INVESTOR PERCEPTION AND INVESTMENT IN EQUITY MARKET

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ABSTRACT:

The study was carried out with the objective of finding out the investor's perception towards investment in Equity market.The researcher is interested in identifying the major factors that contribute towards investor's perception in Equity. The researcher used the Descriptive type of research design in her study. The researcher used the Primary data collection method in her study by framing a structured Questionnaire. The researcher went with convenient type of sampling method in her study. The sample is taken as 1000. For Analysis and Interpretation, the researcher used the Henry Garret Ranking, Exploratory Factor Analysis, Confirmatory Factor Analysis (CFA), Structural Equation Modelling (SEM).

Keywords: Investors, Perception, Equity market

Introduction:

Equity is a term whose meaning depends very much on the context. In general, one can think of equity as ownership in any asset after all debts associated with that asset are paid off. For example, a car or house with no outstanding debt is considered the owner's equity since he or she can readily sell the items for cash. Stocks are equity because they represent ownership of a company, whereas bonds are classified as debt because they represent an obligation to pay and not ownership of assets. The ability of equities to deliver over longer time frames and even outperform other investment avenues like gold, property and bonds is an often chronicled fact. However, over shorter time frames, equities also hold the potential to be a very risky asset class and expose the portfolio to high levels of volatility. This is the primary reason why any fund manager worth his salt always recommends a sufficiently long (at least 3 years) timeframe for an equity-oriented investment. Similarly financial planners advocate pruning of the equity holdings with advancement in the investor's age, when the investor is typically closer to retirement (shorter investment horizon) and has a lower risk appetite as well.

LiteratureReview:

Seal(2017)[1] equity trading in India was basically a floor-based activity in the BSE. Traditionally, stock trading was done through personally or through telephones. As the no. of people trading in stock market increased enormously in last few years. Due to this, there come new innovations in trading. In this scenario, the existing players are left with two options-either to change their product offerings or to perish.

Kumar and Walia(2017)[2] Indian investors are more conservative; they do not adopt any change easily. Till now just few investors can be recognized who are using technology for online stock trading. Traditional traders still prefer to choose broker as a stock trading mechanism because they are more loyal to their broker. Online trading empowers educated investors to make their own decisions with close watch on market sensitivity by browsing through various sites.

Walia(2004)[3] explored that with IT fueling economy, internet is adopted as effective tool in catalyzing the business activities. Latest developments in information technology have altogether changed business done traditionally. As financial system is becoming more complex it has become need of hour, where investor should comprehend the data and understand recent intricacies of online trading. Keeping in view current market requirement an attempt has been made in this research paper to analyze current status of online trading in Indian scenario.

Kumar(1999)[4] through his research finds which brokerage house people prefer and to figure out what people prefer while investing in stock market. This study suggests that people are reluctant while investing in stock and commodity market due to lack of knowledge. Main purpose of investment is returns and liquidity, commodity market is less preferred by investors due to lack of awareness. The major findings of this study are that people are interested to invest in stock market but they lack knowledge.

SanjeetSharma(2011)[5] revealed that earning per share, dividend per share and book value per share has significant impact on the market price of share. Further, results of study indicated that dividend per share and earning per share being the strongest determinants of market price, so the results of the present study supports liberal dividend policy and suggests companies to pay regular dividends. This policy will affect market price of share in positive direction.

Research Methodology:

(i)   **Objective of the study:**
1.   To understand the Investor preference towards the investment scheme in equity market.
2.   To understand the preference of the investors in the aspects of term gains.
(ii)   **Research design** :The research design applied for the study is described as descriptive research study.
(iii)   **Sampling design:**Non-probability convenience sampling technique was adopted for selecting the sample size for the study. Here the items of population were selected for the inclusion in the sample size is purely based on the convenience of the researcher.
(iv)   **Sample size:**Due to time and resource constraints the sample size of the research has been restricted to 1000investors.
(v)   **Convenience sampling:**A convenience sample the sample is **selected, in part or in whole, at the convenience of the researcher.**
(vi)   **Methods of data collection:** The primary data is collected mainly through questionnaire and personal interview.
(vii)   **Tools used for data collection:**The primary data was collected by using questionnaire. The questionnaire has 31 questions. A five point scale used in these data.
(viii)   **Statistical tools:**The statistical tools applied for the study include
- Correlation Analysis
- Henry Garret Ranking
- Structural Equation Modelling (SEM)

DataAnalysis &Interpretation

1.1 Correlation between occupation and Investment in equity market:

The process of establishing relationship or connection between two or more measures, Values of the correlation co-efficient are always between -1 and +1.A value of +1 indicates that the two variables x and y are perfectly related in a positive linear sense.A value of -1 indicates that the two variables x and y are perfectly related in a negative linear sense

"Insert Table 1 Here"

1.2 Correlation between annual income and investment in equity market:

A value of +1 indicates that the two variables x and y are perfectly related in a positive linear sense.A value of -1 indicates that the two variables x and y are perfectly related in a negative linear sense

"Insert Table 2 Here"

1.3 Investor's Preference of Investment

S.NO.	PARTICULARS	TOTAL SCORE	MEAN	RANK
1.	Equity	48453	51.82	3
2.	Mutual Funds	46610	49.85	7
3.	Stock Futures & Options	47601	50.91	6
4.	Debentures/ Bonds	50041	53.52	1
5.	Real Estate	43000	45.99	9
6.	Gold & Silver	42401	45.35	10
7.	Bank fixed deposits / Corporate Fixed Deposits	46042	49.24	8
8.	Post office savings schemes	48988	52.39	2
9.	Commodity	48213	51.56	4
10.	Pension Scheme	48062	51.40	5

Source: Primary Data (survey of equity investors)

Table-1.3 shows that among the various investment avenues available for the investment, investor prefer the investments based on their risk return preference. The following is the interpretation of results obtained from ranking the equity investors preference of investment. Debentures/Bonds was ranked as the first preferred investment avenue with a score of 53.52 Garrett points. Post office savings schemes was ranked as the second preferred investment avenue with a score of 52.39 Garrett points. Equity was ranked as the third preferred investment avenue with a score of 51.82 Garrett points. Commodity was ranked as the fourth preferred investment avenue with a score of 51.56 Garrett points. Pension Scheme was ranked as the fifth preferred

investment avenue with a score of 51.40 Garrett points. Stock Futures & Options was ranked as the sixth preferred investment avenue with a score of 50.91 Garrett points. Mutual Funds was ranked as the seventh preferred investment avenue with a score of 49.85 Garrett points. Bank fixed deposits / Corporate Fixed Deposits was ranked as the eighth preferred investment avenue with a score of 49.24 Garrett points. Real Estate was ranked as the ninth preferred investment avenue with a score of 45.99 Garrett points. Gold & Silver was ranked as the tenth preferred investment avenue with a score of 45.35 Garrett points.

1.4 Sectors Considered Favorable for Investment

S.NO.	PARTICULARS	TOTAL SCORE	MEAN	RANK
1.	IT Sector	48295	51.65	3
2.	Bank Sector	51142	54.70	1
3.	FMCG sector	44564	47.66	8
4.	PSE Sector	44464	47.56	9
5.	MNC Sector	45830	49.02	6
6.	Service Sector	44803	47.92	7
7.	Energy Sector	48553	51.93	2
8.	Pharma Sector	47733	51.05	4
9.	Infrastructure & Capital Goods Sector	47550	50.86	5
10.	Automobile Sector	42917	45.90	10

Table-1.4 reveals that among the various sectors, investors prefer investing in these sectors considering it as the favourable one. Bank Sector was ranked as the first favourable sector for investment with a score of 54.7 Garrett points. Energy Sector was ranked as the second favourable sector for investment with a score of 51.93 Garrett points. IT Sector was ranked as the third favourable sector for investment with a score of 51.65 Garrett points. Pharma Sector was ranked as the fourth favourable sector for investment with a score of 51.05 Garrett points. Infrastructure & Capital Goods Sector was ranked as the fifth favourable sector for investment with a score of 50.86 Garrett points. MNC Sector was ranked as the sixth favourable sector for investment with a score of 49.02 Garrett points. Service Sector was ranked as the seventh favourable sector for investment with a score of 47.92 Garrett points. FMCG sector was ranked as the eighth favourable sector for investment with a score of 47.66 Garrett points. PSE Sector was ranked as the ninth favourable sector for investment with a score of 47.56 Garrett points. Automobile Sector was ranked as the tenth favourable sector for investment with a score of 45.9 Garrett points.

1.4 Factors Considered Important During Equity Analysis

S NO	PARTICULARS	TOTAL SCORE	MEAN	RANK
1.	52 Week high/low	51785	55.39	1
2.	Price/Earnings Ratio (P/E)	44126	47.19	8
3.	Average Price in recent past	50915	54.45	3
4.	Issue Price	51635	55.22	2
5.	Support/Resistance Line	48246	51.60	6
6.	Intrinsic Value of the share	45587	48.76	7
7.	Advice from broker	45958	49.15	5
8.	Past Trend (Bull /Bear)	50726	54.25	4

An investor during the process of stock (Security)analysis evaluates the instrument, in both fundamental as well as technical aspects. The factors considered important during the equity analysis is analysed using Henry Garrett Ranking to find the most important and least important factors.

Table- 5 shows that 52 Week high/low was ranked to be first important factor during equity analysis with 55.39 Garrett Points. Issue Price was ranked to be second important factor during equity analysis with 55.22 Garrett Points. Average Price in recent past was ranked to be third important factor during equity analysis with 54.45 Garrett Points. Past Trend (Bull /Bear) was ranked to be fourth important factor during equity analysis with 54.25 Garrett Points. Advice from broker was ranked to be fifth important factor during equity analysis with 49.15 Garrett Points. Support/Resistance Line was ranked to be sixth important factor during equity analysis with 51.60 Garrett Points. Intrinsic Value of the share was ranked to be seventh important factor during

equity analysis with 48.76 Garrett Points. Price/Earnings Ratio (P/E) was ranked to be eighth important factor during equity analysis with 47.19 Garrett Points.

52 Week high/low was ranked first by the equity investors. 52 Week high/low range reflects the highest and the lowest price a script has traded in the previous 52 weeks.Traders and investors consider the 52-week high or low as the most important factor in predicting future price movement/trend.

1.5 Testing of Hypotheses – Standardised Estimates

HYPOTHESES		HYPOTHETICAL RELATIONSHIP	RESULT
H_1: There is a positive impact of FA1 and the Investors' Investment decisions.	FA1	Positive	Confirmed
H_2: There is a positive impact of FA2 and the Investors' Investment decisions.	FA2	Positive	Confirmed
H_3: There is a positive impact of FA3 and the Investors' Investment decisions.	FA3	Positive	Confirmed
H_4: There is a positive impact of FA4 and the Investors' Investment decisions.	FA4	Positive	Confirmed
H_5: There is a positive impact of FA5 and the Investors' Investment decisions.	FA5	Positive	Confirmed
H_6: There is a positive impact of TA1 the Investors' Investment decisions.	TA1	Positive	Confirmed
H_7: There is a positive impact of TA2 and the Investors' Investment decisions.	TA2	Positive	Confirmed
H_8: There is a positive impact of TA3 and the Investors' Investment decisions.	TA3	Positive	Confirmed
H_9: There is a positive impact of TA4 and the Investors' Investment decisions.	TA4	Positive	Confirmed
H_{10}: There is a positive impact of TA5 and the Investors' Investment decisions.	TA5	Positive	Confirmed
H_{11}: There is a positive impact of IP1 and the Investors' Investment decisions.	IP1	Positive	Confirmed
H_{12}: There is a positive impact of IP2 and the Investors' Investment decisions.	IP2	Positive	Confirmed
H_{13}: There is a positive impact of IP3 and the Investors' Investment decisions.	IP3	Positive	Confirmed
H_{14}: There is a positive impact of IP4 and the Investors' Investment decisions.	IP4	Positive	Confirmed
H_{15}: There is a positive impact of IP5 and the Investors' Investment decisions.	IP5	Positive	Confirmed

Chi-square = 3309.0, Degrees of freedom = 87, Probability level = .000

RESULT ANALYSIS

It is inferred from the above path diagram that the highest R^2 Value was found in the first variable as "**Profile of the Industry**" and also all the measured variables are influenced with the latent variable of successful operation and also have positive relationship with the significance at 1 percent and 5 percent level for measuring the Market factors influencing the Investors' Investment decisions.

Findings, Suggestions & Conclusion

The various other findings includes the following

- Majority (39%) of the respondents are in the age category of 20-25.
- Majority (76%) of investment towards share are made by male respondent.
- Majority (28%) of investors are government employees.
- Majority (24%) of investor's income level is between 3-4 lakhs per annum.
- Majority (53%) of the investors in are under graduates.
- The respondents prefer Real Estate as their first choice of investment followed by stock Market and Insurance. Depositing in Banks comes as their least preference for Investment.
- Majority (50%) of the investors are satisfied with their return.
- Majority (72%) of the respondents are willing to invest in shares.
- Majority (60%) of the respondents are not investing in shares as they feel it is risk.
- Majority (73.6%) of the investor's choice is to trade in equity shares.
- Majority (32%) of the investors invest 10001-15000 as their initial investment.
- Majority (44%) of the investors have an interest to invest in shares.
- Majority (40.9%) of the investors invest for the purpose of capital appreciation.
- Majority (31.8%) of the investor's have a trade experience of 2-4 years.
- Majority (39%) of the investor's are highly satisfied with upgrading facilities which are provided by the securities.
- It is observed from study of the investor's preference of investment, among the various investment avenues available for the investment, investor prefer the investments based on their risk return preference. Debentures/Bonds was ranked as the first preferred investment avenue. Post office savings schemeswas ranked as the second preferred investment avenue.Equity was ranked as the third preferred investment avenue
- It is observed from study of the sectoral preference of equity, among the various sectors, investors prefer investing in these sectors considering it as the favourable one. Bank Sector was ranked as the first favourable sector for investment. Energy Sector was ranked as the second favourable sector for investment. IT Sector was ranked as the third favourable sector for investment.
- It is observed from study of the factors considered important during equity analysis. An investor during the process of stock (Security)analysis evaluates the instrument, in both fundamental as well as technical aspects. 52 Week high/low was ranked to be first important factor during equity analysis. Issue Price was ranked to be second important factor during equity analysis. Average Price in recent past was ranked to be third important factor during equity analysis.
- It is inferred from the study that the highest R^2 Value was found in the first variable "Profile of the Industry" and also all the measured variables are influenced with the latent variable and also have positive relationship with the significance at 1 percent and 5 percent level for measuring the Market factors influencing the Equity Investors' Investment decisions
- It is inferred from the study that the highest R^2 Value was found in the first variable as "Profile of the Industry" the regression coefficient of the exogenous variables and also it is concluded that the critical ratio of all the manifest variables are above the table value 2.962 and it is significant at 1 percent level for measuring the Market factors influencing the Equity Investors' Investment decisions.
- The model fit indices of the variables was calculated and the entire test has the range of 0 to 1. The comparative fit index (CFI) scored 0.831, normed fit index (NFI) scored 0.658, relative fit index (RFI) scored 0.926, incremental fit index (IFI) scored 0.831, parsimonious normed fit Index (PNFI) scored 0.678, parsimony comparative fit index (PCFI) scored 0.814, Tucker Lewis index (TLI) scored 0.521and the Root Mean Squared Error of Approximation (RMSEA) secured 0.02 that indicates a close fit of the model.
- There is a positive impact between various Market factors and the Equity Investors' Investment decisions.

Suggestion:

To increase awareness about Share Market, the company should organize campaign. The campaign can be weekly, monthly, yearly, it will give a good result to the company to capture market in the competitive position.

Conclusion:

Equity markets play a major role in a market-based economy. They provide capital raising, liquidity, and investment options. These importantfunctions allow our economy to grow continuously.

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