

A STUDY ON INVESTMENT STRATEGY BASED ON SECURITY ANALYSIS

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ABSTRACT

There are investment alternatives available for the investors to invest their savings for the future use. The security analysis is use to invest their money in the best stock avenues. The focus area of the project is to analyse shares by using fundamental analysis and studying portfolio diversification and Risk-Return relationship. The purpose behind this project was to learn the operations of the stock market trading and to understand the basic difference between speculation in the stock market and some study based investment undertaken to derive value. The area of field study is confined to Chennai city, various investors have been examined in order to security analysis using questionnaire for sample survey method, recording and analysing the response and by adopting statistical tools. The data collected through questionnaire are tabulated and the information is interpreted table. Statistical tools like chi-square, ANOVA one way, T test, percentage analysis. Through these analysis it is found that Male are aware of Investment strategies and it is also obtain that there is a significance association with different types of investment and industry. The Analysis of Male investor on security Analysis is very high. The investor with age of 31-40 is known to analyse the security than other group. The business people are predominant in the analysis about the strategies on analysis of security. The investor who have experience of around 1-2 are highly aware. There is a significance difference among the types of investment in analysis the security. There is a significant different among the industry in analysing the security and investor considers the commodity has the highest growth rate compare to other securities in investment.

Keywords: Investors, security analysis, stock market

INTRODUCTION

Security analysis is the analysis of tradable financial instrument called securities. These are usually classified into the debt securities, equities or some hybrid of the two. Tradable credit derivatives are also securities. Securities analysis of fundamental analysis in the examination of the underlying factor that affect with the wellbeing of the economy, industry group and companies with the most analysis, the goal is to derive a forecast and profit from future price movement's. As the company level, fundamental analysis may involve examination of financial data, management, business concept and competition. At the industry level is a method of evaluating a security in an attempt to measure its intrinsic value, by examining related economic, financial and other qualitative factors. To forecast future stock prices, fundamental analysis companies economic, industry and company analysis to derive a stock's current fair value and forecast future value. If the fair value is not equal to the current stock price, fundamental analysis believe that the stock is either over or under valued and the market price, will ultimately gravitate towards fair value.

REVIEW OF LITERATURE:

Robert Merton C. (1987) The sphere of model financial economics encompasses finance, micro investment theory and much of the economics of uncertainty. As is evident from its influence on other branches of economics including public finance, industrial organization and monetary theory, the boundaries of this sphere are both permeable and flexible. Robert Merton C, Zvi Bodie (2004) proposes a functional approach to designing and managing the financial systems of countries, regions, firms, households, and other entities. It is a synthesis of the neoclassical, neo-institutional, and behavioural perspectives. Neoclassical theory is an ideal driver to link science and global practice in finance because its prescriptions are robust across time and geopolitical borders.

Sudi Sudarsanam and JimLai(2001) Extant research on corporate turnaround from financial distress has prescribed a range of strategies to effect corporate recovery. However, no large sample study has examined the general applicability and effectiveness of these strategies. We set out to test the effectiveness of strategies and identify the underlying factors of effectiveness – the impact of timing, intensity and implementation of strategies on corporate recovery. Cremonini, Marco(2006) consider a model of economics behaviour of attackers for the case when they

are able to obtain complete information about the security characteristics of each target and the case when such information is unavailable. We find that if attackers are able to distinguish targets by their security characteristics and switch between multiple alternative targets, then the direct effect of security measures represented by the strengthened technical protection, is complemented by a behavioural effects resulting from more effort being put into attacks on systems with low security level.

Zan Huang(2004)Corporate credit rating analysis has attracted lots of research interests in the literature. Recent studies have shown that Artificial Intelligence (AI) methods achieved better performance than traditional statistical methods. This article introduces a relatively new machine learning technique, support vector machines (SVM), to the problem in attempt to provide a model with better explanatory power. Torsten Arnwald (2001) proposed a broad-based questionnaire survey, which received a high response from German mutual fund companies, sheds light on the black box of institutional equity investing in a systematic manner. The survey asked for fund managers' basic views and practices and for insights into their company's performance-measuring and compensation incentives.

Markus Glaser (2007) The main goal of this paper is to present various descriptive statistics on demographic information, investment strategy, portfolio positions, and trading activity. The main results of this paper can be summarized as follows. Online broker investors trade frequently. The median stock portfolio turnover is about 30% per month. Mary E Barth (2001) That value relevance research assesses how well accounting amounts reflect information used by equity investors, and provides insights into questions of interest to standard setters. A primary focus of financial statements is equity investment. Other uses of financial statement information, such as contracting, do not diminish the importance of value relevance research. Value relevance questions can be addressed using extant valuation models.

Linda Tallau J, Manish Gupta, Raj Sharman (2009) Justifying security investments has been challenging for managers and executives alike for several well-published reasons. With the growing importance of security measures, companies are increasing the share of security investments in their overall Information Technology (IT) budgets. Steven Kaplan and Per Stromberg (2000) proposed that, we consider how venture capitalists (VCs) choose or screen their investments by studying the contemporaneous investment analyses produced by 10 venture capital firms for investments in 42 portfolio companies. Consistent with most academic and anecdotal accounts, we find that it is common for VCs to consider explicitly the attractiveness of the opportunity – the market size, the strategy, the technology, customer adoption, and competition – the management team, and the deal terms.

OBJECTIVES OF THE STUDY:

1. To study the investment strategy based on security analysis.
2. To identify the investor behavior towards security analysis.
3. To evaluate a stock on the basis of fundamental analysis.

RESEARCH METHODOLOGY:

Research Design adopted is descriptive research because as descriptive explains the study on investment strategies on security analysis. Questionnaires are collected from the 200 respondents. The respondents were selected by using Convenience technique. In this study, the primary data was collected through questionnaire. Questionnaire was employed to collect the primary data from 200 selected sample respondents in organization. Tools used for Analysis are Mean Analysis, Chi-square Analysis.

Table 1 Demographic Profile

Gender	Frequency	Percentage	Age	Frequency	Percentage
Male	122	61	20 - 30 years	64	32
Female	78	39	31 - 40 years	68	34
Total	200	100	41 - 50 years	42	21
			51 - 60 years	26	13
			Total	200	100
Occupation	Frequency	Percentage	Monthly Income	Frequency	Percentage
Business people	86	43	10000 – 30000	36	18
Working class	40	20	30001 – 50000	42	21
Govt employee	66	33	50001 – 60000	54	27
Retired people	8	4	Above 60000	68	34
Total	200	100	Total	200	100

Experience in Trading	Frequency	Percentage	Factors Consideration	Frequency	Percentage
0 - 1 year	58	29	Growth of the Industry	97	48.5
1 - 2 years	72	36	Profitability	53	26.5
2 - 3 years	46	23	Nature of the products	24	12
Above 3 years	24	12	Nature of the competition	26	13
Total	200	100	Total	200	100

From the table 1 it is found that frequency majority are Male, Age level of investor are between 31 - 40 years, Occupation are business people, Monthly income is above 60000, Experience in trading is 1 - 2 years and factor consideration on growth of the industry.

Table 2 Analysis of Types Of Investment

INVESTMENT	Observed N	Expected N
EQUITY	56	50.0
COMMODITY	92	50.0
DERIVATIVES	36	50.0
OTHERS	16	50.0
Total	200	
Test Statistics		
	Types of Investment in Securities	No of Investors
Chi-Square	63.040 ^a	63.040 ^a
Df	3	3
Asymp. Sig.	.000	.000
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 50.0.		

From the table 2 it is found that the significant value is less than 0.05 there is a significant difference among the different type of Investment.

TABLE 3 Analysis of Types of Industry

INDUSTRY	Observed N	Expected N
Food industry	22	40.0
Automobile industry	36	40.0
Chemical industry	52	40.0
Metal product	78	40.0
Other	12	40.0
Total	200	
Test Statistics		
	Types of industry	No of investor
Chi-Square	67.800 ^a	67.800 ^a
Df	4	4
Asymp. Sig.	.000	.000
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 40.0.		

Interpretation: From the table 3 it is found that the significant value is less than 0.05 there is significant difference among the different type of Investment.

Table 4 Mean Analysis of Investment Growth

S.no	Investment Growth	Mean	Ranking
1	Equity	3.1656	3
2	Commodity	3.9614	1
3	Mutual Fund	3.3553	2
4	Insurance Distribution	2.2203	5
5	Foreign Exchange	2.6833	4

Table 4 depicts mean analysis for factors of Investment Growth. The Highest Rank is given to Commodity with the mean value 3.9614 which shows that commodity is having the highest growth rate compared to other securities. The lowest is insurance distribution with the mean value is 2.2203.

CONCLUSION

It can be concluded from this research project that Security Analysis is very important for taking feasible investment decisions which does not discuss how to buy and sell shares, but does discuss a method which enables the investors to arrive at buying and selling decision. This survey will help the investors to choose the best securities to get a more return. The analysis of Male investor on security analysis is very high. The investor with the age of 31-40 is known to analyse the security than other group. The business people are predominant in the analysis about the strategies on analysis of security. The investor who have experience of around 1-2 are highly aware. There is a significant difference among the types of investment in analysing the security. There is a significant difference among the industry in analysing the security and Investor considers the commodity has the highest growth rate compare to other securities in Investment.

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