INVESTORS BEHAVIOR ON INVESTMENT ASPECTS IN ANDHRA PRADESH

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Abstract
The Indian capital market has grown so sharply in the 1990's and that the decade itself has been christened as a decade of the capital market. However, the amount of capital raised in the form of equity, preference shares and debentures by the corporate sector has not been large over a number of years. Though there has been a rising trend since 1975 but the increase is not all that large. This is because of lack of awareness among the small and household investors, poor investment climate, loss of confidence of existing investors in stock market operations and deficiencies in the institutional infrastructure. 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 Investment behaviour of individual investors which includes 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.

Introduction

The Indian capital market has grown so sharply in the 1990's and that the decade itself has been christened as a decade of the capital market. However, the amount of capital raised in the form of equity, preference shares and debentures by the corporate sector has not been large over a number of years. Though there has been a rising trend since 1975 but the increase is not all that large. This is because of lack of awareness among the small and household investors, poor investment climate, loss of confidence of existing investors in stock market operations and deficiencies in the institutional infrastructure.

It is extremely important for the policy makers and regulatory authorities to understand the investors' perceptions, preferences and their concerns about the financial markets and specifically on the stock market. This has become necessary on account of dramatic withdrawal of small investors from the capital market and it resulted in a virtual collapse of the capital market as a source of corporate financing after the mid-1990s. Despite great technological strides in the market's trading system, we have not yet truly recovered from this collapse.

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 Investment behaviour of individual investors which includes 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.

An understanding of the small investor behaviour constitutes the focal point for evolving suitable and effective strategies for development of securities markets in any country. The investor behaviour needs to be studied and analysed from the dimensions like – What motivates a small investor to make an

investment? How frequently he prefers to make investment? In whose name the investor would like to hold the investment? What factors are likely to affect the size and timing of his investments? And finally, what investment strategies, the small investors would like to normally adopt? An analysis all these dimensions hopefully would formulate the dimensions to determine the behaviour of investors.

Review of literature

Mishra opined that there are possibilities for increasing investment, if the small investors are made to understand the significance of corporate securities. Further, the middle income group people can be drawn to strengthen the flow of savings into the corporate sector through the corporate securities market, in spite of their accessibility to the lucrative small savings schemes.

Gupta states in the paper, "Asymmetric Information, Book-Building and Investor Protection" that contrary to popular belief; IPO pricing through book buildings is neither efficient in the fundamental economic sense nor fair to the investing public. It places the investors (bibders) at a distinct disadvantages vis-à-vis the issuing company. Further, instead of enhancing the IPO market allocation efficiency, it reduces such efficiency, thereby harming the economy's growth. India's capital market cannot grow as a capital raising mechanism unless investor protection is given primacy in the regulatory scheme.

Objectives

1. To study capital markets in India.
2. To identify various investments avenues.
3. To analyse behavior of individual investors.
4. To draw the conclusions.

Methodology of the Study

The present study is mainly based on primary data and is behavioural in nature. However, the secondary data will also be made use of wherever it is necessary. The primary data will be collected through a structured schedule. The schedule will be designed keeping in view the objectives of the study and it will be pre-tested by means of a pilot study. The relevant secondary data will be collected from the reports, books, journals, magazines, periodicals, dailies, and websites. The data and the information collected with the help of the schedule will be processed and analyzed by using SPSS software.

Sampling Design

As the universe of the study is entire Rayalaseema Region, an attempt is made to stratify the region into strata. The stratification is done on the basis of geographical and administrative factors. The Rayalaseema Region constitutes four districts, divided into 11 revenue divisions. In order to collect primary data for the purpose of the study, multi-stage sampling technique is adopted. At the first stage all four districts were selected. In the second stage all revenue divisions of each district were chosen for the study. In the final stage, from each of the revenue division, a modest a sample 50 investors/respondents were selected on the purposive basis for the study.

Tools of Analysis

The data so collected will be analysed by using appropriate statistical tools and techniques.To ascertain the periodicity of the investment, the sample investors are asked to indicate their savings habits in terms of time-monthly, quarterly, half-yearly, and yearly and the responses obtained from them are tabulated and presented in table 1.

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Table 1: Periodicity of Savings of Sample Selected Investor in the Study Area

S. No	Periodicity	Number of Respondents	Percentage to total
1	Monthly	237	43.10
2	Quarterly	49	9.00
3	Half-yearly	123	22.36
4	Yearly	141	25.54
	Total	550	100

Source: Field survey

It may be noted from the data presented in table 1 that majority of the sample investors preferred to adopt and follow monthly investment plans rather than the investment plans of other periodic intervals. It may be seen that 43 per cent of the sample investors expressed that they preferred monthly investment plans, and yearly plans (25 per cent), and half-yearly plans (22 per cent) follow this. An attempt is also made here to identify the factors responsible for the popularity of monthly investment plans by cross-tabulating these results vis-à-vis the monthly income sand the employment category of the sample respondents.

Awareness of Investment avenues
To study the awareness of investment avenues among the investors, 10 investment products are identified and placed before the sample –respondents to ascertain their level of awareness in 4 levels, namely, know very well, know well, know somewhat, and do not know. The responses of the sample investors are tabulated and presented in table 2.

Table 2: Awareness of Investment Avenues

S.No	Investment Avenues	Awareness			
		very well	well	some what	Don't know
1	Small saving scheme	229 (41.63)	215 (39.10)	85 (15.45)	21 (3.82)
2	Life insurance	251 (45.63)	207 (37.63)	73 (13.27)	19 (3.47)
3	Bank deposits	265 (48.18)	236 (43.00)	37 (6.72)	12 (2.10)
4	Company deposits	90 (16.36)	125 (22.72)	157 (28.54)	178 (32.38)
5	Bullion	244 (44.36)	148 (27.00)	113 (20.54)	45 (08.10)
6	Real estates	85 (15.45)	387 (70.36)	57 (10.36)	21 (3.83)
7	Mutual funds	72 (13.10)	94 (17.10)	162 (29.45)	222 (40.35)

(Figures mentioned in parenthesis are percentages)
Source: Field Survey

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Table 3: Ranking of Investment Avenue Based on Level of Awareness

| Investment Avenues	Rank
Bank Deposits	1
Real estates	2
Life Insurance Schemes	3
Small saving scheme	4
Bullion	5
Company deposits	6
Mutual funds	7

Source: Field survey

From the above observations, it is clear that investment avenue like bank deposits (ranked one), real estate (ranked two) life insurance schemes (ranked three), small savings scheme (ranked four), bullion (ranked five) are very popular among the investors of Rayalaseema region and they are quite aware of these avenues while making investments. It is also significant to note that they are unaware or little aware of corporate investment channels like company deposits (ranked Six), and mutual funds (ranked seven). This certainly calls for better investor education programmes in this part of the state.The primary motive of investment among the individual investors is to earn a regular income either in the form of interest or dividend on the investments made. The information furnished in table 4 Prove this fact.

Table 4: Primary (First Preference) Motives of Investment of Individual Investors

S. No	Motive of Investment	Number of Respondents	Percentage to total
1	Earning interest/dividend income	275	50.00
2	Tax savings	74	13.50
3	Capital Gains	44	8.00
4	Speculative gains	25	4.50
5	Others- Education and Marriage of Children	132	24.00
	Total	550	100

Source: Field survey
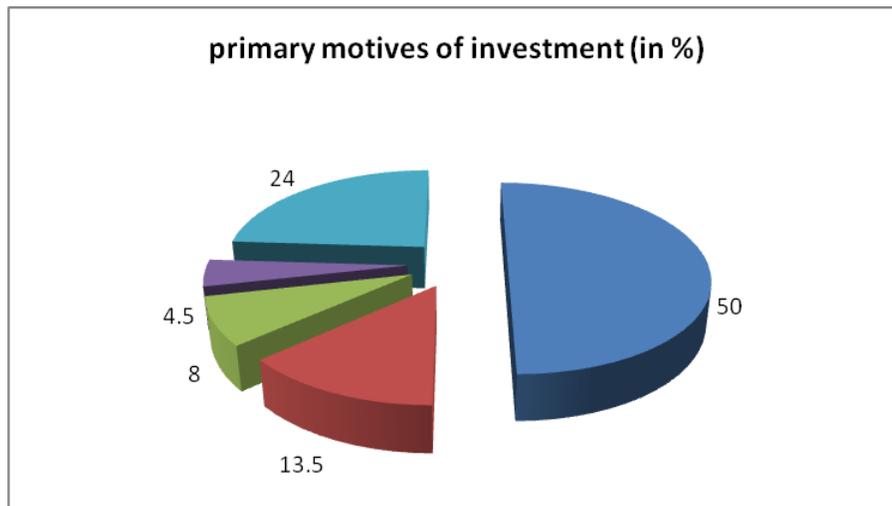
To know the investment strategy normally adopted by the small and individual investors, the sample investors are asked to answer a question involving five different investment strategies. The responses obtained are tabulated and presented in table 5.

Table 5: Particulars of Type of Investment Strategy Adopted By the Investors

S. No	Investment strategy	Number of Respondents	Percentage to total
1	Maximize returns with high chance of value fluctuation	109	19.81
2	Increase Portfolio value with less chance for loss	66	12.00
3	Strong asset growth with moderate value fluctuation	157	28.54
4	Maintain purchasing power which generate current income	129	23.45
5	Preserve principal rather than growth in assets	89	16.20
	Total	550	100

Source: Field survey

It is observed that the small investors are not very sure of their investment strategy and it appeared that they have failed to comprehend the purpose of an investment strategy. As a result, their opinion on this aspect is much divided and failed to reflect a definite conclusions. However, it is seen from the responses tabulated in the table 5 that a sizeable number of the sample respondents stated that they have adopted an investment strategy, which is likely to ensure a strong assets growth with moderate value fluctuation. Some more investors have expressed that they preferred to adopt an investment strategy that maintains purchasing power through generation of current income. These observations may need further validation through a detailed study to identify the investment strategy of the small and individual investors.

It is always important to know the persons, who actually participate in the decision making process while investments are made by the small and individual investors. It certainly helps us in spreading the investment culture among the small investors by evolving strategies of attracting the attention of those persons. In this context, the sample investors are asked to identify the persons, who normally assisted or participated in the process of investment decision making. The results of this enquiry are presented in table 6.

Table 6: Opinion of Participants of Investment Decisions

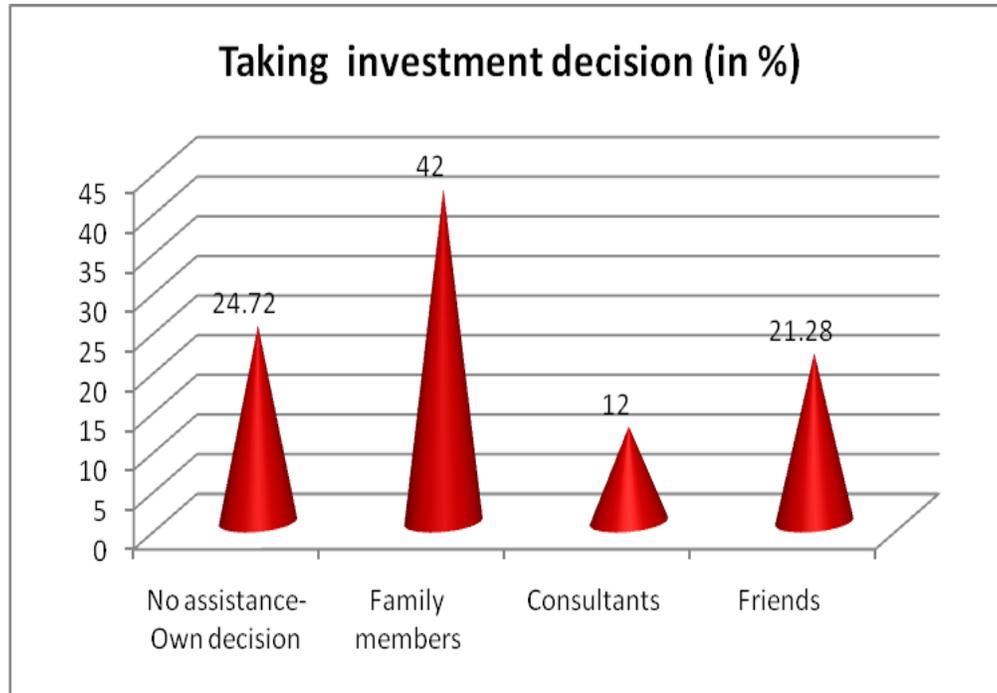| S. No	Participants	Number of Respondents	Percentage to total
1	No assistance- Own decision	136	24.72
2	Family members	231	42.00
3	Consultants	66	12.00
4	Friends	117	21.28
	Total	550	100

Source: Field survey

Fig.

It can be noted from the data contained in table 6 that majority of the investors have taken the assistance of their family members for taking investment decision. 42 per cent of the sample respondents stated that their family members assisted or participated in making the investment decisions. Further, nearly 25 per cent of the sample investors have made investments on their own without the assistance or participation of anybody else. Only a very few the investors' i.e., a small percentage of the sample respondents stated that they took the assistance of consultants/friends.

Findings

An attempt is also made here to identify the factors responsible for the popularity of monthly investment plans by cross-tabulating these results vis-à-vis the monthly income sand the employment category of the sample respondents. It is observed that the small investors are not very sure of their investment strategy and it appeared that they have failed to comprehend the purpose of an investment strategy. As a result, their opinion on this aspect is much divided and failed to reflect a definite conclusions. However, it is seen from the responses tabulated in the table 5 that a sizeable number of the sample respondents stated that they have adopted an investment strategy, which is likely to ensure a strong assets growth with moderate value fluctuation. Some more investors have expressed that they preferred to adopt an investment strategy that maintains purchasing power through generation of current income. These observations may need further validation through a detailed study to identify the investment strategy of the small and individual investors. It is concluded that majority of the investors have taken the assistance of their family members for taking investment decision. 42 per cent of the sample respondents stated that their family members assisted or participated in making the investment decisions. Further, nearly 25 per cent of the sample investors have made investments on their own without the assistance or participation of anybody else. Only a very few the investors' i.e., a small percentage of the sample respondents stated that they took the assistance of consultants/friends.

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