



IMPACT OF BUSINESS NEWS CHANNELS ON INVESTORS' DECISION MAKING – AN EXPLORATORY ANALYSIS

Suresh Kashyap* and Mahesh Sarva

School of Business, Lovely Professional University, Phagwara - 144 411, India.

E-mail : suresh.kashyap@lpu.co.in

Abstract : India is one of the favourite destinations of foreign investors owing to its fastest growing economy. While saving money is the tendency of Indian people, the allocation of these savings is a cause for concern. The general tendency of Indian households is still to deposit their savings into banks and other Government instruments. Though, the securities market plays important role and promote the economic growth of the country, information, knowledge and confidence in investors are necessary to allocate their saving in securities market and make market more efficient. Business news channels have immensely influenced the world of finance and investing too. This study makes an attempt as to how the investors are learning and reacting after being influenced by business news channels for their investment.

Key words : Economic growth, Business news channel, Household, Security market.

1. Introduction

Indian investors should know about the different aspects of investments. Abundant information, knowledge and confidence in investors are necessary to allocate their savings to investment in securities market, which plays an important role in the economic growth of the country. It is important for investors to realize that returns on equities are cyclical in nature and also, market moves up and down with time. Understanding market and being patient while market is going down is important while investing in equities.

Financial literate investors have information, fundamental knowledge and skills. They can opt for better option knowing and understanding the implications of alternative financial decisions. Absence of this information knowledge and skill pose variety of risks to the individual, the society and the economy as a whole in the form of debt trap, under insurance and low return on investment. Different education campaigns are working in the field of creating awareness among investors aiming towards not only calculated investment but also a safe one.

Business news channels are successful in changing the manner and the mode of investment the world over. Business news channels have increased the impulses

of the investors by commenting on the perspectives of business activities with its breathless reporters and rushing the opinions of star anchor persons. It has also challenged traditional publications as the future of information dissemination. Business news channels have also remarkable impact during the times of volatility and make investors take decision when there is confusion regarding information and uncertainty.

This research paper studies the impact of various shows on business channels and their impact on investor education and trading strategies. The role of News channels is going through transformation by shaping the educated investors mood on different aspects of financial markets. This paper tries to probe deeper into the mind of investors' reactions and learning to make investment.

2. Literature Review

A number of studies [Al-Azmi (2008), Alexander *et al.* (1997), Wilcox (2003)] have been conducted in the field of investment decision making. These studies argue that investors are different from one another and they should not be treated as a homogeneous group of people who make investment decisions based on just risk and return calculations.

Davidson and Dutia (1989) assert that stock market fluctuations also influence investor's decisions. A number of studies on investment decision making consider the role of and anticipated experienced regret on investment behavior [Raeva and Van Dijk (2009), Bailey and Kinerson (2005)]. If an investor feels regret from previous investment, he tends to switch his investment decisions. Also, there are a number of studies that attempt to categorize investors: affluent and typical [Capon *et al.* (1994)], categorization based on financial literacy [Alexander *et al.* (1997)].

Literature in investment decision making is abound with theories that attempt to minimize risk and maximize returns. Among such theories are Markowitz portfolio model [Markowitz (1952, 1959)], Sharpe single index model [Sharpe 1963], Capital Asset Pricing theory [Sharpe (1964)] and Arbitrage Pricing Theory [Ross (1976)]. These theories discuss optimizing the value of a portfolio of investments based on risk and return.

Frank (2005) argued that media plays a significant role in an investor's investment decisions by shaping his mood and attention and influencing his desires for obtaining higher return. Antweiler and Frank (2006) were particularly influential to the methods chosen to discover the impact major BBC news reports have upon the stock price volatility of the FTSE 100. These findings are somewhat similar to the findings of Haugen, Talmor and Torous (1991). They found that 13.7% of all volatility increases and 9.1% of all volatility decreases were linked with extraordinary news reports.

Robert M. Entman (1989) in "How the media affect What People Think: An Information Processing Approach" indicate that the media make a significant contribution to what people think to their political preferences and evaluations.

Morris Stephen and Shin Hyun Song (2001) in "The CNBC Effect: Welfare effect of Public Information" analyses welfare effect of enhanced dissemination of public information through media and disclosure by market participants.

Lack of proper investment strategy, confusion regarding information and uncertainty also influences investor investment decision [Basu (2008)]. It is apparent that there is a great deal yet to be understood concerning the way investors perceive news reports and takes investment decision.

3. Research Methodology

To analyze the impact, a primary survey is

conducted based upon the various programmes on business channels and their impact on trading decision and learning of investors.

The primary data have collected from different investors of Jaipur region, taken as the area of the study. Total 300 questionnaires were distributed but only 230 questionnaires were returned. The retail investors, drawn from those who visited in Depository Participants' and Brokers' offices were administered a questionnaire. The data was processed through tabulated frequency distributions using the SPSS programme.

Findings

Response Rate

Two hundred and twenty (230) fully filled questionnaires out of the 300 Distributed were received from various individual respondents. This represented a response rate of 76.66% which is fairly dependable.

Age Group of Respondents

Respondents were categorized by age group and the results in Table 1 indicated the following age group of the respondents.

Table 1 : Age Group of Respondents.

	Frequency	Valid %	Cumulative %
Below 25	55	23.91	23.91
25-40 Years	90	39.13	63.04
40-55	50	21.73	84.77
55 and above	35	15.21	100
	230	100.00	

As per Table 1, the age group cumulative percentage of respondents less than 40 years are 63.04% which show business channels are viewed mostly by youth in order to increase knowledge and confidence for efficient allocation of savings. In addition to this age group, respondent cumulative percentage between 40-55 years is around 21.73 which is also encouraging sign on the part of investors within this age group to take their investment decisions by giving due weight age to the usefulness of the news channels.

Table 2 : Gender Group of Respondents.

	Frequency	Valid %	Cumulative %
Male	194	84.34	84.34
Female	36	15.66	100
	230	100	

Table 2 shows the division of respondents between male and female. There are 194 male and 36 are the female who have been contacted for getting their feedback. This also shows that out of 230 respondents cumulative percentage of male is 84.34 which shows allocation of saving and learning from business channels are done by male in addition to this 15.6 percentage respondents of female is also encouraging from futuristic point of view.

Table 3 : Education of Respondents.

	Frequency	Valid %	Cumulative %
Under Graduates	16	6.95	6.95
Graduates	70	30.43	37.38
Post Graduates	84	36.52	74.04
Professionals	60	26.08	100
	230	100	—

A well diversified sample in terms of educational background has been taken for this survey as depicted by the Table 3. There were 16 persons whom we surveyed were under graduates. 70 Persons have completed their graduation. Around 84 respondents were postgraduate who gave their valuable feedback on the impact of news channels on their decision making. The second largest group which was consulted for this survey was the respondents with some professional degree. Hence, all types of persons with diversified educational background were consulted to get more objective feedback.

Table 4 : Income of Respondents.

	Frequency	Valid %	Cumulative %
Up to 200,000	21	9.13	9.13
200,001 to 400,000	90	39.13	48.26
400,001 to 600,000	85	36.95	85.21
600,000 and above	34	14.78	100

100

As income plays an important role in one's economic life and decision making, this factor has also been given due care in the survey. The respondents with an income of Rs 2 lacs/annum constitute around 9%. There were 39 respondents in the income bracket of Rs. 2 lacs to Rs 4 lacs per annum which constitute around 39% . There were 85 persons whose income fall between Rs 4 lacs to Rs 6 lacs per annum. And there were 34 persons (14 %) whose income was above Rs 6 lacs.

Table 5 : Employment Status of Respondents.

	Frequency	Valid %	Cumulative %
Employed	110	47.82	47.82
Self employed	90	39.13	86.95
Retired	30	13.04	100
		100	

In order to make the findings more objective, we have also classified respondents into three broad category *i.e* employed, self employed and retired. As per the Table 5, there were 110 respondents who were employed. Self employed group constitutes around 90 persons with 39 % share in the total sample size. And there were around 30 persons who fall in the retired category.

On analyzing the survey the following are the findings -

- (1) According to this data, around, 72% respondents affirms that business channel are seen by them.
- (2) 60% affirms that they watch CNBC TV18, CNBC Awaz.
- (3) 40% affirms that business channels are watched by them at least one hour.
- (4) 35% affirms that they watch business channels after business hour.
- (5) 35% respondents state that business channels are seen by them for business news rather than hot tips.
- (6) 25% affirms that Phela Sauda Akihri Sauda, Market Countdown and Stock on Demand are seen by them.
- (7) 64% thinks that watching business channel have educated them on these topics like SIP, term insurance, Pension Plan, Mutual Fund and Online trading and banking.
- (8) On the basis of Knowledge gained from business channels, products which will be brought in two years include more of liquid mutual funds, online fixed deposit, mediclaim and pension Plan.
- (9) 65% affirms that an investment with a high return is likely to be at high risk.
- (10) 55% affirms that high inflation means, it would have more impact on actual return on Fixed Deposit.
- (11) 75% affirms that diversification in the stock market

- will reduce risk.
- (12) 68% affirms that time value of money should be given importance in investment.
- (13) 66% affirms that early start of SIP will make much difference in accumulated amount.
- (14) Only 35% affirms that high mutual fund liquidity implies that funds are expecting that market will go down.
- (15) 60% affirms lower CRR will increase cash with banking system.
- (16) 55% affirms that fundamental Analysis is calculating intrinsic value of assets.
- (17) 35% affirms that have some financial goals have created a plan to make them come true.
- (18) 65% think that business channel structure stories are quite relevant.
- (19) 55% think that business channels have a reason for every market to move up or down.
- (20) 45% think that if you are invested for the long term, all the noise that business channels make on a daily basis doesn't really matter.
- (21) 25% think they end up churning their portfolio by watching business channels constantly.
- (22) 62% affirms that news on entire economy impact them more than stock specific news.
- (23) 66% affirms that they screen out those reports which are contradictory of their views.
- (24) 42% thinks that business channels are concerned only with their revenue and income growing than that of investors.
- (25) 58% affirms that during volatile times they tend to sell more than to buy stock in market.
- (26) 55% thinks that repetition of product again and again shapes favorable attitude towards it.
- (27) 58% think that analyst may not give true personal view which can mislead your decision.
- (28) 58% think that business channels sometimes affect what to think about there by impacting investment attitude.
- (29) 48% think about the negative effect that taking contrarian call by watching Business Channel.
- (30) 52% think that they purchase product which are not needed by them.
- (31) 52% think that they became addicted of watching

channel.

- (32) 28% think that they became investor instead of speculator by watching business channels.
- (33) 28% think that they became investor and purchased stocks on recommendation and not on performance.

4. Conclusion

Based on the survey of investors' findings, it is safely stated that business channels have played a significant role in the investment education of investors in terms of understanding depth and breadth of the financial market. It has created awareness about the various products in the market and made investor more confident in achieving their financial goals. Though a lot need to be achieved but basic knowledge of investor is enhanced. It was also found that high media pessimism predicts downward pressure on market prices followed by a reversion to fundamentals, and unusually high or low pessimism predicts high/low market trading volume. These and similar results are consistent with theoretical models of noise and liquidity traders, and are inconsistent with theories of media content as a proxy for new information about fundamental asset values.

Appendix A : Questionnaire

This questionnaire is prepared to facilitate collection of data on Positive & Negative Impact of Business News Channels on Investors Decisions. I am undertaking a study on this topic and I have chosen you as a respondent. This study is carried out purely for academic purposes and the information given will be treated with confidentiality and for only the purposes of this study. This is therefore to request for your time in answering this questionnaire.

Table A.1 : Profile of the Retail Investor.

S. No.	Character	Response (%)
1.	Gender Male Female	
2.	Age in Years Below 25 25 to 40 40 to 55 55 and above	
3.	Education Under Graduates	

Table A.1 continued....

Table A.1 continued....

	Graduates Post Graduates Professionals	
4.	Income per Year (in Rs.) Up to 200,000 200,1 to 400000 400,001 to 600,000 600,000 and above	
5.	Employment Status Employed Self employed Retired	

Table A.2 : Responses by Retail Investor.

S. No.	Character	Response %
1.	Do you watch Business Channel? o Yes o No	
2.	Which Channel do you watch? o CNBCTV18 o CNBC Awaj o Zee Business o CNN IBN o NDTV Profit o Others	
3.	How much time you spend watching business channels? o 1Hour o 2 Hour o 3 Hour o 4Hour o 5 Hour o More than 5 Hours	
4.	Time when you prefer to see Business Channel? o During Business hour o Before Business hour o After Business hour	
5	You switch to business channel for o Hot tips for investment o For market news o Market outlook o Real-time information.	
6	Which Program do you watch: o Your Money o Phela Suda. o Akhiri Suda o Awaz Entrepreneur o Awaz Investor Club o Stock 20-20 o Tax Guru	

Table A.2 continued....

Table A.2 continued....

	o Pahredar o Awaz Investor Club o Property Guru o Stocks on demand o Market Countdown o Subh Laxmi o Big Ideas o Money Guru o First Trade o Antim Bazi o Property Plus o Emerging Business Forum o Tech Guru o Business Street o Mobile and Gadgets o Any other 1. 2. 3. 4. 5.	
7.	Do you think watching Business channel have Educated you? o Yes o No	
8.	Do you think the business channel have impacted your learning on these? o Portfolio Management o Term Insurance o Early Investment in Life o Systematic Investment Plan. o Companies and their Plan for future o Future Business Companies o Recommendation for stocks o Tax knowledge o Property Knowledge o Any other 1. 2. 3. 4. 5.	
9.	On the basis of Knowledge gained from business channel which product you will buy in coming two years? o Term Insurance o SIP o Mutual Fund o Online Banking/Online Trading o Stocks o Home loan o Property o Mediclaim Policy o Pension Plan o Current Account o Online Fixed Deposit o Liquid Mutual Fund o Pension Plan o Any other 1. 2. 3. 4. 5.	

Table A.2 continued....

Table A.2 continued....

10.	Please specify whether you think the following statements are true or false:			
		True	False	
	An investment with a high return is likely to be high risk	<input type="radio"/>	<input type="radio"/>	
	High inflation means will impact on actual return on Fixed Deposit	<input type="radio"/>	<input type="radio"/>	
	Diversification will reduce risk in the stock market	<input type="radio"/>	<input type="radio"/>	
	Time value of money should be given importance in investment	<input type="radio"/>	<input type="radio"/>	
	Early start of SIP will make much difference in accumulated amount	<input type="radio"/>	<input type="radio"/>	
	High mutual fund liquidity implies that funds are expecting that market will go down	<input type="radio"/>	<input type="radio"/>	
	Lower CRR will increase cash with banking system	<input type="radio"/>	<input type="radio"/>	
	Fundamental Analysis is calculating intrinsic value of assets.	<input type="radio"/>	<input type="radio"/>	
11.	Which one of the following statements best applies to you?			
	<input type="radio"/> I do not have any real financial goals. <input type="radio"/> I have some financial goals but I do not know how to make them come true. <input type="radio"/> I have some financial goals and I have created a plan to make them come true. - <input type="radio"/> I have some financial goals and they are coming true.			
12.	Please specify whether you agree with the following statements:			
		Yes	No	
	Do you think business channel structure stories	<input type="radio"/>	<input type="radio"/>	
	The biggest problem with business channels is that they have a reason for every market move	<input type="radio"/>	<input type="radio"/>	
	Do you think if you are invested for the long term, all the noise that business channels make on a daily basis doesn't really matter?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	You end up churning your portfolio by watching business channels constantly?	<input type="radio"/>	<input type="radio"/>	
	News on entire economy impact you more than stock news	<input type="radio"/>	<input type="radio"/>	

Table A.2 continued....

Table A.2 continued....

	You screen out those reports which are contradictory of your views.	<input type="radio"/>	<input type="radio"/>	
	Business channels are concerned only with their revenue and income growing. They are hardly bothered about viewers' wealth sinking or growing	<input type="radio"/>	<input type="radio"/>	
	During volatile times you tend to sell more than to buy stock in market.	<input type="radio"/>	<input type="radio"/>	
	Repetition of product again and again shapes favorable attitude towards it.	<input type="radio"/>	<input type="radio"/>	
	Analyst may not give true personal view which can mislead your decision.	<input type="radio"/>	<input type="radio"/>	
	Business channel sometimes affect what to think about there by impacting attitude	<input type="radio"/>	<input type="radio"/>	
13.	Do you think the business channel have impacted you in negative manner? <input type="radio"/> Taking Contrarian call by watching Business Channel <input type="radio"/> Purchasing Product not needed. <input type="radio"/> Became addicted of watching Channel <input type="radio"/> Purchased stocks greater than my capacity <input type="radio"/> Became speculator from investor <input type="radio"/> Purchased stocks on recommendation which are not performing <input type="radio"/> Any other 1. 2. 3. 4. 5.			
14.	Any Positive and Negative comment on Business Channel- 1. 2. 3. 4.			

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