the 2000 to 2001 Macro Monitor data set, authors found that subjective knowledge, amount of investment, risk tolerance, age, education, and income influenced both the extent of information search and the use of specific information sources, including literature, media, the Internet, friends/family, and professional services. The authors claimed that study provides insights for marketers of investment products and financial service providers.
- Ruud(2006), A study was conducted on investment analysts in the Netherlands to determine the use and perceived importance of annual reports. The three main categories of investment analysts are Investment advisor, portfolio manager and directors/head of department. The researcher found that annual report appears to be vital, though not sufficient source of information to analysts. However, there are some clear difference between the three categories concerning the use and perceived importance of (part of) annual report.
- Fischer Paul E. and Stocken Phillip C. (2010), 'investigated how the presence of public information affected the precision of information gathered by the analyst and communicated to the decision maker. For this purpose, they studied thirteen situations by modifying the analysts information gathering and reporting activities with the effect of the information on the decision maker. According to them investors obtained information from sell side analysts, who had incentives to communicate strategically. They concluded that the decision makers should however obtain information from various other sources also who had little incentive to influence their decisions.
- Rao D. N. and Almadhi Sharda (2010) affirmed that investors require certain types of information for making conscientious and informed decisions for their financial security. The extent to which the information provided in the advertisements/web portals facilitated informed decision making for the investors was probed by them. As a result they identified the information needs of retail investors for making informed decisions. They also studied the impact of information on the investment in mutual fund products and the implications of the information for online marketing of mutual fund products in India. They concluded that the information displayed at the websites was comprehensive but there was no standard format in which the information is provided. Thus according to them an average investor would not have skills and time to collate and compare the required information among different mutual funds.
- Bhattacharya et al. (2012), found that general investors have somewhat lost

their reliance on financial advisors, even though their suggestions were valuable and free. This lack of reliance on financial advisors could be associated with a lack of better investment decisions.

- Bodnaruk and Simonov (2015), Recently, social media, such as Facebook, Instagram, and Twitter, have become important sources of new information about firm-specific analysts' recommendations, analysts' price targets, and quarterly earnings
- Kritesh(2020),7 must known websites for Indian stock market investors are Money control, Screener, Investing.com, Economic times market, Live Mint, NSE India, BSE India. Two common websites that an individual investor can visit to know the IPO allotment result are LINK INTIME and Karvy.
- Khan et al. (2020) analyzed the relationship between demographic and social parameters and the use of social media in financial decision making and found that cohort generation and occupation were significantly and favorably associated with the use of social media.
- Cwynar et al. (2019) examined the factors influencing the use of social media as an information source in finance in Poland and found that people with more diversified asset portfolios and those who hold the riskiest assets are more likely to use social media for information purposes.

OBJECTIVES OF THE STUDY

Even though numerous studies have investigated consumer information search behaviour, consumer information search for investment decisions have not received

much attention. The need for the study arises, as in odisha; the research focusing on identifying investors' value for source credibility in their decisions and impact of information source on their investment behaviour has not been researched so far. The present study aims to fulfil the gap with the following objectives:

- To trace common information source accessed by investors to collect information regarding investment avenue
- To find out most preferred source of information among the investors.

METHODOLOGY

The present study is both analytical and empirical in nature. The sample domain for the study is Odisha state. On the basis of responses, we have categorised the sample under five major cities i.e. Cuttack, Bhubaneswar, Berhampur, Rourkela and Sambalpur. The sample size is 504 respondents covering these cities. Random sampling method is used to collect data through a structured close ended questionnaire in the month of March and June of 2024. In the courses of analysis, various statistical tools like Mean, standard deviation, variance analysis, etc. have been used to attain the desired objectives. We have used statistical software packages like SPSS, Excel for all analysis of data. After going through an exhaustive study of related literatures and on the basis of objectives of the study, the following hypothesis have been formulated

- There is no significant difference between popularity of different source of information used by investors.

RESULTS AND DISCUSSIONS

Table 1: Details of Sources of Information used by Investors

DETAILS	N	MEAN	STD. DEV	SKEW	KURT	RANK
Advertisements in Electronic Media	504	3.9643	1.10786	-.828	-.287	1
Advertisements in Print Media	504	3.5655	1.11187	-.283	-.723	2
Independent Financial Advisor	504	3.5595	1.21963	-.238	-1.080	3
Tax Consultants	504	3.5536	1.24411	-.412	-.833	4
Company based websites	504	3.5000	1.02455	-.418	-.205	5

Satisfied Customer	504	3.4583	1.15510	-.050	-1.211	6
Financial Journals	504	3.4345	1.12255	-.153	-.963	7
Syndicated websites	504	3.4286	.98642	-.343	-.068	8
Point of Sale	504	3.3452	1.18131	-.106	-.883	9
Investment based programs on Electronic/ Print media	504	3.3333	1.19973	-.248	-.779	10
Editorials in business magazines /newspapers	504	3.3155	1.09294	-.100	-.568	11
Friends	504	3.2857	1.12522	-.075	-.769	12
Company's Financial Advisor	504	3.2083	1.14472	-.079	-.761	13
Internet/ Virtual advisors	504	3.1786	1.15751	-.144	-.727	14
Relatives	504	3.1369	1.09177	.030	-.584	15
Brochure	504	3.1012	1.21933	.083	-.895	16
Hoardings and other displays	504	3.0298	1.22803	-.057	-.880	17
Poster	504	2.8393	1.34798	.119	-1.122	18
Companies Tele-Caller	504	2.6607	1.17545	.197	-.839	19

19 different sources of information were collected and put in the question to know the most preferred source of information among the investors. All these questions set in five point likert scale, in the order of 'frequently used to not at all used' with the score 5 to 1.

From the above table, it was evidenced that Advertisements in Electronic Media is most preferred source of information. The mean score of Advertisements in Electronic Media was 3.9643 which was highest among all variables and the mean score of value of Companies Tele-Caller was 2.6607 which was the lowest among all variables. The mean score of Advertisements in Print Media, Independent Financial Advisor, Tax Consultants, Company based websites, Satisfied Customer, Financial Journals, Syndicated websites, Point of Sale, Investment based programs on Electronic/ Print media, Editorials in business magazines/ newspapers, Friends, Company's Financial Advisor, Internet/ Virtual advisors, Relatives, Brochure, Hoardings and other displays and Poster 3.5655, 3.5595, 3.5536, 3.5000, 3.4583, 3.4345, 3.4286, 3.3452, 3.3333, 3.3155, 3.2857, 3.2083, 3.1786, 3.1369, 3.1012, 3.0298, and 2.8393.

The skewness score of all 19 variables were close to zero and vary with a range of -0.828 to 0.197 whereas the kurtosis value of 19 variables under study was negative and

varies in a range of -1.122 to -0.030. As the skewness and kurtosis value between +1 to -1 the variables under the study were considered excellent for most psychometric purposes and form a distribution that was flatter than bell shaped distribution.

Testing of Hypothesis

Null Hypothesis-There is no significant difference between popularity of different source of information used by investors.

19 different source of information such as Advertisements in Electronic Media, Advertisements in Electronic Media, Advertisements in Print Media, Independent Financial Advisor, Tax Consultants, Company based websites, Satisfied Customer, Financial Journals, Syndicated websites, Point of Sale, Investment based programs on Electronic/ Print media, Editorials in business magazines/ newspapers, Friends, Company's Financial Advisor, Internet/ Virtual advisors, Relatives, Brochure, Hoardings and other displays, Poster and Companies Tele-Caller was put together to know the investors preference. The mean score of top five variables were 3.9643, 3.5655, 3.5595, 3.5536 and 3.5000. The closeness among the top five source crated confusion in assigning the ranks with confidence. To come out of this ANOVA was applied to know whether the difference was significant or not.

Table 2: ANOVA Summary for Comparison of Preference for different Source of Information used by Investors for collecting details about Investment

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	770.045	18	42.780	31.942	0.000
Within Groups	12,799.946	9,557	1.339		
Total	13,569.992	9,575			

Table-2 contains ANOVA summary of comparison of preference for different source of information. The obtained value of 'F' for different investment objectives was 31.942. The calculated value F was obtained at 18(n1) and 9557 (n2) degrees of freedom at 95% confidence level. The p-value was 0.0001 which was less than 0.05. Since the p value < significance level (0.05), the preference of investors for different source of information was statistically significantly different. So the null hypothesis 'There is no significant difference between popularity of different source of information used by investors' preference for different investment objectives' is rejected with 95% confidence.

CONCLUSION

Each Individual investor has a different investment objective. To obtain their objective they require various sources of information and analysis of the same in the information. In today's era investors are surrounded with abandoned information's so every individual investor needs to select the right information at the right time for the right investment. This study presents a step towards better understanding of the information source credibility to individual stock investors of Odisha. According to our findings Advertisements in Electronic Media is most preferred source of information and Companies Tele-Caller was the lowest among all variables.

Declaration by Author

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