



A STUDY ON INFLUENCE OF INVESTORS' PERCEPTION ABOUT INVESTING SHARES IN INDIA

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ABSTRACT

Investing in Indian Stock Market is indeed an untapped yet potential mode for retail investors. But owing to misconception and underrating of own risk tolerance capacity, retail investors of India basically prefer to put their investible amount on seemingly riskless modes of investment. Stock exchanges to some extent play an important role as indicators, reflecting the performance of the country's economic growth. This study the influence of investors' perception about investing shares in Tiruchirappalli district. This study mainly based on the primary and secondary data and primary data collected from 300 samples and the samples were selected through simple random sampling technique. Result found that reason for investing shares investors' perception is investment capital gain. Investment procedures and criteria adoption of investing shares is not having significant influence on the investors' level of satisfaction. Hence, it can be said that investor's perception on criteria adopted of investment is significant influencing to reasons for investing shares, Reasons for investing shares is having influence on investors level of satisfaction.

Key words: Investor, Stock exchanges

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1. INTRODUCTION

Development of any economy depends on savings and investments of that nation. The increase in savings of the country reflects increase in the income level of the people. Investment will always increase the income of the nation. The financial market facilitates and promotes appropriate allocation of financial resources for the socially and economically deserving wherever it's required (Gopinath & Poornapriya, 2020). They influence both the quality and the pace of economic development. An efficient financial market is thus an important infrastructure that facilitates savings, investment and consequent economic growth. The

financial system plays vital role and it contributes a major segment to the economic growth. Since the onset of the method of (LPG) Liberalization, Privatization and Globalization remarkable changes and development have been achieved during early nineties. The contribution of house hold sector is a major share to (GDS) Gross Domestic Savings and farming, that is the life blood for the economy (Gopinath & Chitra, 2020). They are the strength of any capital market. The contribution from small investors is critical to the economic and social growth of the country. Individual investors need to conserve and rebuild their wealth through various alternatives.

Stock market in India plays a very important role in the growth of industry and commerce of the country that eventually affects the economy of the country to a large extent. Because of this very reason not only government and industry but central bank of the country is also vigilant about its performance. Stock market has direct impact on society, since it provides a platform to large number of buyers and sellers to same juncture and helps them to satisfy their need. It helps public companies to raise funds for their expansion or settling down a new venture, which brings tremendous growth and development to the economy (Kavitha & Gopinath, 2020).

In classical economics the individual investor is considered as fully rational in making investment decisions but the current modern behavioral finance they are irrational in decision making (Jaya & Gopinath, 2020). In the last years, behavioral finance has become the active areas in financial economics. During 1970's and early 1980's researchers found sufficient evidence that the financial market is more efficient and that investment decisions are taken rationally.

At present there is large number of investment opportunities available in the financial market for a company to grow, succeed and diversify their business. Availing these growth opportunities depends on the availability of finance for companies to grow. Financial market plays an important role in the investment (Saminathan et al., 2020a).

Capital market includes deposit and credit institutions like bank, contractual saving institutions such as insurance companies, collective investment institutions like mutual funds securities market, money market, currency market non-financial enterprises indigenous banks and money lenders (Saminathan et al., 2020b). The changes are always permanent in every markets. As markets are changing the investment perception is also changing. Understanding the investors is a challenging problem faced by the policy makers. In today's competition, every company in the service sector is trying hard to satisfy its customer.

The financial environment is witnessing tremendous and spectacular growth during the last few decades. The important financial instruments include mutual funds, small saving schemes, deposits, corporate securities and insurance. Against for each alternative instrument category the individual investors need to make decisions regarding institutions, investment products, amount of investment and period of investments. Investment decision is based on level of awareness of the investors being the foremost step in investment. The awareness on investment avenues is inquisitiveness stimulates them to seek more information about financial product. Awareness creates an attitude towards investments. Therefore, the investment decisions are greatly influenced by the investors awareness level. The individuals may equal in all respect but their investment behavior might not be the same.

The study is unique; its findings would be beneficial for the investors. Further, it may enable individual investors to make better investment choices among the basket of financial alternatives available currently with them. The findings would benefit the regulators of financial markets such as SEBI, Stock Exchanges, Ministry of Finance, and Depositories. Researchers, academicians and other participants in primary and secondary financial markets may get new

insights based on the results of the study. It is also expected that the study would open new vistas of research in the area of security market.

2. REVIEW OF LITERATURE

Narayana (1976) in his study on “Income, Saving and Investment of household sector in chittoor district of Andra Pradesh”, found that the most important forms of urban financial investment were bank deposits, shares and securities which accounted for 28 per cent. The study covered the financial year 1973 – 74 and analyzed the rural and urban household characteristics.

Pandit B.L (1985), made a study on “Saving Behaviour and Choice of Assets of Indian Households”. The research was concerned with the volume of household saving and the form in which it is held. He added that the household’s marginal propensity to save, both overtime and surplus income classes, varies with income. Expected inflation has a small but negative effect on household savings. The behaviour in the household savings of shares, securities and claims on government could not be explained in any plausible manner possibly because of the heterogeneity.

Jawahar Lal (1995), avers that investor protection means that the stock market and participants should be fair to the investors and should not do anything negative, which may appear as deliberate attempts on their part to inflict loss to the investors. They should be provided adequate and reliable information and because of this, they made sound investment decisions. The question of investor protection is so wide that it covers any act and practices by which their rights and interest rates are adversely affected.

Maruthupandian. P (2001), carried out a study entitled, “A study on equity investor’s awareness” with the aim of examining investment information seeking behaviour of equity investors and problems faced by them. The study was made on 411 investors. The study concluded by saying that the investors should remember that their active participation in the activities of the forum is a must. Otherwise Share holder democracy will not become a reality and it will remain illusory for which shareholders themselves would be responsible.

Nyborg (2002) reopened the role of public expenditure for financing higher educational needs of the members of a state. The author observed declining proportion of public expenditure on education and asserted that private money can accompany public funds, however, it should not be a reason for authorities reducing their level of commitment and public resources for education. Public authorities indeed should be responsible and accountable for ensuring increased access, equality in opportunities including policies and student finance, if it aims to make higher education as a public good.

Fellner and Maciejovsky, (2007) The impact of behavioral differences by gender is also an important variable. Female investors more often than their male counterparts tend towards risk aversion which is demonstrated by their more conservative investment behavior. This claim is evidenced by a smaller number of market enquiries, lower trading volume and lower frequency of transactions attributable to females.

Mathivannan.S and Selvakumar.M (2011) conducted a study on “Savings and investment pattern of school teachers in Sivakasi Taluk, Tamil Nadu”. The outcome reveals that the teaching community has started realizing the reputation of money and money’s worth. It is evident from the study undertaken that most of the teachers are saving their money for their children’s education, marriage and other welfare expenses.

Paul and Bajaj(2012),reveals that Indian share market is one of the oldest share market in Asia, but the amount of participation in it is not convincing and the participation is considerably falling in the recent years. Majority of the retail investors of India follows traditional mode of investment like fixed deposit, Banks, Insurance, etc. which actually landed them with negative

return, when we will be considering inflation also. But since they are very much risk averse so they don't want to make exposure to risky portfolios. Most of the existing equity investors are also not well-versed with information, so they are considered to have moderate level of awareness about equity market. Thus, investment in share market by the retail investors is influenced by their occupation and income. For increasing participation of retail investors in the equity market the awareness among the need to be created. Awareness programs should be organized to promote equity market as an investment opportunity and to make people aware of its long term benefits. In this respect broking houses need to play a major role and guide the investors in picking up the right shares at the right.

As per the study by Chandra and Kumar (2012), it is important to study individual investors' behavior, since Indian individual investors are more prone to psychological biases while making financial decision making. Presence of financial heuristics, self-regulation, prudence and precautionary attitude financial addiction and lack of information effects the decision making of the investors. More focus or study has been done into institutional investor's behavior, thus ignoring the retail investors. Many researchers and studies have been made in context of developed nation like U.S.A. or European Union, but a lot more studies are needed to justify the participation of developed country like India into the financial market.

Panjali and Kasilingam (2015) in their study state that investment behavior of investors can be studied in various ways. Lifestyle is another important factor which influences the investment behavior of the people. So now it becomes important for the intermediaries and capital market operators to know the lifestyle of the investors to design effective instruments and can motivate them to enhance their penetration in different financial avenues (Kavitha & Gopinath, 2020). The lifestyle of an investor can be determined by studying their activities, interest and opinion of investors. Lifestyle largely depends upon the income of the person. It gives clear picture of their saving surplus. The occupation too influences risk taking behavior. Kavitha, (2020) in her article found that share market investment investing main reason is capital gain.

The literature review of existing studies reveals that most of these studies have continuously been made on household saving behaviour of investors. These studies are conducted to find the significance of demographic characters and investors behaviour. The research works pertain to the influence of personality on investment behaviour is very less, which differs in the results, and the investment range with alternatives being considered for the study is limited.

3. RESEARCH METHODOLOGY

This research study adopts descriptive research design to examine the perceptions of investors' behavior about their shares. A descriptive study is one in which information is collected without changing the environment (i.e., nothing is manipulated). In descriptive studies, the researcher interacts with the participant and conduct surveys or interviews to collect the necessary information. In this study, the researcher approached stock broking company Tiruchirappalli to identify investors.

This study is based on both primary and secondary data. Secondary data is drawn from the reports of Government of India, BSE and NSE. These data provides rich, authentic and reliable information that helped the researcher to make meaningful observations and draw conclusion from the same. Primary data is collected from investor and using a well-structured questionnaire. Sample design is a definite plan determined before any data are actually collected for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample. The sample design to be used must be decided by the researcher taking into consideration the nature of the inquiry and other related factors (Kothari C.R., 2004). The sampling technique used for this research study is Simple

Random Sampling method. In this method each and every item in the population has an equal chance of inclusion in the sample (Kothari C.R., 2004; Gopinath et. al, 2021). Before finalising sample size, the researcher calculated the sample size for each and every statement in the questionnaire by using the above formula and chosen the highest arrived sample size (i.e.) 300, which can be used as minimum sample size for the analysis. Checking the reliability and validity of the research instrument is more important before starting any kind of analysis, especially in respect of conducting multivariate analysis with structural equation modeling (Hair et.al, 2010; Gopinath et. al, 2020; Ramamoorthy et. al, 2016).

4. RESULTS AND DISCUSSION

Data analysis is a process of transforming data into useful information with conclusions and support decision-making. The collected data is transferred and tabulated using SPSS software.

The profile of the respondents refers to all the key demographic characteristics, investing shares and other shares. For easier understanding and interpretations, these variables are classified as personal profile characteristics, and investor profile characteristics.

Table 1 Demographic Profile of Investors'

S.No	Demographic Variable	No of Respondents	Percentage
1	Male	182	61
	Female	118	39
	Total	300	100
2	20 to 25 Years	85	28.33
	26 to 30 years	149	49.67
	31 to 35 Years	35	11.67
	Above 35 Years	31	10.33
	Total	300	100
3	Graduation	110	36.67
	Post-graduation	190	63.33
	Total	300	100
4	Urban	173	57.7
	Rural	52	17.3
	Semi-urban	75	25.0
	Total	300	100
5	Student	59	19.7
	Employed	151	50.3
	Business person	90	30.0
	Total	300	100
6	Below Rs,10000	11	3.7
	Rs, 10000 to 20000	14	4.7
	Rs, 20001 to 30000	50	16.7
	Rs, 30001 to 40000	121	40.3
	Above 40000	104	34.7
	Total	300	100

Source: Primary Data

Table shows that the distribution of sampled respondents based on gender. Little less-than two-third (61%) of the investor included in this study is male. It is evident that majority (49.67) of the investors are in the age group of 26 to 30 years. This result is quite in line with the general trends that prevail in investor sector where young graduates are desirous of pursuing higher studies or salary employed for better and faster career growth. Just majority of the borrowers (63.3%) has completed their post -graduation and the rest (36.67) has completed their

graduation. The respondents based on the location of the educational institution. About majority (57.7%) of the borrowers are pursuing their education in Urban Centers followed by Semi-Urban Centers. The respondents based on occupation at present. While majority (50.3%) of the investor are employed, a little less than one-third (30%) of them are business person. Less than half of the investor (40.3%) are from the family that earns about Rs. 30001 to 40,000, about one-third (34.7%) earn above Rs.10,000 and a significant proportion (16.7%) earn around 20001 to 30,000. The real income of investors is essentially important to study their liquidity position.

5. REASON FOR INVESTING SHARES

This study examines the reasons for investing shares by investors. Reason for investing shares contains five statements and the responses which are investing shares in the stock market through a structure interview schedule.

Table 2 Reason for Investing Shares

S.NO	Reason for Investing Shares	Mean	Std.Dev	Rank
1	Capital Gain	4.17	.755	I
2	Regular Income	3.69	1.389	II
3	Safety	3.66	1.157	IV
4	Liquidity	3.67	1.149	III
5	Lower taxable income	3.63	1.277	V
6	Others	3.38	.968	VI

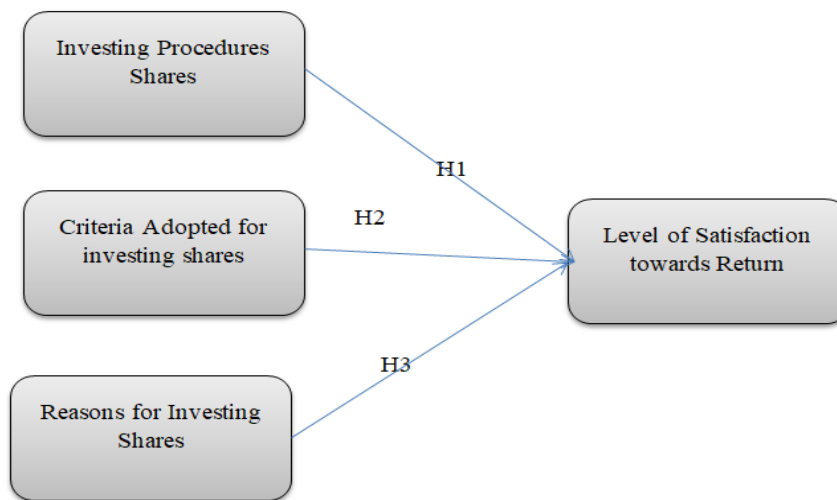
Source Primary Data

This table shows the mean-score based ranking of reasons for investing shares. As evidenced, investors have reported that capital gain as the major reason (mean-score = 4.17). Further, regular income, liquidity, safety, lower taxable income and others. Therefore, it is concluded that investors opt the investment in investing shares because of the capital gain.

6. INVESTORS PERCEPTION OF INVESTING SHARES

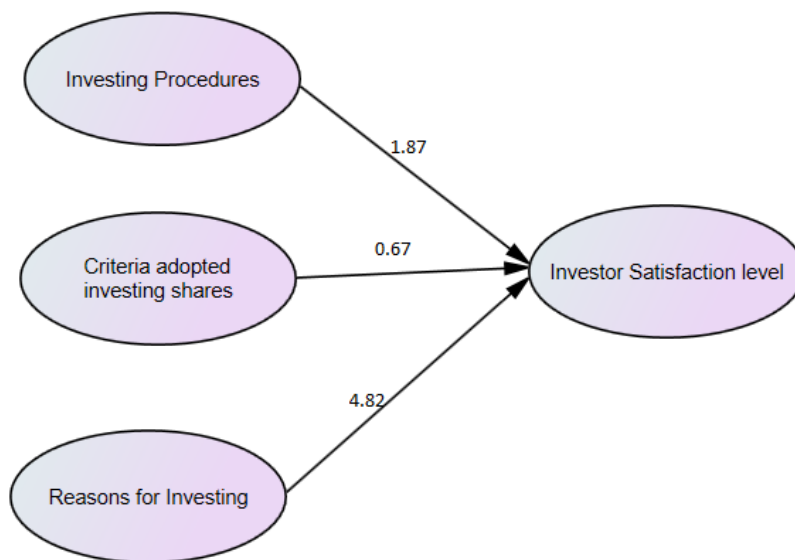
Level of satisfaction model has been arrived at using four constructs of criteria adopted by shares while investing and return the shares, Reasons for investors investing shares, return on the investment from the shares followed by investors' level of satisfaction about shares. Criteria adopted by stock market has been arrived at based on the while investing shares. Investment procedure includes the variables. A reason for investing shares includes the variables of investor reasons.

Fir: 1Conceptual Procedure

**Figure 1**

This model measures the influence of investors perception based investing shares on their suggestions to criteria adopted by investors while investing shares, opinion on investment procedure, reasons for investing shares and investors' level of satisfaction.

It can be inferred from Figure 2 that the t values in respect of influence of investor perception based on the investment on criteria adopted by investors, reasons for investing shares, opinion on the investment procedure and level of satisfaction about investing shares are 4.080, 4.820, which is greater than 2.58. Hence, it can be said that investor's perception on criteria adopted of investment is significant influencing to reasons for investing shares, Reasons for investing shares is having influence on investors level of satisfaction at one percent level.

**Figure 2 Structural Model**

The t value in respect of influence of investment procedure of shares and criteria adopted is 1.875 and 0.670 which is less than 1.96. Hence, investment procedures and criteria adoption of investing shares is not having significant influence on the investors' level of satisfaction. Model fitness is verified through predictive relevance (Q2). Model has Q2 value of greater than 0. Hence, it can be decisively concluded that arrived model is statistically fit.

7. SCOPE FOR FUTURE RESEARCH

Despite the contribution of this study towards understanding stock market, this study has some limitations, which would serve motivation for future research. First, this study has used primary data from a sample drawn using cross-sectional study design from a relatively smaller geographical region of Tiruchirappalli. Future studies can be undertaken in larger district of Tamilnadu. This study also did not look into the role of brokerage and investors into the effective administration and investing the shares. This presents a significant opportunity for future researchers to investigate. Finally, this study contend that efficiency of any service scheme can only be assessed when it is examined using a stakeholder approach. Therefore, this study recommend that future research be undertaken to measure the efficiency and effectiveness of the investing shares segment in larger State of Tamilnadu using a stakeholder approach.

8. CONCLUSION

India needs high rates of savings and investments to build a step ahead in the efforts of attaining high level of development. Capital formation in the household sector, has led to a respectable figure for capital formation of a country. The investors' decisions are driven by various economic indicators such as GDP, inflation rate, unemployment rate, NNP, GNP, monsoon, government policies, and so on (Gopinath et al., 2019). This study is a piece of try to recognize the perception of the investors. In this study the researcher has made an attempt to classify the individual investors into different personalities and explore the relationship among the various demographic factors and the investment personality exhibited by the investors. The result be capable of be helpful in profiling individual investors and scheming suitable investment strategies according to their personal features, thereby enabling them gain optimum return on their investments. To conclude, one will appreciate that the above-mentioned points really do not need much of one's own time and effort to place keen on exercise. It is only that one should be alert of these and take corrective action if necessary. These factors encompass a way of adding up and sometimes make all the disparity among financial health and lack of it.

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