Equity Investors Level of Satisfaction on Investment Objectives in the Capital Market with Reference to Coimbatore District

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Abstract

Capital markets are the financial markets in which corporate equity and long term debt are issued and traded. Indian Capital market plays a vital role in development of the nation. This research attempt has been made to analysis the equity investors level of satisfaction in the capital market. The present study covers dividends, capital appreciation, quick gain, safety, liquidity, tax benefits, fairness, efficiency and transparency in trading, brokers advice & services, information availability & reliability, investor education & awareness by regulatory bodies, investor protection measures by regulatory bodies and Functioning of investor forum. This paper brings forth the few suggestions for further development of this market.

Keywords: Equity, Satisfaction, capital market, Socio-economic factors and investment pattern.
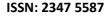
Introduction

The objectives of an investment vary from investor to investor because it depends on various parameters like future financial goals, the present and future income level risk tolerance, the current needs and etc... As an investor progresses on his career and as his financial goals also change.

Each investor tries to build a good portfolio. For this purpose first of all investors goals and objectives of holding assets should be considered while choosing an alternatives. One goal is that the investor wants to earn a rate of return on his portfolio. But the investor is concerned not only with the return he obtains but also with the safety of his investments. If the investor wants a high return, he must be willing to accept a high level of risk or alternately, if he wants a low level of risk he must be willing to accept a low level of return. The objectives than investor's portfolio is to meet depend upon several factors such as income, family status, tax and fiscal concessions, institutional considerations and legal restrictions etc.

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MeenuVerma, (2008)1 observed that wealth management involves understanding the clients' financial and investment requirements and accordingly providing financial planning and portfolio management services. Manish Mittal and R K Vyas, (2008)2 discloses that "personality type and investment choice: Empirical evidence suggests that factors such as age, income, education and marital status affect on individual's investment decision.

Hence, essentials of investment refer to why investment, or the need for investment, is required. The investment strategy is a plan, which is created to guide an investor to choose the most appropriate investment avenue that will help him to achieve his financial goals within a particular period of time.

A number of investors like to increase their earnings through high-risk investments, while others prefer investing in assets with minimum risk involved. However, the majority of investors' expectations are that they like high return with low risk investment.

Need of the Study

The need of the study arises due to lack of awareness about the Indian capital market by (households) individual investors becausenow-a-days, Share trading has become an important investment avenue and most ofthe investors are still unaware about its risk and return aspects.

Scope of the Study

The study aims at analyzing growth and development of capital market. The attributes selected for the study are primary securities market, secondary securities market, corporate debt market, mutual funds, foreign institutional investors, portfolio management, alternative investment funds and corporate restructuring. The scope of the study has been limited to Indian capital market.

Research Methodology

The present study is based on primary data. The primary data have been collected from individual investors through a sample survey. A sample of 598 individual investors from Coimbatore district has been selected for this purpose. Questionnaire was used to elicit information from the investors.

[1]MeenuVerma, *"Wealth management and behavioral finance: The effect of demographics and personality on investment choice among Indian investors",* The ICFAI University Journal of Behavioral Finance, Vol. V, No. 4, 2008, PP: 31-57.

[2] Manish Mittal and R K Vyas, *"personality type and investment choice: An empirical study",* The ICFAI University Journal of Behavioral Finance, Vol. V, No. 3, 2008, PP: 6-22.

Objectives of the Study

1. To ascertain the equity investors level of satisfaction in the capital market in the district of Coimbatore.

Review of Literature

According to Levine and Zervos (1998) argue that well developed stock markets may be able to offer financial services of different kind that may provide a different kind of impetus to the economic development

Agarwall's (1999), study clearly supports the Levine and Zervos's argument and proves that the two main parameters of capital market development namely, size and liquidity, are found statistically significant to explain the economic activity

Tools Used for the Analysis

The information collected is subjected to analysis and interpretation with the help of appropriate tools and techniques such as average score analysis, chi-square analysis and concentration indices.

Average Score Analysis

The average score analysis mainly used in any study is to assess the level of opinion of the different category of respondents on the various aspects relating to the study. First the opinion of the respondents are assessed through a scaling technique and then based on the consolidated opinion of the respondents, the average score is calculated.**Chi-square Analysis** The chi-square test is used in any study on social science and management for testing the independence of two attributes. In this section the results of chi-square analysis is presented by the factors considered in the study as attitude variables. Each of the attitude variables is compared with the study and chi square test is applied and the results are presented with suitable hypothesis and relevant interpretations.

Concentration Indices

The overall performance of the equity investors behavior in capital marketdepends upon the relative efficiency of each unit of the capital market and the information about the latter has been taken by computing Herfindhal's index of concentration defined as below:

$$H_i = \frac{\sum_{i=1}^{n}(v_i^2)}{\sum v_i}$$

where H_i = Overall Index

V_i = 'i'th unit's share of variable and n = number of units

The overall operational efficiency of the equity investors behavior in capital market depends on the relative operational efficiency of each unit of the capital market. To assess the relative operational efficiency of each unit of the capital market in relation to the equity investors behavior, Herfindhals index of concentration has been computed.

DATA ANALYSIS

The following factors are considered relating to the level of satisfaction achieved in the objectives of investment and other aspects

• Dividends	-	A1
• Capital Appreciation	-	A2
• Quick Gain	-	A3
• Safety	-	A4
• Liquidity	-	A5
• Tax Benefits	-	A6
• Fairness, efficiency and transparency in trading	-	A7
• Brokers advice & services	-	A8
• Information availability & reliability	-	A9
• Investor education & awareness by regulatory bodies	-	A10
• Investor protection measures by regulatory bodies	-	A11
• Functioning of investor Forum	-	A12

1. Socio economic variables and the level of satisfaction achieved in the objectives of investment and other aspects associated with investments

Table 1 : Average Score Analysis – Socio economic factors and the level of satisfaction achieved in the objectives of investment and other aspects associated with the investments

Socio Economic Details		A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	A12
Age	Below 25 years	4.14	3.67	3.48	3.44	3.50	3.39	3.27	3.25	3.23	4.08	3.57	3.37
	26-35 years	3.89	3.68	3.50	3.60	3.68	3.59	3.57	3.45	3.39	4.01	3.64	3.63
	36-45 years	3.77	3.59	3.29	3.57	3.71	3.53	3.51	3.47	3.40	3.78	3.39	3.35
	46 - 55 years	3.47	3.28	2.97	2.91	3.50	2.88	3.38	3.47	3.22	3.59	3.38	3.56
	56& above	4.39	4.00	4.33	3.67	3.83	4.11	3.94	4.06	3.78	4.28	3.72	4.11
Gender	Male	3.92	3.70	3.51	3.53	3.65	3.47	3.46	3.44	3.41	3.93	3.64	3.60
	Female	3.98	3.52	3.34	3.45	3.56	3.57	3.52	3.36	3.17	4.12	3.39	3.32
Marital Status	Married	3.86	3.63	3.44	3.49	3.71	3.55	3.61	3.46	3.43	4.00	3.59	3.62
	Unmarried	4.04	3.69	3.49	3.54	3.51	3.43	3.28	3.36	3.23	3.97	3.54	3.40
Educational Level	School	3.92	3.33	3.33	3.58	3.17	3.42	3.36	3.67	3.25	3.53	3.42	3.61
	UG Degree	4.00	3.68	3.37	3.43	3.73	3.73	3.62	3.55	3.40	4.19	3.65	3.49
	PGDegree	3.88	3.71	3.60	3.66	3.57	3.31	3.34	3.26	3.27	3.85	3.52	3.53
	Professional	3.85	3.57	3.47	3.36	3.64	3.30	3.28	3.21	3.43	3.83	3.49	3.57
	Others	4.00	3.13	3.50	2.63	3.50	2.63	3.75	3.50	3.63	4.13	3.13	3.88
Occupation	Government	4.17	3.45	3.23	3.40	3.31	3.43	3.33	3.41	3.18	4.19	3.31	3.38
	Private	3.88	3.67	3.50	3.53	3.67	3.49	3.52	3.40	3.39	3.95	3.66	3.53
	Professional	3.97	3.60	3.45	3.44	3.68	3.43	3.25	3.36	3.22	3.91	3.40	3.53
	Retired & Pension Holders	4.24	4.24	4.05	3.71	3.71	4.38	3.86	4.14	3.76	4.19	3.71	3.90
	Others	3.47	3.88	3.29	3.82	3.88	3.35	3.82	3.18	3.41	3.71	3.76	3.65
Place of Residence	Urban	3.80	3.63	3.46	3.52	3.66	3.57	3.57	3.44	3.55	3.89	3.70	3.64
	Sub-Urban	4.14	3.69	3.40	3.45	3.49	3.47	3.27	3.45	3.08	4.23	3.33	3.36
	Rural	4.00	3.65	3.65	3.63	3.81	3.27	3.56	3.25	3.12	3.77	3.61	3.43
Own House	Yes	3.92	3.69	3.51	3.56	3.68	3.52	3.53	3.46	3.40	3.96	3.66	3.56
	No	3.99	3.56	3.36	3.40	3.50	3.45	3.35	3.31	3.21	4.03	3.36	3.45
Members in the Family	Less than 2	3.89	3.55	3.41	3.80	3.59	3.52	3.34	3.50	3.39	3.77	3.66	3.64
	3-5Members	3.94	3.68	3.47	3.51	3.65	3.51	3.49	3.42	3.37	4.01	3.58	3.50
	6&Above	3.98	3.43	3.43	3.25	3.38	3.33	3.35	3.28	2.90	3.95	3.35	3.70
Earning Members in the Family	1	4.08	3.63	3.51	3.52	3.59	3.52	3.62	3.52	3.20	4.02	3.73	3.45
	2	3.91	3.66	3.48	3.54	3.70	3.59	3.53	3.43	3.44	4.03	3.58	3.54
	3 & above	3.85	3.65	3.36	3.40	3.41	3.17	3.12	3.23	3.18	3.79	3.34	3.57
Monthly Family Income	Below - 15,000	3.95	3.32	3.33	3.43	3.40	3.46	3.15	3.31	3.09	3.86	3.57	3.44
	15001 -25,000	3.89	3.70	3.58	3.59	3.61	3.56	3.38	3.37	3.28	3.91	3.46	3.50
	25001 -35,000	3.93	3.65	3.39	3.39	3.65	3.51	3.62	3.57	3.45	4.12	3.61	3.51
	35001 - 45,000	3.96	3.68	3.59	3.72	3.67	3.53	3.51	3.42	3.34	3.89	3.68	3.54
	45,001&above	4.01	3.89	3.41	3.51	3.77	3.33	3.61	3.20	3.49	4.01	3.56	3.70

It is found from the above Table 1 that the respondents irrespective of their socio economic classification have given high level of opinion towards 'Investor education & awareness by regulatory bodies' (A10) followed by 'Dividends' (A1) when compared to the other factors on the level of satisfaction achieved in the objectives of investment and other aspects associated with the investments.

It is concluded that the majority of the respondents have high level of opinion towards 'Investor education & awareness by regulatory bodies' (A10)as an important factor in the level of satisfaction achieved in the objectives of investment and other aspects associated with the investments.

2. Socio economic variables and the level of satisfaction achieved in the objectives of investment and other aspects associated with investments

Hypothesis: The socio economic variables have no significant influence on the opinion of the respondents about the level of satisfaction achieved in the objectives of investment and other aspects associated with investments.

Table 2: Chi Square Test- Socio economic variables and the level of satisfaction achieved in the objectives of investment and other aspects associated with investments

S.No	Personal variables	Chi-square Value	p values	Significant / Non Significant
1	Age	32.930	.000	S
2	Gender	12.570	.002	S
3	Marital Status	8.726	.013	S
4	Educational Level	31.675	.000	S
5	Occupation	21.469	.006	S
6	Place of Residence	14.053	.007	S
7	Own House	22.799	.000	S
8	Members in the Family	7.244	.124	NS
9	Earning Members in the Family	18.605	.001	S
10	Monthly Family Income	24.702	.002	S

S – Significant at 5% level (p value<0.05); NS – Not Significant at 5% level (p value>=0.05)

It is found from the Table 2 that the hypothesis is rejected (Significant) in nine cases and in one case the hypothesis is accepted (Not Significant).Further, it is concluded that the

members in the family have not significant influence on the level of satisfaction achieved in the objectives of investment and other aspects associated with investments.

3 Investment pattern variables and the level of satisfaction achieved in the objectives of investment and other aspects associated with investments

Hypothesis: The investment pattern variables have no significant influence on the opinion of the respondents about the level of satisfaction achieved in the objectives of investment and other aspects associated with investments.

Table 3: Chi Square Test–Investment pattern variables and the level of satisfaction achieved in the objectives of investment and other aspects associated with investments

S.No	Personal variables	Chi-square Value	p values	Significant / Non Significant
1	Type of investor	3.425	.180	NS
2	Category of investor	24.106	.000	S
3	Type of market Operated	23.785	.000	S
4	Experience in the market	4.091	.394	NS
5	Portfolio of Investment	11.833	.019	S
6	Size of investment in Shares	6.735	.151	NS
7	Source of investment	27.447	.000	S
8	Risk Profile	16.662	.002	S
9	Percentage of savings in shares	3.774	.437	NS

S – Significant at 5% level (p value<0.05); NS – Not Significant at 5% level (p value>=0.05)

It is found from the Table 3that the hypothesis is rejected (Significant) in five cases and in four cases the hypothesis is accepted (Not Significant).Further, it is concluded that the category of investor, type of market operated, portfolio of investment, source of investment and risk profile have significant influence on the level of satisfaction achieved in the objectives of investment and other aspects associated with investments.

4. Concentration indices for level of satisfaction achieved in the objectives of investment and other aspects based on percentage of savings in shares

The following 4 provides the concentration indices for the total score of level of satisfaction achieved in the objectives of investment and other aspects associated with investments based on percentage of savings in shares

Table 4: Concentration Ratio for level of satisfaction achieved in the objectives of investment and other aspects associated with investments based on percentage of savings in shares

Percentage of savings in shares	Level of satisfaction achieved in the objectives of investment and other aspects associated with investments												
	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	A12	Con. Index
Up to 12%	242	228	214	227	224	225	204	208	209	249	227	230	272
13%-20%	949	893	833	855	911	851	871	822	838	954	869	858	1064
21%-25%	786	711	691	691	681	697	670	680	644	795	699	683	857
26%-30%	257	234	217	213	230	215	219	223	192	259	229	231	278
31% & above	121	118	116	114	121	105	113	110	116	126	110	105	139
Con. Index	704	652	617	628	651	630	631	609	606	708	637	626	

It can be understood from the Table 9.1.3 that out of the level of satisfaction achieved in the objectives of investment and other aspects associated with investment variables for percentage of savings in shares considered for study are found to be investor education & awareness by regulatory bodies (708) followed by dividends (704) more concentrated in the capital markets. Furthermore Herfindhal index is found to be 13%-20%(1064) of the percentage of savings in shares is more concentrated corresponding to the level of satisfaction achieved in the objectives of investment and other aspects associated with investments.

It can be concluded that the 'Investor education & awareness by regulatory bodies' and '13%-20%' are more concentrated based on the capital market for the level of satisfaction achieved in the objectives of investment and other aspects associated with investments.

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Major Findings of the Study

Majority of the respondents have high level of opinion towards 'Investor education & awareness by regulatory bodies' (A10) as an important factor in the level of satisfaction achieved in the objectives of investment and other aspects associated with the investments.
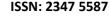
Members in the Family have not significant influence on the level of satisfaction achieved in the objectives of investment and other aspects associated with investments.

Category of investor, type of market operated, portfolio of investment, source of investment and risk profile have significant influence on the level of satisfaction achieved in the objectives of investment and other aspects associated with investments.

Investor education & awareness by regulatory bodies and 13%-20% are more concentrated based on the capital market for the level of satisfaction achieved in the objectives of investment and other aspects associated with investments.

Suggestions

1. Individual investors should be motivated through investor education firms, awareness by regulatory bodies to invest in equity shares and also this could be achieved by way of clearly explaining all the features both positive as well as negatives associated with an investment to the investors.

2. The objective of motivating the public to invest their savings in the stock market will be achieved only if the regulatory authorities succeed in providing a manipulation free stock market. This could happen only if the stock market is transparent and free from scams because those who invest in bank deposits are basically averse to risk.

3. Investment related news in SEBI & Stock exchange announcement, company announcement, investor forum and abridged prospectus of companies will enable the investors to know more about the capital market information and Price trends. Advertisement Campaigns must be conducted in rural areas to increase awareness among investors and also recommend investment related TV Channels and use of internet which will certainly improve the knowledge of sectoral indices.

4. From the socio economic variables it is found that most influential variables are: age, educational level, occupation, place of residence, own house and monthly family income, so the institutions dealing in equity market can take these factors and develop suitable marketing strategies for them and attract them to invest more in capital markets.

5. Most influential variables in investment patterns are type of investor, category of investor, type of market operated, portfolio of investment, size of investment in shares, source of investment and risk. So the institutions should develop appropriate programs to pull the investors into the equity market, so that the existing investors can actively participate in the market. Moreover intermediaries should be duly acknowledged.
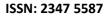
Conclusion

The overall experience of investors on capital market investment is that it is rewarding to majority of investors. To conclude having analysed the investors' behaviours in capital market investment in Coimbatore district, it was found that it went through a very difficult phase in its growth to maturity.

The potential investors must be properly educated and guided so that more money kept idle or invested in other fields will flow to the capital market. If and when it happens, the Indian capital market will be on par with developed capital markets of other developed countries.

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