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A study on investor perception towards investment in capital market with special reference to Coimbatore City

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Abstract

The researcher carried out the study with the objective of finding out the investor's perception towards capital market. The researcher is interested in identifying the major factors that contribute towards investor's perception in the area of capital market. 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 120 by the researcher. For the purpose of Analysis and Interpretation the researcher used the following statistical tools namely Simple Percentage Analysis, Chi-Square Test & Rank Correlation. Based on the Analysis and Interpretation the researcher arrived out with the major findings in her study and Suggestions are given in such a way so that the investors can attain the wealth maximization

Keywords: capital market, Percentage Analysis, Rank Correlation

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 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.

Objectives of the study

- To know the Investors Perception in Capital Market.
- To identify the risk taken by the Investors.
- To understand in which area the investors are investing.

Scope of the study

Globalization of the financial market has led to a manifold increase in investment. New markets have been opened; new instruments have been developed; and new services have been launched. Besides, a number of opportunities and challenges have also been thrown open

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Research Methodology

Research

The study of research method provides you with the knowledge and skills you need to solve the problem and meet the challenges of the fast- based decision. Marketing environment we define Business Research as a systematic inquiry whose objective is to provide information to solve managerial problem.

It seeks to find explanation to unexplored phenomena to clarify the doubtful facts and to correct the misconceived facts.

Type of research

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.

Data Collection

The data was collected from both primary and secondary sources. The primary data was collected through Questionnaire using convenient sampling technique.

Primary Data

The questionnaire was used to collect the data from the respondents. In few cases to collect data from the respondents who possess only Schooling and others have filled in the questionnaire. These data collected were used for analysis after proper scrutiny.

Secondary Data

The primary data are supplemented by spate of secondary data. The researcher referred several magazines, journals, periodicals about Capital market and obtained the necessary secondary data. Secondary data analysis saves time that would otherwise be spent collecting data and, particularly in the case of quantitative data, provides larger and higher-quality databases that would be unfeasible for any individual researcher to collect on their own.

Analytical framework

The collected data was carefully coded and transited to SPSS Package. With this the tabulation was made in scientific and systematic way. further, the collected data was classified, tabulated and analyzed using simple statistical tools like Percentage Analysis and Chi Square Test.

Chapter-IV: Level of Awareness about the Capital Market

Level of Awareness	Number of Respondents	Percentage
Trading System	23	23%
Listing of Companies	25	25%
Equity Market	22	22%
Operation of Stock Market	30	30%
Total	100	100%

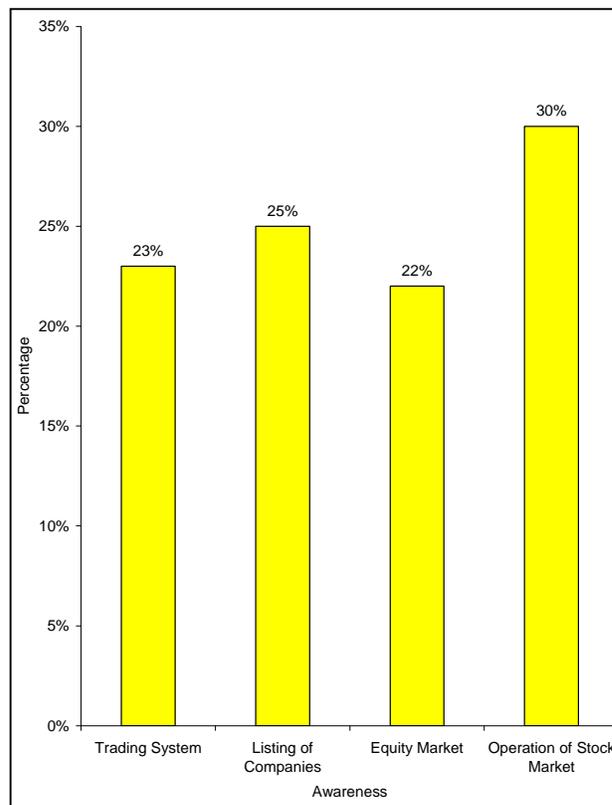
Source: Primary Data

Interpretation

The above table shows that 30% of the respondents level of awareness about the capital market is operation of stock market, whereas 25% of the respondents stated listing of companies, 23% of the respondents opined trading system and the remaining 22% of the respondents indicated equity market as their source of Awareness about the Capital Market.

- From the analysis, it is concluded that majority of the respondents belong to the age between 21 and 40 years.

Level of Awareness about the Capital Market



Percentage of Earnings on Savings

Percentage	Number of Respondents	Percentage
0 to 10%	40	40%
10% to 20%	39	39%
Above 20%	21	21%
Total	100	100%

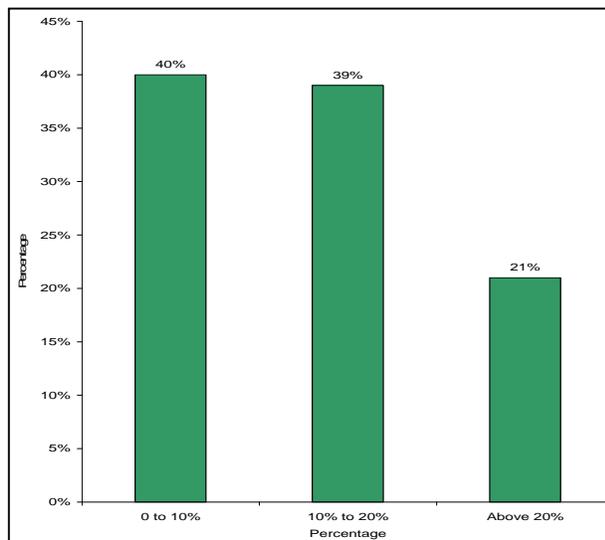
Source: Primary Data

Interpretation

The above table shows that 40% of the respondents get 0 to 10% on their earnings on savings, 39% of the respondents percentage is between 10 and 20% of earnings on their savings and the remaining 21% of the respondents earnings on savings is above 20%.

From the analysis, it is concluded that majority of the respondents belong to the age between 21 and 40 years.

Percentage of Earnings on Savings



Most Important parameter considered while investing

Parameter	Number of Respondents	Percentage
Return	49	49%
Lower Risk Factor	12	12%
Credit Rating	27	27%
Inflation	12	12%
Total	100	100%

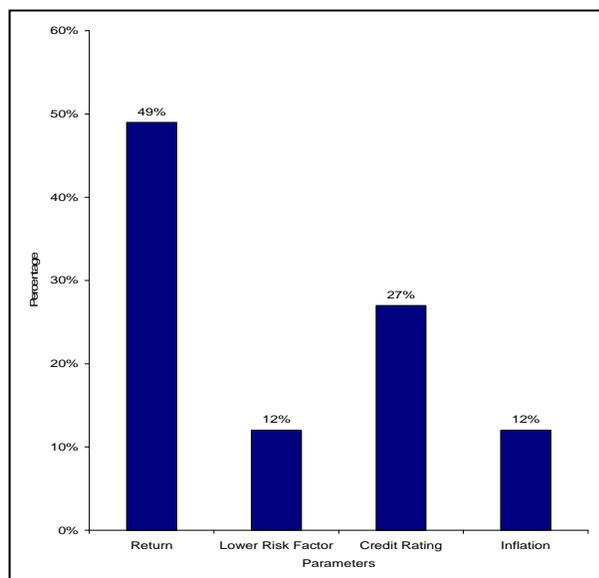
Source: Primary Data

Interpretation

The above table reveals that less than half (49%) of the respondents stated return as the most important parameter considered while investing 27% of the respondents opined credit rating, 12% of the respondents indicated lower risk factor and the remaining 12% of the respondents expressed inflation as the most important parameter considered while investing.

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Most Important parameter considered while investing



Chapter-V Findings, Suggestions and Conclusion

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.

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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.

Technically, it is possible to buy even single shares in dematerialized securities regime and also to buy small lots of 50 to 100 shares so as to keep the investment amount low. Equity shares are primarily volatile instruments. Equity share is an appropriate investment avenue for an investor who is not risk averse. Such an investor is prepared to take risks in order to generate higher returns. Returns from equity shares at aggregated levels have been historically higher than other avenues over the long term. However, individual investors should gain, or lose depending on the companies' shares they invest in. An investor needs to be aware of the companies and their performances. Hence the researcher conducted a study to findout the investors awareness and perception towards the market volatility.

The objectives of the study

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- To identify the risk taken by the Investors.
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The collected data was carefully coded and transited to SPSS Package. With this the tabulation was made in scientific and systematic way. further, the collected data was classified, tabulated and analyzed using simple statistical tools like Percentage Analysis and Chi Square Test.

In a research various percentages are to be used for analysis. The data observed will be converted into percentage for easy understanding. Simple percentage analysis refers to a special kind of ratio. With the help of absolute figures it will be difficult to interpret any meaning from the collected data, but when percentages are find out then it becomes easy to find the relative difference between two or more attributes.

$$\text{Percentage} = \frac{\text{No. of Respondents}}{\text{Total Number of Respondents}} \times 100$$

Chi-Square

Chi-Square Test is an important test among the several test of significance. Chi-Square symbolically written as χ^2 (pronounced as Ki Square) is a statistical measure used in the context of sampling analysis for comparing a variance to a theoretical variance.

Chi square test enables to explain whether or not two attributes are associated. Chi- square is calculated as follows,

$$\chi^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

O_{ij} = observed frequency of the cell in the i^{th} row and j^{th} column.

E_{ij} = expected frequency of the cell in the i^{th} row and j^{th} column.

As a non-parametric test it can be used to determine a categorical data. It is used to make comparison between theoretical population and actual data.

Degree of freedom plays an important part in using the chi-square distribution and tests are based on it. The degree of freedom is worked out as follows

$$d.f = (c-1) (r-1)$$

Where 'c' means number of columns and 'r' means number of rows.

Findings

- Most (66%) of the respondents are male
- Less than half (42%) of the respondents belong to the age between 21 and 40 years,
- 32% of the respondents are professionals, 19% of the respondents are businessmen
- 37% of the respondents are Graduates
- Majority (76%) of the respondents are married
- Less than half (47%) of the respondents have 1 to 3 members in their family

- 36% of the respondents monthly income is less than Rs.15000
- 38% of the respondents have invested for a period of more than 5 years
- Maximum (37%) of the respondents exceptionally investing in the capital market
- More than half (55%) of the respondents nature of investment is in Hedging
- 30% of the respondents primary objectives of investment is to get tax benefits
- Majority (74%) of the respondents opined that they are aware about the capital market
- Maximum (36%) of the respondents were influenced to take decision for investing is through institutions
- Majority (90%) of the respondents are trading through online
- Less than half (49%) of the respondents stated return as the most important parameter considered while investing
- More than half (51%) of the respondents have identified shares as their most familiar security
- Less than half (42%) of the respondents stated income and growth as their category and goal for best investment
- 30% of the respondents level of awareness about the capital market is operation of stock market
- 40% of the respondents annual investment is less than Rs.5000
- Nearly half (47%) of the respondents have already invested in share market
- Less than half (40%) of the respondents stated that they accept both profitable and risky investment
- Maximum (32%) of the respondents prefer to trade in equity
- Nearly half (48%) of the respondents are fully satisfied with the current performance of the equity market in terms of expected returns
- 40% of the respondents get 0 to 10% on their earnings on savings
- 23% of the respondents plant to invest in share market in future
- 30% each of the respondents mentioned time horizon as less than 1 year and more than 5 years towards future investment
- Majority (90%) of the respondents felt they have realized the benefits of investing in share market
- Most (69%) of the respondents did not got the source of awareness to invest in share market
- 34% of the respondents gold as the best investment option to achieve returns
- 32% of the respondents considered safety factors motivated them to invest in the Capital Market
- 22% of the respondents got advise from their friends to enter into Capital Market
- 34% of the respondents considered the organic growth as the factor that induced them to invest in a particular stock
- Most (68%) of the respondents rated on preference towards no risk / safe investment as their risk appetite

Verification of hypotheses

- The hypothesis reveals that "Gender of the Respondents and Factors Motivating to invest in Capital Market"

holds good. From the above analysis, it is concluded that there is significant relationship between the Gender of the Respondents and Factors Motivating to invest in Capital Market.

- The hypothesis reveals that “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
- The hypothesis reveals that “Occupation of the Respondents and Satisfaction with Current Performance of the Equity Market in Terms of Expected Returns” does not hold good. From the above analysis, it is concluded that there is no significant relationship between the Occupation of the Respondents and Satisfaction with Current Performance of the Equity Market in Terms of Expected Returns.
- The hypothesis reveals that “Educational Qualification of the Respondents and Preference to Trade” holds good. From the above analysis, it is concluded that there is significant relationship between the Educational Qualification of the Respondents and Preference to Trade.
- The hypothesis reveals that “Occupation of the Respondents and Annual Total Investment” does not hold good. From the above analysis, it is concluded that there is no significant relationship between the Occupation of the Respondents and Annual Total Investment.
- The hypothesis reveals that “Marital Status of the Respondents and Preference to Trade” holds good. From the above analysis, it is concluded that there is significant relationship between the Marital Status of the Respondents and Preference to Trade.
- The hypothesis reveals that “Monthly Income of the Respondents and Opinion on Existing Investment” holds good. From the above analysis, it is concluded that there is significant relationship between the Monthly Income of the Respondents and Opinion on Existing Investment

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.
- Public awareness can be through any media, but we see that the awareness is through the customers of the Capital market through advertisement which would more the company feel great and even it can reduce its promotional costs and time.
- The brokers of the stock broking company should be profit centered than brokerage centered for their customers.

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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