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A STUDY ON INVESTOR PERCEPTION TOWARDS CAPITAL MARKET

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ABSTRACT Investment of hard earned money is a crucial activity of every human being. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Investments are both important and useful in the context of present day conditions and style of living. Factors influencing investment decisions are longer life expectancy, planning for retirement, increasing rates of taxation, high rate of inflation, high income, and availability of numerous investment outlets. The researcher focused on this study for attitude of the investors towards capital market in virudhunagar district. The main reasons behind the study is to study the demographic factors like income, gender, age, occupation, education and the attitude of investors. More than three-fourth of the investors (79.40 per cent) are men. The possibility of high risk in the stock market keeps the women away from the investment in stock market.

KEYWORDS : Stock Market, Investment, Attitude, Investors, Capital Market.

INTRODUCTION

In finance, investment is the commitment of funds for the purpose of future returns. The term investment has been used here in the financial sense, which could ultimately result in investment in the economic sense. In the economic sense, investment refers to an increase in the stock of capital, which increases the productive capacity of a nation. Investment refers to acquisition of some assets. It also means the conversion of money into claims on money and use of funds for productive and income earning assets. In short, it means the use of funds for productive purposes, for securing some objectives like income, appreciation of capital or capital gains, or for further production of goods and services with the objective of securing profits. Investment is defined as the purchase by an individual or institutional investor, of a financial or real asset capable of producing a return, over some future period.

One area that has much activity and which falls within the core of the economic sector of the nation is the capital market. Capital market is the barometer of an economy and it represents the macroeconomic affairs of a country. It is an index of economic and industrial development of the country. A strong capital market is normally an indication of a healthy and growing economy. The capital market is the market for long-term securities, which are created when the companies and the government raise funds for their capital requirements. Its two main components are the equity market and debt market.

Capital market deals with the developmental finance through the instruments such as equity shares, debentures, and long-term loans. The three basic economic constituent units, namely the individuals, firms (i.e., companies) and the government interplay in the capital market. Generally, the companies and the government raise funds from this market and the fund providing households invest their savings into the securities by acknowledging the receipt of funds. It is the place where finance is raised by the companies for meeting their requirements of funds for new projects, modernization and expansion programmes, long-term working capital requirements, repayment of loans and various other purposes. The capital market mobilizes the long-term savings of individuals for investment in shares, debentures, units of mutual funds and other financial instruments, which are ultimately deployed for productive purposes in various sectors of the economy. Thus Capital market plays a vital role in channelizing the savings of individuals for investment in the economic development of a country.

STATEMENT OF THE PROBLEM

The economy of a country functions on the fundamental mechanism of savings and investment of financial capital in to economic activities that help in the creation of economic wealth. Economic wealth in turn creates a conducive atmosphere for consumption that creates economic demand for goods and services thereby stimulating production and further investment. Therefore, this contentions economic cycle leads to growth in the economy which is usually measured by the Gross Domestic Production (GDP).

The movement of capital in the economy from the savings pool to the investment pool is performed by two main platforms of institutional intervention – a) the financial institution and banking framework and b) the financial market framework Banks and financial institutions on the one hand and the Capital market on the other to continue to co-exist and perform their respective functions as it is not possible for each of them to completely substitute the other in taking care of the needs of the economy. However, considering the fact that the Capital market has a wider role to play beyond merely being a catalyst for capital creation, a developed and vibrant capital market is the backbone of a healthy economy [1].

The Capital market play a vital role in Indian economy, the growth of Capital markets will be helpful in raising the per-capita income of the individuals, decrease the levels of unemployment, and thus reducing the number of people who lie below the poverty line.

The retail investors consider their investment needs, goals, objectives and constraints in making investment decisions, but it is not possible to make a successful investment decisions at all times. Their attitude is influenced by various factors such as dividend, get rich quickly strategy, stories of successful investors, online trading, investors awareness programme, experience of other successful investors and the like [2] . A better understanding of behavioural processes and outcomes is important for financial planners because an understanding of how investors generally respond to market movements should help investment advisor in devising appropriate asset allocation strategies for clients [3] .

The various studies have been conducted in other part of the country but to the best of the researcher's knowledge, the researcher could not find any similar study in Virudhunagar District in the state of Tamilnadu. Hence, this study attempts to find out the behaviour of the individual investors, factors influencing their attitude and their awareness on the risk and relationship towards investment in equity.

SCOPE OF THE STUDY

The present study aims to analyze the attitude and behaviour of the individual investors in capital market in Virudhunagar District. Though the Capital market is broadly classified into Primary market and Secondary market, the study covers the investors who have invested or trading in Secondary market or Stock exchanges only. The study does not include the primary market investors. It does not include the institutions which are directly associated with stock market investment. The study does not cover the investors having investment other than stock market. The investors' in stock market in Virudhunagar District only is taken for this study. This study also concentrates the attitude of investors towards risk and return factors in investment in stock market. This study focuses on awareness of investors about functions and regulations of Securities Exchange Board of India.

OBJECTIVES OF THE STUDY

1. To examine the growth of the stock market in India.
2. To identify the socio-economic profile of investors and also to analyze the relationship between the personal factors and investment related characteristics.
3. To identify the attitude of investors towards share market and to analyze the factors influencing the investors to invest in stock market.

HYPOTHESES OF THE STUDY

The following null hypotheses were framed for the purpose of the study.

- There is no significant relationship between the personal factors of the respondents and their investment characteristics.
- There is no significant difference in the opinion of the respondents about the factors influencing the investors to invest in stock market.

METHODOLOGY

The data needed for this study have been collected from both primary sources and secondary sources. The primary data have been collected through a well-designed questionnaire from five hundred respondents in Virudhunagar District. The questionnaire is designed keeping in view the objectives of research and it is pre-tested. The relevant secondary data were gathered from the reports, books, journals, periodicals, magazines, NSE fact books and websites.

SAMPLING DESIGN

For the purpose of this study the primary data have been collected by conducting the survey among the investors spread over six municipal towns in Virudhunagar District. The total population sizes have been 3840 and the sample size of 500 was taken by applying multistage proportionate random sampling technique. There were ninety six stock brokers and the average number of investors actively trading with each broking house is about to forty. For getting the results different stages have been followed. In the first stage, all the ninety six brokers in Virudhunagar District were taken as universe. Secondly, out of ninety six stock brokers, fifty per cent of total stock brokers i.e., fifty were chosen for the study. At the third stages, out of forty average investors 25 per cent of the investors were chosen broker-wise, i.e, 10 investors from each fifty houses and it was worked out to 500 respondents. Accordingly, the primary data were collected from 500 sample investors by taking 10 each from 50 stock brokers through a well structured questionnaire. To test the validity of the sample size, Cochran's sample size formula was applied. $N = t*p*q/d_2$.

The above said population of the study was 3840 investors. The required sample size was 384. However, since this sample size exceeded five per cent of the population (3840 * 0.05 = 192), Cochran's (1977) correction formula was used to calculate the final sample size. This calculation is as follows. n = N / (1 + n / population). Here n worked out to 349. In order to find out the final sample size, the pilot study was conducted to find out the anticipated response rate and it was found to be 65 per cent. By substituting the data to over sampling procedures as follows. n1 = Minimum sample size (corrected) / Response rate.

Finally, for the purpose of final analysis 500 questionnaires are used after rejecting 37 questionnaires which are not completed properly.

ANALYSIS AND INTERPRETATION

Age and Indices Preference of the Individual Investors

Table -1 shows the classification of investors on the basis of age and their indices preference.

Table -1 Age and Indices Preference of the Individual Investors

S. No	Age	Sensex	Nifty	Sectoral Indices	Asian Indices	European Indices	American Indices	Total
1.	Below 25 Years	5 (1.00%)	98 (19.60%)	3 (0.60%)	3 (0.60%)	1 (0.20%)	1 (0.20%)	111 (22.20%)
2.	26-35 Years	17 (3.40%)	101 (20.20%)	2 (0.40%)	3 (0.60%)	2 (0.40%)	2 (0.40%)	127 (25.40%)
3.	36-45 Years	56 (11.20%)	89 (17.80%)	4 (0.80%)	4 (0.80%)	3 (0.60%)	8 (1.60%)	164 (32.80%)
4.	46-55 Years	32 (6.40%)	43 (8.60%)	2 (0.40%)	3 (0.60%)	1 (0.20%)	4 (0.80%)	85 (17.00%)
5.	Above 55 Years	2 (0.40%)	4 (0.80%)	1 (0.20%)	3 (0.60%)	1 (0.20%)	2 (0.40%)	13 2.60%)
Total		112 (22.40%)	335 (67.00%)	12 (2.40%)	16 (3.20%)	8 (1.60%)	17 (3.40%)	500 100.00%)

Source: Primary Data, Note: Figures in brackets represents percentage to total

Table -1 reveals that, out of 111 respondents (22.80 per cent) in the age group of below 25 years, 1.00 per cent respondents have a preferred to Sensex, 19.60 per cent of the respondents have a preference to Nifty, 0.60 per cent of the respondents have a preferred to Sectoral Indices, 0.60 per cent of the respondents preferred Asian Indices, 0.20 per cent of the respondents preferred to European Indices and 0.20 per cent of the respondents preferred American Indices for taking investment decision.

Out of 127 respondents (25.40 per cent) in the age group of 26 to 35 years, 3.40 per cent of the respondents preferred Sensex, 20.20 per cent respondents preferred to Nifty, 0.40 per cent of the respondents have a preference to Sectoral Indices, 0.60 per cent of the respondents have a preference to Asian Indices, 0.40 per cent of the respondents have a preference to European Indices and 0.40 per cent of the respondents have a preference to American Indices.

Out of 164 respondents 32.80 per cent in the age group of 36 to 45 years, 11.20 per cent respondents preferred Sensex, 17.80 per cent respondents preferred Nifty, 0.80 per cent of the respondents preferred to Sectoral indices, 0.80 per cent of the respondents preferred to Asian Indices, 0.60 per cent of the respondents preferred to European Indices and 1.60 per cent of the respondents have preferred to American Indices for taking investment decision.

Out of 85 respondents (17 per cent) in the age group of 46 to 55 years, 6.40 per cent of the respondents have a preference to Sensex, 8.60 per cent respondents have a preference to Nifty, 0.40 per cent of the respondents have a preference to sectoral indices, 0.60 per cent of the respondents have a preference to Asian Indices, 0.20 per cent of the respondents have a preference to European Indices and 0.80 per cent of the respondents have a preference to American Indices.

In order to test whether there is any significant relationship between the age of the investors and their indices preference, Chi-square test has been applied. The null hypothesis is that age does not influence the indices preference.

Results:

Degree of Freedom = (r - 1) x (c - 1)
= (6 – 1)x (5 – 1)
= 20

Calculated Value of X^2 = 92.52

Table Value of X^2 0.05 = 31.4

Since the calculated value (92.52) is more than the Table value at five per cent significant level, the null hypothesis is rejected. Hence, it is concluded that there is a significant relationship between age of the investors and indices preference.

Age and Preference and Awareness on Investment Avenues other than Stock Market

The age group of the investors plays an important role in the selection of investments. The investment objectives and choice of investment tend to vary with the variations in the age of investors. For instance, investors in the age group of above 55 years do not like to take higher risks while making investments and instead they prefer to invest in risk-less and safe investments like bank deposits, fixed income securities, Government bonds and this like.

Thus, age is an important factor, which affects the investment preference and choice of investments. With this view, the researcher has made an attempt to analyse the relationship between the age and preference of investment avenues other than stock investment. Table 3.24 shows that classification of investors on the basis of age and their preference on investments other than stock market.Table -

Table -2 Age and Preference on Investments other than Stock Market

S. No	Age	Deposit in Banks and Post Office	Provident Fund	National Savings Certificate	Gold	Real Estate	Mutual Funds	Insurance Policies	Total
1.	Below 25 Years	34 (6.80%)	1 (0.20%)	3 (0.60%)	37 (7.40%)	24 (4.80%)	3 (0.60%)	9 (1.80%)	111 (22.20%)
2.	26-35 Years	47 (9.40%)	1 (0.20%)	4 (0.80%)	60 (12.00%)	11 (2.20%)	2 (0.40%)	2 (0.40%)	127 (25.40%)
3.	36-45 Years	65 (13.00%)	4 (0.80%)	5 (20.20%)	36 (32.80%)	38 (9.80%)	2 (2.80%)	14 (20.20%)	164 (32.80%)
4.	46-55 Years	4 (5.80%)	3 (1.40%)	7 (9.80%)	46 (17.00%)	19 (5.80%)	2 (1.40%)	4 (9.80%)	85 (17.00%)
5.	Above 55 Years	1 (1.40%)	1 (0.60%)	3 (0.60%)	2 (2.60%)	1 (1.40%)	1 (0.60%)	4 (0.60%)	13 (2.60%)
Total		151 (30.20%)	10 (2.00%)	22 (4.40%)	181 (36.20%)	93 (18.60%)	10 (2.00%)	33 (6.60%)	500 (100.00%)

Source: Primary Data, Note: Figures in brackets represents percentage to Total

2 reveals that, out of 111 respondents (22.20%) in the age group of below 25 years, 6.80 per cent of respondents prefer deposit in banks and post office, 0.20 per cent of respondents prefer to invest in provident fund, 0.60 per cent of the respondents prefer to invest in national savings certificate, 7.40 per cent of the respondents prefer to invest in gold savings, 4.80 per cent of the respondents in real estate, 0.60 per cent of the respondents prefer to invest in mutual funds and 1.80 per cent of the respondents prefer to take insurance policies.

Out of 127 respondents (25.48%) in the age group of 26 to 35 years, 9.40 per cent respondents prefer to invest in banks and post office, 0.20 per cent respondents prefer to invest in provident fund, 0.80 per cent of the respondents prefer in national savings certificate, 12.00 per cent of the respondents prefer in gold as investment options others than stock market

In order to test whether there is any significant relationship between the age of the investors and their preference of investments other than equity investment, the Chi-square test has been applied. The null hypothesis is that age of the investors does not influence the choice or preference of investments in other than equity investment.

Degree of Freedom = (r - 1) x (c - 1)
= (5 – 1)x (7 – 1)
= 24

Calculated Value of X^2 = 101.75

Table Value of X^2 0.05 = 36.4

Since the calculated value (101.75) is more than the Table value at five per cent significant level, the null hypothesis is rejected. Hence, it is concluded that there is a significant relationship between the age of the investors and their choice or preference of investment in other than equity investment.

4 Monthly Income and Preference on Investment other than Equity Investment

The earning capacity of the investors is another factor to be considered while analyzing the influence of various economic factors on investor's preferences. With this concept, the researcher has made an attempt to find the associations between monthly income of the investors and their preference of investment other than equity investment. Table 3.27 shows the classification of investors on the basis of monthly income and their preference of investment other than equity investment.

Table 3 Monthly Income and Preference of Investment other than Equity Investment

S.No	Monthly Income	Deposit in Banks and Post office	Provident Fund	National Savings Certificate	Gold	Real Estate	Mutual Funds	Insurance Policies	Total
1.	Upto Rs.25,000	4 (0.80%)	1 (0.20%)	1 (0.20%)	4 (0.80%)	4 (0.80%)	1 (0.20%)	4 (0.80%)	19 (3.80%)
2.	Rs.25,001 – Rs.50,000	25 (5.00%)	5 (1.00%)	14 (2.80%)	41 (8.20%)	11 (2.20%)	2 (0.40%)	16 (3.20%)	114 (22.80%)
3.	Rs.50,001 – Rs.1,00,000	99 (19.80%)	3 (0.60%)	4 (0.80%)	89 (17.80%)	52 (10.40%)	4 (0.80%)	6 (1.20%)	257 (51.40%)
4.	Above Rs.1,00,000	23 (4.60%)	1 (0.20%)	3 (0.60%)	47 (9.40%)	26 (5.20%)	3 (0.60%)	7 (1.40%)	110 (22.00%)
Total		151 (30.20%)	10 (2.00%)	22 (4.40%)	181 (36.20%)	93 (18.60%)	10 (2.00%)	33 (6.60%)	500 (100.00%)

Source: Primary Data, Note: Figures in brackets represents percentage to Total

It is inferred from Table -3 that Out of 500 respondents 51.40 per cent of the respondents have a monthly income from Rs.50, 001 – Rs.1,00,000. Among them 19.80 per cent respondents prefer to invest in banks and post office, 0.60 per cent respondents prefer to invest in provident fund, 0.80 per cent of the respondents prefer to invest in national savings certificate, 17.80 per cent of the respondents prefer to invest in gold, 10.40 per cent of the respondents prefer to invest in real estate, 0.80 per cent of the respondents prefer to invest in mutual funds and 1.20 per cent of the respondents consider insurance policies as their options other than equity investment.

110 respondents (22.00%) have a monthly income above Rs.1, 00,000. Among them 4.60 per cent respondents prefer to deposit in banks and post office, 0.20 per cent respondents prefer to invest in provident fund, 0.60 per cent of the respondents prefer to invest in national savings certificate, 9.40 per cent of the respondents prefer to invest in gold, 5.20 per cent of the respondents prefer to invest in real estate, 0.60 per cent of the respondents prefer to invest in mutual funds and 1.40 per cent of the respondents prefer to take insurance policies.

In order to know the relationship between monthly income of the respondents and their preference of investment other than equity investment, the chi-square test has been used. The null hypothesis is that monthly income does not influence the preference of investment other than equity investment.

Results:

Degree of Freedom	=	(r - 1) x (c - 1)
	=	(4 – 1) x (7 – 1)
	=	18
Calculated Value of X^2	=	73.25
Table Value of X^2 0.05	=	28.9

Since the calculated value (73.25) is more than the Table value at five per cent significant level, the null hypothesis is rejected. Hence, it is concluded that there exists a relationship between monthly income and their preference of investment other than equity investment.

Factors Influenced the Investors to Make Investment in Stock Market

Apart from the factors which are given importance to make investment in equity share, there are certain factors which influenced the investors to make investment in the share market. Hence, it is interesting to know the factors which factors influence the respondents to make their investment in share market. The factors which influenced the investors have been listed in the interview schedule. The respondents were asked to rank them in the order of their preference. The influencing factors have been analyzed with Garratt's ranking technique.

Garratt's Ranking Technique:

The researcher has identified ten factors which can influence the investors to make their investment in stock market such as To counter the rate of inflation, stories of successful investors, quick rich philosophy, perception of easy money making, strength of Indian economy, access to market information, low cost of executing a trade, performance of Indian stock market, media focus on the stock market and political stability. The respondents were asked to rank the factors in the order of their preference. In order to find out the most important factors, Garrett's Ranking Technique has been used. The following Garrett's formula has been used to calculate the percentage position.

$$\text{Percentage position} = \frac{100\,\text{Rij}}{\text{Nj}}$$

Where, Rij = Rank given for the i^{th} variable by the j^{th} respondent.
Nj = Number of variable ranked by the j^{th} respondent.

The percentage position and their corresponding table values are as follows

Garrett's Ranking Table has been given as Appendix.

For each factor, the score value is calculated by multiplying the number of respondents for that factor with corresponding table value. The total score for each factor has been calculated by adding the score values, for all the ten factors. The mean score for each factor has been calculated by dividing the total score by the number of respondents Garrett's ranks are allotted on the basis of mean score.

Ranking of Factors Influenced the Investors to Make Investment in Stock Market

The respondents were asked to rank the various factors which influenced them to invest their money in stock market. Table - 4 shows the ranking factors which influenced the respondents to invest their money in the stock market on the basis of Garrett's Ranking Technique. The workings of Garrett's Ranking have been given as Appendix.

Table 4 Ranking of Factors Influenced the Investors to Invest in Stock Market

S.No.	Factors	Garrett Scores	Average Scores	Rank
1.	Counter the rate of inflation	31302	62.6	III
2.	Stories of successful investors	33197	66.39	I
3.	Quick rich philosophy	32105	64.21	II
4.	Perception of easy money making	30279	60.56	IV
5.	Strength of the Indian economy	27625	55.25	VI
6.	Access to information	26572	53.14	VII
7.	Low cost of executing a trade	27854	55.71	V
8.	Performance of the Indian Stock Market	25554	51.11	VIII
9.	Media focus on the stock market	22611	45.22	IX
10.	Political stability	21531	43.06	X

It is seen from Table - 4 that the various factors which influenced the investors to invest their money in stock market, Stories of successful investors got the first rank followed by Quick rich philosophy, Counter the rate of inflation, Perception of easy money making, Low cost of executing a trade, Strength of Indian economy, Access to information, Performance of Indian stock market, Media focus on stock market and Political stability.

Out of ten factors identified, the important factor which influenced the investors to invest their money in the stock market has been Stories of successful investors followed by Quick rich philosophy.

Opinions about More Investment Avenues

Equity shares, Index futures, Index options, Stock futures and stock options are various investment products available to the investors in the stock market. Hence, it is interesting to know whether the more investment avenues in the stock market influence the investors to invest in stock market. For this purpose a null hypothesis, "There is no significant difference in the opinion of respondents about the character 'More Investment Avenues' has been framed. To test the null hypothesis, the K.S Test has been applied. The test statistic of K.S Test is given in Table -5.

Table -5 Opinion about More Investment Avenues

S.No	Opinion	Observed Frequency	Observed Proportion	Cumulative observed Proportion	Expected Proportion	Cumulative Expected proportion	D = O - E
1	Strongly Agree	142	0.284	0.284	0.2	0.2	0.084
2	Agree	232	0.464	0.748	0.2	0.4	0.348
3	No Opinion	83	0.166	0.914	0.2	0.6	0.314
4	Disagree	28	0.056	0.97	0.2	0.8	0.17
5	Strongly Disagree	15	0.03	1	0.2	1	0

Result:

Calculated Value
(Large Difference) = 0.348
Table Value = 0.061

As the Calculated value (0.348) is greater than the Table value (0.061), the null hypothesis is rejected. Thus, there is a significant difference in the opinion of the respondents for the character 'More Investment Avenues'. This difference is due to more response (74.8%) for strongly agree and agree. From this it is concluded that, more investment avenues available in the stock market is influencing the investors to invest in stock market.

Conclusion

In this article, attitude of the investors towards capital market and the investment characteristics were analyzed. The majority of the respondents who traded in the stock market were male investors. More than one-half of the investors are in the age between 26 and 45 years of age. Majority of the investors have a monthly income from Rupees 50,001 to 1, 00,000. In the olden days, investment was confined to rich and business people. But, now days it has become a household word and is very popular with people from all walks of life. The objective of motivating the public to invest their savings in the stock market will be achieved only if the regulatory authorities succeed in providing a manipulation free stock market. The influencing factors were classified into ten dimensions. The study revealed that, out of their experience they believe that investment in equities will give a decent appreciation of their investment.

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