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An Analysis on Investor's Perception towards Investment Decision with reference to Indian Scenario (Andhra Pradesh)

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Keywords: Investment, Investment decision, Equity market.

ABSTRACT

Now a day's investments in Equity markets become a common phenomenon for all individuals. The national economic growth majorly depends upon the development of equity markets in the nation. Developments in the financial markets around the globe are providing a wide variety of markets and investment options to the investor's. Investment decision making is not an easy task it includes lot of analysis. Research has been done to know the factors influencing the investment decisions of the investors. Primary data is gathered through a structured questionnaire. Sample size for the study is 100 respondents from Vizianagaram district. In this study, data was analyzed using percentages and Ranking method. It is found that currency strength (economic factors), legal aspect of the company (industry factors), legacy of the company (Reputation factors) and new products of the company (positioning factors) are influencing the investment decisions. The findings from this study would help the policy makers and corporate before making any major decisions.

Keywords: Investment, Investment decision, Equity market.

I. Introduction

Nation's economic development largely depends on the saving's of the people. Savings invested in different options drive towards the growth of the nation. Investment refers to keeping savings in assets with the objective of achieving additional income or growth in value in a due course. The art of investment is to see that the return is maximized with minimum risk. Advancements in the global scenario are providing a wide variety of options to the investor's. The developments in the financial markets are making the investment decision process more complex. Generally Investors differ in their demographic profile, investment pattern, preferences and investment objectives. Hence an attempt is

made in this paper to identify the factors which are influencing the investment decision making process.

II. Review of Literature

Awais M.et.al (2016) conducted a research to know the factors which influence the investors decision making process and found that high knowledge about financial information and its analysis improves the investors risk taking capacity[1]. Sangeeta Jauhari et al. (2015) identified that investor's pattern of investment mainly depends on the age, educational level and source of income and investment alternatives available in the stock market[13]. Muhammad Sadiq et.al,(2019) Research has been conducted to know the impact of corporate governance and investor confidence on the corporate investment decisions and identified that there is a significant impact of investor confidence on corporate investment decisions in both countries and also the investment level is higher in the firms with good corporate governance practices[8]. N.S.V.N Raju, et al (2016), conducted a study to identify the factors influencing investors attitude towards investment and found that 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[10]. U.Raghavendra Prasad (2016) indentified that investors are bullish in nature. Rate of return, capital appreciation and safety of investment are the major motives for investment[14]. D. Harikanth and B. Pragathi (2013), found that Risks taking capacity and educational qualification of investors are the factors which affects the selection of investments[3]. Mittal M and Vyas (2008) found that factors like income, marital status and education has an effect on individual's investment decisions[6]. N.Piyatrapoomi et.al,(2004) Political, social, environmental and economic factors are included in decision-making frameworks but incomplete information of these factors become risk and uncertainty in decision making[9]. Hussein A Hassan (2006) identified the factors influencing the UAE investors' behavior. The most influencing factors include get rich quick, corporate earnings, past performance of the stock[5]. Razan Salem,(2019),Arab women exhibit greater herding behavior and have lower investment literacy, confidence, and financial risk tolerance levels; consequently, they invest less in the stock market than Arab men[12]. Rakesh H M (2014) found that investors are aware about the stock markets and they feel that market fluctuations affect the investor's investment pattern[11]. Boram Lee.et.al, (2015) Research has been conducted to know the relationship between stock market return expectations and risk aversion of individuals and concluded that higher risk aversion is associated with lower stock market expectations[2]. Gnani Dharmaja et al. (2012) found that financial literacy, investor's financial tolerance and accounting information are influencing the investor's behavior[4]. M.Jaya et al. (2017) found that return on investment, tax benefits and liquidity are the major reasons for the investment in stock markets. To avoid risk investors are adopted a strategy by not investing in the risk area and followed portfolio investment[7].

III. Objectives of the Study

1. To study the investors perception towards various investment options in the sample Districts.
2. To analyze the factors influencing investment Decision.

IV. Research Methodology

4.1 Sampling Design

Convenient sampling technique was used for data collection. The sample size covers 100 investors.

4.2 Period of the study

Data collection was done in the month of November to December 2016.

4.3 Area of the operation

The data collected from investors in Vizianagaram district of Andhra Pradesh.

4.4 Limitations of the study

1. The Study considered only few factors to analyze investment behavior of Individual investor.
2. The study did not consider the factor like culture, caste and family size that affect the stock market investment.
3. The survey is limited to Vizianagaram district of Andhra Pradesh.

V. Results and Analysis

5.1: Age-Wise

The respondents of the sample districts are divided depending on their age into four age groups. The age groups are made as Below 20 years, 20 to 40 years, 40 to 60 years, 60 years and above.

Table 1: Responses regarding Age of respondents

S.NO	Age Group	No of Respondants	Percentage
1	below 20	16	16
2	20 - 40	57	57
3	40 -60	17	17
4	above 60	10	10
TOTAL		100	100

Source: primary data

It is observed from the above table 1, that out of 100 respondents 57 percent of respondents belongs to age group of 20-40, 16 percent respondents are below 20 years and 17 percent respondents between 40- 60 years. Only 10 percent respondents are in the age group of more than 60 years. Above table shows that majority of the respondents are in the age group of 20-40.

5.2: Occupation Wise

Here occupation means position of the investor in the society. The respondents have been categorized into five categories according to their occupation. The categories of occupation are salaried persons, Business persons, Professional, House wives and Retired persons.

Table 2: Occupation of the respondents

S.No	Occupation	No of Respondents	percentage
1	Businessmen	28	28
2	Housewives	10	10
3	Professional	15	15
4	retired persons	13	13
5	salaried persons	34	34
TOTAL		100	100

Source: primary data

Occupation also influences investment decisions of individual investor. The above table shows the occupation of sample investor 34 percent of investors were salaried persons and 28 percent of investors were businessmen and 15 percent of investors were professionals and 10 percent of investors were housewives, 13 percent of investors were retired persons.

5.3: Preferred Sector for Investment

Investors are very much concerned about in which sector should invest their funds. In market there are many sectors are there for investment like banking sector, shipping & logistics sector, IT sector, Manufacturing sector and Pharmaceuticals sector. In order to know the preference of investor in different investment sector investigator asked about their preference in different sector.

Table 3: Investor's preferable investment sector

S.No	Preferred sector	No of Respondents	percentage
1	IT sector	45	45
2	Manufacturing sector	15	15
3	Pharmaceuticals	30	30
4	Shipping & logistic	10	10
TOTAL		100	100

Source: primary data

From the above table it clearly understood that 45 percent of investors showed interest to invest in IT sector, 30 percent investors preferred to invest in pharmaceuticals sector and 15 percent investors and 10 percent investors were preferred to invest Manufacturing and shipping & logistics sector respectively.

5.4: Preferred Investment Avenues

Investors are asked to state their preference of investment among several alternatives available in the market. Because this factor explains the investment

attitude of investor therefore the investigator asked about the preference of their investment.

Table 4: Investor's preferred investment avenues

S.NO	Preferred Investment	No of Respondents	Percentage
1	bullion Market	21	21
2	Primary market	20	20
3	Government Securities	31	31
4	Real Estate	8	8
5	secondary Market	20	20
Total		100	100

Source: primary data

It is clearly understood that 31percent of respondents preferred to invest government securities, 21 percent are preferred to invest in bullion market and 20 percent respondents preferred to invest in primary & secondary markets and bullion market respectively.8percent respondents were preferred to invest in real estate.

5.5: Significance of Government/ Economy related factors on Investment decision

The investment decision may also depend upon the government and economy factors of the country where investment is made. The government and economy factors set contains six variables i.e., Cabinet policy laws, RBI policies, 5 year plans, Projected prime indicators (GDP/Inflation/Lending rates etc), Execution of government plans, Currency strength of the country.

Table 5: Significance of Government/ Economy related factors on Investment decision

Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	TOTAL	Total score	Relative score	Rank
Rating	5	4	3	2	1				
Cabinet Policy laws	2	4	9	57	28	100	195	0.39	6
RBI Policies	0	6	23	38	33	100	202	0.404	5
5 Year Plans	1	4	20	47	28	100	203	0.406	4
Projected prime indicators (GDP/ Inflation/ Lending rates etc).	0	7	38	33	22	100	230	0.46	3
Execution of government plans	5	7	30	38	20	100	239	0.478	2
Currency strength	17	11	23	39	10	100	286	0.572	1

Source: computed from primary data

It is clear that out of six variables in the set of government factors, majority of the respondents are considering currency strength for investment decision and it is first rank, followed by execution of government plans and prime indicators as second and third rank. Least preference is given to the cabinet policy laws which are sixth rank.

5.6: Significance of Industry factors on Investment decision

The investment decision may also depend upon the industry related factors to which the company belongs. The industry related factors set contain five variables i.e., Company's SWOT, Political Factors within the industry, Economy related factors, Technology related factors, Legal Issues.

Table 6: Significance of Industry factors on Investment decision

Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	TOTAL	Total score	Relative score	Rank
Rating	5	4	3	2	1				
Company's SWOT	4	7	5	66	18	100	213	0.426	4
Political factors	2	3	22	47	26	100	208	0.416	5
Economy related factors	0	4	29	50	17	100	220	0.44	3
Technology related factors	3	3	34	46	14	100	235	0.47	2
Legal Issues	13	9	38	31	9	100	286	0.572	1

Source: computed from primary data

It is clear that out of five variables in the set of industry factors, majority of the respondents are considering legal issues of the industry with in which the company belongs for investment decision and it is first rank, followed by technological factors and economy factors as second and third rank. Least preference is given to the political factor which is of fifth rank.

5.7: Significance of positioning factors on Investment decision

The investment decision also depends upon the position of the company in the market. The positioning factors set contain six variables i.e., Rating Status, Size of company, Market capitalization, direct Competitors, Substitute products/ services and New Entrants with similar products/ services.

Table 7: Significance of positioning factors on Investment decision

Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	TOTAL	Total score	Relative score	Rank
Rating	5	4	3	2	1				
Rating Status (Care/ Crisil etc)	4	0	18	64	14	100	216	0.432	6
Size of company	0	4	44	37	15	100	237	0.474	4
Market capitalization	0	1	42	36	21	100	223	0.446	5
Direct Competitors	0	10	36	47	7	100	249	0.498	3
Substitute products/ services	4	17	36	30	13	100	269	0.538	2
New Entrants with similar products/ services	14	7	34	36	9	100	281	0.562	1

Source: computed from primary data

It is clear that out of six variables in the set of positioning factors, majority of the respondents are considering new entrants with similar products and services for investment decision and it is first rank, followed by substitute products and services and direct competitors as second and third rank. Least preference is given to the rating status which is sixth rank.

5.8: Significance of Reputation factors on Investment decision

The investment decision also depends upon the reputation of the company in the market. The reputation factors set contain six variables i.e., brand image, leader's profile, reputation in news, employee friendliness and legacy / past track record.

Table 8: Significance of Reputation factors on Investment decision

Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	TOTAL	Total score	Relative score	Rank
Rating	5	4	3	2	1				
Brand Image	3	6	16	55	20	100	217	0.434	5
Leader's profile	4	3	24	56	13	100	229	0.458	3
Reputation in news	4	6	21	48	21	100	224	0.448	4
Employee friendliness	6	6	41	38	9	100	262	0.524	2
Legacy/ past track record	10	7	40	34	9	100	275	0.55	1

Source: computed from primary data

It is clear that out of five variables in the set of reputation factors, majority of the respondents are considering legacy and past track record of the company for investment decision and it is first rank, followed by employee friendliness and leader's profile as second and third rank. Least preference is given to the brand image which is of fifth rank.

VI. Conclusion

The most important factors that influence individual investment decisions were: currency strength (economic factors), legal aspect of the company (industry factors), legacy of the company (reputation factors) and new products of the company (positioning factors).

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