



Investment patterns of stock investors in Kurnool district of Andhra Pradesh – an analysis

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Abstract: Stock markets play a decisive role in the acceleration of the pace of growth in a developing economy like India. The Foreign Institutional Investors (FIIs) and the domestic investors, mainly the mutual funds, appear to have been showing their relentless faith and unshaken confidence in Indian capital markets. It is suggested in view of the importance of media, more programmes on capital market operations should be carried out to increase awareness level of investors in such a language incomprehensible to all the investors across India irrespective of their academic levels. It is suggested that a more awareness should be created about futures and options among potential investors in view of the importance of futures and options trade. It is suggested that a great deal of awareness about commodities trading must be created among potential investors in view of the importance of commodities trade. As such SEBI and other government agencies have to undertake adequate measures to create awareness.

Key Words: commodities trade, investor protection, SEBI

Introduction

Stock markets play a decisive role in the acceleration of the pace of growth in a developing economy like India. The Foreign Institutional Investors (FIIs) and the domestic investors, mainly the mutual funds, appear to have been showing their relentless faith and unshaken confidence in Indian capital markets. The investors' confidence and faith in stock markets is an essential prerequisite for the smooth, steady and stimulating performance of the capital markets in any country. Moreover, the spread of investment culture among the small and retail investors, especially among the rural investors also goes a long-way in the persistent development of stock markets and helps in capital formation in the country. Further with

the advent of second phase of economic reforms, especially the reforms in the stock markets, the subject of 'investor protection' have been subjected too much debate and increased emphasis. Today, the small and rural investors are more exposed to investments risks because of insider trading, price rigging by organized brokers, manipulative and fraudulent practices of market intermediaries. It is in this context, the present work entitled "Investment Patterns of Stock Market investors" has been taken up.

Review of Literature:

Prasanna Chandra stated in his article entitled, "Indian Capital Market - Pathways of Development", that there is a need to expand the base of investor



community and to spread the investment culture to semi-urban and rural areas by augmenting the supply of acceptable investment instruments, by educating the public about the opportunities for investment in corporate securities and by reserving a portion of the public issues of securities for the rural investors. The need for investor's education, expansion of the network of stock exchanges to tap savings of the people living in remote areas was perceived by Laxman Swaroop and Shadi Lall emphasized unity among the investors and the need for investor awareness.

The SEBI has been promoting education and awareness among the countrywide investors about the legal provisions, administrative guidelines and remedies available for their grievances through the issue of press releases from time to time. The Institute of Company Secretaries of India in its Investor Education Series III entitled, 'Investment Decision Making by a Lay Investor' (1991) explained the pre-conditions for investment decision making, analysis and evaluating the risks. Sharma and Prashar in their empirical investigation enquired into the information needs of the investors for taking their investment decisions.

Basaiah and Venugopal Rao has conducted a study entitled "Investment patterns of stock market investors in Anantapur District of A.P." and opined that the Government and SEBI should take suitable measures to protect the interest of stock market investors.

An overview of the above studies reveal that some of them are of research studies, while the rest belongs to general studies focusing on the Indian capital market scenario and the related issues

taken place over period of time representing times of pre and post reform period. Though some of them had a focus on investors and investment patterns in Indian capital market in general, the absence of studies in this regard at regional level with particular reference to Kurnool (Former capital city of the state of Andhra) has been felt very much. Moreover, it is an undisputable fact to mention that the socio economic characteristic features of investors in terms of their Investment Patterns, motives and preferences definitely varies from region to region, necessitating to take up the study in this direction in the Kurnool District of Andhra Pradesh.

In view of the above and to identify the possible areas for future research, the present study is a modest attempt to study the investment patterns of stock market investors in Kurnool District of Andhra Pradesh.

Need for the Study

After thorough review of literature, there is a need to study the investment patterns of investors, a very crucial area in the formulation of policies and procedures for the orderly growth and development of securities markets in any nation. Most of the studies reviewed have mainly covered the aspects at macro level, like the ownership patterns in the capital market, occupation-wise break up of paid up value of share holdings of individuals, ownership pattern of shares/debentures, geographical distribution of share ownership in India.

Objectives of the Study

The basic objective of the present research work is to study the investment patterns of stock market investors. The



specific objectives of the study are as follows:

1. To examine the awareness levels of stock market investors in Kurnool District.
2. To find out the investment patterns in various avenues of stock markets.
3. To study the factors which creates worries among the investors.
4. To analyse the overall satisfaction level of investors towards SEBI as a capital market regulator and
5. To offer suitable suggestions for investors and policy makers.

Methodology of the Study

Primary data has been collected through structured questionnaire. The secondary data has been collected from Books, Journals, Magazines, Business News papers, SEBI publications, BSE, NSE reports, RBI publications etc. Kurnool District of Andhra Pradesh has been selected for the study. Kurnool District has been divided into three Revenue divisions for administrative purposes viz. Kurnool, Nandyal and Adoni. As the universe of the study is entire Kurnool District. A sample of 25 respondents from each city/town has been collected for the purpose of the study. The total sample size is 75 respondents as given under:

S.No	Name of the Town	Sample Size
1	Kurnool	25
2	Nandyal	25
3	Adoni	25
TOTAL:		75

After elimination of few partially filled questionnaires, **the resultant sample size is 72.**

Scope of the Study: The present study aims at analyzing the investment behavior of individual investors with special reference to Kurnool. Hence, the scope of the present study is confined to the study of motives and preferences of small and household investors of Kurnool district in the state of Andhra Pradesh. Three major towns of Kurnool district have been taken for study.

Limitations of the Study: In a study of this magnitude though, meticulous

care has been taken in each and every aspect of study. Certain limitations are likely to be there in the study.

1. Since the study is a sample based and undertaken in Kurnool District, Andhra Pradesh, the findings of the study may have the limitation of generalization to the entire population.
2. Despite the care taken to understand the feelings and opinions of the



- respondents, some articulation error may have crept into the study.
3. Some respondents may not be aware of certain latest procedures and aspects of stock market.
 4. A few respondents were hesitant to give details.
 5. There might be a sense of bias crept in answers given by the respondents.
 6. The conclusion may or may not be generalized since the study is confined to Kurnool District of Andhra Pradesh only.

Analysis and Interpretation

Table 1: Duration of operation in stock market

S.No	Particulars	Sample Size	Percentage
1	Less than 1 year	8	11.11
2	1 to 3 years	17	23.61
3	3 to 6 years	24	33.33
4	Above 6 years	23	31.94
TOTAL:		72	100 %

Source: Field Survey

INFERENCE: It can be inferred from the above table that, 11.11 percent of the respondents have been operating in the stock market for less than 1 year. 23.61 percent of the respondents have been operating in the stock market for 1 to 3 years. 33.33 percent of the respondents have been operating in the stock market for 3 to 6 years. 31.94 percent of the respondents have been operating in the stock market for above 6 years.

Table 2: Awareness about stock markets

S.No	Particulars	Sample Size	Percentage
1	Media	23	31.94
2	Family members	6	8.33
3	Friends	27	37.50
4	Colleagues	11	15.27
5	Others	5	6.94
TOTAL		72	100.00

Source: Field Survey



INFERENCE: It can be analyzed from the above table that, 31.94 percent of the respondents revealed that they came to know about the stock market through media. 37.50 percent of the respondents revealed that they came to know about the stock market through friends. 8.33 percent of the respondents revealed that they came to know about the stock market through family members. 15.27 percent of the respondents revealed that they came to know about the stock market through colleagues and 6.94 percent of the respondents revealed that they came to know about the stock market through other sources like

dealers, brokers etc. It can be concluded from the above table that, mode of awareness is mainly by media and friends. Hence, it is suggested in view of the importance of media, more programmes on stock market operations should be carried out to increase awareness level of investors. The business newspapers and magazines should also give technical analysis and fundamental analysis about different companies and industries in all regional languages understandable to all the investors across India irrespective of their educational level

Table 3: Investment with regard to different avenues of capital markets

S.No	Particulars	Invested		Not invested	
		Sample Size	Percentage	Sample Size	Percentage
1	Equity shares	69	95.83	3	4.17
2	Debentures	11	15.27	61	84.72
3	Mutual Funds	62	86.11	10	13.88
4	Gold Traded Funds	8	11.11	64	88.89
5	Futures & Options	3	4.16	69	95.83
6	Commodities	12	16.66	60	83.39

Source: Field Survey

Inference: It can be inferred from the above table that, majority of 95.83 percent of the respondents revealed that they have invested in equity shares. 86.11 percent of the respondents revealed that they have invested in mutual funds. 16.66 percent of the respondents revealed that they have invested in commodities. 15.27 percent of the respondents revealed that

they have invested in debentures. 11.11 percent of the respondents revealed that they have invested in gold traded funds. 4.16 percent of the respondents revealed that they have invested in futures and options. It can be concluded from the above table that, majority of the respondents have invested in equity shares.



Table 4: Worries about stock market- Too much volatility and Price fluctuation

S.No	Particulars	Sample Size	Percentage
1	1 st reason to worry	31	43.05
2	2 nd reason to worry	17	23.61
3	3 rd reason to worry	24	33.33
TOTAL		72	100 %

Source: Field Survey

INFERENCE: It can be analyzed from the above table that, a majority of 43.05 percent of the respondents revealed that, it is too much volatility and price fluctuation is the first reason to worry about the stock markets. 33.33 percent of the respondents revealed that, it is too much volatility and price fluctuation is the third reason to worry about the stock

markets and 23.61 percent of the respondents revealed that, it is too much volatility and price fluctuation is the second reason to worry about the stock markets. It can be concluded that, among the respondents a large section has opined that too much volatility and price fluctuation is the first reason to worry about the stock markets.

Table 5: Worries about stock market- Corporate mismanagement and fraud

S.No	Particulars	Sample Size	Percentage
1	1 st reason to worry	28	38.88
2	2 nd reason to worry	26	36.11
3	3 rd reason to worry	18	25.00
TOTAL		72	100 %

Source: Field Survey

INFERENCE: It can be observed from the above table that, a majority of 38.88 percent of the respondents revealed that, it is corporate mismanagement and fraud is the first reason to worry about the stock markets. 36.11 percent of the respondents revealed that, it is corporate mismanagement and fraud is the second reason to worry about the stock markets

and 25.00 percent of the respondents revealed that, it is corporate mismanagement and fraud is the third reason to worry about the stock markets. It can be concluded that, among the respondents a large section has opined that corporate mismanagement and fraud is the first reason to worry about the stock markets. Hence, it is suggested that



the companies should practice good corporate governance by disclosing true accounting and financial position. The indulgence in unethical and unscrupulous activities will erode the investor confidence in the companies. The

balance sheet should be transparent and reflect the true financial position of the company.

Table 6: Best method of investment in shares

S.No	Particulars	Sample Size	Percentage
1	Buying through IPO	27	37.50
2	Buying through stock exchange	43	59.72
3	Can't say	2	2.77
TOTAL		72	100 %

Source: Field Survey

INFERENCE: It can be inferred from the above table that, majority of 59.72 percent of the respondents opined that it is best to buy shares through stock exchange i.e., secondary market. 37.50 percent of the respondents opined that it is best to buy shares through IPO i.e.,

primary market and 2.77 percent of the respondents can't say any opinion. It can be concluded that majority of the respondents opined that it is best to buy shares through stock exchange i.e., secondary market.

Table 7: Usual policy or strategy of investing in equity shares

S.No	Particulars	Sample Size	Percentage
1	Mostly sell the shares in days or weeks	21	29.16
2	Mostly hold and sell the shares in months	40	55.55
3	Mostly hold and sell the shares in years	11	15.27
TOTAL		72	100%

Source: Field Survey

INFERENCE: It can be inferred from the above table that, a majority of 55.55 percent of the respondents strategy is to sell shares in few months. 29.16 percent of the respondents strategy is to hold and sell shares in days or weeks and 15.27

percent of the respondents strategy is to hold and sell shares in years. It can be concluded that, a large section of the respondents have adopted a short term strategy.



Table 8: Monitoring of share price movements in media

S.No	Particulars	Sample Size	Percentage
1	Daily and continuously	34	47.22
2	Irregularly	31	43.05
3	Very rarely	7	9.72
TOTAL		72	100 %

Source: Field Survey

INFERENCE: It can be analyzed from the above table that, a majority of 47.22 percent of the respondents monitor share prices in media daily and continuously. 43.05 percent of the respondents monitor share prices in media irregularly and 9.72 percent of the respondents monitor share prices in media very rarely. It can be concluded that, majority of respondents monitor share prices in media daily and continuously. Hence it is suggested that the media should guide the investors

properly in investing their hard earned money. The media should invite stock market experts to give valuable tips to the potential investors through their programmes. The media should also conduct programmes to create awareness about investment in stock market operations. They should also educate the uneducated investors about technical analysis and fundamental analysis and intricacies involved in stock market trading.

Table 9: Role of SEBI in regulating the market

S.No	Particulars	Sample Size	Percentage
1	Active role	29	40.27
2	Not so active	34	47.22
3	Can't say	9	12.5
TOTAL		72	100 %

Source: Field Survey

INFERENCE: It can be observed from the above table that, a majority of 47.22 percent of the respondents opined that SEBI is not playing active role in regulation of stock market. 40.27 percent of the respondents opined that SEBI is playing active role in regulation of stock market and 12.5 percent of the respondents can't decide about the role of SEBI. It can be concluded that, majority of respondents opined that, SEBI is not

playing an active role in regulation of stock market. Hence, it is suggested that SEBI has to play very active role in protecting the interest of the investors by regulating the companies. They should check the irregularities, corporate mis-governance, insider trading and price rigging of companies. The SEBI should be given proper teeth to check and to regulate the activities of companies.



Table 10: Overall satisfaction towards regulation of stock market

S.No	Particulars	Sample Size	Percentage
1	Highly Satisfied	35	48.61
2	Moderately Satisfied	26	36.11
3	Dissatisfied	11	15.27
TOTAL		72	100 %

Source: Field Survey

INFERENCE: It can be seen from the above table that, a majority of 48.61 percent of the respondents expressed their opinion as highly satisfied, 36.11 percent are moderately satisfied and 15.27 percent are dissatisfied. It can be concluded that there is dissatisfaction with regard to overall satisfaction towards regulation of stock markets.

Suggestions:

1. It is suggested in view of the importance of media, more programmes on capital market operations should be carried out to increase awareness level of investors in such a language incomprehensible to all the investors across India irrespective of their academic levels.
2. It is suggested that a more awareness should be created about futures and options among potential investors in view of the importance of futures and options trade.
3. It is suggested that a great deal of awareness about commodities trading must be created among potential investors in view of the importance of commodities trade. As such SEBI and other government agencies have to undertake adequate measures to create awareness.
4. It is suggested that the companies should take up good corporate governance practices by disclosing true accounting and financial position.
5. It is suggested that the media should steer the investors properly in investing their hard earned money. The media should carry out programmes to create awareness about investment in stock market operations about technical analysis and fundamental analysis and intricacies involved in stock market trading.
6. It is suggested that awareness levels of potential investors towards debentures should be augmented in view of the safety and security of debentures.
7. It is suggested that measures must be taken to create awareness about gold traded funds so as to avoid the possibility of wear and tear and depreciation associated with custody of gold.
8. For small investors and investors without much knowledge about stock market operations, mutual funds prove to be Best Avenue for investment. Hence, it is suggested that measures should be taken to



- develop confidence among investors about mutual funds.
9. SEBI should initiate further steps to protect the interest of investors.
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