QUESTIONNAIRE

DEMOGRAPHIC PROFILE:

Domicile

1. Age : ☐ 20 – 40 years ☐ 40-60 years ☐ above 60 years

2. Sex : ☐ Male ☐ Female

3. Marital Status : ☐ Married ☐ Unmarried

4. Educational Background : ☐ School Education
 : ☐ College Education
 : ☐ Professional
 : ☐ Others, Specify___________________

5. Occupation/Profession : ☐ Salaried
 : ☐ Professional
 : ☐ Business
 : ☐ Others, specify___________________

6. Family size : ☐ Less than 4
 : ☐ 4 – 6
 : ☐ Above 6

7. No. of Earning Members : ☐ 1 ☐ 2 ☐ 3 & above

8. Monthly Income : ☐ Below Rs. 20,000, ☐ Rs. 20,000 – Rs. 40,000
 : ☐ Rs. 40,000 & above

9. House ownership: : ☐ Own ☐ Rented
INVESTMENT PATTERN

10. State the various Investments in your portfolio

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Investments</th>
<th>Tick (✓)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Shares</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Debentures/Bonds</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Stock Futures and Options</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>Mutual Funds</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>National Saving Certificate/ Public Provident Fund/ Provident Fund</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Fixed Deposits</td>
<td></td>
</tr>
<tr>
<td>g</td>
<td>Insurance Polices</td>
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</tr>
<tr>
<td>h</td>
<td>Real Estate</td>
<td></td>
</tr>
<tr>
<td>i</td>
<td>Gold /Silver</td>
<td></td>
</tr>
<tr>
<td>j</td>
<td>Others</td>
<td></td>
</tr>
</tbody>
</table>

11. State the various Sectored Stocks you have

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Sectored stocks</th>
<th>Tick (✓)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>IT Sector</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Bank Sector</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Fast Moving Consumer Goods</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>Public Sector Enterprises</td>
<td></td>
</tr>
</tbody>
</table>
12. Type of investor

☐ Hereditary investor    ☐ New generation investor

13. Category of investor

☐ Long term investor       ☐ Day trader       ☐ both

14. Type of market

☐ Primary market           ☐ Secondary market  ☐ both

15. Experience in the market

☐ Less than 3 years        ☐ 3-5 years       ☐ 5 years & above

16. Number of companies in which investment is made

☐ Less than 10             ☐ 10-20           ☐ 20 & above

17. State the approximate size of investment in shares as on date

☐ Below Rs. 1 Lakh         ☐ Rs. 1 lakh – Rs. 2 lakhs     ☐ Rs. 2 lakhs & above

18. State the source of investment

☐ Own savings              ☐ Borrowings       ☐ Both

19. State the Percentage of your savings invested in shares

☐ Less than 15 %           ☐ 15% - 30 %       ☐ 30% and above

20. Rank the following sources of investment information based on usage and reliability (1 to 10)
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Sources of Investment Information</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Abridged Prospectus</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Newspaper Journals &amp; Magazines</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>TV Channels</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>Investments Related Websites</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>Brokers / Analysts Forecast</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Investor Forum</td>
<td></td>
</tr>
<tr>
<td>g</td>
<td>Technical Analysis</td>
<td></td>
</tr>
<tr>
<td>h</td>
<td>Company Announcements</td>
<td></td>
</tr>
<tr>
<td>i</td>
<td>Stock Exchange Announcements</td>
<td></td>
</tr>
<tr>
<td>j</td>
<td>Others (Friends, Relatives etc)</td>
<td></td>
</tr>
</tbody>
</table>

21. Mode of trading

- [ ] Online
- [ ] Offline
- [ ] Both

22. State the trading volume per month

**a. Long-term investor**

- [ ] Less than Rs. 1 lakh
- [ ] Rs. 1 Lakh – Rs. 2 lakhs
- [ ] Rs. 2 lakhs & above

**b. Day trader**

- [ ] Less than Rs. 50 Lakhs
- [ ] Rs. 50 Lakhs – Rs 1 Crore
- [ ] Rs. 1 Crore & above
23. State the indices you frequently refer

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Indices</th>
<th>Tick (✓)</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Sensex</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>S&amp;P CNX Nifty</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>CNX Nifty Junior</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>CNX 100</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>S&amp; CNX 500</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>CNX Mid-cap</td>
<td></td>
</tr>
<tr>
<td>g</td>
<td>CNX Mid-cap 200</td>
<td></td>
</tr>
</tbody>
</table>

24. Are you a member of any investor forum?
   □ Yes       □ No
### INVESTMENT PREFERENCES & RISK RETURN PERCEPTIONS

25. Rank your Investment preferences (1 to 10)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Investments</th>
<th>Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Shares</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Debentures / Bonds</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Stock Futures and Options</td>
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<tr>
<td>d</td>
<td>Mutual Funds</td>
<td></td>
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<tr>
<td>e</td>
<td>National Saving Certificate/ Public Provident Fund/ Provident Fund</td>
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<tr>
<td>f</td>
<td>Fixed Deposits</td>
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<tr>
<td>g</td>
<td>Insurance Policies</td>
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<tr>
<td>h</td>
<td>Real Estate</td>
<td></td>
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<tr>
<td>i</td>
<td>Gold / Silver</td>
<td></td>
</tr>
<tr>
<td>j</td>
<td>Others</td>
<td></td>
</tr>
</tbody>
</table>
26. Rank your Sectoral preferences for stocks (1 to 10)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Sectoral Stocks</th>
<th>Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>IT Sector</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Bank Sector</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Fast Moving Consumer Goods</td>
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<td>d</td>
<td>Public Sector Enterprises</td>
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<tr>
<td>e</td>
<td>Multinational Company</td>
<td></td>
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<tr>
<td>f</td>
<td>Service Sector</td>
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<td>g</td>
<td>Energy Sector</td>
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<tr>
<td>h</td>
<td>Pharma Sector</td>
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</tr>
<tr>
<td>i</td>
<td>Infrastructure &amp; Capital Goods Sector</td>
<td></td>
</tr>
</tbody>
</table>
27. State the level of risk and return associated with the following investments.

<table>
<thead>
<tr>
<th>Level of risk</th>
<th>Level of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>Very High</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Very Low</td>
<td>Very Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments</th>
<th>Very High</th>
<th>High</th>
<th>Low</th>
<th>Very Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debentures / Bonds</td>
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<tr>
<td>Stock Futures and Options</td>
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</tr>
<tr>
<td>Mutual Funds</td>
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<tr>
<td>National Saving Certificate/ Public Provident Fund/ Provident Fund</td>
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<tr>
<td>Fixed Deposits</td>
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<tr>
<td>Insurance Policies</td>
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<tr>
<td>Real Estate</td>
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</tr>
<tr>
<td>Gold / Silver</td>
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</tr>
<tr>
<td>Others</td>
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<td></td>
</tr>
</tbody>
</table>
INVESTMENT OBJECTIVES

28. State the level of importance of the following investment objectives

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Investment Objectives</th>
<th>Level of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Very High</td>
</tr>
<tr>
<td>a</td>
<td>Dividends</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Capital Appreciation</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Quick Gain</td>
<td></td>
</tr>
<tr>
<td>d</td>
<td>Safety</td>
<td></td>
</tr>
<tr>
<td>e</td>
<td>Liquidity</td>
<td></td>
</tr>
<tr>
<td>f</td>
<td>Tax Benefits</td>
<td></td>
</tr>
<tr>
<td>g</td>
<td>Diversification of Asset Holding</td>
<td></td>
</tr>
<tr>
<td>h</td>
<td>Rights / Bonus issues &amp; Stock splits</td>
<td></td>
</tr>
<tr>
<td>i</td>
<td>Hedge against Inflation</td>
<td></td>
</tr>
</tbody>
</table>

29. State the expected rate of return (ROR) per annum.

☐ Less than 12%   ☐ 12% - 24%   ☐ 24% - 36%   ☐ 36% & above
### 30. State the level of influence of the following factors in investment evaluation and decision

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Investment Factors</th>
<th>Level of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Very high</td>
</tr>
<tr>
<td>1.</td>
<td><strong>General Information</strong></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Stock Exchange information</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Risk factors</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td>Lead managers</td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td>Credit rating</td>
<td></td>
</tr>
<tr>
<td>e.</td>
<td>Brokers advice/ media effect</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td><strong>Company Management</strong></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Company history</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>About promoters</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td>Company policies</td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td>Companies under the same management</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td><strong>Prospectus details</strong></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Authorized and Paid up capital</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Size of present issue</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td>Objectives of present issue</td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td>Terms of issue</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td><strong>Current Project Details</strong></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Cost of the project</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Product strength</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td>Existing and Future demand</td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td>Future prospects</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td><strong>Financial Information</strong></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>EPS/PE Ratio</td>
<td></td>
</tr>
<tr>
<td>b.</td>
<td>Dividend policy</td>
<td></td>
</tr>
<tr>
<td>c.</td>
<td>Book building methods</td>
<td></td>
</tr>
<tr>
<td>d.</td>
<td>Market volume traded</td>
<td></td>
</tr>
</tbody>
</table>
INVESTMENT POST SATISFACTION

31. State the level of satisfaction achieved, in the following investment objectives

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Investment objectives</th>
<th>Level of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Highly Satisfied</td>
</tr>
<tr>
<td>a</td>
<td>Dividends</td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Capital Appreciation</td>
<td></td>
</tr>
<tr>
<td>c</td>
<td>Quick Gain</td>
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<tr>
<td>d</td>
<td>Safety</td>
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<tr>
<td>e</td>
<td>Liquidity</td>
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<tr>
<td>f</td>
<td>Tax Benefits</td>
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<td>g</td>
<td>Diversification of Asset holding</td>
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<td>Rights / Bonus issues &amp; Stock splits</td>
<td></td>
</tr>
<tr>
<td>i</td>
<td>Hedge Against Inflation</td>
<td></td>
</tr>
</tbody>
</table>

32. State the derived rate of return

- [ ] Less than 12%
- [ ] 12% - 24%
- [ ] 24% - 36%
- [ ] 36% & above
33. How certain are you to make the following types of investments in the immediate future?

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Investments</th>
<th>Certainly Yes</th>
<th>Probably Yes</th>
<th>Probably No</th>
<th>Certainly No</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Shares</td>
<td></td>
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<tr>
<td>b</td>
<td>Debentures/Bonds</td>
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<tr>
<td>c</td>
<td>Stock Futures &amp; Options</td>
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<td>d</td>
<td>Mutual Funds</td>
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<td>e</td>
<td>National Saving Certificate/ Public Provident Fund/ Provident Fund</td>
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<td>f</td>
<td>Fixed Deposits</td>
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<td>g</td>
<td>Insurance Policies</td>
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<td>Gold/Silver</td>
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<td>j</td>
<td>Others</td>
<td></td>
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</tbody>
</table>

34. State the problems you faced in equity investment:

(i) __________________________________________________________
(ii) _________________________________________________________
(iii) _________________________________________________________
(iv) _________________________________________________________

***
A STUDY ON ROLE OF DEMOGRAPHIC FACTORS IN SMALL INVESTORS’ SAVINGS IN STOCK MARKET

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2. Nimra College of Business Management, Vijayawada, India

*Corresponding Author: E Mail: pvdurga_rao@rediffmail.com

ABSTRACT

Stock market helps to channelize household savings to the corporate sector which in turn utilize for the development of industrial and service sector. An equity share is a part of the ownership capital of a company and the holder of such a share is a member of the company eligible to share many benefits of the company. One invests in shares keeps it for some time depending upon the stock price. When the rate of share price increases, the investor sells the securities to another party. Investment in shares will fetch better returns compared to any other forms of investment. Whenever the inflation rate is high, the stock market has given higher rates of return to the investors.

Key Words: Investment, Share, Securities, Demography

1. INTRODUCTION

Stock market helps to channelize household savings (Retail) to the corporate sector which in turn utilize for the development of industrial and service sector. An equity share is a part of the ownership capital of a company and the holder of such a share is a member of the company eligible to share many benefits for the company. Share trading helps the corporate to raise additional funds for expansion by creating demand for the securities. The liquidity that an exchange provides gives the investors the ability to quick and easy selling of securities. This is an attractive feature of stock market investment. Stock trading is done only though brokers. Demographic factors influencing in small Investors’ investment in stock market are Residence, Age, Sex, Marital status, Education, Occupation, Family Size, Earning members in the Family, Family Income, Type of Investor, and Category of Investor.

The objectives of the present study are to study the demographic factors of the respondents, to identify the investment pattern of small investors based on demographic factors and to make valuable suggestions to the small investors in stock market.

MATERIALS AND METHODS

The study is on primary and secondary data. The primary data relating to the retail equity investors were collected by interviewing the equity investors (respondents are 500) with the help of the interview schedule. The secondary data relating to the study like the capital market developments and the trends in retail investor participation in India were obtained from various published and unpublished records, annual reports, manuals, bulletins, booklets, journals, magazines, etc.

RESULTS AND DISCUSSION

Investment objectives of the retail equity investors based on the following Demographic variables: Place of Residence, Age, Gender, Marital Status, Educational Level, Occupation, Family Size, No. of Earning Members in the Family, Monthly Family Income, Type of Investor, Category of Investor, Type of Market Operated and Market Experience.

Residence: Investors’ place of residence has been broadly classified into eight categories such as Guntur town, Tenali, Narasaraopet, Piduguralla, Ponnur, Sattenapalli, Repalle and Guntur and Tenali Rural. Out of 500 sample investors 60% (300) are from Guntur town, 8% (40) are from Narasaraopet, 9% (45) are from Piduguralla, 12% (60) are from Tenali, 2% (10) are from Ponnur, 5% (25) are from Sattenapalli, 2% (10) are from Repalle and 2% (10) are from Tenali and Guntur rural.

Age: Investors have been divided into three categories based on their age as ‘Young’ (20 – 40 years), ‘Middle aged’ (40 – 60 years) and ‘Old’ (60 years and above). Out of 500 sample investors, 70% (350) are Young investors, 25% (125) are Middle aged investors and 5% (25) are Old investors.

Sex: Investors have been divided into two groups based on their gender as ‘Male’ and ‘Female’. Out of 500 sample investors, 85% (425) are Male investors and 15% (75) are Female investors.

Marital Status: Investors have been placed into two groups based on their marital status as ‘Married’ and ‘Unmarried’. Out of 500 sample investors 70% (350) are Married investors and 30% (150) are Unmarried investors.

Education: Investors have been classified into four categories based on their educational level as ‘School Education’, ‘College Education’, ‘Professionals’ and ‘Others’. Out of 500 sample investors, 10% (50) are investors with School education, 60% (300) are investors
with College education, 27% (135) are investors with Professional education and 3% (15) investors belong to the others category.

**Occupation:** Investors have been divided into four groups based on their occupation as ‘Salaried’, ‘Professionals’, ‘Business’ and ‘Others’. Out of 500 sample investors, 50% (250) belong to the Salaried category, 12% (60) belong to the Professional category, 35% (175) of the investors are Businessmen and 3% (15) belong to the Others category.

**Family Size:** Investors have been classified into three categories based on their family size as ‘Small’ (less than 4 members), ‘Medium’ (4 – 6 members) and ‘Huge’ (6 & above members). Out of 500 sample investors, 52% (260) belong to Small family, 44% (220) belong to Medium family and 4% (20) belong to Huge family.

**Earning Members in the family:** Investors have been classified into three categories based on the number of earning members in their family as ‘1’, ‘2’, and ‘3’ & above. Out of 500 sample investors, 34% (170) investors have 1 earning member in their family, 55% (275) investors have 2 earning members in their family and 11% (55) investors have 3 & above earning members in their family.

**Family Income:** Investors have been classified into three categories based on their monthly family income as ‘Low’ (below Rs20,000), ‘Medium’ (Rs.20,000 – Rs.40,000) and ‘High’ (Rs.40,000 and above). Out of 500 sample investors, 45% (225) have Low monthly family income, 41% (205) Medium family income and 14% (70) have High family income.

**Type of Investor:** Investors have been classified into two types based on their nature as ‘Hereditary Investor’ and ‘New Generation Investor’. Out of 500 sample investors, 20% (100) are Hereditary investors and 80% (400) are New generation investors.

**Category of Investor:** Investors have been classified into three categories based on their period of holding stock as ‘Long-term investor’, ‘Day trader’ and ‘Both’. Out of 500 sample investors 45% (225) are Long-term investors, 11% (55) are Day traders and 44% (220) are both long-term investors as well as day traders.

**Type of Market Operated:** Investors have been divided into three groups based on the type of market operated by them as operators in ‘Primary market’, ‘Secondary market’ and ‘Both’. Out of 500 sample investors, 12% (60) deal in Primary market alone, 50% (250) deal in Secondary market alone and 38% (190) deal in both primary and secondary markets.

**Market Experience:** Investors have been classified into three categories based on their market experience as ‘Low’ (less than 1 year) ‘Moderate’ (1 – 3 years) and ‘High’ (3 years and above). Out of 500 sample investors, 20% (100) have Low market experience, 30% (150) have Moderate market experience and 50% (250) have High market experience.

**Findings:** Guntur town people are participating 60% (300) and more in the share investment. Young people are investing more than 70% (350) in shares as they may take risk. Men are participating about 85% (425). Men are more than women as retail investors. Married and college education level people participating more in this investment. Salaried, small size family people are participating more. New Generation investors and low level income people are participating more. Long term investors are more and investing more in secondary market. High experience i.e. 3 years and above investment experience people are more than others.

**Suggestions:** It is suggested that it is better to bring the government or regulatory bodies like SEBI to create a lot of awareness and encourage in retail investors in equities to become greater part of development of economic system for making investment on long term basis.

**Social Relevance:** Society consists of several groups of people with different demographic factors, understanding their investment influencing factors based on socio economic factors may help serve the better to the society through proper investment procedure.

**Scope for further Research:** The Present study is confined to Guntur District only; there is scope for further research in other districts in Andhra Pradesh and different areas in financial management.

**CONCLUSION**

The bitter experiences are facing participants from the Indian Capital market due to the dramatic change in the attitude of the investor. The investor can make the share trading as a beneficial investment area. It is purely based upon the investor’s awareness towards share trading. When the investor gets more and more accurate information on the right time, then he/she can enjoy the taste of success from the share trading. The authorities should implement more training and awareness programmes for the investors.

**REFERENCES**

Gupta L.C, Geographic Distribution of Equity and Bond Ownership, Fortune India, 5(9), 1987, 9-11.


Role of Independent Variables on Investment Decision of Equity Retail Investors

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Abstract - Today, investors have various avenues of investment with different features matching their needs. But the art of investment is to see that the return is maximized with minimum risk, which is inherent in all investments. The funds allocated by the investors to various investment avenues depend on to a large extent on the investment objectives perceived by them. Investors differ in their pattern of investment, preferences, perceptions and importantly objectives of investment.

Index Terms — Investment, Equity, Domestic Savings

I. INTRODUCTION

Investment in securities has become an imperative choice of investors with the objective of return optimization. The uncertainty of expected return is a vital part of the investment decision in securities. The volume and composition of domestic savings in India have undergone sea change over the years. The savings rate, i.e., gross domestic savings as percentage of gross domestic product at market prices is registered as 18.6% during 1980s and it was 23% during 1990s. The savings rate exceeded 30% for the first time in 2004-2005 and has remained above that level ever since. Again it reached a peak level in 2007-2008 at 36.8% and registered an eight year low of 30.8% in 2011-12. In the total investment, the retail investors contribution is on an average accounted for three-fourth during the period 1980-81 to 2011-12.

Investment refers to the employment of funds to asset with the aim of achieving additional income or growth in value over a given period of time. Investment may be defined as “a commitment of funds made in the expectation of some positive rate of return”. Today, investors have various avenues of investment with different features matching their needs. But the art of investment is to see that the return is maximized with minimum risk which is inherent in all investments.

The funds allocated by the investors to various investment avenues depend to a large extent on the investment objectives perceived by them. Investors differ in their pattern of investment, preferences, perceptions and importantly objectives of investment.

A. Hypothesis

Hypothesis 1: There is no significant difference in the level of importance assumed on various investment objective between the different classes of investors based on socio-economic profile.

Hypothesis 2: There is no significant difference in the level of importance assumed on various investment objectives between the different classes of investors based on their experience.

B. Objectives of the Study

1. To know the impact of investors’ socio-economic profile (independent variables) on their investment decision.
2. To study the retail equity investors’ priorities towards different objectives of investment.
3. To make appropriate suggestions to retail investors for effective investment decision based on the analyses.

C. Methodology of the Study

The study is an empirical in nature based on primary data, which were collected in three stages. The primary data relating to the retail equity investors were collected by interviewing the equity investors (500 respondents) with the help of the interview schedule. The secondary data relating to the study like the capital market developments and the trends in retail investor participation in India were obtained from the various published/unpublished records, annual reports, manuals, bulletins, booklets, journals, magazines, etc. Lastly, the researcher held discussions with the officials of SEBI, regional stock exchanges, stock broking houses, depository...
participants, etc. These discussions were helpful to the author in identifying the problems of investors. This study is confined to the survey conducted in the Guntur district, Andhra Pradesh.

II. REVIEW OF LITERATURE

Shanmugam, R. and Muthuswamy, P. (1998), in their study on “Decision Process Individual Investors”, studied the views of individual share investors on their investment objectives, basic approach to investment decisions and the nature of their equity portfolio. Madhumathi, R. (1998), in her study on “Risk Perception of Individual Investors and its Impact on their Investment Decision”, examined the risk perception of 450 individual investors, selected at random from major metropolitan cities in India, dividing them into three groups as risk seekers, risk bearers and risk avoiders. The major findings of the study revealed that majority of the investors were risk bearers and they had the tendency to use the company performance as a basic factor to take investment decisions.

Rajarajan V. (2000), conducted a study on “Investors Life Styles and Investment Characteristics”, with the objective of analyzing the investors life styles and to analyze the investment size, pattern, preference of individual investors on the basis of their life styles. Data was collected from 405 investors in Madras using questionnaire method. The investors were classified into 3 groups viz., active investors, individualists and passive investors. Shobana V.K. and Jayalakshmi J. (2009), in their study “Investor Awareness and Preferences” revealed that real estate, bank deposits and jeweler were the preferred investments.

Viswambharan A.M. (2009), in his study on “Indian Primary Market – Opportunities and Challenges”, examined the recent trends in primary market, the current IPO system – book building process, opportunities for investors, problems faced by the investors and suggested that investors should rely on long term investment than speculation.

Society for Capital Market Research and Development, (2008) conducted a survey on, “Indian Household Investors Survey-2004”, to identify the investors preferences, problems and policy issues. The study was based on direct interviewing of a very large sample of 5,908 household heads over 90 cities across 24 states. The study states that price volatility, price manipulation and corporate mismanagement/fraud have persistently been the household investors’ top three worries in India.

III. ANALYSIS AND DISCUSSION

Selective Independent Variables:

The following are the selected independent variables (socio-economic) to know their influence on the investment decision of the retail equity investors.

i. Domicile
ii. Age
iii. Gender
iv. Marital status
v. Educational level
vi. Occupation
vii. Monthly income
viii. Type of investor
ix. Category of investor
x. Experience

This study mainly examines the level of importance assumed by the retail equity investors in their investment objectives, viz.:

a. Dividend
b. Capital appreciation
c. Quick gain
d. Safety
e. Liquidity
f. Tax benefit
g. Diversification of asset holding
h. Rights/Bonus issue
i. Hedge against inflation

The responses of the retail equity investors have been obtained and analyzed with the help of the following techniques:

❖ Four Point Scaling Technique
❖ Average Score Analysis and
❖ Kruskal Wallis H-Test

i) Domicile:

It revealed from the data that the investors of Guntur town, Tenali and Ponnur attach more importance to safety. The investors of Narasaraopet and Piduguralla attach more importance to capital appreciation. The equity investors of Chilakaluri pet have given more importance to dividends. The investors of Sattenapalli and Repalle attach more importance to liquidity and the investors of Guntur and Tenali rural given more importance to dividends.

The level of importance assumed by the investors on various investment objectives varies with their place of residence but on comparison it is evident that the investors of Tenali have given very high importance to safety than others. It can be concluded that there is a significant difference in the level of importance assumed on various investment objectives such as dividends, capital appreciation and liquidity among the investors based on their place of residence.

ii) Age and Investment Objectives

The amount of importance assumed by the investors on various investment objectives based on their age is presented in terms
of average scores. It reveals that all the investors, irrespective of their age, given high importance to liquidity. It can be said from the analysis that there is no significant difference in the level of importance assumed on various investment objectives between the different classes of investors based on their age. The level of importance assumed by the investors on various investment objectives varies with their age but on comparison it is evident that senior investors have given very high importance to liquidity than others.

iii) Gender:

It reveals the male investors attach more importance to liquidity and female investors attach more importance to quick gain. The importance assumed by the investors on various investment objectives varies with their gender but on comparison it is evident that female investors have given very high importance to quick gain than others. It can be concluded that there is a significant difference in the level of importance assumed on various investment objectives such as dividends, tax benefits, rights/bonus issues and stock splits between the different classes of investors based on their Gender.

iv) Marital Status:

It reveals that married investors attach more importance to liquidity and unmarried investors given more preference to quick gain. The level of importance assumed by investors on various investment objectives varies with their marital status but on comparison it is evident that unmarried investors have given very high priority to quick gain than others. It can be concluded from the foregoing discussion that there is no significant difference in the level of importance assumed on various investment objectives among the different classes of investors based on their marital status.

v) Education:

It is found from the survey that the investors with school education are given more importance to safety, whereas, the graduates given more preference to liquidity and professionals attach more priority to dividends. But others have given more importance to capital appreciation. The level of importance assumed by the investors on various investment objectives varies with their educational level but on comparison, it is evident that the other category investors have given very high importance to capital appreciation than others. It can be concluded from the foregoing analysis that there is a significant difference in the level of importance assumed on various investment objectives, such as dividends and capital appreciation among the different classes of investors based on their literacy level.

vi) Occupation:

The investors of salaried class and others attach more importance to quick gains. The people from business community and professionals give more preference to the liquidity, may be due to their business needs. The amount of importance shown by the investors on various investment objectives varies with their occupation, but on comparison it is evident that businessmen have given high priority to liquidity than others. Thus, it can be concluded that there is no significant difference in the level of importance assumed on various investment objectives among the different classes of investors based on their occupation.

vii) Monthly Income:

It is found from the data that the investors with low monthly income given more importance to quick gain, whereas the investors with middle and high income group are given more preference to liquidity. The level of importance assumed by the investors on various investment objectives varies with their monthly income but on comparison it is evident that the investors with middle income have given very high priority to liquidity than others. It can be concluded that there is a significant differences in the level of importance assumed on various investment objectives such as safety, liquidity and tax benefits among the different classes of investors based on their monthly income.

vi) Type of Investor:

It is found from the analysis that the family based investors have given high priority to safety, whereas young investors attach more importance to liquidity. The level of importance assumed by the investors on various investment objectives varies with the type of investor, but on comparison it is known that family based investors have given high priority to safety. It can be said from the foregoing discussion that there is a significant difference in the level of importance assumed on various investment objectives, such as safety and tax benefits between the different classes of investors based on the type of investor.

vii) Category of Investor:

It is evident from the data that the long term investors have given more importance to capital appreciation and short time investors' attracted for quick gains. The investors falling under the category ‘both’ attach more importance to safety. The level of importance assumed by the investors on various investment objectives varies with the category of investor but on comparison it is evident that short term investors have given very high priority to quick gains than others. It can be concluded from the foregoing analysis that there is a significant difference in the level of importance assumed on various investment objectives such as quick gain, safety, rights/bonus
issues and stock splits between the different classes of investors based on the category of investor.

viii) Experience:

It is revealed from the data that the investors with less experience have given more importance to liquidity, the investors with moderate experience attach more importance to capital appreciation and investors with more experience have given more preference to safety. The level of importance assumed by the investors on various investment objectives varies with their experience but on comparison it is evident that investors with more experience have given high priority to safety than others.

1. Hypothesis Testing:

2. Ho: There is no significant difference in the importance showed on various investment objectives among the different classes of investors based on their socio-economic profile. From this it is proved that Kruskal Wallis Test that the hypothesis is rejected.

Ho: There is no significant difference in the level of importance assumed on various investment objectives among the different classes of investors based on their experience. The Kruskal Wallis Test proved that there is no significant difference in the importance given on various investment objectives among the different classes of investors based on their experience.

IV. ANALYSIS AND DISCUSSION

1. It is found from the analysis that there is a significant difference in the level of importance assumed on various investment objectives such as dividends, capital appreciation and liquidity among the different classes of investors based on their domicile. The investors of Guntur town, Tenali, Ponnur have given more preference to safety. The investors of Narasaraopet, Piduguralla shown attached more importance to capital appreciation. The investors of Sattenapalli and Repalle shown more importance to liquidity and the investors of Guntur and Tenali rural attached more preference to dividends.

2. It is also found that there is no significant difference in the level of importance assumed on various investment objectives among the different classes of investors based on their age.

3. Further, it is revealed that there is a significant difference in the importance given on various investment objectives, such as dividends, tax benefits, rights/bonus issues and stock splits among the different classes of investors based on their gender. The male investors attached more importance to liquidity and female investors have given more preference to quick gains.

4. It is also found from the analysis that there is no significant difference in the level of importance assumed on various investment objectives among the different classes of investors based on their marital Status. The married investors attached more importance to liquidity and unmarried investors given more priority to quick gain.

5. It is said from the data that there is a significant difference in the level of importance assumed on various investment objectives such as dividends and capital appreciation among the different classes of investors based on their literacy level.

6. It is found that there is no significant difference in the level of importance assumed on various investment objectives between the different classes of investors based on their Occupation there is no significant difference between the investors Occupation and the level of importance assumed by the investors on various investment objectives.

7. It is further studied that there is a significant difference in the level of importance assumed on various investment objectives such as safety, liquidity and tax benefits between the different classes of investors based on their monthly income. The investors with less monthly income attach more importance to quick gain, whereas the investors with medium and high level income given more preference to liquidity. The level of importance assumed by the investors on various investment objectives varies with their monthly income.

8. It is also found from the data that there is a significant difference in the importance given on various investment objectives such as safety and tax benefits between the different classes of investors based on the type of investor.

9. It is also evident from the data that there is a significant difference in the level of importance assumed on various investment objectives such as quick gain, safety, rights/bonus issues and stock splits between the different classes of investors based on the category of investor. The long term investors attached more importance to capital appreciation and the short term investors showed more importance to quick gain. The investors falling under the category ‘both’ have given more preference to safety. The level of importance assumed by the investors on various investment objectives varies with the category of investor. It can be concluded that there is a significant difference in the level of importance assumed on various investment objectives such as quick gain, safety, rights / bonus issues and stock splits among the different classes of investors based on the category of investor.

10. It can be concluded from the foregoing analysis that there is no significant difference in the level of importance assumed on various investment objectives between the different classes of investors based on their experience. The investors with less experience have given more priority to liquidity, the investors with moderate level of experience have given more preference to capital appreciation and investors with high experience have
given more importance to safety. The investors on various investment objectives vary with their market experience.

V. CONCLUSION

It is imperative to understand the positives and negatives of the different types of investment avenues to maximize the return. With the help of these kind of studies different sections of society understand the merits and demerits of the investment. The participants in the Indian Capital market are unable to understand the investor investment objective due to the dramatic change in the attitude of the investor. The investor can make the trading in securities as a beneficial area of investment. It is purely based upon the investor’s awareness towards investment objectives. When the investor gets more and more accurate information on the right time, then they can enjoy the taste of success from investment in securities. The capital market authorities should implement more training and awareness programs for the investors. The present study is confined to Guntur district only and there is a scope for further survey in other districts in Andhra Pradesh and different areas of the country to formulate the policies and to attract the investors to invest their savings for the industrial development of the nation.

Suggestions:

1. It is suggested that to improve the awareness among retail investors and to attract more investment in securities market with the help of regulatory bodies, like SEBI and RBI.
2. It is further suggested that create awareness amongst the retail investors is also one of the best avenues for investment.
3. Place of residence influences the investment objectives of investors. Therefore, it is suggested that based on the preferences of investors, broking companies must change their focus which is relevant to that particular area.
4. It is suggested that the awareness creation to the investors is not only about liquidity but also on other objectives of investment like dividends, capital appreciation, etc., irrespective of age of investors.
5. The marital status of the investor may change the investment objective; hence it must give preference to that factor also.
6. It is better to conduct investment awareness programs from school level to college and university level of the students, since education of the investor shows significant difference among the investors.
7. Occupation may not change the investment objective of the investor, but may change their size of amount to invest and the risk to be taken as important.
8. The monthly income is one of the important factors to be considered, while giving suggestions to the investor about investment.
9. It is suggested that type of investor is also an important factor which influence the investment objective by giving the priority

REFERENCES

DEMOGRAPHIC VARIABLES INFLUENCING IN THE RETAIL INVESTORS’ INVESTMENT – A SCIENTIFIC ANALYSES

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ABSTRACT

The Indian stock market is one of the oldest and largest in the world. Stock market helps to channelize household savings to the corporate sector which in turn utilize for the development of industrial and service sector. An equity share is a part of the ownership capital of a company and the holder of such a share is a member of the company eligible to share many benefits for the company. One invests in shares keeps it for some time depending upon the stock price. When the rate of share price increases, sells the securities to another party. Investment in shares will fetch better returns compared to any other forms of investment. Whenever the inflation rate is high, the stock market has given higher rates of return to the investors. Share trading helps the corporate to raise additional funds for expansion by creating demand for the securities.

Keywords: Investment, Equity Share, Trading, Securities

INTRODUCTION

In recent years corporate securities emerged as an attractive avenue for the investors who were looking for higher returns and were ready to bear the risk. Due to rapid industrialization in the country since independence Indian stock market got vitality. The Indian stock market is one of the oldest and largest in the world.

Stock market helps to channelize household savings (Retail) to the corporate sector which in turn utilize for the development of industrial and service sector. An equity share is a part of the ownership capital of a company and the holder of such a share is a member of the company eligible to share many benefits for the company.

One invests in shares keeps it for some time depending upon the stock price. When the rate of share price increases, sells the securities to another party. This is called trading.

Investment in shares will fetch better returns compared to any other forms of investment. Whenever the inflation rate is high, the stock market has given higher rates of return to the
investors. Share trading helps the corporate to raise additional funds for expansion by creating demand for the securities. The liquidity that an exchange provides gives the investors the ability to quick and easy selling of securities. This is an attractive feature of stock market investment. Stock trading is done only through brokers. Demographic Variables influencing in Retail Investors’ Investment are - Place of residence, Age, Gender, Marital status, Educational Level, Occupation, Family Size, No. of earning members in the Family, Monthly Family Income, Type of Investor, Category of Investor, Type of Market Operated, Market Experience

OBJECTIVES

1. To study the Demographic variables of the respondents.
2. To identify the investment pattern of retail equity investors based on demographic factors.
3. To suggest valuable suggestions to the retail investors.

HYPOTHESIS

Retail investors’ investment is not influenced by the Demographical factors. (Null Hypothesis)

METHODOLOGY OF STUDY

The study is empirical in nature based on survey method. The primary data relating to the retail equity investors were collected by interviewing the equity investors (respondents are 500) with the help of the interview schedule. The secondary data relating to the study like the capital market developments and the trends in retail investor participation in India were obtained from various published and unpublished records, annual reports, manuals, bulletins, booklets, journals, magazines, etc., lastly, the researcher held discussions with the officials of SEBI, Regional Stock Exchanges, Stock Broking Houses (Trading Members), Depository Participants etc. These discussions were helpful to the researcher in identifying the problems for the study. The study is individual, investor oriented and the factors selected are personal in character.

REVIEW OF LITERATURE

The National Council of Applied Economic Research (NCAER) ¹ Survey of households, (1964), entitled “Attitudes Towards and Motivations for Saving” provides one of the earliest attempts on the study of savings of households. The survey covered a sample of 4650 households spread over India. It provides an insight into the attitude towards and motivations for savings of individuals. One of the key findings was that the investment in securities was preferred only by the high-income households.

Gupta², (1987), conducted a study entitled, “Geographic Distribution of Equity and Bond Ownership”, in India. This study established that, contrary to the general belief, semi-urban and rural areas constituted a negligible proportion of the shareholding population of India. Equity shareholding has remained, by and large, an urban or rather a metropolitan phenomenon in India. Besides this, a ‘regional pull’ effect, that is a strong local preference

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among investors towards the companies registered in their home state, was also found by the study.

Jawaharlal\(^3\), (1992), in his study entitled, “Understanding Indian Investors”, identified the behaviour of individual investors using questionnaire method. The study covered major cities of India. 1200 shareholders and debenture holders were selected at random for the study. The study revealed that Indian investors generally invested in more than 5 companies and preferred a larger portfolio. They lacked knowledge and experience in accounting matters. There was a strong positive association between level of understanding and volume of shareholding. The study indicated that the disclosures made by the companies need to be improved for the benefit of the investors.

Radha V\(^4\), (1995), in her study entitled, “A Study on Investment Behaviour of Investors in Corporate Securities”, examined the investment plan of corporate security investors in Tamilnadu. The analysis revealed that the largest segment of sample was constituted by young generation model investors. They were generally better educated belonging to the salaried class. Capital appreciation was considered as the most important objective. Investors relied more on magazines and journals for their investment information. The success of the investment decision made by the investors entirely depended upon the successful performance of industry.

Gupta. LC\(^5\), (1998), carried out a study entitled, “What Ails the Indian Capital Markets? to find out the problems associated with the Indian Capital Market. Three hundred middle and upper middleclass households were selected at random and were interviewed for the study. The study stated that majority of the respondents were not satisfied with the company management and the statutory auditors. Majority of the investors did not have much confidence even with the regulatory agencies. Many respondents had complaints against companies rather than stock brokers.

Panda K, Tapan N.P and Tripathi\(^6\), (2007), in their study entitled, “Recent Trends in Marketing of Public Issues: An Empirical Study of Investors Perception”, attempted to identify the investors awareness and attitude towards public issues. One hundred and twenty five investors covering the salaried and business class, from the city of Bhuvaneshwar were selected at random. The data was collected by administering a questionnaire and was analyzed using simple percentage and weighted average analysis. The study revealed that majority of the investors relied on newspapers as the source of information. Financial journals and business magazines were ranked next to newspapers. A large number of investors were of the opinion that they were not in a position to get the required information from the company in time. A sizable number of investors were found to face problems while selling securities. ‘Safety and Regular Return’ stood first and second with regard to the factors associated with investment activities. Equity shares were preferred for their higher rate of return by the investors.

Santi Swarup K\(^7\), (2008), in his study entitled, “Role of Mutual Funds in Developing Investor Confidence in Indian Capital Markets”, identified safety and tax savings as the important factors affecting investment in various avenues by the investor and developed
strategies for enhancing common investor confidence such as good return, transparency, investor education, guidance etc.

DISCUSSION AND RESULTS
Investment objectives of the retail equity investors based on the following Demographic variables: Place of Residence, Age, Gender, Marital Status, Educational Level, Occupation, Family Size, No. of Earning Members in the Family, Monthly Family Income, Type of Investor, Category of Investor, Type of Market Operated and Market Experience.

Place of Residence
Investors’ Place of residence has been broadly classified into eight categories such as Guntur town, Tenali, Narasaraopet, Piduguralla, Ponnur, Sattenapalli, Repalle and Guntur and Tenali Rural. Out of 500 sample investors 60% (300) are from Guntur town, 8% (40) are from Narasaraopet, 9% (45) are from Piduguralla, 12% (60) are from Tenali, 2% (10) are from Ponnur, 5% (25) are from Sattenapalli, 2% (10) are from Repalle and 2% (10) are from Tenali and Guntur rural.

<table>
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Age
Investors have been divided into three categories based on their age as ‘Young’ (20 – 40 years), ‘Middle aged’ (40 – 60 years) and ‘Old’ (60 years and above). Out of 500 sample investors, 70% (350) are Young investors, 25% (125) are Middle aged investors and 5% (25) are Old investors.

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<td></td>
<td></td>
<td>Middle aged</td>
<td>125</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Old</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Gender
Investors have been divided into two groups based on their gender as ‘Male’ and ‘Female’. Out of 500 sample investors, 85% (425) are Male investors and 15% (75) are Female investors.
Marital Status

Investors have been placed into two groups based on their marital status as ‘Married’ and ‘Unmarried’. Out of 500 sample investors 70% (350) are Married investors and 30% (150) are Unmarried investors.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Marital Status</td>
<td>Married</td>
<td>350</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unmarried</td>
<td>150</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>500</td>
<td>100</td>
</tr>
</tbody>
</table>

Educational Level

Investors have been classified into four categories based on their educational level as ‘School Education’, ‘College Education’, ‘Professionals’ and ‘Others’. Out of 500 sample investors, 10% (50) are investors with School education, 60% (300) are investors with College education, 27% (135) are investors with Professional education and 3% (15) investors belong to the others category.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Education Level</td>
<td>School Education</td>
<td>50</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>College Education</td>
<td>300</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professionals</td>
<td>135</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td></td>
<td>others</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>500</td>
<td>100</td>
</tr>
</tbody>
</table>

Occupation

Investors have been divided into four groups based on their occupation as ‘Salaried’, ‘Professionals’, ‘Business’ and ‘Others’. Out of 500 sample investors, 50% (250) belong to the Salaried category, 12% (60) belong to the Professional category, 35% (175) of the investors are Businessmen and 3% (15) belong to the Others category.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Occupation</td>
<td>Salaried</td>
<td>250</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professionals</td>
<td>60</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business</td>
<td>175</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>500</td>
<td>100</td>
</tr>
</tbody>
</table>

Family Size

Investors have been classified into three categories based on their family size as ‘Small’ (less than 4 members), ‘Medium’ (4 – 6 members) and ‘Huge’ (6 & above members). Out of 500...
sample investors, 52% (260) belong to Small family, 44% (220) belong to Medium family and 4% (20) belong to Huge family.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Family size</td>
<td>Small</td>
<td>260</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium</td>
<td>220</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Huge</td>
<td>20</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>500</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

No. of Earning Members in the family

Investors have been classified into three categories based on the number of earning members in their family as ‘1’, ‘2’, and ‘3’ & above. Out of 500 sample investors, 34% (170) investors have 1 earning member in their family, 55% (275) investors have 2 earning members in their family and 11% (55) investors have 3 & above earning members in their family.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>No. of earning members in the family</td>
<td>1</td>
<td>170</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>275</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 &amp; above</td>
<td>55</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>500</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Monthly Family Income

Investors have been classified into three categories based on their monthly family income as ‘Low’ (below Rs20,000), ‘Medium’ (Rs.20,000 – Rs.40,000) and ‘High’ (Rs.40,000 and above). Out of 500 sample investors, 45% (225) have Low monthly family income, 41% (205) Medium family income and 14% (70) have High family income.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Monthly Family Income</td>
<td>Low (below 20,000)</td>
<td>225</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medium (20,000-40,000)</td>
<td>205</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High ( 40,000 &amp; above)</td>
<td>70</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>500</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Type of Investor

Investors have been classified into two types based on their nature as ‘Hereditary Investor’ and ‘New Generation Investor’. Out of 500 sample investors, 20% (100) are Hereditary investors and 80% (400) are New generation investors.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Type of Investor</td>
<td>Hereditary Investor</td>
<td>100</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New Generation Investor</td>
<td>400</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>500</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Category of Investor

Investors have been classified into three categories based on their period of holding stock as ‘Long-term investor’, ‘Day trader’ and ‘Both’. Out of 500 sample investors 45% (225) are Long-term investors,11% (55) are Day traders and 44% (220) are both long-term investors as well as day traders.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Category of Investor</td>
<td>Long-term investor</td>
<td>225</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Day trader</td>
<td>55</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Both</td>
<td>220</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>500</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Type of Market Operated

Investors have been divided into three groups based on the type of market operated by them as operators in ‘Primary market’, ‘Secondary market’ and ‘Both’. Out of 500 sample investors, 12% (60) deal in Primary market alone, 50% (250) deal in Secondary market alone and 38% (190) deal in both primary and secondary markets.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Type of Market Operated</td>
<td>Primary Market</td>
<td>60</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Secondary Market</td>
<td>250</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Both</td>
<td>190</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>500</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Market Experience

Investors have been classified into three categories based on their market experience as ‘Low’ (less than 1 year) ‘Moderate’ (1 – 3 years) and ‘High’ (3 years and above). Out of 500 sample investors, 20% (100) have Low market experience, 30% (150) have Moderate market experience and 50% (250) have High market experience.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Factors</th>
<th>Area</th>
<th>No of investors</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Market Experience</td>
<td>Low (&lt;1 year)</td>
<td>100</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moderate (1-3 Years)</td>
<td>150</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>High (3 years and above)</td>
<td>250</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>500</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

TEST OF HYPOTHESIS

Null Hypothesis: Retail investors’ investment is not influenced by the Demographical factors. It is rejected.

FINDINGS

Guntur town people are participating 60% (300) and more in the share investment. Young people are investing more than 70% (350) in shares as they may take risk. Men participating about 85% (425). Men are more than women as retail investors. Married and college education level people participating more in this investment. Salaried, small size family
people are participating more. New Generation investors, low level income people participating more. Long term investors are more and investing more in secondary market. High experience i.e. 3 years and above investment experience people are more than others.

SUGGESTIONS

It is suggested that it is better to bring the government or regulatory bodies like SEBI to create a lot of awareness and encourage in retail investors in equities to become greater part of development of economic system for making investment on long term basis.

SOCIAL RELEVANCE

Society consists of several groups of people with different demographic factors, understanding their investment influencing factors based on socio economic factors may help serve the better to the society through proper investment procedure.

SCOPE FOR FURTHER RESEARCH

The Present study is confined to Guntur District only, there is scope for further research in other districts in Andhra Pradesh and different areas in financial management.

CONCLUSION

The bitter experiences are facing participants from the Indian Capital market due to the dramatic change in the attitude of the investor. The investor can make the share trading as a beneficial investment area. It is purely based upon the investor’s awareness towards share trading. When the investor gets more and more accurate information on the right time, then he/she can enjoy the taste of success from the share trading. The authorities should implement more training and awareness programmes for the investors.

REFERENCES

EVALUATION OF INVESTMENT DECISION OF SMALL INVESTORS IN INDIAN STOCK MARKET

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²Professor, Dept. of Commerce & Business Administration, Acharya Nagarjuna University, Nagarjuna Nagar.

³Director, Nimra College of Business Management, Vijayawada- 521456.

ABSTRACT

Investment evaluation has become crucial for any retail investor. The success of equity issues is totally dependent on the satisfaction of the investors during post - investment period and investors’ confidence. The post - investment satisfaction creates a lasting impact on the investing thoughts or ideas of the investors and investors’ confidence decides the quantity of investment. The basic factor that generates investment satisfaction and confidence is the high profitability prospects (rate of return) associated with equity investments.

Keywords: Investment, Evaluation, Post-Investment Satisfaction.

Introduction:

Investment evaluation has become very crucial for any retail investor. There are several avenues for investment, which attracts the investor in current investment environment. Investment in equities is considered to be risky as compared to other forms of investment, so the investors need to study several factors and seek information while making equity investment. The success of equity issues is totally dependent on two issues, viz., post - investment satisfaction and investors’ confidence. The post - investment satisfaction creates a lasting impact on the investing thoughts or ideas of the investors and investors’ confidence decides the quantity of investment. The basic factor that generates investment satisfaction and confidence is the high profitability prospects, i.e., rate of return associated with equity investments. If the investors perceive high profitability prospects, they tend to invest; if not, they look for other alternatives.

Hypothesis:

1. Investment factors have no significant influence in the investment evaluation and decision of small investors.
2. Various socio-economic factors of the investors have no significant influence on various investment factors.

Objectives:

The study has undertaken the following objectives:
1. To know the factors that influence the investment of small investors in investment decision.
2. To study the post-investment satisfaction of the small investors.
3. To make appropriate suggestions to the stake holders of the small equity investment.
Methodology of Study:

The study is an empirical in nature based on survey conducted with the help of a schedule. The primary data were collected by interviewing the small equity investors (500 respondents) with the help of interview schedule. The secondary data relating to the capital market developments and the trends in retail investor participation in India were obtained from the various published/unpublished records, annual reports, manuals, bulletins, journals, magazines, etc. This study is confined to the survey conducted in the major towns of Guntur district, Andhra Pradesh.

Review of Literature:

1. Slovic Paul\(^1\), (1972), in his study entitled, “Psychological Study of Human Judgment: Implications for Investment Decision Making”, examined the use of psychological approach in the field of financial decision making.

2. Mckelvey\(^2\), (1996), in the study entitled, “Intangible Factors in Stock Evaluation”, pointed out that when making an investment decision one should look for certain factors beyond current earnings and dividends. The study emphasizes that current earnings and yield are important factors in determining the attractiveness of stock, but they are not the only ones.

3. Mart Grinblatt and Matti Keloharju\(^3\), (2000), in their study entitled, “The Investment Behaviour and Performance of Various Investor Types: Study of Finland’s Unique Data set”, analyzed the extent to which past returns determine the propensity to buy and sell. The study revealed that foreign investors tend to be momentum investors, buying past winning stocks and selling past losers.

4. Santi Swarup K\(^4\), (2008), in his survey entitled, “Measures for Improving Common Investor Confidence in Indian Primary Market: A Survey”, analyzed the decisions taken by the investors while investing in primary markets. A number of suggestive measures in terms of regulatory, policy level and market oriented were suggested to improve the investors’ confidence in equity primary markets.

5. Arun Lawrence and Dr. Zajo Joseph\(^5\) (2013) in their study entitled “Factors leading stock investment: An Empirical Examination” had been elicited that friends and media play a key role in influencing the investors share trading decisions.

6. Durga Rao, Chalam and Murty\(^6\) (2013) in their study entitled “Demographic variables influencing in the retail investors investment – A Scientific Analysis” had elicited how the demographic variables influenced in the investment of retail investors and suggested that the government and regulatory bodies like SEBI to create lot of awareness and encourage in retail investors in equities to become greater part of development of economic system for making investment on long term basis.

Discussion and Results:

The study examines the various factors that significantly influence the equity investors in evaluation at the time of investment and makes an assessment of the post – investment satisfaction. The study is based on various socio-economic and investment factors viz.,

i. Domicile
ii. Age
iii. Sex
iv. Marital Status
v. Educational background  
vi. Occupation/profession  
vii. Monthly family income  
viii. Type of investor  
ix. Category of investor  
x. Market experience  

The responses of the retail equity investors have been obtained and analyzed with the help of:  
- 4 Point Scaling Technique  
- Descriptive Analysis  
- Average Score Analysis  
- Multiple Regression Analysis  
- Factor Analysis  
- Correlation  
- Chi–Square Test and  
- SWOT Analysis  

Factors Influencing Small Investors:  
Investment evaluation is based on the assessment of various factors influencing investments. It is  
a prerequisite for any investment decision. This study examines the various factors that significantly  
influence the retail equity investors in the evaluation of equity share investments. The study is based on  
various socio-economic and investment factors. The various factors influencing retail equity investors in  
the evaluation of equity investments have been referred as ‘investment factors’ and they have been  
grouped under five categories as follows:  

General Information:  
1. Stock exchange markets  
2. Risk factors  
3. Lead managers  
4. Credit rating  
5. Broker’s advice/ media effect.  

Company Profile:  
1. Company history  
2. About promoters  
3. Company policies  
4. Companies under the same management.  

Prospectus details:  
1. Authorized and paid-up capital  
2. Size of current issue  
3. Objectives of current issue  
4. Terms of issue  

Current Project details:  
1. Cost of the project  
2. Product strength
3. Existing and future demand
4. Future prospects

Financial Information:
1. EPS/PE Ratio
2. Dividend policy.
3. Book building methods
4. Market volume traded

The responses of the retail equity investors have been obtained and analyzed with the help of multiple regression analysis. The results of the multiple regressions are shown in table-1.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Investment Factors Introduced</th>
<th>(R)</th>
<th>(R^2)</th>
<th>Incremental Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General factors</td>
<td>0.764</td>
<td>0.583</td>
<td>0.583</td>
</tr>
<tr>
<td>2</td>
<td>Company profile</td>
<td>0.816</td>
<td>0.667</td>
<td>0.084</td>
</tr>
<tr>
<td>3</td>
<td>Prospectus details</td>
<td>0.844</td>
<td>0.712</td>
<td>0.045</td>
</tr>
<tr>
<td>4</td>
<td>Current Project</td>
<td>0.943</td>
<td>0.890</td>
<td>0.178</td>
</tr>
<tr>
<td>5</td>
<td>Financial Information</td>
<td>1.000</td>
<td>1.000</td>
<td>0.110</td>
</tr>
</tbody>
</table>

Table-1 shows the data on the various factors that influence evaluation factors of the investors while taking their investment decision. The data reveals that the retail equity investors have been influenced by the general factors to the extent of 58.3% followed nature of the current project to the extent of 17.8%; whereas, the financial information (11%) and prospectus details (4.5%) are very less influence in their investment evaluation and decision.

Findings:
1. It is found from the analysis that the general information, such as stock exchange market information, risk factors, lead managers image, credit rating and brokers advice/analysts forecast/media impact significantly influence the small investors in their investment evaluation and decision.

2. It is observed that there is a significant association between the socio-economic status of the investors and various factors, such as lead managers image, credit rating, promoters and contribution, size, objectives and terms of issue, cost of the project and product strength, future prospects and profitability of the company.

3. It is further observed that, there is a significant association between the market experience of the investors and various investment factors such as stock exchange information and product strength.

Test of Hypothesis:
1. Investment factors have no significant influence in the investment evaluation and decision of the small investors. The results of the chi-square test reveal that the hypothesis is rejected in eleven cases.

2. Various socio-economic factors of the investors have no significant impact on various investment decisions of the equity investors. The results of the chi-square test reveal that the hypothesis is rejected in all cases.
Suggestions and Conclusion:
1. It is suggested that the regulatory bodies have to give more emphasis on investment factors in the investment evaluation and decision of small investors for their post satisfaction.
2. It is also suggested that the investors education campaigns have to be organized in respect of lead managers, credit rating, about promoters and their contribution, size, objectives and terms of issue, cost of the project and product strength, future prospects and profitability of the companies.
3. It is also suggested that the government has to provide market protection to the small equity investors not to misguide/deceive the brokers in the stock market to the small investors.

An investment in equity shares is one of the welcoming trends in the investment sector. These investments have been found in the primary market and secondary market. The equity share is always dominated by the primary market and secondary market and the investors select one of these to their investment in a lucrative approach. Understanding the post investment satisfaction of small equity investors in investment decision is important for the entire stock trading. The present study is confined to Guntur district only; there is a scope for further research in other districts of Andhra Pradesh and in the other areas of financial management.

References:
PERCEPTION OF EQUITY INVESTORS ON RISK - RETURN IN INDIAN CAPITAL MARKET - A SCIENTIFIC ANALYSIS

P.V DURGA RAO¹, Prof. G. V. CHALAM² Dr. T. N. MURTY³

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²Professor, Dept. of Commerce & Business Administration, Acharya Nagarjuna University, Nagarjuna Nagar -522 510.

³Director, Nimra College of Business Management, Vijayawada- 521456, India.

ABSTRACT

Investment in stock market through securities become as one of the best choice of investors with an objective of return optimization. The uncertainty of expected return is a vital part of the investment option in stock market. The variations in returns from the expectations of the investors lead to risk and the subjective analysis of various attributes helps for the minimization or the avoidance of the risk. The risks in stock market are poised of the demands threat bring variations in the return of income. The uncontrollable external risks have a greater impact on the volatility of returns on the investment and they are of systematic in nature. The return is the yield plus capital appreciation and risk is the variability of return or loss, which is inherent in any investment. Theoretically, risk and return go hand in hand, i.e., the higher the risk, the more the return. However, the risk-return perceptions of the investors on various investments may differ from one another. In this paper an attempt is made to study the investors’ perception towards risk-return of investment and also to find the impact of investors’ demographical factors towards risk.

Keywords: Stock Market, Financial Instruments, Securities, Risk, Return.

Introduction:

Investment in stock market through securities has become one of the best choice of investors with an objective of return optimization. The uncertainty of expected returns is a vital part of the investment option in stock market. The variations in the anticipated returns and actual returns lead to the possible consequences of the decision related to selection of stock market investment. The risks in stock market are poised of the demands threat bring variations in the return of income. Market price and interest rate play a significant role on the risk associated with the stock markets securities which are being influenced by the various internal and external considerations. The uncontrollable external risks have a greater impact on the volatility of returns on the investment and they are of systematic in nature. The risk on stock market securities emerges from proceedings comprising political, social and economic variables. The attitude and expectations of the stock market investors and their subsequent reactions in the investment portfolio determine the amount of risk. Any stock market investor to safeguard his/her hard earned money and to maximize the appreciation is expected to have through knowledge about the various factors contributing the risk. The investors should update the performance of their portfolio components with the changing capital market conditions that enables them for the consistent growth in their returns. The variations in the returns from the expectations of the investors lead to the risk and the subjective
analysis of various attributes helps for the minimization or the avoidance of the risk. The return is the yield plus capital appreciation and risk is the variability of return or loss, which is inherent in any investment. The risk-return perceptions of the investors on various investments may differ from one another. These perceptions have important implications in the financial markets and have a significant impact on the asset allocation decisions of the investors.

**Hypothesis:**

The demographic factors like investors’ age, gender, family income, type of investor, category of investor and market experience of the investor have no significant influence on the risk - return factors of small retail equity investors.

**Objectives:**

Against this background, the study has been undertaken more specifically with the following objectives:

- To find out the impact of investors’ demographical factors towards risk.
- To know the investors’ perception towards risk-return of investment.
- To make appropriate suggestions to the stake holders to maximize the return on the investment in the stock market.

**Methodology:**

The present study is an empirical in nature based on survey conducted. The primary data relating to the retail equity investors were collected by interviewing the equity investors (500 respondents) with the help of an interview schedule. The secondary data relating to the capital market developments and the trends in retail investors participation were obtained from the various published/unpublished records, annual reports, manuals, bulletins, journals, magazines, etc. Lastly, the authors held discussions with the officials of regional stock exchanges, stock broking houses, depository participants, etc. The Investors were asked to rate the various investments by risk and return on a 4-point scale. In order to examine the validity of the hypothesis, a test for paired differences has been employed and the results are tested at 5% level of significance.

**Review of Literature:**

Madhumathi, R, (1998), in her study entitled, *“Risk Perception of Individual Investors and its Impact on Their Investment Decision”*, examined the risk perception of 450 individual investors, selected at random from major metropolitan cites in India, dividing them into three groups as risk seekers, risk bearers and risk avoiders. The risk seekers generally took decisions based on market conditions, industrial position and social changes.

Radha, (1995), in her study entitled, *“A Study on Investment Behaviour of Investors in Corporate Securities”*, examined the investment plan of corporate security investors in Tamilnadu. The analysis revealed that the largest segment of sample was constituted by young generation model investors.

Security Exchange Board of India (SEBI) along with National Council of Applied Economic Research (NCAER), (2007), conducted a comprehensive survey of the Indian investor households entitled, “Survey of Indian Investors”, in order to study the impact of the growth of the securities market on the households and to analyze the quality of its growth.

Maruthu Pandian P, Benjamin Christopher S, (2007), conducted a study entitled, “A Study on Equity Investor Awareness” in order to study the stock market literacy of the investors about the company, stock exchanges as well as capital market regulatory bodies. The study also revealed that awareness differs among different groups of investors.

Selvam M, et.al., (2008), in their study entitled, “Equity Culture in Indian Capital Market”, examined the need for promoting equity culture, which deserves special attention for the development of economic growth. The study discussed in detail the current trend of equity culture, its implications and its revival and remedial measures.

Discussion and Results:

The risk-return perceptions of equity investors on various investments, viz.,

1. Shares
2. Debentures / Bonds
3. Stock Futures and Options
4. Mutual Funds
5. NSC/PPF/PF
6. Fixed Deposits
7. Insurance Polices
8. Real Estate
9. Gold / Silver and
10. Others

The study analyses the results of the survey as a whole and based on selected socio-economic and investments profile factors such as investors’ age, gender, family income, type and category of investors, and market experience of the investor to determine whether there are any differences in their risk-return ratings in the stock market investments.

Risk-Return Perception:

Table-1 shows the data on the various forms of investment in the stock market and paired differences between return and risk. The entire set of data has been considered to determine the risk–return perceptions of the retail equity investors as a whole. It can be seen from the data that all the investments other than stock futures and other investments show a positive significant mean difference, which implies that these investments generate greater return than relative risk. The stock futures and others show negative mean differences, which implies that these investments are more risky than their counter return. Further, it is also observed that the results of 9 out of 10 asset classes as shown in table-1 are significant at 5% level.
Table-1: Paired Differences between Return and Risk

<table>
<thead>
<tr>
<th>Investments</th>
<th>As a whole (500)</th>
<th>Mean difference</th>
<th>t values</th>
<th>P-values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td></td>
<td>0.13</td>
<td>3.3</td>
<td>.00*</td>
</tr>
<tr>
<td>Debentures / Bonds</td>
<td></td>
<td>0.22</td>
<td>6.3</td>
<td>.00*</td>
</tr>
<tr>
<td>Stock futures</td>
<td></td>
<td>-0.054</td>
<td>-1.3</td>
<td>0.19</td>
</tr>
<tr>
<td>Mutual funds</td>
<td></td>
<td>0.47</td>
<td>11</td>
<td>.00*</td>
</tr>
<tr>
<td>NSC/PPF/PF</td>
<td></td>
<td>0.56</td>
<td>14</td>
<td>.00*</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td></td>
<td>0.55</td>
<td>15</td>
<td>.00*</td>
</tr>
<tr>
<td>Insurance polices</td>
<td></td>
<td>0.74</td>
<td>17</td>
<td>.00*</td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td>0.96</td>
<td>16</td>
<td>.00*</td>
</tr>
<tr>
<td>Gold /silver</td>
<td></td>
<td>0.78</td>
<td>13</td>
<td>.00*</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>-0.056</td>
<td>-1.45</td>
<td>.00*</td>
</tr>
</tbody>
</table>

Source: Compiled from the collected data. * Significant at 5% level

Demographic, Social and Economic factors and risk-return perceptions:

It is a fact that the perception of investors depends on their demographic, social and economic factors. In the present analysis, it is also examined the impact of these factors on their return-risk perceptions in the stock market investments.

(i) Age and Risk- Return Perception:

The age-wise risk return perceptions of the equity investors in terms of mean differences are obtained to ascertain whether age might make a significant difference in risk-return ratings. It revealed from the data that all the investments other than Stock Futures and other investments show a positive mean difference in all age groups, which implies that these investments generate greater return than relative risk. The Stock Futures and others show a negative insignificant mean difference in all age groups, which implies that these investments are more risky than their relative return. Further, the real estate, gold/silver and insurance policies have high significant mean differences in all age groups, which can be said that these assets generate very high returns compared to others.

(ii) Gender and Risk- Return Perception:

The gender wise, risk – return perceptions of the equity investors are also considered in the study. The real estate, gold/silver and insurance policies have a high significant mean difference in case of both male and female investors, which implies that these assets generate very high returns compared to others.

(iii) Monthly Income and Risk- Return Perception:

The monthly family income wise risk-return perceptions of the equity investors are also analyzed. The stock futures and others show a negative insignificant mean difference in all age groups, which implies that these investments are more risky than their relative return. The results of 8 asset classes other
than stock futures and others are significant at 5% level in case of low and medium income investors. The results of 7 assets classes are significant at 5% level in case of high-income investors. The mean difference of investment in shares, stock futures and others stand insignificant. The real estate, gold / silver and insurance policies have high significant mean differences across the various income groups, which imply that these assets generate very high returns compared to others.

(iv) Type of Investor and Risk- Return Perception:

The type of investor wise risk–return perceptions of the equity investors is also presented in the analysis. It indicates that the mean differences are positive for all investments except other investments in the case of hereditary investors. The new generation investors fall in line with hereditary investors with a difference that Stock Futures and other investments indicate a negative mean difference. A positive mean difference implies greater return than relative risk and a negative mean difference implies greater risk than relative return. The results of 6 asset classes except investment in shares, debentures/bonds, stock futures and other investments are significant at 5% level in the case of hereditary investor and the results of 8 asset classes except stock futures and other investments stand significant at 5% level in the case of new generation investors. The real estate, gold/silver and insurance policies have high significant mean difference across various types of investors, which imply that these assets generate very high returns compared to others.

(v) Category of Investor Risk- Return Perception:

The category of investor wise risk-return perceptions of the equity investors are presented here. It reveals that all the investments except stock futures and other investments show a positive mean difference in case of long-term investors. The results are significant in 8 out of 10 asset classes except investment in shares and stock futures. All the 10 investments show a positive mean difference in the case of day traders. The results are significant in 7 out of 10 asset classes except investment in shares and stock futures. The investors, who are both long-term investors and day traders indicate positive mean difference for all the investments except stock futures. The results are significant in 8 out of 10 asset classes except stock futures and other investments.

(vi) Market Experience - Risk- Return Perception:

The market experience wise risk-return perceptions of the equity investors are presented. It reveals that all the investments other than stock futures and other investments show a positive mean difference irrespective of the investors’ market experience which implies that these investments generate greater return than relative risk. The stock futures and other investments show a negative insignificant mean difference in all cases. The mean difference of investment in Shares is insignificant in low as well as high experienced investors. The real estate, gold/silver and insurance policies have high significant mean difference in all categories of investors, which implies that these assets generate very high returns compared to others.

Test of Hypothesis:

The analysis states that the investors are expected to assign similar risk and return ratings for each type of investment is disproved. It can be concluded that the investors assign different risk and return
ratings for each type of investment and the ratings vary with age, gender, family income, type and category of investors and market experience of the investor.

Findings:

1. It is found that Shares, Debentures/Bonds, Mutual Funds, NSC/PPF/PF, Fixed Deposits, Insurance Policies, Real Estate, Gold/Silver generate greater relative return than relative risk in all category of investors irrespective of their age. Out of the above, young and middle aged investors perceive investment in Real Estate as the best, followed by Gold/Silver and Insurance Policies whereas old investors perceive investment in Gold/Silver as the best, followed by Real Estate and Insurance Policies.

2. It is observed that Shares, Debentures/Bonds, Mutual Funds, NSC/PPF/PF, Fixed Deposits, Insurance Policies, Real Estate, Gold/Silver generate greater relative return than relative risk in all categories of investors irrespective of their gender. Out of the above, Real Estate is perceived as the best asset followed by Gold/Silver and Insurance Policies by all the investors as a whole.

3. It is also found from the analysis that Shares, Debentures/Bonds, Mutual Funds, NSC/PPF/PF, Fixed Deposits, Insurance Policies, Real estate, Gold/Silver generate greater relative return than relative risk in all categories of investors irrespective of their monthly family income. Out of the above, the investors of low income group perceive investment in Real Estate as the best followed by Gold/Silver and Insurance Policies. Investors of medium and high income group perceive investment in Real Estate as the best followed by Insurance Policies and Gold/Silver.

4. The analysis also revealed that hereditary investors perceive all the investments except other investments to generate higher return than their relative risk. New generation investors perceive all the investments except Stock Futures and Other investments to generate higher return than their relative risk. Hereditary investors rank Insurance Policies as the best investment followed by Real Estate and Gold/Silver. New generation investors perceive investment in Real Estate as the best followed by Gold/Silver and Insurance Policies.

5. It is known from the analysis that according to the long-term investors and investors who are both long-term investors and day traders, all the investments except Stock Futures generate higher return than their relative risk. In the case of day traders, all the investments are high return generators than their relative risk. Out of the above long-term investors and investors who are both long-term investors and day traders perceive investment in Real Estate as the best followed by Gold/Silver and Insurance Policies. Day traders perceive investment in Real Estate as the best followed by Insurance Policies and Gold/Silver.

6. It is further found from the study that Shares, Debentures/ Bonds, Mutual Funds, NSC/PPF/PF, Fixed Deposits, Insurance Policies, Real Estate, and Gold/Silver generate greater relative return than relative risk in all categories of investors irrespective of their market experience. Investors with low market experience perceive investment in Real Estate as the best followed by Insurance Policies and Gold/silver. Investors with moderate and high market experience perceive investment in Real Estate as the best followed by Gold/Silver and Insurance Policies.
Suggestions:

The small retail investors are expected to assign similar risk and return ratings for each type of investment is not allowed and the investors assign different risk and return ratings for each type of investment and the ratings vary with the factors. It is suggested to the Government or regulatory bodies like SEBI may create awareness among retail investors and to encourage them in equities to become greater part of the development of economic system for making investment on long term basis. It is imperative to understand the risk return perception of small equity investors in investment and savings because most of the investors may invest after considering the risk factor, it is very helpful to the society which consists of different sections of the people to make better investment.

The investors care only about the expected return and risk of their overall investment. They prefer more wealth to less wealth and they are never confused about the present-value and future-value forms that money can take. It became common to assume that investors seek to put investment which minimizes risk for an expected level for return that maximizes the expected rate of return for a given level of risk. The government policy makers need to remember that it is always best to allow stock markets to operate free from onerous regulation. Normal retail investors can become affected by cognitive biases and emotions. Such biases can cause investors to consider each of their stocks in solution and somewhat distinct from their overall investment. Emotions such as hope, fear, and regret can also cause normal investors to differentiate between paper losses and realized losses, hard earned money and a windfall. The returns expected by retail investors are sometimes influenced by more than anticipated risk levels. The analysis is confined to Guntur district only; there is a scope for further research in other districts of Andhra Pradesh and others areas in financial management.

References:

INVESTMENT PATTERN OF EQUITY INVESTORS IN INDIAN CAPITAL MARKET

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ABSTRACT

The experiences from the Indian capital market are now the history for many market participants due to the dramatic changes in the investment pattern of small equity investors. The investor can make the share trading as a beneficial investment area. The business firms issue the shares of their firms and mobilize funds from the individual savers. Equity share is a part of the ownership of a company and the holder of such a share is a member of the company and eligible to get benefits from the company. Trading in stocks is quiet simple that possess some basic knowledge of the security trading. Investment pattern refers to a regular sequence of actions followed by the investment decisions of investor. Understanding the investment pattern of small equity investors in investment decision making is important in stock trading. The attitude of the investors has been changing due to the changes in the stock market scenario. When the investors avail the accurate and reliable information, then he can enjoy the taste of success from the share market. The authorities, like SEBI, NSDL etc., should organize more seminars and awareness programs for these under privileged retail investors.

Keywords: Share Trading; Corporate Securities; Equity Share; Investment Pattern

INTRODUCTION

The experiences from the Indian capital market are now the history for many market participants due to the dramatic changes in the investment pattern of the small equity investors. The investor can make the share trading as a beneficial investment area, which is purely based upon the investor’s awareness towards stock trading. When the investor gets more and more information about the changes in the investment environment, he/she can make right investment decision at right time. Due the process of industrialization, the size and scale of operations of business houses increased and it requires large magnitude of capital. The business organizations issue the securities of their firms and mobilize funds from the individual savers. Corporate securities emerged as attractive source for the investors, who are expecting higher returns and ready to bear the risk.

Equity share is a part of ownership of a company and the holder of such a share is a member of a company and eligible to get benefits from the company. Equity is a means of finance

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known to provide a magic of win-win formula, which satisfies investors with higher returns and firms with lower cost of funds. Share market fascinates each and every individual, who is expected to make more money. Trading in stocks is quiet simple and possess some basic knowledge of the security trading. Investment pattern is formed through the investment environment, which changes frequently due to the changes of investor expectations. Investment pattern refers to a regular sequence of actions followed by the investment decisions of an investor.

OBJECTIVES OF THE PAPER

To be precise, the study has undertaken with the following objectives:

- To know the investment pattern of small equity investors.
- To study the common portfolio practices of small equity investors in investment design, and;
- To make appropriate suggestions to small equity investors to make their investment decisions effectively.

METHODOLOGY OF THE STUDY

The study is based on a survey conducted and the primary data relating to the equity investors were collected by interviewing the equity investors (500 respondents) with the help of schedule. The secondary data relating to the capital market developments and the trends in retail investors participation in capital market India were obtained from the various published/unpublished records, annual reports, manuals, bulletins, booklets, journals, magazines, etc. Lastly, the authors held discussions with the officials of regional stock exchanges, stock broking houses, depository participants, etc. These discussions were helpful to the authors to know the common portfolio of the equity investors in investment design.

REVIEW OF LITERATURE

Bhagawati Prasad, Subhas M.S, (1991), in their study entitled, “Problems Faced by the Investors”, have examined the problems faced by the investors. The study reveals that majority of the investors were very active belonging to the middle income group. High returns motivated them to invest in capital markets and majority of the shareholders were satisfied with the content of the published information.

Shanmugam, R. and Muthuswamy, P, (1998), in their study entitled, “Decision Process of Individual Investors”, studied the views of individual share investors on their investment objectives, basic approach to investment decisions and the nature of their equity portfolio. The study revealed that educational level of investors had its impact on the use of technical analysis and the occupational category had impact on the use of fundamental approach.

In a survey conducted by ORG-Marg, a research organization (1999), “Investors Choices over the Investment Avenues”, had been elicited. The study revealed that majority of investor’s favored fixed deposits in Banks. Post office Savings Schemes, Insurance Schemes, Bonds issued by government, Equity Shares were preferred by investors in the order. The survey report concluded with the remark that awareness was still lacking towards mutual funds and it suggested to promote awareness towards mutual fund schemes.

Arun Lawrence and Dr.Zajo Joseph (2013) in their study entitled “Factors leading stock Investment: An Empirical Examination” had been elicited that friends and media play a key

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role in influencing the investors share trading decisions. The experiences of the Indian capital market are now history for many market participants due to the change in the attitude of the investor.

P.V.Durga Rao, et.al (2013) in their study entitled “Demographic variables influencing in the retail investors investment - A Scientific Analysis” had elicited how the demographic variables influenced in the investment of retail investors and suggested that the government and regulatory bodies like SEBI creates lot of awareness and encourage in retail investors in equities to become greater part of development of economic system for making investment on long term basis.

DISCUSSION AND RESULTS

Investment pattern refers to a regular sequence of events happened due to the investors in investment decision-making. It is a repeated investment decisions. A study on the investment pattern throws light on the general nature and common portfolio practices of the investors based on the following:

- Type of investor
- Category of investor
- Type of market operated
- Various investments in the investor’s portfolio
- Various sectoral stocks held
- Market experience
- No. of companies in which investment is made
- Approximate size of investment in shares
- Sources of investment information
- % of investors’ savings invested in shares
- Reliability of investment information
- Trading volume
- Indices frequently referred

The investment pattern of the equity investors has been identified and analyzed with the help of descriptive analysis and average rank analysis.

Type of Investor: Investors have been classified into two groups based on their type as ‘Hereditary investor’ and ‘New generation investor’. It is observed from the collected data that 20% of the investors are hereditary investors and 80% of the investors are new generation investors.

Category of Investor: Investors have also been classified into three groups based on their category i.e., period of holding stocks as, ‘Long term investor’ ‘Day trader’ and ‘Both’ who invest as well as trade. It is evident from the data that 45% of the investors are long term investors, 11% of the investors are day traders and 44% of the investors are both long term investors as well as day traders.
Type of Market Operated: Investors have been classified into three groups based on the type of market in which they operate as ‘Primary market operators’, ‘Secondary market operators’ and ‘Both’ Primary as well as Secondary market operators. The distribution of investors based on the type of market operated by them shows that 12% of the investors are primary market operators, 50% of the investors are secondary market operators and 38% of the investors are both primary as well as secondary market operators.

Various Investments in the Investors’ Portfolio: Investments have been classified into 10 categories for the analysis, viz., Shares, Debentures/Bonds, Stock Futures and Options, Mutual Funds, NSC/PPF/PF, Fixed Deposits, Insurance Policies, Real Estate, Gold/ Silver and others. The computed data of the various investments in portfolio of investors reveals that 60% of the investors have invested in shares, 58% of the investors in insurance policies and 48% of the investors in mutual funds.

Various Sectoral Stocks Held: The sectoral stocks that have been considered for the study are IT, Banking Sector, FMCG, PSE, MNC, Energy, Pharma, Infrastructure, Capital Goods industry and others. It is obvious from the computed data that 76% of the investors have invested in banking sector stocks, 54% of the investors have invested in IT industry stocks, 50% of the investors have invested in infrastructure, capital goods and pharma sector.

Investors Market Experience: Investors have also been classified into 3 categories based on their market experience as ‘Low’ (less than 1 year) ‘Moderate’ (1 – 3 years) and ‘High’ (3 years and above) for the analysis of the study. The distribution of investors based on their market experience indicates that 20% of the investors have low experience, 30% of the investors have moderate experience and 50% of the investors have high experience in the market.

No. of Companies in which Investment is made: No. of companies in which investment is made has been classified into 3 groups such as ‘Less’ than 10, ‘10 – 20’, and ‘20 and above’. The No. of companies in which investment made by the investors indicates that 56% of the investors have invested in less than 10 companies, 33% of the investors have invested in 10 – 20 companies, and 11% of the investors have invested in 20 or more than 20 companies.

Approximate size of Investment in Shares as on date: Another classification of the investors is based on the size of investment, it has been categorized into three classes as ‘below Rs.1 lakh’, ‘Rs.1 lakh – Rs.2 lakhs’ and ‘Rs.2 lakhs and above’ for the study. The investors’ approximate size of investment in shares as on date revealed that 55% of the investors have invested below Rs. 1 lakh, 23% of the investors have invested between Rs. 1 lakh - 2 lakh and 22% of the investors have invested Rs. 2 lakh and above.

Sources of Investment: Sources of investment have been classified as ‘Own savings’ ‘Borrowings’ and ‘Both’ own funds and borrowings. It indicates that 75% of the investors invest from their own funds, 6% of the investors borrow and invest, and 19% of the investors invest their own savings as well as borrowings.

% of Savings Invested in Shares: Percentage of savings invested in shares is another way of classification of investors into three classes, viz., ‘Less than ‘15%’ , ‘15 %– 30%’ and ‘30%’ and above’ for the study. It observes that 45% of the investors invest less than 15% of their savings in shares, 40% of the respondents invest 15%-30% of their savings in shares and 15% of the respondents invest 30% and above of their saving in shares.

Reliable Sources of Investment Information: The computed data reveals that out of the total investors, 22.8 % of respondents have given high priority (Rank1) for newspapers,
journals and magazines, followed by 20.0 % of investors for technical analysis, and 18.00 % of investors for investment related websites. Further, it is identified that 22% of investors have given priority for the newspapers, journals and magazines, 21.4% investors for TV channels and so on. It is also found from the analysis that the least preference is given to investor forum and other source of information for their investment decisions. It can be concluded from the discussion that, among the various sources of investment information, newspapers, journals and magazines have been considered as more reliable sources of information by the investors than others.

Trading Volume Per Month: Trading volumes have been classified for the long-term investors as ‘less than Rs.1 lakh’, ‘Rs 1lakh – Rs 2 lakh’, and ‘Rs. 2 lakh and above’. For the day trader it has been classified into ‘less than Rs.50 lakh’, ‘Rs.2 lakh and above’. It is clear that 60% of the long-term investors trade for less than Rs. 1 lakh, 23% of the long-term investors trade between Rs. 1 lakh – Rs 2 lakh and only 17% of the long-term investors trade for Rs. 2 lakh and above per month.

Indices Frequently Referred: The indices that have been considered for the study are - Sensex, S&P CNX Nifty, CNX Nifty Junior, CNX 100, S&P CNX 500, CNX Midcap and CNX Midcap 200. The indices frequently referred by the investors found that 90% of the investors frequently refer Sensex and 60% of the investors used S&P CNX Nifty as reference followed by others.

FINDINGS

1. It is found from the analysis that majority (80%) of the investors are new generation investors. It is also observed that about fifty percentage of the investors are long term investors and operate in secondary market.

2. It is identified that majority of the investors have invested in Shares, Insurance Policies and Mutual Funds. It is also found from the analysis that majority of the investors have invested in Bank, IT, Infrastructure, Capital Goods Sector and Pharma sector stocks and half of the investors have High market experience.

3. It can be concluded that majority (56%) of the investors have invested in less than 10 companies. It is found that more than half of the investors have invested below Rs. 1 lakh as on daily trade of business.

4. It is known that one third of the investors invest from their own savings, about 6% of the investors borrow and invest, and 19% of the investors invest their own savings as well as borrowings.

5. It is also found from the analysis that 45% of the investors invested less than 15% of their savings in shares, 40% of the respondents invest 15%-30% of their savings in shares and 15% of the respondents invest 30% and above of their saving in shares.

6. It can be concluded from the study that among the various sources of investment information, newspapers, journals and magazines have been considered as more reliable sources of information by the investors than others. It is also found that the least preference is given to investor forum and others.

7. It is also observed from the data that about two-thirds of the long-term investors trade for less than Rs. 1 lakh per month and one-fourth of the day traders trade for Rs.1 lakh – Rs.2 lakh and the rest are trade for more than 2 lakh per month. Further,
it is also found that majority of the investors frequently refer Sensex and S& P CNX Nifty.

SUGGESTIONS

It is mainly suggested that to improve the awareness among the equity investors about stock trading and let them benefit from investment in securities. Thus, it is purely based upon the investors' awareness towards share trading and stock investments can be improved. When the investors avail the accurate information then one can enjoy the taste of success from the share trading in the stock market. The authorities, like SEBI, NSDL etc., may consider the following suggestions.

1. To create confidence in the hereditary investors' section also.
2. To increase the number of customers both in day trading and long term trading.
3. To enhance the knowledge of the investors regarding primary market operations.
4. To improve the awareness regarding the avenues of investment on the investors side.
5. To make the availability of different sectors of shares so as to make the portfolio of investors goal oriented.
6. To induce more number of investors, who have low and moderate market experience.
7. To make use of the investment opportunities properly, so as to increase the amount of investment.
8. To conduct investment awareness campaigns regarding stock market operations through seminars, lectures, etc.
9. To increase the availability of sources of investment information from different means to reach the investors properly.
10. To provide the knowledge not only on indices like Sensex and S& P CNX Nifty but also about other indices.

Understanding the investment pattern of small retail equity investors in Investment decision is important for the entire stakeholder involved in stock trading. The present study is confined to a limited area only; there is a scope for further research in other regions of the country.

CONCLUSION

The Indian stock market is subject to many unexpected fluctuations but at the same time for tactful and foresighted investors, it provides huge gains in terms of returns and capital appreciation. The attitude of the investors has been changing due to the changes in the stock market scenario. The investor can make the share trading as a beneficial investment arena. It is purely based upon the investors' awareness towards the share trading and stock investments. When the investors avail the accurate and reliable information, then he can enjoy the taste of success from the share market. The authorities, like SEBI, NSDL etc., should organize more seminars and awareness programs for these under privileged retail investors.
REFERENCES


ROLE OF CAPITAL MARKET IN INDIAN FINANCIAL SYSTEM - PAST, PRESENT AND FUTURE

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ABSTRACT

Capital market is a market for long term funds. It refers to all facilities and institutional arrangements for borrowings and lending of medium term and long term fund. It deals not capital goods but concerned with rising of money capital for investment. In the capital market the supply of funds largely from individual savings, corporate savings, banks, insurance companies, specialized financing agencies and Government. The demand for long term capital comes mainly from private sector industries and Government. The researchers have presented Introduction and investment, Role of investment in economic development of the nation, Developments in the indian capital markets, SEBI and the regulation of securities markets, Report of the committee under the chairmanship of Justice D.P.Wadhwa with a aim to know the role of capital market in India.

Keywords: Capital Market; SEBI; Investment

INTRODUCTION

Capital market is the key driver of wealth creation and growth in many countries. The regulators financial institutions and most importantly the investors keep trade of the development in the global capital markets. It is estimated that the growth of global financial stock is estimated to $ 200 trillion by 2010. It is observed that the United States, Europe and Japan are the major contributors to the global financial stock. Due to the increasing depth in financial markets, both businessmen and investors are enthusiastic to enter capital markets and make profits. The U.S led the race with 37 percent share followed by the U.K, Japan and other developing countries. Capital market is a market for long term funds. It refers to all facilities and institutional arrangements for borrowings and lending of medium term and long term fund. It deals not capital goods but concerned with rising of money capital for investment. In the capital market the supply of funds largely from individual savings, corporate savings, banks, insurance companies, specialized financing agencies and Government. The demand for long term capital comes mainly from private sector industries and Government¹.

The commercial banks, LIC and GIC are largely interested in Government securities, debentures and provident funds is another source of savings but their investments are mostly available online on www.abhinavjournal.com
in Government securities. The institutions like IFCI, ICICI, IDBI and UTI are providing long term capital to the private sector. The rapid expansion of the corporate and public sectors necessitates the development of capital market in India. Capital markets have observed volatility of capital flows, contributing of financial developments in India have played a critical role is promoting industrialization, facilitating the mobilization of capital for large investments. A financial market consists of investors or buyers, sellers, dealers and brokers and does not refer to physical location. The participants are linked with formal trading rules and communication networks for originating and trading of financial services. Financial investments can be used to raise resources in the capital market. High net worth individuals, investors and corporate entities are engaged in purchase and selling of financial instruments in the capital market2.

OBJECTIVES OF THE STUDY

- To Review The Capital Market Developments In India,
- To make appropriate suggestions for strengthen of capital market in Indian Financial system

A REVIEW OF LITERATURE

Role of Investment in Economic Development in India-

Though people tend to invest for numerous reasons, National Council of Applied Economic Research (NCEAR), India with the sponsorship of Securities and Exchange Board of India (SEBI) has conducted a research on household savings and investments. In their report for the year 2011, they have mentioned the following prime reasons for people to invest.

1. Securing post retirement life,
2. Children education and marriage,
3. Creation of wealth

Economic development of a nation will take place only when that nation is vibrant in at least in one of the sectors of Agriculture, Manufacturing and Service, if not in all of them. Along with men and machinery, investment in the form of capital is an important factor of production for an economic activity. In fact, it is not possible to arrange other factors of production without capital.

Some nations in this world are not blessed with abundance of natural resources. But still, only because of investment on industry and on technology, they became economic superpowers. One can take Japan as an example to prove this point. Japan is a tiny nation which is subjected to a variety of natural calamities like earth quake and tsunami. It does not have enough of fertile land due to atom bombs that were dropped on its soil. But due to the investments made on technology front, it is able to become world fourth largest economy. (World Bank Report 2012). Surprisingly, world’s most two papules nations; China and India did not invest to the required levels. As a result, they have become the global destinations for outsourcing and making goods for the companies of other nations. As per the global brand index, which is compiled by brandinex.com, China and India put together did not have at least one global brand where as small nations like Finland and Denmark are having number of brands. India, at least able to realize this fact that it has global brand product and invested heavily on information technology education and infrastructure which helped it become one of the leading nations in the world on the front of information technology and the sector is
generating huge amount of revenues to the nation both in domestic as well as foreign
currency. Some nations have immense potentiality to become global economic super powers
by manufacturing goods and by creating their own brands. But, their economic policies
which are not conducive for private investment are hampering their growth. Ruchir Sharma
(2011) in his book Breakout Nations supported this point by taking examples of Russia and
China. They both did not encourage private investment for long. They felt every business
organization must be in the hands of Government. As a result, though these two nations are
having manufacturing capabilities, they could not produce any global consumer brand
products. He further added that only after opening up of economies for private investors,
along with Brazil and India, these two became raising economic powers and together called
as BRIC nations. East Asian nations like Malaysia and Thailand have invested on tourism
infrastructure and as results they are able to attract domestic and foreign tourists which in
turn developed their economies.

A similar observation was made by Easterly, W. and Rebelo, S., (2011) in their research on
the role of investment on infrastructure and its impact of economic development. They stated
that the investment on infrastructure by Singapore attracted not only tourists, but also many
Multi National Companies to set up their offices which resulted in the economic
development of Singapore. On the other hand, African most of the African nations like
Nigeria, Uganda, Rwanda and other did not invest on any of the sectors and as a result, their
people are not having any job to do in their hand and hence either they are suffering with
internal wars or their people are turning into international pirates.

Where do people Invest?
The Individuals may invest their money in

1. Land
2. Housing
3. Gold and Other Precious Metals
4. Portfolio diversification
5. Inflation hedge
6. Currency hedge
7. Risk management
8. Demand and supply
9. Financial Assets like in Cash or cash equivalent and in Bond, Debenture or any other
Corporate Security

Developments in Indian Capital Markets
The Indian securities market has a history of nearly 150 years. The Bombay Stock Exchange,
the Ahmedabad Stock Exchange and the Calcutta Stock Exchange are among Asia’s oldest
stock exchanges. However, the modern era in the Indian securities market and its
transformation began with the economic reforms in the early 1990s when the government
initiated a systemic shift to a more open economy with greater reliance on market forces in
which the private sector plays an important role. The Indian securities market gained greater
importance and the SEBI Act, 1992 established the Securities and Exchange Board of India
(SEBI) as a statutory authority to oversee the securities market in India. SEBI is mandated with three principal objectives:

(i) To protect the interests of investors in securities;

(ii) To promote the development of the securities market; and

(iii) To regulate the securities market.

Before the establishment of SEBI, activities in securities markets lacked a comprehensive regulatory framework and were opaque. Since the establishment of SEBI, the securities market in India has developed significantly. It led to a successful transition from a highly controlled merit based regulatory regime to market-oriented disclosure-based regulatory regime. SEBI’s focus has been on developing a well regulated modern securities market in India by adopting global standards and international best practices. With the implementation of various rules and regulations prescribed by SEBI, access to information has increased; the risk of defaults has gone down and overall governance and ambience have become conducive for protection of investors’ interests and the development of the securities market in India\(^3\).

**Development of Primary Securities Market**

The development of primary markets in India has followed a unique pattern. While the number of issues in the early nineties was very high (more than 1,000), the aggregate resources mobilized was not significant. However, in the first decade of the 21st century the trend gradually reversed; the number of issues remained low (less than 200) but the amount mobilized increased significantly. The only exception to this trend was during 2008–09 when the US was hit by the subprime crisis leading to a global financial crisis and the cascading effect was felt in emerging markets. Where in 2007–08 an amount of 870.29 billion was mobilized through 124 public and rights issues, the amount mobilized fell to a mere 162.20 billion through 47 issues in 2008–09. With the gradual waning of the sub-prime crisis in 2009–10, the market regained confidence and an amount of 575.55 billion was mobilized through 76 issues.

<table>
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<th>Rights</th>
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<td>210.45</td>
<td>1692</td>
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<tr>
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<td>2006–07</td>
<td>85</td>
<td>297.96</td>
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Growth of Market Capitalization and Turnover

Market capitalization has gone through ups and downs. In the earlier years of this decade, there was a sharp fall in the market capitalization of both exchanges. From 2003–04, the downtrend was reversed and the market value of listed stocks again started soaring. The market capitalization of the BSE increased exponentially by 575 per cent, from 9,128 billion at the end of March 2000 to 61,656 billion at the end of March 2010. During the same period, the market capitalization of the NSE also increased by 489 per cent, from 10,204 billion to 60,092 billion. The annual turnover in the cash segments of BSE and NSE reflected the same trend. After 2000–01, there was a sharp fall in the turnover and this trend continued for some years. Later, the situation gradually improved. By the end of March 2010, the annual turnover of the cash segment of the BSE was 13,788 billion and that of the NSE was 41,380 billion.

Growth of Intermediation Industry

The quantitative transformation of the Indian securities market has happened with the help of a growing intermediation industry. While the number of brokers increased from 9,192 in 2000 to 9,816 in 2010, that of sub-brokers increased by more than fourteen-fold from 5,675 to 75,744 during the same period signifying the reach and expansion of the Indian securities market. Supplementing this expansion during the past decade, the number of depository participants increased from 205 to 758, the number of portfolio managers increased from 23 to 243, the number of venture capital funds increased from 22 to 160 and foreign venture capital funds emerged as a new class of participants in the market with their number increasing to 143 by 2010. On the other hand, dematerialisation led to a reduction in the number of registrars and transfer agents from 242 to 74 during the past decade.

Expansion and Globalisation of Indian Securities Markets

India is home to more than 4,900 domestically-listed companies in the BSE, making India second only to the US in terms of number of domestically-listed companies. With the changed dynamics of global financial flows, emerging markets are attracting an increased amount of foreign funds. In India, the securities market has developed at a rapid pace. The domestic mutual fund industry has been expanding by introducing new products and has been receiving increased allocation of the financial savings of domestic households. The regulatory framework is in place for collective investment schemes, domestic venture capital funds and foreign venture capital investors. The transformation has manifested itself in the higher ranking of the Indian securities markets in the global arena.

Market Regulations

The SEBI Act empowers SEBI to frame regulations to regulate intermediaries and to ensure disclosures and investor protection by listed companies. SEBI has framed a number of regulations for different intermediaries. Under these regulations, SEBI prescribes eligibility norms, viz., physical infrastructure, professional competencies and minimum capital requirements for registering intermediaries. SEBI also prescribes a code of conduct and

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disclosure and compliance requirements. SEBI monitors the activities of registered entities and takes penal action if the regulations are violated. To ensure that the perimeter of SEBI's regulations are in tune with the dynamic nature of the securities market, SEBI reviews its regulations from time to time and prescribes new regulations to regulate new activities in the market. The regulatory framework for intermediaries, which has been evolving since 1992, has stood the test of time and has been able to ensure, by and large, quality intermediation services in the market.

**SEBI and the Regulations of Securities Markets**

From its inception, SEBI has endeavoured to develop the securities markets and simultaneously set up a benchmark in market regulation. Following is a brief review of SEBI's achievements in the field of market regulation in the past decade.

**Streamlining Capital Rising**

SEBI over time has introduced a number measures aimed at enhancing efficiency and optimizing the cost of raising capital from the securities market. The transformation of the primary securities market has been on account of the introduction of the book building route for public issues, margining and proportional allotment for all categories of investors in book-built issues, mandatory IPO grading, qualified institutions placements (QIPs), fast-track issues, Applications Supported by Blocked Accounts (ASBA) and significant reduction in the timeline for rights issues and bonus issues.

**Reduction in Transaction Costs**

The growth in the categories of investors in the market has kept pace with the types of products. Transaction costs have come down on account of the reduction in rationalization of fees, commissions and market impact cost. The actual brokerage charged is as low as 0.10 per cent, suggesting a competitive brokerage industry. Entry load has been abolished for investment in mutual funds.

**Transparency**

SEBI's regulatory regime is primarily based on disclosures and transparency. To make the process of price discovery in the primary markets more transparent, SEBI introduced the book building process and mandated necessary disclosures in the offer documents. In the secondary markets, transparency is ensured by introduction of screen-based order matching system which makes the price and volume data instantly available to an investor in the remotest corner of the country.

**Disclosure-based Regulations**

The establishment of SEBI ushered disclosure-based regulation in the Indian securities market. Companies desiring to raise capital from the securities market through public issues are required to disclose all material information so as to facilitate informed investment decision-making. This mandate applies to companies that propose to list their securities, listed companies and all regulated entities.

**Promotion of Market Integrity**

The surveillance, investigation and enforcement capability of SEBI has been strengthened to deter violation of securities laws. To enhance the efficacy of the surveillance function, SEBI has put in place a comprehensive Integrated Market Surveillance System (IMSS) which generates alerts arising out of unusual market movements.

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Investor Assistance and Education

SEBI has in place a comprehensive mechanism to facilitate redressal of grievances against intermediaries registered by it and against companies whose securities are listed or proposed to be listed on stock exchanges. SEBI has taken several steps to address structural weaknesses in the system to eliminate the root cause of complaints. SEBI has evolved a procedure where class action suits filed by investor associations in respect of violations will be reimbursed the cost of legal action. Investor education has received much attention in the recent past.

Adoption of International Standards

The legal and regulatory framework governing the Indian securities market complies substantially with the International Organization of Securities Commission's (IOSCO) Principles of Securities Regulation. The assessment of IOSCO Principles as regards regulation of the equity/corporate bond market by the Committee on Financial Sector Assessment (CFSA) has revealed an overall significant level of compliance.

Indian Capital Market - Major Issues

The Indian Capital Market has, over a period of time, undergone rapid structural transformation. During the last fifty years of 1947 to 1997, it has evolved itself from a dormant segment of the financial system to a highly active, dynamic, and volatile segment characterized by institutional buildup, technological advancement and modernization. With the vast and varied market reforms unleashed since 1992, primary market has emerged as a major source of funding for the corporate entities both in the public and private sectors and the secondary market has modernized itself through advance technology and transparent trading practices. The major issues confronting the Indian capital market are briefly presented below:

Investor Protection

Investors constitute the pillars of the capital market. It is imperative that adequate protection is provided to them. Some of the popular problems that are being faced by investors are as follows:

1. Vanishing Companies: Certain companies raised funds after taking advantage of market buoyancy and then desert investors as has happened in 1985-86. This menace of vanishing companies still haunts investors and has affected their psyche very much.

2. Lack of commitment: The incredibly lack of commitment shown by financial institutions and underwriters regarding the avoidance of project appraisal during the post-issue period in relation to mega issues in the eighties has considerably shaken the confidence of the investors.


4. Malasies like share price rigging and insider trading continue to afflict the Indian Capital Market, affecting the investors adversely.

5. Lack of necessary professional expertise and integrity on the part of merchant bankers and other market intermediaries. In many cases merchant bankers act hand-in-glove with companies to attract the gullible investors.
6. The defaults committed by some brokers in different stock exchanges have also adversely affected the confidence of investors causing occasional suspension of trading.

Recent Trends in Capital Market

Many instruments namely, secured premium notes, non convertible debentures, zero interest equity shares and fully convertible cumulative redeemable preference shares were introduced to suit the needs of investors and issuers/borrowers. The resources mobilized by these innovative financial instruments accounted for 38 percent of the total resource mobilization by non-government public limited companies in 2005.

The total amount of capital raised during 2004-05 through public and rights issues stood at Rs. 28256 crore indicate the revival of investors interest in the primary markets. The sector wise classification shows that the private sector dominated the resource mobilisation efforts in 2004-05 with 61 percent share in the total resource mobilized followed by the public sector with 39 percent. The abolition of capital issues control and the introduction of free pricing of issues made unprecedented upsurge of activity in the primary capital market. As a consequence, the public limited companies mobilised huge resources.

The SEBI guidelines ensure that only quality issues enter the market. The primary market has shown qualitative changes since the nineties. The share of private placement issues in total resource mobilization from the primary capital market has been increased. Resources mobilized from the international capital markets by way of FDRs/ ADRs, foreign currency convertible bonds and external commercial borrowings were also increased considerably.

REPORT OF THE COMMITTEE UNDER THE CHAIRMANSHIP OF JUSTICE D. P. WADHWA, FORMER JUDGE OF THE SUPREME COURT OF INDIA ON REALLOCATION OF SHARES IN THE MATTER OF IPO IRREGULARITIES

This is an executive summary of the Report of the Committee on reallocation of shares in the matter of IPO irregularities

Background

1. SEBI unearthed and investigated certain irregularities in Initial Public Offerings (IPO) from 2005.

The irregularities involved the following steps:

- Opening of a large number of DP (and bank) accounts in fictitious / benami names by certain individuals (“afferent accounts”)
- These accounts were controlled by and for the benefit of certain “key operators” and “financiers”.
- The funds used for subscription came from certain “financiers”.
- Applications were made using these afferent demat accounts and funds, in the retail quota of IPOs, so as to corner shares by using the favourable allotment chances for retail investors.

2. A Committee was set up under the Chairmanship of Justice D. P. Wadhwa, former Judge of the Supreme Court of India, to advise / recommend on the procedure of identification of persons who might have been deprived on account of such IPO irregularities and the manner in which reallocation of shares to such persons should take place.
Principles

The Committee after going through the terms of reference, background and analysis of the relevant data and facts came to a decision that the Committee needs to establish 3 principles as under:

a. To quantify the amount of unjust enrichment that has taken place, and which is the subject of reallocation.

b. To identify the genuine applicants who may be considered “deprived”.

c. To decide a basis on which the unjust enrichment is to be reallocated amongst the “deprived” applicants.

Unjust gains and holdings in frozen demat accounts.

- The Committee has observed that the reallocation amount to the deprived applicants must be paid out of moneys that must first be recovered from those who unjustly benefited such as the key operators and financiers. The Committee has observed that the total unjust gains works out to about Rs. 95.69 Crores across the 21 IPOs under consideration. The Committee also observed that the quantum of unjust gains based on allotment to afferent accounts is approximately Rs. 95.69 Crores, of which Rs. 91.42 Crores were identified as belonging to shares that were transferred to key operators/financiers.

- The Committee observed that the value of the holdings in the frozen demat accounts in both NSDL and CDSL of the key operators and financiers.

- SEBI may like to decide based upon the status of legal proceedings whether this amount is immediately recoverable and if so whether it can be distributed among the deprived applicants.

Deliberations and Recommendations

The Committee deliberated over several sittings over a period of six months. The Committee invited relevant parties and experts from various organizations to update itself about facts and to take inputs on the various options available to fulfill the task. Based upon these deliberations and inputs received, The Committee makes these recommendations:

- All these afferent applications were made in the retail category of IPOs. To the extent these fictitious “afferent applicants” were allotted shares, genuine investors were deprived of their chance to secure allotment.

- It may not be possible to get the requisite number of shares from the market or available funds may not be sufficient to purchase the requisite number of shares at the current market price.

- The reallocation should therefore be quantified in monetary terms and the reallocation value for each “deprived applicant” should be initially computed based upon shares but subsequently converted into the amount of gains associated with such shares.

- The Committee recommends that for the purpose of reallocation or payment to these deprived applicants, the amount which is the difference of closing price of shares on the first day of listing / trading at NSE and the IPO issue price will be considered.
• All genuine applicants, whether successful or not, were deprived to some extent.
• On the question of reallocation of shares, the Committee recommends a “spillover” method of reallocation. Under this method, totally unsuccessful applicants shall be reallocated shares equally from the afferent pool, till they each receive the minimum shares allotted to the lowest category in the IPO.
• The Committee has also made certain operational suggestions in the body of the report to facilitate an efficient implementation.

Rebound in Indian Capital Market
The factors that are responsible for rebound phenomenon in Indian Capital Market are as follows:
• Strong macro-economic aggregates.
• Active participation of retail investors with renewed vigor.
• Active FII buying.
• Active III (Indian Institutional Investor) buying.
• Favorable sovereign rating by leading credit rating agencies like S&P, Moody’s, etc.
• Strong foreign exchange reserve position.
• Strong fundamentals of basic and other industrial segments such as steel, FMCGs etc.
• Favorable monsoons fuelling adequate demand for goods and services in the economy.
• Favorable political conditions.
• Forecasts of better prospects in future.

CONCLUSION
Although Indian capital market suffered bruises in the last part of the nineties owing to the manipulative trade practices of unscrupulous brokers and other participants, it has been witnessing fine times in the recent past, thanks to many favorable conditions contributing to it. With the kind and the quality of human skills possessed by India’s financial Industry, it is quite imperative that there is need to provide sound capital foundation for the stock market. However, the stock trading is not a panacea for all that ails the Indian stock market if the recent experience of some of corporate and banks abroad is of any indication. It is to be noted with happiness that Government of India has successfully introduced the derivative trading in the stock exchanges. In spite of the fact that the Indian Capital Market has made a marvelous dent both in primary as well as secondary markets, there are very many issues, which require immediate and urgent attention of the planners concerned.

REFERENCES

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