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## Study on High Income Group Individual Investors Preferences in Capital Market with Respect to Risk on Investment Special Reference to Trivandrum and Kollam

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**Abstract:** Capital Market is one of the significant aspect of any financial market individual investors represents a vital element for the functioning of capital market. But In India though the saving rate is high barely two percent of these savings goes into financial markets with the rise in income, Consumption patterns have changed and a new High class has emerged, which is growing at a fast pace. There are large number of investment opportunities available today. In this article, It is going to briefly examine how the high income group individual investor in Trivandrum and Kollam manage their investments their investment behavior, Their perception on investment, and if there exists a trend in their investment decisions. The articles has been done to find out the factors influencing their decisions on the choice level and size of investment in different Financial instruments in Capital market.

**Keywords:** Indian Capital Market

### 1. INTRODUCTION

Capital Market is a one of the significant aspect of any financial market. It is a market for Financial asset which has longer indefinite maturity . It is an institutional arrangement for borrowing and lending money for a long period of time. Capital markets involves various instruments which can be used for financial transactions. Financial institutions like UTI, IDBI, ICICI, LIC etc play the role of lenders in the Capital markets. In short it can be said that Capital market are the financial market in which long term debt and equity are traded. Capital market acts as a meaning through which scattered savings of investors are directed in to productive activities of corporate entities. Behaviour of Indian Capital Market, Specially stock market is always interesting, Challenging and if one understands it becomes pleasantly rewardings.

### 2. CONCEPTS AND DEFINITIONS

Individual investor, Security, Capital Market, Primary market, Secondary market, Equity Market, Shares, Debentures, Derivative Markets, Hedgers, Speculators, Arbitragers, Mutual fund Market, Mutual Fund Scheme, Debt market, Private placement

### 3. NEED FOR THE STUDY

The individual investors numbering millions constitute the backbone of Indian Capital market. Any developing economy like India needs a growing amount of investor savings to flow to the corporate world to mobilize sufficient funds required for development and ensures continuous liquidity in the Capital market.

Investment is the employment of funds on assets with the aim of earning income or Capital appreciation. Investment is the most important things today. You can't plan finally without understanding investment risk. Many people when they hear about 'risk', think automatically about the chance of being defrauded or not getting all their money back.

In this context the present study is planned to study high income individual investors preference in terms of investment with respect to risk in capital market instruments in Trivandrum and Kollam Region.

### 4. SCOPE OF THE STUDY

In today scenario there has been a major change i.e., economic prosperity all over. The real household disposable income has more than doubled since in 1985. With the economic development in India the proportion of high income group has emerged which has led to different consumption pattern. This means the availability of huge

investible surplus. This has resulted in emergence of new options with in the same or fresh asset classes. The scope of the study is restricted to the market survey conducted on High Income individual investors from Trivandrum and Kollam region. With the respect to preferences of various investment options while investing in capital market.

## **5. OBJECTIVES OF THE STUDY**

1. To study the prime objectives of capital market investment of High income individuals investor.
2. To study High income individual preference among different financial asset in capital Market Investment.
3. To study the factors influencing the choice of investment in equity market of high income individual.
4. To study the factors influencing the level and size of investment of high income individual.
5. To study the investment pattern and the diversification in capital market in high income individuals.

## **6. DATA COLLECTION, METHODOLOGY AND LIMITATIONS**

This section presents the methods and procedures used to explore and investigate the extent to which high income group's investment Behaviour, and their opinion on the various investment options related to capital market and consider the effect of these investments differ across the income distribution. The study is based on primary data. The research methodology which is presented below specifies the methods procedures for the collection of data, Sample selection, measurement and analysis of Data.

## **7. DESCRIPTIVE RESEARCH**

It is used to obtain information concerning the factors influencing the investment behaviour among investors. Review of literature and other available information from various published and unpublished journals, reports, periodicals, books, newspapers etc. (including proquest data base). The descriptive research helped in preparing the ground-works for the field survey.

## **8. SURVEY DESIGN**

For the purpose of the study simple random sampling techniques is used to collect information from target respondents. Trivandrum and Kollam are divided in to serve groups and samples are collected through simple random sampling method from each group. Questionnaire was administered to 200 investors in seven regions on sample random basis from the list of investors supplied by the brokers forms and mutual funds Agents. The response was received from 1074 investors.

## **9. DEFINING THE SAMPLE**

In India there is no official definition of the High Income Individual Survey based studies such as those conducted by the National sample survey organization classify Indian households in to different income groups but do not specifically define the High class. A second Analysis of annual Household Income data, which is an aggregate of expenditure and savings data, of number of households in six income brackets for the year 2004 were obtained from indices Analytics data repository.

### **The six income brackets are**

1. < Rs.75,000 (or,<Rs.0.75 lakh)
2. Rs.75,001-Rs.150,000 (or, Rs.0.75 lakh-Rs.1.5 lakh) 198
3. Rs. 150,001-Rs.3,00,000(or, 1.5 lakh-Rs.3 lakh)
4. Rs.300,001- Rs.500,000 (or, Rs.3 lakh- Rs.5 lakh)
5. >Rs.1,000,000 (or,>Rs.10 lakh)
6. >Rs.1,000,000 (or, >Rs.10 lakh).

The number of households in the first three income brackets. (< 0.75 lakh, Rs.0.75 lakhs-Rs.1.5, Rs.1.5 lakhs - Rs.3lakh) were added up and classified as middle income group, and 7 Rs.10 lakh was classified as the supper income group. These income categories were organized this way for the purpose of traitability in our Analysis.

## 10. AREA DEFINITION

Trivandrum is represented by two parliamentary constituencies : Attingal and Trivandrum. The Region has an area of 4355 km. and with a metro Politian of 20,998,395as per 2011 Census of India.

Kollam is an ISO 9001:2015 certified at corporation for the best municipal Administration. As per 2011 census of India estimates, population of the kollam urban agglomeration in 6,04,968.

Distribution of income groups. An estimation indicates that 3.4% of the population lie in High income group then our target population will be around 8-9-lac individual.

The data is collected from target respondents through a structured from the questionnaire method. A sample of 1400 individual investors from Trivandrum and Kollam has been selected for this purpose. The target respondents are adults of 18 years or above who have income more than 10 lakhs p.a.

### Sample Size

#### Sample Size formula

$$SS = \frac{Z^2 \times (p) \times (1 - p)}{C^2}$$

Where Z = Z - value (eq:1.96 for 95% confidence level)

P = Percentage picking a choice expressed as decimal

C = Margin of errors, expressed as decimal

	Values
Z - score value	1.96
P (percentages picking a choice)	0.5
C (margin of error)	0.03
SS (Sample size)	1067.11
Ss (corrected with finite population)	1066.95

So, calculated value of n sample size is 1067.

Sample of 1074 high income group was selected through stratified random sampling method. A convenient sampling technique was applied in selecting the sample size. The data is collected from target respondents through a structured questionnaire method. Mumbai and Pune are divided into seven strata's and samples are collected through simple random sampling method from each stratum's.

### Preparation of Questionnaire

The research questionnaire is divided in to two sections. The first section of the questionnaire collected information on the respondents demographic profile. Gender, qualifications of respondents, market experience etc.The second section of the questionnaire collected information on different examples in capital market investments and risk associated with it.

### Limitations of the study

The limitations of the study can be stated as follows.

- 1) Official records relating to the detailsof individual investors are not available. Hence only the details of investors supplied by broker firms and mutual funds agents are used for the selection of samples.
- 2) Nonexistence of vital statistics relating to capital market investment in Trivandrum and Kollam data has forced the investing for depend solely information collected through field survey.
- 3) The investors in generation not properly keep records of their income, saving and investment. Therefore the information furnished by them from their memories has to be replied Up on.

**The Brief profile of Trivandrum and Kollam city**

Trivandrum formely known as Ananthapuri, is the entertainment, fashion and commercial centre of India and Kerala. According to estimated figures the business city of India is currently home to over 1.26 million people. Trivandrum is the capitalcity of Indian state of kerala. The City is the state capital and houses many national and state government offices, organisations and companies. His one of the most populous urban region in the state.

Kollam is the popularly known as Quilon is situated at a distance about 72km away from Trivandrum. According to recent estimates, growth of population in Kollam is 12% every year. Its city population was estimated to be 8242,142 in 2018. This includes the towns of kottiyam and Chinnakada.

High income individual preferences among different financial assets in capital market instruments.

- ▶ It may thus further test that there exists no significant difference in the amount of investment in capital market instruments.
- ▶ There exists no significant difference in the amount of investment in different financial assets by High Income group individual investor
- ▶ There exists significant difference in the amount of investment indifferent financial assets by High Income group individual investor.

**Test of normality for various Capital Market Instruments:**

**Table 9**

**Interpretation:** Since p-value for the K.S and S-W test is less than that of 0.05 indicates that data is non-normal in each of the above category. Therefore, test the significance of difference between different investment options, we used kruskal-Wallis test.

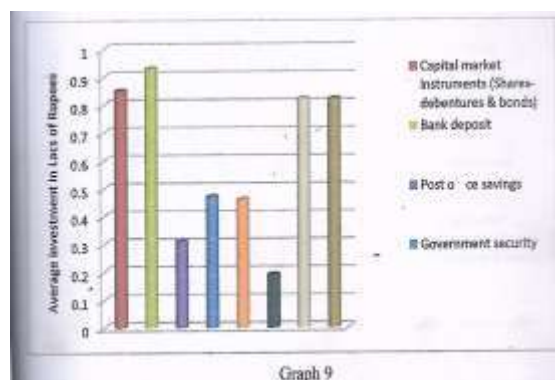
Descriptive statistics to test significance between different investment options.

**Average Investment in different financial assets**

Indexl	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistics	df	Sig.	Statistic	df	sig.
Equity Capital market Instruments (shares-Debtentures & bonds)	.341	783	.000	.242	783	.000
Bank deposit	.517	831	.000	.051	831	.000
Post office savings	.356	252	.000	.547	252	.000
Government Security	.353	74	.000	.698	74	.000
Insurance premium	.351	927	.000	.243	927	.000
Chit funds	.255	38	.000	.727	38	.000
Provident funds	.227	314	.000	.835	314	.000
Others (Specify)	.168	851	.000	.891	851	.000

**Table 9.1**

**Average investment in Different financial assets**



Since for all the independent parameter it accept that there exist pattern of savings for that individual parameter. Hence it reject the hypothesis at general level and concludes that there exists pattern of investment. The pattern of investment is since for all the independent parameter it accept that there exist pattern of saving for that individual parameter. Hence it rejects the hypothesis at general level and concludes that there exists pattern of investment. The pattern of investment is:

Category	Pattern
Preferred sectors investment	Bank, IT and AUTO
Number of companies in portfolio	6 to 10
Biggest concern in terms of your investment	Fall in Sensex, Depression phase and inflation
Drastically change in strategy	No
Most important criterion considered while operating in primary market	Market sentiments, Government policies and Advice from broker
Mode of trading for secondary market operations	Stock broker or sub brokers
Factors influencing choice of Mutual fund	Type of scheme and past performance

## 11. FINDINGS AND CONCLUSION

Primary data are collected from 1074 individual investors from Trivandrum and Kollam Through a sample survey. A structured questionnaire is used for this purpose. For the purpose of the study Trivandrum and Kollam district is divided into seven geographical regions. A Sample of 100 individual investor is selected at random from each of the selected region from the list of investors supplied by share brokers and mutual fund agents. The collected data are analysed with the help of computer keeping the objective of the study in view. Appropriate mathematical and statistical tool like averages, percentages compound growth rates, analysis of variance, chi-square test, ks. test and rank correlation co-efficient are put to use.

The study Indicates that most of the investors are investing less than 405 of their savings in capital market instrument. This reveals that majority of retails investors are investing major portion of their savings in noncapital market investment like bank depositing real estates, gold/silver etc. The overall experience of investors on capital market investment is that it is rewarding to majority of investors. Investors mainly suggested the extension of more powers to SEBI on investor protection with a view to improving capital market operations.

## 12. CONCLUSIONS

- ▶ All the options are not equally preferred for investment by High Income individual investor.
- ▶ There exists no significant difference in the amount of investment in different financial assets by High income individual investor.
- ▶ There exists no significant investor in different financial instrument of equity capital market viz, shares debentures and mutual funds.
- ▶ Demographic factors (gender, Age, Education and annual income) have any association with the size of investment by High income individual investor.
- ▶ There is significant difference in investment by High income individual investor on level of sartorial diversification of mutual fund schemes and shares.

Capital markets are a barometer of the health of the economy. Gradual improvement in India's macro-economic scenario act as a catalyst. An efficient and a vibrant capital market facilitate sustainable development of the economy. Over the last few years there have been substantial reforms in the Indian Capital Market. But there are still many issue to be addressed to make it more efficient in mobilizing and allocating capital. Investor confidence in stock investment is low. This must be regained in order to encourage Capital Market Investment.

The present study is an attempt to provide inputs to policy makers, regulatory authorities and stock exchanges for sharpening their focus to suit to the needs of the High income Group investors and to improve these investors participation in the capital markets. The result highlight certain factors like educational level awareness about the current financial system, age of investors, frequency of investment patterns, Income level, etc.....Make significant

impact while dividing the investment avenues of High Income Group investors. Capital Market firms should look to engage these High income group retail. Investors with secure efficient and reliable process who understand their Changing business environment, provide investors with the opportunity to step into the future with greater confidence.

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