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A Study on Investor's Attitude towards Investment in Equity Stocks with Reference to East Godavari, West Godavari & Vijayawada Districts of Andhra Pradesh

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Abstract: The developments in the financial markets around the globe are providing a wide variety of markets and investment options to the investor's. This in turn makes the investment decision process more complex. Research has been done to identify the factors influencing the investor's attitude towards investment. Primary data is collected through questionnaire. The average value of the top five highly influential factors according to the investors' were what the company does, valuation of the company's Stock, company's 10-Q annual reports, Price to earnings ratio, Is the company profitable. The five factors which were given lowest priority or which had low influence on the attitude of the retail investors investing in equity stocks were Revenue/profit patterns of the company was considered to be the lowest influencing factors among the five, customer/client reviews about the company, vision and mission of the company, risk factors involved in the nature of business, debt-to-equity ratio.

Keywords: Investment, investors' attitude, influencing factors

I. INTRODUCTION

Capital market development has been closely related to an economy's overall development. As economy develops, the indirect lending by savers to investors tends to become more efficient. As economy grows further, specialized financial intermediaries and securities markets develop. As securities markets mature, investors, especially individual investors, can invest their funds directly in financial assets issued by firms. The term investment means conversion of cash or money into a monetary asset or a claim on future money for a return. Investment is considered the sacrifice of certain present value of money in anticipation of a reward. Investment is the sacrifice of certain present value for the uncertain future reward. Investments are always interesting, challenging and rewarding.

Today investors have various attractive avenues of investment with different features matching their needs. But generally the art of investment is to see that the return is maximized with minimum risk which is inherent in all investments. Investors differ in their pattern of investment, preferences, perceptions and objectives for investment.

The developments in the financial markets is making the investment decision process more complex. Hence this paper aims to identify the key factors which influence the investors to invest in equity markets.

II. REVIEW OF LITERATURE

Peter Roger Eiving (1970) identified those factors which motivated and guided the investment decisions of the common stock investors. The factors include (i) Income from Dividends (ii) Rapid Growth (iii) Purposeful Investment as a protective outlet of savings (iv) Professional Investment Management. Kannadhasan. M (2006) examined the factors that influence the retail investors' decision in investing. The decision of the retail investors are based on various dependent variables viz., Gender, age, marital status, educational level, income level, awareness, preference and risk bearing capacity. Shanmngasundaram V (2011) has done the research on the impact of behavioural dimensions of investors in Capital market and has found that investor decisions are influenced by Psychological factors as well as behavioral dimensions and this Psychological effect is created by the fear of losing money, sudden decline in stock indices and lack of confidence about their decision making capability. Mittal M and Vyas (2008) explored the relationship between demographic factors and the investment personality exhibited by the investors. Empirical evidence suggested that factors such as income, education and marital status effect an individual's investment decisions. Bennet, Ebenezer, et al (2011) in his study concluded, Out of the total 26 variables, it is found out that five factors had very high influence over the retail investor's attitude towards investing in equity stocks. They are namely investors' tolerance for risk, strength of the Indian economy, media focus on the stock market, political stability and finally government policy towards business. Hussein A Hassan (2006) identified the factors influencing the UAE investors' behavior. Six factors were found as the most influencing factors on the UAE. The most influencing factors include corporate earnings, get rich quick, past performance of the stock . Luu Thi Bich Ngoc (2014) identified the behavioral factors influencing the decisions of individual investors at the securities companies in Ho Chi Minh city, Vietnam. The five behavioral factors are Herding, Market, Prospect, Overconfidence-gamble's fallacy and Anchoring-ability bias. Bennet et al. (2011) carried out a study and found that most of the investors expect the stock prices to go up to a degree greater than most of their investments. If the market has gone down, they think it would rebound. If the market is up, they think it would go further. In either case, they make investment decision on account of the assumption that the stock market would give better returns. Rakesh H M (2014) identified that investors are fully aware about the stock markets and they feel the market movements affect the investment pattern of investors in the stock market. Parimalakanthi and Ashok kumar (2015) carried out a study and found that education of investors is immensely important for the present day investors in Coimbatore investors, before making investments, need to collect investment related information from internet and consult friends ,peers and investment experts before making investments. Gnani Dharmaja et al. (2012) identified that accounting information, financial literacy, investor's financial tolerance are influencing the investor's behavior.

From the above review, it is clear that there are some differences among the retail investors on the factors that influence investor's attitude towards investing in equity stocks.

III. OBJECTIVES OF THE STUDY

1. To analyze the investors preference towards various investment avenues in the sample Districts.
2. To analyze the factors influencing investment Decision.
3. To know the investor's preferred sector for the investment.

IV. RESEARCH METHODOLOGY

4.1. Sampling Design

Random sampling technique has used for collecting the data from different investors. The investors are selected by the random sampling method. The sample size covers 600 investors who were spread through three Districts in Andhra Pradesh. From each district 200 investors, ten approved stock Brookings have been chosen and twenty investors had contacted with the help of stock brokers.

4.2. Period of the study

The data are collected for a period of one year (i.e.) from January 201 to December 2016. The data collected are the opinion of investors and their expectations are also analyzed.

4.3. Area of the operation

The study is based on the data collected from investors in three district of Andhra Pradesh i.e. East Godavari, West Godavari and Vijayawada.

4.4. Statistical Tools

The data collected is compiled and described using tables and percentages. The data have been analyzed through descriptive statistics and Chi-square test.

4.5. Limitations of the study

1. The Study is limited to only 600 investors.
2. This Study used only some factors to analyze the factors effecting investment behavior of Individual investor.
3. The survey is conducted only in three districts of Andhra Pradesh i.e. East Godavari, West Godavari and Vijayawada.
4. The study has also the limitation of time, place and resources.

V. RESULTS AND ANALYSIS

Table 1
Responses regarding Age of respondents

<i>S.No</i>	<i>Age Group</i>	<i>No of Respondents</i>	<i>percentage</i>
1	less than 20 years	134	22
2	20 - 40 years	393	66
3	40 - 60 years	64	11
4	more than 60 years	9	2
	Total	600	100

Source: primary data

From the above table 1, It is understood that out of 600 respondents 66 % of respondents belongs to age group of 20-40, 22% respondents are below 20 years and 11% respondents between 40- 60 years. Only 2% of respondents are more than 60 years of age group. Above table indicates that most of the respondents belong to age group of 20-40.

Table 2
Occupation of the respondents

S.No	Occupation	No of Respondents	percentage
1	businessmen	286	48
2	housewives	21	4
3	professional	70	12
4	retired persons	9	2
5	salaried persons	214	36
	Total	600	100

Source: primary data

Occupation also influences investment decisions of individual investor. The above table shows the occupation of sample investor. 48% of investors were businessmen and 36% of investors were salaried persons and 12% of investors were professionals and 4% of investors were housewives, 2% of investors were retired persons.

Table 3
Income level of the respondents

S.No	Income level	No of Respondents	percentage
1	less than 2,00,000	132	22
2	2,00,000 - 4,00,000	405	68
3	4,00,000 - 6,00,000	54	9
4	more than 6,00,000	9	2
	Total	600	100

Source: primary data

The important factor which influences the whole investment decisions and attitude of individual investor is income level of investor. When level of income increases the risk tolerance level of investor also increases. Above table shows that 68% of respondents are between 2lakhs and 4lakhs income level and 22% of respondents are below 2 lakhs income level and 9% of respondents are between 4lakhs and 6lakhs income level and 2% of respondents are above 6lakhs income level.

Table 4
Investor's preferable investment sector

S.No	Preferred sector	No of Respondents	percentage
1	IT sector	245	41
2	Manufacturing sector	158	26
3	pharmaceuticals	89	15
4	Shipping & logistic	108	18
	Total	600	100

Source: primary data

From the above table it clearly understood that 41% of investors showed interest to invest their fund in IT sector and 26% investors and 18% investors were preferred to invest Manufacturing and shipping & logistics sector respectively. 15% investors were preferred to invest in pharmaceuticals sectors.

Table 5
Investor's preferred investment avenues

<i>S. No.</i>	<i>Preferred Investment</i>	<i>No of Respondents</i>	<i>Percentage</i>
1	bullion Market	121	20
2	Primary market	50	8
3	Government Securities	212	35
4	Real Estate	68	11
5	secondary Market	149	25
	Total	600	100

Source: primary data

From the above table it clearly understood that 35% of respondents preferred to invest government securities and 25% respondents and 20% respondents preferred to invest in secondary markets and bullion market respectively. 8% respondents were preferred to invest in primary markets.

TESTING OF HYPOTHESIS

Hypothesis - 1

“There is no association between age of the investors and their preference of investments”.

To test the above hypothesis the researcher has used the ‘chi-square test’.

Observed frequency

<i>S. No.</i>	<i>Preferred Investment</i>	<i>Age of the Respondants</i>				<i>Total</i>
		<i>less than 20 years</i>	<i>20 - 40 years</i>	<i>40 - 60 years</i>	<i>more than 60 years</i>	
1	bullion market	32	82	7	0	121
2	Government Securities	57	145	10	0	212
3	Primary market	3	45	2	0	50
4	Real Estate	23	121	5	0	149
5	secondary market	19	0	40	9	68
	Total	134	393	64	9	600

Source: primary data

CHI – SQUARE TEST

<i>O_i</i>	<i>E_i</i>	<i>(O_i-E_i)</i>	<i>(O_i-E_i)²</i>	<i>(O_i-E_i)²/E_i</i>
32	27.02333	4.976667	24.76721	0.916512068
82	79.255	2.745	7.535025	0.095073182

7	12.90667	-5.90667	34.88871	2.70315427
0	1.815	-1.815	3.294225	1.815
57	47.34667	9.653333	93.18684	1.968181733
145	138.86	6.14	37.6996	0.271493591
10	22.61333	-12.6133	159.0962	7.035503145
0	3.18	-3.18	10.1124	3.18
3	11.16667	-8.16667	66.69444	5.972636816
45	32.75	12.25	150.0625	4.582061069
2	5.333333	-3.33333	11.11111	2.083333333
0	0.75	-0.75	0.5625	0.75
23	33.27667	-10.2767	105.6099	3.173691609
121	97.595	23.405	547.794	5.612931246
5	15.89333	-10.8933	118.6647	7.466319911
0	2.235	-2.235	4.995225	2.235
19	15.18667	3.813333	14.54151	0.957518291
0	44.54	-44.54	1983.812	44.54
40	7.253333	32.74667	1072.344	147.8415686
9	1.02	7.98	63.6804	62.43176471
		TOTAL		305.6317436

Source: computed data

Degrees of Freedom

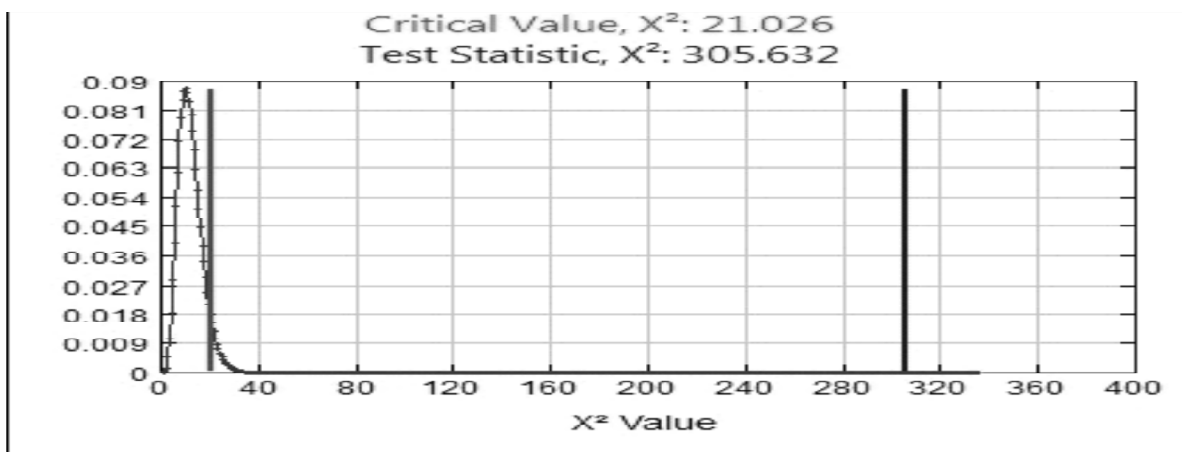
$$V = (r-1) (C_c-1)$$

$$V = (4-1) (5-1)$$

$$V = 12$$

12 degrees of freedom 5% level of significance is 21.02609

The calculate value (305.6317436) is more than the table value. So hypothesis is rejected



Graph 1: Computed value and Chi-Square table value

Conclusion: from the above graph it can be conclude that the calculate value (305.631746) is more than the Chi-Square table value at 12 degrees of freedom is 21.026 .so there is no association between age of the investors and their preference of investment.

Table 6 shows the mean value and the standard deviations of statements that may likely influence the attitude of the investors investing in equity stocks. The average value of the five top highly influential factors according to the investors' were what the company does with a mean value of 3.77 (SD 0.979) valuation of the company's Stock with a mean value of 3.73(SD 0.876), company's 10-Q annual reports with a mean value of 3.71 (SD 0.971), Price to earning ratio with a mean value of 3.70 (SD 0.797), Is the company profitable with the mean value of 3.67 (SD 0.833).

Table 6
Descriptive Statistics

<i>Statements</i>	<i>Mean</i>	<i>Std. deviation</i>
What the Company Does	3.77	0.979
Is the Company Profitable	3.67	0.833
History and Outlook of the Company's Earnings.	3.58	0.976
Valuation of the Company's Stock	3.73	0.876
The Company's Competitors	3.50	0.838
Who Runs the Company.	3.53	0.960
How Clean the Company's Balance Sheet	3.66	0.952
Company's 10-Q Annual Reports.	3.71	0.971
Any Red Flags/ Company's Integrity	3.56	0.886
Is the Company's Competitive Position Sustainable?	3.55	0.915
Is the CEO clean, credible and reliable with proven credentials?	3.64	0.884
Business model of the company	3.61	0.850
Competitive advantage of the company over other companies	3.51	0.844
Revenue/ profit patterns of the company.	3.36	0.931
Profit margins of the company.	3.65	0.904
Debt-to-Equity Ratio.	3.46	0.872
Price to Earning Ratio.	3.70	0.797
Risk factors involved in the nature of business.	3.40	0.933
Dividend history of the company.	3.56	0.978
Customer/ Client reviews about the company.	3.37	1.019
Values and philosophy of the company.	3.48	1.020
Vision and Mission of the company.	3.39	1.079

The investors considered the following five factors would have low influence on the investors investing in equity stocks. Revenue/ profit patterns of the company was considered to be the lowest influencing factors among the five with a average mean value of 3.36 (SD 0.931), customer/ client reviews about the company with a mean value of 3.37 (SD 1.019), vision and mission of the company had a mean value of

3.39 (SD 1.079), risk factors involved in the nature of business had a mean value of 3.40 (SD 0.933). debt-to-equity ratio had a mean value of 3.46 (SD 0.872).

VI. CONCLUSION

Out of the total 22 variables, it is found out that five factors had very high influence over the investor's attitude Towards investing in equity stocks. They are namely what the company does, valuation of the company's Stock, Company's 10-Q annual reports, Price to earnings ratio and Is the company profitable. Hence this study is Concluded that the factors had very high influence over the retail investor's attitude towards investing in equity stocks.

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