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## **ANALYSIS OF INVESTMENT PATTERN OF INVESTORS IN SECURITY MARKET**

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### **ABSTRACT**

*The current study investigates the investment pattern of investors in securities market investing decisions and is conducted on individual investors in Mumbai on their investment decisions and the factors influencing them. The current study shows that shareholders do not always act logically since they must deal with cognitive and emotional limitations. Behavioral factors are important in financial markets because they influence investors who make monetary choices. According to findings, the vast majority of respondents has been trading in the stock market for 1-3 years and has skipped any stock market classes. The majority of investors choose to invest for a year in the stock market. The majority of respondents put 11-20% of their earnings into the stock market. Profit is one of the most important goals for participants when it comes to stock market trading. The top five most significant factors influencing single investors' investment decisions are the company's prior performance, media coverage, stock market rumors, dividend policy, and reputation.*

**KEYWORDS:** *Investment pattern, factors, security market, investors etc.*

### **INTRODUCTION**

According to current investor decision-making theory, investors do not always act rationally when making a purchasing decision. They have to cope with a wide range of cognitive & psychological impairments. These errors are known as behavioral biases, & they can appear in a variety of ways. Many scholars questioned market efficiency, stating that efficient markets could not exist since knowledge has a cost & market prices do not reflect the available data. Behavioral finance has increased in popularity over last two decades as gap amongst classical finance theory expectations and actual investor behavior has been recognized.

An investment is a present monetary investment made with the expectation of a future favorable return. It is a purposeful act by an individual or a firm in which money is deployed in securities or assets issued by any financial institution in order to attain desired returns over a defined time period. Target returns include increases in value of stocks or assets, as well as regular income from such securities or assets.

The 2 basic types of investment activities are direct investing and indirect investing. The buying or selling of a security in which the investor has total control over the acquisition and disposal of each investment in their portfolio is referred to as direct investing. Indirect investing is investing in mutual funds or traded funds whereby the investor has no control on the overall makeup of the funds' expenditure but only over decision to acquire or sell funds' shares. Saving is defined as surplus of income over expenses maintained in a savings account, fixed deposits, or cash. The money is secure, yielding a modest interest rate, and is very liquid. Excess funds, on the other hand, might be invested in order to attain long-term objectives. The value of an investment may increase or decrease in the future. A potential investment, on the other hand,

would yield far more than bank savings accounts. Saving is merely idle cash, however investing allows funds to increase over time.

The following are significant investing characteristics: risk, return, safety, liquidity, marketability, capital growth, income stability, and tax advantages. The current study looks at influence of demographic characteristics on investing decisions in security market. The following are the features of equities and mutual funds:

**TABLE: 1 CHARACTERISTICS OF EQUITY AND MUTUAL FUNDS**

INVESTMENT AVENUE	RETURNS	LIQUIDITY	SAFETY	ACTIVE INVOLVEMENT	AMOUNT REQUIRED
EquityShares	Low to high	Moderate to high	Low	Yes	Medium
Debt MutualFund	Moderate	High	Moderate	No	Low
EquityMutualFund	Low to high	High	Low	No	Low

A security indicates a stock possession position in a publicly listed firm, a creditor ties to a government body or a corporation, or a right to ownership represented by an option. A security is a money instrument that is convertible and replaceable and reflects some form of financial worth. The security market is a channel through which individual deposits are made available to industrial businesses. Trading in the security market allows effective production of products & services, which contributes to improvement of others' living standards in economy. As a result of liberalization, privatization, & globalization policies, the Indian security market has grown quickly during the previous decade. The Indian stock market is one of oldest in Asia. Because long-term financial products are traded on the equities market, it is one of the most significant areas of the financial industry. The primary goal of equity market is to raise capital for companies. The stock market's primary job is to offer liquidity or marketability to securities.

Securities markets are marketplaces for financial assets or instruments, which are expressed in financial form as I.O.U.s (I owe you). These are issued by commercial organizations, corporate units, & central and state governments. These securities are also issued by government entities. These securities are utilized to fund their existing and future investments. As a result, these are sources of money for issuers.

In India, there are several forms of business organizations, such as partnership businesses, co-operative societies, private and public limited corporations, joint and public sector organizations, and so on. The corporation, as defined by the Indian Companies Act 1956, is the most often used organizational method. There are three categories of businesses under this Act:

- companies limited by guarantee;
- Companies which are private limited companies — limited by shares paid up; & corporations that are public limited corporations — limited by paid-up shares — & firms limited by promise are not permitted to access the market.



## **INVESTMENT PROCEDURE**

### **DEFINING INVESTMENT POLICY**

The first stage of investment process is to define an investment policy. It entails calculating the worth of investable money, defining portfolio objectives, identifying prospective investment assets, and assigning wealth to various asset groups.

### **INVESTMENT ANALYSIS**

It is the second step of the investment process, which involves a review of the economy, industry, and firms in which to invest.

### **VALUATION OF SECURITIES**

Securities valuation entails calculating the value of stock, debentures, or any other asset utilizing different methodologies. The Capital Asset Pricing Model (CAPM) is used to value stocks in general. For estimating the value of a share, the CAPM model employs market return, risk-free return, and beta.

### **PORTFOLIO CONSTRUCTION**

After determining the value of a security, the following stage is to decide on the quantity and proportion of investment in all investment channels. Portfolio creation entails defining the extent of diversity, taking into account financial timing, and assigning investable money to investment assets.

### **PORTFOLIO EVALUATION AND REVISION**

Portfolio review is a continuous process that occurs at each stage of the investing process. It entails assessing the performance of investments and detecting any deviation. If the variance is negative, the portfolio is altered to meet the demands of the investors.

## **OBJECTIVES OF THE STUDY**

The main aim of the study is to examine the investment pattern of investors in security market.

## **REVIEW OF LITERATURE**

Alex Wang (2010) investigated how different forms of visual influence the processing and interpretation of disclosure information by less educated and knowledgeable online investors. The findings indicated that categorization aids investors in processing and comprehending information disclosure. The study found that different sorts of graphics used to convey information had no effect on investors' awareness level. The findings demonstrated that investors' processing and interpretation of disclosure information was unaffected by their knowledge level's interaction with the visual shown.

Wei Li (2011) investigated how data contained in financial analyst research reports affects nonprofessional investors' reactions & how such reactions change depending on the investor's position, i.e., whether the investor is a present or prospective investor. The findings reveal that when nonprofessional investors receive a good analyst report, they are more optimistic than



when they receive a negative assessment. The findings also reveal that such disparities in sentiment are more pronounced among present investors than among potential investors.

Mr. Mukesh R. Goyani (2012) researched emerging stock market trends. Long-term asset values, according to the study, are decided by company fundamentals, but short-term asset prices are influenced by liquidity. Pricing, according to study, is outcome of the crowd's emotional reaction to a certain basic event. The study also revealed that stock markets responded to the global credit crunch. According to study, elections have an influence on the Indian stocks market, as markets have performed in the past following elections.

Bala (2013) investigated the Indian stock market using several literature research. According to study, the stock market is a location where buyers & sellers of securities join into transactions to buy & sell shares, bonds, debentures, and so on. According to the survey, corporations and entrepreneurs raise cash through public offerings on the stock market. Based on numerous literature research, the study stated that stock market risk may be evaluated using historical volatility, and stock market volatility is heavily impacted by the country's "money supply, inflation, fiscal deficit, and stability in government.

Bhoopal M. (2014) sought to analyze reforms in Indian security market. Secondary data was gathered from websites of the Bombay Stock Exchange, National Stock Exchange, Reserve Bank of India, & SEBI. According to survey, the Indian security business is in upheaval. The operating pattern of the market has undergone a revolutionary alteration throughout time. According to the survey, practically all operational & systematic risk management measures, disclosure rules, & accounting standards in the Indian security industry are on par with worldwide standards. The report also suggests that advancements in the security industry have aided the development and growth of the nation.

Dr. Babaraju K. Bhatt and Apurva A. Chauhan (2015) investigated individual investors' behavior in the security market with a focus on Navsari investors. The research sought to discover behavioral characteristics and their impact on investing decisions. Regression study revealed that behavioral variables account for 48.9 percent of the variation in investing decisions. The survey also discovered that the majority of investors invest for long-term profit or consistent income. According to the report, the majority of investors choose both primary & secondary markets for investing, and they participate in the securities market on a regular basis. The investor's investing selection is heavily impacted by recommendations from relatives and friends, as well as guidance from their brokerage business.

Zobaida Khanam (2017) investigates the relationship between key demographic indicators and investor decisions, notably when different firms issue dividends on their stocks. There are similarities between the findings of this study and other investigations from other nations. This study, ideally, will assist the Bangladesh stock exchange in understanding responses of investors with various demographic profiles during dividend declaration.

S. Hemalatha (2019) seeks to discover attitudinal disparities in individual investors' perceptions of variables impacting investing decisions based on demographic profiles. The findings revealed that investment selection criteria differ according to gender, age, employment, internet usage, level of computer skills, & use of online trading.

Vikram and Devanshee Kothari (2020) focus on moderating influence of marital & gender status on retail investor penetration, views, purchasing & selling behavior in the Indian

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equity market. This study investigates effects of Moderating (MO) factors on retail investors' investing behavior in setting of Indian equity market. In this study, the independent variables were Investment Advisor and Online Trading, with gender and marital status serving as moderators.

Dr. Vinod Sayankar et al. (2021) examine overconfidence and herding behavioral biases in investing decisions based on demographic considerations. Investors' investing decisions are heavily influenced by behavioral biases. The goal of this study is to look at the influence of demographic factors including age, gender, and education on an investor's investment experience. Data was collected and analyzed from a sample of 100 IT professionals in Pune for this study.

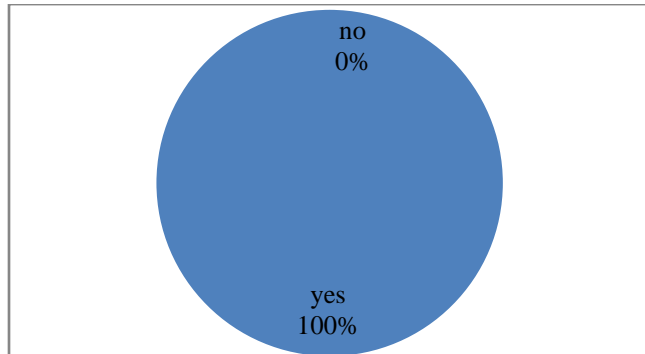
**DATA ANALYSIS**

**INVESTMENT IN STOCKMARKET BEFORE**

The data for this study was gathered from individual individuals who had previously invested in the stock market at least once. According to Table 1 and Chart 1, 100% of respondents have invested in the stock market at least once.

**TABLE: 1 INVESTMENT IN STOCK MARKET**

INVESTED IN MARKET	N	%
YES	500	100



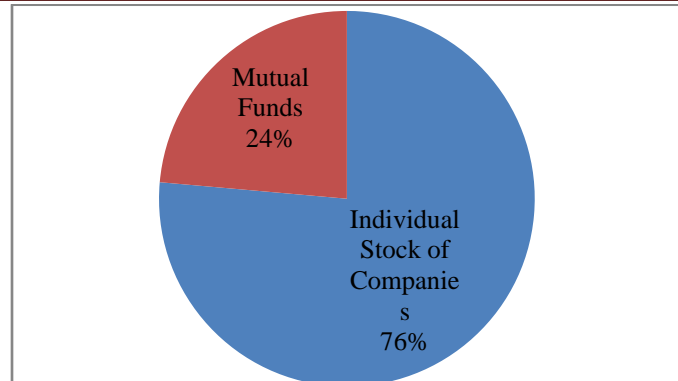
**CHART: 1 INVESTMENT OF RESPONDENTS IN STOCK MARKET**

**MOSTLY PREFERRED INVESTMENT AVENUE:**

Table 2 and Chart 2 illustrate which investment avenues respondents favor. According to the graphic, 76% of respondents prefer to invest in individual stock of firms, while 24% prefer to participate in mutual funds.

**TABLE: 2 MOSTLY PREFERRED INVESTMENT AVENUE**

Response	N	%
Individual Stock of Companies	382	76.4
Mutual Funds	118	23.6
<b>Total</b>	<b>500</b>	<b>100</b>



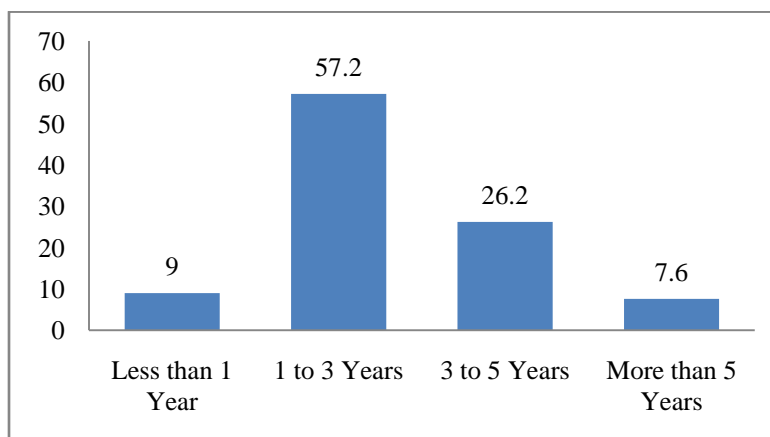
**CHART: 2 MOSTLY PREFERRED INVESTMENT AVENUE**

**TIME PERIOD OF INVESTMENT IN STOCK MARKET**

Table 3 shows the time period in which responders invest in the stock market. According to chart 3, 57% of respondents are investing in the stock market within the next 1-3 years, 26 percent are investing within the next 3-5 years, 9% are investing within the next year, and 8% are investing within the next 5 years.

**TABLE: 3 TIME PERIOD OF INVESTMENT IN STOCK MARKET**

Response	N	%
Less than 1 Year	45	9
1 to 3 Years	286	57.2
3 to 5 Years	131	26.2
More than five Years	38	7.6
<b>Total</b>	<b>500</b>	<b>100</b>



**CHART: 3 TIME PERIOD OF INVESTMENT IN STOCK MARKET**

**PREFERRED BROKING HOUSE FOR HOLDING ACCOUNT**

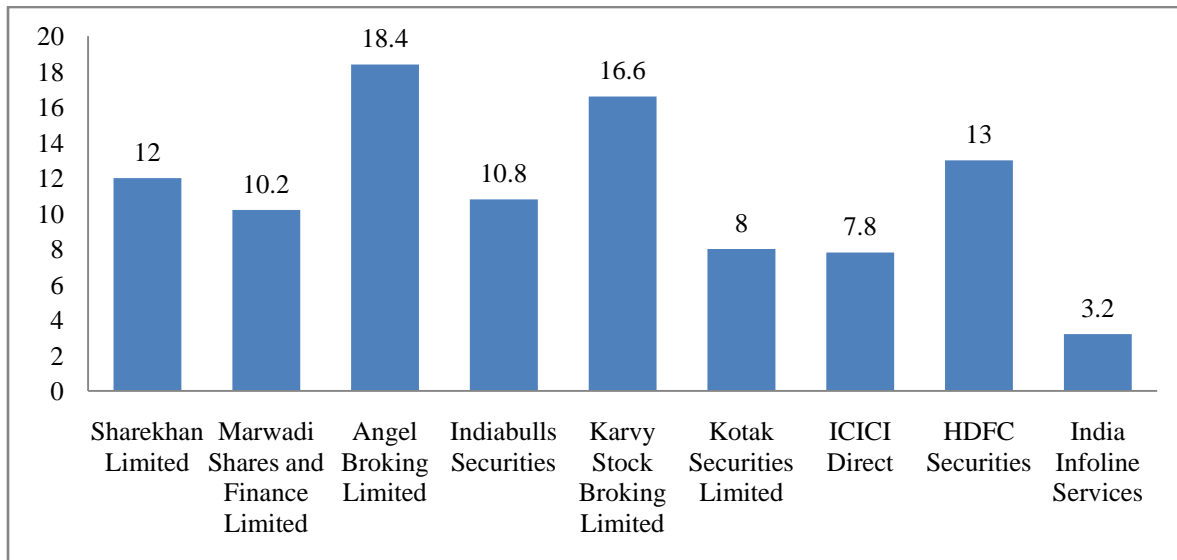
Table 4 shows the respondents' favorite broking company for keeping accounts. According to chart 4, 18% of those surveyed preferred Angel broking Limited, 17% preferred Karvy Stock Broking Limited, 13% preferred HDFC securities, 12% favored Sharekhan limited, 11% preferred Indiabulls Financial Services assets, 10% preferred Marwadi shares and financing



limited, 8% preferred Kotak securities and ICICI direct, and 3% selected India Infoline services as a broking service.

**TABLE: 4 PREFERRED BROKING HOUSE FOR HOLDING ACCOUNT**

BrokingHouse	N	%
Sharekhan Limited	60	12
Marwadi Shares & Finance Limited	51	10.2
Angel Broking Limited	92	18.4
Indiabulls Securities	54	10.8
Karvy Stock Broking Limited	83	16.6
Kotak Securities Limited	40	8
ICICI Direct	39	7.8
HDFC Securities	65	13
India Infoline Services	16	3.2
<b>Total</b>	<b>500</b>	<b>100</b>



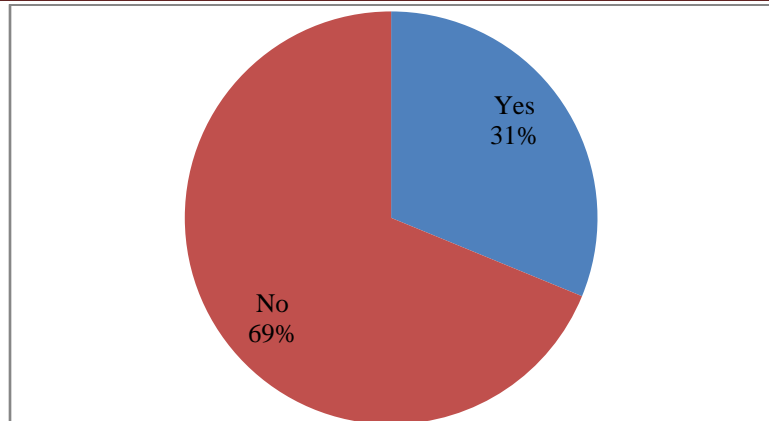
**CHART: 4 PREFERRED BROKING HOUSE FOR HOLDING ACCOUNT**

**ATTENDED ANY SPECIFIC COURSE OF STOCK EXCHANGE**

Table 5 indicates whether or not respondents have taken any stock exchange courses. According to Chart 5, 69% of respondents have not attended any specific exchange-related course, whereas 31% have attended a specialized stock exchange course.

**TABLE: 5 ATTENDED ANY SPECIFIC COURSE OF STOCK EXCHANGE**

Responses	Frequency	Percentage
Yes	156	31.2
No	344	68.8
<b>Total</b>	<b>500</b>	<b>100</b>



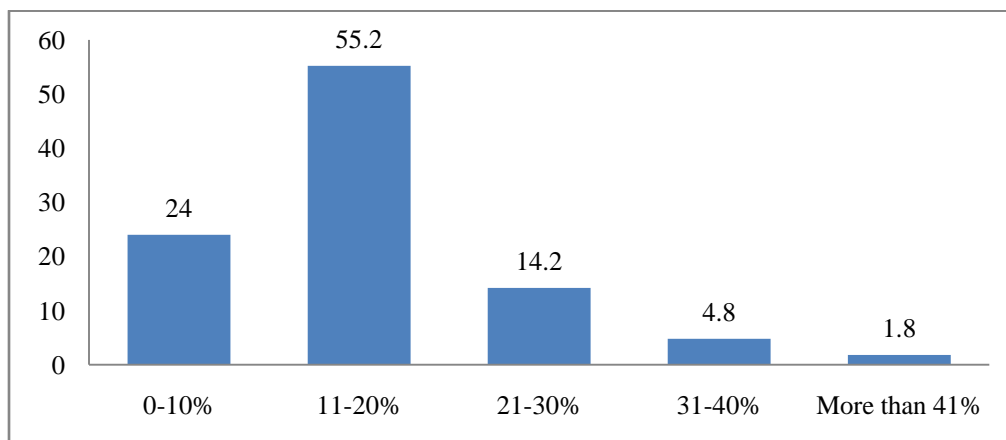
**CHART: 5 SPECIFIC COURSE ATTENDED FOR STOCK EXCHANGE**

**PERCENTAGE OF INCOME INVESTED IN STOCK MARKET**

Table 6 indicates the percentage of the respondents' earnings invested in the stock market. According to Chart 6, 55% of respondents invest 11-20% of their earnings in stock market, 24 percent invest 0-10 percent of their earnings in stock market, 14 percent invest 21-30% of their income in the stock market, 5 percent invest 31-40% of their income in the stock market, and 2% invest over 41 percent of their earnings in the stock market.

**TABLE: 6 % OF INCOME INVESTED IN STOCK MARKET**

Responses	N	%
0-10 percent	120	24
11-20 percent	276	55.2
21-30 percent	71	14.2
31-40 percent	24	4.8
More than 41 percent	9	1.8
<b>Total</b>	<b>500</b>	<b>100</b>



**CHART: 6 % OF INCOME INVESTED IN STOCK MARKET**

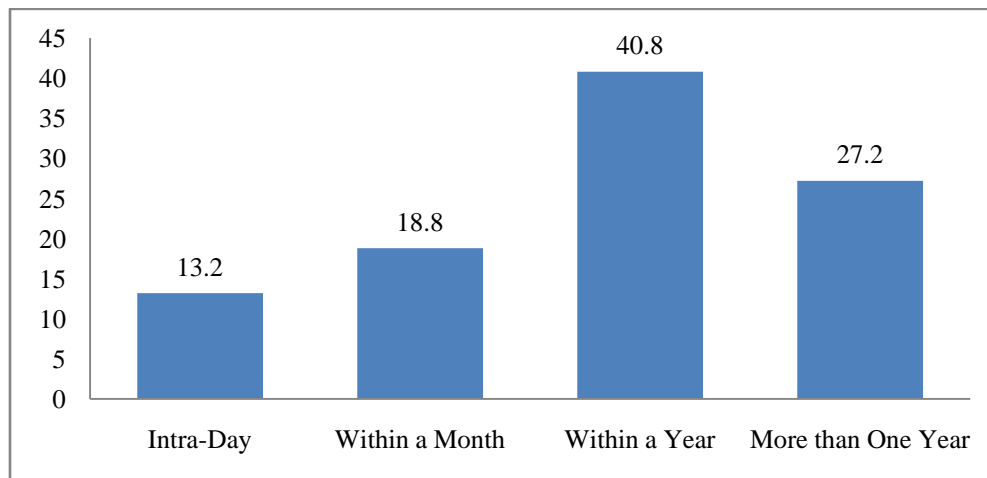


### FREQUENCY OF INVESTMENT IN STOCK MARKET

Table 7 shows the frequency with which respondents invest in the stock market. According to Chart 7, 41 percent of respondents invest for a year in the stock market, 27 percent invest for over one year in the stockmarket, 19 percent invest for a period of time in the stock market, & 13% favor intra-day trading in the stock market.

**TABLE: 7 FREQUENCY OF INVESTMENT IN STOCK MARKET**

Responses	N	%
Intra-Day	66	13.2
Within a Month	94	18.8
Within a Year	204	40.8
More than One Year	136	27.2
<b>Total</b>	<b>500</b>	<b>100</b>



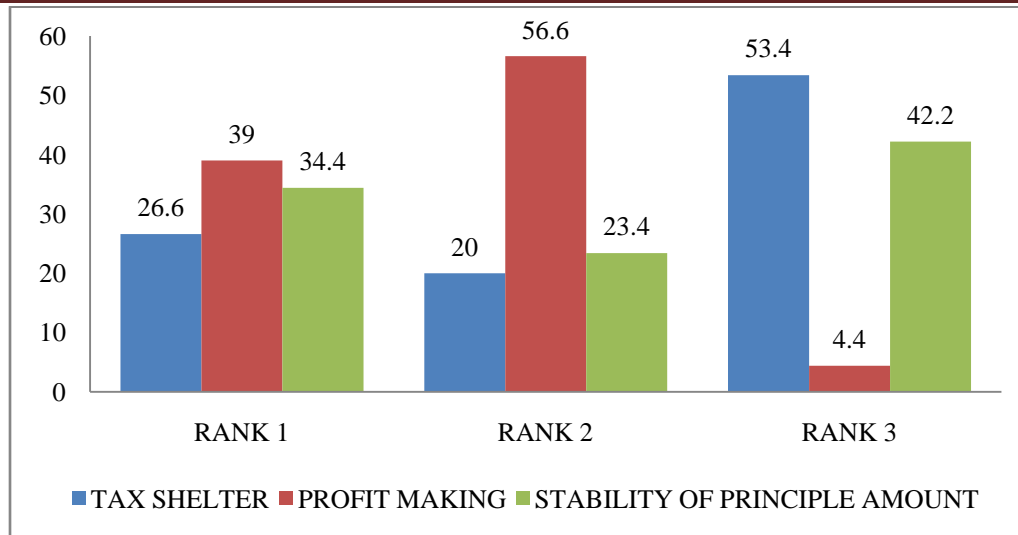
**CHART: 7 FREQUENCY OF INVESTMENT IN STOCKMARKET**

### OBJECTIVES OF INVESTMENT

The objectives of investing underlying stock market investment are represented in Table 8 and Chart 8. The figure clearly shows that profit is one of most significant goals of respondents while investing in the stock market. Respondents rank tax shelter as the least important financial goal while investing in the stock market.

**TABLE 8 RESPONDENTS ON OBJECTIVES OF INVESTMENTS**

OBJECTIVES	RANK 1	RANK 2	RANK 3
TAX SHELTER	26.6	20.0	53.4
PROFIT MAKING	39.0	56.6	4.4
STABILITY OF PRINCIPLE AMOUNT	34.4	23.4	42.2
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>



**CHART: 8 OBJECTIVES OF INVESTMENT**

**FACTORS AFFECTING INVESTMENT DECISION**

The table shows that the company's historical performance, media coverage, stock market rumors, dividend policy, and reputation are the top five most influential elements influencing individual investors' investment decisions. Economic indicators, credit availability, government share of firm, speculative potential, and religion have little effect on investing decisions in stock and mutual funds when compared to other factors.

**TABLE: 9 FACTORS AFFECTING INVESTMENT DECISION**

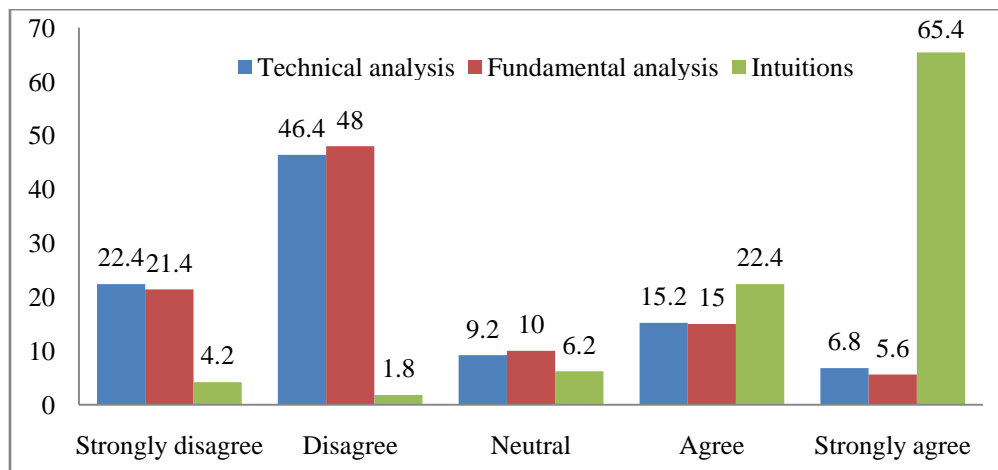
SN	FACTORS	AVERAGE	RANKING OF FACTORS ACCORDING TO MEAN
1	Past Performance of Company's Stock	1.47	1
2	Dividend Policy or Expected Capital Increase	2.22	4
3	Marketability of Company's Product or Service	2.57	9
4	Diversification of Investment	2.71	10
5	Current Economic Indicators	2.75	11
6	Stock Brokers Recommendation	2.35	7
7	Family/ Friend Recommendation	2.41	8
8	The Company's Reputation	2.25	5
9	Best Opportunities for Speculation	3.18	14
10	Credit Availability	3.05	12
11	Share of Government in Company	3.13	13
12	Publicity Received By Media Regarding Investment Avenue	2.07	2
13	Rumors in Stock Market	2.16	3
14	Religious Reasons	3.31	15
15	Expected Gain/Loss in Investment	2.32	6

### USE OF TECHNIQUES BY RESPONDENTS WHILE MAKING INVESTMENT DECISION

According to table 10 and chart 9, 46.4% of respondents disagree that they use technical analysis to make investing decisions. 48% of respondents disagree that they use basic analysis to make investing decisions. Furthermore, 65.4% of respondents strongly believe that their investing decisions are based on their own intuitions regarding investment opportunities.

**TABLE: 10 USE OF TECHNIQUES BY RESPONDENTS WHILE MAKING INVESTMENT DECISION**

Responses	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Technical analysis	22.4	46.4	9.2	15.2	6.8
Fundamental analysis	21.4	48.0	10	15.0	5.6
Intuitions	4.2	1.8	6.2	22.4	65.4



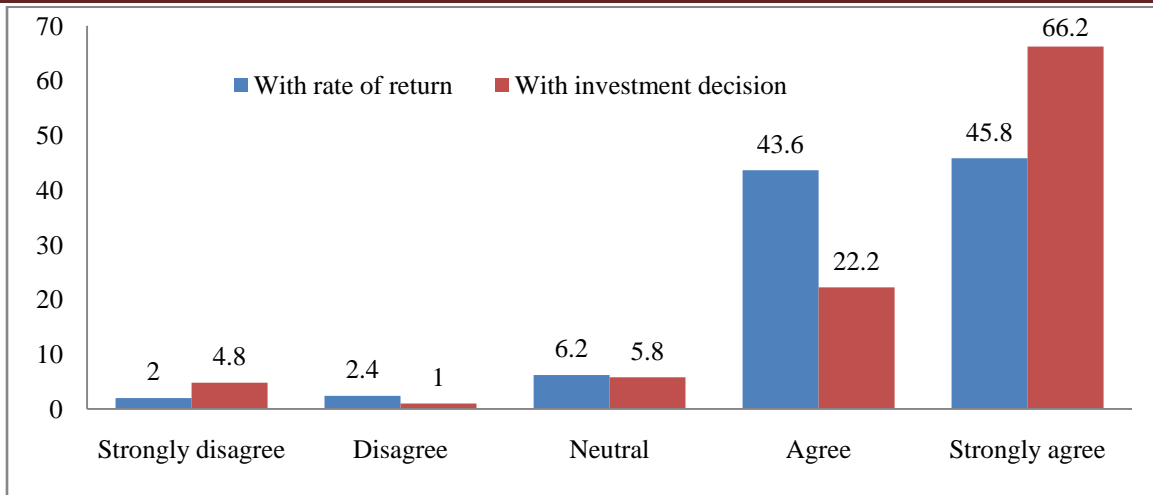
**CHART: 9 USE OF TECHNIQUES BY RESPONDENTS WHILE MAKING INVESTMENT DECISION**

### SATISFACTION OF RESPONDENTS TOWARDS INVESTMENT DECISION

According to table 11 and chart 10, 45.8% of respondents are very satisfied with the rate of return they receive on their investment, & 66.2 percent are very satisfied with the entire investment decision, which includes selling, buying, selecting stocks, & deciding on stock quantities.

**TABLE: 11 RESPONDENTS SATISFACTION TOWARDS INVESTMENT DECISION**

Responses	Stronglydisagree	Disagree	Neutral	Agree	Strongly agree
With rate of return	2	2.4	6.2	43.6	45.8
With investment decision	4.8	1	5.8	22.2	66.2



**CHART: 10 RESPONDENTS SATISFACTION TOWARDS INVESTMENT DECISION**

### FINDINGS OF THE STUDY

- Every single respondent has made at least one investment in the stock market.
- 76% of respondents prefer to invest in individual company stocks, while 24% prefer to participate in mutual funds.
- 57% of respondents plan to invest in stock market during the next 1-3 years.
- Angel Broking Limited was favored by 18% of respondents.
- 69% of respondents had never taken a stock market course.
- 55% of respondents put 11-20 percent of their income into the stock market.
- 41 percent of respondents invest in the stock market for a year.
- 46.4% of respondents said they do not use technical analysis to make investing decisions.
- 48% of respondents disagree that they use basic analysis to make investing decisions.
- 65.4% of respondents strongly believe that their investing decisions are based on their own intuitions regarding investment opportunities.
- 45.8% of respondents strongly believe that the rate of return on their investment is satisfactory.
- 66.2% of respondents strongly agree that they are happy with their overall investing choice, which includes selling, purchasing, stock selection, and stock volume decisions.

### CONCLUSIONS

The current study investigates the investment pattern of investors in securities market investing decisions and is conducted on individual investors in Mumbai on their investment decisions and the factors influencing them. The current study shows that shareholders do not always act logically since they must deal with cognitive and emotional limitations. Behavioral factors are important in financial markets because they influence investors who make monetary choices.

According to findings, the vast majority of respondents has been trading in the stock market for 1-3 years and has skipped any stock market classes. The majority of investors choose



to invest for a year in the stock market. The majority of respondents put 11-20% of their earnings into the stock market. Profit is one of the most important goals for participants when it comes to stock market trading. The top five most significant factors influencing single investors' investment decisions are the company's prior performance, media coverage, stock market rumors, dividend policy, and reputation. When making investment decisions, the majority of respondents do not use technical or fundamental evaluations, instead relying on their own intuitions. A majority of respondents are satisfied with their choices when making investments, which include the rate of return on investment, selling, making purchases, stock selection, and stock volume determination.

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