A STUDY ON INVESTORS PERCEPTION AND BEHAVIOUR TOWARDS CAPITAL MARKET

Dr.V.Seetha. M.com, M.phil, B.ed, PGDCA, MBA, P.hD.[*]

NITHYA.T.V M.com, M.phil[**]

ABSTRACT

   The present study endeavored to throw light on the investor's perception towards capital market. Investing is not a game but a serious subject that can have major impact on investor's future well-being.Normally people do not like to invest their hard earned money in securities and even if they do, they do not participate in the stock trading activity. They may make a onetime investment for long term benefit and do not follow keenly the goings on in the stock market. It is often considered as a gambling and therefore does not appeal to gentlemen in the society. If by chance, any one gets into them, they expect someone else to think for them, act on their behalf and assure them of only gains and not losses. The main objective of the study was to find out the investors perception towards capital market.It is very important for them to know their risk appetite and investment objectives for better decision making. Hence, an attempt is made to analyze the demographic profile and investment behavior of investors and awareness about risk and return of various capital market avenues. Same time the researcher also attempted to study the factors which are considered by an investor when taking investment decisions.

[*] Associate professor , department of commerce, Sri Ramakrishna College of Arts and Science for Women. Coimbatore

[**] Assistant Professor Department of B.com(CA) SNR AND SONS COLLEGE, COIMBATORE

INTRODUCTION

The economic prosperity of a countryultimately depends upon its financial system. As long as its financial system is well managed and maintained efficiently, effectively and on sound lines, the country's economy would maintain its upward swing and sustain all round growth. A financial system plays a vital role in the economic growth of a country. It intermediates between the flow of funds belonging to those who save a part of their income and those who invest in productive assets. It is a composition of various institutions, markets, regulations and laws, practices, money manager analyst, transaction and claims and liabilities in the economy

INDIAN CAPITAL MARKET

Capital market is the market for long-term funds, in which lenders and investors provide long-term funds in exchange for financial assets offered by the borrowers or holders. It refers to all the facilities and institutional arrangements through which the savings of the community are made available toindustrial and commercial enterprises and public authorities. The market plays a very important role in promoting economic growth through the mobilization of long-term savings and the savings get invested in the economy for productive purpose.

The Indian capital market is regulated and protected by the Act of SEBI. Securities Exchange Board of India (SEBI) was established by the Government of India on 12thApril 1988 and given statutory powers in 1992, with the SEBI Act 1992 being passed by the Indian parliament. SEBI has its head office atMumbai.

Capital market comprises of two components, namely Primary Market or New Issues Marketand Secondary Market. Under Primary Market, companies issue securities directly to the public and whereas under secondary market the existing securities are bought and sold.

PRIMARY MARKET

The primary market plays an important role in the securities market by forming a link between the savings and investments. It is through this market that the borrower's viz. (the Government and the corporate) issue securities in which the investors deploy their savings. The primary market comprises the public issues and the private placement market. A public issue consists of a company entering the market to raise funds from all types of investors; it is known

as the Initial Public Offer (IPO). In case of private placement, there are only a few select subscribers to the issue.

SECONDARY MARKET

Secondary market is a marketwhere investors purchase securities or assets from other investors, rather than from issuing companies. For the general investor, the secondary market provides an efficient platform for trading of his securities.Trading in the secondary market is done through Stock Exchange.

STOCK EXCHANGE

Stock Exchange is defined as an association of member brokers who assist, facilitate and regulate trading in securities. Stock market was established in Bombay, the oldest Stock Exchanges in Asia. The stock exchangein Mumbai popularly known as BSEwas established in 1875 and NSE of India started operation in 1994. One can buy and sell securities in the Stock Exchange or Secondary Market.   These securities are issued by the Government, Semi Government Bodies, Public Sector Undertaking and companies for borrowing funds and raising resources.

DERIVATES

Derivative products initially emerged as a hedging device against fluctuations in commodity prices, and commodity linked derivatives remained the sole form of such products for almost three hundred years. It was primarily used by the farmers to protect themselves against fluctuations in the price of their crops. Through the use of simple derivative products, it was possible for the farmers to partially or fully transfer price risks by locking in asset prices

A derivative is a security with a price that is dependent upon or derived from one or more underlying assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include Stocks,Bonds,Commodities,Currencies,Interest rates and market Indexes.

COMMODITY MARKET

Commodities are products that can be bought, sold or traded in different kinds of markets. Commodities are the raw materials that are used to create products which are consumed in everyday life around the world. There are two main types of commodities

- Soft commodities- agricultural products such as corn, wheat,coffee, cocoa,sugar and soy bean and livestock.
- Hard commodities- natural resources that need to be mined or processed such as crude oil, gold, silver, rubber.

STATEMENT OF THE PROBLEM

In India, household sector is the major contributor to domestic savings. But savings of the household sector are held mainly inphysical assets and conventional forms of financial assets like currency, bank deposits, post office savings, chit funds, insurance funds, and provident and pension funds. If those savings can be channelized into the business sector it will facilitate the development of the country through the development of industrial and service sectors. This calls for the existence of an efficient capital market.

Prices of useful items are ever increasing. But does our income also increase at the same rate? Are our savings sufficient enough to take care of our future expenses? Most of us will have a negative response to these questions. So, how does one prepare himself for these known as well as unknown future expenditures? The answer is by investing. There are a number of investment options available. In a country like India, people invest in gold, silver, post-office savings, term deposits etc. The major factor that one must consider before investing is return. The return should be more than the rate of inflation. Otherwise there is no point of making such an investment. To get more return, you have to take more risk. One of the major investing hubs, which is not so popular in India, is the stock market. There is a belief regarding them that they are a ground for gambling. This ideology is actually a misconception. If the investor follows some basic principles, such as analyzing the market report of the scrip's, EPS/PE ratio, etc., the chances of failure are reduced to a large extent. It is not easy to have awareness of the trading system in a particular avenue. So it is important to study about the individual investors, the

factors influencing the investment decisions of the investors, the avenues attracted and the investor's perception about capital market.Hence the study.

SCOPE OF THE STUDY

The study is undertaken on the investors of Equity Shares and Commodity market in Coimbatore city. Most of the investors generally have limited information about the developments in the securities market. Information about the financial performance of the companies and data aboutshare market available to investor is also limited. All these problems made them rely on share brokers, fund managers and experts to invest in securities.

OBJECTIVES OF THE STUDY

1) To study the demographic and socio-economic status of capital market investors.
2) To analyse the investor's level of awareness about the capital market risk and returns and toidentify the factors that motivated them to invest in equity market.
3) To evaluate the most preferred investment avenues of investors in capital market and theobjectives of their investments.
4) To measure the investors level of perception towards their investment in capital market.

REVIEW OF LITERATURE

P.Annal Regina (2010)[7]in her study "On the Individual Investor Behavior in Capital Market."The study focused on the investment behaviour of individual investors in shares. Tools such as Chi-square test, f test, Duncan's post hoc test, Karl Pearson's correlation and weighted mean values were used. The analysis of data revealed that the herd behaviour varies significantly between age groups. The most preferred type of shares by the respondents was blue chip shares. The fundamental analysis or technical analyses were most important for buying shares .Most of the respondents prefer IPO's shares. The study revealed that demographic variables such as age, qualification, occupation and annual income significantly influence the behaviour of the investors.

E.Appa Rao (2012)[11] had studied about "Investor's Perception and Investment Pattern."Indian stock market witnessed a radical transformation and grown manifold both in qualitative and quantitative terms. The objectives of the study were to analysethe investment

pattern of the investors and the factors influence towards investment in stock market. Chi -square test, percentages, ratio were used for the study

R.Ganapathy (2014) [32]conducted a study on "Public Awareness towards Capital Market Investment with Special Reference to JRF securities." The study was under-taken to know the awareness of general public towards capital market and their investment level. 22% of the respondents were restricted from the market due to market fluctuations. Public investor was not much aware about the investment in capital market. Most of the investors were interested in capital market investment if they get proper guidelines'. So the stock broking firm should create knowledge and guide the potential investors about the market.

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. It explains the various steps that are generally adopted by a researcher in studying the problem along with the logic behind them and also why a particular method or technique are used, so that the research results are capable of being evaluate either by the researcher himself or by others.

AREA OF STUDY

Coimbatore city "The Manchester of South India" is taken for the study. Coimbatore is one of the most affluent and industrially advanced districts in the state of TamilNadu in India.

COLLECTION OF DATA

For the purpose of the present study, the researcher used both primary and secondary data to collect information.

PRIMARY DATA

It consists of original data collected from the respondents. A well-structured questionnaire was framed by the researcher with the available information. The questionnaire has been divided into

Section I deals with demographic profile of the respondents.

Section II deals with investment behavior of the respondents.

Section III deals with investor's awareness, objectives, preferred avenues, decision factors and perception towards capital market.

SECONDARY DATA

The secondary data were collected from reports, seminar papers, books, journals, Stock Exchange reports, RBI Bulletins andgovernment publications. The general information required has beenobtained from secondary sources.

PILOT STUDY

To refine the questionnaire, pilot study was undertaken. The purpose behind the pilot study is to find out the feasibility and suitability of the study and to formulate the problem more specifically. The researcher tested the questionnaire with 20 respondents and checked the suitability and aptness of the questionnaire. The necessary correction has been incorporated in the questionnaire, with consultation of experts.

SAMPLE SIZE

The sample size consists of 250 respondents from Coimbatore city, who are dealing in Shares and Commodity Market. For the purpose of study 10 stock broker outlets were selected. The questionnaire was filled by the same respondent who visit the stock broker's office.

SAMPLING METHODS

Convenience sampling is a non- probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher.Convenience method of sampling is used to collect the data from the respondents.Researchers or field workers have the freedom to choose whomever they find, thus the name "convenience".

LIMITATION OF THE STUDY

➢ The study is applicable to Coimbatore city only and therefore the results does not suits to other areas

➢ The questionnaire was distributed only to the investors who trade in equity shares and commodity market, whereas the investors of currency, debentures are not taken for the study.

➤ The main source of data for the study was primary data with the help of self-administered questionnaire. Hence, the chance of unbiased information is less.

➤ Exact population is not known. Therefore the result shows only the average of the sample.

TOOLS FOR ANALYSIS

➤ PercentageAnalyses

➤ Garret Ranking

➤ Factor Analysis

➤ Correlation.

SIMPLE PERCENTAGE ANALYSIS

Simple percentage analysis is one of the basic statistical tools which is widely used in analysis and interpretation of data.

Personal factors		Level of awareness	
		No of respondents	percentage
Gender	Male	163	65.2
	Female	87	34.8
Age	Less than 25 years	40	16.0
	25-35 years	176	70.4
	35-45 years	20	8.0
	45-55 years	8	3.2
	More than 55 years	6	2.4
Martial status	Married	161	64.4
	Unmarried	89	35.6
	Nuclear	190	76

Nature of family			
	Joint family	60	24
Educational qualification	School level	25	10.0
	College level	176	70.4
	Professional	49	19.6
Occupation	Business	49	19.6
	Private employee	132	52.8
	Govt.employees	35	14.0
	Retired	23	9.2
	House wife	11	4.4
Earning members of the family	1 members	83	33.2
	2 members	121	48.4
	3 members	31	12.4
	More than 3 members	15	6.0
Monthly family income of the respondents	Less thanRs 50,000	65	26.0
	Rs 50,000- Rs1,00,000	112	44.8
	Rs 1,00,000 - Rs2,00,000	58	23.2
	Rs 2,00,000- Rs 5,00,000	15	6.0
	Rs 10,000- Rs	169	67.6

	15,000		
Monthly family saving of the respondents	Rs 15,000- Rs 50,000	42	16.8
	Rs 50,000-Rs 1,00,000	18	7.2
	Rs 1,00,000- Rs 2,00,000	15	6.0
	Above Rs 2,00,000	6	2.4
Monthly amount of investment of the respondents	Less than Rs 25,000	167	66.8
	Rs 25,000-Rs 35,000	52	20.8
	Rs 35,000-Rs 50,000	17	6.8
	Above Rs 50,000	14	5.6
Amount of investment in capital market	Less than Rs25,000	147	58.8
	Rs 25,000- Rs35,000	48	19.2
	Rs 35,000- Rs50,000	35	14.0
	Above Rs 50,000	20	8.0
Type of market operated	Primary market	4	1.6
	Secondary market	132	52.8
	Both	114	45.6
Type of exchange	NSE	94	32.9%
	BSE	80	28.0%
	MCX	44	15.4%

	operated	All the above	68	23.8%
Preferred sector of the respondents	Banking	120	30.3%
	Pharmacy	64	16.2%
	Automobile	63	15.9%
	IT	54	13.6%
Risk appetite of the respondents	High	64	25.6
	Medium	128	51.2
	Low	41	16.4
	No risk/safe investment	17	6.8

Source:primary data.

The above table indicates that 65.2% of the respondents are male, and aged between 25-35years (70.4). 64.4% of the respondents are married and they live in nuclear family (76.0). 70.4% of the respondents have completed college level education and 52.8% of them are private employees. 121 respondents family has 2 earning members, they family income range between Rs 50000 - Rs100000 (44.8%). 16.8% of the respondents save monthly between Rs 15000-Rs50000. The amount of investment made by the respondents is Rs 25000-35000 (20.8%). 58.8% of the respondent's amount of investment in capital market is less than Rs 25000. The respondents mostly invest in secondary market (52.8%).BSE market is operated by 28.0% of respondents and the preferred sector is banking (30.3). 51.2% of the respondents are medium risk takers.

GARRET RANKING

Garret ranking is used to find out the most significant factor which influence the respondent. As per this method, respondent have been asked to assign the rank for all factors.

INVESTMENT OBJECTIVES OF INVESTORS

OBJECTIVES	PERCENT POSITION	GARRET VALUE	AVERAGE SCORE	RANK
To make a earnings as a part of regular income	94.44	19	60.988	1
Long term wealth creation	27.77	62	57.088	4
To have a flow of income for future	61.11	44	59.404	2
To provide for anticipated future needs	16.66	69	53.776	5
Children career / marriage	38.88	56	41.964	7
Purchase of asset	83.33	31	57.144	3
Tax savings	50.00	50	40.588	8
Reinvestments	72.22	38	47.552	6
To enjoy economic freedom and recognition in society	5.55	82	38.688	9

Source: Primaray data

The garret table shows that to make earnings as a part of regular income is ranked first, flow of income for future as second, purchase of assest as third, long term wealth creation as fourth, to provide for anticipated future needs is ranked as fifth, reinvestmentts as sixth, childeren career as seventh, tax savings as eight, and to enjoy economic freedom and recognition in society as nineth for the objectives of investment by the investors

it is concluded that to make earnings as a part of regular income is ranked first, as the objective of investment by the respondent's

FACTOR ANALYSIS ON LEVEL OF ACCEPTANCE

A total of 13 variables of perception about capital market were identified for the purpose of collecting level of acceptance. In order to reduce the number of variables and to identify the key factors contributing towards the level of acceptance of services, factor analysis is performed. KMO and Bartlett's test is conducted to identify the sampling adequacy.

KMO and Bartlett's Test for level of acceptance of service

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.517
Bartlett's Test of Sphericity	Approx. Chi-Square	456.366
	Df	78
	Sig.	.000

KMO of sampling adequacy value for the service quality measures is 0.517 and it indicates that the sample is adequate to consider the data as normally distributed.

Scree Plot
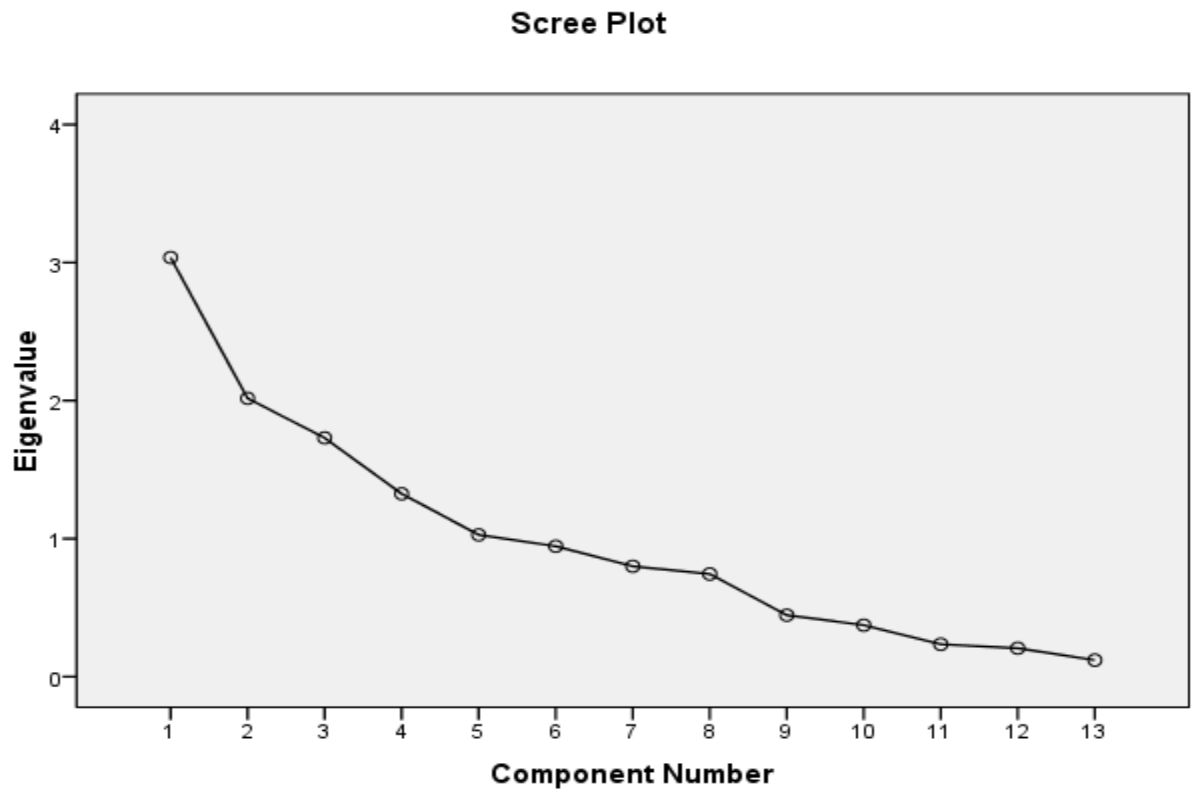
Screen plot shown the above figure gives a pictorial view of the number of components to be shortlisted and to become factors based on Eigen value. So from the above chart four factors have been shortlisted.

TABLE 4.5.2
Rotated component matrix for level of acceptance of service

Rotated Component Matrix					
Variables	**Component**				
	1	2	3	4	5
Price fluctuation in Indian Stock Market is high	-.045	.033	-.202	.040	.868
Stock Market are well regulated	-.030	-.149	-.194	.379	-.526
Corporate Mismanagement	**.768**	-.034	-.199	.152	-.171
Brokers services are good	.513	.581	-.121	-.014	-.052
DEMAT system is convenient	.374	-.294	.478	-.046	.571
Adequate and reliable portfolio	-.023	-.215	-.038	.812	-.064
Equities as option	.018	.241	.177	**.759**	-.027
Mutual funds as option	-.477	.643	-.325	.131	.253
Debentures as option	.149	**.730**	.369	.152	-.019
Managements are not honest and sincere	.837	.067	.256	-.052	.277
Shareholders cannot rely on company auditors	**.711**	.032	.503	-.154	.113
Capital market in India is safe	.071	-.611	.238	.292	-.028
Retail interest are not protected	-.024	.065	-.814	-.115	.048
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 8 iterations.					

Interpretation

Corporate mismanagement, equities as option, debentures as option and Shareholders cannot rely on company auditors are taken for the decision making process.

4.6. CORRELATION

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TABLE 4.6.1

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Correlations					
Variables	**Source**	**Bullion**	**Base metals**	**Agricultural products**	**Mutual funds**
Bullion	Pearson Correlation	1	-.025	-.171**	.120
	Sig. (2-tailed)		.698	.007	.058
	N	250	250	250	250
Base metals	Pearson Correlation	-.025	1	-.097	-.041
	Sig. (2-tailed)	.698		.127	.517
	N	250	250	250	250
Agricultural products	Pearson Correlation	-.171**	-.097	1	-.127*
	Sig. (2-tailed)	.007	.127		.045
	N	250	250	250	250
Mutual funds	Pearson Correlation	.120	-.041	-.127*	1
	Sig. (2-tailed)	.058	.517	.045	
	N	250	250	250	250

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	Sig. (2-tailed)	.007	.127		.045
	N	250	250	250	250
Mutual funds	Pearson Correlation	.120	-.041	-.127[*]	1
	Sig. (2-tailed)	.058	.517	.045	
	N	250	250	250	250
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

Interpretation

The correlation between bullion and mutual funds are moderately correlated and it shows a relationship between two factors

SUGGESTIONS

➢ As most of the respondents want to invest their funds only into equity, the broking firm needs to create awareness about the various products of stock market, which will help the investors to reduce their risk and better returns.

➢ Investors should follow the regular price movements of the stock and should be regularly updated of stock market that time we can make a reducing of loss

➢ Government should bring awareness among people. People had a perception that they need lot of time if they want to invest in markets and they don't have it. They must be given clarity between trading and investment.

➢ Tracking the market environment better with sound knowledge about particular stock would result in better returns.

➢ People with less experience can also be high profit makers when decisions are based on intricate fundamental and technical analysis.

CONCLUSION

➢ The individual should start investing by specifying investment goals, once these goals are established, the individual should be aware of the mechanics of investing and the environment in which he would be satisfied.

➢ Every other person in the equity market is in need of profits. When there is a profit maker, there is also a loser. So taking decisions by relying completely on other's opinion may result in negative returns. This may also comply with the fact of risk appetite in taking decisions. The respondents could be self-monitoring people if they have a good decision making in purchasing a stock. This aspect could be high or low in them to obtain different percentage of returns.

➢ The tactics on every single aspect to deal with a stock, lengthened continuous monitoring of a particular equity and tracking of the market is necessary. It is also evident that investment strategies of people keep changing as well as the factors that influence the decision making keeps changing.