



# Investment Patterns And Perception Of Equity Investors In Kerala: A Study Of Alappuzha District

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## Abstract

This study investigates the investment behavior, perceptions, and socio-economic characteristics of stock market investors in Kerala, with a specific focus on the Alappuzha district. Using both primary and secondary data, the study applies a descriptive and analytical research approach. Primary data were collected through structured questionnaires distributed to 50 respondents, while secondary data were sourced from official platforms such as SEBI, NSE, BSE, and RBI. The findings reveal that the majority of investors are female, aged between 25–50 years, and primarily motivated by the potential for high returns and financial independence. Smartphones and social media dominate as investment tools and information sources. Despite growing interest among young investors, equity market participation remains limited due to challenges such as lack of capital, limited knowledge, and fear of risk. The study highlights the need for improved investor education and policy initiatives to encourage greater retail participation in India's equity markets, particularly in financially literate regions like Kerala.

**Key words** – investment pattern , perception, equity investor

## I. INTRODUCTION

### Introduction

Investment is the process of committing money or capital saved from current consumption with the hope of generating further income or profit. Investments take the form either economic or financial. Purchases of goods to create wealth in the future are investments in economic sense, while in financial terms investment is purchase of an asset or instrument with the hope of growing or appreciating in value when sold at a higher price in the future. The more risk a person takes, the more money he is likely to make, out of the investment. Depending on the investor's expectations, the investment may be genuine investment, speculation, or gambling. A genuine investor is interested in earning a constant return for relatively long period of time. Speculation is a short-term transaction in which investor purchases marketable securities which they don't want to owe for very long. A gamble is a very short-term investment in a game of chance, and the results can be quickly resolved by turning dice, roll or a card (Dhanesh, 2008).

Today, the word "investment" is commonly used and is quite popular among people from all walks of life. The primary objectives of the investment are to produce income which may be in the form of yields or capital growth. Individuals' investment plan depends on their income, need, age, risk tolerance capacity, liquidity requirements and their knowledge about different investment avenues.

Financial investments are investments in marketable securities that include equity shares, bonds, debentures and units of the mutual funds and any other securities that fall within the scope of the term security as per the definition given in Securities Contract Regulations Act. Investment in financial assets leads to capital formation in the economy because these investments are mostly used for productive purposes in the business sector. These investments enrich our economy through capital accumulation and enhance the productivity of investment by increasing the share of funds that can be invested in the industrial sector (Choudhary, 2009).

The growth and development of a country does not depend only on the available natural resources, but on the ability of mobilization and channelization of investable funds for capital formation. Some countries that have the utmost potential to become a global economic power are hampered by the country's economic policies. The economy's function is to direct resources from surplus to deficit regions, which enables improvements in the quality of investment and effective demand and speeds up economic growth. Financial organisations, financial markets, financial assets, and financial services make up the basic elements of the formal monetary system. Financial organisations act as middlemen, facilitating the effective deployment of funds and the mobilisation of savings. Leasing, hire-purchase, credit rating, and merchant banking are examples of financial services. A financial instrument is a promise to make a lump sum payment or instalment payment in the form of dividend or interest at a future date. Financial market is a system enabling members to deal with financial claims (Globe Ronald, 1993).

Capital market and money market are the established financial markets in India. The capital market has a direct impact on a country's industrial growth and economic development, exercising its influence in assembling and allocating the capital funds of the country to many competitive uses. The primary market or new issue market, and the secondary market or stock exchange are two interrelated divisions that make up the securities market, a significant part of the capital market that is dominated by industrial securities.

A well-advanced financial system that ensures the flow of funds from people with surplus income to those who invest in capital goods is a necessity for the sustained development of a nation. Mobilisation of scattered and scarce resources and prudent allocation of the resources promote balanced and sustainable development of the nation resulting in the wellbeing of the people. The Indian financial system is made up of numerous, interconnected, and integrated subsystems, including financial institutions, primary and secondary markets, financial instruments, and services (Desai Vasant 1997).

The monetary system brings the economic progress of the country if it is well managed and well maintained. The presence of a well-established financial system brings confidence among the general public, which promotes savings and the transfer of savings to the economic system, which is essential for a developing economy (RBI bulletin, 2006).

For rapid industrialization and economic expansion, it is essential that financial markets and business ventures coexist. Banking institutions, nonbanking financial institutions, stock exchanges, borrowers, lenders, investors, depositors, dealers, brokers, and agents are the main contributors of the financial market. The financial system comprises of both primary and secondary market, capital market and money market, organized and unorganized market and foreign and domestic markets. Companies offer new shares and bonds to the public in the new issue market, and in the secondary market investors trade with one another. The money market deals with instruments traded for short term period and the capital market deals with long term financial instruments having a period of more than one year. A properly structured and regulated capital market helps the economy to grow sustainably by giving investors access to long-term money in place of financial assets.

Every government works hard to maintain the expansion of its capital market because they understand that it is a must for the development of industries and related areas. Some of the major actions initiated by the government include the launching of online trading, digitalization of securities, derivatives trading, and rolling settlement on the stock exchanges. (Appa Rao, 2012).

SEBI (Securities and Exchange Board of India) introduced various schemes for developing and strengthening a well-regulated, tech enabled, modern capital market in India to enable it to play the vital role of intermediaries in between corporate borrowers and investors in the markets. A well-advanced financial system that ensures the flow of funds from people with surplus income to those who invest in capital goods is a necessity for the sustained development of a nation. Mobilisation of scattered and scarce resources and prudent allocation of the resources promote balanced and sustainable development of the nation resulting in the wellbeing of the people. The Indian financial system is made up of numerous, interconnected, and integrated subsystems, including financial institutions, primary and secondary markets, financial instruments, and services (Desai Vasant 1997).

NSE (National Stock Exchange) and BSE (Bombay Stock Exchange) are the two prominent stock markets functioning in India and their indices SENSEX and NIFTY shows the consistent growth of Indian stock market. The Sensex and Nifty closed at 58,811.37 and 17,545.35 as on March 31, 2022, by showing an increase of 9,302.37 points and 2,854.65 points, respectively, from the close of the previous financial year. Sensex and Nifty reached an all-time high of 62,156 and 31,860 respectively, on October 18, 2021. On April 3, 2020, the Sensex and the Nifty were at their lowest level of 27,501 and 8,056 respectively (www.nseindia.com).

Indian families favoured investing in financial assets over tangible ones between 1990 and 2000. Whereas between 2000 and 2007, more funds went toward purchasing physical assets. It's interesting to note that in 2007–2008, more money was invested in financial assets, indicating that individual investors are actively trading on stock markets at the peak of their valuation. Finally, in 2008, the markets crashed and from 2008 until today physical investments are preferred over financial investments. In comparison to the total physical savings of Rs 14,953 billion, household financial savings as of March 2013 were Rs 7,171 billion. (Statistics on the Indian Economy, 2014).

Analysis of the portfolio of financial assets of the household sector indicates that retail investors hold a large share of their savings in the form of bank deposits in commercial banks. Contractual savings like pension funds, insurance policies, and provident funds are the next preferred savings of individuals. During the period 2018 to 2020, the composition of various financial securities in the household investors' portfolio has stabilized as the banking sector dominates in terms of assets and liabilities. In addition to the banking sector, mutual fund and life insurance are the other two key investment alternatives that are held by households as their assets, while loans from nonbanking finance institutions and housing finance corporations are other important parts of household liabilities. Household loans from the business sector and the public continue to be negligible (RBI Bulletin, 2021).

The composition of financial savings of the household sector, the most important source of funds, indicates the low penetration of equity investment in India. Savings in shares and debentures constitutes 0.5 percent of the Gross National Disposable Income (GNDI) and 4.3 percent of net financial savings. Covid-19 - driven increase in household financial savings in the first quarter of 2020 – 21 (19% of the GDP) slowed significantly in the second quarter of 2020 – 21 (15.8% of GDP). Household savings in cash and mutual funds moderated whereas bank deposits increased. As per the preliminary indications the household financial savings rate declined in the third quarter (12.7% of GDP) on the back of intensity of consumption and economic activity. Household financial investment in the form of bank deposits increased during the second quarter of 2020–21, indicates that India's banking system, which was challenged by the pandemic but has been bolstered by various timely regulatory measures and sound capital and liquidity built diligently in the wake of the global crisis, has regained its safe status. In the second quarter of 2020-21, bank deposits and bank loans account for 50 per cent and 72 per cent of household financial assets and liabilities respectively. RBI reports, disclose that household financial savings are mostly occupied by bank deposits followed by life insurance, provident and pension fund, currency, and mutual fund respectively. The share of equity in the total financial assets held by households is very meagre and it comes near to 1 percent of the total financial asset of households (RBI Bulletin, 2021).

Though the pandemic situation has led to a direct market fall in early 2020, household participation in the Indian stock exchanges disclosed huge gains. The number of new demat and trading accounts is skyrocketing, and more people seem to be getting into stock trading. The number of new demat accounts opened between April 2020 and January 2021 eclipsed all previous records, according to data from the SEBI (Securities and Exchange Board of India), showing a sharp increase in the volume of retail involvement in the Indian stock market. Approximately 1.7 million 9 new demat accounts were opened in January 2021 alone. (Annual Report – SEBI).

The stock market investment, focusing on the distinction between investment, speculation, and gambling. It seeks investors consistent long-term returns, while speculators engage in short-term transactions, and gamblers take very high risks in the short term. The changes in India's capital market since 1991 and the role of SEBI in regulating it. Despite Kerala's high financial literacy, only about 5 percentage of the population invests in the stock market, with most preferring traditional options like bank deposits and real estate. For young investors, the stock market offers opportunities to build wealth, especially with the rise of online trading and demat accounts. However, equity investment in India remains low, with most household savings directed toward safer options like bank deposits. In general, the study aims to understand the investment behaviour and decision-making patterns of young investors in Kerala. The specific objectives as follows

## Statement of the Problem

Since the liberalization policy in 1991, the Indian capital market has undergone numerous developments in the investment sector. The Capital Issues (Control) Act, 1947 was revoked in May 1992 and Security Exchange Board of India was established as the regulator of the Indian capital market. This decade is marked by innovations in industrial policy, FIIs, euro issues, trading methods, stock exchanges, and the entry of 10 private sector into the mutual funds and banking sector. The Securities and Exchange Board of India articulates rules, regulations, and guidelines to protect the interests of investors and to make them confident in their capital market activities. Individual and retail investors are an important part of the Indian capital market. Thousands of companies from different sectors are listed on various stock exchanges, and the financial system is undergoing tremendous changes every moment. Therefore, investors who want to invest in stocks need innumerable preparations to identify their risk and investment goals for optimal decision making. Investment scenario in

Kerala state, known for higher financial literacy, effective communication system and high technology orientation, revealed that the people are more attracted to traditional investment avenues and hesitate to invest in equities. In 2021 the total number of stock market investors in Kerala account for 19 lakhs constituting about five percent of the population. Compared to other Indian states Kerala lags behind in terms of investment in financial securities, even as the state boasts of high literacy level and high banking penetration (The Hindu business line, 2018).

In September 2022, as per the data from BSE's registered investors, there are now 11.45 crore demat account holders in India. It is significant to note that just roughly 8 percent of people in a nation with about 140 crore citizens invest in financial products, showing low penetration. Maharashtra has the most investors in the market (2.31 crore), followed by Gujarat with 1.18 crore demat accounts. Uttar Pradesh comes in third position (1.04 crores) followed by Rajasthan, Karnataka, West Bengal, Tamil Nadu, Madhya Pradesh, and Andhra Pradesh. Bihar, Haryana, Telangana, Kerala, Punjab, Odisha, and Assam are the states next in the line.

In the context of less participation of individual investors in new issue market activities, withdrawal of investment from the securities market, diversion of household financial savings to bank deposits, insurance fund, pension schemes, non-productive assets such as real estate, silver, and gold it becomes significant to study and analyse investors' perceptions and preferences of numerous investment options in securities markets. This research seeks to study the socio-economic background of stock market investors in Kerala, their investment culture, perception, and attitude towards investment avenues. Understanding the perceptions, patterns and preferences of stock market investors will help to identify the risk appetite and investment objectives of people who choose company shares as an investment option and also helps to understand the factors dissuading from the equity investment in their view.

## Objectives of the Study

- To analyze the socio-economic characteristics of stock market investors in Alappuzha district.
- To explore the investment habits, perceptions, and attitudes of respondents towards various investment options.
- To determine the key factors that influence investors to invest in the stock market and to identify the challenges they encounter during the investment process.

## Methodology

The study is descriptive and analytical in nature, utilizing both primary and secondary data. It aims to understand the perception and investment patterns of stock market investors in Kerala, particularly in Alappuzha district. Primary data were collected through structured questionnaires focusing on the socio-economic profile, attitude, and behavior of equity investors, while secondary data were obtained from official sources such as SEBI, NSDL, CDSL, RBI, BSE, NSE websites, and publications like Economic Times, Business India, and Moneycontrol.com. A convenient sampling method was employed, and a sample size of 50 investors was selected. Data were accurately recorded, tabulated, and analyzed using percentage analysis to derive relevant indicators and insights.

## The major findings as follows

Gender Status of the Respondents Kerala is one of the states in India where the size of the female population is higher than the male population. The state is well known for giving a fair deal to women such as education, employment, health care and social participation. The gender wise classification of the sample respondents.

It is found that 78 percentage of the respondents participating in the survey belong to female category and 22 percentage belong to the male category.

Normally a person starts an employment after 20 years of age and starts to save or invest. Different age groups show varying risk appetite, they follow different investment practices at different age level. The study reveals that majority of the respondents (76 percentage ) belongs to the age group of 25-50.

Education is an important factor that influences investment decisions. Higher level education provides an increased level of risk tolerance. Many study reports observed that a positive relation exists between the educational background and risk tolerance. Kerala is one of the most educated states in India and achieved a significant position in female education and child literacy. An enquiry has been made to understand the level of education among the sample population. The education classification reveals that, majority of the respondents were qualified graduation, 30 percentage are Post graduates, 12 percentage are completed B. Tech and only 8 percentage were at the education level up to higher secondary and 2 percentage were completed SSLC.

Most important factors which influence the investors' perception and investment pattern is their annual income. The amount of investment is determined by the amount of savings which in turn depends upon the size of income. Investors having less income will be more cautious while investing. It is clear that the majority of the sample respondents belong to the category of income up-to Rs. 25,000- 50,000 (56 percentage), 24 percent belong to the category of below Rs. 25,000. Investors with income more than Rs. 50,000 is comparatively less.

Initial learning source of information about investing in the stock market reveals that, Half of the learn about from their family or friends. This indicates that personal connections play the most significant role in shaping their initial understanding of investments. Media, which includes TV, newspapers, social media, and financial news, is the second most common source of investment knowledge (22 percentage). Around 18 percentage of respondents learn about investing through school or college. And online courses as another initial learning source (8 percentage) of the respondents. This indicates a growing trend of self-directed learning where young people are taking the initiative to educate themselves through online platforms. A small percentage (2 percentage) learn from other sources. The data explain that family and friends are the most influential in teaching respondents about investing.

Half of the respondents surveyed (50 percentage) invest in the stock market with the primary goal of saving. This suggests that the majority perceive the stock market as a tool for protecting and slowly growing their wealth over time. 30 percentage of the respondents are motivated by the desire for financial independence. This reflects a growing awareness among youngsters of the importance of building financial safety. 10 percentage of the respondents are focused on building wealth through their stock market investments. And 4 percentage following market trends and the small percentage motivate others. The majority of the respondents view stock market investment as a means to save money and achieve financial independence.

Social media is the leading source of information, with 58 percentage of respondents depend on it for stock market insights. 12 percentage of respondents rely on financial news websites, which are typically more credible sources of information. Another 12 percentage rely on friends for investment advice, suggesting that survey recommendations play a significant role. Only 6 percentage of respondents consult financial advisors. Similar to financial advisors, 6 percentage of respondents rely on investment apps, which are often designed to be user-friendly and accessible for beginners. Only 2 percentage of youngsters rely on books, which might suggest that in-depth study. 4 percentage of respondents rely on other sources. The data indicates that social media is the predominant source of information for the investors, followed by financial news websites and advice from friends. There is a noticeable reliance on informal and possibly less reliable sources of information.

Most of the investors (44 percentage) prefer to adjust their portfolios monthly. This suggests that actively managing their investments but not overly frequently. 16 percentage adjusts daily, indicating a higher risk appetite and a more aggressive trading approach. Both quarterly and weekly adjustments are chosen by 12 percentage of investors, showing a balance between frequent and less frequent portfolio reviews. Only 6 percentage adjust annually, likely favouring a long-term, passive investment strategy. And 10 percentage choose other. Most of the investors are actively engaged in managing their portfolios, with a preference for monthly adjustments. This indicates a mix of active involvement and strategic planning in their investment behaviour.

Nearly half (46 percentage) of the respondents consider access to a financial advisor as the most helpful resource when investing in the stock market. This suggests that many of the investors value professional guidance. 28 percentage of investors find investment tools and apps to be helpful. This reflects the increasing reliance on technology in managing investments. Educational resources are valued by 22 percentage of

respondents. This indicates an interest among investors in learning and understanding the stock market. And a small percentage (4 percentage) of respondents mentioned other resources. The analysis indicates that investors mostly depend on direct professional advice and technological tools to assist with stock market investments.

The data on the devices used by the respondents for investing. 40 out of 50 investors use smartphones for investing. This represents 80 percentage of the total respondents. Smartphones are the most popular device among youngsters for stock market investments. This high percentage indicates the convenience and accessibility of smartphones. 8 out of 50 youngsters use laptops for investing. Laptops are less popular compared to smartphones. 4 percentage use others. The data clearly shows that smartphones are the most popular device among youngsters for stock market investments. Brokerage apps let users buy and sell stocks and other investments directly. Most of the investors (60 percentage) prefer brokerage apps, which let them actively buy and sell stocks. Financial apps help manage money, including budgeting and saving. Some also offer basic investment options. They're useful for overall financial management. These apps, which help with overall money management and some investment options, are used by 20 percentage of the respondents. Social trading platforms allow users to follow and copy other investors' trades. A smaller group (12 percentage) uses social trading platforms to follow and learn from other investors. And investment tracking apps help users track how their investments are performing. They're mainly for monitoring portfolios rather than making trades. Only 4 percentage use apps just to track their investments. The remaining 4 percentage use various other tools. Investors prefer platforms that let them be active in their stock market investments

The majority of investors (64 percentage) check their investments daily, indicating a strong interest and active involvement in the stock market. A smaller group (20 percentage) checks their investments weekly, keeping regular track but without daily involvement. 8 percentage of the respondents check only monthly, likely focusing on long-term gains rather than short-term market movements. A few (6 percentage) checks even less often, suggesting they are either less confident in their long-term strategy. And a tiny fraction (2 percentage) checks multiple times a day, indicating a very active person. The fact that 64 percentage of investors check their investments daily shows a high level of engagement with the stock market.

The information about how much investors are putting into the stock market. Over half (52 percentage) of investors are putting between 1,000- 15,000 into the stock market. This shows a significant level of financial commitment, indicating that many investors are serious about growing their wealth through the stock market. About 24 percentage are investing between 5000- 10,000. This group is likely testing the being aware with their investments, which could reflect either limited funds. A smaller group (12 percentage) invests between 1000- 5000. These investors might be beginners. 8 percentage of young investors are putting in more than 15,000-20,000. The remaining 4 percentage fall into the above 20,000 category. The majority's investment levels suggest that many young people are looking at the stock market as a key part of their financial growth strategy. why respondents are interested in stock market investments. 60 percentage of the respondents are most motivated by the potential for high returns. 22 percentage are encouraged by improved investment. 16 percentage consider lower fees important. Only 2 percentage are influenced by other reasons. Investors are making moderate to significant investments in the stock market, with a few investing smaller or larger amounts based on their financial situation.

The majority of respondents 62 percent have been investing for less than 1 year and 24 percentage of the respondents have been investing for 1-3 years. This group represents a moderate level of experience and could indicate those who have gained some comfort and knowledge about investing. Only 2 percentage have been investing for more than 5 years, showing that long-term investment is less common among this group. 12 percentage fall into the others category, which might include various non-standard in irregular investing patterns.

Most youngsters are new to stock market investing, with the majority having invested for less than 1 year. Only a small percentage have long-term experience. Individual stocks represent ownership in a single company. Returns come from dividends and price appreciation. Majority of the respondents (44 percentage) hold individual stocks, indicating that many youngsters prefer directly owning shares in companies. Mutual Funds investment that stock money from many investors to buy a diversified portfolio of stocks, bonds, or other assets. 29 percentage of the respondents invest in mutual funds, showing that a real portion are choosing diversified investment options. ETFs (Exchange- Traded Funds), it is like mutual funds, but they can be bought and sold easily like stocks during the day. Bonds are loans you give to a company or government in exchange for regular interest payments. Only 5 percentage invest in suggesting ETFs and Bonds these are less popular among this group. Bonds are loans you give to a company or government in exchange for regular interest payments.

Crypto currency is the digital money like Bitcoin. It's risky but can grow in value quickly. 7 percentage of youngsters hold cryptocurrency, which is a relatively slot investment but still noted. 10 percentage have other types of investments. Investors are mostly focused on stocks and mutual funds, with some exploring newer options like cryptocurrency and alternative investments.

Opinion regarding on whether larger amount provides better investment opportunity. Most of the respondents (76 percentage) believe larger amount provides better investment opportunity. The respondents' views on whether early investing is important. The high percentage (92 percentage) of respondents in favour of early investing suggests that respondents are generally aware of the importance of starting to invest as soon as possible. The small percentage (8 percentage) that does not view early investing. Most of the respondents recognize the importance of starting investments early, with very few holding a different view

The most significant challenge faced by the investors is the lack of capital (56 percentage). This is a common barrier for young investors who may have limited savings or income. A quarter of young investors (24 percentage) struggle with limited knowledge about the stock market. 10 percentage of young investors face challenges in accessing reliable information. In a market where accurate and timely data is essential for making informed decisions, this can be a significant barrier. 8 percentage of the respondents are concerned with the high volatility of the market and a small percentage (2 percentage) mentioned other challenges. The primary challenge for young investors is the lack of capital, which limits their ability to participate fully in the stock market. This is followed by limited knowledge, which highlights the need for better financial education.

The satisfaction levels of respondents with their financial returns. The majority of respondents (56 percentage) are Satisfied with the financial returns from their stock market investments. This suggests that most youngsters feel positively about the returns they are receiving. A significant portion of respondents (22 percentage) are Neutral. This might indicate uncertainty or mixed feelings about their returns. 18 percentage of respondents are Very Satisfied, reflecting strong positive sentiment towards their financial returns. Only 4 percentage of respondents are Dissatisfied with their financial returns. The data shows that youngsters generally have a positive view of stock market investments.

### **Conclusion**

Stock market assumes significance in the present situation as it functions as the middle man of the corporates and investors. As the mobilisation of savings and formation of capital is a necessity for the sustained growth of nation, stock market plays an important role. Channelisation of savings of individuals and households becomes important as they constitute the major portion of savings. Stock market is still not popular among investors when compared to other modes of investment. Bank deposit and gold are the popular investment instruments still preferred by the investors. Increase in the number of demat accounts happening after the outbreak of Covid -19, gives an array of hope in this regard. Still the portion of financial savings invested in the company shares constitute very negligible.

The present study observed that the stock market investors are rational investors and they aim maximum return, increased wealth and easy conversion into cash as and when required, just like any other investors. Stock market investors are found to be highly satisfied with their investment decisions. Though many factors motivate the investors for stock market investment, some factors appear to be dissuading general public and tempted to keep away from equity investment like lack of awareness and the fear of risk. The basic reason for loss in stock market investment is identified as inadequate research before investing and urge for fast money. A well-planned system to orient the potential investors and to instill confidence among investors by ensuring a transparent and efficient capital market could attract the investors towards stock market thereby increasing the investment leading to economic

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