

## DEMOGRAPHIC VARIABLES INFLUENCING IN THE RETAIL INVESTORS' INVESTMENT – A SCIENTIFIC ANALYSES

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### ABSTRACT

*The Indian stock market is one of the oldest and largest in the world. Stock market helps to channelize household savings to the corporate sector which in turn utilize for the development of industrial and service sector. An equity share is a part of the ownership capital of a company and the holder of such a share is a member of the company eligible to share many benefits for the company. One invests in shares keeps it for some time depending upon the stock price. When the rate of share price increases, sells the securities to another party. Investment in shares will fetch better returns compared to any other forms of investment. Whenever the inflation rate is high, the stock market has given higher rates of return to the investors. Share trading helps the corporate to raise additional funds for expansion by creating demand for the securities.*

**Keywords:** Investment, Equity Share, Trading, Securities

### INTRODUCTION

In recent years corporate securities emerged as an attractive avenue for the investors who were looking for higher returns and were ready to bear the risk. Due to rapid industrialization in the country since independence Indian stock market got vitality. The Indian stock market is one of the oldest and largest in the world.

Stock market helps to channelize household savings (Retail) to the corporate sector which in turn utilize for the development of industrial and service sector. An equity share is a part of the ownership capital of a company and the holder of such a share is a member of the company eligible to share many benefits for the company.

One invests in shares keeps it for some time depending upon the stock price. When the rate of share price increases, sells the securities to another party. This is called trading.

Investment in shares will fetch better returns compared to any other forms of investment. Whenever the inflation rate is high, the stock market has given higher rates of return to the

investors. Share trading helps the corporate to raise additional funds for expansion by creating demand for the securities. The liquidity that an exchange provides gives the investors the ability to quick and easy selling of securities. This is an attractive feature of stock market investment. Stock trading is done only through brokers. Demographic Variables influencing in Retail Investors' Investment are - Place of residence, Age, Gender, Marital status, Educational Level, Occupation, Family Size, No. of earning members in the Family, Monthly Family Income, Type of Investor, Category of Investor, Type of Market Operated, Market Experience

### **OBJECTIVES**

1. To study the Demographic variables of the respondents.
2. To identify the investment pattern of retail equity investors based on demographic factors.
3. To suggest valuable suggestions to the retail investors.

### **HYPOTHESIS**

Retail investors' investment is not influenced by the Demographical factors. (Null Hypothesis)

### **METHODOLOGY OF STUDY**

The study is empirical in nature based on survey method. The primary data relating to the retail equity investors were collected by interviewing the equity investors (respondents are 500) with the help of the interview schedule. The secondary data relating to the study like the capital market developments and the trends in retail investor participation in India were obtained from various published and unpublished records, annual reports, manuals, bulletins, booklets, journals, magazines, etc., lastly, the researcher held discussions with the officials of SEBI, Regional Stock Exchanges, Stock Broking Houses (Trading Members), Depository Participants etc. These discussions were helpful to the researcher in identifying the problems for the study. The study is individual, investor oriented and the factors selected are personal in character.

### **REVIEW OF LITERATURE**

The National Council of Applied Economic Research (NCAER) <sup>1</sup> Survey of households, (1964), entitled "Attitudes Towards and Motivations for Saving" provides one of the earliest attempts on the study of savings of households. The survey covered a sample of 4650 households spread over India. It provides an insight into the attitude towards and motivations for savings of individuals. One of the key findings was that the investment in securities was preferred only by the high-income households.

Gupta<sup>2</sup>, (1987), conducted a study entitled, "Geographic Distribution of Equity and Bond Ownership", in India. This study established that, contrary to the general belief, semi-urban and rural areas constituted a negligible proportion of the shareholding population of India. Equity shareholding has remained, by and large, an urban or rather a metropolitan phenomenon in India. Besides this, a 'regional pull' effect, that is a strong local preference

among investors towards the companies registered in their home state, was also found by the study.

Jawaharlal<sup>3</sup>, (1992), in his study entitled, “Understanding Indian Investors”, identified the behaviour of individual investors using questionnaire method. The study covered major cities of India. 1200 shareholders and debenture holders were selected at random for the study. The study revealed that Indian investors generally invested in more than 5 companies and preferred a larger portfolio. They lacked knowledge and experience in accounting matters. There was a strong positive association between level of understanding and volume of shareholding. The study indicated that the disclosures made by the companies need to be improved for the benefit of the investors.

Radha V<sup>4</sup>, (1995), in her study entitled, “A Study on Investment Behaviour of Investors in Corporate Securities”, examined the investment plan of corporate security investors in Tamilnadu. The analysis revealed that the largest segment of sample was constituted by young generation model investors. They were generally better educated belonging to the salaried class. Capital appreciation was considered as the most important objective. Investors relied more on magazines and journals for their investment information. The success of the investment decision made by the investors entirely depended upon the successful performance of industry.

Gupta. LC<sup>5</sup>, (1998), carried out a study entitled, “What Ails the Indian Capital Markets? to find out the problems associated with the Indian Capital Market. Three hundred middle and upper middleclass households were selected at random and were interviewed for the study. The study stated that majority of the respondents were not satisfied with the company management and the statutory auditors. Majority of the investors did not have much confidence even with the regulatory agencies. Many respondents had complaints against companies rather than stock brokers.

Panda K, Tapan N.P and Tripathi<sup>6</sup>, (2007), in their study entitled, “Recent Trends in Marketing of Public Issues: An Empirical Study of Investors Perception”, attempted to identify the investors awareness and attitude towards public issues. One hundred and twenty five investors covering the salaried and business class, from the city of Bhuvaneshwar were selected at random. The data was collected by administering a questionnaire and was analyzed using simple percentage and weighted average analysis. The study revealed that majority of the investors relied on newspapers as the source of information. Financial journals and business magazines were ranked next to newspapers. A large number of investors were of the opinion that they were not in a position to get the required information from the company in time. A sizable number of investors were found to face problems while selling securities. ‘Safety and Regular Return’ stood first and second with regard to the factors associated with investment activities. Equity shares were preferred for their higher rate of return by the investors.

Santi Swarup K<sup>7</sup>, (2008), in his study entitled, “Role of Mutual Funds in Developing Investor Confidence in Indian Capital Markets”, identified safety and tax savings as the important factors affecting investment in various avenues by the investor and developed

strategies for enhancing common investor confidence such as good return, transparency, investor education, guidance etc.

## DISCUSSION AND RESULTS

Investment objectives of the retail equity investors based on the following Demographic variables: Place of Residence, Age, Gender, Marital Status, Educational Level, Occupation, Family Size, No. of Earning Members in the Family, Monthly Family Income, Type of Investor, Category of Investor, Type of Market Operated and Market Experience.

### Place of Residence

Investors' Place of residence has been broadly classified into eight categories such as Guntur town, Tenali, Narasaraopet, Piduguralla, Ponnur, Sattenapalli, Repalle and Guntur and Tenali Rural. Out of 500 sample investors 60% (300) are from Guntur town, 8% (40) are from Narasaraopet, 9% (45) are from Piduguralla, 12% (60) are from Tenali, 2% (10) are from Ponnur, 5% (25) are from Sattenapalli, 2% (10) are from Repalle and 2% (10) are from Tenali and Guntur rural.

S.No	Factors	Area	No of investors	Percentage
1	Place of Residence	Guntur Town	300	60
		Narasaraopet	40	8
		Piduguralla	45	9
		Tenali	60	12
		Ponnur	10	2
		Sattenapalli	25	5
		Repalle	10	2
		Guntur and Tenali rural	10	2
<b>Total</b>			<b>500</b>	<b>100</b>

### Age

Investors have been divided into three categories based on their age as 'Young' (20 – 40 years), 'Middle aged' (40 – 60 years) and 'Old' (60 years and above). Out of 500 sample investors, 70% (350) are Young investors, 25% (125) are Middle aged investors and 5% (25) are Old investors.

S.No	Factors	Area	No of investors	Percentage
2	Age	Young	350	70
		Middle aged	125	25
		Old	25	5
<b>Total</b>			<b>500</b>	<b>100</b>

### Gender

Investors have been divided into two groups based on their gender as 'Male' and 'Female'. Out of 500 sample investors, 85% (425) are Male investors and 15% (75) are Female investors.

S.No	Factors	Area	No of investors	Percentage
3	Gender	Male	425	85
		Female	75	15
<b>Total</b>			<b>500</b>	<b>100</b>

**Marital Status**

Investors have been placed into two groups based on their marital status as 'Married' and 'Unmarried'. Out of 500 sample investors 70% (350) are Married investors and 30% (150) are Unmarried investors.

S.No	Factors	Area	No of investors	Percentage
4	Marital Status	Married	350	70
		Unmarried	150	30
<b>Total</b>			<b>500</b>	<b>100</b>

**Educational Level**

Investors have been classified into four categories based on their educational level as 'School Education', 'College Education', 'Professionals' and 'Others'. Out of 500 sample investors, 10% (50) are investors with School education, 60% (300) are investors with College education, 27% (135) are investors with Professional education and 3% (15) investors belong to the others category.

S.No	Factors	Area	No of investors	Percentage
5	Education Level	School Education	50	10
		College Education	300	60
		Professionals	135	27
		others	15	3
<b>Total</b>			<b>500</b>	<b>100</b>

**Occupation**

Investors have been divided into four groups based on their occupation as 'Salaried', 'Professionals', 'Business' and 'Others'. Out of 500 sample investors, 50% (250) belong to the Salaried category, 12% (60) belong to the Professional category, 35% (175) of the investors are Businessmen and 3% (15) belong to the Others category.

S.No	Factors	Area	No of investors	Percentage
6	Occupation	Salaried	250	50
		Professionals	60	12
		Business	175	35
		Others	15	3
<b>Total</b>			<b>500</b>	<b>100</b>

**Family Size**

Investors have been classified into three categories based on their family size as 'Small' (less than 4 members), 'Medium' (4 – 6 members) and 'Huge' (6 & above members). Out of 500

sample investors, 52% (260) belong to Small family, 44% (220) belong to Medium family and 4% (20) belong to Huge family.

S.No	Factors	Area	No of investors	Percentage
7	Family size	Small	260	52
		Medium	220	44
		Huge	20	4
<b>Total</b>			<b>500</b>	<b>100</b>

#### No. of Earning Members in the family

Investors have been classified into three categories based on the number. of earning members in their family as '1', '2', and '3' & above'. Out of 500 sample investors, 34% (170) investors have 1 earning member in their family, 55% (275) investors have 2 earning members in their family and 11% (55) investors have 3 & above earning members in their family.

S.No	Factors	Area	No of investors	Percentage
8	No. of earning members in the family	1	170	34
		2	275	55
		3 & above	55	11
<b>Total</b>			<b>500</b>	<b>100</b>

#### Monthly Family Income

Investors have been classified into three categories based on their monthly family income as 'Low' (below Rs20,000), 'Medium' (Rs.20,000 – Rs.40,000) and 'High' (Rs.40,000 and above). Out of 500 sample investors, 45% (225) have Low monthly family income, 41% (205) Medium family income and 14% (70) have High family income.

S.No	Factors	Area	No of investors	Percentage
9	Monthly Family Income	Low (below 20,000)	225	45
		Medium (20,000-40,000)	205	41
		High ( 40,000 & above)	70	14
<b>Total</b>			<b>500</b>	<b>100</b>

#### Type of Investor

Investors have been classified into two types based on their nature as 'Hereditary Investor' and 'New Generation Investor'. Out of 500 sample investors, 20% (100) are Hereditary investors and 80% (400) are New generation investors.

S.No	Factors	Area	No of investors	Percentage
10	Type of Investor	Hereditary Investor	100	20
		New Generation Investor	400	80
<b>Total</b>			<b>500</b>	<b>100</b>

**Category of Investor**

Investors have been classified into three categories based on their period of holding stock as 'Long-term investor', 'Day trader' and 'Both'. Out of 500 sample investors 45% (225) are Long-term investors, 11% (55) are Day traders and 44% (220) are both long-term investors as well as day traders.

S.No	Factors	Area	No of investors	Percentage
11	Category of Investor	Long-term investor	225	45
		Day trader	55	11
		Both	220	44
<b>Total</b>			<b>500</b>	<b>100</b>

**Type of Market Operated**

Investors have been divided into three groups based on the type of market operated by them as operators in 'Primary market', 'Secondary market' and 'Both'. Out of 500 sample investors, 12% (60) deal in Primary market alone, 50% (250) deal in Secondary market alone and 38% (190) deal in both primary and secondary markets.

S.No	Factors	Area	No of investors	Percentage
12	Type of Market Operated	Primary Market	60	12
		Secondary Market	250	50
		Both	190	38
<b>Total</b>			<b>500</b>	<b>100</b>

**Market Experience**

Investors have been classified into three categories based on their market experience as 'Low' (less than 1 year) 'Moderate' (1 – 3 years) and 'High' (3 years and above). Out of 500 sample investors, 20% (100) have Low market experience, 30% (150) have Moderate market experience and 50% (250) have High market experience.

S.No	Factors	Area	No of investors	Percentage
13	Market Experience	Low (Less than 1 year)	100	20
		Moderate (1-3 Years)	150	30
		High (3 years and above)	250	50
<b>Total</b>			<b>500</b>	<b>100</b>

**TEST OF HYPOTHESIS**

**Null Hypothesis:** Retail investors' investment is not influenced by the Demographical factors. It is rejected.

**FINDINGS**

Guntur town people are participating 60% (300) and more in the share investment. Young people are investing more than 70% (350) in shares as they may take risk. Men participating about 85% (425). Men are more than women as retail investors. Married and college education level people participating more in this investment. Salaried, small size family

people are participating more. New Generation investors, low level income people participating more. Long term investors are more and investing more in secondary market. High experience i.e. 3 years and above investment experience people are more than others.

### **SUGGESTIONS**

It is suggested that it is better to bring the government or regulatory bodies like SEBI to create a lot of awareness and encourage in retail investors in equities to become greater part of development of economic system for making investment on long term basis.

### **SOCIAL RELEVANCE**

Society consists of several groups of people with different demographic factors, understanding their investment influencing factors based on socio economic factors may help serve the better to the society through proper investment procedure.

### **SCOPE FOR FURTHER RESEARCH**

The Present study is confined to Guntur District only, there is scope for further research in other districts in Andhra Pradesh and different areas in financial management.

### **CONCLUSION**

The bitter experiences are facing participants from the Indian Capital market due to the dramatic change in the attitude of the investor. The investor can make the share trading as a beneficial investment area. It is purely based upon the investor's awareness towards share trading. When the investor gets more and more accurate information on the right time, then he/she can enjoy the taste of success from the share trading. The authorities should implement more training and awareness programmes for the investors.

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