

Investors' Perception Towards Capital Market— An Empirical Study With Reference To Sivakasi, Tamil Nadu

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INTRODUCTION

The Indian capital market is one of the oldest and largest capital markets of the world. The rapid industrialization in the country since independence has given vitality to the capital market. Savings of the household sector can be directly channelized into the corporate sector, that will facilitate the development of industrial and service sectors. This requires the existence of an efficient capital market, through which, small and scattered savings of investors are directed into productive activities of corporate enterprises. The first instance of organized trading of securities in India was started by the East India Company in the 19th century. The establishment of Bombay Stock Exchange was the first in India, which was started early in 1875, and, which gave momentum to the capital market operations in the country. The market reforms initiated as part of liberalization measures in the nineties added vigor to the growth of the Indian capital market. The aggregate volume of trade, market capitalization and the number of listed companies of these stock exchanges are comparable to world standards. However, investors are experiencing a number of grievances from different market participants. Their widespread geographical distribution, unorganized nature and lack of awareness about capital market investment have instigated unscrupulous market participants to exploit them. This calls for the attention of the Government and other policy makers to take initiatives to overcome the problems and to make steps to invite the proposed investors into the security market to pave way for the individual development, thereby improving the economy of the nation. Securities market is regulated by Securities and Exchange Board of India (SEBI). Hence, an attempt was made to know the perception of the investors' awareness, investment option, purpose of investment, factors influencing investment in the capital market, etc. For this study, investors' opinions were collected and the data was analyzed to determine awareness and perception of people towards capital market investments in Sivakasi Town, Tamil Nadu.

OBJECTIVES OF THE STUDY

- ✿ To study the socio- economic profile of the respondents.
- ✿ To analyze the investment pattern of the respondents and SEBI protective measures.
- ✿ To identify the factors that influence the investors towards investment in the capital market.
- ✿ To provide fruitful suggestions to make the investors attracted towards securities market.

METHODOLOGY

The study covers 120 active investors using the convenient sampling method. All investors were involved in the purchase and sale of securities in Karvy Finopolis functioning in Sivakasi, Tamil Nadu. Government employees, Business people, Professionals like doctors, engineers, auditors, etc. were the respondents for the study. The data had been collected with the help of a structured questionnaire.

ANALYSIS OF THE STUDY

- ✿ **Socio- Economic Profile of Investors in Capital Market :** The socio- economic profile of the respondents, like sex of

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the investors, age, marital status, education, occupation and monthly income of the respondents were analyzed, which reveals that the majority of 46.67 percent of respondents belonged to the age group of 30-40 years. 68.33 percent of the

Table 1: Socio-Economic Profile of the Respondents			
Socio-Economic Profile		No. of Respondents	Percentage
Age(in years)	Below 30	34	28.33
	30 - 40	56	46.67
	40 - 50	19	15.83
	50 and Above	11	9.17
Sex	Male	82	68.33
	Female	38	31.67
Marital Status	Married	94	78.33
	Single	26	21.67
Educational Qualification	SSLC	8	6.67
	Higher Secondary	38	31.66
	Any Degree	74	61.67
Occupation	Government employee	52	43.33
	Business	37	30.83
	Professional	15	12.51
	Others	16	13.33
Monthly Income (in ₹)	Less than ₹ 20,000	8	6.67
	₹ 20,000 - ₹ 30,000	17	14.16
	₹ 30,000 - ₹ 40,000	18	15.00
	₹ 40,000 - ₹ 50,000	30	25.00
	₹ 50,000 and Above	47	39.17
Annual Savings (in ₹)	Up to ₹ 25,000	44	36.67
	₹25,001 to ₹ 50,000	26	21.66
	₹ 50,001 to ₹ 1,00,000	32	26.67
	Above ₹ 1,00,000	18	15.00
Source: Primary Data			

Table 2: Investment Pattern of the Respondents			
Investment		No. of Respondents	Percentage
Capital market Investment	Primary market	21	17.5
	Secondary market	82	68.33
	Private placement	17	14.17
Type of Investment	Long term investment	39	32.5
	Short term investment	81	67.5
	Highly	6	5.00
	Moderately	32	26.67
Level of Satisfaction towards SEBI Protective Measures	A little	56	46.66
	Not at all	12	10.00
	No remark	14	11.67
Source: Primary Data			

respondents were Male. A vast majority of 78.33 percent of the respondents were married, and 61.67 percent of the respondents had completed their degree. A majority of the 43.44 percent of the respondents were business people. 39.17 percent of the respondents had a monthly income of ₹ 50,000 and above. A vast majority of 36.67 percent of the respondents had annual savings up to ₹ 25,000. The results are shown in Table 1.

✿ **Investment Pattern of the Respondents and SEBI's Protective Measures** : Investors in Securities Market were interested in investment in different markets like primary market, secondary market and private placement. The investments made by investors may be for a long or short period. To measure the extent to which the respondents were satisfied with the SEBI protective measures towards the security market, they were asked to express their satisfaction at five levels - namely Highly, Moderately, A little, Not at all, No remark. The analysis discloses that a vast majority of 68.33 percent of the total respondents are involved in Secondary market transactions. 67.5 percent of the respondents reported that they have short term investment only. Table 2 discloses that a vast majority of 68.33 percent of the total respondents were involved in Secondary market transactions. 67.5 percent of the respondents reported that they have short term investment only.

FACTORS INFLUENCING INVESTMENT IN CAPITAL MARKET

An attempt has been made to identify the important factors that influence the investors to make their investment in the capital market. **Factor analysis** was used to identify the major factors. Sixteen different reasons had been identified during the pilot study and each respondent was asked to rate the factor on a scale from strongly agree (5 points) to strongly disagree (1 point). The factor analysis determines the correlations among the variables. Then **Kaiser-Meyer Oklin (KMO) test and Bartlett's test of Sphericity** were carried out to ensure the adequacy of the data. The value of KMO statistics test was 0.637, which is above 0.5, which was taken as the minimum level for acceptance. The value of chi-square for Bartlett test of Sphericity was also significant. These tests confirmed that the data were adequate for factor analysis. The results of the adequacy tests are presented in Table 3.

Table 3: KMO and Bartlett's Test		
Kaiser-Meyer Oklin Measure of Sampling Adequacy		0.637
Bartlett test of Sphericity	Approx Chi-Square	434.53
	d.f	120
	Sig	0.000
Source: Computed Data		

✿ **Communalities** : The principal factor method with Orthogonal Varimax Rotation was used to extract the factors. The factor loading of all the 16 variables were observed and clubbed into six factors. The criteria for extracting initial factors were Eigen value of over 1. Only six factors having Eigen Value greater than one, variance explained being 65.915%. These six factors, with total variance of 65.915%, were considered significant, because variables are reduced to the economy size from 16 to 6 underlying factors by losing 34.085% of the content. For ideal data, the communalities (h^2) should be at the minimum acceptance value of 0.5. It is observed from Table 4 that almost all the factors are well accommodated by the extracted factors.

These extracted factors are renamed as follows:

✿ **Factor I** : Transparency of transaction (0.789), Convenience of investment (0.733) and Quick delivery and settlement (-0.732) are the items with high loading on Factor I, which is characterized as *"Investment Decision"*.

✿ **Factor II** : Rate of return (0.746), Tax advantage (0.603), Liquidity (0.569) are the items with high loading on Factor II, which is characterized as *"Investment Attributes"*.

✿ **Factor III** : Past performance of the company (-0.739) and Image and popularity of the company (0.756) are the items with high loading on Factor III, which is characterized as *"Company Attributes"*.

✿ **Factor IV** : Risk and Uncertainty (0.818), Investment pattern (-0.617) and Size of investment (0.473) are the items with high loading on Factor IV, which is characterized as *"Risk Factor"*.

✿ **Factor V** : Change in lifestyle (-0.803) and Thrift of saving (0.776) are the items with high loading on Factor IV

Table 4: Communalities								
Variable	Factors	Component						
		1	2	3	4	5	6	h ²
1.	Transparency of Transactions	0.789						0.687
2.	Convenience of Investment	0.733						0.747
3.	Quick delivery and Settlement	-0.732						0.671
4.	Rate of Return		0.746					0.569
5.	Tax Advantage		0.603					0.621
6.	Liquidity		0.569					0.486
7.	Image and Popularity of the Company			0.756				0.657
8.	Past Performance of the Company			-0.739				0.579
9.	Risk and Uncertainty			0.818				0.794
10.	Investment Pattern				-0.617			0.739
11.	Size of Investment				0.473			0.660
12.	Changes in Lifestyle					-0.803		0.726
13.	Thrift of Saving					0.776		0.751
14.	Grievances of Investors						0.691	0.500
15.	Services of the Stock Broker						-0.592	0.709
16.	Advertisement Campaign						0.578	0.650
Eigen Values		2.758	2.055	1.833	1.464	1.275	1.162	
% of Variance explained		17.237	12.841	11.456	9.152	7.968	7.261	
Cumulative % of Variance		17.237	30.078	41.534	50.686	58.654	65.915	
Source: Computed Data								
Note: Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalization								
Rotation converged in 11 iterations								

,which is characterized as “*Personal Factor*”.

✿**Factor VI** : Grievances of investor (0.691), Service of the stock broker (-0.592), Advertisement campaign (0.578) are the items with high loading on Factor VI, which is characterized as “*Awareness Factor*”. Table 5 exhibits the variables with the highest factor loadings in identified new names.

Table 5: Variables With The Highest Factor Loadings			
Factor	Newly Identified Name	Selected Statement	Factor Loading
F1	Investment decision	Transparency of transaction	0.789
F2	Investment attributes	Rate of Return	0.746
F3	Company attributes	Image and Popularity of the company	0.739
F4	Risk Factor	Risk and Uncertainty	0.818
F5	Personal Factor	Change in life style	0.803
F6	Awareness Factor	Grievances of investors	0.691

The factor analysis reveals the above six factors that influence the investors towards the capital market investment. These six factors were identified from items loading on specific factors. The reliability scores of these factors were found to lie within acceptable limits.

SUGGESTIONS

From the above analysis, the following suggestions are put forth:

✿ **Investment Decisions** : As the transparency of transactions plays an important role in investment decisions, it is necessary to ensure quick delivery and settlement in order to enable the investors to feel convenient in making investment in a capital market.

✿ **Investment Attributes** : Though there is increased volatility in the capital market, the investors prefer to invest in share and securities, as they are known for higher returns over the long term. Due attention should be paid to bring to the knowledge of the investors, the tax benefit and liquidity in securities.

✿ **Company Attributes** : The image and popularity of the company also influences the investors in buying stock market products. Hence, initiatives should be taken to create good image and popularity in the minds of the investors by highlighting their past performance.

✿ **Risk Factor** : As the decision on the investment pattern and size of investment depend on the risk factor, the capital issuers may pay attention to highlight the risk and uncertainties involved in investments in an understandable manner to the investors.

✿ **Personal Factors**: As the investment in capital market products promotes the thrift of saving, the lifestyle of the investors may be considered to enable them to select this investment avenue.

✿ **Awareness Factor** : Last but not least, it is the responsibility of the capital issuers through a proper advertisement campaign, to create awareness among the prospective investors, arrange for the redressal of investors' grievances, which is the most challenging task before the Indian regulators and also the service of the stock brokers available to the investors.

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