Journal of Statistics & Management Systems
ISSN 0972-0510 (Print), ISSN 2169-0014 (Online)
Vol. 26 (2023), No. 4, pp. 945–954
DOI : 10.47974/JSMS-1053

A study of preference of individual investor towards investment in stocks

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Abstract

Individual behaviour in terms of investment is influenced by various factors that might change the decision making of the individual. The study is conducted to determine the perception and investors' behaviour regarding investment in stocks, factors considered while investing in stocks and to determine the reason for not investing in stocks. This research paper is a result of primary data that is collected by 330 respondents. The study found background of the company, expected return, FII interest, statistics of daily stock activities, and promoters shareholding as the important factors behind taking the investment decisions in the stock. The study also found the reasons for not investing in stocks are risk involved, lack of awareness and they have other preferences for the investment. The study found Gender, Age And Occupation as the significant factors and annual income and education as the non-significant factors while taking investment decisions.

Subject Classification: *G11, G41, D14.*

Keywords: *Investment, Stock, Investor, Risk and return.*

Introduction

"The higher the population, the diverse the thought process of the people." With the second largest population in the world stocks has always been one of the topics that has always engrossed people the most. This research paper focuses on bringing more clarity about the factors influencing investment pattern in stocks.

Generally, an individual's behaviour in terms of investment is influenced by various factors that might change the decision making of the individual. This research paper has tried to find out what factors are there that dominates all the other factors and triggers the individual the most while investing in this stock.

Choosing the most concrete avenue to invest in any option in stock so that an individual does not have to suffer from losses is one of the most critical and major concern of every person who is involved in the activity of investment. Considering all the options, analyzing all the options, trying to anticipate future market conditions, and then rationally taking the decision are some of the steps that might try to define individual behaviour in investment.

But it's not always true that the decision taken is as rational as we think it is. Lack of information, lack of resources and time, the age factor and wrong assumptions or anticipation, lack of patience, failing to diversity, letting your emotions rule, fear of missing out, focusing on negatives and so on leads to wrong decision due to which the investor has to suffer many times.

The urge to invest in stocks today is created from the increasing needs of people especially young professionals seems to be more involved in the activity of investing in various available options of investment like shares, bonds, debentures and so on and take more of a logical and unbiased decisions. Different people have different perceptions; this research paper has tried to find out the perceptions of people while they invest and how they respond to a particular situation.

Literature Review

Singh (2021) studies on the factors influencing retail investors' investment decisions in the Indian stock market. The study is based on information obtained from 271 respondents. It examines the variables affecting individual investors' choices on the Indian stock market. Kumawat and Parkar (2020) conducted a study of investment patterns and factors influencing investing decision of individuals. The study found that the dominating factors that are influencing investment pattern among the people are age, income and education. Kumar, Kansal and Jain (2020) conducted a study on factors influencing Investor's Perception for Investment in Mutual Funds. Data was gathered at random from people in the three sectors of rural and semi-rural, semi-urban, and urban areas who had made at least one investment in any of the investment options. Wadhwa, Uppal, Vashisht and Kaur (2019) studied how individual investor behave and prefer for investment. The study found that people are not aware about the investment options that means they have a less knowledge. Sharma and Priya (2018) conducted the analysis towards finding the factors that influence investors' perception towards investment in mutual fund. The Study used Chi- Square Test and T-test to interpret data of 100 respondents and to find the investors' vigilance and thought process about investing in Mutual Fund. Singh and Goswami (2018) conducted a study of factors that influence investors' behavior in the Indian stock Market. The research used T-test to analyze the data collected through the structured questionnaire and to identify the retail investors in the Stock Selection Decision. Singh and Yadav (2016) carried out research on the factors influencing investors' decisions to invest in equity. It was found in the study that both males and females are concerned about the dividend that has been paid in the past and calculate P/E and D/P ratios before investing. Praba and Malamarthi (2014) conducted a study on investment behavior and the areas affecting the investment choice among different age groups. The study was conducted to learn about the investment behavior of people of disparate age group, also to analyze the aspects influencing their investing decisions.

Objectives of the research

- To determine perception and investors behaviour regarding investment in stocks.
- To determine the factors considered while investing in stocks.
- To determine the reason for not investing in stocks.

Research methodology

- **Types of research:** Descriptive Research
- **Sampling Method:** Convenience sampling
- **Data Collection:** The study used primary data gathered from the structured questionnaire carrying three parts. The first part contained questions about those who invest in stocks; second part of the questionnaire contained questions for those who do not invest in the stocks and the last part consist general questions like age, gender, qualification etc. The data was collected through online mode as well as offline mode.
- **Sample Size:** Only 330 of the 346 total replies were considered for the study since 16 of the responses were incomplete.
- **Sample Area and Data Collection Period:** Delhi-NCR; June- August 2022.
- **Statistical Tools used:** With the use of SPSS, descriptive statistics, charts, and the Chi-Square test were used to analyse the data.

Data analysis and interpretation

Demographic details - See Table 1.

Table 1
Demographic Details of Respondents

Basis	Category	No. of Respondents	%
Age	18-25	198	60.00
	25-35	60	18.18
	35-45	45	13.64
	Above 45	27	8.18
	Total	330	100.00

Contd...

Education level	Professional	54	16.36
	Post-Graduation	120	36.36
	Graduation	144	43.64
	Intermediate	0	0.00
	High School	12	3.64
	Total	330	100.00
Annual Income	Below 3 Lakhs	66	20.00
	3 lakhs-6lakhs	102	30.91
	6lakhs-10lakhs	81	24.55
	Above 10 lakhs	81	24.55
	Total	330	100.00
Profession	Student	9	2.73
	Unemployed	12	3.64
	Job	114	34.55
	Business	159	48.18
	Self-Employed	33	10.00
	Housewife	3	0.91
	Total	330	100.00

Source: Author's Compilation from primary data

From the above table we can interpret that 60% majority of the responses are under the category of age group of 18 to 25 years. 43.64% respondents are graduated and 36.36% people are post graduated. Maximum respondents are either businessman or doing job.

Category of Respondents

Out of the 330 responses 204 (62% approx.) respondents are investing in stocks whereas other 126 (38% approx.) respondents are not investing in the stock. Out of the 330 respondents 174 respondents are male (53% approx.) and 156 are female respondents (47% approx.).

Criteria Considered before Investment

To determine the criteria's considered by the investors before investing in the stocks we have identified eight criteria based on previous studies included. The respondents were given five-point likert scale option. The responses received from the respondents have been shown in Table 2:

Table 2

Consideration before Investment

	Background of the company		Statistics of daily stock activities		Historical and Futuristic Information		External Influence		Management people		Expected return		FII Interest		Promoters Shareholding	
	F	%	F	%	F	%	F	%	F	%	F	%	F	%	F	%
Strongly Agree	132	64.7	72	35.3	30	14.7	31	15.2	32	15.7	102	50.0	78	38.2	78	38.2
Agree	63	30.9	84	41.2	23	11.3	18	8.8	40	19.6	78	38.2	75	36.8	91	44.6
Neutral	6	2.9	45	22.1	27	13.2	16	7.8	3	1.5	24	11.8	45	22.1	20	9.8
Disagree	3	1.5	3	1.5	50	24.5	55	27.0	60	29.4	0	0.0	6	2.9	9	4.4
Strongly Disagree	0	0.0	0	0.0	74	36.3	84	41.2	69	33.8	0	0.0	0	0.0	6	2.9
Total	**204**	**100**	**204**	**100**	**204**	**100**	**204**	**100**	**204**	**100**	**204**	**100**	**204**	**100**	**204**	**100**

Source: Author's Compilation from primary data

From the above table we can interpret that maximum response in favour of strongly agree and agree for the options, statistics of daily stock activities, expected return, FII interest, background of the company, and Promoters shareholding on the other hand historical and futuristic information, external influence and management people are not important criteria for taking investment decisions as maximum responses are disagree and strongly disagree.

Relationship between demographic Variables and Investment in Stock

To determine the relationship chi-square test is performed.

Table 3

Chi-Square Test between Investment in Stock and Gender

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.586	1	.032
Likelihood Ratio	4.590	1	.032
N of Valid Cases	330		

Source: Author's Compilation from primary data

From the above Table 3, we can interpret that there is a significant relationship between the investment in stock and gender as the Pearson chi- square value is .032 which is less than .05. The study found male

respondents are more investing in stocks as compared to female respondents.

Table 4
Chi-Square Test between Investment in Stock and Annual Income

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.905	3	.592
Likelihood Ratio	1.879	3	.598
N of Valid Cases	330		

Source: Author's Compilation from primary data

From the above Table 4, we can interpret that there is no significant relationship between the investment in stock and income level as the Pearson chi- square value is .592 which is more than .05.

Table 5
Chi-Square Test between Investment in Stock and Age

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.185	3	.003
Likelihood Ratio	15.202	3	.002
N of Valid Cases	330		

Source: Author's Compilation from primary data

From the above Table 5, we can interpret that there is a significant relationship between the investment in stock and age as the Pearson chi-square value is .003 which is less than .05. We can infer that respondent having less age is more inclined towards investment in stocks.

Table 6
Chi-Square Test between Investment in Stock and Occupation

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.765	5	.011
Likelihood Ratio	14.747	5	.012
N of Valid Cases	330		

Source: Author's Compilation from primary data

From the above Table 6, we can interpret that there is a significant relationship between the investment in stock and age as the Pearson chi-square value is .011 which is less than .05. Respondents under category of business and job are more investing in stocks.

Table 7
Chi-Square Test between Investment in Stock and Education

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.680	3	.444
Likelihood Ratio	2.614	3	.455
N of Valid Cases	330		

Source: Author's Compilation from primary data

From the above Table 7, we can interpret that there is no significant relationship between the investment in stock and education level as the Pearson chi- square value is .444 which is more than .05.

Reason for not Investing in Stock

To determine the reason for not investing in the stock we have given five options to the respondents based on previous studies the following are the responses:

Table 8
Reason for not Investment

Response Options	F	%
Not willing to the risk	27	21.4
Lack of awareness	39	31.0
Preference toward physical asset like gold, land, etc	33	26.2
Lack of Capital	17	13.5
Lack of Time	10	7.9
Total	126	100

Source: Author's Compilation from primary data

From the above Table 8, we can interpret that respondents are not investing in stock due to the risk involved, lack of awareness and they have other preferences for the investment.

Findings of the Study

- 50% of the non-investors in stock are of the opinion that they will invest in stock in future.
- 73.5% respondents invest by themselves, 11.8 % respondents invest through the agents and 8.8% respondents invest with the help of their relatives.
- Grow, Zerodha, Angel broking, UP Stock are the apps which are more used by the investors as these apps are user friendly.
- Majority of the investors are not investing in the future and options this may be due to the high degree of risk involved in future and options.
- Majority of the investors are not doing intraday activities.
- Most of the respondents are taking investment decision on the basis of information received through the internet and research reports.
- Capital return is the prime motive of the investor behind investment.
- Generally, investors sell their stock with the expectation of share price to decrease and due to the market condition.

Limitations and Scope for further study

The several limitations that were faced while conducting the study are:

- The study was conducted in a limited area that included mainly the region of Delhi - NCR. Hence, the study can be conducted in different districts and of the nation as well.
- Lack of time was a major issue that was faced during the study.
- Investment pattern is depended on astronomical number of factors, but this study has taken only few factors into consideration. Hence, other factors which are not considered in the study can be considered to conduct further study.
- The data has been collected from 330 respondents which might not represent the perception of whole population. Further study can be conducted with large number of respondents to know that we have similar findings or not.

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Received February 2023