



# STUDY ON INVESTOR'S PERCEPTION ABOUT INVESTING IN SHARES IN TIRUCHIRAPPALLI DISTRICT

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## ABSTRACT

*Stock exchanges to some extent play an important role as indicators, reflecting the performance of the country's economic state of health. Stock market is a place where securities are bought and sold. It is exposed to a high degree of volatility; prices fluctuate within minutes and are determined by the demand and supply of stocks at a given time. Amidst of high volatility, investors are interested to make investments in share market because of its high return. This paper is an attempt to investigate the perception of share market investors about investing with special reference to Tiruchirappalli District. The objectives of the study were, to study the perception of share market investors and to study their level of satisfaction from market investment. The study is mainly based on the primary data collected from 250 samples and the samples were selected through simple random sampling technique. It is found that, share market investment is not the first and most prioritized option of investment, it only stood as third option and a considerable portion of respondents are not interested in investing shares because of no idea about the field. Even though the investors invested in share market are also not totally happy on their investment decision*

**Key words:** Investors, Perception, Equity shares.

**Cite this Article:** A. Kavitha, Study on Investor's Perception about Investing in Shares in Tiruchirappalli District, *International Journal of Management (IJM)*, 11(11), 2020, pp. 3237-3243.

<https://iaeme.com/Home/issue/IJM?Volume=11&Issue=11>

## 1. INTRODUCTION

Stock market is a system through which company shares are traded. The equity market offers investors an opportunity to participate in a company's success through an increase in its stock price. With enhanced opportunity; however, the equity market usually carries greater risk than debt markets. The U.S. equity market focuses on the New York Stock Exchange, with its large trading floor and system of specialists. The other major component of the U.S. equity market is the NASDAQ, a computerized system of brokers / dealers with no physical trading space. The U.S. equity market also comprises trading on the American Stock Exchange, regional stock

exchange, so- called ECNs, the Over the counter Bulletin Board, and the Pink Sheets. The worldwide equity market grew rapidly in the late 20th century, rising from \$ 1 trillion in market benefited from freer markets, government privatization, and companies seeking an alternative to debt (Saminathan *et al.*, 2020 a). Small investors saving their monies in various financial product in small be understand that the investors particularly the individuals investing their personal savings could be called as retail investment (Rajinikanth & Unnamalai 2014). This is in contrast to the institutions like mutual fund, Puffs, hedge funds investing money on investment category, individuals investing their monies in small sums (Kavitha & Gopinath, 2020) The investor's attitude towards equity market has been gauged with the factors of investment and the behavior of the investors in the security market. It is a well-established fact that in India, the household savings have a dominant role in the capital formation in the country (Saminathan *et al.*, 2020 b). The fund mobilization by various companies in equity market in India has been on the increase since their inception.

Further, keeping in tune with the objective of New Economic policy of 1991, the equity market was thrown open to the public during 1993, in India. Since then, the investment trend shifted in favor of the equity market. The investment in equity stocks is given significance and preference by the investors after 2005 that is increasingly constant. In this context the researcher has attempted to study the perception of investor regarding investing in equity shares.

## 2. REVIEW OF LITERATURE

Pattabhi Ram (1995) emphasized the need for doing fundamental analysis and doing Equity Research (ER) before selecting shares for investment. He opined that the investor should look for value with a margin of safety in relation to price. The margin of safety is the gap between price and value. He revealed that the Indian stock market is an inefficient market because of the absence of good communication network, rampant price rigging, and the absence of free and instantaneous flow of information, professional broking and so on. He concluded that in such inefficient market, equity research will produce better results as there will be frequent mismatch between price and value that provides opportunities to the long-term value-oriented investors. He added that in the Indian stock market investment returns would improve only through quality equity research.

Alexandra Dawson, (2004), in his study, "Investigating Decision – Making Criteria of Private Equity Investors in Family Firms", examines decision-making models used by private equity investors in their selection of family firms. Building on Literature on investment criteria at start-up stage, a series of hypotheses is put forward, based on decision-making, strategic management and buyout theories. The theoretical model is tested through an experimental design for which data have been collected among 41 respondents based in Italy. Findings are analysed using hierarchical linear models in order to investigate which criteria are used, assess their relative importance and test whether decision-making models are individual-specific or influenced by the firm individuals work for.

Qiang Cheng and Terry D. Warfield, (2005), in their article, "Equity Incentives and Earnings Management", examine the link between managers' equity incentives. The hypothesize that managers with high equity incentives are likely to sell shares in the future and this motivates these managers to engage in earnings management to increase the value of shares to be sold. Using stock – based compensation and stock ownership data over the 1993 – 2000 time period, they document that managers with high equity incentives sell more shares in subsequent periods. As expected, they find that managers with high equity incentives are more likely to report earnings that meet or just beat analysts' forecasts. They also find that managers with consistently high equity incentives are less likely to report large positive earnings surprises. This finding is consistent with the wealth of these managers being more sensitive to future stock

performance, which leads to increased reserving of current earnings to avoid future earnings disappointments. Collectively, their results indicate that equity incentives lead to incentives for earnings management.

Andreas Kemmerer and Tom Weiding, (2005), in their study, “Reporting Value to the Private Equity Fund Investor”, look at the actual reporting behavior and information flow of the private equity (mainly venture capital) fund manager to the fund investors, based on access to a fund investors’ database. Overall, the study revealed that the European private equity industry has improved their reporting qualitatively and quantitatively, especially in terms of shorter delivery times of reports. This change is mainly due to the introduction of the EVCA reporting guidelines and willingness by both, fund managers and investors, to report voluntarily or contractually bind by contract to report in accordance to these standards. The study also pointed out that aspects of the relationship between the entrepreneur and fund manager are also often found at the next level, between fund managers and investors.

Gerben *et al.* (2007), in their article, “A Recommitment Strategy for Long Term Private Equity Fund Investor”, develop a reinvestment strategy for private equity which aims to keep its portfolio weight equal to a desired strategic allocation, while considering the liquid nature of private equity. Historical simulations (1980- 2005) show that our dynamic strategy is capable of maintaining a stable investment level that is close to the target. This does not only hold for unrestricted portfolios, but also for investments limited to buy-out or venture capital, a specific region, or management experience. This finding is of great importance for investors, because private equity funds have a finite life time and uncertain cash flows.

### 3. OBJECTIVES

- To study the preference of investment among investors
- To study the investor’s perception about investment in equity shares
- To study the level of satisfaction of equity investors

### 4. METHODOLOGY

#### 4.1. Research Design

The researcher has followed conceptual research design, which facilitates research to be as efficient as possible and will yield maximal information.

#### 4.2. Source of Data

The research is based on both primary and secondary data. The primary data was collected through structured questionnaire and the secondary data was collected from websites and journals.

#### 4.3. Sampling

The required primary data was collected from the share investors of Tiruchirappalli District. 250 samples were collected using judgmental sampling technique. Totally 280 respondents were requested to fill the structured questionnaire. Out of that 261 has returned their filled questionnaire, 11 were found incomplete and 250 were considered for analysis.

## 5. ANALYSIS

### 5.1. Preference of Investment among Investors

**Table 1** distribution of Preference of investment among various investment avenues

Ranks	Shares	Debentures/ Bonds	Stock futures and options	Mutual funds	Fixed deposits	Insurance policies	Real estate	Gold/ Silver	Others
	%	%	%	%	%	%	%	%	%
1st	9.6	6.2	11.6	14.2	8.8	13.0	8.8	29.0	18.2
2nd	6.2	7.6	14.0	7.4	21.4	15.8	17.6	17.2	3.6
3rd	10.2	11.8	28.2	8.8	4.0	10.8	2.0	5.8	9.8
4th	7.6	26.2	5.6	7.0	10.0	5.2	8.8	8.4	14.2
5th	31.6	8.8	8.4	13.6	9.0	3.8	7.6	15.0	11.8
6th	9.0	9.4	9.2	29.8	12.6	4.4	8.0	6.4	5.4
7th	8.6	10.8	9.2	7.4	12.6	31.8	9.0	7.2	7.6
8th	9.6	10.4	7.8	7.4	12.6	4.4	31.2	6.4	5.0
9th	7.6	8.8	6.0	4.4	9.0	10.8	7.0	4.6	24.4
<i>Results</i>	<i>3rd</i>	<i>4th</i>	<i>5rd</i>	<i>6th</i>	<i>2nd</i>	<i>7th</i>	<i>8th</i>	<i>1st</i>	<i>9th</i>

Table 1 shows the forms of the investments of the selected respondents. There are very many different forms of the investments discussed by the researcher to know the interest of the investors. The ranking opinions are presented forms of investment-wise like, shares, debentures and bonds, options and futures of stocks, mutual funds, fixed deposits, insurance policies, real estates, gold and silver and other forms. Among them the selected investor respondents have ranked the forms according to their perception is as follows. Out of the total 250 respondents, 31.6 per cent ranked 3rd the shares as their forms of investments; and 17 respondents (6.2 per cent) ranked second the shares as their forms of investments. 26.2 per cent have ranked 4<sup>th</sup> the debentures and bonds as their forms of investments; and only 6.2 per cent have chosen them as first as their forms of investments. The findings were in line with Gopinath (2020a)

Among the 250 respondents, 28.2 per cent have ranked the stock futures and options as their forms of investments as 3rd and the majority (29.8 per cent) have ranked 6th the mutual funds as their forms of investments among the total; and only 22 respondents 4.4 per cent have chosen the same as in 9th place as their forms of investments. 21.4 per cent have ranked the fixed deposits as 2nd and only 20 respondents (4.0 per cent) have ranked the same as 4th as their forms of investments. Among the total 500 respondents 159 respondents (31.8 per cent) have ranked the insurance policies as 7<sup>th</sup> and 19 respondents (3.8 per cent) have ranked the same as their forms of investment as fifth in ranking.

As found from the analysis of ranking of investors' preferences of investments, 31.2 per cent have chosen the real estate as eighth; and the minimum of 2.0 per cent have ranked the same as 3<sup>rd</sup> as their forms of investments. The gold and silver are ranked by 29.0 per cent in 2<sup>nd</sup> place and only 4.6 per cent have ranked the same in the 9th place. The other forms of investments are preferred by 24.0 per cent) of the total in the 9<sup>th</sup> place and the little proportion of respondents (3.6 per cent) ranked the same in 2<sup>nd</sup> place as their forms of investments (Gopinath & Poornapriya, 2020).

Hence, it is concluded that on the whole, the gold and silver are preferred first by 29.0 per cent; the fixed deposits are ranked 2<sup>nd</sup> by 52 respondents (21.4 per cent); and the share market

option ranked 3<sup>rd</sup> by 28.2 per cent among all the forms of investments. Thus, it is preferred by the investors that the gold and silver, fixed deposits and share as their forms of investments (Kalaiaarasi & Gopinath, 2020).

## 5.2. Level of Interest in Investing Shares

**Table 2** the level of interest of the investors in investing share

Particulars	No. of respondents (n=250)	Percentage
Yes	175	69.8
No	75	30.2

Table 2 shows that a major portion (69.8 per cent) of investors are interested in investing shares and only a considerable portion (30.2 per cent) are not interested in investing shares.

**Table 3** Reason for not interested to invest in shares

Particulars	No. of respondents (n=75)	Percentage
No idea about share market	21	26.8
Fear of Wrong selection of shares	19	25.2
Investing in share market involves high risk	15	20
Misguiding of brokers	8	10
Complicated Share market activities	12	17

Table 3 portrays the reason for not interested to invest in share market. Out of 75 respondent who said they are not interested in investing shares, 26.8 per cent of them said that they have no idea about share investment and 25.2 per cent of them expressed their fear of wrong selection of shares. 15 investors out of 75 have said share market investments involves high risk and 8 of them are feared about the misguidance of brokers. 17 per cent are feeling complicated about the share market activities (Shanmugavadivu & Gopinath, 2020)

**Table 4** Reason for investing in shares

Particulars	No. of respondents (n=175)	Percentage
Capital gain	53	30.1
Regular income	35	20.9
Safety	16	9
Liquidity	44	25.5
Others	27	15.5

Table 4 describes the investors reason for investing in share market. Out of 175 who are interested in investing shares 53 said they prefer share investments because of sudden capital appreciations. 20.9 per cent of them prefer for regular income and 25.5 per cent prefer for liquidity reasons. Only 9 per cent buy shares for safety reason and 15.5 have some other reasons to invest in share market (Pavithran *et al.*, 2018).

### 5.3. Satisfaction in Share Market Investment

**Table 5** respondent's opinion about satisfaction in share market investment

Particulars	No. of respondents(n=175)	Percentage
Yes	128	73.6
No	47	26.4

Table 5 portrays about the opinion on satisfaction in share market investment. Out of 175 who invested in share market 128 are happy and satisfied about their investment in share market and 47 are not much satisfied about their investment decision

## 6. FINDINGS

The perception of investors regarding various sources of investment avenues is ranging from investment in Gold to real estate. In this span, gold occupies the first position followed by fixed deposit to shares. The same perception is resembled when studying the interest of investors in investing shares (Unnamalai, 2013). Out of 250 respondents 175 are showing positive attitude on share investment where as others or not. The non -interested investors opined that they are not having much awareness about share market operations. From the satisfied investors some of them are not happy about them retunes and safety of principle amount in share investment, so they may not continue their share investment for long tenure (Selvam *et. al.*, 2019).

## 7. CONCLUSION

Even though investing in share market is more profitable compared to any other sources, it requires lot of analysis and continues monitoring on investment (Gopinath, 2020b). Many times, the investors are need to depend their share brokers for purchasing and monitoring their investment. Sometimes, the fluctuations may beyond our hands also (Unnamalai, 2014). These kinds of technical difficulties made share investment as tough one. Economic stability of the government and more investor protection regulations by the security exchange board of India, may change the mindset of investors about share investment.

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