



A STUDY ON INVESTORS' PERCEPTION DIMENSIONS TOWARDS EQUITIES

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ABSTRACT

An investor is a person who constrains with the hope of financial returns. An investor gives capital with the expectation of upcoming financial return. This study focus to inspect the impact of variables on investors' perception towards equities and analysis the influential factors of the investors' perception. Factor analysis has been identify five factors and studied their perception dimension of investments on equities. The study also offers suggestions to the investors to makes the investments.

Keywords: Investment, Investors, Perception, Equities, Risk and Returns.

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INTRODUCTION

The monetary development of any country depends upon the well-organized financial system. The financial system is a wider term which brings under two-fold the financial markets and the financial institutions which support the system. The system main objective is to organized the savings in the form of money and monetary assets and invest them effectively to productive schemes. It promotes investments and savings which help faster economic growth of any country.

INVESTMENT MEANING

Investment contains making of a victim in the present with the hope of deriving future benefits. Two most important features of an investment are current sacrifice and future benefit. Investment is the sacrifice of assured present values for the uncertain future return.

Investment may be defined as an activity that commits funds in any economic/physical form in the present with an expectation of receiving further return in the prospect. The expectation brings with it a probability that the considerable of return may vary from a minimum to a maximum. This option of difference in the actual return is known as investment risk. Thus, every investment involves a return and risk.

INVESTORS' PERCEPTION

Investor's perception refers to the choosing, purchasing and ingesting of goods and services for the satisfaction of their wants. There are different practices involved in the investor perception. After selecting the investment, the investor makes an appraisal of the available money which he/she can spend. Lastly, the investor analyzes the usual amounts of investment and takes the decision about the investment he/she should consume.

REVIEW OF LITERATURE

(RaghavendraPrasad, 2016)¹ identified that investors are bullish in nature. Rate of return, capital appreciation and safety of investment are the major motives for investment. (Jaya, 2017)² found that return on investment, tax benefits and liquidity are the major reasons for the investment in stock markets. To avoid risk investors are adopted a strategy by not investing in the risk area and followed portfolio investment. (Venkataiah, 2018)³, has attempted to study the perception of investors towards various investment avenues in Vijayawada City of Andhra Pradesh. The study tells that the investors preferential choice on investment avenues are same across the gender and the decision-making process on various investment avenues are same on investment aspects like gold. They had done research using descriptive research design and have taken 120 as a sample size. The sampling technique adopted was convenience sampling technique. The data was analyzed and interpreted with the help of Statistical tools like mean, Standard Deviation, Chi- Square test, ANOVA, Mann-Whitney U test and Kruskal-Wallis test. The study concludes that investment by the investors towards various investment avenues were done with the expectations of capital appreciation and earnings comprising both short term and long-term periods. (GopalKrishna, 2019)⁴, 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. (MargiSoni, 2019)⁵, the researcher had made the study on behavior and investment Pattern of investor for different investment avenues with reference to Ahmedabad City. The study concludes that the investors are a keen to invest in long term and less risk products, High return and low risk and much interested to good return on their take string decisions while investing money.

OBJECTIVES OF STUDY

To identify the investor's perception towards Equities, study the major aspects of an investors perception, identify certain factors that motivates the investors to invest in equities.

RESEARCH METHODOLOGY

The present study is used descriptive research design. In this study convenience sampling was adopted, It was collected through filling up the schedule prepared. The data has been analyzed by using Statistical tool. There are total 384 investors surveyed. The sample was selected from individual investors. In this study percentage analysis, chi-square test and factor.

LIMITATIONS OF THE STUDY

The study analyzes investment on equities only. The implication drawn purely on the responses found from the respondent in the study area.

INVESTORS PERCEPTION DIMENSION TOWARDS EQUITIES

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 perception dimension.

Table 1 Investor's perception dimension of investment in equities

Factors	Investor's Perception variables	Factor loading	Reliability Co-efficient	Eigen value	Percent Of variation
Market Risk and Time			0.833	4.30	24.90
	Helps the investors to adjust the risk and return to create and manage portfolio carefully	.822			
	Equities can be used to hedge against interest rates fluctuations, inflation and market risk	.775			
	Hedging via equities reaps more profits in bullish / bearish market	.768			
	Equities like futures and options are effective risk management tools	.703			
	Induces more volatility by creating more risk	.662			
	Equities in India lacks proper accounting system, efficient internal control and strict supervision	.658			
	Equities are very risky and highly leveraged instruments	.660			
	There is a need to strengthen regulation on equities in India	.608			
	Helps to eliminate risk completely	.565			
	Equity market is properly regulated	.537			
Investment Returns			0.915	2.63	15.89
	Knowledge about the equity market	.700			
	Faster and Liquid returns	.593			
	Easy way of earning money	.580			
Investment Advices			0.744	2.19	14.24
	Changes in the Sensex with Domestic savings	.867			
	Changes in the Sensex – Interest rate	.806			
	Changes in the Sensex – Inflation	.791			
	Changes in the Sensex – Natural Calamities	.771			
	Changes in the Sensex – future of market indices	.610			
	Changes in the Sensex with Capital formation	.598			
	Changes in the Sensex with Government policies	.561			
Benefits of Investment	Changes in the Sensex – Exchange rates	.557			
			0.686	1.67	11.96
	Tax saving benefits	.868			
	High liquidity	.769			
	Current economic indicators	.660			
	Socially responsible investing	.649			
	Firm's reputation	.539			
			0.683	1.50	10.96

Factors	Investor's Perception variables	Factor loading	Reliability Co-efficient	Eigen value	Percent Of variation
Trading Decision	Contrarian effect	.854			
	Stocks marketability	.815			
	Profit earnings ratio	.784			
	Announcements on bonus issue	.765			
	Stocks affordability	.653			
	Stocks with good financial results	.589			
	Momentum effect	.567			
Total					77.95
KMO measure of sampling adequacy:0.656		Bartlett's Test of sphericity: Chi-square: 9595.55* df:528 * Significant at 1 per cent level			

The respondents were offered to answer point scale where '5' meant "Highly satisfied" and '1' meant "Highly dissatisfied". The data on the 33 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 0.656 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 five 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 perception dimension. 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 5 factors extracted together account for 77.95 per cent of total variance. The results are presented in the table 1.

The most important factor for investor's perception dimension is the 'Market Risk and Time'. It consists of ten variables with the reliability co-efficient of 0.833. helps the investors to adjust the risk and return to create and manage portfolio carefully has the highest load of 0.822, The equities can be used to hedge against interest rates fluctuations, inflation and market risk is loaded as 0.775, Hedging via equities reaps more profits in bullish / bearish market is loaded as 0.768, Equities like futures and options are effective risk management tools is loaded as 0.703, Induces more volatility by creating more risk is loaded as 0.662, Equities in India lacks proper accounting system, efficient internal control and strict supervision is loaded as 0.658, Equities are very risky and highly leveraged instruments is loaded as 0.660, There is a need to strengthen regulation on equities in India is loaded as 0.608, Helps to eliminate risk completely is loaded as 0.565 and Equity market is properly regulated is loaded as 0.537 on the factor 1. The Eigen value and the per cent of variation explained by this factor are 4.30 and 24.90 per cent respectively.

The second important factor is 'Investment Returns' which consists of three variables with the reliability co-efficient of 0.915. Knowledge about the equity market has the highest load of 0.700, Faster and Liquid returns is loaded as 0.593 and Easy way of earning money is loaded as 0.580 on the factor 2. The Eigen value and the per cent of variation are 2.630 and 15.890 per cent respectively.

Third factor is 'Investment Advices', which consists of eight variables with the reliability co-efficient of 0.744. Changes in the Sensex with Domestic savings the highest load of 0.867, Changes in the Sensex – Interest rate is loaded as 0.806, Changes in the Sensex – Inflation is loaded as 0.791, Changes in the Sensex – Natural Calamities is loaded as 0.771, Changes in the Sensex – future of market indices is loaded as 0.610, Changes in the Sensex with Capital formation is loaded as 0.598, Changes in the Sensex with Government policies is loaded as 0.561 and Changes in the Sensex – Exchange rates is loaded as 0.557 on the factor 3. The Eigen value and the per cent of variation are 2.19 and 15.890 per cent respectively.

Fourth factor is 'Benefits of Investment', which consists of five variables with the reliability co-efficient of 0.686. Tax saving benefits an important factor has the highest load of 0.868, High liquidity is loaded as 0.769, Current economic indicators is loaded as 0.660, Socially responsible investing is loaded as 0.649 and Firm's reputation is loaded as 0.539 on the factor 4. The Eigen value and the per cent of variation are 1.67 and 11.96 per cent respectively.

Fifth factor is 'Trading Decision', which consists of seven variables with the reliability co-efficient of 0.683. Contrarian effect the highest load of 0.854, Stocks marketability is loaded as 0.815, Profit earnings ratio is loaded as 0.784, Announcements on bonus issue is loaded as 0.765, Stocks affordability is loaded as 0.653, Stocks with good financial results is loaded as 0.589 and Momentum effect is loaded as 0.567 on the factor 5. The Eigen value and the per cent of variation are 1.50 and 10.96 per cent respectively.

7. IMPACT OF VARIABLES ON INVESTORS PERCEPTION

Researcher conduct hierarchical multiple regression analysis to examine the influence of perception variables like Market risk and time, Investment return, Investment advices, Investment benefits and Trading decisions on Investors' perception (Y), Variables were entered into the model beginning with (1) Investment benefits; (2) Investment advices; (3) Market risk and time; (4) Investment return and (5) Trading decisions. The table 8.1 displays the unstandardized regression co-efficient (B), the unstandardized standard error of regression coefficients (SE B), the standardized regression coefficient (β), R^2 , and F for changes in R^2 .

The table 2 reveals that Investment benefits is entered at Step 1 and predicts only 17.2% of Investors' perception ($R^2 = 0.174$, $F(1, 382) = 80.6$, $p=0.001$). When Investment advices is entered at Step 2, there is nearly 5% (22.2%) increase in Investors' perception ($R^2 = 0.227$, $F(2, 381) = 55.793.08$, $p=0.001$). When Market risk is entered at Step 3, there is significant increase of 12% (34.5%) on Investors' perception ($R^2 = 0.35$, $F(3, 380) = 68.351$, $p=0.001$). When the Investment return is entered at Step 4 predicts only 35.9% of Investors perception ($R^2 = 0.352$, $F(4, 379) = 53.046$, $p=0.001$) there is and Finally, Trading decision is entered at Step 5 there is a marginal improvement in the model with 0.05% increase in predictability ($R^2 = 0.36.5$, $F(5, 378) = 43.549$, $p=0.001$). Model Equation is:

$$Y = -1.33 + 0.261(\text{Investment Benefits}) - 0.22(\text{Investment advices}) + 0.169(\text{Market risk}) + 0.101(\text{Investment Return}) + 0.05(\text{Trading decision})$$

Table 2 Hierarchical Multiple Regression on Investors' Perception

Variables	Model 1			Model 2			Model 3			Model 4			Model 5		
	B	SE B	β	B	SE B	β	B	SEB	β	B	SE B	β	B	SE B	β
Constant	0.36	0.303		1.321	0.349		-0.76	0.4		-1.06	0.423		-1.33	0.44	
Investment benefits	0.232	0.026	0.417	0.294	0.028	0.528	0.26	0.03	0.47	0.256	0.026	0.46	0.261	0.03	0.47
Investment Advices				-0.085	0.017	-0.254	-0.18	0.02	-0.5	-0.2	0.02	-0.585	-0.22	0.02	-0.7
Market risk							0.179	0.02	0.48	0.18	0.021	0.478	0.169	0.02	0.45
Investment return										0.094	0.042	0.102	0.101	0.04	0.11
Trading decision													0.05	0.03	0.12
R ²	0.174			0.227			0.35			0.359			0.365		
AdjustedR ²	0.172			0.222			0.345			0.352			0.357		
F	80.6			55.793			68.351			53.046			43.549		
Df	(1, 382)			(2, 381)			(3, 380)			(4, 379)			(5, 378)		
Sig (P)	0.001			0.001			0.001			0.001			0.001		

All the above independent variables are significant predictors.

FINDINGS

The majority 75 percent 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 27.3 percent of the respondents are feeling liquidity risk to investment in equity.

CONCLUSION AND RECOMMENDATION

The study was accompanied to understand the factors that influence Investors perception. The factors that were ranked highly in level of importance, namely, return on investment, investment benefits and investment advice is all ascertained with the help of the information available in the stock market decision. Return on investment is a very important factor that influences the perception. Return is the vital target for an investor. Hence, majority of investors rated rate of investment very high. Every investor should be very alert in market trend or risk while investing. The main factors influencing investments are the return on investment and for the short-term cost-effectiveness. There are lots of considerations while investing such as tax planning, future needs, safety of investments, periodic income, etc. So as per the requirement of individual investor, he or she should consider these variables.

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