

A Study On Individual Investor Investment Pattern Of The Retail Equity Investors In Chennai District

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ABSTRACT

The investors felt very much the effect of introduction of New Economic Policy, 1991. In this situation greater investment opposition and also inexpensive change in perception are the greater challenges to the investors. These changes are due to many factors. The primary objective of this study is to create good speculation and awareness for the country. Demographic factors such as Age, Income, Family hold, Occupation, Family circumstances, Employment Status and Investment conditions such as Choice of Portfolio, Risk Bearing Capacity, and Sources of Information also play a vital role in determining investments. By analyzing these demographic and environmental factors, the study gives an idea how to create investor awareness.

Keywords: Portfolio, household, risk bearing

1. INTRODUCTION

Now a day's Investment refers to the service of funds to assets with the aim of achieving extra income or growth in rate. Today investors have various beautiful avenues of savings with different features matching their needs, but usually the art of savings is to see that the return is maximized with lowest amount of risk which is expected in all investments. The funds owed by the Indian investors to different investment avenues depend to a large extent on the different investment objectives perceived by them. Investors differ in their model of objectives for investment. The learn examines that the level of significance implicit by the retail equity investors on different investment objectives based on the socio financially possible variables and selective investment profile factors viz., like liquidity, quick gain, capital approval, safety and dividends on different classes of investors based on house, age, sex, marital status, educational background, size of family, members of family, market experience, Monthly family income, type of investor, group of investor, kind of market operation and etc.,.

2. OBJECTIVES OF THE STUDY

- To examine the association between investment size and investor characteristics.
- To segment investors on the basis of the risk character of assets held by them

3. LIMITATIONS OF THE STUDY

These research papers aimed during the data have in use from prime sources, so findings are accurate to the extent of verification of the data. The study was conducted the retail equity

investors in Chennai District of Tamilnadu State only, based on the hypothesis, researchers are associate the same psychology in other parts of India.

4. HYPOTHESES OF THE STUDY

- Hyp 1: Investment objectives of association between investment size and investor characteristics
- Hyp 2: There is significant relation between objectives the basis of selected life style

RESEARCH METHODOLOGY

The design for the considered study aims at exploring the investors' investment objectives connected to making investment based on their needs and tastes. The data collected from through questionnaire method. This study was collected from 600 investors in Chennai District, Tamilnadu. The primary data collected from various respondents like retail equity investors, stock market dealers, sub-brokers, authoritative people from different areas of Tiruchirappalli District, The investment objectives of the retail equity investors have been identified with the help of statistical tools

ANALYSIS AND INTERPRETATION

The researcher examines the investment pattern of the Tamilnadu retail equity investors in general and investment preferences, risk-return perceptions and investment objectives of the retail equity investors based on the socio economic variables and selective investment profile factors viz., 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

AGE OF THE INVESTORS

An investment segment frequently goes with age. Age factor distinguishes the investor behavior. Many investment options have carved out a place in the equity shares by focusing on a specific age segment. The age of investors acting a fundamental role to identify the investment behavior. It is measured as a valuable demographic variable to segment the investors based on their observation of the investment pattern. The respondents have been divided into four groups, namely, less than 25, 25-35, 35-45 and 45-55. Table 4.1 shows the age of frequency allocation of the sample investors.

AGE OF THE INVESTORS

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	25 -35	105	17.5	17.5	17.5
	35 – 45	200	33.3	33.3	50.8
	45- 55	166	27.7	27.7	78.5
	55- 65	129	21.5	21.5	100.0
	Total	600	100.0	100.0	

TABLE NO 1

It is found that only 105 investors belong to the age group of 25-35 years. Hence it can be inferred that the younger generation do not think of savings and investments in their early phase of employment or business. Investors in the age group of 35-45 are 200 in number constituting 33.3%. Similarly investors in the age group of 45 to 55 having 166. An interesting finding is that 21.5% of investors are above the age of 55- 65.

GENDER OF THE INVESTORS

Gender is a helpful variable for the equity shares investment because it seems to return the attitudes, options and prudential motives of the investors. Gender is a significant factor to classify the behavior of the investors. In general, most of the investors in the equity shares are males. Females are not much showing to the success of retail investment and their consequences. Table – 2 shows the allocation of male and female investors

GENDERS OF THE INVESTORS

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	Male	567	94.5	94.5	94.5
	Female	33	5.5	5.5	100.0
	Total	600	100.0	100.0	

Source: Primary data

TABLE NO 2

The table shows that 567 of the respondents are men and the rest are women. Generally men bear the financial accountability in our society and therefore they take most of the investment decisions at home to fulfill the financial obligations.

EDUCATION OF THE INVESTORS

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	School level	132	22.0	22.0	22.0
	UG level	170	28.3	28.3	50.3
	PG level	145	24.2	24.2	74.5
	Professional	153	25.5	25.5	100.0
	Total	600	100.0	100.0	

TABLE NO 3

Among the respondents, 132 respondents (22%) are investors with a High School or Matriculation diploma, whereas the majority of the investors are graduates having the maximum number of representation (28%) followed by Post graduates and Professionals constituting 24.2% and 25.5% respectively.

INCOMES OF THE INVESTORS

Income has long been an important variable for unique investment segments. It is known that wealthy investors are much enthusiastic in investment and need improved returns. The respondents are divided into four income groups according to their yearly income. Income is the most significant factor for all the investors to allocate divide amount for the investment, which will be used for their potential purpose. Table -4 clearly shows the income of the respondents.

INCOME OF THE INVESTORS

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	Joint	290	48.3	48.3	48.3
	Nuclear	310	51.7	51.7	100.0
	Total	600	100.0	100.0	

TABLE NO 4

It is found from the table that 29.3% investors belong to the income groups of Rs. 1 - 2 lakhs and 16.8 % investors have the income less then Rs. 1 lakhs, 34.8 % are in the income of groups of Rs. 2 - 3 lakhs. The investors below 1.lakhs income do not show more interest on investments in equity shares.

NATURE OF FAMILY OF THE INVESTORS

Nature of family is an important factor affecting the regular investment pattern. Family nature is considered as one of the burdens affecting the investment behavior of investors. Family members of investors are classified into two groups as shown in the table - 5 From the above table, it is clear that the investors in the joint family are not much enthusiastic in investment in the equity shares and the investors of nuclear family are able to invest more amount of their income in equity shares.

Table – 5

NATURE OF THE FAMILY

From the above table, it is clear that the investors in the joint family are not much enthusiastic in investment in the equity shares and the investors of nuclear family are able to invest more amount of their income in equity shares

NUMBER OF DEPENDENTS OF THE INVESTORS

The number of dependents is playing a significant role in deciding the investment amount of the investors and it is presented

NUMBER OF DEPENDENTS OF THE INVESTORS

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	no dependents	87	14.5	14.5	14.5
	1 dependents	155	25.8	25.8	40.3
	2 dependents	151	25.2	25.2	65.5
	3 dependents	99	16.5	16.5	82.0
	4 dependents	70	11.7	11.7	93.7
	more than 4 dependents	38	6.3	6.3	100.0
	Total	600	100.0	100.0	

TABLE NO 5

When the number of dependents is more in the family, their investment behavior pattern also changes significantly. The number of dependents and investment are inversely comparative to each other. While the number of dependents is more in the family, they do not have ample money for investment in these present economic circumstances.

HOUSE OWNERSHIP OF THE INVESTORS

Own house and rented house investors behave in a different manner during their investment proceedings. Borrowed house exploits their income and hampers them from investment.

HOUSE OWNERSHIP OF THE INVESTORS

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	Own	382	63.7	63.7	63.7
	Rented	218	36.3	36.3	100.0
	Total	600	100.0	100.0	

TABLE NO 6

It is incidental from the table that most of the investors in equity shares have their own house. If they have their own houses, they deflect their income in the form of investment in equity shares. It is also found that 63.7% of the investors have their own houses and 36.3% are in rented house.

TYPE OF INVESTORS

There are two types of investors in share market of India. The hereditary investors develop the investment habit as their character and some investors are induced by the liberalization and transparency of share market investment. The following Frequency Distribution Table 8 reveals the response of investors about their type towards share market investment

TYPE OF INVESTORS

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	New Generation	344	57.3	57.3	57.3
	Hereditary	256	42.7	42.7	100.0
	Total	600	100.0	100.0	

TABLE NO 7

From the above table it is found that 57.3% of the respondents in Chennai are new generation investors who know about the risk and return in equities, whereas, 42.7% of them are hereditary investors. This implies that maximum number of investors is new generation and induced by policies of liberalization and transparency in Indian capital market.

CATEGORY OF INVESTORS

The investors differ in their category based on their long term investment pattern and daily trading approach in Indian share market. The following frequency distribution Table 8 presents two different categories of investors.

CATEGORY OF INVESTORS

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
VALID	Both	156	26.0	26.0	26.0
	Daily Traders	272	45.3	45.3	71.3
	Long term	172	28.7	28.7	100.0
	Total	600	100.0	100.0	

TABLE NO 8

From the above table it is set up that 26% of the respondents establish themselves as both long term investors and daily traders and 45.3% of them operate equity investment daily. It is also found that 28.7% of the investors have the habit of long term investment in equities. From the above analysis it is inferred that maximum number of respondents are interested towards long term investment and daily trading of shares.

PREFERENCE OF INVESTMENTS AND THEIR RANKS WITH REGARD TO EQUITY INVESTMENT

The ranking method helps the researcher to identify which investment avenues are most preferred. Table 10 presents the mean, standard deviation and their respective rankings based on the mean

MEAN AND STANDARD DEVIATION FOR PREFERENCE OF INVESTMENTS AND THEIR RANKS

	SHARE	FIXED DEPOSITS	REAL-ESTATE	MUTUAL FUNDS	GOVERNMENT BONDS
Valid	600	600	600	600	600
Rank	1	5	3	4	2
Mean	2.9917	2.9700	3.0150	2.9800	3.1450
Std. Error of Mean	.05111	.05036	.05084	.05004	.05093
Median	3.0000	3.0000	3.0000	3.0000	3.0000
Std. Deviation	1.25202	1.23355	1.24527	1.22560	1.24763

TABLE NO 9

It is inferred from the above table that the mean is found according to the ranks assigned to the variables by the investors. The most preferred investments are well established and the investors strongly agree that the investment in capital market alone gives more returns with minimum market risk. So they prefer share market as rank 1 followed by share, government bonds, real estate, and fixed deposits in order. The first preference is due to appreciable returns besides the maximum risk.

ONE WAY ANALYSIS OF VARIANCE AMONG ACADEMIC QUALIFICATION WITH REGARD TO INVESTMENT BEHAVIOR

		SUM OF SQUARES	DF	MEAN SQUARE	F	SIG.
Hear behavior	Between Groups	2.133	3	.711	1.426	.234
	Within Groups	297.265	596	.499		
	Total	299.398	599			
Preference of short team	Between Groups	3.306	3	1.102	2.192	.088
	Within Groups	299.652	596	.503		
	Total	302.958	599			
Risk tolerance	Between Groups	3.568	3	1.189	2.681	.046
	Within Groups	264.372	596	.444		
	Total	267.940	599			
Perception	Between Groups	1.650	3	.550	2.268	.080
	Within Groups	144.510	596	.242		
	Total	146.160	599			
Investors awareness	Between Groups	.844	3	.281	.663	.575
	Within Groups	252.954	596	.424		
	Total	253.798	599			

G1 = Self Employed G2 = Employed in Government G3 = Employed in private G4 = Retired
Table 11 reveals the following results on the basis of the F Test

TABLE NO 10

The herd behaviour varies significantly among the respondents belonging to different academic qualifications. The mean scores of the different groups as specified above signify a significant

difference among the group. Her instincts based on the mean scores are highest for G2 for graduates and lowest for Professionals.

The preference for short term gain varies significantly among the respondents belonging to different academic qualifications. The mean score is the highest for respondents belonging to the group G1 - High School qualifications. The table 5.29 reveals a significant difference among the respondents with respect to the level of risk tolerance.

The F Test above reveals that there is significant difference among respondents with respect to perception of capital market as indicated by the mean scores for the different groups. The perception of the respondents with respect to corporate governance does not vary significantly among the different academic levels of the respondents. The level of investor awareness does not vary significantly among the respondents belonging to different educational levels

RATE OF RETURN

The investors expect different percentage of investment as their returns with safety and security. Both the new companies and the existing ones can raise capital on the new issue market. The prime function of the new issue market is to facilitate the transfer of funds from the willing investors to the entrepreneurs setting up new corporate enterprises or going in for expansion, diversification, growth or modernization. Besides, helping corporate enterprises in securing their funds, the new issue market channelizes the savings of individuals and others into investment. In this study four classification have been considered namely below 12%, 12-24%, 24-36%, and 36% and above as the returns.

FREQUENCY DISTRIBUTION OF PERCENTAGE OF EXPECTED RETURN

		FREQUENCY	PERCENT	VALID PERCENT	CUMULATIVE PERCENT
Valid	Less than 12%	99	16.5	16.5	16.5
	12%- 24%	165	27.5	27.5	44.0
	24%-36%	202	33.7	33.7	77.7
	36% and above	134	22.3	22.3	100.0
	Total	600	100.0	100.0	

TABLE NO 10

From the above table 12 it is ascertained that a maximum of 16.50% of the investors expect to get return below 12% of their investments followed by 22.30% of the investors prefer to invest 36% and above of their investments, 27.50% of the investors prefer only 24 – 36% of their investments to be returned only 33.7% of the investors prefer to invest between 12 to 24% of their investments as returns. So the percentage analysis revealed that most of the investors expect below 25% of their total investment from equities market.

5. SUMMARY

In this study investment pattern, preferences, risk-return perceptions and investment objectives of the retail equity investors have been identified.

6. CONCLUSION

Indian retail investment in share market has now grown-up into a great material market with a lot of qualitative inputs and weight on investors' protections and confession norms laid down. The market has become computerized, visible and self-driven. It has incorporated with global markets with Indian companies looking for listing on foreign stock exchange, off shore investments coming to India and foreign mutual funds floating their schemes and thus bringing expertise in to our markets. India has achieved the dissimilarity of possessing the largest population of investors next to the U.K. possibly ours is the country to have the largest number of listed companies with around 19 Regional Stock Exchanges and National Stock Exchanges most of them automated. India now has world class regulatory system in place. Thus at the dawn of the new millennium, stock market increased the wealth of Indian companies and investors. No doubt physically powerful economic recovery, upturn in demand, improved market structure, etc.

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