

# A STUDY ON THE FACTORS DETERMINING THE INVESTMENT DECISION OF INDIVIDUAL EQUITY INVESTORS IN HYDERABAD

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## ABSTRACT

When it comes to equity Investment the uncertainty becomes more as direct influence of the volatility and fluctuations are there in the return of equity i.e. on capital appreciation and dividend income. In post globalized world even business practices are changing due to more competition and forces working in the environment which result in changing investors expectations. Now a days investors behavioral outlook is getting modified due to changing behavior and psychology towards financial decision making. It happens to subject matter of study how retail equity investors adapt themselves to the changed situation and take equity decision. This research paper is an attempt to study and analyze the investment decision made by individual equity investors in equity investment and how their expectations are getting changes in the era of volatility. For the study primary data will be collected from the retail individual investors by designing questionnaire and secondary data will also be collected from websites, journals, research papers and news articles. Research can assist to throw light on changing expectations of individual investors which can lead to promote more domestic retail investment in equities as well as to formulate organizations dividend policy.

**Keywords:** Investment, stock market, equity market, risk and return, etc

## 1. INTRODUCTION:

The investors always look forward to high rate of return for their investments. Some of them invest their money in real estate business. The mainstream of investors invest their money in bank by way of deposits. Some of them invest in gold ornaments.

Investment in share market is also popular among the investors. Many people involve in investing their money in the share market. All the investors prefer investment in individual equity shares. Though government bonds, debenture and preference shares are offered for purchase, greater part of the investors are motivated by the brokers to invest their money in individual equity shares

through DMAT account. But the query is whether all the investors get regular return on their investment in individual equity share and whether all the investors have thorough awareness about the share market.

In reality, only few investors could earn income from the share market. When the investors invest their money in share market in the long run, they earn customary rate of return from their investment in individual equity shares. Suppose the investors operate DMAT account frequently, either directly or indirectly through their share bro-king office, there is possibility of earning a higher income in the share market.

Awareness among investors is been created through newspapers, television and internet. Most of the investors are conscious of the share market. They desire to invest in individual equity shares. They know the trends in share market and the fluctuation of individual equity share prices. They are interested in investing their money in individual equity shares of different companies. They are aware of procedures, rules and regulations prevailing in share market. The People who are involved in investment preferred to invest their money in individual equity shares. Some of the people are full time investors in the share market while others are part-time investors.

The investors who invested their money in share market could not earn expected income from their Investments. They faced heavy losses in this endeavour. Some of the investors in share market lost their wealth and assets.

In olden days, there were only limited facilities available in all fields due to lack of development in science and technology. Now the situation has completely changed. Now we are developed well in all sectors. We have advanced technology to know the latest information of any industry. Until investors in share market are in dilemma to take a decision regarding their investment in share market. Why these are all happening? What are the reasons following it? To know all these thorough study is to be undertaken. By keeping the above views in mind, the researcher selected the topic “Factors determining investment decision of individual equity shares (a study with special reference to Hyderabad city)” for the study.

## **2. OBJECTIVES OF THE STUDY:**

- To analyse the demographic profile of Individual Equity Investors in India.
- To analyse the impact of demographic factors on the investment decision of individual equity investors.
- To study the post investment satisfaction of individual equity investors.

## **3. SCOPE OF THE STUDY:**

- The study will be of use to regulatory bodies, stock exchanges, investor forums, investors and brokers.
- Stock exchanges and regulatory agencies can take steps to plug the loopholes in the regulatory mechanism to ensure that the investors are

not exploited by the operators in the capital market.

- Investors get enlightened about the sources of investment information and the various protective measures the government has initiated.
- Brokers get an insight on the capital market behaviour of investors, which will help them tune their activities in accordance with the preferences of the investors.

#### **4. LIMITATIONS OF THE STUDY**

- The study is restricted to a sample of 100 respondents.
- The study is restricted to Hyderabad City due to time and money constraints.
- The study has considered only equity investors and not other investors who invest in real estate, mutual funds, insurance, etc.

#### **5. RESEARCH METHODOLOGY:**

##### **5.1 RESEARCH DESIGN:**

Descriptive research is undertaken in the research to make the study effective and useful for analyzing the data to find the result in the research.

##### **5.2 SAMPLING DESIGN:**

The population for the research work in the study area is numerous. Hence, out of the total population 100 samples will be selected using random sampling method. The sample respondents are the investors in the share market.

##### **5.3 DATA COLLECTION:**

Both primary and secondary data will be collected for the research work.

##### **PRIMARY DATA:**

- Questionnaire and Interview method

##### **SECONDARY DATA:**

Secondary data will be collected from the journals, magazines and the books published in the related topics.

##### **5.4 TOOLS USED FOR ANALYSIS:**

Descriptive Analysis and Chi – Square test.

## 6. DATA ANALYSIS AND INTERPRETATION

### 6.1 DESCRIPTIVE ANALYSIS

TABLE 6.1.1

#### AGE OF THE RESPONDENTS

Age in Years	No. Of Respondents	Percentage
20-40	70	70
40-60	30	30
Total	100	100

#### Inference:

From the above table, it is inferred that 70% of the respondents are in the age group of 20-40 years and 30% of the respondents are in the age group of 40-60 years.

TABLE 6.1.2

#### MARITAL STATUS

Marital Status	No. Of Respondents	Percentage
Married	40	40
Unmarried	60	60
Total	100	100

#### Inference:

From the above table, it is inferred that 40% of the respondents are Married and 60% of the respondents are Unmarried.

TABLE 6.1.3

#### EDUCATIONAL QUALIFICATION

Education	No. of Respondents	Percentage
College	41	41
Others	7	7
Professional	52	52
Total	100	100

**Inference:**

From the above table, it is inferred that 52 of the respondents have Professional Qualification, 41% of the respondents have College education and 7% of the respondents have other qualification.

**TABLE 6.1.4  
 OCCUPATION**

Occupation/Profession	No. Of Respondents	Percentage
Business	5	5
Others	27	27
Professional	18	18
Salaried	50	50
Total	100	100

**Inference:**

From the above table, it is inferred that 50% of the respondents are Salaried, 27% of the respondents have not revealed their occupation, 18% of the respondents are Professionals, 5% of the respondents have their own Business.

**TABLE 6.1.5  
 FAMILY SIZE**

Family size	No. of Respondents	Percentage
4-6	58	58
Above 6	13	13
Less than 4	29	29
Total	100	100

**Inference:**

From the above table, it is inferred that 58% of the respondents have 4-6 members in their family, 29% of the respondents have less than 4 members in their family and 13 of the respondents have above 6 members in their family.

**TABLE 6.1.6**

**NO. OF EARNING MEMBERS**

No. Of Earning Members	No. of Respondents	Percentage
1	32	32
2	52	52
3 and above	16	16
Total	100	100

**Inference:**

It is inferred from the above table that 52% of the respondents say that there are 2 earning members in their family, 32% of the respondents say that there is a single earning member in their family and 17% of the respondents say that there are more than 3 earning members in their family.

**TABLE 6.1.7**

**INCOME**

No. Of Earning Members	No. of Respondents	Percentage
50001 - 100000	24	24
Above 100001	19	19
Less than 50000	58	58
Total	100	100

**Inference:**

It is understood from the above table that 58% of the respondents have monthly income of less than Rs.50,000/- pm, 24% of the respondents have monthly income of Rs. 50,001 to 1,00,000/- and 24% of the respondents have monthly income of above Rs.1,00,000/-.

**TABLE 6.1.8**

**TYPE OF INVESTOR**

Type of Investor	No. of Respondents	Percentage
Hereditary Investor	43	43
New Generation Investor	57	57
Total	100	100

**Inference:**

From the above table, it is inferred that 57% of the respondents are New Generation Investor and 43% of the respondents are Hereditary Investors.

**TABLE 6.1.9**

**AMOUNT OF INVESTMENT**

Amount of Investment in Rs.	No. of Respondents	Percentage
Less than 1 lakh	72	72
1-2 lakhs	20	20
Above 2 lakhs	8	8
Total	100	100

**Inference:**

From the above table, it is inferred that 72% of the respondents have invested less than Rs.1 lakh, 20% of the respondents have invested Rs.1-2 lakhs and 8% of the respondents have invested above Rs.2 lakhs in Equity market.

**CHI SQUARE TEST**

H0: There is no association between Gender and Income of the respondents

H1: There is association between Gender and Income of the respondents.

**TABLE 6.1.10**

**OBSERVED FREQUENCIES**

Gender/Income	50001 - 100000	Above 100001	Less than 50000	Total
Female	13	4	20	37
Male	12	12	39	63
Total	25	16	59	100

**EXPECTED FREQUENCIES**

Gender/Income	50001 - 100000	Above 100001	Less than 50000	Total
Female	9.25	5.92	21.83	37
Male	15.75	10.08	37.17	63
Total	25	16	59	100

Calculated Value= 0.16161

Alpha = 0.05

Inference:

Since the Calculated value is greater than 0.05, we fail to reject H<sub>0</sub>. So, there is no significant association between Gender and Income of the respondents.

## 7. FINDINGS

- 70% of the respondents are in the age group of 20-40 years and 30% of the respondents are in the age group of 40-60 years.
- 40% of the respondents are Married and 60% of the respondents are Unmarried.
- 52% of the respondents have Professional Qualification, 41% of the respondents have College education and 7% of the respondents have other qualification.
- 50% of the respondents are Salaried, 27% of the respondents have not revealed their occupation, 18% of the respondents are Professionals, 5% of the respondents have their own Business.
- 58% of the respondents have 4-6 members in their family, 29% of the respondents have less than 4 members in their family and 13 of the respondents have above 6 members in their family.
- 52% of the respondents say that there are 2 earning members in their family, 32% of the respondents say that there is a single earning member in their family and 17% of the respondents say that there are more than 3 earning members in their family.
- 58% of the respondents have monthly income of less than Rs.50,000/- pm, 24% of the respondents have monthly income of Rs. 50,001 to 1,00,000/- and 24% of the respondents have monthly income of above Rs.1,00,000/-.
- 57% of the respondents are New Generation Investor and 43% of the respondents are Hereditary Investors.
- 72% of the respondents have invested less than Rs.1 lakh, 20% of the respondents have invested Rs.1-2 lakhs and 8% of the respondents have invested above Rs.2 lakhs in Equity market.
- There is no significant association between Gender and Income of the respondents.

## SUGGESTIONS

- Many of the individual Equity Investors are still not aware about the operation of the stock market, the role of brokers, regulating agencies, etc. So the individual equity investors should acquire knowledge about the stock market and its operations through sources like newspapers, magazines, trade bulletins, etc.
- Equity Investors should not only acquire knowledge on stock market but



also about various other investment avenues like mutual funds, insurance, bank deposits, etc., so that they can compare, analyse and make wise decisions.

- Eventhough Equity investments generate more returns, but the risk is also high. So the investors need to consider other factors while making their investment decisions.

## **CONCLUSION:**

Behavior is always said to be fundamental factor in decision making and when it comes to investment decision that it becomes more critical. In the research work researcher come cross various behavioral factors influencing equity decision in which important factors are attitude, Expectations, Overconfidence, herding, prospect, Heuristic and market information. In conclusion it can be said if opportunity cost will be there as compared to other investment opportunity than more equity retail individual investment can be promoted as risk factor will be reduced.

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