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INVESTOR PERCEPTION TOWARDS STOCK MARKET FINANCE

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Abstract

This study aims to measure the investors' perception towards the Indian capital market with reference to National Capital Region (NCR) investors of India. This research is a descriptive research study, in which systematic sampling technique is used. Trail survey is used to select the sample size, validity, and reliability of the instrument. 120 samples are selected for this study. Major findings of this study include, age has significant impact on investment, and educational qualification has significant impact on tax advantages. 119 functional variables are used in this study to measure investors' perception. These variables have a 72% impact on measuring investor perception. Charges, liquidity, and investment attributes are mediating factors for investors' perception. Investment influences and investment benefits are having high relevance. Keywords: Investment attributes, Investment benefits, Liquidity, Profitability.

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1. Introduction-

When it comes to money and investing, we are not always as rational as we think we are – that is why there is a whole field of study that explains our sometimes- strange behavior. Where do you fit in as investors? Insight from the theory and findings of behavior may help you answer this question. In 2001, Dalbar, a financial services firm released a study entitled "Quantitative Analysis of Investors' Behavior", which concluded that average investors fail to achieve market index return. It found that in the 17-year period to December 2000, the S&P 500 returned an average of 16.29 % per year, while the typical equity investors achieved only 5.32 % for the same period – 9 % difference. It was also found that during the same period the average fixed security income was 6.08 % per year, while the long-term governed bond index reaped 11.33 %. Capital Markets serves as an intermediary between individuals, governments, and businesses with excess funds to those individuals, governments and businesses who have shortage of funds. It promotes economic efficiency by directing funds from those who do not have an immediate use for these funds to those who are in need of funds. It also channels money provided by savers and depository institutions to borrowers and investors through a variety of financial instruments like stocks and bonds called securities.

1. Statement of the problem -

Technological enablement and rapid growth of the Indian capital market since the new economic policy of1991 has given more importance to investors. Investor behavior also tends to move into savings to investment, short-term trading of capital market instruments. More brokers also entered into the capital market due to the liberalized regulation in the capital market. Brokers are providing a number of services under a single umbrella to the investors based on their needs. So, this study aims to discover how these services are perceived by the investors and how these services are utilized by the investors.

2. Objectives of the study -

The researcher will identify and evaluate the factors influencing investors' perception towards investment in the Indian capital market. The researcher is choosing NCR (includes Faridabad Ballabgarh,Gurgaon-Manesar,Sonipat-Bahadurgarh,Sonipat-Kundli, Ghaziabad-Loni Bulandshahr and Noida-Greater Noida) for the study since majority of investments in stock market is coming from Metropolitans cities in India.

2. Review of the literature-

Shanmnga Sundaram V (2011) examined the impact of behavioral dimensions of investors in Capital market and found that investor decisions are influenced by psychological factors as well as behavioral dimensions and this psychological effect is created by the fear of losing money, sudden decline in stock indices, greed and lack of confidence about their decision making capability. Lovric M. et al., (2008), presented a description model of individual investor behavior in which investment decisions are seen as an iterative process of interactions between the investor and the investment environment. The investment process was influenced by a number of interdependent variables. They suggested that this conceptual model can be used to build stylized representations of individual investors and further studied using the paradigm of agent-based artificial financial markets. Szyska Adam (2008) analyzed how investors' psychology changes the vision of financial markets and discussed the consequences of the new view of finance by capital market practitioners-investors, corporate policy makers and concluded with some thoughts on the future development of the capital market theory. Hvidkjaer S (2008) analyzed the relationship between retail investor trading behavior and the cross section of future stock returns. The result suggests that stocks favored by retail investors subsequently experience prolonged underperformance relative to stock out of favor with them. These results link the systematic component of retail investor behavior to future returns, i.e., informed investors might begin selling stocks that they believe to be overvalued. The overvaluation that these investors perceived could be driven by changes in firms fundamental values. Mittal M. and Vyas R.K. (2008) explored the relationship between various demographic factors and the investment personality exhibited by the investors. Empirical evidence suggested that factors such as income, education and marital status affect an individual's investment decision.

Further the results revealed that investors in India can be classified into four dominant investment personalities namely casual, technical, informed and cautions. Rajarajan V (1998, 2000 and 2003) classified investors on the basis of their demographics. He found the investors' characteristics on the basis of their investment size and the percentage of risky assets to total financial investments had declined as the investor moved up through various stages in the life cycle.

3.BACKGROUND OF THE STUDY-

- Investment decisions are made by investors and investment managers.
- Investors commonly perform investment analysis by making use of fundamental analysis, technical analysis and judgment.
- The study related of investor are commonly invest in the stock market. Investment decisions are

often supported by decision tools.

- It is assumed that information structure and the factors in the market systematically influence individuals' investment decisions as well as market outcomes.
- Investor market behavior derives from psychological principles of decision making to explain why people buy or sell stocks.

4. Research methodology -

Primarily this type of research is descriptive in nature. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. The population size in this research is a very large number of investors and changing from time to time. Sample size calculated by using population mean through trail survey. Finally, 120 samples were collected based on the nature of the population. Systematic sampling is used in this research. The researcher selected every 5th visitor from the Angel broking office in NCR. Data were collected from July and August, 2012. The task of data collection begins after research problems have been identified and defined and research design chalked out. Data is the foundation for all kinds of research. Primary and secondary data is used in this research. Researchers used questionnaires for collecting the primary data from the investor. Secondary data is collected from various journals, books, magazines, websites and trade magazines for previous research so that the research gap can be identified and filled through this research. KMO and Bartlett’s test, exploratory factor analysis using Principal Component Analysis (PCA), Chi-square test and Cronbach’s Alpha test are used throughout the research.

5. Research hypothesis -

H0: There is no significant difference among the variables. If the p value is more than .05, it is more than of significance level (rejected region). Hence it is conferred that there is no significant association between variables.

Ha: There is a significant difference among the variables. If the P value is less than .05, it is less than of significance level (accepted region). Hence it is conferred that there is significant association between variables.

6. Data Analysis And Interpretation -

Table 2 Calculation of sampling adequacy and sampling significance

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)		0.512
Bartlett's Test of Sphericity	Approx. Chi-Square	477.232
	d.f.	253
	Significance	.000

KMO Measure of Sampling Adequacy test is used for the level of reliability of the collected data. It provides the adequate use of those data for factor analysis. It requires a minimum of .5 for validating the data adequacy. In this study

KMO value is.512. It depicts that good validity for doing factor analysis. Bartlett's Test of Sphericity is used to measure the inter significance of sampling. The table 2 also infers that the p value is 0. So there is a significant relationship among the components and it is a better model fit for doing factor analysis.

7. Findings Of The Study -

Chi-square finds that Educational qualification is significantly related to transparency of transaction in cash market, tax advantage in cash market, past performance of the company in cash market. Occupation has a significant influence on investment patterns in cash market, services of the stock broker in cash market, risk and uncertainty in future & option, size of investment in future & option, services of the stock broker in future & option. Age has a significant influential role on the cash market, future & option, life insurance. These variables are having a significant influence on investor behavior. In this study KMO value is 0.512. It depicts that good validity for doing factor analysis. of the instrument for measuring charges and liquidity.

8. Conclusion -

Investors have huge scope for current earnings and capital appreciation in emerging markets like India. But this can be possible only if the elements like trust, guidance and regulations exist steadily in the capital market among the brokers and investors. Now brokers have access to the best techniques and tools due to technological developments and globalization, like online trading software, online capital market information, etc.

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