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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.

- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

UNPUBLISHED DISSERTATIONS

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

RELATIONSHIP BETWEEN DEMOGRAPHIC PROFILE AND RISK TAKING ABILITY OF THE INVESTORS TOWARDS STOCK MARKET: A STUDY

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ABSTRACT

The growing popularity of the secondary market investment can be attributed to the increasing number of individual investors participating in stock markets. Individual investors constituting the majority have an indispensable and strategic role in the growth and smooth functioning of the secondary market and in ensuring capital flows into the most efficient hands. Visakhapatnam being industrially growing city with huge economic potential for the investment can be considered as highly potential market to build the largest number of investors in securities market in the near future. Against this background, this paper is an attempt to analyse the behaviour of individual investor in Visakhapatnam city. This paper while covering the characteristics of the Indian investors has an aim to analyze the relationship between dependent variables such as: i) Risk tolerance level, ii) Expected rate of return and independent variables such as: i) Age, ii) Education and iii) Occupation of an individual investor based on a survey undertaken in Greater Visakhapatnam City. To study the dependency/Independency of the factors Chi-square test of independence of attributes was used. The findings reveal that individual investors in the study area are well educated, salaried class but conservative in making investment decisions. The findings also reveal that equity is the most preferred investment avenue among all categories of individual investors.

KEYWORDS

investor behaviour, investment decision, individual investor, risk taking ability, secondary market.

INTRODUCTION

The individual investors numbering millions constitute a focal point to the stock markets in any economy. Investing an activity confined to the rich and business class in India, today, has become a household word, popular with people from all walks of life. With the increased level of sophistication in the market duly supported by innovative financial products and services, individual investors now account for a growing share in the secondary market. Their active involvement helps industries to mobilize the required funds for growth and development while ensuring continuous liquidity in the capital market.

With the increased level of sophistication in the secondary market duly supported by innovative financial products and services, individual Investors are set to play an indispensable and strategic role in the growth and functioning of the secondary market in the future. In the light of these recent developments, the present paper endeavours to better understand the behaviour of individual investors in the secondary market with special reference to Visakhapatnam city.

REVIEW OF LITERATURE

In the literature survey, a brief review of earlier studies is carried out on the theme of investigation. This review outlines the focussed studies with specific reference to the theme of the study.

Nayak, M. K. (2010) analysed the difference between the various demographic variable and investor's knowledge of grievances. The study observed that professionals and servicemen being more educated are expected to be more rational in their investment decisions, whereas business man are willing to take more risk and are instinctively investment-minded.

Preeti Singh and Harpreet Singh Bedi (2011) in their study revealed that there is a significant difference between the behaviour of the investor of different segments when investing. The study also identified that factors like age, gender, experience, income are different for different type of investors.

Murugan, V. G. (2012) studied the socio-economic profile of investors, their perceptions; and behaviour in respect to various investment avenues. The findings revealed that most of the investors generally have limited information about the developments in the securities market.

Puneet Bhushan & Yajulu Medury (2013) identified that women are more conservative and takes less risk and significant gender differences occur in investment preferences for health insurance, fixed deposits and market investments among employees.

Pandian, V.A. and Thangadurai G., (2013) analysed the investors' preference towards various investment avenues in Dehradun Districts. The study reported that most of the investors prefer bank deposits followed by gold investment.

Palanivelu, V.R. and Chandrakumar K., (2013) identified that certain factors of salaried employees like education level, awareness about the current financial system, age of investors etc. have significant impact while deciding the investment avenues.

Jagongo A., Mutswenje V.S. (2014), identified that the most important factors that influence investment decisions were: reputation and firms' status in industry, expected corporate earnings, past performance firms stock, and expected divided by investors.

STATEMENT OF THE PROBLEM

The growth of secondary market is vital factor for a country's economic growth. The trend in this market is defined by the decisions of investors. The review of previous studies reveals that most of the earlier research examined investors' decision making behaviour or stock selection process in the stock market. However despite the growing importance of individuals' investors in the capital market, very little is known about the behaviour of individual investors. Therefore it is imperative to examine the behaviour of individual investors in a rapidly developing Visakhapatnam City. The present research paper fills the gap by analysing the behaviour of individual investors in the secondary market and examines influence of demographic factors like age, gender, education on risk tolerance level of the investor.

SIGNIFICANCE OF THE STUDY

An analysis of investor behaviour is of considerable relevance as Individual investors are of strategic importance as households account for the lion's share in the securities market. The purpose of the study is to examine the influence of factors mainly investment motives, preference, risk tolerance level etc., on the trading pattern and habits of individual investors.

An understanding of investors' behaviour and outcomes in the form investment decision is important for financial planners and stock brokers to devise asset allocation strategies to their clients. The players and regulators in the capital market cannot afford to ignore the aspirations, attitudes, perceptions and expectations of individual investors. The present study endeavours to better understand the behaviour of investors in the secondary market with reference to Visakhapatnam City.

OBJECTIVES OF THE STUDY
The study analyses the characteristics and the trading behaviour of individual investors in Visakhapatnam city. The objectives of the study are as follows:
1. To study the demographic profile of investors in Visakhapatnam city
2. To study the risk-taking ability of individual investors with regards to investment decisions.
3. To study the influence of socio-demographic factors on the risk taking ability of the investors.

SCOPE OF STUDY
The present study aims to analyse the behaviour of investors with special reference to investors in Visakhapatnam city. The scope of the present study is confined to the study of investor's objectives, risk taking ability and its relation with the age, education and occupation.

RESEARCH HYPOTHESES
H1: There is no significant relationship between age and risk taking ability of the investor.
H2: There is no significant relationship between education and risk taking ability of the investor.
H3: There is no significant relationship between occupation and risk taking ability of the investor.

RESEARCH METHODOLOGY
DATA COLLECTION: Primary data were collected from a sample of around 400 investors with the help of a survey. Respondents from urban and semi-urban areas were included to ensure balance in representation. Based on the survey the respondents were classified into different categories on the basis of age, gender income, profession and educational status etc. The Primary data was collected using well-structured and pretested Questionnaire. The secondary data were collected from reports, books, journals, Stock Exchange reports and RBI Bulletins
SAMPLE SIZE: Convenient sampling technique was employed to collect the primary data. A total of 400 respondents in Visakhapatnam city were surveyed for the purpose of this study.
DATA ANALYSIS: The study employed simple statistical techniques such as percentages and Chi-square analysis for analysis and organisation of the information collected from all sources and to draw meaningful inferences. Correlation has been used to uncover relationships among the variables. Chi-square test of independence of attributes was used. Correlation is used to know the relationship between Risk tolerance level and the age and education of the investor.

RESULTS AND DISCUSSION
OBJECTIVE -1: TO STUDY THE DEMOGRAPHIC PROFILE OF INVESTORS IN VISAKHAPATNAM CITY
Table- 1 depicts the profile of the sample respondents in terms of socio-demographic characteristics like age, gender, education level, marital status, occupation and income.

TABLE 1: SOCIO DEMOGRAPHIC PROFILE OF THE RESPONDENTS

	Particulars	Frequency	Per cent
AGE	18-25	34	9.5
	26-35	138	34.5
	36-45	104	26.0
	46-55	68	17.0
	56-65	22	5.5
	More than 65	34	7.5
	Total	400	100.0
GENDER	Male	346	86.5
	Female	54	13.5
	Total	400	100.0
EDUCATION	SSC/Matrix	30	7.5
	10+2/ Intermediate	45	11.3
	Degree	104	26.0
	P.G	163	40.7
	Diploma	46	11.5
	Others	12	3.0
	Total	400	100.0
OCCUPATION	Employee in Government Service	102	25.5
	Employee In Private Service	129	32.3
	Business/Self-Employed	76	19.0
	Professionals	36	9.0
	Retired	43	10.7
	Others	14	3.5
	Total	400	100.0
MARITAL STATUS	Married	256	64.0
	Unmarried	104	26.0
	Others	40	10.0
	Total	400	100.0
INCOME (in Indian rupees)	10001-20000	152	38.0
	20001-30000	138	34.5
	30001-50000	58	14.5
	50001-75000	20	5.0
	75001-100000	18	4.5
	More Than 100000	14	3.5
	Total	400	100.0

Source: Field Study

INFERENCES

AGE: It can be observed that a majority of the respondents constituting 34.5 per cent of the total sample belong to the age group of 26-35 years, while 9.5 percent of the sample are aged 18-25 years, this indicates that majority of the respondents constituting around 45 percent of the sample are below 35 years. 26 per cent of the respondents belong to the age group of 36-45 years, around 17 per cent of the respondents belong to the age group of 46-55 and respondents who belong to the age group of 56-65 and above 65 years represent around 15 per cent of the sample.

GENDER: With respect to gender distribution of respondents, it is observed that, majority of the respondents constituting 86.5 per cent of the sample were males while the remaining 13.5 per cent of the respondents were females.

EDUCATION: To study the impact of educational levels on investor's behaviour, the sample respondents were grouped onto five categories based on their level of education, namely post graduate, graduate, diploma, intermediate, and SSC. Table 1 depicts the respondent's level of education. Majority of the respondents representing 40.75 per cent of the sample hold a master's degree closely followed by bachelor's degree representing 26 per cent. 7.5 per cent completed High School and around 11.25 per cent of the respondents finished intermediate while o 11.50 per cent of the respondents are diploma holders , 3 percent of the sample represent others comprising of Ph.D. holders etc.

OCCUPATION: The occupation is also another determinant of investor's preferences and objectives as it directly affects the investor's income, savings and Investment. Majority of the respondents constituting 57.75 per cent (cumulative value) of the sample are salaried employees out of which, 32.25 per cent of the respondents are salaried employees in private service, 25.50 per cent are employees in government service, while 19 per cent of the respondents belong to the category of businessmen /self-employed, 10.75 per cent of the sample are retired. And 9 per cent of the respondents are professionals while only 3 per cent of the sample belongs to the category of others.

MARITAL STATUS: Majority of the respondents are married constituting 64 per cent of the total sample, while respondents in the category of unmarried constituted 26 per cent and others constituted 10 per cent of the total sample

INCOME: The income of the individual is one of the factors, which play a vital role in influencing the investment patterns and decisions of investors. As can be seen in the table above majority of the respondents constituting 38 per cent earn monthly income of less than 20,000. 34.5 per cent earn Rs 20,001-30,000, 14.5 per cent earn Rs.30,001 – 50,000 per month while 5 per cent earn Rs.50,001 -1,00,000 per month, While only 3.5 per cent earn more than 1, 00,000 per month.

INVESTORS BEHAVIOUR

An understanding of the investor's behaviour constitutes the focal point for developing effective strategies for development of securities markets in any country. In this context an attempt is made to analyse investor behaviour from various dimensions like motives , preferences, risk preference ,expected rate of returns, investment objectives etc. The results of this exercise are likely to depict the behaviour of individual investor in a rapidly developing city like Visakhapatnam.

OBJECTIVE FOR INVESTING

To order to identify the major motives of investment among the sample respondents, five major motives such as - earning interest/ dividend income, tax savings, capital gains, investment diversification and stock safety were placed before them and the respondents were asked to indicate their motive for investing.

TABLE 2: THE RESPONDENTS AS PER INVESTMENT OBJECTIVE

Particulars	Frequency	Percentage
Capital Gains	104	26.0
Regular Income	145	36.25
Investment Diversification	68	17.0
Tax Savings	45	11.25
Stock Safety	38	9.5
Total	400	100.0

Source: Field Survey

INFERENCE

Majority of the respondents representing 36.25 per cent of the sample primary objective of investment is to earn regular income followed by capital gains which accounts for 26 per cent. 17 per cent of the respondents opted for investment diversification, while 11.25 per cent invest for tax savings and 9.5 per cent invest to assure safety of capital.

RISK TAKING ABILITY

Objective- 2: To study the risk-taking ability of individual investors with regards to investment decisions.

Every rational investor before investing funds in stock market analyses the risk associated with such investment. Risk is inherent in almost all the types of investment since the investor cannot fore see the future. The following table depicts the risk taking ability of the respondent's in Visakhapatnam city.

TABLE 3: RISK TAKING ABILITY OF THE RESPONDENTS

Percentage	Frequency	Percentage
< 10%	142	35.5
10 - 20%	172	43.0
20- 30%	54	13.5
>30%	32	8.0
Total	400	100.0

Source: Field Survey

INFERENCE

The Study indicates that majority of the respondents 43 per cent undertake 10-20 per cent risk followed by 35.5 per cent of the respondents' undertake less than 10 per cent risk while 8 per cent are willing to undertake more than 30 per cent, while 43 (8.6 per cent) respondents' are willing to take 20-30 per cent risk .

Objective- 3: To study the influence of socio-demographic factors on the risk taking ability of the investors.

AGE AND RISK TAKING ABILITY: In order to examine the influence of age on the risk taking ability of the respondents the following hypothesis is proposed.

$H1_0$: There is no significant relationship between age and risk taking ability of the investor

$H1_a$: There is significant relationship between age and risk taking ability of the investor

TABLE 4: AGE AND RISK TAKING ABILITY

AGE	RISK TAKING ABILITY				Total
	< 10%	10 - 20%	20- 30%	>30%	
18-25	9	25	0	0	34
26-35	37	69	22	10	138
36-45	42	28	27	7	104
46-55	30	20	4	14	68
56-65	11	11	0	0	22
>65	13	19	1	1	34
Total	142	172	54	32	400

Source: Authors Compilation

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TABLE 5: CHI-SQUARE TESTS - AGE AND RISK TAKING ABILITY

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	72.096a	15	.000
Likelihood Ratio	79.784	15	.000
Linear-by-Linear Association	2.242	1	.134
N of Valid Cases	400		

Source: Authors Compilation

INFERENCE

From the above table, it can be observed that the calculated value of Chi-square 72.096 is significant at 5 per cent level of significance with significant probability .000. Therefore the H_0 is rejected and H_1 is accepted. The resulted chi-square values indicate that there is significant relation between age and risk taking ability of the respondents.

EDUCATION AND RISK TAKING ABILITY: In order to examine the influence of education on risk taking ability the following hypothesis is proposed.

$H2_0$: There is no significant relationship between education and risk taking ability of the investor.

$H2_a$: There is significant relationship between education and risk taking ability of the investor.

TABLE 6: EDUCATION AND RISK TAKING ABILITY

EDUCATION	RISK TAKING ABILITY				Total
	< 10%	10 - 20%	20- 30%	>30%	
SSC/Matrix	12	10	7	1	30
10+2/ Intermediate	14	17	10	4	45
Degree	27	54	13	10	104
P.G	45	67	38	13	163
Diploma	13	19	9	5	46
Others	4	6	1	1	12
Total	142	172	54	32	400

Source: Authors Compilation

TABLE 7: CHI-SQUARE TESTS - EDUCATION AND RISK TAKING ABILITY

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	97. 781a	15	.000
Likelihood Ratio	99.231	15	.000
Linear-by-Linear Association	34.868	1	.000
N of Valid Cases	400		

Source: Authors Compilation

INFERENCE

It can be observed that the calculated value of Chi-square 97.781 is significant at 5 per cent level of significance with significant probability .000. Therefore the H_0 is rejected. The resulted chi-square values indicate that there is significant relation between education and risk taking ability of the respondents.

OCCUPATION AND RISK TAKING ABILITY: In order to examine the effect of occupation on the risk taking ability of the respondents the following hypothesis is proposed.

$H3_0$: There is no significant relationship between occupation and risk taking ability of the investor.

$H3_a$: There is significant relationship between occupation and risk taking ability of the investor.

TABLE 8: OCCUPATION AND RISK TAKING ABILITY

OCCUPATION	RISK TAKING ABILITY				Total
	< 10%	10 - 20%	20- 30%	>30%	
Employee in government Service	58	22	7	15	102
Employee In Private Service	31	73	19	6	129
Business/Self-Employed	17	34	18	7	76
Professional	16	12	7	1	36
Retired	19	21	2	1	43
Others	1	10	1	2	14
Total	142	172	54	32	400

Source: Authors Compilation

TABLE 9: CHI-SQUARE TESTS – OCCUPATION AND RISK TAKING ABILITY

	Value	Df	Asymp. Sig.(2-sided)
Pearson Chi-Square	71.221a	15	.000
Likelihood Ratio	73.976	15	.000
Linear-by-Linear Association	.073	1	.787
N of Valid Cases	400		

Source: Authors Compilation

INFERENCE

From the above table, it can be observed that the calculated value of Chi-square is significant at 5 % level of significance with significant probability .000. Therefore the H_0 is rejected. The resulted chi-square values indicate that there is a significant relation between occupation and risk taking ability of the respondents.

TABLE 10: SUMMARY OF HYPOTHESES

Hypothesis	p-value	Influence significant	Results	Null Hypothesis Accepted /Rejected
H_1	.000	Yes	There is significant relationship between Age and risk taking ability of the investor	Rejected
H_2	.000	Yes	There is significant relationship between education and risk taking ability of the investor.	Rejected
H_3	.000	Yes	There is significant relationship between occupation and risk taking ability of the investor.	Rejected

S-Significant (P value < 0 .05); NS-Not Significant (P value > 0.05)

Source: Authors Compilation

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MAJOR FINDINGS OF THE STUDY

Some of the major findings of the study based on the analyses are presented hereunder.

1. Majority of the respondents constituting 44 per cent of the sample are above 35 years, indicating that relatively high proportion of middle aged investors participating in the secondary market.
2. Majority of the respondents are males, constituting 87 per cent of the total sample, while female investors account for 13 per cent of the total sample. The results revels that most of investors participating in the secondary market are men.
3. The study reports that majority of the respondents are married constituting 64 percent of the sample.
4. Majority of the respondents representing 67 per cent of the sample are educated having a Degree or Post Graduation. The findings establish the fact that individuals engaged in investing are well educated.
5. Most of the respondents are salaried employees accounting for 58 per cent of the total sample.
6. The study reports that majority of the respondents constituting 73 percent of the sample belong to the income group of less than Rs 30,000 per month indicating respondents from middle income group are participating more in stock market compared to investors in the higher income group.
7. The statistical results suggest that individual investors have more experience in stock trading, indicating that majority of the respondents constituting 88 per cent of the sample has more than 5 years of stock trading experience.
8. The study reports that equity is the most preferred investment avenue for individual investors followed by futures and options, commodities and gold traded funds.
9. An analysis of the responses towards principal motives of investment revealed that the primary motive of investment among individual investors is to earn a regular income either in the form of interest or dividend on the investments made followed by capital appreciation, investment diversification, tax savings and stock safety.
10. The findings indicate that respondents in the age group of 18-35 are willing to take 20 per cent risk, while respondents in the age group of 36-55 are also willing to take 10 per cent risk on their investment, while respondents in the age group of more than 55 years are willing to take less than 10 per cent. Based on the findings it can be understood that investors in the age group of less than 35 are willing to take more risk compared to investors of other age groups.
11. The findings reveal that there is significant relationship between education and risk taking ability of the investor indicating that respondents who are well educated having a bachelor's or master's degree are willing to take moderate risk as compared to the other categories.

SUGGESTIONS

After analysing the various factors influencing the individual investment behaviour and in the light of major findings of the study, the following suggestions are made.

1. It is suggested that SEBI must undertake awareness programmes to spread awareness about investment in stock market and guide the investors properly in investing their hard earned money.
2. It is suggested that SEBI has to play an active role in protecting the interest of the investors by regulating the companies. It should check the irregularities, insider trading and price rigging of companies to protect the interest of the investors.
3. Stock broking firms must develop appropriate asset allocation strategies for successful portfolio management based on investor's life stage, financial risk tolerance and their financial literacy level in order to encourage more participation from different class of investors in the secondary market.
4. Investors should make the investment with proper planning in line with their investment objectives. The investors should diversify their investment portfolio in order to reduce the risk and should continuously monitor their investments.
5. It is suggested that awareness levels of potential investors towards debentures should be increased in view of the safety and security of debentures.
6. Stock broking firms must provide customized advisory services to help investors make the right financial decision that are suited specifically to their portfolio to earn trust and long term relationship with their clients.

LIMITATIONS OF THE STUDY

1. The study is confined to understanding the behaviour of individual investors only and no other class of investors like institutional investors and online investors.
2. Sample size is limited to 400 individual investors in the city of Visakhapatnam. The sample size may not adequately represent the national market.
3. The study is confined to the city of Visakhapatnam and does not include investors from other cities in India.

CONCLUSION

With the increased level of sophistication in the secondary market duly supported by innovative financial products and services, Individual Investors are set to play an indispensable and strategic role in the growth and functioning of the secondary market in the future.The findings reveal that Indian investors are salaried class with moderate income, well educated, and independent in making investment decisions but conservative investors. Understanding their behaviour in with respect to trading patterns and habits can be used by share brokerage firms in restructuring their existing practices, innovating new ways of service delivery and designing suitable asset allocation strategies to their clients.

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