

Investors' Perception towards Shares as an Investment Avenue

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Abstract: Investments are important for economy, industry and individuals. There are various investment and savings avenues like securities, bank deposits, precious metals, mutual funds, commodity market, real estate, postal savings, etc. Various factors like security, risk tolerance, returns, investment duration, periodic returns, etc. effect the investment decision of individuals.

Considering the above, an attempt has been made to study the level of awareness about stock market and perception towards investment in shares in the region of North Karnataka. Research has been conducted to find the objectives/benefits that an investor seeks in an investment and the factors influencing investors while deciding on an investment avenue. Based on the analysis of primary data collected through administering a questionnaire, the paper presents effects of demographic factors like age, gender, education level, income level, marital status, occupation, etc. on the investment decisions. The paper provides insights on percentage of earnings invested, duration of investment, information source that investors seek, the level of influence by investment advisors.

It was found that around 55.9% of respondents were aware of share market as one the investment avenues but only 59.61% of them invested in share market and the remaining preferred other investment options. The demographic analysis showed that the majority of the investors who invested in stock market were male, with high annual income, salaried by occupation. The research paper also explores the reasons given by respondents for not investing in stock market which may be considered by the stock broking agencies in North Karnataka to work upon. And it was found that investors are highly dependent on advice of brokers for investing in stock market.

Keywords: *Investment, Investors' perception, North Karnataka, Stock market, Shares.*

Introduction

An investor is a one who commits his money or capital in an investment avenue with expectation of returns. Retail investors are individual investors who buy and sell securities for their personal benefits and institutional investors (banks, insurance companies, mutual fund companies) are entities which invest their capital money to purchase securities or investment assets.

There are a wide variety of investment and savings avenues like bank deposits, pension schemes, postal savings, mutual funds, foreign exchange, gold, silver, real estate, insurance, etc. And Stock market investment is such investment option which has gained recognition as a market which gives high returns but accompanied with high risk factor. Faster and higher returns, safety of the principal amount invested, personal risk tolerance level, knowledge about the avenue, tax benefits etc. are a few factors that affect the investment decision of individuals. Investors prefer to maximize their returns and minimize the risk associated.

North Karnataka consist of Belgavi, Vijayapura, Bagalkot, Bidar, Gulbarga, Yadagiri, Raichur, Gadag, Dharwad, Haveri and Koppal districts, population of 24571229 (2011), around 70% literary rate and mainly agriculture as occupation. Earnings and residual income of people of this region is good, there are many stock broking agencies/brokers in this region but the investment in stock market is less. People of this region still lack awareness regarding investment in stock market and prefer traditional avenues. It is also a general observation that most of them do not differentiate between savings and investments. A study on investors' perception towards shares as an investment avenue would probably reveal the important factors to be considered to create awareness about stock market, enhance the investments in stock market taking into account to an individual's risk tolerance level and make stock market investment as a subsidiary income source.

Literature review

¹Dr. M.Malathy et al. (2017), Describes investor's perception as an individual's way of understanding something related to the investment invested in. It may also refer to his thoughts or ideas that he intends to invest in. the study concludes that return on investment is a very important factor that influences the investment decision as majority of respondents rated ROI very high.

²Geetha N, et al. (2012), in "A Study on Relevance of Demographic Factors in Investment Decisions" reveals that there is significant relationship between the demographic factors such as gender, age, education, occupation, annual income and annual savings with the sources of awareness obtained by the investors.

³G.C.Venkataiah, et al. (2018), concluded in their studies that investments by the investors were done with the expectation of capital appreciation and earnings. It is shown by the study that the relation exists for safety as the reason for investment across various investment avenues. It is shown that there is a significant association between gender, age and level of income and perception of investors towards various investment avenues.

⁴ The findings of research paper, "Investors Attitudes towards Stock Market Investment", by C.Kavitha (2015) indicate that there is a significant relationship between the investors' attitudes and stock market investments and also between the local investor's perception of stock market regulations and their Intention to participate at NSE. The author opines that the more positive attitude enhancement strategies are introduced, the more it is easy for local investors to invest in the stock market.

⁵Dr. Sangeeta Jauhari, et al. (2015), have shown with the statistics that investment pattern and its magnitude mainly consider the age, knowledge level and source of income. Authors state that the availability of income and availability of investment alternatives also plays a significant role in determining the behavior of investor towards the investment.

⁶Jeet Singh, et al. (2016), in their paper have identified four factors, cultural (friends advice, predominant family culture in share investment), social (management of the company and structure of board of directors, competence of personalities that have major shares in the company, recommendations by experts and well known stock brokers, ownership structure of the company), economic (past dividends, financial ratios, recent financial performance, bonus, daily reports of stock exchanges) and psychological (motivation from the study of literature on financial stocks and securities, future financial security, motivation by the people who are successful in share investment) factors that could influence investment decisions in shares.

⁷ Dr. S. Poorna Prabhat, et al. (2017), have studied various the impact of factors like age, gender, income, education, occupation on investment decision of the investor. They have concluded that factors like gender and age have no impact on investment decision of the investors and the variables like income level, occupation and education show an impact on investment decision of the investors.

Research Objectives In order to know the Investors' perception towards share as an investment avenue the following objectives were set:

1. To identify the profile of the investors & ascertain relationship between demographic factors and investment in stock market.
2. To study & understand the objectives backing various investments/savings avenues and the factors that influence investors' decision.
3. To find the awareness about stock market and other investment/savings avenue.
4. To find the association between i) annual income and importance given to investment in stock ii) investment objectives and investment in stock market.

Methodology of the Study

The research is Exploratory and Descriptive in nature. The target population for the study was residents of North Karnataka. Primary data was collected by survey method by administering a structured questionnaire. Non probability, Convenience random sampling was used with a sample size of 186 valid responses. Secondary Data was collected from relevant publications and websites. The data collected was tabulated and analyzed with the help of tools like percentage analysis, Chi Square analysis, charts and ANOVA are employed

Hypotheses set and tested

1 Ho: Demographic factors (gender, age, marital status, education, annual income and occupation) and investment in stock market are independent.

2 Ho: There is no significant association between annual income and importance to investment

3 Ho: There is no significant association between factors influencing investment decision and investment in stock market.

Limitations of the study

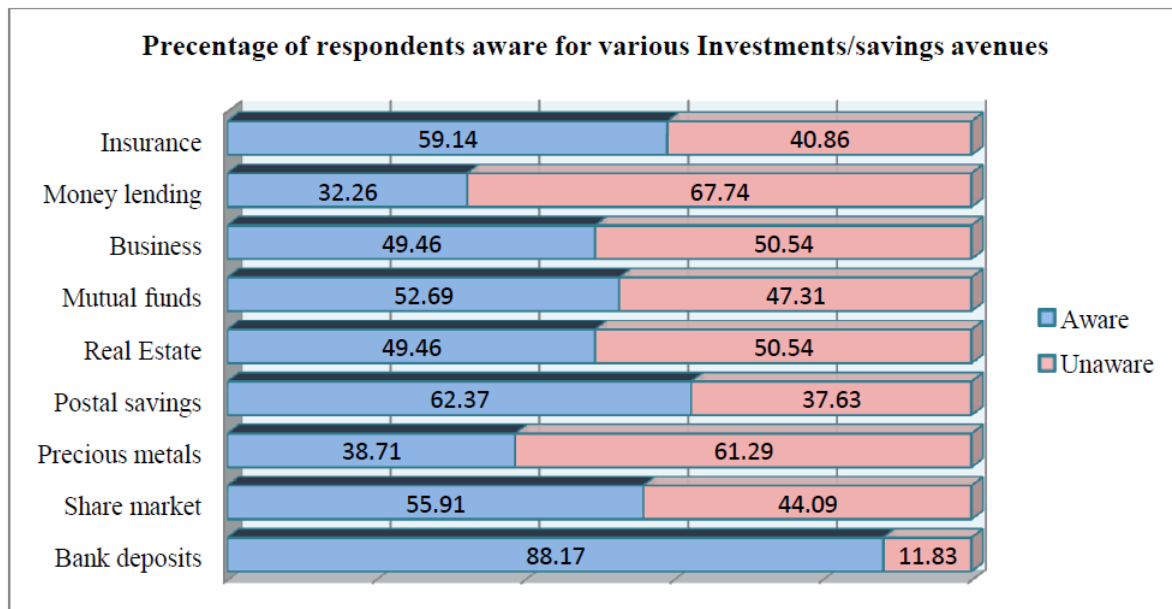
The limitations of the study were that the results cannot be generalized to greater extent in terms of their applicability as the study is restricted to North Karnataka region. The sample size is 186; results may vary for the population. The opinions / preferences expressed by the respondents are personal and subjected to individual bias.

Data Analysis, Findings and Interpretations

Table No.1 showing the Composition of Respondents in Percentage

Gender	Female	37.6	Occupation	Government employee	6.5
	Male	62.4		Private Sector employee	37.6
Age	20-30	50.5		Student	23.6
	31-40	26.9		Professional	6.5
	41-50	15.1		Self Employed	10.6
	51-60	5.3		Retired from service	2.2
	60above	2.2		Housewife	10.8
Marital Status	Single	41.9	Annual Income	Agriculture	2.2
	Married	58.1		<200000	50.5
Education	Matriculation/PU	9.7		200001-400000	15.1
	Degree/Diploma	47.2		400001-600000	18.3
	Post Graduation	36.6		600001-1000000	8.6
	Phd/Mphil	6.5	1000000above	7.5	

Chart No.1 showing the level of awareness among the respondents regarding the various savings/ investment avenue.



The above chart depicts that 55.91% respondents were aware of Stock market as an investment avenue. Respondents showed the highest awareness 88.17% with respect to bank deposits followed by pension schemes, insurance, share market, real estate, business, and mutual funds.

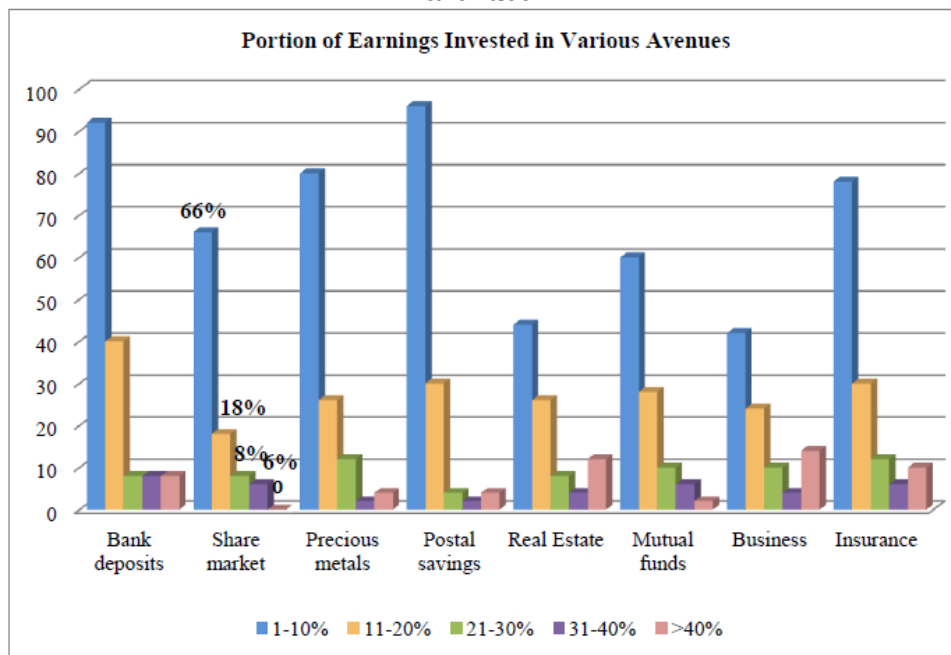
Out of 186 respondents, 104 were aware of Stock market as an investment avenue of which only 62 respondents have invested in share market.

Table No.2 Showing the average rating and ranks of investment/ saving avenues based on the ratings given by the respondents

Rank	Investment/Savings avenue	Average	Rank	Investment/Savings	Average
1	Bank deposits	3.91	6	Real Estate	2.96
2	Postal savings	3.44	7	Share market	2.82
3	Insurance	3.28	7	Precious metals	2.82
4	Business	3.13	9	Money lending	2.34
5	Mutual funds	2.97			

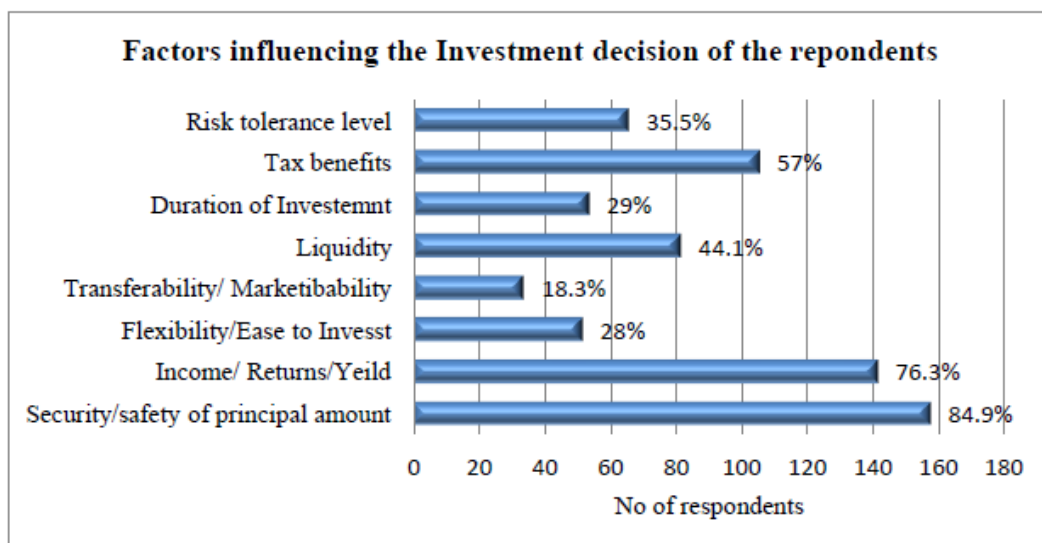
The above shows that bank deposits were given the highest ratings, followed by postal savings, insurance, investment in business, mutual funds, real estate, share market, Gold/silver and money lending. This demonstrates that savings are more preferred than investments and share market is rated at 7th rank.

Chart No.3 showing the percentage of respondents and portion of earnings invested in the various avenues



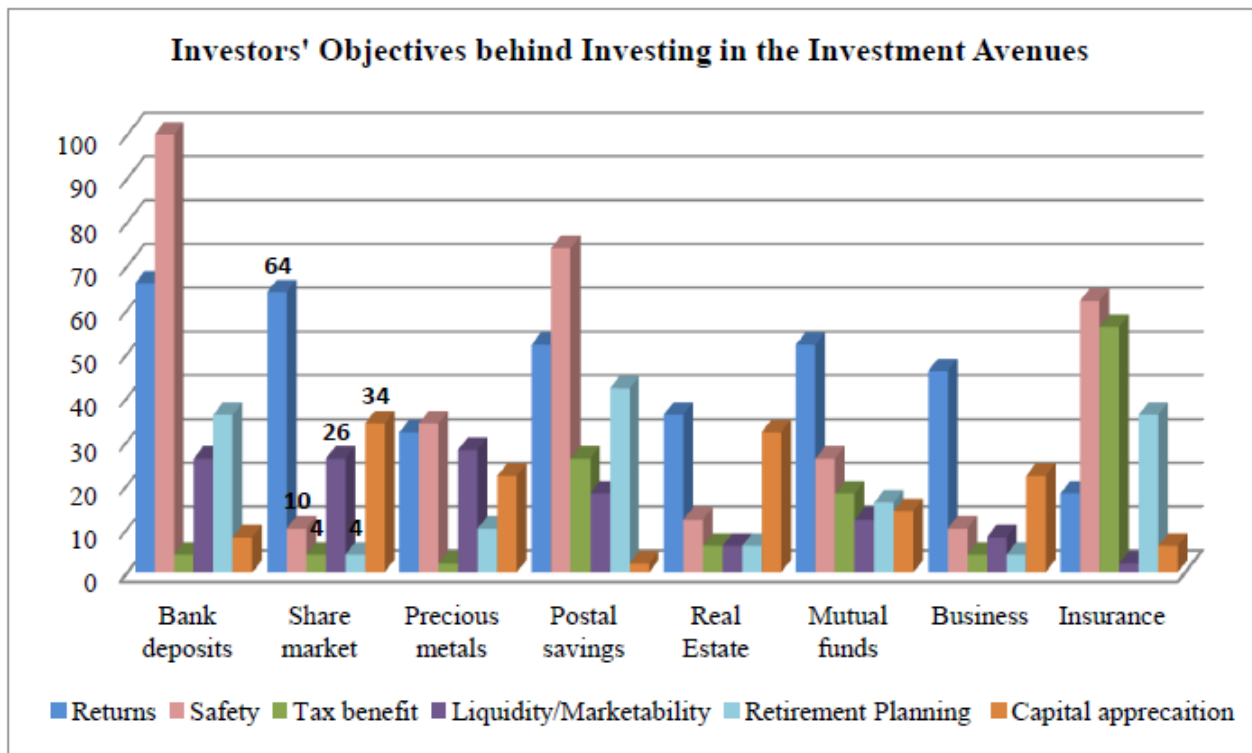
The above chart shows that highest preference (66%) was given to investing 1-10% of the earnings in share market, followed by 18% preferring investing 11-20%, 8% investing 21-30% and 6% investing 31-40% of earnings in stock market.

Chart No.2 showing the factors influencing the investment decision of respondents



The above chart illustrates that security or safety of the principal amount invested is the prime concern of the respondents, followed by income or returns, tax benefits, liquidity, risk, duration of investment, ease and marketability.

Chart No.4 showing the objective behind investing in the investment avenues



The objectives behind investing in stock market as per the respondents' preference are returns, followed by capital appreciation, liquidity, marketability, safety of principal amount, tax benefit and retirement planning.

Chart No.5 showing the source of information regarding investment avenues

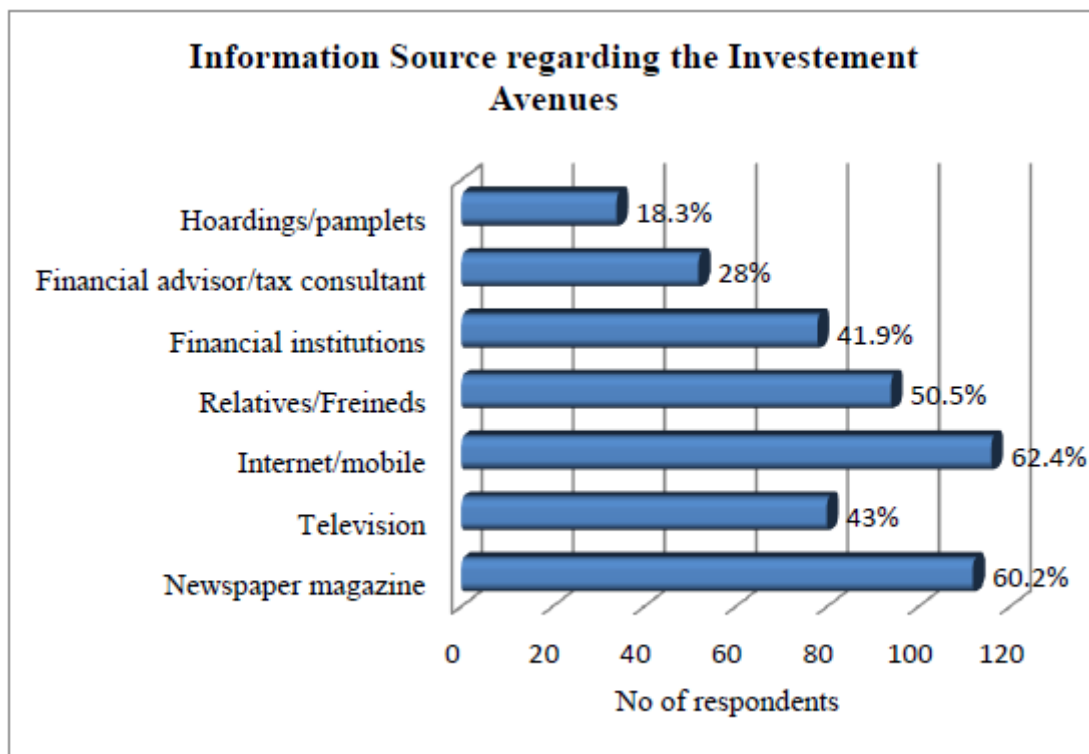


Table No 3 showing the reasons for not investing in share market

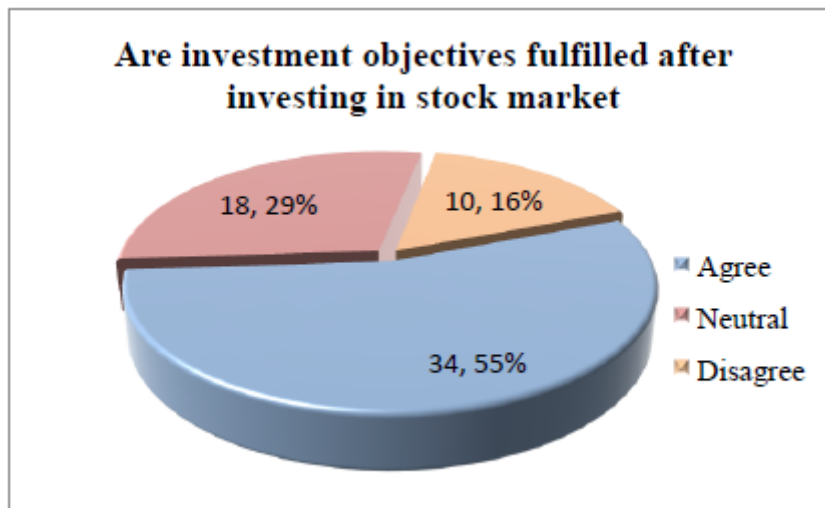
Rank	%	Reason	Rank	%	Reason
1	46%	Lack of Knowledge about Share market	4	27.4%	Share market is above their risk tolerance level
2	33.9%	No proper advice	5	25.8%	Savings are better than
3	27.4%	Other avenues are better	6	17.7%	Volatile market
			7	8.1%	Poor returns

The above table shows that Lack of knowledge is the biggest reason for not investing in the share market, followed by no proper advice, other avenues are better than stock market etc.

It was found by the study that out of the 186 respondents 62 respondents have invested in the stock market and 124 respondents who have not invested in share market. Among the non investors 27.4% wish to invest in future. Among the 124 respondents who have not invested in share market 72.6% have never been approached by any stock broking agency.

It was also revealed that out of the 62 respondents who have invested in stock market investors 90.3% have invested in shares, 12.9% in commodities market, 12.9% in future and 3.2% in options. 32.3% of the respondents who have invested in share market are highly dependent on advice of stock broker/ agency advice, 45.2% are moderate dependent and 22.6% are not dependent on advice of stock broker/ agency advice while making an investment in share market. Further, 80.6% of the respondents who have invested in share market opined that documentation and procedures were easy and 61.3% agree that the stock broking agency have guided/helped them while investing in share market. It was found that 71% of the investors in share market are particular about sectors in which they invest and 71% of the investors in share market said that they analysis the financial reports of the companies before investing. The study also revealed that 9.7% respondents were traders, 54.85 were short term and 35.5% were long term investors. Among the respondents who have invested in stock market 83.9% would like to suggest stock market as an investment avenue.

Chart No.6 showing responses to fulfillment of investment objectives after investing in the stock market

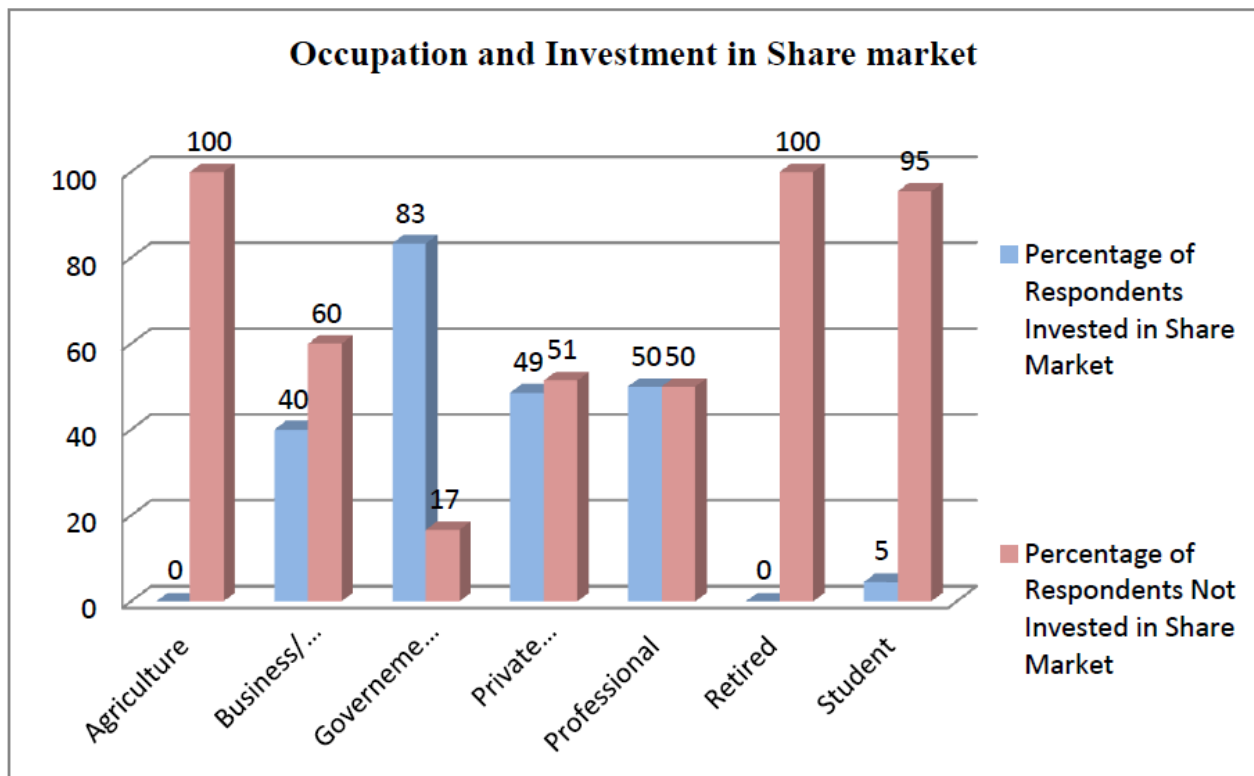


Hypothesis Testing

Table No.6 showing Chi Square test for dependence of Demographic factors and Investment in Share Market (at 0.05 Significance level)

Demographics	Ho	Df	Chi Value	P Value	Conclusion
Gender	Gender and Investment in stock market are independent	1	2.9320	0.8684	Since p value is > 0.05 Ho is not rejected. Gender and Investment in stock market are independent
Age	Age and Investment in stock market are independent	4	19.3630	0.0002	Since p value is < 0.05 Ho is rejected. Age and Investment in stock market are dependent
Marital Status	Marital Status and Investment in stock market are independent	1	0.0117	6.3590	Since p value is <0.05 Ho is rejected. Marital Status and Investment in stock market are dependent
Education	Education and Investment in stock market are independent	3	0.6926	7.0842	Since p value is > 0.05 Ho is not rejected. Education and Investment in stock market are independent
Annual Income	Annual Income and Investment in stock market are independent	4	0.00001	38.4188	Since p value is <0.05 Ho is rejected. Annual Income and Investment in stock market are dependent
Occupation	Occupation and Investment in stock market are independent	6	0.001	21.047	Since p value is <0.05 Ho is rejected. Occupation and Investment in stock market are dependent

Chart No.7 Showing respondents' occupation and investment in stock market



The above chart shows that the percentage of respondents investing in stock market is high for government employees. Whereas respondents who are retired from the service and agriculturist have not invested in shares as the reason was lack of knowledge.

Ho: There is no significant association between annual income and importance to investment 6.5 Table showing annual income and importance to investment

Annual income	Investments are		
	Not Important	Important	Highly Important
<200000	14	50	30
200001-400000	0	22	6
400001-600000	0	18	16
600001-1000000	0	10	6
1000001>	0	4	10

Source of Variation	SS	df	MS	F	P-value	F crit
Annual Income	1436.27	4	359.07	7.47	0.01	3.84
Importance	820.80	2	410.40	8.54	0.01	4.46
Error	384.53	8	48.07			
Total	2641.6	14				

The calculated p-values for annual income and importance to investment are less than 0.05 indicate there is significant difference and the null hypothesis is rejected. There is significant association between annual income and importance given to investments.

Ho: There is no significant association between factors influencing investment decision and investment in stock market.

6.6 Table showing factors influencing investment decision and investment in stock market.

Factor	Invested	Not Invested
Safety Security	58	100
Income/ Returns	54	86
Ease to invest	22	30
Transferability	12	22
Liquidity	40	42
Duration of Investment	14	40
Tax benefit	48	58
Risk tolerance	32	34

Source of Variation	SS	df	MS	F	P-value	F crit
Factors	6899	7	985.57	8.86	0.01	3.79
Invested/ Not	1089	1	1089.00	9.79	0.02	5.59
Error	779	7	111.29			
Total	8767	15				

The calculated p-values for factors influencing investment decision and investment in stock market are less than 0.05 indicate there is significant difference and the null hypothesis is rejected. There is significant association between factors influencing investment decision and investment in stock market.

Conclusion

Investors have huge scope for current earnings and capital appreciation in emerging market like India. Awareness about difference between savings and investment and investment in modern avenues like stock market should be increased so that people of North Karnataka can have a subsidiary income source. It could be concluded by research that demographical factors like age, marital status, occupation and annual income have significant influence investment decision in stock market. There was significant association between annual income and the importance given to investment. There was significant association between investment objective and investment in stock market.

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