

DESCRIPTIVE ANALYSIS OF STOCK MARKET INVESTOR

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Abstract

A stock market or equity market is a public entity (a loose network of economic transaction, not a physical facility or discrete entity) for the trading of company stock (shares) and derivatives at an agreed price; these are securities listed on a stock exchange as well as those only traded privately. Stock market participants range from small individual investors to large investors chooses the investment alternative and determines the investment objective according to their perceptions and attitudes towards return and risk factors. This study mainly focuses on accessing the investment needs and risk profiling of people from different backgrounds.

Keywords:

Stock Market, Investors, Investment, Return, Risk

1. INTRODUCTION

Investment management commonly referred as portfolio management deals with the process of selection of securities from a number of listed stocks exhibiting varying expected returns and carrying different levels of risks. Under financial planning, the investor is required to reveal his or her monthly expenses and sources of income as well as set financial goals with the help of the financial advisor. However, this study keeps the profiling generic and assumes a single goal for all investors – wealth creation.

This study intends to find the established various set of attitudes of investors regarding trading and investment in various investment avenues and to get an idea about the mindset of the investors towards the importance given to different attributes such as risk, return, safety, liquidity etc. To study how behavioural aspects of investors in stock market has an impact on investment objectives and investment avenues.

The main objective of the study includes the following:

- To understand the descriptive aspects of investors in Stock Market to understand the risk profile of investors.
- To study risk bearing capacity on the basis of gender, education, occupation, age, family income and number of dependents.
- To study risk bearing capacity on the basis of investment pattern of the investor in capital market.
- To know the types of risk which are considered by the investors.

The present study is descriptive research. The data has been collected from primary and secondary sources. Primary data is collected from the selected respondents through a self-structured questionnaire. The sample size of the study is 100 and was selected by using convenience sampling techniques. Later the collected data has been analyzed by using percentage method and presented in the form of graphs.

1.1 REVIEW OF LITERATURE

Bennet and Selvam [5], the study found that there is no significant difference in Fundamental and Market Factors, Earnings Factors, Positioning Factors, Image Building Factors, Corporate Governance Factors, Positioning Factors, Image Building Factors, Goodwill Factors and Industry Competition Factors between their Educational Qualification, Occupation Income Status in Stock Selection Decision.

Khaparde and Bhute [6], stated that the investor's perception and attitude towards anything related to the stock market is of utmost importance. The perception of investors differs around on the basis of different factors like age, income, experience of investing, investment objectives and individual social needs.

Tripathi [4], the survey results presented shows that most of the investors use both fundamental as well as technical analysis while investing in Indian stock market. The investors strongly agree that various company fundamentals significantly influence stock prices in India.

Geetha and Ramesh [9], stated that Kurumbalur respondents are medium aware about various investment choices but they are not aware about stock market, Equity, Bonds and Debentures.

Jain and Kothari [2], demographic factors have no significant influence over sources of awareness and problem faced regarding post office Deposits Schemes except monthly income.

Sanjay [7], study reveals that in most cases investors across all categories found them to be safer with taking up the insurance policies. A significant portion of respondents also shows keen preference towards unit linked insurance policies so as to get short term gains.

Sarkar and Sahu [1] have stated in their research article that demographic factors, awareness and perceived risk attitude significantly influence investment behaviour of individual investors of stock market. Mak and Ip [8], based on the results of regression analyses of their study, it is observed that there exist significant differences in financial investment behaviour between Mainland Chinese and Hong Kong investors, and investors' psychological, sociological and demographic factors are significant predictors of their investment behaviour/preferences.

Asad et al. [6], the study has aimed at identifying the behavioral factors which are including age and income of investors that explain the process of investment decision-making by individual investors in an emerging economy.

2. DATA ANALYSIS AND INTERPRETATION

The data which has been collected was analyzed and interpreted in further sections.

2.1 DEMOGRAPHIC PROFILE OF THE RESPONDENTS

It has been observed that younger investors are far more cost-conscious, with 68% of respondents within the age group of 18-40 years saying that brokerage is the most important factor while evaluating a broker, compared with only 17% in the 56 years and above age group. This implies that most of the investors are youngsters and middle aged who are between the age group of 18-40 years. It is still a man's world when it comes to stock trading. It has been observed that 65% of the respondents are male and 35% of the respondents are female. Women tend to be mid-term players in the stock market (which means their investment horizon is medium-term) compared to men, who remain invested in scrip for a longer period. Those women who do invest in stocks, however, seem to base their decisions more on facts (than men do) and are not as cost conscious as men. It has been observed that highly qualified people (42%) are only investing in stock market who have various knowledge about companies and its shares and have the time and interest to study investing and get better and better at it. Majority of the people 40% investing in stock market have an income ranging in 1 to 5 lakhs. Thus this influenced the investment pattern of people.

Table.1. Investment style of respondents with respect to the Stock market

Response	Frequency
Primary market	28%
Secondary market	18%
Both primary and Secondary market	54%

Majority of respondents prefer to invest in both the primary and secondary markets. Out of the balance, the respondents prefer to invest in secondary market than primary market.

Table.2. Investor preference of the new issue market as an investment choice

Response	Frequency
Always	25%
Most of the time	10%
Sometimes	60%
Never	5%

It can be seen that majority of investors view an investment opportunity in the primary markets as an investment choice. 25% of respondents have indicated that they always consider investing in IPOs purely as an investment strategy. 10% feel that the investing in the primary market is an investment opportunity most of the times. Another 60% feel that sometimes they prefer to invest in the primary markets for investment purposes.

From Table.3, it is observed that out of 100 respondents 44% investors investing in new issue market for better returns, 11% respondents investing for easy availability, 10% respondents for less costly and 35% investors investing in new issue market investment Hence it is interpreted majority of the investors investing in new issues market is for better returns.

Table.3. Reasons for investing in new issues market

Response	Frequency
Easy availability	11%
Less costly	10%
Better returns	44%
Long term Investment	35%

Table.4. Reasons for investing in secondary market

Response	Frequency
Better returns	46%
More certain about Performance	30%
Liquidity	18%
Others	6%

From Table.4, it is observed that out of 100 respondents 46% respondents are of better returns for investing in secondary market, 30% respondents is of more certain about performance, 18% respondents for liquidity and 6% respondents have given the reasons of others. Hence it is interpreted that most of the investors have the reasons for investing in secondary market is of liquid.

Table.5. Investor preference for investment under bullish and bearish conditions

Investment Preference	Investor investment preference under bullish market conditions	Investor investment preference under bearish market conditions
Mid cap and small companies	12%	12%
Blue chip companies	22%	30%
Both companies	66%	58%

From Table.5, it is observed that most of the investors i.e. 66% prefer to invest in both blue chip companies and other smaller companies in bullish companies. 22% of investors prefer the safety and returns of blue chips in bullish scenario. Only 12% of investors prefer mid cap and small companies. Thus we can conclude that most of the investors in line with their perception of blue chips being a less risky investment vehicle prefer to invest in them in bullish circumstances. Under bearish circumstances again, majority of investors prefer to invest in both blue chip as well as mid cap and small companies. But in bearish conditions too, blue chip companies are preferred over small and mid-cap companies. This again reinforces the fact that blue chip companies are perceived as a safer investment choice compared to mid-cap and small companies.

From Table.6, it is observed that most of the respondents are in the age group 18-40 years. Most of them indulge in monthly trading of shares. Among the others, most of the respondents review their investment on a weekly basis.

Table.6. Frequency of revision of portfolio by respondents

Response	Frequency
On daily basis	22%
On weekly basis	26%
On monthly basis	40%
On yearly basis	12%

Table.7. Investment options that would consider for investment

Response	Frequency
Real Estate	10%
Gold	33%
PF	6%
Saving	27%
FD	10%
RD	5%
Others	9%

From Table.7, it is observed that 33% of investors prefer to invest their money in Gold. Hence it is interpreted that majority of investors are risk takers in gold investment and it is required to create more awareness programmes about benefits from other investments.

Table.8. Reason for investing in other options

Response	Frequency
Diversification	66
Profitability	24
No reason	10

From Table.8, it is observed that most of investors prefer to diversify their money in different schemes. Hence it is interpreted that majority of investors are risk averse.

Table.9. Risk Perception in respect of equity shares

Sector Level of risk	Very Risky	Risky	Moderate	Total
IT sector	72	16	12	100
Banking	3	44	53	100
Automobiles	11	35	54	100
Pharmaceuticals	11	33	56	100
Metal	46	26	28	100
Energy	49	30	21	100
Agri-commodities	37	49	14	100

From Table.9, it is observed that out of 100 respondents 72% respondents expressed that IT sector is very risky for investment, and 56% respondents expressed that pharma sector is very good for investment. Hence it is observed that investors know about the present market condition.

Table.10. Training in equity derivatives from NSE, BSE or Broking firms

Response	Frequency
Yes	72%
No	28%

Majority of investors, about 72%, are trained in stock market. Mostly investors take the advice of the brokers and investment advisors so their investment can give better returns. Also investors follow advice from research reports on stock market related sites and newspapers and magazines.

Table.11. Usual withdrawal investment

Response	Frequency
When market is down	12%
Need of cash	64%
Other	24%

From Table.11, it is observed that out of 100 respondents 64% respondents are given the reason of need of cash 24% respondents are given of other reasons and 12% respondents comes when the market is down.

Table.12. Reinvesting in stock market

Response	Frequency
Yes	80%
No	20%

From Table.12, majority of the investor 80% got a good return from the stock market and are interested to reinvest in equities as it give a good return as comparison to savings in the bank.

Table.13. Academic knowledge used in investment decisions in stock markets

Response	Frequency
Agree	73%
Neutral	11%
Disagree	16%

From Table.13, out of 100 respondents 73% respondents are agree that academic knowledge is helpful in taking investment decisions, and only 16% are disagree with that point.

Table.14. Investment for retirement planning

Response	Frequency
Agree	50%
Neutral	39%
Disagree	11%

From Table.14, it is observed that 50% are agree with that the retirement planning is necessary and only 11% are disagree with that. Hence, it is inferred that majority of investors are interested to save money for retirement.

Table.15. Inspiration of investment in equity market

Response	Frequency
Growth	41%
Risk and Return	44%
Analyst Advice	15%

From Table.15, out of 100 respondents 41% are expressed that growth of investment inspires them, and 44% respondents inspired with the risk and return of the investment, and only 15% respondents are inspired by the analyst's advice.

Table.16. Investment in stock market based on advertisement

Response	Frequency
Agree	35%
Neutral	15%
Disagree	50%

From Table.16, out of 100 respondents 50% respondents are disagree with that invest through advertisement or mail and 35% totally agree with that only 15% are neutral with that point. So it is interpreted that advertisement is not a good technique for capture the investors.

Table.17. Securities to choose for investing in Stock Market

Response	Frequency
Shares	25
Mutual Funds	60
Derivatives	3
Bonds	12

From Table.17, it is observed that out of 100 respondents 60% are involving through mutual funds, 25% respondents are investing through Shares and 12% respondents are investing through bonds. A small percentage that is 3% respondents investing through derivatives.

Table.18. Other options which will be consider

Response	Frequency
Mutual Funds	57%
Gold	29%
Real Estate	14%

From Table.18, it is observed that out of 100 respondents 57% will go for mutual funds 29% will go for gold and 14% will consider for real estate. Hence it is interpreted that majority of investors would consider to invest in Mutual funds.

3. FINDINGS

- Majority of respondents prefer to invest in both the primary and secondary markets.
- Most of respondents have indicated that they are not always consider to invest in IPOs as an investment strategy.
- Most of the investors prefer to invest in both blue chip companies and other smaller companies in bullish

companies, and under bearish circumstances again, majority of investors prefer to invest in both blue chip as well as mid-cap and small companies.

- Majority of the respondents are ready to take either no risk or nominal risk while doing the investment.
- There is a situation of investment fall by 14% then most of the respondents are neither conservative nor aggressive.
- Most of the respondents are agree to take limited losses in expectation of higher returns.
- Most of the respondents are agree to give their opinion in the favour of experiencing the ups and downs of the market.
- Majority of the respondents are agreeing with their main concern is safety.
- Most of the respondents are in favors of they are very much concern with security related to future income.
- This study shows most of the respondents either go for conservative risk profile or balanced risk profile.
- This study helps in describing the risk profile of investors.
- Majority of the respondents does have not much knowledge about derivatives.
- Most of the respondents agree that the academic knowledge is very helpful for them while investing somewhere.

4. CONCLUSION

From this Study we can conclude that if there are any new investors who want to invest in stock market we can suggest them to invest in Mutual funds, if they want Returns constantly, and are willing to bear risk, we can suggest them to invest into Equity Shares, as they can provide more returns. Moreover, they have to study the company financial statements before investing. In India, most of the people do not have much knowledge about Derivatives and its investment pattern. So Stock Brokers have to create awareness about Derivatives so that the investors can make long term returns. Many investors are preferred different securities for investing at regular intervals for better Returns in short term. Most of the youngsters are showing interest towards investment in Stock Market.

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