

# A Study on Investor's Attitude towards Investment in Equity Stocks with Reference to Visakhapatnam District (Andhra Pradesh)

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**Abstract:-**Today the field of investment is even more dynamic than it was a decade ago. World events are rapidly growing that alter the values of specific assets. The investors have many assets to choose from, and the amount of information available to the investors is staggering and continually growing. The key to a successful financial plan is to keep apart a larger amount of savings and invest it intelligently. These investments are not totally safe from risks, so one should try to understand what kind of risks are related to them before taking action. To understand the characteristics of each one of the different types of investment Investors must have enough financial knowledge. The study examines that the level of importance assumed by the investors on various investment objectives based on the demographic variables and selective factors . Research has been done in the selected areas of Visakhapatnam District (A.P.) with the help of primary data collected using a structured questionnaire by adopting five point likert scale and analyzed by using percentage method, Chi- Square test, weighted average ranking method. Primary data is collected from 200 respondents by using convenience sampling method and reviewed the related research papers for conceptual understanding.

**Keywords:** Investors, Investment, Influencing factors

## I. INTRODUCTION

In order to overcome the problems in future, People have to invest their money. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Savings are invested in assets depending on person's knowledge of different investment options, risk taking ability and demand of return. Savings form an important part of the economy of any nation, with the savings invested in various options available to the people, the money acts as the driver for the growth of the country. In India, generally all capital market investment avenues are perceived to be risky by the investors. But the younger generation investors are willing to invest in capital market instruments and that too very highly in equities segment. Even though the knowledge to the investors in the equity segment is not adequate, they tend to take decisions with the help of the brokers or through their friends and were trying to invest in this market.

The investor plays an important role in the stock market because of their big share of savings in the country corporate world achieves predetermined growth and overall development in terms of growth in GDP, employment etc are closely associated with investors attitude, perceptions regarding investment.

The investment decision process is closely associated with behavioral science. Hence this paper aims is to identify the key factors which motivate investors to invest in equity markets.

## II. REVIEW OF LITERATURE

A number of attempts have been made by researchers to identify the types of information that investors need to choose a definite share. These studies have empirically identified the influential factors in choosing different stocks by surveying the behavior of individual investors. Potter (1971) and Baker and Haslem (1974) observed several profitability variables such as dividends, rapid growth and quick profits beside other variables such as investment for saving purposes and long-term growth were empirically identified as effective factors on the attitudes of individual investors in making investment decisions. Peter (1970) carried out a study to identify those factors which motivate or guide the investment decisions of the small stock investors. The study identified factors such as income from dividends, rapid growth, purposeful investment as a protective outlet of savings and Professional investment management. In a study, Naser et al. (2003) found that individual investors classify the annual report as the second most important source of information and institutional investor's rank annual reports as the main source of information. Shanmugam (1990) studied a group of 90 investors to examine the factors affecting investment decision. The study focused its analysis on the investment objective and the extent of awareness on factors affecting investment decision. The study found that the Indian investors were high risk takers. The investors possessed adequate knowledge of government regulations, monetary and fiscal policy. Krishnan and Booker (2002) analysed the influencing factors on decisions of those investors who use analyst's

recommendations to arrive at a short-term decision for holding or selling a definite stock. Bennet and Selvam (2011) found out that SPERTEL risks had influenced the value of equity shares in the market. The market factors had influenced the stock selection decision of small investors in India. Bennet et al. (2011) carried out a study and found that most of the investors expect the stock prices to go up to a degree greater than most of their investments. If the market has gone down, they think it would rebound. If the market is up, they think it would go further. In either case, they make investment decision on account of the assumption that the stock market would give better returns.

The literature on investor's sentiment is still in its infancy, and much remains to be discovered and learnt. There is no comprehensive study in India and particularly in Visakhapatnam, focusing on market specific factors that influence investor's sentiment. Hence this study, with the primary objective of analysing data on investors attitudes and perceptions about investment decisions and to identify the market specific factors that influence investors stock selection decisions.

### III.STATEMENT OF THE PROBLEM

Savings (or) Investments are acknowledged as powerful tools in the alleviation of poverty. Investing even a small amount can produce considerable rewards over the long-term. But there will be confusion among the people for the selection of best investment avenues and this is the major problem of the investors. While investing money, the investors are having a lack of awareness of investment alternatives. When they take investment decisions they have to pay more attention to safety, liquidity, returns, risks, tax benefits and so on in addition to the investments option. The above factors will confuse the investors while investing the money. He should exercise his skill, knowledge and experience in choosing the investment opportunity. In this context, the present study becomes highly essential.

#### Scope of the study

The study is confined to the factors considered by the investors while making their investment. Their level of awareness about the various aspects of investment avenues available in the study area is considered.

#### Need for the Study

Indian economy is growing significantly. It has various investment options. The study has been undertaken to analyze the preferred investment avenues as well as the factors affecting on investment. Against this back drop of the research, the researcher tries to find out the investment preference of the respondents of Visakhapatnam District.

#### Objectives of the Study

- To analyze the investors preference towards various investment avenues in Visakhapatnam District.
- To analyze the factors influencing investment decision

#### Sampling Design

The validity of research depends on the systematic method of data collection and analysis. The study is based on the data collected from investors in Visakhapatnam Districts. The investors are selected by convenient sampling technique. Accordingly the researcher has selected 200 investors in the study area.

#### Hypotheses

The following hypotheses have been framed for the study:

- There is no association between gender of the investors and their preference of investments.
- There is no association between the occupation of the investor and the percentage of investments.
- There is no association between the age of the investor and the preference of investments.

#### Statistical Tools

The data collected is compiled and described using tables and percentages. The data is analyzed using statistical tools such as Chi-square test and Weighted Average Ranking Method.

#### Period of the study

The data are collected for a period of one year (i.e.) from January 2015 to December 2016. The data collected are the opinion of investors and their expectations are also analyzed.

#### Area of the operation

The study is based on the data collected from investors in Visakhapatnam district.

#### Limitations of The Study

1. The Study is limited to only 200 investors.
2. This Study used only some factors to analyze the factors effecting investment behavior of Individual investor.
3. The survey is conducted only in one city.
4. The study has also the limitation of time, place and resources

## IV. ANALYSIS

Table 1: Responses Regarding Sex

Gender	No. of Respondants	percentage
MALE	165	82.5
FEMALE	35	17.5
TOTAL	200	100

Source: primary data

From the above table, It is understood that out of 200 respondents 82.5 percentages are of male investors and the remaining 17.5 percentages of female investors. Above table indicates that most of the respondents are Male investors.

Table 2: Responses Regarding Educational Qualification

Qualification	No .of Respondants	percentage
Under graduation	8	4
Graduation	123	61.5
Post Graduation	69	34.5
Total	200	100

Source: primary data

From the above table, It is understood that out of 200 respondents 61.5 percentages investors are having graduation, 34.5 percentage investors are post graduates and the remaining 4 percentages are under graduates investors. Above table indicates that most of the investors educational qualification is graduation.

Table 3: Responses Regarding Reason for investment

Reason	No. of Respondants	Percentage
Wealth	116	58
Future Family protection	67	33.5
Generate second source of income	17	8.5
Total	200	100

Source: primary data

From the above table, It is clear that that out of 200 respondents 58 percentages of investors are investing to create wealth, 33.5 percentage investors are investing for their family protection in future and the remaining 8.5 percentages of investors are make investments as a second source of income. Above table indicates that most of the investors are investing to create wealth from their investments.

*Testing of Hypothesis - I*

- “ There is no association between gender of the investors and their preference of investments”.

To test the above hypothesis the researcher has used the ‘chi square test’.

OBSERVED FREQUENCY

		Preferred Investment						
		Bullion Market	Government securities	ITES	Primary Market	Stock	Real Estate	Total
Gender	Male	21	13	18	16	42	15	125
	Female	11	17	11	12	15	9	75
Total		32	30	29	28	57	24	200

Source: primary data

CHI – SQUARE TEST

O	E	O-E	(O-E)2	(O-E)2/E
21	20	1	1	0.05
13	18.75	-5.75	33.0625	1.763333
18	18.125	-0.125	0.015625	0.000862
16	17.5	-1.5	2.25	0.128571
42	35.625	6.375	40.64063	1.140789
15	15	0	0	0
11	12	-1	1	0.083333
17	11.25	5.75	33.0625	2.938889
11	10.875	0.125	0.015625	0.001437
12	10.5	1.5	2.25	0.214286
15	21.375	-6.375	40.64063	1.901316
9	9	0	0	0
TOTAL				8.222817

*Degrees of Freedom*

$V = (r-1) (c-1)$

$V = (2-1) (6-1)$

$V = 5$

5 degrees of freedom 5% level of significance is 11.070

The calculate value(8.22) is less than the table value. So hypothesis is Accepted

*Conclusion*

Hence, it can be concluded that there is no association between gender of the investors and their preference of investment

*Testing of Hypothesis – II*

- “There is no association between the occupation of the investor and the percentage of investments”.

To test the above hypothesis the researcher has used the ‘chi square test’.

OBSERVED FREQUENCY

		Preferred Sector					Total
		IT	ITES	Pharmaceuticals	Manufacturing	Shipping & Logistics	
Age Group	< 20 years	12	11	8	6	9	46
	20-40 years	11	10	11	9	7	48
	40-60 years	13	11	8	5	8	45
	> 60 years	14	12	12	12	11	61
	Total	50	44	39	32	35	200

Source: primary data

CHI – SQUARE TEST

O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
12	11.5	0.5	0.25	0.021739
11	10.12	0.88	0.7744	0.076522
8	8.97	-0.97	0.9409	0.104894
6	7.36	-1.36	1.8496	0.251304
9	8.05	0.95	0.9025	0.112112
11	12	-1	1	0.083333
10	10.56	-0.56	0.3136	0.029697
11	9.36	1.64	2.6896	0.28735
9	7.68	1.32	1.7424	0.226875
7	8.4	-1.4	1.96	0.233333
13	11.25	1.75	3.0625	0.272222
11	9.9	1.1	1.21	0.122222
8	8.775	-0.775	0.600625	0.068447
5	7.2	-2.2	4.84	0.672222
8	7.875	0.125	0.015625	0.001984
14	15.25	-1.25	1.5625	0.102459
12	13.42	-1.42	2.0164	0.150253
12	11.895	0.105	0.011025	0.000927

12	9.76	2.24	5.0176	0.514098
11	10.675	0.325	0.105625	0.009895
TOTAL				3.34189

Degrees of Freedom

$V = (r-1) (c-1)$

$V = (4-1) (5-1)$

$V = 12$

12 degrees of freedom 5% level of significance is 21.026

The calculate value(3.341) is less than the table value. So hypothesis is Accepted

Conclusion

Hence, it is concluded that there is no association between the age of the investor and the preference of investment.

Testing of Hypothesis – III

“There is no association between the age of the investor and the preference of investments”.

To test the above hypothesis the researcher has used the ‘chi square test’.

OBSERVED FREQUENCY

		Percentage of Investment					Total
		< 50,000	50,000 - 1,00,000	1,00,000 - 1,50,000	1,50,000 - 2,00,000	2,00,000 - 2,50,000	
Occupation	Business	7 (15.5%)	12 (26%)	13 (28.5%)	2 (4%)	12 (26%)	46
	House wives	8 (27.5%)	4 (14%)	2 (7%)	7 (24%)	8 (27.5%)	29
	Professional	11 (30%)	8 (21.5%)	6 (16%)	4 (11%)	8 (21.5%)	37
	Retired persons	9 (23.5%)	6 (15%)	9 (23.5%)	11 (28%)	4 (10%)	39
	Salaried	4 (8%)	27 (55%)	8 (16.5%)	4 (8%)	6 (12.5%)	49
	Total	39 (19.5%)	57 (28.5%)	38 (19%)	28 (14%)	38 (19%)	200

Source: primary data, percentages are rounded off

CHI – SQUARE TEST

O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
7	8.97	-1.97	3.8809	0.432653
12	13.11	-1.11	1.2321	0.093982
13	8.74	4.26	18.1476	2.076384
2	6.44	-4.44	19.7136	3.061118
12	8.74	3.26	10.6276	1.215973
8	5.655	2.345	5.499025	0.972418
4	8.265	-4.265	18.19023	2.200874
2	5.51	-3.51	12.3201	2.235953
7	4.06	2.94	8.6436	2.128966
8	5.51	2.49	6.2001	1.125245
11	7.215	3.785	14.32623	1.985617
8	10.545	-2.545	6.477025	0.614227
6	7.03	-1.03	1.0609	0.15091
4	5.18	-1.18	1.3924	0.268803
8	7.03	0.97	0.9409	0.133841
9	7.605	1.395	1.946025	0.255888
6	11.115	-5.115	26.16323	2.353866
9	7.41	1.59	2.5281	0.341174
11	7.41	3.59	12.8881	1.739285
4	7.41	-3.41	11.6281	1.569244
4	9.555	-5.555	30.85803	3.229516
27	13.965	13.035	169.9112	12.16693
8	9.31	-1.31	1.7161	0.184329
4	6.86	-2.86	8.1796	1.192362
6	9.31	-3.31	10.9561	1.17681
TOTAL				42.90637

Degrees of Freedom

$$V = (r-1)(c-1)$$

$$V = (5-1)(5-1)$$

$$V = 16$$

16 degrees of freedom 5% level of significance is 26.269

The calculate value(42.906) is more than the table value. So hypothesis is rejected

Conclusion

Hence, there is an association between the occupation of the investor and the percentage of investment. It is seen from the table that Businesses are making larger investment, where as Professionals and Salaried persons are making lower investments.

V. FACTORS INFLUENCING THE INVESTMENT DECISION

The following Table highlights the factors.

Table-4

S.No	Factors	WAM	RANKING
1	What the Company Does.	52.933	1
2	Is the Company Profitable?	49.867	2
3	History and Outlook of the Company's Earnings.	49.667	3
4	How Richly the Company's Stock is Valued	47.533	11
5	The Company's Competitors	46.333	14
6	Who Runs the Company.	46.000	17
7	How Clean the Company's Balance Sheet is.	48.667	8
8	Company's 10-Q Annual Reports.	49.467	5
9	Any Red Flags/ Company's Integrity.	46.200	15
10	Is the Company's Competitive Position Sustainable?	48.733	7
11	Is the CEO clean, credible and reliable with proven credentials?	46.067	16
12	What the business model of the company is.	49.533	4
13	Does the company enjoy the competitive advantage over the other players?	44.000	19
14	Revenue/ profit patterns of the company.	47.600	10
15	Profit margins of the company.	47.333	12
16	Debt-to-Equity Ratio.	47.267	13
17	Price to Earnings Ratio.	49.200	6
18	Risk factors involved in the nature of business.	47.733	9
19	Dividend history of the company.	45.600	18
20	Customer/ Client reviews about the company.	42.933	20
21	Values and philosophy of the company.	42.067	21
22	Vision and Mission of the company.	38.667	22

Source: Computed data

The average value of the top five highly influential factors, according to the investors, were What the Company Does

with a Weighted mean value of 52.93, Company Profitable with a Weighted mean value of 49.86, History and Outlook of the Company's Earnings with a Weighted mean value of 49.66 and business model of the company with Weighted mean value of 49.53 and so on. According to investors, there were four factors with the lowest priority or which had low influence on the Stock Selection Decision. These are Vision and Mission of the company (38.22), Values and philosophy of the company (42.06), Customer/ Client reviews about the company (42.93) and company's competitive advantage over other company's (44.00).

#### VI. CONCLUSION

Indian stock market is considered to be highly volatile, sensitive and reactive to unanticipated shocks and news and it takes no time to impact the market activities. However at the same time, Indian stock market is resilient and recovers soon after shocks. From this research study it is found that majority of the investors in Visakhapatnam took into consideration all the 22 factors before selecting the stocks to invest. The average value of the top five highly influential factors, according to the investors, were What the Company Does, followed by Company Profitable, followed by History and Outlook of the Company's Earnings, followed by business model of the company. According to investors, there were

four factors with the lowest priority or which had low influence on the Stock Selection Decision. These are Vision and Mission of the company, Values and philosophy of the company, Customer/ Client reviews about the company and company's competitive advantage over other company.

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