

## **‘An Analytical Study of the Small Equity Investors in the South Konkan Region’**

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### **Abstract**

The capital market is the major sector in the Indian financial system. Small equity investors play role in the capital market along with institutional investors. The South Konkan region is the backward region in Maharashtra. Though the investors awareness level at the region in comparatively less, the saving and investing habits are predominant among the people in the area under the study.

The present study takes into consideration the socio-economic status of the small equity investors in the South Konkan region. The study also aims at finding out the type of investors, funds used for investment, investment avenues preferred, sectorial preferences of the investors and the source of investment information preferred etc.

**KEYWORDS:**South Konkan, small equity investors, investment decision.

### **1. Introduction**

The capital market is the major sector in the Indian financial system. Small equity investors play role in the capital market along with institutional investors. The small equity investors lacks adequate awareness about the market. SEBI encourages small equity investors to invest in the market by offering innovative products to satisfy their risk appetite. The South Konkan region is the backward region in Maharashtra. Investors awareness level at the region in comparatively less.

South Konkan economy is mostly dependent on the earnings of the people by migrating to Mumbai and Pune, fruit industry and earnings of salaried and businesspersons in the region. The saving and investing habits are predominant in the people in the area under the study.

### **2. Review of Literature**

Barua and Srinivasan<sup>1</sup> (1991) in their study on “Experiment on Individual Investment Decision Making Process” stated that the investment decision making process of individuals has been discovered through experiments. They concluded that the risk perceptions of individuals are largely influenced by the skewness of the distribution of the return. It stated that investors are worried about the risk of sustaining maximum losses with the unevenness of returns while making investment decisions.

Hutton and Sloan<sup>4</sup> (2001) in their research on “Mastering Finance”, concluded that analysts growth forecasts are usually over-optimistic around new equity offerings. Majority of the analysts working at the office of the lead underwriters of the offerings are over-optimistic.

Hemanth P.K.<sup>3</sup> (2011) in his study on “Role of IT Education in India’s Economic Development” carried out a survey among Indian investors. He concluded that majority of the Indian equity investors opt to invest in equity through various

mutual fund schemes. He also concluded that people are of the opinion that management of equity investment is the difficult task and therefore it is better to trust the experts in the field.

Durga Rao, et., al<sup>2</sup> (2013) in their “A study on Role of Demographic Factors in Small Investors Savings in Stock Market” stated that stock market aids in channelizing household savings towards the corporate sector. Such savings are utilized for the expansion of service and industrial sector. An equity share is the small part of the ownership capital of a company and the holder of equity share is a member of the company. Member of the company is entitled to receive number of benefits from the company.

There is need to study investment awareness among the small equity investors from the South Konkan region as the study about investment awareness among and present situation of the small equity investors from the South Konkan region is not available. In order to fill the research gap, the present study is carried out.

### **3. Objectives of the Study**

1. To study the socio-economic status of the small equity investors.
2. To know the investment avenues preferred by the small equity investors.
3. To analyse the sectorial preferences of the small equity investors.
4. To study the sources of investment information preferred by the small equity investors.
5. To recommend measures for enhancing small investors participation in Indian capital market.

### **4. Hypotheses of the Study**

1. The majority of the respondents earn monthly income between Rs.20,001 to Rs.50,000.
2. The majority of the respondents use their own funds for investing.
3. The majority of the respondents preferred to invest in mutual funds.
4. The majority of the respondents gave first rank to invest in banking sector.

### **5. Research Methodology**

Small equity investors in the South Konkan region are universe of the study. Since the universe is infinite, sample size of study has been taken as in total 200 sample small equity investors from the South Konkan region, 100 sample respondents each from two districts namely Ratnagiri and Sindhudurg in the area under the study. The researcher has adopted convenience sampling method.

The study is mainly based on primary data and necessary primary data is collected through the structured questionnaires from sample small equity investors from area under the study. The secondary data is collected using books, journals, newspapers and internet. Appropriate statistical tools are used for analysis and interpretation of the data.

## 6. Analysis and Interpretation of the Data:-

### 6.1 Age and Gender

**Table 6.2:- Age and Gender**

| Age                                | Gender   |           |            |   |              |               |
|------------------------------------|--|-----------|------------|---|--------------|---------------|
|                                    | No. of Small Equity Investors (Absolute Figures) |           |            | No. of Small Equity Investors (Percentage Form) |              |               |
|                                    | Male   | Female    | Total      | Male  | Female       | Total         |
| Young (18 years to 40 years)       | 75   | 25        | 100        | 50.00   | 50.00        | 50.00         |
| Middle aged (40 years to 60 years) | 45   | 15        | 60         | 30.00   | 30.00        | 30.00         |
| Old (Above 60 years)               | 30   | 10        | 40         | 20.00   | 20.00        | 20.00         |
| <b>Total</b>                       | <b>150</b>                                       | <b>50</b> | <b>200</b> | <b>75.00</b>                                    | <b>25.00</b> | <b>100.00</b> |

**Source: Field Survey**

Respondents have been classified into three categories on basis of their age as 'young' (18 years to 40 years), 'middle aged' (40 years to 60 years) and 'old' (above 60 years). Out of 200 respondents, **maximum 100(50%) are young investors** as they are interested in investing their surplus money in equity investments, 60(30%) are middle aged investors as they have very less interest in equity investments and 40(20%) are old investors as they have very less interest in equity investments.

Investors have been allocated into two groups, namely, 'male' and 'female' on basis of their gender. Out of 200 respondents, **maximum 150(75%) are male investors** and 50(25%) are female investors. The above table clearly showed that majority of investors are male in all three age groups. It shows that maximum male are interested in equity investment than female.

### 6.2 Educational Background

**Table 6.2:- Educational Background**

| Educational Background | No. of Small Equity Investors (Absolute Figures) | No. of Small Equity Investors (Percentage Form) |
|------------------------|--|---|
| Till S.S.C.            | 22   | 11.00   |
| H.S.C.                 | 40   | 20.00   |
| <b>Graduation</b>      | <b>58</b>  | <b>29.00</b>                                    |
| Post-Graduation        | 43   | 21.50   |
| Professional           | 37   | 18.50   |
| <b>Total</b>           | <b>200</b>                                       | <b>100.00</b>                                   |

**Source: Field Survey**

The table clearly depicts the education level of the respondents. Education level expresses the knowledge, attitude and life style of respondents in equity investment. Education is the tool for analysing the plus points and minus points of investment avenues. The educated investors can analyse properly the avenues of equity investment and can acquire transparent information from various sources available.

Out of 200 respondents, 22(11%) have taken education till S.S.C., 40(20%) have taken education till H.S.C., **maximum 58(29%) are graduates**, 43(21.50%) are post-graduates whereas 37(18.50%) have taken professional education.

### 6.3. Occupation/Profession

**Table 6.3:- Occupation/Profession**

| Occupation/<br>Profession | No. of Small Equity Investors<br>(Absolute Figures) | No. of Small Equity Investors<br>(Percentage Form) |
|---------------------------|---|--|
| <b>Salaried</b>           | <b>86</b>   | <b>43.00</b>                                       |
| Business                  | 53  | 26.50  |
| Professional              | 46  | 23.00  |
| Others                    | 15  | 7.50   |
| <b>Total</b>              | <b>200</b>  | <b>100.00</b>                                      |

**Source: Field Survey**

The occupational factor of the respondents is the major deciding factor in the investment pattern. Out of 200 respondents, **maximum 86(43.00%) are salaried**, 53(26.50%) have their own business, 46(23%) are professionals whereas 15(7.50%) have some other occupation.

### 6.4 Monthly Income

If the monthly family income of the respondents is more, their investment behaviour may be positive. The monthly family income and investments have positive correlation. If the monthly income is more in the family, they may have more surplus money available for investment.

**Table 6.4:- Monthly Income**

| Monthly Income                      | No. of Small Equity<br>Investors<br>(Absolute Figures) | No. of Small Equity<br>Investors<br>(Percentage Form) |
|-------------------------------------|--|---|
| Below Rs. 20,000                    | 44   | 22.00   |
| <b>Rs. 20,001 to Rs.<br/>50,000</b> | <b>68</b>  | <b>34.00</b>  |
| Rs. 50,001 to<br>Rs.1,00,000        | 47   | 23.50   |
| Rs.1,00,001 and above               | 41   | 20.50   |
| <b>Total</b>                        | <b>200</b>   | <b>100.00</b>   |

**Source: Field Survey**

Respondents are classified into four categories based on their monthly family income. Out of 200 respondents, 44(22%) have their monthly family income below Rs.20,000, **maximum 68(34%) have their monthly family income between Rs.20,001 to Rs.50,000**, 47(23.50%) have their monthly family income between Rs.50,001 to Rs.1,00,000 whereas 41(20.50%) have their monthly family income between Rs.1,00,001 and above.

### 6.5 Category of Investor

**Table 6.5:- Category of Investor**

| Category of Investor       | No. of Small Equity<br>Investors<br>(Absolute Figures) | No. of Small Equity<br>Investors<br>(Percentage Form) |
|----------------------------|--|---|
| Day Traders                | 38   | 19.00   |
| <b>Long Term Investors</b> | <b>83</b>  | <b>41.50</b>  |
| Both                       | 79   | 39.50   |
| <b>Total</b>               | <b>200</b>   | <b>100.00</b>   |

**Source: Field Survey**

Respondents are divided into three groups on basis of their period of holding stock as 'day trader', 'long-term investor' and 'both'. In the Table 6.5, out of 200 respondents 38(19.00%) are day traders, **maximum 83(41.50%) are long-term investors** and 79(39.50%) are both long-term investors and day traders.

## 6.6 Sources of Investment

**Table 6.6:- Sources of Investment**

| Sources of Investment | No. of Small Equity Investors (Absolute Figures) | No. of Small Equity Investors (Percentage Form) |
|-----------------------|--|---|
| <b>Own Funds</b>      | <b>132</b>                                       | <b>66.00</b>                                    |
| Borrowed Funds        | 19   | 9.50  |
| Both                  | 49   | 24.50   |
| <b>Total</b>          | <b>200</b>                                       | <b>100.00</b>                                   |

**Source: Field Survey**

The respondents invest their own funds, borrowed funds and also the combination of both to get maximum return within the short time period. Out of 200 respondents, **maximum 132(66.00%) use their own funds** to get better returns, 19(9.50%) use borrowed funds and 49(24.50%) use both own and borrowed funds.

## 6.7 Sate the various forms of investments in your portfolio

The Table 6.7 below depicts ten different investment avenues used by the respondents. **The majority of the respondents 142(71.00%) preferred to invest in mutual funds** as moderate risk seekers, followed by shares, stock, futures and options, insurance policies, fixed deposits, gold and silver, real estate, debentures/bonds, NSC/PPF/PF and other avenues of investments. They preferred insurance policies, real estate, NSC/PPF/PF and fixed deposits for tax savings and future planning.

**Table 6.7:- Forms of Investment**

| Forms of Investment        | No. of Small Equity Investors (Absolute Figures) | No. of Small Equity Investors (Percentage Form) |
|----------------------------|--|---|
| Shares                     | 103  | 51.50   |
| <b>Mutual Funds</b>        | <b>142</b>                                       | <b>71.00</b>                                    |
| Debentures/Bonds           | 66   | 33.00   |
| Stock, Futures and Options | 92   | 46.00   |
| NSC/PPF/PF                 | 41   | 20.50   |
| Fixed Deposits             | 82   | 41.00   |
| Insurance Polices          | 91   | 45.50   |
| Gold /Silver               | 78   | 39.00   |
| Real Estate                | 67   | 33.50   |
| Others                     | 32   | 16.00   |
| <b>Total</b>               | <b>200</b>                                       | <b>100.00</b>                                   |

**Source: Field Survey**

### 6.8 The sources of investment information ranked by the respondents

. Source of investment information is the major deciding factor in investment decision of the respondents. Therefore, investors in the market should keep themselves updated.

**Table 6.8:- Sources of Investment Information**

| Sources of Investment Information         | No. of Small Equity Investors |            |            |            |            |            |            |            |            |            |
|---|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|   | R1                            | R2         | R3         | R4         | R5         | R6         | R7         | R8         | R9         | R10        |
| <b>Newspapers, Journals and Magazines</b> | <b>54</b>                     | 28         | 17         | 21         | 22         | 14         | 13         | 12         | 10         | 9          |
| Abridged Prospectus                       | 7                             | 22         | 21         | 23         | 22         | 24         | 22         | 28         | 17         | 14         |
| Investments related Websites              | 39                            | 31         | 13         | 17         | 21         | 13         | 21         | 8          | 19         | 18         |
| TV Channels                               | 33                            | 22         | 20         | 18         | 22         | 12         | 19         | 20         | 18         | 16         |
| Analysts Forecast                         | 31                            | 27         | 17         | 21         | 19         | 28         | 11         | 11         | 13         | 22         |
| Investor Forum                            | 6                             | 12         | 17         | 10         | 16         | 25         | 20         | 31         | 28         | 35         |
| Technical Analysis                        | 11                            | 14         | 35         | 28         | 26         | 26         | 22         | 13         | 13         | 12         |
| Stock Exchange Announcements              | 10                            | 25         | 22         | 23         | 19         | 21         | 29         | 22         | 14         | 15         |
| Company Announcements                     | 5                             | 4          | 24         | 18         | 16         | 14         | 26         | 29         | 35         | 29         |
| Friends, Relatives etc                    | 4                             | 15         | 14         | 21         | 17         | 23         | 17         | 26         | 33         | 30         |
| <b>Total</b>                              | <b>200</b>                    | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> |

Source: Field Survey

The majority of the respondents 54(27%) preferred newspapers, journals and magazines as treated more reliable source of investment information, followed by investments related websites, TV channels, analysts forecast, technical analysis, stock exchange announcements, abridged prospectus, investor forum, company announcements and friends, relatives etc as the sources of investment information.

### 6.9 The sectorial preferences for stocks ranked by the respondents

**Table No. 6.9:- Sectorial preferences for stocks**

| Sectorial preferences                   | No. of Small Equity Investors |            |            |            |            |            |            |            |            |            |
|---|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|   | R1                            | R2         | R3         | R4         | R5         | R6         | R7         | R8         | R9         | R10        |
| IT Sector                               | 41                            | 20         | 19         | 18         | 17         | 22         | 23         | 21         | 9          | 10         |
| <b>Banking Sector</b>                   | <b>52</b>                     | 12         | 9          | 17         | 11         | 18         | 22         | 20         | 21         | 18         |
| FMCG                                    | 23                            | 13         | 17         | 22         | 18         | 20         | 26         | 19         | 20         | 22         |
| Service Sector                          | 14                            | 24         | 26         | 20         | 29         | 18         | 17         | 18         | 16         | 18         |
| Multinational Companies                 | 5                             | 22         | 23         | 17         | 18         | 19         | 21         | 28         | 26         | 21         |
| PSEs                                    | 11                            | 19         | 17         | 20         | 19         | 18         | 26         | 23         | 25         | 22         |
| Energy Sector                           | 7                             | 21         | 20         | 18         | 23         | 21         | 22         | 27         | 23         | 18         |
| Pharma Sector                           | 28                            | 19         | 21         | 18         | 15         | 19         | 16         | 23         | 19         | 22         |
| Infrastructure and Capital Goods Sector | 10                            | 28         | 22         | 28         | 24         | 20         | 8          | 11         | 22         | 27         |
| Other Sectors                           | 9                             | 22         | 26         | 22         | 26         | 25         | 19         | 10         | 19         | 22         |
| <b>Total</b>                            | <b>200</b>                    | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> | <b>200</b> |

Source: Field Survey

The above table depicts sectorial preferences ranked by the respondents. **The maximum number of the respondents 52(26%) gave first rank to invest in banking sector**, followed by IT sector, pharma sector, FMCG, service sector, public sector enterprises, infrastructure and capital goods sector, other sectors, energy sector and multinational companies.

### 7. Testing of Hypotheses

1. Maximum 68(34%) respondents have their monthly family income between Rs.20,001 to Rs.50,000. **Therefore, the hypothesis that “The majority of the respondents earn monthly income between Rs.20,001 to Rs. 50,000.” is accepted.**
2. Maximum 132(66.00%) respondents use their own funds for investing. **Therefore, the hypothesis that “The majority of the respondents use their own funds for investing.” is accepted.**
3. The majority of the respondents 142(71.00%) preferred to invest in mutual funds. **Therefore, the hypothesis that “The majority of the respondents preferred to invest in mutual funds.” is accepted**
4. The maximum number of the respondents 52(26%) gave first rank to invest in banking sector. **Therefore, the hypothesis that “The majority of the respondents gave first rank to invest in banking sector.” is accepted**

### 8. Findings of the Study

1. Maximum 100(50%) respondents are young investors
2. Maximum 150(75%) respondents are male investors.
3. Maximum 58(29%) respondents are graduates.
4. Maximum 86(43.00%) respondents are salaried.
5. Maximum 68(34%) respondents have their monthly family income between Rs.20,001 to Rs.50,000.
6. Maximum 83(41.50%) respondents are long-term investors.
7. Maximum 132(66.00%) respondents use their own funds.
8. The majority of the respondents preferred to invest in mutual funds.
9. The majority of the respondents gave first rank to newspapers, journals and magazines as the source of investment information.
10. The maximum number of the respondents gave first rank to invest in banking sector.

### 9. Conclusion

The saving and investing habits are predominant in the people in the area under the study. Majority of the young investors shows awareness about and take interest in saving and investment. The percentage of male investors is more than female investors. Majority of the investors are graduates, post graduates and having professional degrees. Majority of the investors are salaried, having fixed monthly income. Majority of the investors have their monthly family income between Rs.20,001 to Rs.50,000.

Majority of the investors are long-term investors. Very less number of investors are day traders. Sizable number of investors invest both in day trading and long term investment. Majority of the investors use their own funds. Very less number of investors use borrowed funds. Sizable number of investors invest owned and borrowed funds.

The majority of the investors preferred to invest in mutual funds. The sizable number of investors also preferred to invest in shares, stock futures and options,

insurance policies and fixed deposits. The majority of the respondents gave first rank to newspaper journals and magazines as the source of investment information. The sizable number of respondents also gave first rank to investment related websites, TV channels and analysts forecasts as the sources of investment information. The majority of the respondents gave first rank to invest in banking sector. The sizable number of investors gave first rank to IT sector, pharma sector and FMCG.

#### **10. Recommendations**

1. The government, RBI, Stock Exchanges, NGOs, investors associations and SEBI should organise training and awareness programmes for small equity investors.
2. More number of workshops and seminars on how to invest in equity market should be organised by the related stakeholders like government, RBI, Stock Exchanges, NGOs, investors associations and SEBI etc.
3. The small equity investors should access different media providing information about different investment avenues in order to improve their awareness and keep themselves updated.
4. Social media like whatsapp, twitter and facebook should be used for small equity investors awareness and education.
5. Awareness about liquidity, dividends, capital appreciation etc should be created among the small equity investors.
6. Government should introduce benefits of saving and different investment avenues available at the school level to college level syllabus.
7. Small equity investors should learn and apply different statistical and quantitative models for making accurate market analysis.
8. Formal and systematic training should be made compulsory for the small equity investors for opening de-mat account.

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