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## Investors' Perception towards Stock Market in Chennai

Prof. Alexander Y<sup>1</sup> and Dr. A. Xavier Mahimairaj<sup>2</sup>

### *Abstract*

*The common people perception of stocks is gambling, risk of loss, risk of return etc. but the stock market plays a pivotal role in the growth of the industry and commerce of the country that eventually affects the economy of the country to a great extent and also the stock market is regulated and monitored by the Ministry of Finance, The Securities and Exchange Board of India and The Reserve Bank of India to protect the interest of investors risk and return. With this current scenario the research is attempted to find out the present investors' perception about the stock market with reference to Chennai city. Primary data is collected from a sample of 125 stock market investors in Chennai, Tamilnadu, India*

**Key Words:** Stock Market, Investors' Perception, risk & return

### **Introduction**

Stock market is an important part of the economy of a country. The stock market plays a pivotal role in the growth of the industry and commerce of the country that eventually affects the economy of the country to a great extent. That is a reason that the government, industry and even the central banks of the country keep a close watch on the happenings of the stock market. The stock market is important from both the industry's point of view as well as the investor's point of view. Whenever a company wants to raise funds for further expansion or settling up a new business venture, they have to either take a loan from a financial organization or they

have to issue shares through the stock market. In fact the stock market is the primary source for any company to raise funds for business expansions. If a company wants to raise some capital for the business it can issue shares of the company that is basically part ownership of the company. The stock market is not only providing the much required funds for boosting the business, but also providing a common place for stock trading.

This makes the stocks much more liquid in nature and thereby attracting investors to invest in the stock market.

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Shares are traded on stock market, enabling investors to buy and sell securities. The price may vary from transaction to transition. A continuous trading increases the liquidity or marketability of shares traded on the stock exchange. Many investors believe that stock market offer them a special place to park their wealth but generally investors perception about the stock market is more risk of loss and risk of return. Even though the market is well regulated and the risk of fraud is considerable lowermost of the new investors attitude are not changed. The present study is an attempt to find out the investors' perception towards stock market with reference to Chennai. Primary data is collected from a sample of 125 investors of Chennai, Tamilnadu, India.

### **Objectives Of Study**

1. To find out knowledge and awareness of investors regarding stock market investments.
2. To find out various objectives of investment in stock market.
3. To study the factors influencing investors' perception towards stock market.
4. To analyze the investors' preference towards various investment avenues in Chennai

### **Research Methodology**

#### **Research Design**

The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. The study is intended to find the investors perception towards stock market in Chennai. The study design is descriptive in nature.

#### **Type of Research**

This research is Descriptive Research. 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 main characteristic of this method is that the researcher has no control over the variables; researcher can only report what has happened or what is happening.

#### **Sampling Design**

- Convenience method of sampling is used to collect the data from the respondents. Researchers or field workers have the freedom to choose whomever they find, thus the name "convenience". About 125 samples were collected from Chennai city.
- Selection of study area: The study area is in Chennai.



- Selection of the sample size: Sample size for the study has been restricted to 125 respondents.
- Sources of data: The primary data is collected through questionnaire with stock market investors in Chennai.

### Review of The Literature

**Shanmuga Sundaram V (2011)** examined the impact of behavioural dimensions of investors in Capital market and found that investor decisions are influenced by psychological factors as well as behavioural 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.

**RutaKhaparde, (2014)**, analysed the simplest means that the perception of the investors does differ towards the impact of macroeconomic performance on stock market behavior with respect to different individual factors like age and years of market investment experience. The study had been a possibility as more and more investors are doing market study before investing. Moreover, a study of this kind would be definitely of great help to fund management companies and for financial planners who will seek this to understand the awareness level of the investors and

would able to build investment strategies accordingly.

**Rakesh H M, (2014)**, The study reveals that the respondents assimilate the objectives of saving, the factors influencing the saving and the sources of information for decision making. The annual income and the annual saving are given importance of consideration by the respondents, because the level of income decides the level of savings. The investors are fully aware about the stock market and they feel that market movements affect the investment pattern of investors in the stock market.

**Lovric M. et al., (2008)**, presented a description model of individual investor behaviour 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.

**GaganKukreja, (2012)**, examined the Investor has huge scope for current earnings and capital appreciation in emerging market like India. But this can be possible only if the elements like trust,

guidance and regulations were exists steadily in the capital market among the brokers and investors. Now brokers have access to the best technique and tools due to technological developments and globalization, like, online trading software, online capital market information, etc. They should make the best use of the opportunities created by reforms and fight competitively on the issues affecting them. Moreover, they should make a continuous interaction with the existing and proposed clients to attract more investors towards the capital market.

**Szyska Adam (2008)**, analysed 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.

**Ted Azarmi (2005)**, evaluates the relation between stock market development and economic growth in India. The data suggest that stock market development in India is not associated with economic growth over a twenty-one year study period. Once we account for the liberalization event, the time series growth

regressions imply a link between stock market development and economic growth. The fact that the link is positive for the pre-liberalization period and negative for the post-liberalization period may account for lack of significance over the entire period.

**Hvidkjaer S (2008)**, analysed the relationship between retail investor trading behaviour and the cross section of future stock returns. The result suggests that stocks favoured by retail investors subsequently experience prolonged underperformance relative to stock out of favour with them. This results link the systematic component of retail investor behaviour 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.



### Data Analysis and Interpretation

Table: 1 Gender and Age of the Respondents

Gender	No. of respondents	Percentage	Age	No. of respondents	percentage
Male	109	87	18-30	51	41
Female	16	13	30-40	37	30
<b>Total</b>	<b>125</b>	<b>100</b>	40-50	37	30
			<b>Total</b>	<b>125</b>	<b>100</b>

Source: Field data

The above table: 1 showed that the 87 percent of respondents are male and rest of them is female. Most of the respondents fall the age group of 18-30 (40%) years. It

is revealed that majority of younger male investors are investing in stock market with expecting to get more returns in short period of time.

Table: 2 Educational Qualification & Occupation

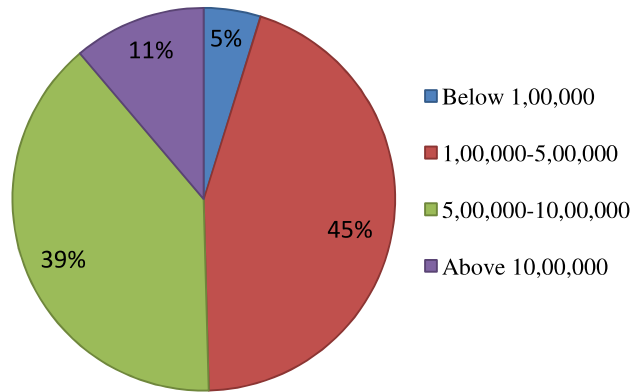
Qualification	No. of respondents	Percentage	Occupation	No. of respondents	Percentage
Primary Education	5	4	Employee	74	59
Graduate	53	42	Entrepreneur	26	21
Post Graduate	45	36	House wife	2	2
Professional	18	14	Professional	12	10
Technical Education	4	3	Student	11	9
<b>Total</b>	<b>125</b>	<b>100</b>	<b>Total</b>	<b>125</b>	<b>100</b>

Source: Field data

Table: 2 inferred that out of the 125 respondents, 4 percent of respondents are having primary education, 42 percent are graduates, 36 percent are post graduates and only 3 percent are having technical qualification. As far as the occupation level is considered, it is more interesting to

note that more than fifty percent (59%) of respondents are employees, 21 percent are entrepreneurs, 2 percent are house wife, 10 percent are professional and 9 percent are student. This implies that employees and entrepreneur are expecting additional income from the stock market.

CHART-1 ANNUAL INCOME

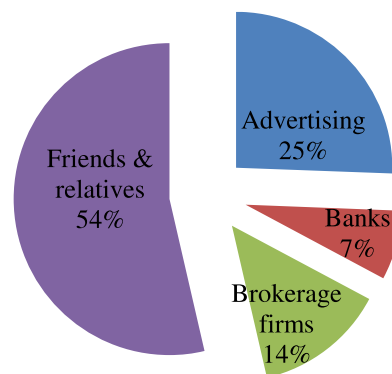


Source: Field data

The chart 1 reveals that, 5 percent respondent's income fall under less than one lakh income category, 45 percent respondents earnings between one lakhs to five lakhs, 39 percent respondents income

between five lakhs to ten lakhs and 11 percent respondents annual income above ten lakhs. Comparatively high percent (45%) of respondent's annual income between one lakhs to five lakhs.

Chart-2 Know About Stock Market Related Investment



It is clear from the above chart-2 that, respondents knew the stock market investment with influence of friends and relatives, brokerage firms, banks and advertising with 54 percent, 14 percent, 7

percent and 25 percent respectively. Stock market investors consider and believe friends and relatives to be their effective guide to take investment decision.

Table: 3 Experiences and Investment Horizon

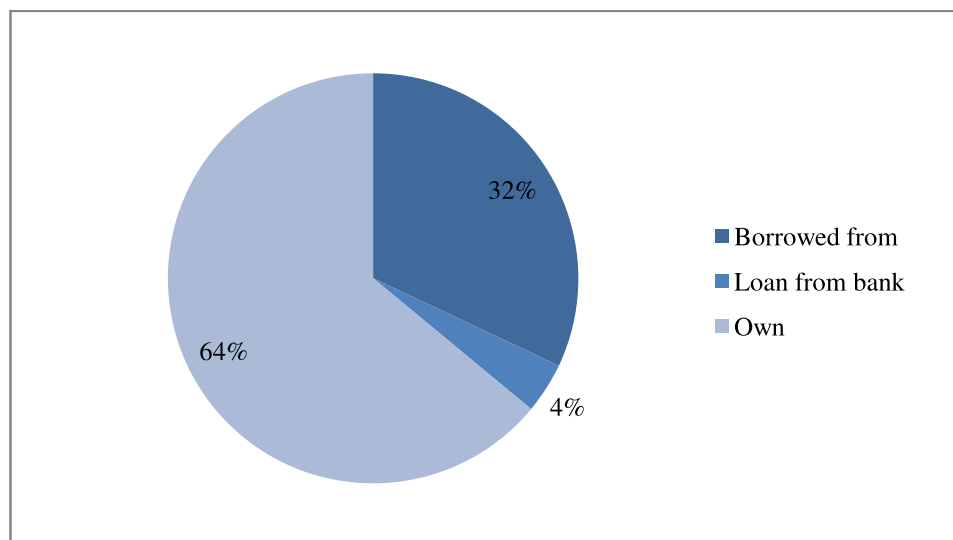
No. of years experience	No. of respondents	Percentage	Investment horizon	No. of respondents	Percentage
Below 1 year	31	25	Below 1 year	24	19
1 – 5 years	46	37	1 – 5 years	54	43
5- 10 years	37	30	5- 10 years	36	29
>10 years	11	9	>10 years	11	9
<b>Total</b>	<b>125</b>	<b>100</b>	<b>Total</b>	<b>125</b>	<b>100</b>

Source: Field data

Table 3 reveals that, 25 percent of respondents having below one year experience in stock market investment, 37 percent respondents having one to five years of experience, 30 percent respondents having five to ten years of experience and only 9 percent of respondents having more than 10 years of experience. With reference to investment

horizon, 19 percent investors are preferred to invest below one year, 43 percent of respondents are preferred to invest between one to five years, 29 percent of investors are interested to invest between five to ten years and only 9 percent respondents are investing more than ten years.

Chart-3 Major Source of Fund for Investment

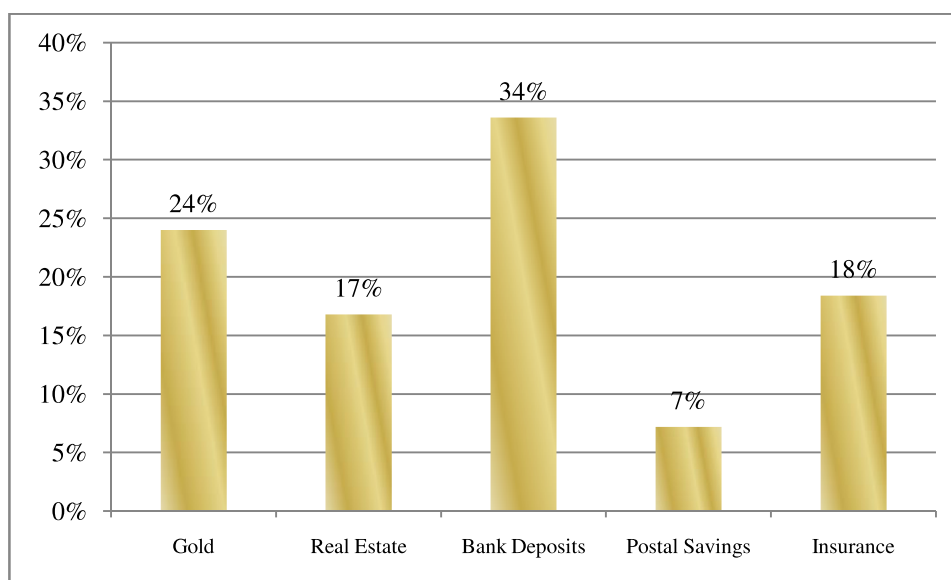


Source: Field data

Chart 3 concludes that, 32 percent respondents investing borrowed funds from relatives and friends, 64 percent of respondents investing own funds and only 4 percent of investors investing borrowed

funds from bank loan. The market risk is high and there is possibility of principle loss also. Hence, majority of investors are willing to invest their own fund in stock market to avoid credit and other risk.

Chart: 4 Other Options in The Investment Alternatives



Source: Field data

Chart 4 Reveled That, Investors Prefer Bank Deposits, Gold, Insurance, Real Estate And Postal Deposits 34 Percent, 24 Percent, 18 Percent, 17 Percent And 7 Percent Respectively In Descending Order.

It Implies That Fixed Deposits Are Hot Favourites Of Indian Investors Because Bank Deposits Are More Secured And Predetermined Rate Of Return.

Table: 4 Important Factors for Choosing Stock Market

Important factors for choosing stock market	No. of respondents	Percentage
How quickly will I be able to increase wealth?	14	11
The opportunity for steady growth	38	30
The amount of monthly income the investment will generate	23	18
The safety of investment principle	50	40
Total	125	100

Source: Field data

From the Table 4, it could be inferred that 11 percent of the respondent choosing stock market for quick increase of wealth, 30 percent respondents selecting for steady growth, 18 percent respondents choosing

monthly income from investment and 40 percent respondents choosing stock market for safety investment. It implies that majority investors give first preference for safety.

Table: 5 Reasons for Investment

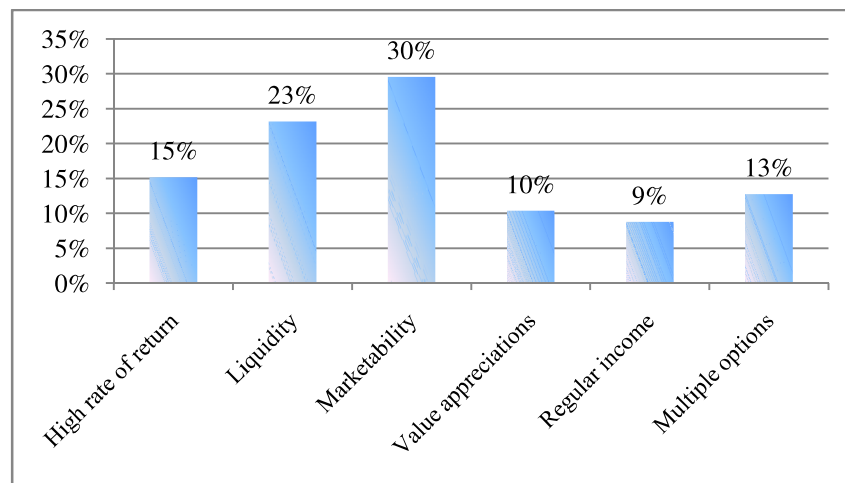
Reason for Investment	No. of respondents	Percentage
To meet family needs in future	30	24
Emergency needs	35	28
Tax benefits	21	17
Live a safe and secured life	12	10
Capital appreciation	27	22
<b>Total</b>	<b>125</b>	<b>100</b>

Source: Field data

The table 5 concludes that, 24 percent respondents investing to meet future family needs, 28 percent respondents selecting to meet emergency needs, 17 percent respondents choosing to get tax

benefits, 10 percent respondents investing to live a safe and secured life and 22 percent are investing for capital appreciation.

Chart: 5 Reason for Selecting Stock Market

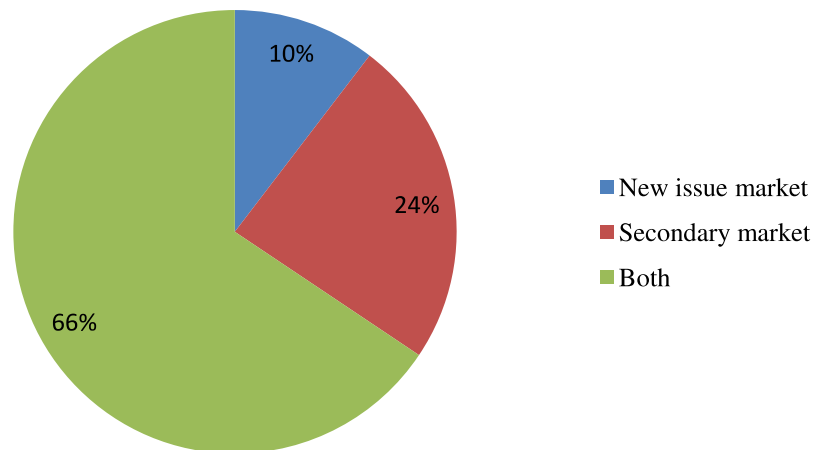


Source: Field data

Chart 5 inferred that, marketability is the major (30 percent) reason for selecting stock market. Other reasons for selecting stock market are liquidity, high rate of

return, multiple options, value appreciation and regular income with 23 percent, 15 percent, 13 percent, 10 percent and 9 percent respectively.

Chart: 6 Stock Market Preferences



Source: Field data

The chart 6 inferred that, majority of the respondents (66 percent) preferred to invest both primary and secondary markets, 24 percent respondents preferred secondary market and only 10 percent

respondents preferred primary market. The risk is very low in primary market but most of the respondents preferred both the market to get more return and diversification of risk.

Table: 6 Reconstruction Periods and Most Concerned Risk

Reconstruction period	No. of respondents	Percentage	Most concerned risk	No. of respondents	Percentage
< 6 months	11	9	Credit Risk	25	20
6 months – 1 year	41	33	Market Risk	73	58
1- 2 years	38	30	Legal Risk & Operational risk	27	22
> 3 years	35	28			
<b>Total</b>	<b>125</b>	<b>100</b>	<b>Total</b>	<b>125</b>	<b>100</b>

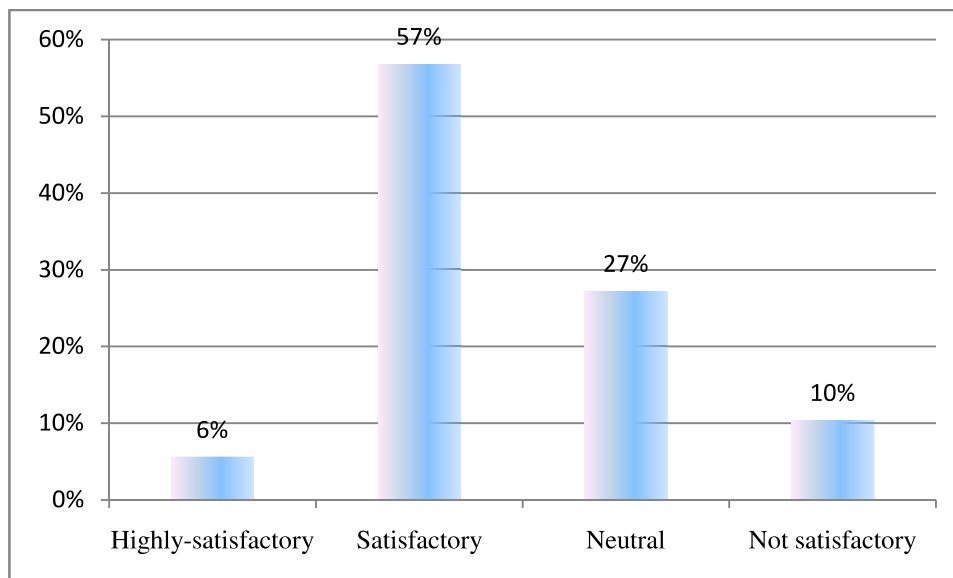
Source: Field data



It is clearly evident from the table 6 that, the investment portfolio has to be reconstructed periodically based on the market trend. The respondents reconstruction period below 6 months, 6 months to one year, one year to two years and more than three years with 9 percent, 33 percent, 30 percent and 28 percent respectively. Risk and returns are the

major criteria of investors for considering an investment, it is concluded from the table 6 that, 20 percent of respondents considered credit risk is most concerned risk, majority of the investors (58 percent) considered market risk is most concerned risk and 22 percent respondents felt legal and operational risk is most concerned risk.

Chart: 7 Level of Satisfaction



Source: Field data

Chart 7 concludes that, 6 percent of respondents are highly satisfactory, 57 percent of respondents are satisfactory, 27 percent of respondents are neutral and 10

percentage of investor not satisfactory. It inferred that majority of investors are having positive attitude towards stock market.

### Findings and Suggestions

1. From the gender and age group it is found that most the investors are male and the age group between 18-30 years.

2. Most of the respondents are graduate and employees. It is implies that salaried person searching different investment avenues and expecting high return in the short period of time.

3. It is found that majority of respondents per annum income between one lakh to five lakhs.

4. 54 percent of investors consider friends and relatives are the efficient advisors for investment decision but banks and brokerage firms are professional experts in investment.

5. There are more number of respondents investing stock market less than 5 years and the investment horizon between one to five years. Since majority of investors are young and have less number of years experience the broking firms, listed companies and government need to create awareness about stock market which will help the investors to invest long term.

6. It was found that 64 percent of respondents are investing own fund in share market and other investment options they concentrating bank deposits, gold and real estate.

7. It is found that the reasons for choosing stock market are marketability, safety, and emergency.

8. Most of the respondents (66 percent) wanted to invest both primary market and secondary markets to get more return and diversification of risk.

9. It is found that most of the respondents (33 percent) reconstructing their portfolio within one year based on the

government schemes, tax benefits and market conditions.

10. It is found that respondents considered market risk (58 percent) is most concerned risk. The stock price is based on the demand and supply, investors should follow the regular price movements of stocks and should be regularly updated the stock market information to reducing the loss.

11. Most of the respondents (57 percent) satisfied towards the stock market investment.

1. The correlation co-efficient between experience and level of satisfaction being 0.76 (76 percent) means that the Experience in stock market and level of satisfaction has positive correlation between each other.

### **Conclusion**

The perception of fixed deposits is hot favourites of Indian investors, nearly 56 percent of total household savings are parked in these deposits but now the misconception of stock market like high risk, more fluctuation etc. has been changed. The young generation investors are willing to invest in stock market but the knowledge, awareness about the investment alternatives more importantly stock market is very less. It is the responsibility of broking firms, companies

and government need to create awareness about stock market which will help the investors to invest long term. It is well recognised that stock markets influence economic activity through the creation of liquidity. In Chennai most of the stock market investor attitude is very positive and the satisfaction of returns is high. Many investors are like to invest in stock market more importantly the young investors believe that stock market gives high rate of return in short period, liquidity and marketability.

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