



# A STUDY ON INVESTMENT PATTERN AND PREFERENCES OF RETAIL INVESTORS IN THE STOCK MARKET

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## ABSTRACT

Investing is an important aspect of an individual's life. Although majority of India's population is the youth, there is a lack of awareness regarding investment avenues and its importance. Investment means putting your money to work for you. It is a different way to think about how to make money. Growing up, most of us taught that you could earn your income only by getting job & working. And that's exactly most of us do. This report is about study were to identify the preference of investors towards various investment avenues, public awareness & preference of mutual funds and find out the purpose and objectives of the investment. Also, the risk profile was accessed information pertaining to the factors affecting choice of mutual preferred mutual funds scheme's purpose of investment etc. The research design adopted was descriptive type. The sampling technique which adopted was cluster simple random sampling. A total of 120 samples were interviewed and appropriate data were collected. All the data were compiled and analyzed, using descriptive statistics as well as inferential statistics. Simple percentage analysis was used for descriptive analysis. Cross tabulation and chi-square were used for the inferential statistics. There are many different ways we can go through making an investment.

**Keywords:** Stock Market, Investment Pattern, Investors, Return and Investment Period.

## I. INTRODUCTION:

Investment is the sacrifice of certain present value for the uncertain future reward. Investment is always interesting, challenging and rewarding. Generally risk and return go together, if the investment has high risk simultaneously there should be a risk return and vice-verse Investment is an activity that is engaged by people, who have savings. Le, investment are made from savings or in other words people invest their savings. As an investor, have different varieties of investment options such as banks, gold, real estates, post services. mutual funds and etc. Investors are selecting different investment options for their investment with different objectives such as profit, security, appreciation, income stability. The major features of an investment are safety of principal amount, liquidity, income stability, appreciation and easy transferability. A variety of investment avenues are available in India such as shares, bank, companies, gold and silver, real estate, life insurance, postal savings and so on. Salaried Individuals are aware about share market and mutual funds but they consider these investments avenues as a high risk investments avenue.

An investment is a sacrifice of current money or other resource for gaining benefits in future. Investment can be defined as the net addition to a nation's physical stock of capital and to own funds. In the present financial market scenario there are numerous avenues of investments are available. The two key factors of any investment are time and risk. Investment is the employment of funds with an aim to get additional income or growth in value. The essential quality of an investment that involves waiting for a reward. In simple terms, investment means conversion of cash or money into a monetary asset a claim on money for a future benefit or returns. Our economic well-being in the long run depends significantly on how wisely or foolishly we invest. "Investing is simple, but not so easy". Investing is also difficult because we must make lot of decisions-differentiating between needs and wants. It also creates confusion because there are a lot of alternatives available in market and they all have their own pros and cons.

The various available investment avenues are as follows Safe and low risk investment avenues:

- Saving account
- Bank fixed deposits
- Public provident fund
- National saving certificate Post office saving
- Government securities

**Moderate risk investment avenues:**

- Mutual funds
- Life insurance
- Debentures
- Bonds

**High risk investment avenues:**

- Equity share market
- Commodity share market
- FOREX market

**Traditional investment avenues:**

- Real estate (Property)
- Gold/silver
- Chit funds

**Emerging invests avenues:**

- Virtual real state
- Hedge funds
- Private equity investments

**II. OBJECTIVES OF THE STUDY**

- 1) To study the investment pattern and preference of retail investors.
- 2) To analyze the investing preferences of the investors.
- 3) To determine investors risk and return preference of the investment.
- 4) To identify the factors influencing the investor in choosing the types of investment.

**III. REVIEW OF LITERATURE:**

(Septian, Hasnawati, & Hendrawaty, 2022) Conducted a study on the COVID-19 pandemic has caused various economic upheavals around the world, especially in the financial sector. During the pandemic, the stock market in Indonesia showed high volatility mainly due to unpredictable market conditions and unexpected investor behavior. In this study begins with the basis of behavioral finance theory and then the formulation of the hypothesis is tested through the collection of questionnaires which have been obtained 295 respondents. Data were analyzed using a structural equation model with the help of LISREL 8.80 software. The results identify that heuristic and market behavioral bias have a positive influence on individual investors' investment decisions, while behavioral bias factors such as prospects and herding negatively influence individual investors' investment decisions during the COVID-19 pandemic in Indonesia.

(Manjunath & Bankar, 2021) Conducted a study on the association between demographic characteristics of respondents and mutual funds as an investment choice in particular. Increasing presence of retail investors, in the Indian financial markets, calls for extensive study on their investment habits and behavior. The current study tries to understand the impact of the demographic characteristics of the individual investor on risk appetite, investment habits and selection of mutual funds as an investment choice. The study also investigates the impact of the demographic characteristics on choice of risky investment options Vs. Non risky options and all the investment options together.

Sanchaniya (2021) studied the effect of Covid on the real estate industry in India and explained that the market value of real estate increased during the Covid era and due to the constrained job market, developers were unable to satisfy demand. The paper concluded that the epidemic is oppressive since it is expected to claim thousands of lives, home values dropped in value as the housing supply decreased, reducing state revenues, owing to the decline in demand and the increase in negotiating power in the short-supply market, location scouting has already begun, but at a slower pace.

Geetha & Ramesh (2020) have studied the significance of demographic factors on the elements considered while making investment decisions. They conclude that there is no relationship between demographic factors and the elements which are considered during investment decision. However, some demographic factors have a relationship with period of investment.

Ramakrishna Reddy & Ch. Krishnudu Dec (2019) on investment behaviour of rural investors in their study states that the investment culture among the people of a country is an essential prerequisite for capital formation and the faster growth of an economy. Investment culture refers to the attitudes, perceptions, and willingness of the individuals and institutions in placing their savings in various financial assets, more popularly known as securities. A study on the investors' perceptions and preferences, thus, assumes a greater significance in the formulation of policies for the development and regulation of security markets in general and protection and promotion of small and house-hold investors in particular.

Sellappan et al. (2019) attempted to show the key demand of investment attitude of women towards different sources of securities. This study based on descriptive method and primary data and ages a martial variety happened in the conducted of selecting the investment sources. Youngster and unmarried are usually risk takers. Older and married avoided to taking risk. Among this factor concluded that married women are more involved in making investment than the unmarried. As well as the youngster are usually like to invest in shares mutual funds, insurance and fixed deposits than the elder women. The focused age people favoured to invest in valid domain basis of asset for that government non-government and finial comings up new lot plan.



Sushant Nagpal and B. S. Bodla June (2019) on impact of investors' lifestyle on their investment pattern: an empirical study states that the modern investor is a mature and adequately groomed person. Occasions of blind investments are scarce, as a majority of investors are found to be using some source and reference groups for taking decisions.

Bhuvaneswari (2018) interested in identifying the major factors that contributed towards investor's perception in area of equity/ tax saving mutual funds. To find out the consistency of performance confined to selective Equity /Tax saving mutual funds investors point of view. Conclude that the organization should be careful in making investment towards the various financial instruments, which defend the interest of the investors.

V.R. Palanivelu & Chandrekumar (2013) studied the investment preference of salaried class in Namakkal Taluk, Tamil Nadu. It highlights that certain factors like age, education level, knowledge about financial systems affect the decision regarding the choice of investment avenues.

#### **IV. RESEARCH METHODOLOGY**

Research design stands for advance planning of methods to be adopted for collecting the relevant data and the techniques to be used in analysis, keeping in objectives of the research and availability of time. Descriptive research includes surveys and facts finding enquiries of different kinds. The major purpose of this research is description of state affairs as it exists at present. The research was conducted and insights were captured using both primary data, namely surveys, questionnaires and so on, and secondary data, that is, a thorough review of journals. The secondary data was collected through a literature review of articles, leading to the identification of independent variables argued to affect investors behaviour and their choice of portfolio and its performance. The primary data were collected through an online questionnaire conducted with a sample population of individuals who hold an investment portfolio. The dependent and independent variables were identified and their relationship is shown in the diagram below.

#### **V: DATA ANALYSIS & RESULTS:**

## 5.1 CHI-SQUARE TEST

**Table 5.1 Showing the relationship between investment horizon and investment period of investors..**

### Null Hypothesis (H0):

There is no association between investment horizon & investment period.

### Alternate Hypothesis (H1):

There is an association between investment horizon & investment period. Cases Processing Summary.

**TABLE NO.5.1**

	Cases					
	Valid		Missing		Total	
	N	percent	N	percent	N	percent
Investment Horizon						
Investment period	120	99.2%	1	0.8%	120	100%

Investment Horizon		Investment period				Total
		<1 year	1-2 years	2-5 years	>5years	
Safety principal	count	10	0	0	0	
Better return & safety	count	34	32	0	0	
Regular income	count	2	0	23	4	
Tax savings	count	0	0	0	15	
Total	count	46	32	23	19	120

- a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is 1.66.

**RESULTS:** A Chi-square test of independent was performed to examine the association between investment horizon period. Result of the Chi-square test of independent showed that the calculated value is greater than the tabulated value, we accept the alternate hypothesis and hence there is a significant association between investment horizon and investment period. Hence, the Alternative hypothesis [H1] is accepted.

The table showing relationship between respondent's opinion on factors influencing investment decisions and typical attitude while making important decisions. Null Hypothesis(H0): There is no correlation

between respondent's opinion on factors influencing investment decisions and typical attitude while making important decisions Alternate Hypothesis (H1): There is correlation between respondent's opinion on factors influencing investment decisions and typical attitude while making important decisions.

**TABLE NO.5.2**

Correlations			
		Respondents opinion on investment decisions	Whether typical attitude while making important decisions
money invested in fund is very secure	Pearson Correlation	1	.107
	Sig.(2-tailed)		.212
	N	120	120
investment depends on relevant information to its investor from time to time	Pearson Correlation	.104	1
	Sig. (2-tailed)	.217	
	N	120	120

**Null Hypothesis (H0):** There is no correlation between respondent's opinion on factors influencing investment decisions and typical attitude while making important decisions

**Alternate Hypothesis (H1):** There is correlation between respondent's opinion on factors influencing investment decisions and typical attitude while making important decisions.

## VI. CONCLUSION:

It is imperative to understand the positives and negatives of different types of investment avenues to maximize the return. With the help of these studies different sections of society understand the merits and demerits of the investment. The participants in Indian capital market are unable to understand the investor investment, objectives due to the dramatic change in the attitude of the investor. The investor can make the trading in securities as a beneficial area of investment. It is purely based upon the investor's awareness towards investment objectives. When the investors get accurate information on the right time, they can enjoy the taste of success from investment in securities. The capital market authorities should implement more and more training and awareness programs for the investors.

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