

A STUDY ON DETERMINANTS OF INVESTORS' SATISFACTION TOWARDS EQUITIES AT NAGAPATTINAM DISTRICT

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ABSTRACT

Indian economy is emergent suggestively. It has various investment options. The study has been undertaken to analyze the investor's satisfaction towards equities as well as the factors affecting on investment. The study is narrowed to the factors considered by the investors while making their investment. Their level of satisfaction of returns about the various aspects of investment on equities available in the study area is considered. Against this back drop of the research, the researcher tries to find out the investment preference of the respondents of Nagapattinam District. The researcher to collect the interview schedule from 384 respondents. The data needs to be collected from targeted respondents in Nagapattinam District.

Keywords: Equities Investors', Investment Decision, Satisfaction.

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1. INTRODUCTION

Equity share is one of the main sources of finance for any company. It is the first capital for starting a company. It gives right to vote, claim on asset, share profit, etc. The value of equity share is expressed in terms of face value, par value and premium value, market value and book value. Equity share represent the ownership of the company (Shanmugam, 1990).

The financial market in India has become organized. Now a days investor use to trade in various stock markets in all over India. At that time it becomes necessary to know behavior of investor in equity market.

The objective of this study was to develop a broader understanding towards satisfaction of investors to identify patterns of their investing and considering investments on equities **(Introduction on online & traders available, 2009).**

2. REVIEW OF LITERATURE

Dr. V. L. Shobhana and J. Jayalakshmi (2006) in their study titled “Investors Awareness and Preferences – A Study” has examined the level of investor awareness regarding investment options and investment risks. The analysis revealed that the investment in real estate is preferred by a majority of the respondents. The second most preferred investment is bank deposits. Awareness about investment options and risks are high among aged, highly educated and those who are professionals by occupation. Demographic variables such as age and education do not have significant influence over investor’s awareness whereas difference in occupational status leads to difference in the awareness level of Investors.

(Hussein, 2006) - “Factors influencing Individual Investor Behaviour: An empirical study of the UAE Financial Markets” identified the factors influencing the UAE investor behavior. Six factors were found the most influential factors on the UAE investor behavior. The most influencing factors were expected corporate earnings, get rich quick attitude and past performance of the stocks.

(ManasaVipparthi, 2012) revealed that the investors’ perception is dependent on the demographic profile and assesses that the investors age, marital status and occupation has direct impact on the investor’s choice of investment. The study further revealed that female segment are not fully tapped and even there is low target on higher income people. It reveals that Liquidity, Flexibility, Tax savings, Service Quality and Transparency are the factors which have a higher impact on perception of investors.

(DeepKantilal, 2013), “Investor’s Behavior towards Share Investment in Kolhapur City” the study Concludes most of the investors investment decision are highly dependent on broker.

(UMGopalKrishna, 2019), the study has been undertaken to know the perception of investors toward investment avenues. The study has been conducted among 216 investors of Kurnool district. The descriptive research has been used. The sampling method adopted was multistage sampling. The tools used to analyze the data are Multiple Regression and correlation test. The study reveals that most of the investors enter into the share market for returns and bond investors take risk and gains returns.

3. STATEMENT OF THE PROBLEM

The present study to analysis the investors’ satisfaction towards investment on equities. In many of research, there were several ways to study and interpret recent changes in investor behaviour and perception concerning demographics, investment targets, initial investment, etc., in terms of investor perception. Existing reviews disclosures show that investors raise awareness and seek more and more information for sound decision making. To modernize the information, a study of this aspect is considered necessary.

4. OBJECTIVES OF THE STUDY

- To analyze the factors influencing investment decision
- To study the Level of return on investment in equity.

- To identify factors influencing the satisfactions of investors while investing in equity market.

5. RESEARCH DESIGN

The research design refers to the blueprint of the study undertaken. The Descriptive design was adopted for this research. The descriptive research design is meticulously based on direct as well as indirect observations and measured phenomena that derive knowledge from the actual experiences of the researcher rather than theoretical aspects or beliefs. The methodology of the study includes data collection, sampling size and design, framing of interview schedule and data collection, and also the statistical tools employed to analysis the data collected.

5.1. RESEARCH INSTRUMENT

The survey method was used for collecting data in this study. This type of method involves sampling of individual units from a total population of the area of study and is also associated with the techniques involved in the construction of the interview schedule and for improving the accuracy of responses collected. A interview schedule was designed to study the "A study on Investor's satisfaction Towards Equities at Nagapattianm Distirict". The finalised schedule has such sections.

- The interview schedule consisted of 25 statements developed using 5 point Likert's scale to measure the actors influencing of satisfaction on return on investment towards equities and were measured using the 5 point Likert scale which is read as 5- Strongly Disagree, 4 – Disagree, 3 – Neither agree nor disagree, 2 – Agree and 1- Strongly Agree.

5.2. DATA COLLECTION TOOL

The study used schedule to gather data from the investor's on equities from Nagapattiam district. All the items in the interview schedule were measured using Five – Point Likert Scale ranging from 5- strongly agree to 1 – strongly disagree. A Pilot study was undertaken before conducting a field survey. And these schedule were pre-tested, very few modifications were made in the final questionnaire. Thus, the final schedule was developed for the purpose of data collection.

5.3. SAMPLING DESIGN

Sampling design for the study includes the size of the sample and the sample selection method used.

5.4. PILOT STUDY

Prior to the data collection stage for the study, the interview schedule was tested for their easy understandability, accuracy and verifiability. A pilot survey was initially carried out on 50 investors. The schedule had been tested for its reliability using Cronbach's Alpha and arrived at 91 % accuracy, which is very much in the acceptable range to proceed for the final survey of the respondents.

5.5. SAMPLING METHOD

Non – probability convenience sampling method has been employed for selecting respondents.

5.6. SAMPLE SIZE

The researcher has applied the following formula to determine the sample size.

384 Investors were interviewed throughout the population (1616450), the sample size was determined according to the following equation:

$$n = \{ (p \times q \times z^2) / e^2 \} / \{ (N \times e^2) + (z^2 \times p \times q) / (N \times e^2) \}$$

Where:

n = Sample Size.

P = The proportion that the sample will occur = (0.5).

q = The proportion that the sample will not occur = (1- p) = (0.5).

z = The standardized score = (1.96).

e = Error term = (0.05).

N = Population = (1616450)

The sample size of the research is 384. The researcher circulated 400 samples, but received 390 only. The researcher after verification of received samples, 6 samples are rejected because incomplete and bias. So finally 384 samples are selected and analyzed. For this study, it would be appropriate to collect the interview schedule from more than or equal to 384 respondents. The data needs to be collected from targeted respondents in Nagappattinam District.

5.7. DATA COLLECTION

Both primary and secondary data were included for the study. The primary data was collected through a well-framed interview schedule to bring out the opinion of the respondents. The researcher also gathered information from various journals published, magazines, newsletters, books, internet sources and several previous research studies.

5.8. STATISTICAL TOOLS AND ANALYSIS

The data collected from the respondents were edited, coded and analyzed using SPSS (Statistical package for social sciences). The percentage analysis, factor analysis satisfaction, Multiple regression for decision and satisfaction other variables was used to obtain the results from the concerned study.

6. LIMITATIONS OF THE STUDY

- The present study covers the investors only in Nagapattinam District.
- The study is limited to 384 respondents only
- The study analyzes investment on equities only.
- The inference drawn purely on the responses obtained from the respondent in the study area.

7. DATA ANALYSIS AND INTERPRETATION

From the table 1 identified that, the opinion about expected return of investment in equity. The majority 75 percent of the respondents are feel that the expected return of investment in equity is medium, followed 19.5 percent of the respondents are feel that the expected return of investment in equity is high and 5.5 percent of the respondents are feel that the expected return of investment in equity is low.

Table 1 Opinion about expected return of investment in equity

Return on investment	No. of respondents	Percentage
High	75	19.5 %
Medium	288	75.0 %
Low	21	5.5 %
Total	384	100 %

From the table 2 shows that, The most 59.4 percent of the respondents are investing on equity for the purpose of future family protection, followed 33 percent of the respondents are investing on equity for the purpose of generate second source of income and 7.6 percent of the respondents are investing on equity for the purpose of wealth.

Table 2 Purpose of Investing

Investing purpose	No. of respondents	Percentage
Wealth	29	7.6 %
Future family protection	228	59.4 %
Generate second source of income	127	33.0 %
Total	384	100 %

From the table 3 explained that, specific sector to invest in equity in the study area. The most 67.4 percent of the respondents are invest in banking sector, followed by 13.8 percent of the respondents are IT sector, followed 10.7 percent of the respondents are invest in energy sector, 5.5 percent of the respondents are invest in FMGC and 2.6 percent of the respondents are pharama sector.

Table 3 Specific of sector to invest in Equity

Sectors	No. of respondents	Percentage
IT sector	53	13.8 %
Banking sector	259	67.4 %
FMGC	21	5.5 %
Energy sector	41	10.7 %
Pharama	10	2.6 %
Total	384	100 %

From the table 4 shows that, opinion about risk of investment in equity in the study area. The most 27.3 percent of the respondents are feel liquidity risk to investment in equity, followed by 22.7 percent of the respondents are feel operational risk to investment in equity, followed 21.1 percent of the respondents are feel systematic risk to investment in equity, 14.8 percent of the respondents are feel legal risk to investment in equity and 14.1 percent of the respondents are feel settlement risk to investment in equity.

Table 4 Opinion about risk of investment in equity

Risk of investment in equity	No. of respondents	Percentage
Systematic risk	81	21.1 %
Liquidity risk	105	27.3 %
Operational risk	87	22.7 %
Legal risk	57	14.8 %
Settlement risk	54	14.1 %
Total	384	100 %

From the table 5 observed that, the expected rate of return on equity in the study area. The most 51.3 percent of the respondents are expected rate of return is upto 15 %, followed by 35.9 percent of the respondents are expected rate of return is between 16% - 30% and 12.8 percent of the respondents are expected rate of return is above 30%.

Table 5 Expected rate of return

Expected rate of return	No. of respondents	Percentage
Upto 15 %	197	51.3 %
16 % - 30 %	138	35.9 %
Above 30 %	49	12.8 %
Total	384	100 %

8. SATISFACTION FACTORS AMONG RETURN ON INVESTMENT IN EQUITY

Factor analysis is data reduction tool. It removes redundancy or duplication from a set of correlated variables. Factors are formed that are relatively independent of one another. Firstly, the authors evaluated the investor's satisfaction. The respondents were offered to answer point scale where '5' meant "Highly satisfied" and '1' meant "Highly dissatisfied". The data on the 25 variables are analyzed using the principle axis factoring method. The number of factors can be obtained by Kaiser's criterion which recommends retaining all factors with Eigen values greater than 1. In this study KMO value is 0.620 which is more than the general rule (0.5). Bartlett's test of sphericity is to find out the relationship between the variables. A p-value is < 0.05 indicates that it makes sense to continue with the factor analysis, therefore it is concluded that there are relationships between the variables. After careful examination, it is decided to obtain four factors as they produced the most meaningful solution. Here promax rotation is used where the major objective is to get a factor structure in which each variable observed loaded highly on one and only one factor. The decision to include a variable in a factor was based on the values of the factor loadings. The higher the value of a factor loading between the variable and the individual factor, the higher is the probability that the factor represents this variable. Such factor structure will result in each factor representing a distinct investor's satisfaction factors. Following suggestions from previous literature that only factor loadings greater than 0.6 should be interpreted, factor loadings less than 0.6 are not presented in the matrix, which made interpretation noticeably easier. The results of the rotated factor matrix are interpreted paying attention to which variables had greater loadings in individual factors. The 7 factors extracted together account for 75.21 per cent of total variance. The results are presented in the table no 6.

The most important factor for user satisfaction in is the 'Fundamental'. It consists of three variables with the reliability co-efficient of 0.623. Earnings Per Share has the highest load of 0.829, Price earnings ratio is loaded as 0.785 and Market price movement is loaded as 0.589 on the factor 1. The Eigen value and the per cent of variation explained by this factor are 3.375 and 15.85 per cent respectively.

Table 6 Satisfaction factors among return on investment in equity

Factors	Satisfaction Variables	Factor loading	Reliability Co-efficient	Eigen value	Percent of variation
Fundamental			0.623	3.735	15.85
	Earnings Per Share	.829			
	Price earnings ratio	.785			
	Market price movement	.589			
Internal and Regulatory			0.602	3.506	14.93
	Dividend pays out ratio	.748			
	Earnings profit after tax	.732			
	Security exchange commission regulations	.637			
	Net Assets value	.612			
Economical and Informational			0.672	2.161	9.55
	Friends, family and peers	.892			
	Brokers recommendations	.880			
	Inflation	.809			
	Decline in bank and Government interest rate	.664			
	Information Technology	.664			
	Market statistics	.625			
Strength and Affordability			0.668	2.099	9.30
	Marketability	.775			
	Liquidity position	.757			
	Company turnover	.738			
	Debt asset ratio	.642			
Individual benefits			0.694	2.069	9.19
	Dividend	.667			
	Dividend payment pattern	.658			
	Bonus shares	.636			
Goodwill			0.639	1.874	8.40
	Board of directors	.768			
	Current ownership	.665			
	Reputation of company	.660			
External			0.677	1.772	7.99
	Political instability	.749			
	Market rumor	.528			
Total					75.21
KMO measure of sampling adequacy:0.680		Bartlett's Test of sphericity: Chi-square:7249.38* df:300 * Significant at 1 per cent level			

The second important factor is ‘Internal and Regulatory’ which consists of four variables with the reliability co-efficient of 0.602. Dividend pays out ratio the highest load of 0.748, Earnings profit after tax .is loaded as 0.732, Security exchange commission regulations is loaded as 0.637 and Net Assets value is loaded as 0.612 on the factor 2. The Eigen value and the per cent of variation are 3.506 and 14.93 per cent respectively.

Third factor is ‘Economical and Informational’, which consists of six variables with the reliability co-efficient of 0.672. Friends, family and peers the highest load of 0.892, Brokers recommendations is loaded as 0.880, Inflation in loaded as 0.809, Decline in bank and Government interest rate is loaded as 0.664, Information Technology is loaded as 0.664 and Market statistics is loaded as 0.625 on the factor 3. The Eigen value and the per cent of variation are 2.161 and 9.55 per cent respectively.

Fourth factor is ‘Strength and Affordability’, which consists of four variables with the reliability co-efficient of 0.668. Marketability has the highest load of 0.775, Liquidity position is loaded as 0.757, Company turnover is loaded as 0.738 and Debt asset ratio is loaded as 0.642 on the factor 4. The Eigen value and the per cent of variation are 2.099 and 9.30 per cent respectively.

Fifth factor is ‘Individual benefits’, which consists of three variables with the reliability co-efficient of 0.694. Dividend has the highest load of 0.667, Dividend payment pattern is loaded as 0.658 and Bonus shares is loaded as 0.636 on the factor 5. The Eigen value and the per cent of variation are 2.069 and 9.19 per cent respectively.

Sixth factor is ‘Goodwill’, which consists of three variables with the reliability co-efficient of 0.639. Board of directors has the highest load of 0.768, Current ownership is loaded as 0.665 and Reputation of company is loaded as 0.660 on the factor 6. The Eigen value and the per cent of variation are 1.874 and 8.40 per cent respectively.

Seventh factor is ‘External’, which consists of two variables with the reliability co-efficient of 0.677. Political instability has the highest load of 0.749 and Market rumor is loaded as 0.528 on the factor 7. The Eigen value and the per cent of variation are 1.772 and 7.99 per cent respectively. Hence the researchers have reduced the number of variables from 25 to 7 underlying factors which can be used for further analysis in this study.

9. RESULTS AND DISCUSSION

The most of the respondents are feel that the expected return of investment in equity is medium. The most 59.4 percent of the respondents are investing on equity for the purpose of future family protection. The most 67.4 percent of the respondents are invest in banking sector. The most 27.3 percent of the respondents are feel liquidity risk to investment in equity and the most 51.3 percent of the respondents are expected rate of return is upto 15%.

The most important factor for user satisfaction in is the ‘Fundamental’. It consists of three variables with the reliability co-efficient of 0.623. Earnings Per Share has the highest load of 0.829, Price earnings ratio is loaded as 0.785 and Market price movement is loaded as 0.589 on the factor 1. The Eigen value and the per cent of variation explained by this factor are 3.375 and 15.85 per cent respectively.

10. CONCLUSION

People into services and business are involved with investing into stock markets comparatively with the people in other categories and majorly have better years of experience than others. Including all twenty-five variables seven core factors has been extracted. Investor’s ultimate goal is profit maximization.

In order to do so they always keep sharp eyes on factors such as Market price movement, Net assets value, Decline in bank & government interest rate, Liquidity position, Bonus shares, Board of directors & Political instability.

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