



## **SOCIO-ECONOMIC INDICATORS OF RETAIL INVESTORS IN VISAKHAPATNAM CITY**

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### **Abstract**

*Visakhapatnam city is one of the ten fastest growing cities in the world economically and geographically. The city has developed as hub for many heavy industries like Rashtriya Ispat Nigam Limited, National Thermal Power Corporation Limited, Hindustan Petroleum Corporation Ltd, Rain Calcining Limited, Coromandel International, Hindustan Shipyard and Heavy Plate and Vessels Unit of Bharat Heavy Electricals Limited. The city is also becoming destiny for Information Technology Enabled Services (ITES) companies. Major IT Companies like Wipro, Tech Mahindra, HSBC, IBM Daksh, IBM, Acclaris already have their divisions in the city. The city is providing employment for thousands of people from various parts of the country. The growth of equity culture in the city started with the establishment of Steel City Securities Limited in 1995. The present study presents the socio economic indicators of retail investors, the results will provide better inputs for the policy makers to strengthen the equity culture in Visakhapatnam city.*

**Key Words:** *Indian Capital Market, Retail Investors.*

### **1.1 Introduction**

Visakhapatnam is the headquarters of Eastern Naval Command and one of the fast growing cities in India. Visakhapatnam is a cosmopolitan city with people from various parts of the country. From a population of a few thousand locals during the 18th century and early 19th century the population grew steadily every decade. The city doubled its population from 1990–2000 owing to a large migrant population from surrounding areas and other parts of the country. As per India census 2011, Visakhapatnam had a population of 17,30,320. The growth of equity culture in the city started with the establishment of Steel City Securities Limited in 1995. The city is experiencing a significant and incessant increase in the number of retail investors participating in the capital markets. The present paper provides the socio economic indicators of retail investors in Visakhapatnam city, the results will provide better inputs for the policy makers to further strengthen the equity culture in Visakhapatnam city.

### **1.2 Review of Literature**

An attempt is made to review the prominent studies on the socio economic indicators of retail investors and its impact on the equity culture in Indian Capital Market.

**Lewellen, Lease and Schlarbaum** (1977)<sup>i</sup> found that the risky asset fraction of the portfolio to be positively correlated with income and age and negatively correlated with marital status. They also found that risks are more regularly undertaken as income rises. They found support to the folklore that investors with many dependents adopt a conservative investment stance. Smaller the size of the household, more will be the disposable income available for investment and consequently the risk bearing capacity. Larger the size of the household, lower may be the available disposable income and reduction in the risk bearing capacity.

**Barnewell** (1987)<sup>ii</sup> finds that individual investors behaviour can be predicted by lifestyle characteristics, risk aversion, control orientation and occupation.

**Rajarajan** (2003)<sup>iii</sup> identifies that a strong association exists between demographic characteristics and the risk bearing capacity of Indian investors. This study confirms the earlier findings with regard to the relationship between age and income and the risk bearing capacity of investors. He opines that information on risk bearing capacity of investors will help the financial product designers to develop products, which suit the risk characteristics of the investors. And also this information will help the financial product marketers to target the prospective investors for the products instead of approaching every individual with an array of products, which may not suit them at all.

**Avery, Robert and Eliehausen** (1986)<sup>iv</sup> found, while few families in any group indicated a willingness to take substantial financial risk, high income families were much more likely than the population as whole to report a willingness to take above average or average financial risk to earn higher returns.

**SEBI – NCAER Survey** (2000) was carried out to estimate the number of households and the population of individual investors, their economic and demographic profile, portfolio size, investment preference for equity as well as other savings instruments. This is a unique and comprehensive study of Indian Investors, for, data was collected from 3,00,000 geographically dispersed rural and urban households. Some of the relevant findings of the study are :

- a. Households preferences for instruments match their risk perception.
- b. Bank Deposit has an appeal across all income class.
- c. 43% of the non-investor households equivalent to around 60 million households (estimated) apparently lack awareness about stock markets.
- d. Compared with low income groups, the higher income groups have higher share of investments in Mutual Funds (MFs) signifying that MFs have still not become truly the investment vehicle for small investors.

**Sujit Sikidar and Amrit Pal Singh** (1996)<sup>v</sup> carried out a survey with an objective to understand the behavioral aspects of the investors of the North Eastern region towards equity and mutual funds investment portfolio. The survey revealed that the salaried and self-employed formed the major investors in mutual fund primarily due to tax concessions.

**Ogawa and Abe** (1998)<sup>vi</sup> found that the motivation for savings depends on what life stage the household stands and each motivation is realized through a special form of savings. The choice of saving instruments i.e. composition of an investor's portfolio, was found to be largely determined by the age structure of the population.

**Kannadasan** (2006)<sup>vii</sup> analyzed the behavioral pattern of the Retail Investors, based on various dependent variables viz., Gender, age, marital status, educational level, income level, awareness, preference and risk bearing capacity. The following are the major findings of the study :

- a. Only 25 per cent of the sample respondents were aware of all the investment avenues available in the capital market. However all of them are aware of at least one avenue.
- b. 90 per cent of the retail investors are not aware of the measures taken by the Government to protect the interest of the investors.
- c. 79 per cent of the retail investors are interested to invest in Shares and Debentures as well.
- d. The risk bearing capacity of the retail investors was not influenced by their age. The retail investors' age is not a criterion to decide their investment behaviour and investment option.
- e. The investment strategy of the investors is influenced by their income level. The retail investors' income level is playing a predominant role to decide their investment behaviour and investment strategy as well.

**Jasim Y Al-Ajmi** (2008)<sup>viii</sup> explores the relationship between risk tolerance and the demographic characteristics of the investors. The study was conducted to investigate the effect of gender, education, age and wealth of the investors on their risk tolerance level. Major findings of the study are as follows :

- a. Men are less risk averse than women.
- b. Less educated investors are less likely to take risk.
- c. The effect of age on risk tolerance is complex.
- d. Wealthy investors are more risk tolerant than the less-wealthy investors.

**Shaik and et al.** (2012)<sup>ix</sup> concluded that investors assign different risk and return ratings for each type of investment and the rating vary with the socio- economic and investment profile of the retail equity investors. All the earlier studies carried out indicate that the socio economic indicators influence the investment decisions taken by the retail investors. The findings of the present study helps the policy makers to design investment awareness programs accordingly to further improve the equity culture in general in India and in specific in Visakhapatnam city.

### 1.3 Objectives of the Study

The main objective of the study is to analyze the socio economic indicators of retail investors in Visakhapatnam city.

### 1.4 Methodology of the Study

**1.4.1 Selection of Sample:** The data needed for the study is collected from the select target respondents of Visakhapatnam city. The target respondents are adults of age 18 or over who had traded any equity in the past five years.

**1.4.2 Data Collection:** The data needed for the study is collected from both primary and secondary sources. The Secondary data is collected from published and unpublished reports and records of different capital market institutions. The primary data is collected with the help of a well-structured, pilot tested schedule.

**1.4.3 Data Analysis:** The entire data collected is coded and computerized in Excel and Bi- Variate analysis is applied.

### 1.5 Distribution of Retail Investors According to Age and Education

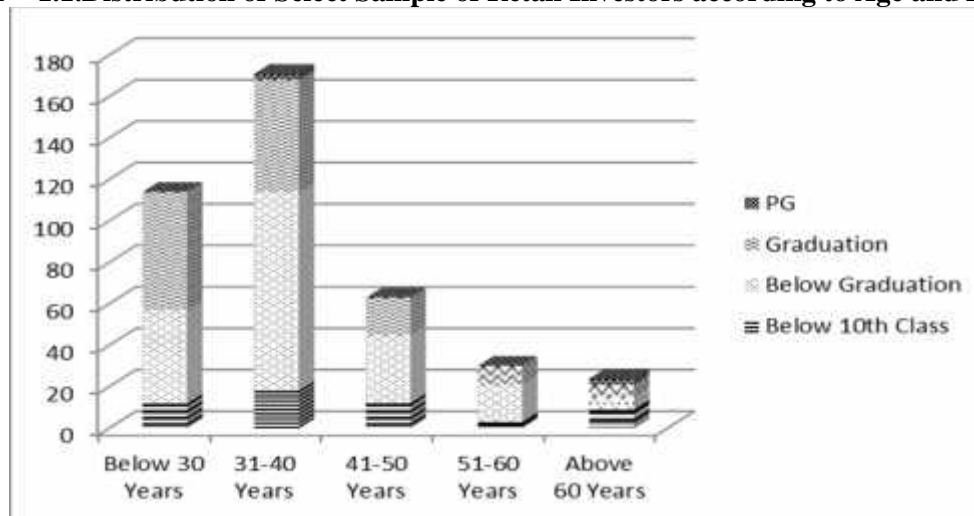
Data relating to distribution of retail investors according to age and education is presented in Table – 1.1

**TABLE – 1.1. Distribution of Select Sample of Retail Investors according to Age and Education**

Age	Education				Total
	Below 10 <sup>th</sup> Class	Below Graduation	Graduation	PG	
Below 30 Years	0 (0.0)	36 (10.5)	135 (39.5)	171 (50.0)	342 (100.0)
31-40 Years	0 (0.0)	63 (12.3)	288 (56.1)	162 (31.6)	513 (100.0)
41-50 Years	0 (0.0)	36 (19.0)	99 (52.4)	54 (28.6)	189 (100.0)
51-60 Years	9 (9.1)	9 (9.1)	54 (54.5)	27 (27.3)	99 (100.0)
Above 60 Years	0 (0.0)	36 (50.0)	18 (25.0)	18 (25.0)	72 (100.0)
<b>Total</b>	<b>9 (0.7)</b>	<b>180 (14.8)</b>	<b>594 (48.9)</b>	<b>432 (35.6)</b>	<b>1215 (100.00)</b>

Note : Figures in the parenthesis indicate percentages to the row total

**CHART – 1.1. Distribution of Select Sample of Retail Investors according to Age and Education**



It can be seen from Table – 1.1 that,

- i) Around 84% of the investors in the capital market are educated above graduation.
- ii) 62.2% of the investors are in the age group of below 40 years and are educated above graduation.
- iii) Only 0.7% of the investors are educated below 10<sup>th</sup> class.

### 1.6 Distribution of Retail Investors According to Age and Occupation

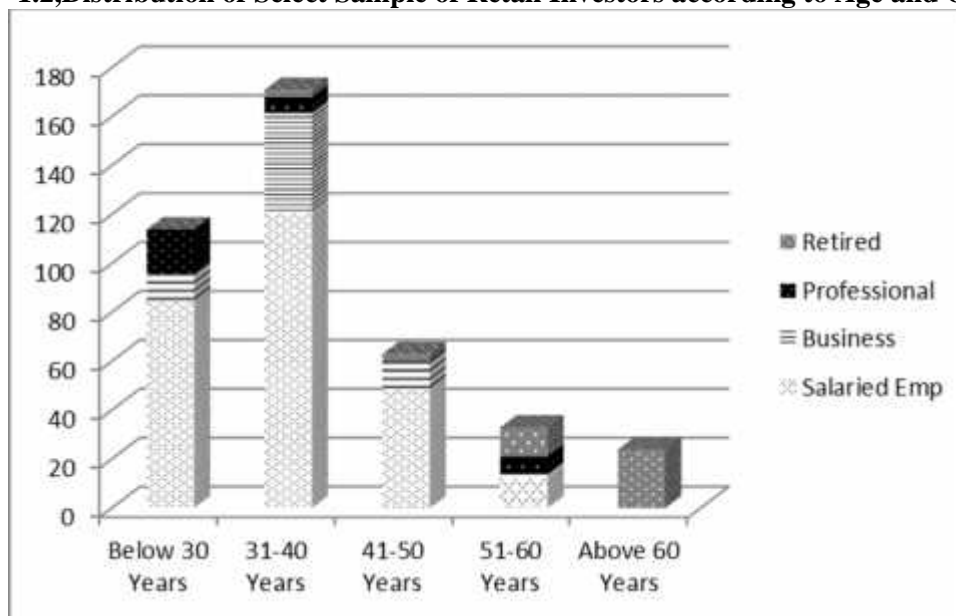
Data relating to distribution of retail investors according to age and occupation is presented in Table - 1.2

**TABLE - 1.2, Distribution of Select Sample of Retail Investors according to Age and Occupation**

Age	Occupation				Total
	Salaried Emp	Business	Professional	Retired	
Below 30Years	252 (73.7)	36 (10.5)	54 (15.8)	0 (0.0)	342 (100.0)
31-40 Years	360 (70.2)	126 (24.6)	18 (3.5)	9 (1.8)	513 (100.0)
41-50 Years	144 (76.2)	36 (19.0)	0 (0.0)	9 (4.8)	189 (100.0)
51-60 Years	36 (36.4)	9 (9.1)	18 (18.2)	36 (36.4)	99 (100.0)
Above 60 Years	0 (0.0)	0 (0.0)	0 (0.0)	72 (100.0)	72 (100.0)
<b>Total</b>	<b>792</b> <b>(65.2)</b>	<b>207</b> <b>(17.0)</b>	<b>90</b> <b>(7.4)</b>	<b>42</b> <b>(10.4)</b>	<b>1215</b> <b>(100.0)</b>

Note : Figures in the parenthesis indicate percentages to the row total

**CHART - 1.2, Distribution of Select Sample of Retail Investors according to Age and Occupation**



From Table - 1.2 it can be noted that,

- i) 65.2% of investors in the capital market are salaried employees. As Visakhapatnam is an industrial area having large scale industries like Hindustan Shipyard, Hindustan Petroleum Corporation, Coromandel Fertilisers, Bharat Heavy Plates and Vessels, L.G.Polymers Ltd., Hindustan Zinc Plant, Visakhapatnam Steel Plant and a host of other ancillary Industries, the salaried employees constitute major chunk of retail investors in Visakhapatnam city.
- ii) Around 50% of the investors are salaried employees and are in the age group of below 40 years.

### 1.7 Distribution of Retail Investors According To Age and Income

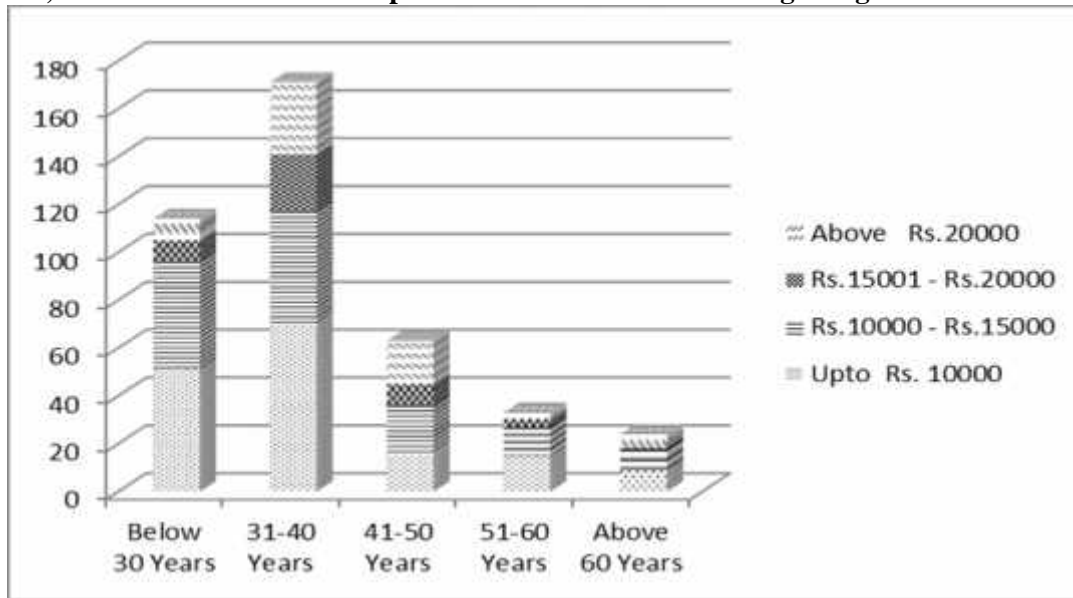
Data relating to distribution of retail investors according to age and income is presented in Table – 1.3

**Table – 1.3, Distribution of Select Sample of Retail Investors according to Age and Income**

Age	Income				Total
	Upto 10000	10000-15000	15001-20000	Above 20000	
Below 30 Years	153 (44.7)	135 (39.5)	27 (7.9)	27 (7.9)	342 (100.0)
31-40 Years	207 (40.4)	144 (28.1)	72 (14.0)	90 (17.5)	513 (100.0)
41-50 Years	45 (23.8)	63 (33.3)	27 (14.3)	54 (28.6)	189 (100.0)
51-60 Years	45 (45.5)	36 (36.4)	9 (9.1)	9 (9.1)	99 (100.0)
Above 60 Years	27 (37.5)	27 (37.5)	0 (0.0)	18 (25.0)	72 (100.0)
<b>Total</b>	<b>477 (39.3)</b>	<b>405 (33.3)</b>	<b>135 (11.1)</b>	<b>198 (16.3)</b>	<b>1215 (100.0)</b>

Note : Figures in the parenthesis indicate percentages to the row total

**CHART – 1.3, Distribution of Select Sample of Retail Investors according to Age and Income**



It can be shown from Table – 1.3 that around 73% of the investors are in the income group of below Rs.15,000. This shows that majority of the investors in the capital markets in Visakhapatnam city are from middle income group. It is also interesting to note that investors from all the age groups are participating in the capital market.

### 1.8 Distribution of Retail Investors According to Education and Occupation

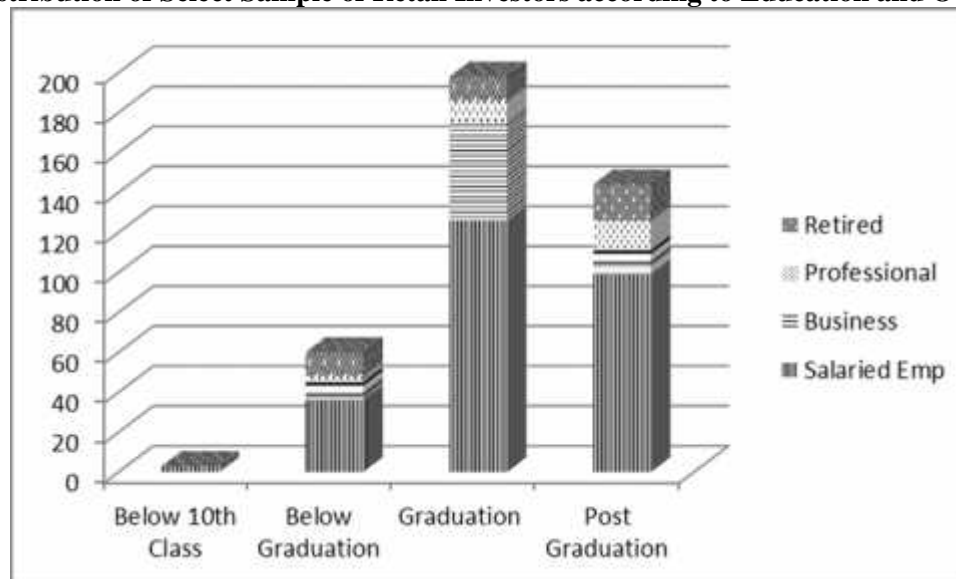
Data relating to distribution of retail investors according to age and income is presented in Table – 1.4

**Table – 1.4, Distribution of Select Sample of Retail Investors according to Education and Occupation**

Education	Occupation				Total
	Salaried Emp	Business	Professional	Retired	
Below 10th Class	9 (100.0)	0 (0.0)	0 (0.0)	0 (0.0)	9 (100.0)
Below Graduation	108 (60.0)	27 (15.0)	9 (5.0)	36 (20.0)	180 (100.0)
Graduation	378 (63.6)	144 (24.2)	36 (6.1)	36 (6.1)	594 (100.0)
Post-Graduation	297 (68.8)	36 (8.3)	45 (10.4)	54 (12.5)	432 (100.0)
<b>Total</b>	<b>792</b> <b>(65.2)</b>	<b>207</b> <b>(17.0)</b>	<b>90</b> <b>(7.4)</b>	<b>126</b> <b>(10.4)</b>	<b>1215</b> <b>(100.0)</b>

Note : Figures in the parenthesis indicate percentages to the row total

**Chart – 1.4, Distribution of Select Sample of Retail Investors according to Education and Occupation**



From Table – 1.4 it can be observed that 85.2% of the salaried employees, 87.0% of businessmen and 90.0% of professionals are educated above graduation.

### 1.9 Distribution of Retail Investors According to Occupation and Income

Data relating to distribution of retail investors according to occupation and income is presented in Table – 1.5

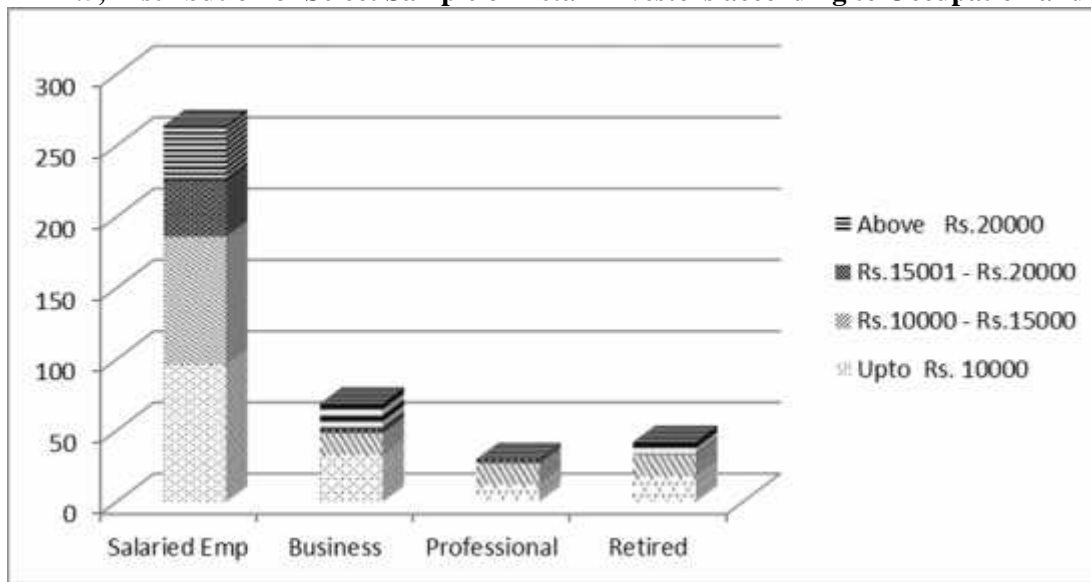
**Table – 1.5, Distribution of Select Sample of Retail Investors according to Occupation and Income**

Occupation	Income				Total
	Upto 10000	10000-15000	15001-20000	Above 20000	
Salaried Employee	288 (36.4)	270 (34.1)	117 (14.8)	117 (14.8)	792 (100.0)
Business	99 (47.8)	45 (21.7)	9 (4.3)	54 (26.1)	207 (100.0)

Professional	36 (40.0)	45 (50.0)	9 (10.0)	0 (0.0)	90 (100.0)
Retired	54 (42.9)	45 (35.7)	0 (0.0)	27 (21.4)	126 (100.0)
<b>Total</b>	<b>477</b> <b>(39.3)</b>	<b>405</b> <b>(33.3)</b>	<b>135</b> <b>(11.1)</b>	<b>198</b> <b>(16.3)</b>	<b>1215</b> <b>(100.0)</b>

Note : Figures in the parenthesis indicate percentages to the row total.

**CHART – 1.5, Distribution of Select Sample of Retail Investors according to Occupation and Income**



It can be noted from Table – 1.5 that around 63% of the investors in the income group of below Rs.15,000 are salaried employees. It is interesting to note that the investors in the low income group participate more in the capital market compared to investors in the higher income group.

### 1.10 Distribution of Retail Investors According to Occupation and Gender

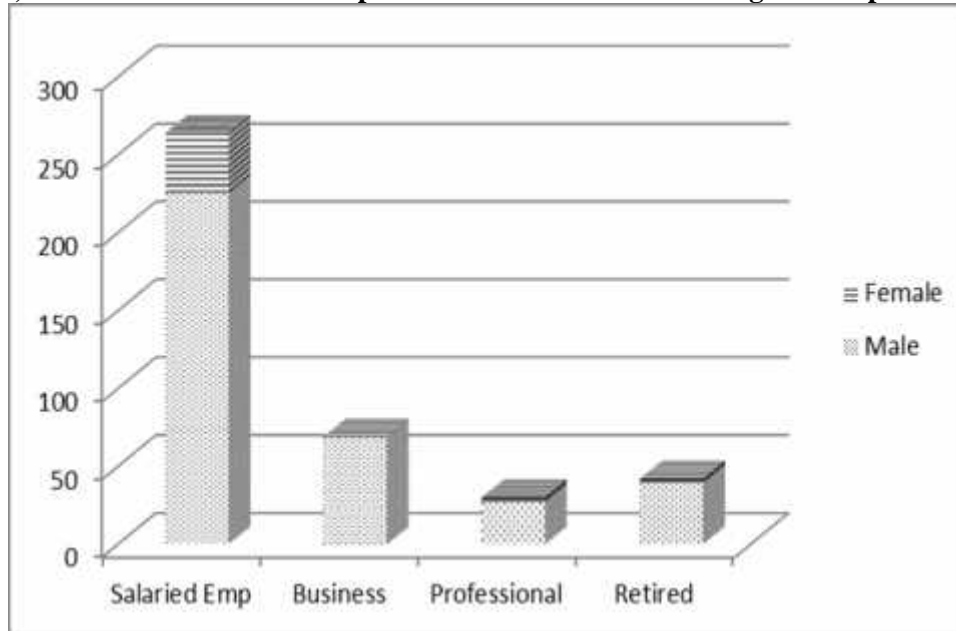
Data relating to distribution of retail investors according to occupation and gender is presented in Table - 1.6

**Table – 1.6, Distribution of Select Sample of Retail Investors according to Occupation and Gender**

Occupation	Gender		Total
	Male	Female	
Salaried Employee	675 (85.2)	117 (14.8)	792 (100.0)
Business	207 (100.0)	0 (0.0)	207 (100.0)
Professional	81 (90.0)	9 (10.0)	90 (100.0)
Retired	117 (92.9)	9 (7.1)	126 (100.0)
<b>Total</b>	<b>1080</b> <b>(88.9)</b>	<b>135</b> <b>(11.1)</b>	<b>1215</b> <b>(100.0)</b>

Note : Figures in the parenthesis indicate percentages to the row total.

**Chart – 1.6, Distribution of Select Sample of Retail Investors according to Occupation and Gender**



It can be observed from Table – 1.6 that around 11% of the investors participating in the capital market are female. This shows that investors from both the genders participate in the capital markets in the city of Visakhapatnam.

### 1.11 Distribution of Retail Investors According to Stage in Life Cycle and Education

Data relating to distribution of retail investors according to stage in life cycle and education is presented in Table – 1.7

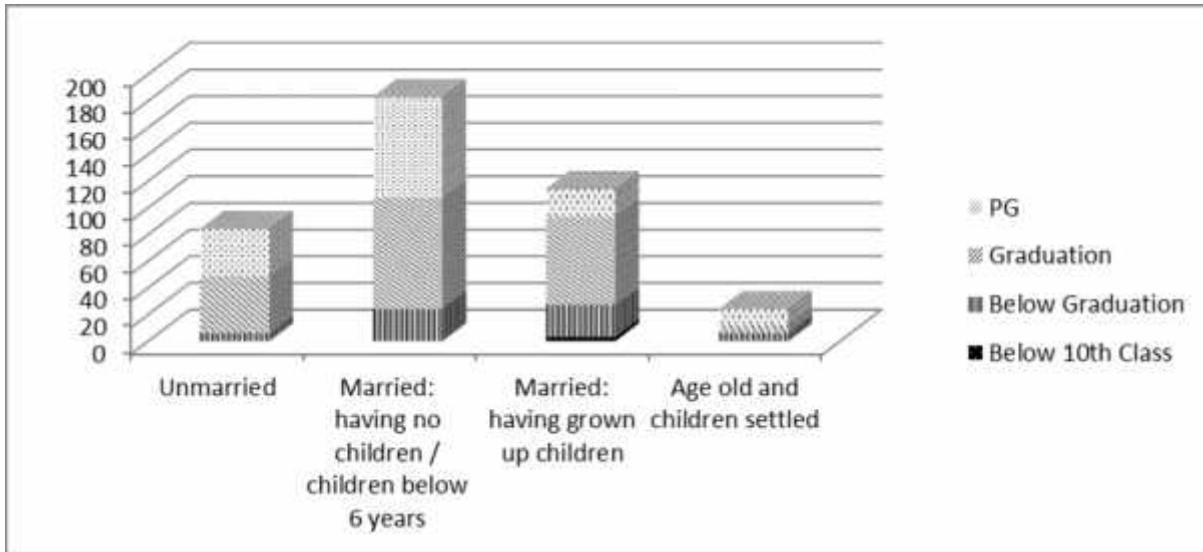
**Table – 1.7, Distribution of Select Sample of Retail Investors according to Stage in Life Cycle and Education**

Stage in Life Cycle	Education				Total
	Below 10 <sup>th</sup> Class	Below Graduation	Graduation	PG	
Unmarried	0 (0.0)	18 (7.1)	126 (50.0)	108 (42.9)	252 (100.0)
Married: having no children / children below 6 years	0 (0.0)	72 (13.1)	252 (45.9)	225 (41.0)	549 (100.0)
Married: having grown up children	9 (2.6)	72 (21.1)	198 (57.9)	63 (18.4)	342 (100.0)
Age old and children settled	0 (0.0)	181 (25.0)	18 (25.0)	36 (50.0)	72 (100.0)
<b>Total</b>	<b>9 (0.7)</b>	<b>180 (14.8)</b>	<b>594 (48.9)</b>	<b>432 (35.6)</b>	<b>1215 (100.0)</b>

Note : Figures in the parenthesis indicate percentages to the row total.



**Chart – 1.7, Distribution of Select Sample of Retail Investors according to Stage in Life Cycle And Education**



From Table – 1.7 it can be noted that 65.9% of investors in the capital market are unmarried or married having less responsibilities and only 6% are age old having settled children. This shows that with the increasing responsibilities, the participation of investors in the capital market is decreasing.

### 1.12 Distribution of Retail Investors According To Stage in Life Cycle and Occupation

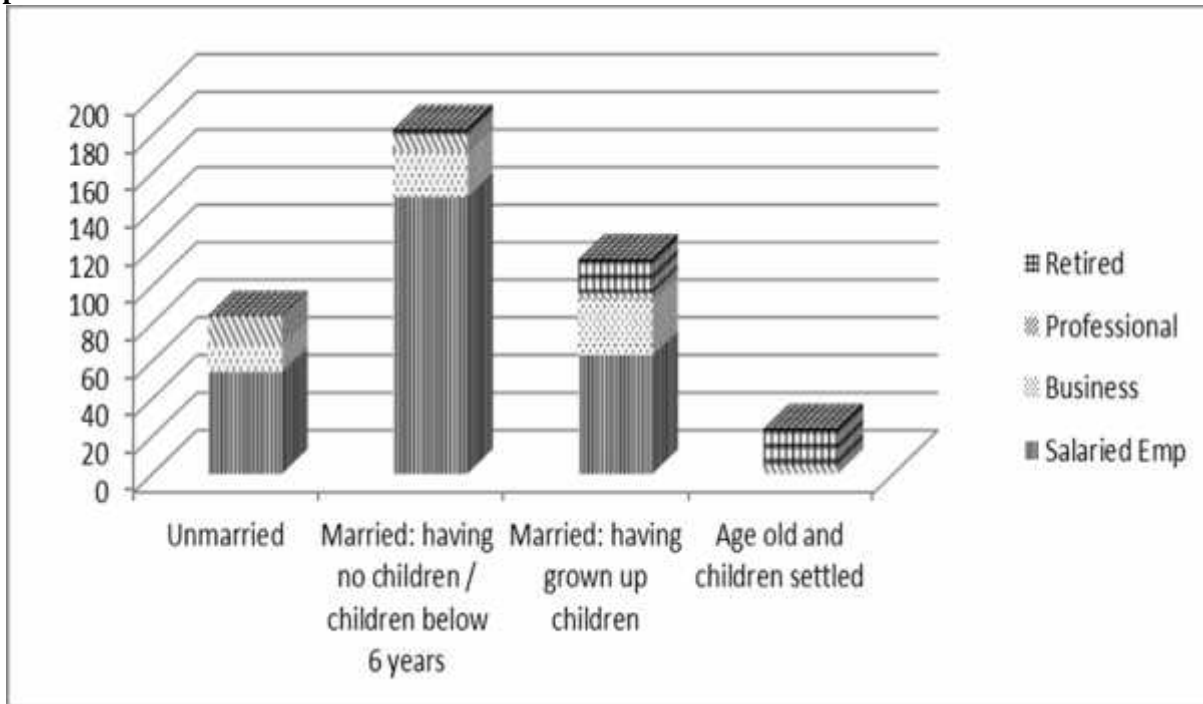
Data relating to distribution of retail investors according to stage in life cycle and occupation is presented in Table - 1.8

**Table – 1.8, Distribution of Select Sample of Retail Investors according to Stage in Life Cycle and Occupation**

Stage in Life Cycle	Occupation				Total
	Salaried Emp	Business	Professional	Retired	
Unmarried	162 (64.3)	45 (17.9)	45 (17.9)	0 (0.0)	252 (100.0)
Married: having no children / children below 6 years	441 (80.3)	72 (13.1)	27 (4.9)	9 (1.6)	549 (100.0)
Married: having grown up children	189 (55.3)	90 (26.3)	9 (2.6)	54 (15.8)	342 (100.0)
Age old and children settled	0 (0.0)	0 (0.0)	9 (12.5)	63 (87.5)	72 (100.0)
<b>Total</b>	<b>792 (65.2)</b>	<b>207 (17.0)</b>	<b>90 (7.4)</b>	<b>126 (10.4)</b>	<b>1215 (100.0)</b>

Note : Figures in the parenthesis indicate percentages to the row total.

**Chart – 1.8, Distribution of Select Sample of Retail Investors according to Stage in Life Cycle and Occupation**



It can be observed from Table – 1.8 that around 50.0% of the total select investors in the Visakhapatnam city are salaried employees and are unmarried or married having less responsibilities. As Visakhapatnam is an industrial area, salaried employees form the major chunk of investors and out of which investors who are unmarried or married having lesser responsibilities participate more in the capital market.

### 1.13 Distribution of Retail Investors According to Stage in Life Cycle and Income

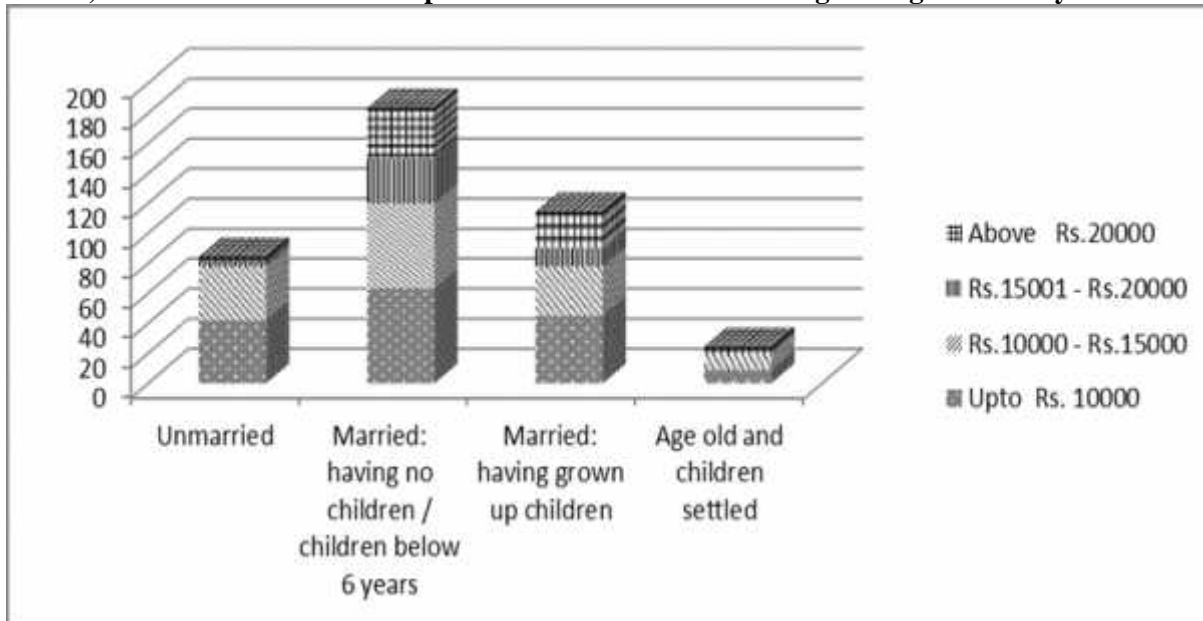
Data relating to distribution of retail investors according to stage in life cycle and income is presented in Table – 1.9

**TABLE – 1.9, Distribution of Select Sample of Retail Investors according to Stage in Life Cycle and Income**

Stage in Life Cycle	Income				Total
	Upto 10000	10000-15000	15001-20000	Above 20000	
Unmarried	126 (50.0)	108 (42.9)	9 (3.6)	9 (3.6)	252 (100.0)
Married: having no children / children below 6 years	189 (34.4)	171 (31.1)	90 (16.4)	99 (18.0)	549 (100.0)
Married: having grown up children	135 (39.5)	99 (28.9)	36 (10.5)	72 (21.1)	342 (100.0)
Age old and children settled	27 (37.5)	27 (37.5)	0 (0.0)	18 (25.0)	72 (100.0)
<b>Total</b>	<b>477 (39.3)</b>	<b>405 (33.3)</b>	<b>135 (11.1)</b>	<b>198 (16.3)</b>	<b>1215 (100.0)</b>

Note : Figures in the parenthesis indicate percentages to the row total.

**Chart- 1.9, Distribution of Select Sample of Retail Investors according to Stage in Life Cycle and Income**



From Table – 1.9 it can be noted that the investors in the income group of below Rs.15,000 and who are married having lesser responsibilities constitute around 30% of the total sample. This shows that investors in less income group with less responsibility participate more in the capital market.

#### 1.14 Findings of the Study

The major findings from the study of the equity trading practices of retail investors are summarized below :

1. 85% of the investors are educated above graduation.
2. Around 60% of the investors are in the age group of below 40 years.
3. Majority of the investors (65.2%) in the select sample are salaried employees.
4. A good number of investors investing in the capital market are in the income group of less than Rs,15,000 per month.
5. Around 11% of the investors participating in the capital market are female investors.
6. Most of the investors (66%) of investors in the capital market are unmarried or married having lesser responsibilities and only 6% are age old having settled children.

#### 1.15 Conclusion

India is one of the most successful developing countries in terms of a vibrant securities market. Increase in the participation of retail investors will further strengthen our capital market. The present paper helps in understanding the socio economic indicators of retail investors in Indian Capital Market and helps the policy makers to take necessary measures to improve the participation of retail investors in the capital markets.

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