

Investor's attitude towards stock market - An empirical study of small investors in Nizamabad City of Telangana

G. Tarun

MBA (Marketing Management) TGSET, Researcher, Nizamabad, Telangana State

ABSTRACT

The stock market plays a pivotal role in economic growth by facilitating capital formation and wealth creation. However, its efficiency largely depends on rational investor behavior, which is often influenced by psychological, emotional, and socio-economic factors rather than purely objective analysis. Despite extensive research in financial markets, there remains a significant gap in understanding how various behavioral factors collectively shape investment decisions, particularly in diverse market conditions. This study helps to know investors attitudes towards investment in the stock market, and it will also help to know what investors' perceptions towards investing in the stock market are. It will help broking agencies to know percentages of investors who are actually ready to invest their funds in the stock market and also to know how much of their funds they would like to invest in the stock market. This paper analyses investors attitudes towards the stock market: an empirical study of small investors in Nizamabad Urban City.

Key words: Socio-economic factors, Investment Pattern, Capital Employed, Reasons for Investment.

INTRODUCTION

In the 21st century of the digital era, due to globalization and economic liberalization lot of business expansions, industrial development and infrastructure changes and growth, an increase in foreign investment and personal financial assets are created rapid growth in investment and which makes a passionate situation for each and every investor who wants to take part in taking a risk in investments, gaining knowledge and capacity to save money and invest in the stock market, gold, real estate, insurance, post office, Mutual funds, and others similar different investment opportunities accessible in India for of small investors. There are very few studies that have explored investors' perspectives in the field of equity, mutual fund and other avenues.

Today, mad cow disease provides an economical and clear marketplace for mercantilism in equity, currencies, debt instruments, derivatives, and mutual funds. BSE SME is India's largest SME platform that has listed over 250 corporations and continues to grow at a gradual pace. BSE Star MF is India's largest online investment platform that handles over twenty-seven large integer transactions per month and adds virtually two large integer new SIPs every month. BSE Bond is a clear and economical electronic book mechanism method for personal placement of debt securities.

There are twenty-three recognised stock exchanges in India, together with the Over-the-Counter Exchange of India (OTCEI) for tiny and new corporations and therefore the National Securities Market (NSE), which was set up as a model exchange to produce nation-wide services to investors. NSE, which in the recent past has accounted for the biggest mercantilism volumes, contains an absolutely machine-controlled screen-based system that operates within the wholesale debt market section as well as the capital market segment.

The recent call of the government to easing limits on inward portfolio investment, with a rise within the ceiling for FII and non-resident Indians from 24% to half an hour, provides a tremendous incentive to FII investment. FIIs are permitted to speculate on self-owned funds within the debt market and in unlisted securities. The current list of debt funds approved by SEBI includes UBS, HSBC, Morgan Grenfell, and James Buchanan Capital, amongst others.

REVIEW OF LITERATURE

Sidiqqi (2008) analyzed the Delhi stock market investors behavior with reference to analyze finance perspective, through a sample of 300 investor and with a series of questions related to the behaviors of investment in terms of decision making, source of information; expected outcomes in terms of profit or losses and type of investment. He concluded that the majority of investors analyze and evaluate and take the decision. The emotions are not effective and the uncertainty mostly about yielding the profit.

Rakesh H.M (2014): The paper proposes to study the behavior of individual investors in the stock markets and the factors that influence their investment decisions, which include awareness level, investment duration etc. The research was based on the primary data collected from the city of Mysore of 150 respondents, being stock market investors. The research paper observes that only 10 % of the respondents intended to stay invested into the stock market for a period of more than 5 years. In other words, the research paper observed that people do not want to stay committed for longer period of time into the stock market despite it giving better returns. The paper analyses that annual income and annual savings are given importance by investors, but the level of savings are decided by their level of income. He states that “investors are fully aware about the stock market and they feel that market movements also affect the investment pattern of investors in the stock market.”

The paper however remains silent on its observation about the uneducated investors who are not aware of the market conditions, with market trends and the stock price movements. It focuses on the factors influencing savings and sources of information for decision making. The income level of an individual, also decide the investment pattern of the investor. The investor’s income level does determine the type of investment avenues the investor prefers.

Mallick L. R. (2015) conducted a study on ‘Factors Influencing Investment decisions: A Study of Retail Investors in Hooghly District of West Bengal’. The study aimed to identify the factors influencing the investment decisions of retail investors in Hooghly district of West Bengal. The study concluded that retail investors choose a particular investment avenue to meet their long-term family needs in future and emergency needs, to protect themselves from inflation, to avail tax benefits and to cover risk factors and for capital growth. As per the study most of respondents invest to meet their long-term family need in future. The second preference is towards availing tax benefits.

Krutika Mistry (2015) study the Indian stock market is the oldest stock market in Asia. The individual investor plays an important role in the stock market because of the big share of their savings are invested in the country. The investors’ decision is always based on risk and return relationship. An individual invests in the stock market at high risk because he/she tends to look at the higher possible return from the investment. The behavioural finance considers attempt to understand how emotions and cognitive errors influence individual investors’ behaviour. The study attempts to understand the behaviour of individual investors in Indian stock market, specifically their attitude and perception with respect to the stock market. The objective is also to identify the preferred source of information influencing investment decision and to access the psychology of investors in different market situations. The research is descriptive in nature. The sources of information are both primary & secondary. The sample comprises of 150 equity investors of Bharuch District. There will be the positive relationship between market condition and decision making of investors with respect to Indian stock market.

Investment Alternatives:

Gold and Silver: Gold and silver are two important options in which the investor can invest. Here, the investor will be secured as there is not much risk of losing the funds invested. Most of the investors who don’t like to take the risk normally go for this investment option.

Mutual Funds: Investment companies or investment trusts obtain funds from a large number of investors through the sale of The funds collected from the investors are placed under professional management for the benefit of the investors. Mutual funds are broadly classified into open-ended and closed-ended schemes.

Bank deposits are a simple investment avenue open to investors. He has to open an account and deposit. Traditionally, banks offered savings bank accounts, current accounts, and fixed deposit accounts.

Insurance: Insurance is a contract for payment of a sum of money to the assured (or to the person entitled to receive the same) on the happening of an event insured against. Usually, the contract provides for the payment of an amount on the date of maturity, at specified dates at periodic intervals, or if an unfortunate death occurs.

Stock Market: It is a huge term to use stock market. Here there are different types of markets like primary market and secondary market, and in these different types of markets there are different types of products like commodities, equity, currency derivatives, and many more, which I have already discussed while discussing stock market.

Other alternatives: There are still a number of investment avenues available to investors, like post office deposits, real estate investments, etc.

Statement of the Problem

Investors behaviour on equity investments in stock market indicates that investors do not behave rationally, rather several factors influences the investment decision. This study is based on the responses of equity investors selected by convenience sampling method in Nizamabad City ,Telengana state. This study considers the theory of irrationality and of individual investors and investigates the factors that influence the Investment behaviour for Equity investment. Various statistical tools were used for data analysis purpose. The analysis showed that the investors are very conscious about their investment.

Objectives of the study

- To describe the investment opportunities, behaviours, and attitudes of small investors.
- To examine the investors perceptions of investing in the stock market.
- To explore the Investor’s attitude towards stock market in Nizamabad City of Telangana

DATA AND METHODOLOGY

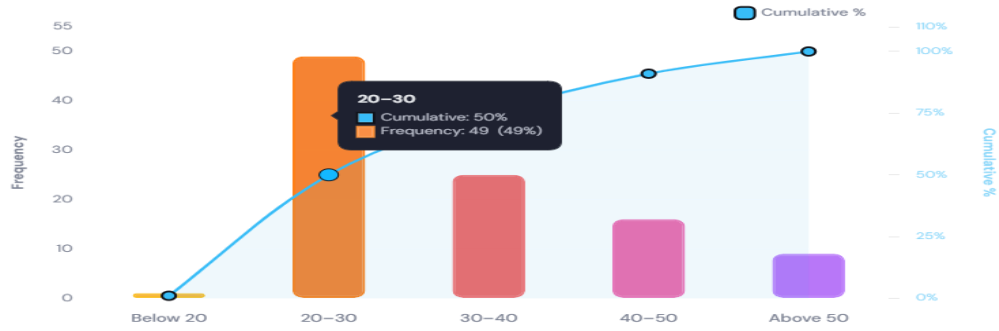
This study based on survey method. Data has been collected from both primary and secondary sources. For collecting primary data, a sample of 100 small investors in the stock market from the Nizamabad urban area of Telangana State was selected through the convenience sampling method. A structured questionnaire was administered among the consumers to collect primary data. Secondary data has been collected from the websites of Relavent Stock Markets newspapers, journals, and magazines and through informal discussions with brokers and sub brokers of stock markets concerned.

Limitations of the study

The study is confined to only 100 small investors in Nizamabad Urban. It is assumed that the respondents are honest in expressing their opinions. Though the sample size is small and there is less scope for generalizations, every care has been taken to include all types of investors in the sample to make it a representative one.

1)Age of the investor

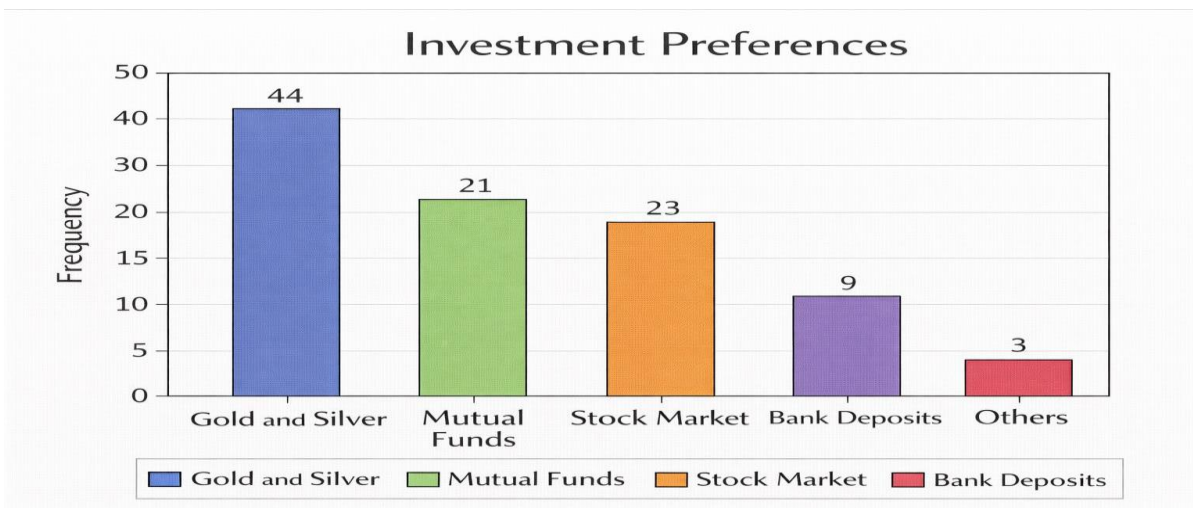
	Frequency	Percent	Cumulative Percent
Below 20	1	1.0	1.0
20-30	49	49.0	50.0
30-40	25	25.0	75.0
40-50	16	16.0	91.0
Above 50	9	9.0	100.0
Total	100	100.0	



Interpretation: Out of 100 respondents there are 49 are between the age 20 to 30 and 49% are 20 to 30. Most of the young generation people are very much interested to invest in the stock market.

2. In which option you would like to invest your funds?

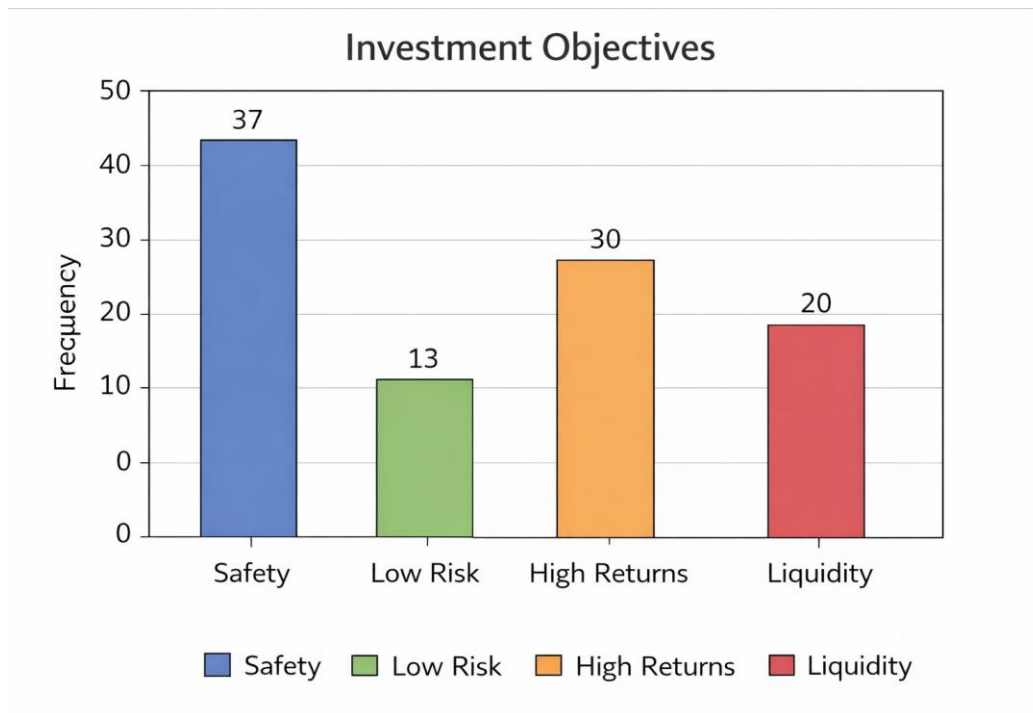
	Frequency	Percent	Cumulative Percent
Gold and Silver	44	44.0	44.0
Mutual Funds	21	21.0	65.0
Stock Market	23	23.0	88.0
Bank Deposits	09	09.0	97.0
Others	03	03.0	100.0
Total	100	100.0	



Interpretation: The above table shows that 44% of people would like to invest their funds in Gold and Silver, as they feel that it is a safe mode to do so. In the stock market, people are also ready to invest, as 23% of people would like to invest their funds in the stock market. There is a similarity between mutual funds and the stock market. In mutual funds, 21% of people would like to invest their money. In Bank Deposits, 9% and in others, 03% of people would like to invest their funds. So the above table shows that there is a positive attitude towards stock market investment

3.Reasons for investing in stock market.

	Frequency	Percent	Cumulative Percent
Safety	37	37.0	37.0
Low Risk	13	13.0	50.0
High Returns	30	30.0	80.0
Liquidity	20	20.0	100.0
Total	100	100.0	



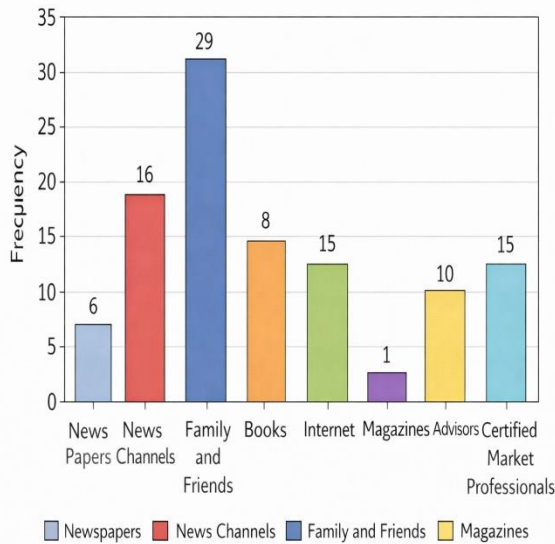
Interpretation: The above table shows that 37% of the people feel safe investing in their avenue, and 30% of the people feel that return is a measure of their investment, so it shows that most people are worried about safety and returns. Very few people think that risk is the major part.

4.What are your sources of investment Advice?

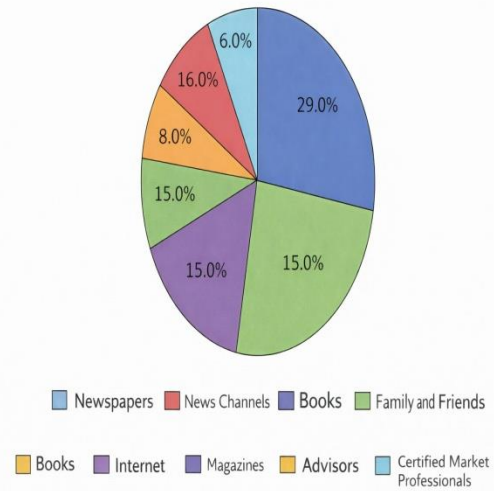
	Frequency	Percent	Cumulative Percent
News Papers	6	6.0	6.0
News Channels	16	16.0	22.0
Family and Friends	29	29.0	51.0
Books	8	8.0	59.0
Internet	15	15.0	74.0
Magazines	1	1.0	75.0

Advisors	10	10.0	85.0
Certified Market Professionals	15	15.0	100.0
Total	100	100.0	

Sources of Financial Information



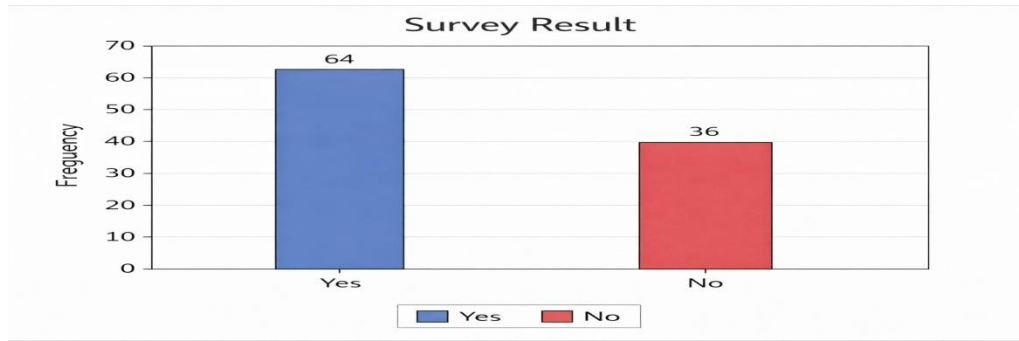
Sources of Financial Information



Interpretation: The above table shows that what are the sources the investors refer while investing the funds into various avenue. As in Nizamabad city most of the people take advice from the Family and Friends as there is a 29% of the people or investors take the advice from the Family and Friends. The second rank goes to the news channels as 16% of the people will go for News channels as a Source to get the information about different investment avenues.

5)Would you like to invest your Money into stock Market?

	Frequency	Percent	Cumulative Percent
Yes	64	64.0	64.0
No	36	36.0	100.0
Total	100	100.0	



Interpretation: The above table shows that 64% of the people are interested in investing their funds in the stock market, and only 34% of the respondents are not interested in investing their funds in the stock market, so we can say that investors in Nizamabad town are very interested in investing their money in the stock market.

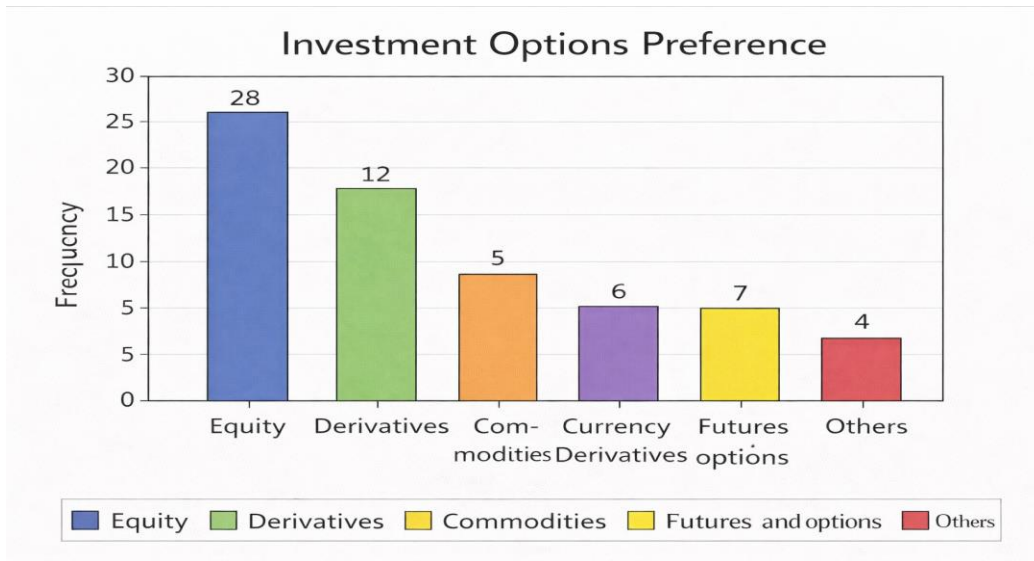
6. How much percentage would you like to invest in stock market out of funds?

How much percentage would you like to invest in stock market			
	Frequency	Percent	Cumulative Percent
Less than 15	25	40	40
15 to 30	28	45	85
30 to 50	7	11	97
more than 50	2	3	100
Total	62	100	

Interpretation: The above table shows that out of the 62% of people who are ready to invest their funds in the stock market, Most of them want to invest less than 30% of their investable funds in the stock market, as the above table shows that 40% of people want to invest less than 15%, and 45% of the people say that they want to invest between 15 and 30% of their investable funds. Thus, only 14% want to invest more than 30% of their funds in the stock market

7. In which option of stock would you like to invest your funds?

In which option of stock market you would like to invest your funds			
	Frequency	Percent	cumulative percent
Equity	28	45	45
Derivatives	12	19	64
Commodities	5	8	72
Currency Derivatives	6	10	82
futures and options	7	11	93
Others	4	7	100
Total	62	100	



Interpretation: The majority of small investors in Nizamabad City prefer to invest in equity (45%), indicating a strong inclination towards direct stock market participation. Derivatives (19%) and futures and options (11%) follow as the next preferred choices, reflecting a moderate appetite for leveraged and higher risk instruments. Options such as commodities, currency derivatives, and others are relatively less favored, suggesting that most investors in this sample remain cautious and prefer familiar or less complex market segments.

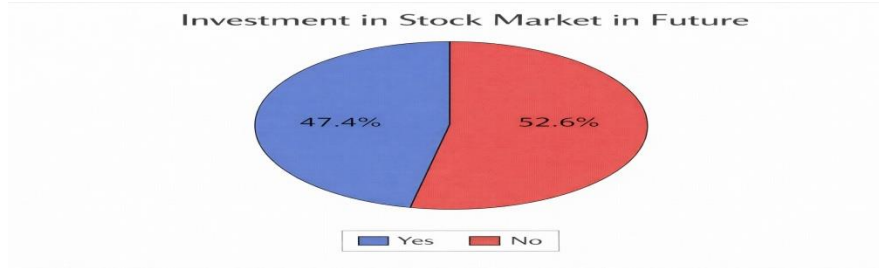
8.Reasons for not investing into Stock Market

Reasons for not investing into Stock Market			
	Frequency	Percent	Cumulative Percent
Risk	21	55	55
Knowledge	7	18	74
Safety	9	24	97
services from Broking Agencies	1	3	100
Total	38	100	

Interpretation: The above table shows that out of 55% of investors, they say that they are not investing in the stock market due to the risk of loss. This shows that most of the people who are not invested say that the risk of loss is greater in the stock market.

9.In future would you like to invest in stock market?

In future would you like to invest in stock market			
	Frequency	Percent	Cumulative Percent
Yes	18	47	47
No	20	53	100
Total	38	100	

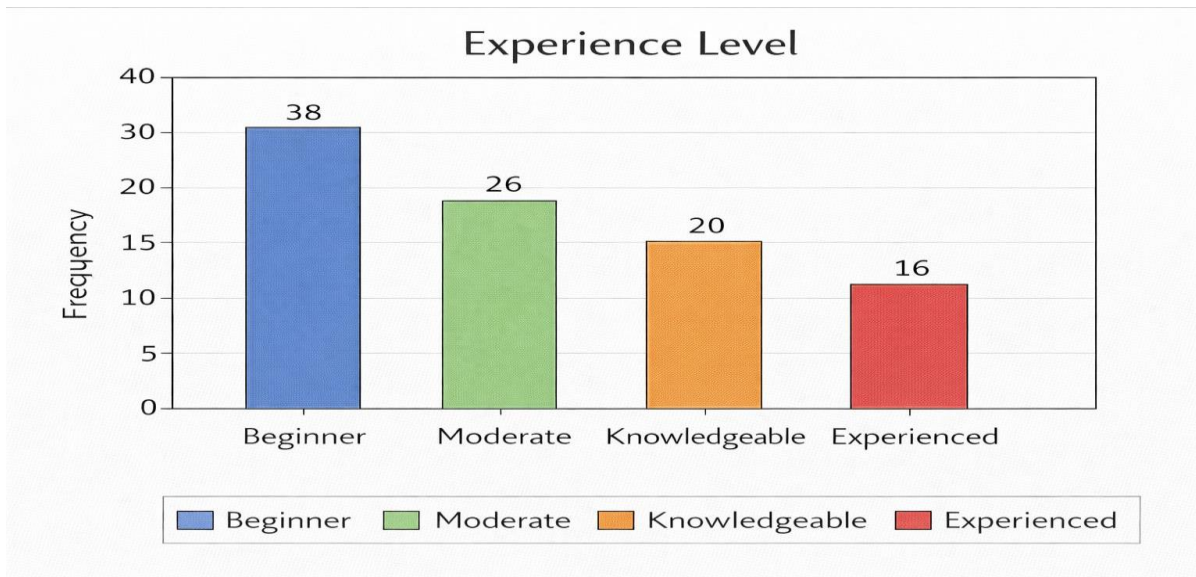


Interpretation: The above table shows that 47% of the non-investors in the stock market will invest their funds in the future in the stock market. But 53% of the respondents will think they will not go for stock market investment.

10. What best describes your investment experience?

What best describes your investment experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Beginner	38	38.0	38.0	38.0
Moderate	26	26.0	26.0	64.0
Knowledgeable	20	20.0	20.0	84.0
Experienced	16	16.0	16.0	100.0
Total	100	100.0	100.0	



Interpretation: The above table shows that 38% of the respondents are beginners, as they are new to the investment field. 26% of respondents think that they have moderate experience, 20% think that they are knowledgeable, and 16% are experienced, as they think they have enough experience for investment.

FINDINGS AND CONCLUSIONS

1. Investor Profile & Experience :The investor landscape in Nizamabad is predominantly young, with nearly half of the respondents (49%) falling in the 20-30 age bracket. This youthful demographic correlates with the experience levels, where a majority (38%) identify as beginners. However, 36% possess moderate to high knowledge, indicating a growing financial literacy base.

2. Investment Preferences and Motivations :While traditional safe-haven assets like Gold and Silver remain the top choice (44%), there is a clear positive attitude toward the stock market (23%) and mutual funds (21%). When choosing investment avenues, investors are highly pragmatic, prioritizing Safety (37%) and High Returns (30%) over liquidity or low risk.

3. Stock Market Behavior and Allocation :Out of the total respondents, a healthy 64% expressed a willingness to invest in the stock market. However, their risk appetite reflects a cautious approach: a combined 85% prefer to allocate less than 30% of their total investable funds to equities. Within the stock market, investors show a strong preference for direct Equity (45%), followed by Derivatives (19%) and Futures & Options (11%). This suggests that while complex instruments exist, the foundational equity market is the most comfortable entry point.

4. Information Asymmetry and Advisory :A significant behavioral trait observed is the reliance on informal networks. Family and Friends (29%) and News Channels (16%) are the primary sources of investment advice. Alarming, formal and reliable sources like Certified Market Professionals account for only 15% of the advisory share. This highlights a gap in the utilization of professional financial advisory services in the region.

5. Non-Investors and Future Outlook: For the 36% who do not invest, the perception of high risk (55%) and concerns regarding safety (24%) are the primary deterrents. Looking forward, the sentiment is almost evenly split among non-investors: 47% are open to entering the stock market in the future, while 53% remain rigid in their decision to stay away.

Suggestions and Findings

- **Target the Youth with Education**: Since 49% of investors are young and 38% are beginners, broking agencies and financial institutions should conduct financial literacy camps in local colleges to convert "Beginners" into "Knowledgeable" investors.
- **Promote Professional Advisory**: The heavy reliance on "Family and Friends" (29%) can lead to herd mentality and uninformed losses. Certified Financial Planners (CFPs) and advisors should market themselves highlighting the risks of informal advice.
- **Focus on Risk Mitigation**: Since "Risk" (55%) is the biggest barrier to entry for non-investors, financial products that explain risk-mitigation strategies (like SIPs in mutual funds, or hedging) should be promoted to ease their fears.
- **Simplify Complex Products**: The low interest in Commodities (8%) and Currency Derivatives (10%) shows a lack of awareness. Brokerages should simplify their educational material regarding these segments to diversify investor portfolios beyond just Equity.

CONCLUSION

This study reveals that the majority of small investors in Nizamabad City do not fully consider key financial elements before entering the stock market. These investors tend to be non conservative in their attitude towards company- specific events, remaining relatively unbiased during speculative domestic developments and opportunistic towards global economic events. Rather than reacting impulsively, they generally prefer to observe and understand the market dynamics before making investment decisions.

The findings indicate that a diversified investment portfolio helps small investors achieve both capital appreciation and short- as well as long term returns. Across government employees, private sector workers, self employed individuals, and retired persons, the basic motivation is to channel surplus funds into beneficial schemes that ensure capital preservation along with reasonable returns. Ordinary small investors typically avoid highly risky investment plans, especially given the volatility and unpredictability of the stock and gold markets in the current economic climate.

The study further shows that most small investors in Nizamabad are young and well educated, and media advertisements on investment products strongly influence their entry into equity related instruments. When choosing investment avenues, investors in the city show a clear preference for gold and gold ETFs, while exhibiting little interest in unfamiliar chit funds and private money collection organizations. Gender differences are also evident: female investors lean towards gold, whereas male investors show a stronger inclination towards real estate and insurance products. For capital security, those who invest their own savings tend to prefer bank and post office deposits.

Finally, age emerges as a significant factor shaping investors' attitudes and strategies. As investors grow older, they become more risk averse and tend to shift their portfolios towards safer, income oriented instruments. The overall pattern suggests that, despite growing awareness and media exposure, the attitude of small investors in Nizamabad towards the

stock market remains cautious, information driven, and heavily influenced by demographics, financial literacy, and perceived security of investment avenues.

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