AN EMPIRICAL STUDY INTO INVESTORS' PREFERENCE TOWARDS INVESTMENT IN STOCK MARKET

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ABSTRACT

Investments constitute the life blood for any economy. They represent an important chain in the prosperity cycle. There are ample investment options available for investors in India. Some of them are driven by tax savings like Tax Saving bonds, LIC etc and some of them low risk and others are high risk and high return investments. The Capital Market investments are generally considered as 'high risk' while promising high returns. The Capital Markets are considered as the economic barometer of the country. They match the forces of demand and supply of funds and they will channelize the savings and investments into the nation's financial system in this process. In simple words, Capital Markets facilitate buying and selling of debt as well as equity instruments, both in the primary as well as secondary markets. The investors perceive the investment in stock market as risky as compared to that in traditional investment avenues. This is due to lack of adequate knowledge about the capital market behavior. Most of the investors park their investible funds in stock market on the basis of suggestions given by friends, relatives, and brokers who may not have adequate knowledge of stock market behavior and end up in financial losses. Nowadays especially after and during corona, many youth have started focusing on investment in stock market. During this period, many new ***de mat*** *accounts got opened across India. However, we need to keep in mind the various factors that will influence the size, direction, and sectors of the investments that ultimately find a place in a nation's Stock Market.*

Key Words: *Investors Awareness, Investor Preference, Capital Market Instrument, Equity, Mutual Funds, Corporate Bonds.*

PART-I: INTRODUCTION

During the last decade, the Indian economy has grown at a breakneck pace, with the corporate sector playing a key role in this development. During this time, India has experienced a substantial infusion of foreign investment as well as the establishment of Indian multinationals on the global corporate arena. During the current decade, the Capital Market and its expansion have played a significant role in boosting corporate sector growth. With the expansion of the Capital Market, certain Indian corporations now have market capitalizations that place them among the top companies in the world. The minimal engagement of retail investors in the corporate economy, on the other hand, remains a source of concern. The overall number of retail investors in India has been estimated to be less than one percentage of the total population.

In India households are rapidly shifting their investments to risk-free, low-yielding fixed-return instruments or non-financial assets. Households' lack of understanding of financial concepts and products has a direct impact on their use of the financial markets. Both the individuals' capacity to fulfill their financial goals and the efficient distribution of household savings are influenced by financial literacy. Investors frequently rely on guesswork or seek advice from friends and family, which are generally poor approximations when compared to the results of scientific investigation. They are more likely to make poor decisions, contribute insufficiently, start saving late, avoid contemporary finance, or fall victim to fraud or misselling. The outcomes will be terrible if they receive faulty guidance, and they will lose faith in the system. Most investors have allowed others to destroy their wealth in the past. 2 In the financial market, small investors have long played an important role. However, there is a growing demand for them to play a larger role. Less than 1% of our population invests directly in the stock market, with the remaining **2–3%** investing through mutual funds. Worse, less than 2% of household savings are invested in the stock market. Every earner has the potential to save, savers have the potential to invest, and investors should be financially knowledgeable. Wealth creation for the investor would remain a faraway dream unless the common person becomes a wiser investor and is safeguarded against wrongdoings. A nation of savers must be transformed into a nation of investors. Individuals must be empowered in order to make well-informed judgments. It is a public good to educate people about money. The government, regulators, and financial services industry must work together to increase financial literacy and give factual information in easy-to-understand formats.

PART-II: REVIEW OF LIT ERATURE

- Awais M **(2016)** conducted a research to know the factors which influence the investors decision making process and found that high knowledge about financial information and its analysis improves the investors risk taking capacity
- Sangeeta Jauhari **(2015**) identified that investor's pattern of investment mainly depends on the age, educational level and source of income and investment alternatives available in the stock market.
- Muhammad Sadiq **(2019)** Research has been conducted to know the impact of corporate governance and investor confidence on the corporate investment decisions and identified that there is a significant impact of investor confidence on corporate investment decisions in both countries and also the investment level is higher in the firms with good corporate governance practices.
- N.S.V.N Raju **(2016)** conducted a study to identify the factors influencing investors attitude towards investment and found that top five highly influential factors according to the investors' were what the company does ,valuation of the company's Stock , company's annual reports , Price to earnings ratio, Is the company profitable.
- U. Raghavendra Prasad **(2016)** indentified that investors are bullish in nature. Rate of return, capital appreciation and safety of investment are the major motives for investment.
- D. Harikanth and B. Pragathi **(2013)** found that Risks taking capacity and educational

qualification of investors are the factors which affect the selection of investments.

- Mittal M and Vyas **(2008)** found that factors like income, marital status and education has an effect on individual's investment decisions.

- N. Piyatrapoomi **(2004)** Political, social, environmental and economic factors are included in decision-making frameworks but incomplete information of these factors become risk and uncertainty in decision making.
- M. Jaya **(2017)** found that return on investment, tax benefits and liquidity are the major reasons for the investment in stock markets. To avoid risk investors are adopted a strategy by not investing in the risk area and followed portfolio investment.
- Gnani Dharmaja **(2012)** found that financial literacy, investor's financial tolerance and accounting information are influencing the investor's behavior.
- Bhardwaj **(2003)** has stated the literature on globalization; He found the pervasiveness of the west's perception of the world affect on Indian investors that affects the trends in investor's choice. They are hugely affected by the west's views and so changes in Indian trends occur.
- Singh **(2006)** analyzed that investment decisions making done by the majority of investor based on the recommendation done by the professionals and financial advisors.
- Muttapan **(2006)** concluded that the factors influencing to invest in mutual fund are tax exemption.
- Sujit and Amrit **(1996)** stated that the main factor influenced the salaried and business class group to invest in mutual fund were tax benefit.
- Sarita **(2011),** found that the irrespective of educational qualification, job, age, income level investor would like to protect their future by taking an insurance policy
- Ashok Kumar **(2014),** suggested that majority of investors preferred to invest in Fixed deposit with banks followed by gold, units of UTI, fixed deposit of non-government companies, mutual funds, equity shares and debenture for safety and liquidity.

Part –III: RESEARCH METHODOLOGY

The present research paper is based on the qualitative and quantitative research design. Qualitative research is useful to identify the problems, variables and research gap through available literature. On the other hand, quantitative research designs useful to measure the responses through questionnaire, interviews and schedules. In this paper, both qualitative and quantitative research methods are used.

- **Area of the study:** The study confined to Hyderabad and Secunderabad City.
- **Sample size determination:** Under this study, 500 samples are selected through a convenient sampling technique.
- **Research Instrument:** A questionnaire was developed and administered to the select

Respondents in Hyderabad city.

- **Sampling Technique:** Convenient sampling technique chosen as the Respondents have experience in investments in Capital Market i.e., both primary market and equity market.
- **Tools for analysis:** Google form and MS excel are used for data collection and Statistical tools such as tables, percentage and averages are used for interpretation.
- **Data Collection:** Primary data collected through questionnaire by sending in Google forms, Emails and WhatsApp Mode. Few respondents' opinions were recorded in physical questionnaire.

➢ STATEMENT OF THE PROBLEM

When it comes to investing in India, consumers are only given two options: Fixed deposits or gold. According to several surveys, just **2.5** percent of the country's **1.3** billion people are aware of investment possibilities other than the typical fixed deposit or gold, meaning that investment options are only available to those who live in metro areas. This study aims to find out how much people know and understand. This study will help us establish how well-informed a person is about the many investment options available in India, as well as the various factors that influence a person's decision to invest their money. The significance and relevance of this study is that it will reveal how people invest and save money in order to maximize their profits. This study will reveal the factors that people evaluate while making investing decisions. It will also look at those who have only been working for **1-2** Years to see how they feel about investing and what degree of knowledge they have.

➢ Objectives of the Study:

1. To understand the investors' preference towards investment.
2. To identify the factors influencing investment in stock market.
3. To know the level of awareness of various investment avenues.

DATA ANALYSIS

Table-4.1

Classification of Respondents Based on Gender

Gender	Number	Percentages
Male	360	72
Female	140	28
Total	**500**	**100**

Source: Primary Data.

Table-4.2

Classification of Respondents on the Basis of Age

Age	Number	Percentage
Below20years	40	8
21 to 30 years	180	36
31 to 40 years	140	28
41 to 50 years	60	12
50 to 60 years	60	12
Above60 years	20	4
Total	**500**	**100**

Source: Primary Data

Table4.3

Classification of Respondents on the Basis of Occupation

Occupation	Number	Percentage
Business	80	16
Employee	180	36
Professional	90	18
Student	100	20
Retired	50	10
Total	**500**	**100**

Source: Primary Data

Table-4.4

Classification of Respondents on the Basis of Monthly Income

Monthly Income	Number	Percentage
Less than 20000	200	40
20000-40000	140	28
40000-80000	50	10
Greaterthan80000	110	22
Total	**500**	**100**

Source: Primary Data

Table-4.5

Classification of Respondents on the Basis of their Investment in Equity Market

Category	Number	Percentage

Those who invest in Equity Market	300	60
Those who do not invest in Equity Market	200	40
Total	**500**	**100**

Source: Primary Data

Table-4.6

Classification of Respondents on the Basis of various investment Options that they Think to provide best Returns

Investment Options	**Number**	**Percentage**
Equity Shares	210	42
IPO	90	18
Mutual Fund	110	22
Bonds	40	8
Fixed Deposits	30	6
Debentures	20	4
Total	**500**	**100**

Source: Primary Data

Table-4.7

Classification of Respondents on the Basis of factors that motivate them to invest In Equity Market

Factors	**Number**	**Percentage**
Return	300	60
Liquidity	60	12
Safety	10	2
Capital Appreciation	120	24
Hedge Against Inflation	10	2
Total	**500**	**100**

Source: Primary Data

Table-4.8

Classification of Respondents on the Basis of Percentage of Income that they would invest in Equity Market

Percentage of Income	Number	Percentage
Less than 5%	50	10
5 %- 10 %	90	18
10 %- 15 %	110	22
15 %- 20 %	110	22
20 %- 25 %	70	14
More than 25 %	70	14
Total	**500**	**100**

Source: Primary Data

Table-4.9

Classification of Respondents on the Basis of the Strategy of Trading in Equity Market

Trading Strategy	Number	Percentage
Intraday	110	22
Delivery	260	52
Speculation	90	18
Arbitragers	10	2
Hedging	30	6
Total	**500**	**100**

Source: Primary Data

Table-4.10: Classification of Respondents on the Basis of the Time Horizon for Investing in Equity Market

Time Horizon	Number	Percentage
Less than 1month	80	16
1 – 3 months	180	36
3 – 6 months	40	8
6 – 12 months	60	12
More than 12 months	140	28
Total	**500**	**100**

Source: Primary Data

Table-4.11

Classification of Respondents on the Basis of the rate of return expected by them

from Equity Market in a year

Rate of Return	Number	Percentage
5%-10%	20	4
10%-15%	100	20
15%-20%	230	46
20%-25%	70	14
25%-30%	30	6
30%above	50	10
Total	**500**	**100**

Source: Primary Data

Table-4.12

Classification of Respondents on the Basis of their satisfaction with the current performance of the Equity Market in terms of Expected Return

Satisfaction Level	Number	Percentage
Fully Satisfied	120	24
Satisfied	230	46
Neutral	130	26
Unsatisfied	20	4
Total	**500**	**100**

Source: Primary Data

Table-4.13: Classification of Respondents on the Basis of those who influenced them to enter into Equity Market

Influencers	Number	Percentage
Friends	230	46
Relative	30	6
Advisers	70	14
Media	70	14
Research Report	70	14
Magazines	30	6
Total	**500**	**100**

Source: Primary Data

Table-4.14
Classification of Respondents on the Basis of Factors considered most important while selecting the Sectors to Invest

Factors	Number	Percentage
Market Trend	150	30
Profitability	200	40
Economic Condition	80	16
Industry Condition	40	8
Government Policy	30	6
Total	**500**	**100**

Source: Primary Data

Table-4.15
Classification of Ranks given to Various Sectors based on their Preference or Investment (in Numbers)

Sectors	1st	2nd	3rd	4th	5th	Total
Oil and Gas sector	90	70	100	80	160	500
Infra-structure sector	60	190	120	90	40	500
Banking Sector	170	110	140	60	20	500
Automobile Sector	60	150	130	130	30	500
IT Sector	**160**	**150**	**70**	**70**	**50**	**500**

Source: Primary Data

Table-4.15.1
Classification of Respondents on the Basis of Ranks given to various Sectors based on their Preference for Investment (in %)

Sectors	1st	2nd	3rd	4th	5th	Total
Oil and Gas Sector	18	14	20	16	32	100
Infrastructure sector	12	38	24	18	8	100

Banking sector	34	22	28	12	4	100
Automobile sector	12	30	26	26	6	100
IT sector	32	30	14	14	10	100

Source: Primary Data

Table-4.15.2: Rankings of sectors based on Preference

Sector	Rank
IT sector	1st
Banking sector	2nd
Infrastructure sector	3rd
Automobile sector	4th
Oil and Gas Sector	5th

Source: Primary Data

Table-4.16

Classification of Respondents on the Basis of ranks given to various factors that affect their Investment Decision (in Numbers)

Factors	1st	2nd	3rd	4th	5th	Total
Earnings Per Share	130	120	80	80	90	500
Dividend	100	150	110	90	50	500
Market Capitalization	110	160	140	40	50	500
Performance of Company	180	150	80	60	30	500
PE Ratio	80	100	120	100	100	500

Source: Primary Data

Table-4.16.1

Classification of Respondents on the Basis of ranks
Given to various factors that affect their Investment Decision
(In %)

Factors	1st	2nd	3rd	4th	5th	Total

Earnings Per Share	26	24	16	16	18	100
Dividend	20	30	22	18	10	100
Market Capitalization	22	32	28	8	10	100
Performance of Company	36	30	16	12	6	100
PE Ratio	16	20	24	20	20	100

Source: Primary Data

Table-4.16.2

Rankings of Various Factors that affect the Investment Decision

Factors	**Rank**
Earnings Per Share	1st
Dividend	2nd
Market Capitalization	3rd
Performance of Company	4th
PE Ratio	5th

Source: Primary Data

➢ DATA INTREPRETATION

- **72%** of the Respondents of the Survey are Males and **28%** are Females.
- **36%**of the surveyed Participants are from the age group of **21 to 30** Years.
- In respect of occupation, **36%** of the participants are students and around **38%** are Direct Employees of Companies and Service Industries.
- With regards to monthly income of the participants, 40% have monthly income below Rs. 20000, **28%** have income between Rs. 20000 and Rs. 40000.
- **100%** of the participants preferred to invest in Equity Market over Non-equity instruments.
- In respect of preferred investment options, **42%** of the participants preferred to invest in equity shares, **22%** in through mutual funds, and **18%** through IPO.
- Following are the major "***Motivating Factors***" to invest in Equity Markets:
    - ❖ "Returns" for **60%** of the participants.
    - ❖ "Capital Appreciation" for **24%** of the participants.
    - ❖ "Liquidity" for **12%** of the participants.

- In respect of the percentage of income that one would invest in equity market, **44%** Respondents said that they would spend between **10%** and **20%** in equity market and **28%** would do so with more than **20%** of their income is inequity market.
- With regard to trading strategy **52%** preferred to invest on Delivery (Cash) Basis, **22%** through intra-day, and **18%** through speculation.
- Most of the respondents preferred their investment to keep for a short term. 36% of them preferred to keep their time horizon for investment below 1 to 3 months, **16%** for less than one month, and only **28%** of Respondents preferred a time horizon for investment for more than **12** months.
- Most of them expected a return of **15% to 20%** from equity market, 46% of Respondents expected returns of **15%-20%** from Equity Market. **20%** of them expected a return between**10%** and **15%.**
- In respect of "Level of Satisfaction" with the current performance of Equity Market, 46% of the Respondents were "Satisfied" **24%** of the Respondents were "Fully Satisfied" and **26%** were "Neutral".
- With regard to basis of influencers who influence them to enter into the equity market, 46% of the respondents influenced through Friends, 14%influencedthroughMedia, 14% influenced through Advisors, **14%** influenced through Research Reports.
- Regarding the "Most Important Factor for Basing their Decision", while selecting the sectors to invest, **40%** of the respondents considered "Profitability", and 30% on "Market Trends" and 16% on "Economic Conditions".
- In terms of "Sectoral Preference" for investment, most of the respondents preferred IT Sector followed by Banking, Infrastructure, Automobile, and Oil & Gas.
- In respect of "Factors affecting the Investment Decision", the respondents stated, Earnings per Share (EPS) as the first one followed by Dividends, Market Capitalization, Performance of Company and PE Ratio respectively.

➢ **SUGGESTIONS**

- Investors should prefer long-term investment that provides maximum return with minimum risk.
- Portfolio of investment should be selected by the investors prudently.
- Reliable information about the Investment Avenues should be given to the investors frequently.
- In order to improve "Financial Literacy" Webinars, Seminars, and Advertisements should be encouraged for the betterment of society.
- Financial Literacy should be given to all categories of prospective investors without any discrimination.
- Investors should always allocate their investible funds in a diversified manner and should not put their entire funds in one asset.
- 'Investor Protection' should be taken seriously by the Government Authorities.

- Investors should always invest their funds only after a thorough research and subsequent to making consultations with experts.

➢ CONCLUSIONS

According to the Survey, the majority of people participate in the stock market for the high returns and to hedge their risk by investing a large portion of their income in the stock market. Most of these people speculate in the stock market and invest for a period of one to three months. In general, investors that invest for a long time, more than a year for instance, benefit greatly from the equities market. Most investors are encouraged to invest in the stock market by their friends and the media expecting more from the stock market. The majority of investors prefer the IT Sector for their investments because of the market trend, profitability, industry condition, and the state of the economy. Investors also consider Price Earnings (PE) Ratio, Earnings per Share, (EPS) and Dividend as the most important factors while selecting a company within these selected sectors. As a result, majority of the investors are highly optimistic and delighted with the Equity Market.

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