

# A STUDY ON INVESTMENT PATTERN WITH SPECIAL REFERENCE TO SMALL AND MEDIUM CAPITALIZATION COMPANIES

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**Abstract :** The main objective of this paper is to identify the awareness level, risk perception, objectives, risk and return preferences among investors and to find their level of awareness of small and medium capitalization companies. The study found that investment objective of most of the investors' is safety and that most of the respondents invest every month. The study indicated that investment in life insurance; bank deposits and small savings are considered less risky. Investments in mutual funds and shares are considered as high risk. Finally we suggests that awareness level should be created about different investment alternatives so that the investor may diversify his portfolio to reduce his risk and also awareness should be created among investors to invest in small and medium capitalization companies

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## INTRODUCTION

Investment is parting with one's fund, to be used by another party, user of fund, for productive activity. It can mean giving an advance or loan or contributing to the equity (ownership capital) or debt capital of a corporate or non-corporate business unit. Generalized, investment means conversion of cash or money into a monetary asset or a claim on future money for a return. This return is for saving, parting with saving or liquidity and lastly for taking a risk involving the uncertainty about the actual return, time of waiting and cost of getting back funds, safety of funds, and risk of the variability of the return.

The cornerstone of any investment strategy is to maximize the return while maintaining a tolerable risk. The process of allocating assets among several investment categories is a way of achieving the goal. Younger people can assume greater risk than one who is retired; a highly paid executive will be less dependent on current portfolio income than will a disabled person on workmen's compensation and so forth.

The goal of an individual may be current income, capital appreciation or an acceptable balance. If the investor decides on capital appreciation, the investors should have the personality to ride out major decline in the market. These are decisions that only the investor can make after careful consideration.

## CLASSIFICATION OF INVESTORS

Investors can be classified into different groups depending on their attitude towards risk, expectation etc., Each

investor also has an indifference point at which his own expectation of return matches with the risk that he can take.

The investor should also be able to assess his own behavior pattern before he aims at a particular goal, which he wishes to attain. In some cases, most of the investors are willing to sacrifice some expected income or return if the income is certain. The higher the income group of an investor the greater will be his desire for purchasing assets which will give him a favorable tax treatment.

## PSYCHOLOGICAL ASPECTS OF INVESTING

It is relatively easy to gain a theoretical understanding of market movements up and down. Beating the market on paper is not that difficult, but actually putting that knowledge to work in the market place on a day-to-day basis is a more difficult task.

Common sense dictates that periodic monitoring of portfolio performance is a necessary part of the investment process, but if we get too close to the market, the tendency is to respond to the events and prices instead of carefully laid criteria. The asset allocation approach as described here makes a valuable contribution to these ongoing psychological battles that investors have to face. First, the very adoption of the principles of allocation implies that establishment of reasonable investment goals and the employment of a plan. If the investor can make a plan and stick to it, he is far less likely be side tracked by the latest news and investment fashion.

## OBJECTIVES OF THE STUDY

### PRIMARY OBJECTIVES

- To study the investors perception and attitude towards different investment products
- To assess the awareness of investors with regard to small and medium capitalization companies.

### SECONDARY OBJECTIVES

- To analyze the investing habits of the investor.
- To analyze the factors influencing the investor in choosing the types of investments.

### SCOPE OF THE STUDY

India is now one of the fastest economically growing nations. With its vast economy, Indians have a lot of options to invest their savings. This study undertaken for Way2wealth Securities Pvt Ltd aims to study the investors' attitude towards various investment alternatives and to study the customers' perception on investing in small and medium capitalization companies. The study would also analyze the awareness level of investors in small and medium capitalization companies

The study has been done by preparing a questionnaire which contains prospective questions put forth to the investors'. The responses help in analyzing the profile and investing habits of the investor and factors influencing the investor in investing in small and medium capitalization companies.

All this would help in giving suggestions to Way2wealth Securities (P) Ltd, in strengthening their marketing efforts and in determining the market potential for investments in small and medium capitalization companies.

### DATA ANALYSIS AND INTERPRETATION

Analysis is the process of placing the data in the ordered form, combining them with the existing information and extracting the meaning from them. In other words, analysis is an answer to the question "what message is conveyed by each group of data "Data which are otherwise raw facts and are unable to give a meaningful information. The raw data become information only when they are analyzed and when put in a meaningful form.

Interpretation is the process of relating various bits of information to other existing information. Interpretation attempts to answer "what relationship exists between the findings to the research objectives and hypothesis framed for the study in the beginning".

### TEST OF INDEPENDENCE

A statistical test of proportion of frequencies to determine whether membership in categories of one variable is different as a function of membership in the categories of a second variable

### AGE AND RISK PROFILE

**Null Hypothesis (H<sub>0</sub>)** : There is no significant relationship between Age and Risk profile

**Alternate Hypothesis (H<sub>1</sub>)** : There is significant relationship between Age and risk profile.

**TABLE – 1 Relationship between Age Group and Risk Profile**

AGE	RISK PROFILE			TOTAL
	OBSERVED FREQUENCY			
	LOW RISK	MEDIUM RISK	HIGH RISK	
<b>Below 25 Years</b>	20	36	14	70
<b>26-32 years</b>	63	60	37	160
<b>33-39 years</b>	26	43	23	92
<b>Above 39 years</b>	31	36	21	88
<b>Total</b>	<b>140</b>	<b>175</b>	<b>95</b>	<b>410</b>
	EXPECTED FREQUENCY			
<b>Below 25 Years</b>	24	30	16	70
<b>26-32 years</b>	55	68	37	160
<b>33-39 years</b>	31	39	21	92
<b>Above 39 years</b>	30	38	20	88
<b>Total</b>	<b>140</b>	<b>175</b>	<b>95</b>	<b>410</b>

Chi- Square ( $\chi^2$ ) Value = 6.017

Level Of Significance = 0.05

Degrees Of Freedom = 6

Table Value = 12.59

**Interpretation:** Calculated  $\chi^2$  Value is less than the Table Value. So Null Hypothesis ( $H_0$ ) is accepted. Therefore, there is no significant relationship between Age group and Risk Profile.

**2. INCOME AND FREQUENCY OF INVESTMENT**

**Null Hypothesis ( $H_0$ ):** There is no significant association between Income and Frequency of Investment

**Alternate Hypothesis ( $H_1$ ):** There is significant association between Income and Frequency of Investment

**TABLE – 2 Relationships between Income and Frequency of Investment**

INCOME	FREQUENCY OF INVESTMENT			TOTAL
	OBSERVED FREQUENCY			
	Every Month	Once in Three Months	Only in the Last Quarter of the Year	
Below 1 lakh	18	23	55	96
1lakh - 2 lakhs	47	40	54	141
2 lakhs - 3 lakhs	48	16	22	86
3 lakhs - 4 lakhs	25	18	8	51
Above 4 lakhs	16	12	8	36
<b>Total</b>	<b>154</b>	<b>109</b>	<b>147</b>	<b>410</b>
	EXPECTED FREQUENCY			
Below1 lakh	36	26	34	96
1lakh - 2 lakhs	53	37	51	141
2 lakhs - 3 lakhs	32	23	31	86
3 lakhs - 4 lakhs	19	14	18	51
Above 4 lakhs	14	10	13	36
<b>Total</b>	<b>154</b>	<b>109</b>	<b>147</b>	<b>410</b>

Chi- Square ( $c_2$ ) Value = 46.85

Level Of Significance = 0.05

Degrees Of Freedom = 6

Table Value = 15.51

**Interpretation**

Calculated  $c_2$  Value is greater than the Table Value. So Null Hypothesis ( $H_0$ ) is rejected. Therefore, there is significant relationship between Income and Frequency of Investment.

**3. INTEREST IN SMALL AND MEDIUM CAPITALIZATION COMPANIES AND MUTUAL FUNDS**

**SPECIALIZING IN SMALL AND MEDIUM CAPITALIZATION COMPANIES.**

**Null Hypothesis ( $H_0$ ):** There is no close relationship between those who are interested in investing in small and medium capitalization companies and those who interested in investing in mutual funds specializing in small and medium capitalization companies.

**Alternate Hypothesis ( $H_1$ ):** There is significant relationship between those who are interested in investing in small and medium capitalization companies and those who interested in investing in mutual funds specializing in small and medium capitalization companies.

**TABLE – 3 Relationship between Interest in small and medium capitalization companies and mutual funds specializing in small and medium capitalization companies**

Interest in small and mid cap	INTEREST IN MUTUAL FUNDS		
	OBSERVED FREQUENCY		Total
	Not Interested	Interested	
Not Interested	8	7	15
Interested	12	120	132
<b>Total</b>	<b>20</b>	<b>127</b>	<b>147</b>
	EXPECTED FREQUENCY		
Not Interested	2	13	15
Interested	18	114	132
<b>Total</b>	<b>20</b>	<b>127</b>	<b>147</b>

Chi- Square (c2) Value = 22.35

Level Of Significance = 0.05

Degrees Of Freedom = 1

Table Value = 3.84

**Interpretation:** Calculated c2 Value is greater than the Table Value. So Null Hypothesis ( $H_0$ ) is rejected. Therefore, there is significant relationship between those who are interested in investing in small and medium capitalization companies and those who interested in investing in mutual funds specializing in small and medium capitalization companies.

### FINDINGS, SUGGESTIONS AND CONCLUSION

#### Respondent Profile:

- About 90% of the Respondents are Graduates, PG, etc.
- About 73% of the Respondents are Salaried People.
- About 57.80 % of the Respondents have Annual Income of below Rs.2 lakhs.
- About 59% of the respondents come under the tax slab of 10%.

#### Investment Preferences of Respondents

- The Respondents choose Safety as First and Capital Appreciation as their second among factors influencing investment.
- Most of the respondents ranked Life Insurance as first and small savings and Bank Deposits as next choice.
- Most of the respondents are medium risk takers i.e., they need medium returns with average risk

#### Investment Portfolio of Investors

- About 80% of the respondents have invested in Insurance.
- About 75.6% of the respondents have invested in Small savings.
- 73.7% of the respondents have invested in Bank Deposits.
- Only 2% of the respondents have invested in company deposits.

#### Awareness about small and medium capitalization companies

- Only 39% of the respondents are aware about small and medium capitalization companies
- In that 39%, 88% of the respondents are interested to invest in small and medium capitalization companies
- 64% of the respondents preferred private sector companies to invest
- In this also most of the respondents preferred safety as their first choice
- IT sector and Banking sector are the top priorities for the respondents
- About 86% of the respondents who know about small and medium capitalization companies are interested to invest in mutual funds specializing in small and medium capitalization companies

#### SUGGESTIONS

- As majority of the respondents are salaried, this is the core market segment, which should be concentrated on.
- Majority of the respondents showed interest in knowing about small and medium capitalization companies, seminars for investors may be organized to create awareness and interest.
- Majority of the respondents are salaried people. So, the company should promote schemes like Systematic Investment Plan.
- Since most of the people showed interest in bank deposits < small savings the company may promote these products.

#### CONCLUSION

The study revealed that the investors have greatest preference for safety. Most of the respondents have invested in life insurance, bank deposits and small savings. The level of awareness about small and medium capitalization companies can be enhanced through the efforts of the company. Since many investors expressed their interesting learning more about such companies. The statistical analysis of data has given insight into investor

demographics and their investment preferences. Based on the investor profile and investor preferences, suggestions have been made for the company to increase its market penetration.

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