

Empirical Study On Individual Investors' Inclination Towards Equity Shares In Varanasi District Of U.P.

Manoj Kumar¹, Dr.Yasir Arafat Elahi²

Research Scholar Dept. of Commerce & Business Mgmt. Integral University Lucknow, India

Assistant Professor Dept. of Commerce & Business Management Integral University Lucknow India

Corresponding Author: Manoj Kumar

Abstract: Indian Capital market has grown remarkably during the recent years in tune with the global financial markets. Two types of capital viz., Equity and Debt are basically raised by Indian corporates. Equity capital forms part of the net worth while Debt forms part of the outside liability of the firm. The capital raised through equity is superior to that of debt capital. Equity improves the borrowing power of the firm from banks and financial institutions. If a firm is able to mobilize substantial amount of equity capital through primary market, it can approach banks to fund long-term investment. From the investor's point of view, it could be observed that the equity investments have out-performed debt and other asset classes over the long term, across the globe.

The specific objective of this research effort is to find out individual investors' inclination towards investment in equity shares in the presence of various investment alternatives. The relevant population for this study is individual investors at Varanasi in U.P. This paper also cover to find the awareness level about SEBI as regulatory body for securities market, reason for preference for equity share investment, preference between primary and secondary market and sensitivity of individual investors towards sensex movement.

Keywords: Equity, Debt, Sensex, Capital, SEBI

Date of Submission: 10-09-2018

Date of acceptance: 27-09-2018

I. Introduction

The capital market is used as a main vehicle to mobilize funds for the economic growth of the country. It performs important functions like the conversion of savings of the households and institutions into investment, creation of financial assets and development of asset-related products. A well functioning securities market is favorable to the sustained economic growth of any country in the world. Indian corporates mainly raise funds through capital market. The growth of the securities market changes the quantum and composition of savings and investment of the households. The availability of yield-bearing securities induces people to consume less and invest more in high yielding, divisible, liquid securities. A strong domestic stock market performance forms the basis for the well performing domestic corporate to raise capital in the international markets. The securities market facilitates the internationalization of the economy by linking it with the rest of the world. This linkage happens through the inflow of capital in the form of portfolio investment.

With the liberalization of the Indian capital markets, securities market has grown into one of the most vibrant, modern and effective markets. The infrastructure and operating efficiency of the Indian stock markets are well appreciated by its global counterparts. In India, a number of reforms have been initiated by the Security Exchange Board of India (SEBI) to safeguard and increase retail investor participation and to make the markets more efficient.

II. Review of literature

Pasalkar Nutan Vijay (2015) conducted a comparative study of Equity investment Vs Mutual fund investment of Indian individual investors. Simple random sampling was used to collect the primary data. 100 respondents from Pune city (Maharashtra) were selected for conducting the study. The study revealed that investors have started shifting from low risk investment to modern and high risk investment avenues like Equity shares and Mutual funds. There has been a remarkable increase in the mutual fund investors but the fact remains that still direct equity investment is more favoured by individual investors as compared to investment in Mutual funds. The practice of narrow diversification is dominant among individual investors.

Bushan Puneet (2014) conducted a study on Insight in to awareness and investment behaviour of salaried individuals towards financial product. For this study Himachal Pradesh (a state in India) is taken as an area of study. Multistage sampling has been adopted for collection of primary data. Total sample of 516 respondents were used for the purpose of this study. This study revealed that respondents are quite aware about traditional

and safe financial products while awareness level of new age financial products among the population is low. Majority of the respondents park their money in traditional and safe investment avenues.

Bashir Ahmed et al. (2013) conducted a study on investment preferences and risk level of salaried individuals. It shows the relationship of demographic variables with the investment preferences consisting of stock investment and gambling decisions of salaried individuals of finance teachers and bankers of Gujarat and Sialkot. A sample of 120 individuals was taken for this study. The statistical tools used for this research is frequency tables and correlation coefficient on data conducted by questionnaire. The software SPSS 18 used for coding data and for finding the results. The research indicates that females are more risk averse than males. Finally it is concluded that demographic factors have significant relationship with risk level, stock investment and gambling.

Bhatt (2013) has studied on investment and trading pattern of individual dealing in stock market. Objectives are to know the awareness of Capital Market, analyze the investment habit of the people of Jamnagar City (Gujarat) and check the purpose of investing in selected Investment Avenues. Sample size for this study was 150 individual from Jamnagar city. Here, two variables are tested i.e. occupation and investment pattern, age and risk taking ability, etc. The scope of this study is geographically limited to Jamnagar city, it include all class of people those who are dealing in stock market. It is concluded during the study that, occupation, age, education does affect the investment decision of individuals dealing in stock market. It was also found that new generation investors (whose age is less than 35) prefer online trading rather than off line.

Samudra Arpna. (2012) has studied on Investment Behaviour of Middle Class Households in Nagpur. The household are further divided into aspirers, middle-middle class and upper class. A sample of 300 households has been taken for this study. It is found that the bank deposits remain the most popular instrument of investment followed by insurance with maximum number of respondents investing in these fixed income bearing option. 30 percent respondent marked life insurance as relatively preferred investment option. Small saving schemes such as public provident fund, post office savings are the third preferred investment option. The research result also illustrates that majority of the respondents of the selected middle class households take investment decision on their own. The government should also design policy to make people invest in various instruments rather than stashing cash at home.

Brahmabhatt, et al. (2012) in his paper "A Study of Investor Behaviour on Investment Avenue in Mumbai" analyzed that people like to investment in Stock Market as compared to any other markets, even if they faces huge losses. Most of the people surveyed were retired persons or the age group between 35-50. In this study a sample of 100 investors was taken from Mumbai and exploratory research design is used. According to the data that have been collected people give more preference to saving and safety but that the same time they want higher interest at low risk in shorter span. Women are attracted towards investing gold than any other investment avenue.

Geeta N. and Ramesh M. (2011) in their study on People's Preferences in investment Behavior examined people's choice in investment avenues in Kurumbalur town. The sample size of 200 was taken for the research work. Simple random sampling was used to select the respondents from available database. Data was analyzed using chi-square test and percentage analysis. Researchers concluded that there is significant relation between investment avenues and gender and age group. There is no significant relationship between investment avenues and education and occupation. They concluded that Kurumbalur respondents are medium aware about various investment choices.

Sammanasu Michael j. (2010) conducted his doctoral work on 'An inquiry in to the investors preferences' in capital market investment with special reference to Tiruchirappalli district. A sample of 300 individual investors from Tiruchirappalli has been selected for this purpose. A structured interview schedule was used to elicit information on the level and pattern of savings and investment in capital market instruments of investors, mode of investment preferred by investors, and the factors influencing the choice of mutual fund schemes of investors.

For the purpose of the study Tiruchirappalli district is divided into three geographical regions- the Southern region, the Central region, and the Northern region. The major factors that influence the investment behavior of investors in capital market are the level of their education, occupational status, size of annual income and period of market experience. Overall experience of capital market investment shows that 55.7 percent investors have experienced it as rewarding. Among the others, 26 percent investors view it as not rewarding and for the rest it has resulted in loss.

Santi Swarup. K. (2009), in his study entitled, "Measures for Improving Common Investor Confidence in Indian Primary Market: A Survey", analyzed the decisions taken by the investors while investing in primary markets in the first part: secondly the factors affecting primary market situation in India was analyzed and finally the survey evaluates various revival measures available for improving investor confidence.

The survey was conducted in 10 cities in India by mailing questionnaire. The survey results of 367 investors revealed that the investors give importance to own analysis and market price as compared to broker's advice..

Shollapur. M.R. and A B Kuchanur, (2008), in their article, "Identifying perceptions and perceptual Gaps: A study on individual investors in selected investment avenues", investors hold different perceptions on liquidity, profitability, collateral quality, statutory protection, etc., for various investment avenues. In addition, they fix their own priorities for these perceptions. The formation of perceptions triggers the investment process in its own way, often leading to unrealistic apprehensions especially among individual investors. This study attempts to measure the degree of investors' agreeableness with the selected perceptions as well as to trace the gaps between their perceptions and the underlying realities. Failure to deal with these gaps tends to lead the investment clientele to a wrong direction. Hence, there is a need to help investors develop a realistic perspective of the investment avenues and their attributes.

III. Research Methodology

Research Objectives

The major objectives of this research paper are:

1. To find out preference of individual investors for equity shares among various investment alternatives.
2. To know the reasons for preference for equity shares over other investment alternatives.
3. To find out awareness about SEBI as regulatory body for securities market.
4. To know preference for market (primary/secondary) by individual investor for investment in equity share.
5. To find the preferred mode of trading (offline/online) in case of investment in equity share.
6. To know the sensitivity of customers towards sensex movement.

Research Design

Descriptive Research Design has been used, which is concerned with describing the characteristic of certain individuals investors or a groups. This study is typically guided by initial hypothesis.

Sample Design - Sample design consists of a number of items like, Sampling technique, , Sampling unit, Size of the sample, sampling area.

Sampling Technique –Convenience sampling

Sampling Unit- Individual Investors investing in equity shares with different backgrounds were selected.

Sample size – 100.

Sampling Area - Varanasi (A District of Uttar Pradesh)

Sources of data- Primary data for this study has been collected through Structured questionnaire containing mostly closed ended questions. Secondary data for this study has been collected through various books and journals.

Statistical tools - The statistical tools used for the purpose of analysis of this study are chi square test, z test and percentage analysis .

Hypotheses

1. Individual investors give equal importance for various investment alternatives
2. Customers give equal importance to better return, liquidity and speculation as reasons for investment in equity shares.
3. Customers are not aware about SEBI as a regulatory body for securities market.
4. Individual investors are independent of type of market i.e. primary and secondary, in case of investment in equity shares .
5. Customers give equal importance to different mode of trading i.e. online/offline mode in case of investment in equity shares.
6. Investors are not reactive to Sensex movement.

Analysis and Interpretation

Customer Demographic Profile

Demography refers to the measurable statistics of a population. An Individual Investor's purchase decisions are also affected by his demographic characteristics. The demographic characteristics of sample are given in the following table:

Table-1 Sample Demographic Characteristics

Demographic characteristics	Number	Percentage	Demographic characteristics	Number	Percentage
AGE			QUALIFICATION		
Up to 30	23	23	Below Graduate	2	2
31-45	49	49	Graduate	18	18
46-60	18	18	Post graduate	68	68
Above 60	10	10	Doctorate	12	12
OCCUPATION			GENDER		
Government Sector	15	15	Male	82	82
Private Sector	44	44	Female	18	18
Self Employed	20	20	INCOME		
Businessman	12	12	Up to 2 lakh	20	20
Retired	9	9	2-5 lakh	46	46
MARITAL STATUS			5-10 lakh	22	22
Married	74	74	More than 10 lakh	12	12
Single	26	26			
TOTAL SAMPLE SIZE IS 100					

Table-2 Investment preference for various investment avenues

Investment avenues	No. of respondents giving Rank 1	No. of respondents giving Rank 2	No. of respondents giving Rank 3	No. of respondents giving Rank 4	No. of respondents giving Rank 5	Weighted rank
Equity shares	10	16	6	16	8	204
Debentures/Bonds	0	4	16	8	12	92
Mutual funds	40	22	16	12	2	362
NSC/PPF/PF	6	12	20	10	18	176
FDs	8	8	8	24	14	158
Insurance	6	20	22	8	6	198
Real Estate	10	12	6	10	16	152
Gold/silver	16	6	6	8	22	160
Others	4	0	0	4	2	40

Rank 1 for most preferred and rank 5 for least preferred

Let us take the Null hypothesis: Individual investors give equal importance /consideration for various investment alternatives.

Applying χ^2 test

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where O = an observed frequency in a particular category

E = an expected frequency in a particular category

E= 1542/9= 171.33 in each case, O= 204, 92,362,176,158,198,152,160 and 40(from the table 2)

Chi Square tabulated at degree of freedom 8 and 5% level of significance = 15.51

χ^2 calculated = 364.06

χ^2 cal > χ^2 critical

Since calculated value of χ^2 is greater than its critical or tabulated value, the null hypothesis is rejected. Hence Investors do not give equal preference to various investment alternatives for investment consideration.

Table 3: Reasons for the preference for equity share investment

Better return	Liquidity	Speculation	Total
34	18	4	56

Let us take the Null hypothesis H0: Individual investors give equal importance to better return, liquidity and speculation as reasons for investment in equity shares.

Applying χ^2 test

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

O= 34, 18 and 4 (from the table 3)

E= 56/3= 18.67 in each case

Chi Square tabulated at degree of freedom 2 and 5% level of significance = 5.99

χ^2 calculated = 24.12

χ^2 cal > χ^2 critical

Since calculated value of χ^2 is greater than its critical or tabulated value, the null hypothesis is rejected. Hence there is significant difference for opting better return, liquidity and speculation as reason for the preference for equity share investment over other investment alternatives.

Table 4 Awareness about SEBI as regulatory body

Aware	Not aware	Total
76	24	100

Let us take the Null hypothesis H_0 : Individual Investors are not aware about SEBI as a regulatory body for securities market.

After using z – test (two tailed test) the calculated value of z is 8.66

Since $z_{cal} = 8.66$, which is more than its critical value $z_{\alpha/2} = 1.96$ at $\alpha/2=.025$ significance level ,the null hypothesis H_0 is rejected .Hence we conclude that majority of Individual Investors are aware about SEBI as a regulatory body for securities market.

Table 5:Preference between primary and secondary market for equity share investment.

Type of market	Primary market	Secondary market	Total
No. of respondents	38	18	56

Let us take the Null hypothesis H_0 : Individual investors are independent of type of market ie ; primary and secondary , in case of investment in equity shares .

Applying the z statistics:

$$z = \frac{p - P}{\sqrt{(P(1-P)/n)}}$$

Out of 100 respondents 56 invested in equity shares. so for z test n = 56

After using z – test (two tailed test), the calculated value of z is 2.67

Since $z_{cal} = 2.67$, which is more than its critical value $z_{\alpha/2} = 1.96$ at $\alpha/2=.025$ significance level ,the null hypothesis H_0 is rejected. .Hence we conclude that Individual investors are dependent on type of market i.e. primary and secondary, in case of investment in equity shares. This is evident by Table 5 which reveals that respondents prefer primary market as compared to secondary for equity share investment.

Table 6: Preference between Online and Offline mode of trading for investment in equity share.

Mode of trading	Online	Offline	Total
No. of respondents	54	02	56

Let us take the Null hypothesis H_0 : Customers give equal importance to different mode of trading i.e. online/offline mode in case of investment in equity shares..

Applying the z statistics:

$$z = \frac{p - P}{\sqrt{(P(1-P)/n)}}$$

After using z – test (two tailed test) , the calculated value of z is 6.95

Since $z_{cal} = 6.95$, which is more than its critical value $z_{\alpha/2} = 1.96$ at $\alpha/2=.025$ significance level ,the null hypothesis H_0 is rejected. .Hence we conclude that customers do not give equal importance to different mode of trading i.e. online/offline in case of investment in equity shares. This is evident by Table 6 which reveals that respondents prefer online mode of trading for equity share investment.

Table 7. Investors reaction in case of fall in Stock market (Sensex movement)

Reaction	Withdraw	Wait and Watch	Invest more	Total
No. of respondents	4	42	10	56

Let us take the Null hypothesis H_0 : Individual investors are not reactive to sensex fall.

Applying χ^2 test

O= 4, 42 and 10 (from the table 8)

E= 56/3= 18.67 in each case

Chi Square tabulated at degree of freedom 2 and 5% level of significance = 5.99

χ^2 calculated = 44.69

χ^2 cal > χ^2 critical

Since calculated value of χ^2 is greater than its critical or tabulated value, the null hypothesis is rejected. Hence respondents are reactive to sensex movement. They react differently when stock market falls.

Findings

- It is found that the most preferred investment considerations by customers are Mutual funds, Equity shares and insurance. The weighted ranking is highest i.e.; 362 for MF followed by 204 for shares and 198 for insurance.
- As far as reasons for the preference for Equity shares investment are concerned, we found that they are better return and liquidity.
- It is found that majority (76 percent) of the respondents are aware about SEBI as a regulatory body for securities market.
- It is found that respondents prefer primary market as compared to secondary for equity share investment.
- It is revealed that respondents prefer online mode of trading as compared to offline for equity share investment..
- Respondents are reactive to sensex movement. They react differently when stock market falls. Majority of respondents prefer to wait and watch option instead of withdrawing money.

IV. Conclusion

This study revealed that Mutual fund, equity shares and insurance are most preferred investment alternative by individual investors, in comparison to other investment avenues available, in Varanasi (U.P.). Debentures, Bonds and Future & Options are least preferred investment alternatives by the investors. Income, age and Tax benefit played a key role in investment decision. Individual investors are rational enough to take decisions in volatile market conditions. The market is said to be volatile when there are wide price fluctuations and heavy trading. Majority of respondents prefer to opt for to wait and watch option instead of withdrawing money if share market falls. 17.8 percent respondents prefer to invest more in this situation. Hence respondents are reactive to sensex movement. Investing in equity shares is highly rewarding investment avenue, but at the same time it also presents great risk. The primary intention of investing in equity share is to sell it at higher price when the market rises. Hence a person investing in securities should take every care before investing in the capital market.

Acknowledgement

First and foremost, we express our sincere gratitude to the Almighty God, without his grace nothing is possible.

Authors are thankful to Dean, Faculty of Doctoral Studies and Research (DSR), Integral University Lucknow, for providing me manuscript communication number- IU/R& D/2018-MCN 000440 and allowing me to send this paper for publication.

References

- [1] Bashir, Ahmed, Hassan Raza, "Investment Preferences and Risk Level: Behavior of Salaried Individuals", *IOSR Journal of Business and Management*, Volume 10, Issue 1 (May. - Jun. 2013), PP 68-78, ISSN: 2278-487X.
- [2] Bhushan Puneet, "Insight in to awareness and investment behaviour of salaried individuals towards financial product", *International Journal of Engineering and Management Research and Enterprise Applications*, 8(1), March-May 2014 pp 53-57
- [3] Bhatt, K.A., "Investment and Trading Pattern of Individuals Dealing in Stock Market", *The SIJ Transactions on Industrial, Financial & Business Management (IFBM)*, Vol. 1, No. 2, May-June 2013.
- [4] Brahmabhat, Kumari, Raghu p.s., "A Study of Investor Behaviour on Investment Avenues in Mumbai", *TRANS Asian Journal of Marketing & Management Research*, Vol.1 Issue 1, September 2012
- [5] Geeta N. and Ramesh M., "A Study of People's Preference in Investment Behaviour", *IJEMR*-November 2011-vol 1 Issue Pasalkar Nutan Vijay "A comparative study of Equity investment Vs Mutual fund investment of Indian individual investors", INCON-X 2015, ASM Group of Institute of Pune, India pp 482-496.
- [6] Sammanasu Michael j, "An Inquiry in to the investors' preference in capital market investment with special reference to Tiruchirappalli-District", Doctoral work awarded by Bharatidasan University, Tiruchirappalli 2010 p 241-245
- [7] Samudra, Arpna, "A Study on Investment Behaviour of Middle Class Households in Nagpur", *International Journal of Social Sciences & Interdisciplinary Research*, Vol.1, No. 5, May 2012, ISSN: 2277-3630.
- [8] Santi Swarup K, "Measures for Improving Common Investor Confidence in Indian Primary Market: A Survey", Research Publication, 2009, nseindia.com.

- [9] Shollapur M.R. and A B Kuchanur, "Identifying perceptions and perceptual Gaps: A study on individual investors in selected investment avenues", *The ICFAI University Journal of Behavioral Finance*, Vol. V, No. 2, 2008, PP: 47-61.

IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with SI. No. 4481, Journal no. 46879.

Manoj Kumar. " Empirical Study On Individual Investors' Inclination Towards Equity Shares In Varanasi District Of U.P." IOSR Journal of Business and Management (IOSR-JBM) 20.9 (2018): 01-07.