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An Investigation on the Investing Patterns and Preferences of Individual Investors in the City of Kadapa

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ABSTRACT

This study aims to investigate the investing behaviour of individual investors in Kadapa, particularly with respect to the several investment alternatives offered by Indian financial markets. The preservation of the original investment, asset liquidity, produced income stability, and potential for value appreciation are the primary determinants of an investment. Investment options include savings accounts, fixed deposit accounts, corporate bonds, government securities, insurance policies, shares, mutual funds, chit funds, real estate, commodities, and gold and silver. Depending on their risk tolerance, investors allocate their excess assets to the designated channels. In money management, the adage "no pain, no gain" is essential. When the economy is growing, people may accumulate larger amounts of money. increased levels of profitability are correlated with increased risk. While it is impossible to completely eliminate risk, investors may lessen it by allocating their funds across several safe and secure investment opportunities, which will allow them to achieve a modest degree of profitability. According to the researcher's findings, a sizable portion of investors in KadapaCity place a higher priority on bank savings than on investments in gold and silver.

*Keywords:*Risk, profitability, financial management and investment.

INTRODUCTION

According to the economic utility premise, a person must strike a balance between indulging in food right away and delaying consumption. The individual investor weighs the benefits and drawbacks of investing leftover money to increase consumption in the future against the merits and negatives of making current purchases. A particular person will choose the portfolio that maximises their long-term happiness if they decide to postpone consuming. According to the axiomatized utility theory developed by Neumann and Morgenstern in 1947, investors are utterly logical, skilled at handling complicated decisions, risk averse, and motivated to maximise their wealth. By maximising their expected utility, which is defined by predicted returns, and

concurrently minimising risks or losses, individual investors use utility theory to pick their portfolios optimally.

The current literature review on economic value theory fails to sufficiently address the decision-making process of individual investors. In its place, itconcentrations on macroeconomic models that explain the collective behaviour of markets ("Nagy and Obenberger, 1994"). Nonetheless, investors are limited by their However, investors' motivations coerce them in an imperfect environment. hence are equally their knowledge and experience are equally limited due to their lack of comprehensive information and unlimited cognitive and mathematical abilities (Hoffmann, Eije, and Jager). finance has garnered considerable interest due to its capacity to reveal the psychological determinants that impact investing decisions. "It examines the process of

1445

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making decisions in settings characterised by uncertainty or lack of clarity". Behavioural finance analyses financial markets using models that go beyond those based on expected utility theory and arbitrage assumptions ("Neumann and Morgenstern, 1947"). Behavioural finance arose as a response to the difficulties faced by traditional financial models. This is the text. Models acknowledge that individual investors may not consistently make rational decisions due to their own preferences or incorrect assumptions, which may aid in comprehending specific financial events. Finance examines how investors analyse and respond to information in order to make financial decisions. Furthermore, it scrutinizes the investor behaviour that contributes to innumerable market anomalies. This subject is undergoing significant expansion and attentions on the impact of mindset on financial specialists' conduct ("Merikas, Andreas, George, and Prasad, 2004; Al-Tamimi, 2006"). Historically, scholars have placed a significant emphasis on examining institutional investors' conduct and investment outcomes. Nevertheless, individual investors' conduct has received less scrutiny. Research conducted by "**Venter (2006), Obenberger (1994), Prowse (1990), and Baker and Haslem (1974)**" has brought attention to this phenomenon. Individual investors contribute in the national stock market by procuring and trade various stocks, and it is essential to acknowledge the multiple economic and behavioural aspects that impact their purchasing decisions. Hence, it is imperative to identify the factors that exert the most influence on a specific stock investor. The objective of this study is to gain a deeper understanding of the actions taken by individual investors, with a specific focus on finding the factors that influence their decision to purchase stocks.

LITERATURE REVIEW

[1]. *"Powell (1997)"*, in their paper titled "Gender differences in risk behaviour in financial decision making: An experimental analysis," researchers have contended that the divergence in investing strategies between men and women may be attributed to distinct motivational "needs." The proposition is that women may prioritize security while males may want profits, leading to alternative tactics based on these distinct "needs".

[2]. *Ajmi (2008)* we examined the risk tolerance variables of individual investors by using a questionnaire and gathering answers from a sample of 1500 participants. He found that males exhibit lower risk aversion compared to women, those with lower levels of education are less inclined to take risks, and age

plays a significant role in determining risk tolerance. Additionally, wealthier investors tend to have higher levels of risk tolerance compared to less affluent investors.

[3]. *Syed sultana (2009)* the study "An Empirical Study of Indian Individual Investor Behavior" investigates and scrutinizes the characteristics and actions of individual investors in India. Furthermore, he endeavored to ascertain the correlation between an individual investor's risk tolerance level and their age and gender based on the survey. The research revealed that regardless of gender, 41 percent of participants exhibited poor risk tolerance, while the remaining individuals had high risk tolerance.

[4]. *Kabra (2010)* after conducting a study on investing behavior, it was determined that the age and gender of investors are the primary characteristics that determine their risk-taking ability. Elderly individuals tend to choose investments with lower levels of risk, whereas younger individuals are more willing to take on risk in order to generate more income.

[5]. *Imran (2017)* this research has shown that it will enhance the ability of financial advisers to provide more effective guidance to their customers. This research investigates the influence of cognitive and emotional biases, known as behavioural biases, on investment choices at the Pakistan Stock Exchange.

[6]. *Chhapraa, Baia (2018)* the research examined the influence of investor's behavioral biases on financial decision making at the Pakistan Stock Exchange (PSX). The study findings revealed that traits such as overconfidence, excessive deliberation, herd mentality, cognitive bias, and the hindsight effect had a notable and favorable influence on investing decision-making.

[7]. *"Dr.Babaraju K.(2014)"* behavioral finance is the integration of psychology and economics in finance theory. Identify different behavioral aspects that influence an investor's choice in the stock market. It is a novel financial paradigm that complements contemporary finance theories by including behavioral aspects to explain how investors make irrational decisions.

[8]. *Adetiloy(2012)* traditional economics and financial theories assume the human person to be the ideal rational agent, yet investors exhibit illogical behavior as a result of their interpretation of various corporate actions, incorrect judgments, and distortions in perception.

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PROBLEMSTATEMENT

The growth of any economy is dependent upon the existence of substantial savings and the appropriate distribution of capital for the activities that contribute to the development of any nation. One way to contribute to savings is by either decreasing the amount of discretionary income or increasing the amount of income per person. Depending on the investor's interests, the various investment opportunities and opinions may differ from person to person. When making an investment choice, we also consider tax exemptions and other considerations. Liquidity and safety are critical components of the decision-making process. In adding to the criteria mentioned above, there are demographic aspects that play a role in the decision-making process regarding investments on stock market. This essay delves into the many elements that influence people's investment decisions in the city of Kadapa.

OBJECTIVE OF THE STUDY

- The goal is to examine individual investors' investing preferences and behaviors in Kadapa.

METHODOLOGY

Data

The data needed for the investigation is mostly of the primary type. The main data were gathered through the usage of a well-organized opinion poll.

Research study Area

This research is limited to investors residing in the city of Kadapa.

Research Sample Design

By researcher used convenient sampling method and selected283investors from Kadapacity.

Research Analysis of the data

The data gathered has been evaluated using the statistical tools such as percentage analysis, EFA, Friedman test and Garratt ranking.

Limitation

This investigation focused solely on the city of Kadapaonly. Therefore, we exercise great caution when extrapolating the outcome.

Table:1 Demographic Variable Analysis

Variables	Particulars	Frequency	Percentage
Gender	Male	143	50%
	Female	140	50%
Domicile	Rural	95	34%
	Urban	114	40%
	Semi-Urban	74	26%
Residence	Own House	167	59%
	Rented House	116	41%
Education	School	40	14%
	Inter	79	28%
	UG	79	28%
	PG	85	30%
Members Earning	One	50	18%
	Two	130	46%

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	More Than two	103	36%
Wealth	Affluent	16	6%
	Upper Middle Class	101	36%
	Middle Class	161	57%
	Poor	5	2%
Age	Below 25 Years	66	23%
	26-30	87	31%
	31-35	77	27%
	36-40	21	7%
	41 and above	32	11%
Marital Status	Married	0	0%
	Unmarried	151	53%
Family Size	Two	26	9%
	Three	69	24%
	Four	95	34%
	More Than Four	93	33%
Occupation	Agriculture	42	15%
	Business	53	19%
	Professional	103	36%
	Private Employee	48	17%
	Govt Employee	37	13%

(Source: Analysis through Primary data)

Based on the information provided in the table, it can be deduced that

➤ Male investors make up the majority of the total.
➤ Most of them call the metropolitan region home.
➤ The majority of investors make their homes in their own homes.
➤ The majority of investors consist of two people who are earning.

➤ The majority of investors fall somewhere between the ages of 26 and 30.
➤ Almost all of the investors are single and not married.
➤ The mainstream of investors has professional qualifications. The majority of investors are Members of the middle class.
➤ The vast majority of investors come from households with just one child.

Table 2: Factor Analysis

Factors	Before Investment	During the investment Period	After Investment
I am now seeking investment opportunities.	0.855		
I depend on middlemen to facilitate my investing activities.	0.851		
I prioritize investments that have minimal transaction costs.	0.829		

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Prior to making financial decisions, I engage in discussions with my friends, co-worker's, and family members.	0.746		
My investments always have a fixed duration.		0.588	
I examine the performance of investments.		0.783	
I take accountability for the investments executed.		0.689	
The assets I choose are diversified across many areas.		0.688	
I have a varied portfolio of investments.		0.671	
I will allocate my assets evenly across all channels.		0.543	
My investment will serve as the last option in case of an emergency situation.			0.801
If my goals are met, I will increase my investments in the same avenue.			0.799
I evaluate my investments and make adjustments when I deem it suitable.			0.735
I am exploring using capital to address societal problems.			0.727
I avoid thinking about changing my investing strategy after my investment goals have been achieved.			0.668

(Source: Analysis through Primary data, SPSS Report)

All variables have factor loadings of 0.5 or higher, showing substantial convergent validity (Chesney, 2006). All components used to operationalize a construct contribute to a single factor, classified into three distinct groups, making the constructs both unidimensional and distinct. The results of factor analysis indicate that investors engage in a process of evaluating various investment options before making investment decisions. They then consult intermediaries for assistance and make investment choices based on factors such as transaction costs and other relevant considerations. During the investment process, investors assess the performance of their assets, assume accountability for their investments, and prioritise the diversity of their investment portfolio. During the post-investment phase, investors indicate their intention to retain their money until a certain requirement occurs. Furthermore, they demonstrate a willingness to allocate additional funds in the same area if they achieve the expected profits. Moreover, they recognise the potential for transitioning to different investment sources when necessary.

Friedman Test

Investors use the Friedman rank test to determine the primary sources of information they consider before making investments.

Information Sources	Mean Rank	Rank
Internet	4.59	1
Friends & Relatives investors	3.76	3
Newspaper	3.32	5
Own decisions	1.84	6
Financial Advisors	3.54	4
Electronic Media – TV	3.95	2

The Friedman rank examination results indicate that the majority of investors primarily use the Internet as their main source for accessing investment-related information. Next in line are watching television and seeking advice from friends and family members who are also investors.

Descriptive Statistics						
	N	Minimum	Maximum			Rank

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				Mean	Std. Error	Std. Deviation	
Chit_Funds	283	2	6	3.95	.093	1.567	X
Commodities	283	2	8	5.02	.117	1.962	VIII
Corporate_Bonds	283	2	9	5.35	.168	2.832	VII
FD_in_Banks	283	1	10	5.65	.233	3.914	V
Gold_Silver	283	1	10	4.05	.187	3.148	IX
Govt_Securities	283	3	8	5.41	.108	1.813	VI
Insurance	283	2	8	6.65	.116	1.957	II
Real_Estates	283	5	7	6.34	.047	.784	III
Savings_AC_in_Banks	283	1	10	6.69	.225	3.782	I
Shares_and_MFs	283	1	10	5.90	.212	3.573	IV
Valid N (listwise)	283						

(Source: Analysis through Primary data)

According to Garrett's ranking analysis, respondents had a preference for investing in, followed by Savings account in bank, Insurance and Real Estates.

SUGGESTION

The results of the study might have a wide range of implications. The study's findings have a direct impact on the financial market, particularly on a variety of monetary goods, including but not limited to savings accounts, fixed deposit accounts, administrative securities, commercial bonds, insurance policies, real estate, commodities, shares, mutual funds, chit funds, and gold and silver. For this reason, the information presented here is particularly useful to policymakers and regulatory agencies that place a particular emphasis on the financial industry. By conducting an investment trend analysis, regulatory agencies can protect the interests of new investors.

It is important to consider the following recommendations:

[1]. Insurance offers assurance and does not serve as an investment vehicle. Investors are advised to go for pure protection plans instead of purchasing high-priced policies. This is because pure protection plans have lower premiums, allowing investors to allocate the excess funds to other investments and generate a return.

[2]. Furthermore, there is an indication that investors resort to investing only after they have explored all alternative avenues, and often, these investments turn out to be erroneous or misguided. Hence, instead of making impromptu choices, investors should meticulously strategize their investments right from the beginning of the fiscal year.

[3]. The (SEBI)Securities and Exchange Board of India has implemented revisions to the regulations governing portfolio management service providers and consumers. These changes include an increase in the minimum investment amount necessary for Portfolio Management Service, as well as increased fees compared to the prior guidelines. Hence, it is recommended that the authorities revise the regulations pertaining to portfolio management services in order to fascinate a greater number of investors to use the service.

[4]. Investors should regularly evaluate the equity portion of their portfolio to make necessary adjustments if stocks are underperforming.

[5]. In the present day, the returns on different investments are contingent upon market circumstances. Therefore, it is prudent for investors to continuously enhance their knowledge by staying informed about new rules and modifications in terms and conditions.

[6]. It is important for individuals to not only be familiar with the specific investment avenues in which they have invested but also to have knowledge of the broader investment options available. By doing so, individuals may implement essential modifications to ensure the profitability of their portfolio.

[7]. Investors are advised to base their time horizon on their goals and the kind of investment boulevard, rather than maintaining a long-term investment.

[8]. To avoid making incorrect investment selections, it is recommended that investors get assistance from financial planners.

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CONCLUSION

The results of this research paper indicate that investors' knowledge is of the utmost importance for individuals who are interested in conducting business in Kadapa at the moment. Before making any investments, investors should check the internet for investment information and consult with their friends, peers, and professionals in the field of investing. In addition, investors should refrain from making investments until they have first acquired the aforementioned background information. The vast majority of investors like savings accounts, followed by investments in gold and silver, fixed deposit accounts, and other investments that are comparable to savings accounts among investors. According to the poll results, the majority of investors in the area under investigation place a higher priority on bank deposits than they do on gold and silver investments.

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