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## **A critical study on the behaviour of retail investors with special reference to Hyderabad city**

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### **Abstract**

Stock markets play a pivotal role in the global economic landscape. Currently, the stock market is used to assess the economic progress of any nation. The Indian stock market is one of the expanding markets worldwide. Retail investors, also known as individual investors, are those who spend their money in trading securities with the goal of maximizing their investment's value rather than opting for low-interest options. The research examines the investing behaviour of individual investors in the stock market to see whether three independent factors - Demographic Factors, Awareness, and Perceived Risk Attitude - have any influence on the dependent variable of investing Behaviour.

The data were collected from 300 retail investors located in the Hyderabad area of Telangana. The researcher conducted a cross-sectional investigation in this research. A deductive strategy was used, beginning with the theoretical framework and progressing to the formulation of research propositions. Data was then collected based on these projected propositions in order to derive conclusions. The researcher has produced a comprehensive questionnaire by referring to relevant studies. The questionnaire is structured in a way that allows for obtaining the ongoing experiences of retail investors in Hyderabad.

**Keywords:** Stock Market, Awareness, Perceived Risk, Retail investors

### **1. Introduction**

Investors are essential to the functioning of the capital market. An emerging economy, such as India, requires an increasing influx of funds to be directed into business firms. There has been a rise in the extent of retail investor involvement in the equities market in recent years. Investment refers to the allocation of money for productive endeavours. Investment is often regarded as the key driver of economic growth and development for a nation. Currently, there exists a plethora of investing instruments. Some assets possess marketability and liquidity, whereas others lack these qualities and are considered non-marketable and illiquid. There are instruments that carry a considerable level of danger, while others are almost risk-free. Investors choose investment options based on their unique requirements, risk tolerance, and desired returns. Investment opportunities may be divided into two main categories: economic investment and financial investment. Acquiring a tangible item, such as a building or equipment, is an economic investment. Economic investments enhance the overall capital stock of a community. Financial investments, in contrast, pertain to the allocation of funds into financial instruments such as stocks, bonds, insurance policies, and mutual fund units. Financial investments contribute to the accumulation of a nation's capital stock. Investment has a crucial role in enhancing productivity and bolstering the competitiveness of an economy over an extended period of time.

#### **1.1 About Bombay Stock Exchange and National Stock Exchange**

The majority of trading activity in the Indian stock market occurs on two primary stock exchanges: the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE has existed since 1875. Conversely, the NSE was established in 1992 and started trading in 1994. Nevertheless, both exchanges adhere to identical trading mechanisms, trade hours, settlement processes, and so forth. The BSE now has over 4,700 listed companies, while its competitor, the NSE, has around 1,200. Among the corporations listed on the BSE, just about 500 firms make up over 90% of its market value. The other companies are comprised of shares that are not easily bought or sold. The NSE provides trading

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opportunities in various segments, including equities (such as stocks, indices, mutual funds, exchange-traded funds, initial public offerings, security lending and borrowing scheme), derivatives (including equity derivatives like CNX 500, Dow Jones and FTSE, as well as currency derivatives like interest rate futures, debt and corporate bonds).

## 1.2 Various Investment opportunities available in India

### a) Safe/Low Risk Opportunities

Savings Account  
Bank Fixed Deposits  
Public Provided Fund  
National Savings Certificate  
Post Office Savings

### b) Government Securities Moderate Risk Opportunities

Mutual Funds  
Life Insurance  
Debentures  
Bonds

### c) High Risk Opportunities

Equity Share Market  
Commodity Market  
Forex Market

### d) Traditional Opportunities

Real Estate  
Gold/Silver

## 2. Literature review

Schultz (2005) <sup>[1]</sup> considered this research as lifetime savings as an alternate for children, and model the causes for the turn down in fertility which changes the age compositions and possibly will there by account for savings and growth in Asia. This study anticipated scale of active aggregate relationship which appeared to be insignificant than reported, and responsive to the choice of econometric methods used to describe it. Moreover, studies of savings behaviour at the household level do not find adequate life cycle variations in savings to report for these alleged aggregate relationships.

Komicha (2007) <sup>[11]</sup> examined to understand and explain farm household economic behaviour with reference to saving, credit and production efficiency under imperfect financial market conditions based on data obtained from farm household survey conducted in two districts of south-eastern Ethiopia from September 2004 to January 2005. Data was analysed using stochastic frontier analysis and limited dependent variable econometric tools where farm household saving behaviour and its determinants were studied.

Horvath and Zuckerman (1993) <sup>[12]</sup> suggested that one's biological, demographic and socioeconomic characteristics; together with his/her psychological makeup affects one's risk tolerance level.

Malkiel (1996) <sup>[13]</sup> suggested that an individual's risk tolerance is related to his/her household situation, lifecycle stage and subjective factors.

Akhter and Sangmi (2015) <sup>[14]</sup> reveal that stock market is considered as pulse of the economy or it can be rightly said as economic mirror, which reflects the health of the economy. And the investors are considered as backbone of the economy so their participation is utmost important to

keep the health of the economy in good condition. Because of the presence of media and easily accessibility of internet it increases the level of awareness about the market participants. Even the new entrants into market can also gather information and taste this investment avenue.

Suzaida Bakar, Amelia Ng Chui Yi (2016) <sup>[15]</sup>, paper investigated about the psychological feelings put impact on the financial decisions of the investors. Through the reflection of Asian, Middle East and western areas studies founded that here is a connection between psychological factors and the investor's decision-making process in stock market. In this research researcher examined the impact of psychological factors on Investor's decision-making process with respect to Malaysian stock exchange. For the purpose, distributed questionnaire with the total sample size of 200 investors in the Kiang valley and Pahang region between the age group of 18 to 60 years who dealt with Malaysian stock exchange. The findings of the analysis were Three factors i.e., overconfidence, conservatism and availability biasness showed significant impact on decision making of investors. On the other side there is a no significant impact of herding behaviour. And psychological factors subject to individual's gender variable. S.A. Chintaman (2008) <sup>[16]</sup>, conducted a research study based on investor protection in India with reference to Ahmadabad, Vadodara, and Rajkot city. The researcher collected sample of 150 respondents through interview method by preparing structured questionnaire to represent the whole population & the duration of study from April 1992 to March 2005 as equating to 13 years. The findings of the research were mostly as 38.67% population from 31 to 45 age group, 26% from 46 & above, 23.33% belonged to 26 to 30 and only 12% were less than 25 age group considered for the study. As seen in all other study only 8% sample belongs to female ratio. If we analysed Income wisely very less percentage of annual income invested in market as half of the respondents' lied between 0 to 40% and 41% to 81% & above.

## 3. Research objectives

- To analyze the investment pattern of retail investors in Hyderabad City
- To study the information search and investment option of rural investors.
- To identify the various investment preferences and
- To find out investor's perception on risk and return.

## 4. Statement of the problem

This analysis on Indian Investors behaviour is an attempt to know the profile and the characteristics of the investors and their preferences with respect to their investments. This study is also trying to unravel the influence of demographic factors like age on risk tolerance level of the investor.

## 5. Limitation of the study

### The major limitations of the study are

- The study will be confined to Hyderabad district only.
- This research study has been designed to depict about the investors vision towards the Stock market with keeping a proper eye on the important aspects.
- The researcher has followed the whole procedure carefully while designing the study. The research topic is so spacious concept as rapidly volatile nature about routine basis.

- People are hesitant to provide complete data and this can be a major limitation.
- The data can be biased due to use of questionnaire.

## 6. Findings of the study

This research has attempted to study all age categories for analysis.

33 no. of respondents were represented between the age group less than 30 years which constituted 11% of study sample. 66 no. of respondents between the age group 31-40 years constituted 22% of sample population. 83 respondents in between the mid-age 41-50 years which comprised highest 27.67% of sample population. 76 respondent's i.e., 25.33% from the upper middle age and 42 no. or 14% of respondents were belonged from senior citizen category.

**Table 6.1:** Respondent's Age wise profile

Age group wise				
Age of the Respondents	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 30 years	33	11.0	11.0	11.0
31-40 years	66	22.0	22.0	33.0
41-50 years	83	27.7	27.7	60.7
51-60 years	76	25.3	25.3	86.0
Above 60 years	42	14.0	14.0	100.0
Total	300	100.0	100.0	

Source: Primary data

**Table 6.2:** Respondent's Income and Gender wise profile

Annual Income				
income of the Respondents (Annually)	Frequency	Percent	Valid Percent	Cumulative Percent
Less than Rs. 2 Lakh	15	5.0	5.0	5.0
Rs.2- Rs.4 Laths	122	40.7	40.7	45.7
Rs.4- 6 Laths	99	33.0	33.0	78.7
Above Rs.6 Lakhs	64	21.3	21.3	100.0
Total	300	100.0	100.0	
Gender				
Gender of the Respondents	Frequency	Percent	Valid Percent	Cumulative Percent
Male	265	88.3	88.3	88.3
Female	35	11.7	11.7	100.0
Total	300	100.0	100.0	

Source: Primary data

Maximum number of respondents i.e., 57% of retail investors are interested in banks/PPF/LIC schemes instead of other one whereas 20.67% retail investors always interested in real estate which is equating to 171 and 62 number of respondents.

It also can be seen that very less respondents are dealing in mutual fund/share market/bonds i.e., only 19 number of the respondents out of the total sample population are looking

for capital market which is constituted to 6.33%. Even more number of retail investors are preferred gold market as a better investment avenue as 28 respondents i.e., 9.33% out of the total respondents and 20 respondents have not marked any option that's why they have been counted in cant' say option. The reason may be interest matter or disclosing of information.

**Table No 6.3:** Respondent's Trading Behaviour

Goal of Trading	Frequency	Percent	Valid Percent	Cumulative Percent
Future planning	95	31.7	31.7	31.7
Wealth Creation	23	7.7	7.7	39.3
Extra income for family	172	57.3	57.3	96.7
Social welfare	10	3.3	3.3	100.0
Total	300	100.0	100.0	
Which investment avenues do you prefer most?				
Investment Avenue	Frequency	Percent	Valid Percent	Cumulative Percent
Bank /LIC/PPF Schemes	171	57.0	57.0	57.0
Mutual fiend Share Market	19	6.3	6.3	63.3
Real estate	62	20.7	20.7	84.0
Gold	28	9.3	9.3	93.3
Can't Say	20	6.7	6.7	100.0
Total	300	100.0	100.0	
What kind of investor do you describe yourself?				
Kind of Investor	Frequency	Percent	Valid Percent	Cumulative Percent
Conservative	76	25.3	25.3	25.3
Balanced	170	56.7	56.7	82.0
Aggressive	54	18.0	18.0	100.0
Total	300	100.0	100.0	

What percentage of savings invested in Stock Market (annually)?				
Percentage of Savings	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 10%	116	38.7	38.7	38.7
Between 10-20%	117	39.0	39.0	77.7
20% & above	67	22.3	22.3	100.0
Total	300	100.0	100.0	

Source: Primary data

## 7. Conclusion

Without using any thoughtful reasoning, respondents of all age groups said that they preferred to invest in Bank/LIC/PPF schemes because they were safe and secure. Based on the aforementioned findings, the researcher deduced that the majority of participants over 51 had chosen the stock market as a place to invest, while a small percentage of participants in the 31–50 age range relied on beliefs based on luck or gambling, and the majority of participants under 30 believed that the stock market was a place for mental games and gambling.

The findings indicate that there is no correlation between an investor's age and their conduct. Regardless of the investment strategy used by individual investors, age is not a factor. This data unequivocally shows that the majority of investors, both male and female, have balanced their portfolios. Few respondents preferred conservative policies after that. In markets where there is a higher risk, better return strategy, very little is done as aggressively. It is determined that most men and women, notwithstanding the lower proportion of women, believe that the stock market is a reliable source of income.

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