

# A STUDY ON INVESTOR PERCEPTION TOWARDS INVESTMENT IN CAPITAL MARKET WITH SPECIAL REFERENCE TO COIMBATORE CITY

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## ABSTRACT

The primary objective of this study is to know the expected return of the Investors. The data was collected from both primary and secondary sources. The primary data was collected through Questionnaire using convenient sampling technique. Further, the collected data was classified, tabulated and analyzed using simple statistical tools like Percentage Analysis and Chi Square Test. this report covers some of the important basic investment strategies for picking stocks for investors we have also come across transaction process of securities market and the how the investors' grievances solved. We have seen the different investment choices in securities market for an investor to invest The investors are back bones of the securities market, without them there is no market, and without market, no company can raise funds from public.

**Key words:** Investor, Perception, Investment, Grievances.

## INTRODUCTION

The Indian capital market has seen an unprecedented boom in its activity in the last decade. We can now boast of a very large investor population and substantial volumes of trade. However, this surge in activity has brought with it, numerous problems that threaten the very survival of the Capital market in the long run. A closer inspection of the problems would reveal that most of them arise due to the intrinsic nature of paper based trading and settlement.

This century-old system of trading and settlement requires handling of huge volumes of paper leading to increased costs and inefficiencies.

The Indian capital market has witnessed numerous changes in the recent past. Historically stock market booms have always resulted in a number of problems for the lay investor. Sometimes, the problem may magnify them and threatens to engulf the entire capital market. A close introspection of these problems will reveal that most of them are due to intrinsic nature of paper based trading and settlement. All this may have driven away many potential

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investors and Foreign Institutional Investors. Dematerialization of shares is looked upon as the remedy for the 'paper' based problems.

With effect from August 19, 1998 SEBI has granted certificate of registration of Central Depository Services (I) Ltd. (CDSL). Yet even with demat, from the point of view of investors there are numerous problems. Here Wallet Watch introduces you to setting up of a demat account and introduction of scrip less trading and settlement.

### **STATEMENT OF THE PROBLEM**

Technological enablement and rapid growth of Indian capital market since the new economic policy has given more importance to investors. Investor behavior also tend to move into savings to investment, short-term trading of capital market instruments.

Investors in the capital market have been fuelling for the economy and the stock exchange have been contributing like lubricants. In this process it is essential that all the information have to be identified and circulated to the buying and selling segments so that efficient mechanism will be created. The efficiency market indicates the replications of the information into the stock price, as assuming that information in cost less. Every information whether issued by the institutions or leak as the private information carries certain cost benefit so that it should be reflected on securities price sooner or later. Make perfection of their investment decision and awareness about the fact contributes for the efficient market operations. This study on investor's perception in attempt to know the characteristics of the investors so as to know the preference with respect to their investments. This study also tries to unravel the influence of demographic factors like gender and age on risk tolerance level of the investor. This study also tries to know the reason among various sectors have been attracted by the investors in order invest and gain return. By knowing the factors that motivate to select particularly help the new investors and also existing investors to choose a capital market for future investment.

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## REVIEW OF LITERATURE

Panda (1980) has studied the role of stock exchanges in India before and after independence. The study reveals that listed stocks covered four-fifths of the joint stock sector companies. Investment in securities was no longer the monopoly of any particular class or of a small group of people. It attracted the attention of a large number of small and middle class individuals. It was observed that a large proportion of savings went in the first instance into purchase of securities already issued.

Gupta (1981) in an extensive study titled 'Return on New Equity Issues' states that the investment performance of new issues of equity shares, especially those of new companies, deserves separate analysis. The factor significantly influencing the rate of return on new issues to the original buyers is the 'fixed price' at which they are issued. The return on equities includes dividends and capital appreciation. This study presents sound estimates of rates of return on equities, and examines the variability of such returns over time.

Jawahar Lal (1992) presents a profile of Indian investors and evaluates their investment decisions. He made an effort to study their familiarity with, and comprehension of financial information, and the extent to which this is put to use. The information that the companies provide generally fails to meet the needs of a variety of individual investors and there is a general impression that the company's Annual Report and other statements are not well received by them.

L.C.Gupta (1992) revealed the findings of his study that there is existence of wild speculation in the Indian stock market. The over speculative character of the Indian stock market is reflected in extremely high concentration of the market activity in a handful of shares to the neglect of the remaining shares and absolutely high trading velocities of the speculative counters. He opined that, short-term speculation, if excessive, could lead to "artificial price". An artificial price is one which is not justified by prospective earnings, dividends, financial strength and assets or which is brought about by speculators through rumours, manipulations, etc. He concluded that such artificial prices are bound to crash sometime or other as history has repeated and proved.

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Nabhi Kumar Jain (1992) specified certain tips for buying shares for holding and also for selling shares. He advised the investors to buy shares of a growing company of a growing industry. Buy shares by diversifying in a number of growth companies operating in a different but equally fast growing sector of the economy. He suggested selling the shares the moment company has or almost reached the peak of its growth. Also, sell the shares the moment you realize you have made a mistake in the initial selection of the shares. The only option to decide when to buy and sell high priced shares is to identify the individual merit or demerit of each of the shares in the portfolio and arrive at a decision.

Sunil Damodar (1993) evaluated the 'Derivatives' especially the 'futures' as a tool for short-term risk control. He opined that derivatives have become an indispensable tool for finance managers whose prime objective is to manage or reduce the risk inherent in their portfolios. He disclosed that the over-riding feature of 'financial futures' in risk management is that these instruments tend to be most valuable when risk control is needed for a short-term, i.e., for a year or less. They tend to be cheapest and easily available for protecting against or benefiting from short term price. Their low execution costs also make them very suitable for frequent and short term trading to manage risk, more effectively.

### **OBJECTIVES OF THE STUDY**

- ✓ To know the expected return of the Investors.
- ✓ To identify the risk taken by the Investors.
- ✓ To know the Investors satisfaction in Capital Market.

### **RESEARCH METHODOLOGY**

Descriptive study is a fact- finding investigation with adequate interpretation. It is the simplest type of research. It is more specific than an explanatory study, as it has focus on particular aspect of the problem studied. It is designed to get her descriptive information and provide information for formulating more sophisticated studies. Data are collected by using one or more appropriate method, observation and mail questionnaire. The data was collected

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from both primary and secondary sources. The primary data was collected through Questionnaire using convenient sampling technique. Further, the collected data was classified, tabulated and analyzed using simple statistical tools like Percentage Analysis and Chi Square Test.

### LIMITATIONS OF THE STUDY

- The major constraint of the study was the availability.
- The respondents were less interested in answering the questionnaire, as they felt that it was an interruption to their regular work.
- The number of respondents was limited to 100 only.

### ANALYSIS AND INTERPRETATION

#### Factors Motivating to invest in Capital Market

Motivational Factors	Number of Respondents	Percentage
Return	27	27%
Liquidity	20	20%
Safety	32	32%
Capital Appreciation	21	21%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Source: Primary Data**

#### Interpretation

The above table shows that 32% of the respondents considered safety factors motivated them to invest in the Capital Market, 27% of the respondents considered return on

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investment, 20% opined liquidity and the remaining 21% of the respondents felt capital appreciation as the reason to invest in Capital Market.

### Advise to enter in Capital Market

Advise	Number of Respondents	Percentage
Friends	22	22%
Relatives	16	16%
Advisors	10	10%
Media	12	12%
Research Report	13	13%
Magazines	11	11%
Self	16	16%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Source: Primary Data**

### Interpretation

It is clear from the above table that 22% of the respondents got advice from their friends to enter into Capital Market, 16% each of the respondents were influenced by self and relatives, 13% through research report, 12% through media, 11% by magazines and the remaining 10% through advisors.

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### Factors Induced To Invest in a Particular Stock

Factors Induced	Number of Respondents	Percentage
Dividend Paying	26	26%
Organic Growth	34	34%
Inorganic Growth	9	9%
Future Prospectus	31	31%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Primary Data

### Interpretation

The above table shows that 34% of the respondents considered the organic growth as the factor that induced them to invest in a particular stock, 31% of the respondents felt future prospectus, 26% of the respondents opined dividend paying and the remaining 9% of the respondents indicated inorganic growth as the factor induced them to invest in a particular stock.

#### Relationship between Age of the Respondents and Plan to invest in future

$H_0$ : There is no significant relationship between Age of the Respondents and Plan to invest in future

$H_1$ : There is significant relationship between Age of the Respondents and Plan to invest in future

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### Age of the Respondents and Plan to invest in future

Age	Plan to invest in future							Total
	Car	House	Land	Land and Properties	Share Market	Gold	Business	
Below 20 years	1	2	5	4	1	4	5	22
	2.0	2.4	3.5	2.9	5.1	4.4	1.8	22.0
21 to 40 years	6	3	8	5	6	12	2	42
	3.8	4.6	6.7	5.5	9.7	8.4	3.4	42.0
41 to 60 years	1	4	1	3	10	4	0	23
	2.1	2.5	3.7	3.0	5.3	4.6	1.8	23.0
Above 60 years	1	2	2	1	6	0	1	13
	1.2	1.4	2.1	1.7	3.0	2.6	1.0	13.0
<b>Total</b>	<b>9</b>	<b>11</b>	<b>16</b>	<b>13</b>	<b>23</b>	<b>20</b>	<b>8</b>	<b>100</b>
	<b>9.0</b>	<b>11.0</b>	<b>16.0</b>	<b>13.0</b>	<b>23.0</b>	<b>20.0</b>	<b>8.0</b>	<b>100.0</b>

Factor	Calculated $\chi^2$ Value	Table Value	D.F	Remarks
Age	32.167	28.869	18	Significant @ 5% Level

It is clear from the above table that the calculated Chi-square value (32.167) is more than the table value (28.869) and the result is significant at 5% level. Hence, the hypothesis

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“Age of the Respondents and Plan to invest in future” holds good. From the above analysis, it is concluded that there is significant relationship between the Age of the Respondents and Plan to invest in future

### Satisfaction with Current Performance of the Equity Market in Terms of Expected Returns

Satisfaction	Number of Respondents	Percentage
Satisfied	23	23%
Fully Satisfied	48	48%
Unsatisfied	20	20%
Fully Unsatisfied	9	9%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Source : Primary Data**

### Interpretation

The above table shows that nearly half (48%) of the respondents are fully satisfied with the current performance of the equity market in terms of expected returns, 23% of the respondents are satisfied, 20% of the respondents are unsatisfied and the remaining 9% of the respondents are fully unsatisfied with the current performance of the equity market in terms of expected returns.

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### Rating on preference towards Risk

Rating	Number of Respondents	Percentage
High	1	1%
Medium	11	11%
Low	20	20%
No risk / safe investment	68	68%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Source: Primary Data**

### Interpretation

The above table shows that most (68%) of the respondents rated on preference towards no risk / safe investment as their risk appetite, 20% of the respondents preferred low risk, 11% expected medium risk and the remaining 1% of the respondents preferred high risk towards risk appetite.

### Benefits of investing in share market

Opinion	Number of Respondents	Percentage
Yes	90	90%
No	10	10%
<b>Total</b>	<b>100</b>	<b>100%</b>

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**Source: Primary Data**

## **Interpretation**

The above table shows that majority (90%) of the respondents felt they have realized the benefits of investing in share market and 10% of the respondents do not feel so.

## **SUGGESTIONS**

- ❖ The Market should maintain a good relationship in reality and should render of quick services according to the customers, in case of necessity.
- ❖ The Capital market should go for doorstep services, which would help the customers to get educated regarding the services and be the prospective customers.
- ❖ The Capital market should have a separate customer's care department so that they keep in touch with customers which make them feel they are cared loved needed.

## **CONCLUSION**

In the competitive world the study indicates the different participants of the markets, and how they take their investment decisions. Even this report covers some of the important basic investment strategies for picking stocks for investors we have also come across transaction process of securities market and the how the investors' grievances solved. We have seen the different investment choices in securities market for an investor to invest.

The investors are back bones of the securities market, without them there is no market, and without market, no company can raise funds from public. So the interest is a paramount for any broking company.

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