

A STUDY ON INDIVIDUAL INVESTORS' PERCEPTION ON EQUITY INVESTMENT (A STUDY WITH REFERENCE TO CHENNAI).

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ABSTRACT

Equity investment is a risky investment for which various factors have to be considered by the investors before investing in it. Investors' can gain in equity investment when they consider some important factors before investing. The researcher used the Descriptive type of research design in her study. The researcher used the Primary data collection method in her study by framing a structured Questionnaire. The researcher went with convenient type of sampling method in her study. The sample is taken as 120 by the researcher. For the purpose of Analysis and Interpretation the researcher used the following statistical tools namely Simple Percentage Analysis, Chi-Square Test & Rank Correlation. Based on the Analysis and Interpretation the researcher arrived out with the major findings in her study and Suggestions are given in such a way so that the investors can attain the wealth maximization.

Keywords: *Banks, Financial sector, Investors, Mutual fund, Perception.*

INTRODUCTION

A mutual fund basically pools the money of investors, who share some common financial objective. This money is invested in capital market instruments like shares, debentures and other securities and also in other investible avenues such as real estate, commodities etc. Income thus earned and the capital appreciation realized, are shared by its unit holders (investors) in proportion to the number of units owned by them. There were many research already done related to the performance of mutual fund and customer perception but virtually speaking none of these study were concentrated on investors perception towards the equity and tax saving mutual funds across the investors in Chennai. The researcher is interested in finding out the major factors influencing the investor's perception and its significant impact on the investment instruments. The researcher has identified the following as major factors namely, a) Liquidity b) Rate of Returns c) Dividends e) Growth in NAV f) Consistency. The major objectives of the study are to identify the various factors considered by the individual investors for equity investment. The Sub objective of this study is to identify the various factors considered by the individual investors for equity investment on the demographical factors of the investors. Investors are generally more careful while making investment decision and presence of rationality in every investor demands higher return at minimum risk but when markets are efficient it is not possible to gain abnormal returns. Risk is generally, associated with various applications differently but in common it means negative connotation such as harm or loss or some undesirable action. Risk expressed by Kaplan and Garrick (1981) demonstrates that risk involves a factor of uncertainty and potential loss that might be incurred. Black et al. (2006) examined Customer's choice of financial services distribution channels. They showed that customer confidence, lifestyle factors, motivations and emotional responses influence the customer's choice, while product, channel and organizational factors such as image and reputation are also significant. Syama Sunder (1998) conducted a survey to get an insight into the MF operations of private institutions with special reference to Kothari Pioneer. The survey revealed that the awareness about MF concept was poor during that time in small cities like Vishakhapatnam. Agents play a vital role in spreading the MF culture; open-end schemes were much preferred then; age and income are the two important determinants in the selection of fund / scheme; brand image and return are their prime considerations.

PAST STUDIES

Sahu.R.K. (2001) concludes that the measures of accounting profitability are based on book profits and book value of investment.

Mark Grinbatt and Matti Keloharju(2001) states that past returns, references price effects, the size of the holding period, capital gain or loss, tax loss selling and the smoothing of consumption over life cycle are the determinants of trading in equity investment.

Abhijit Dutta (2001) concludes that majority of them considered technical and fundamental analysis and audited accounting information sources to be useful in investment management.

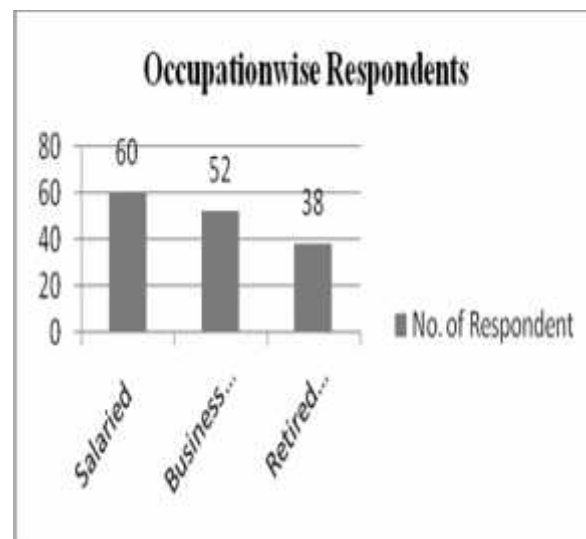
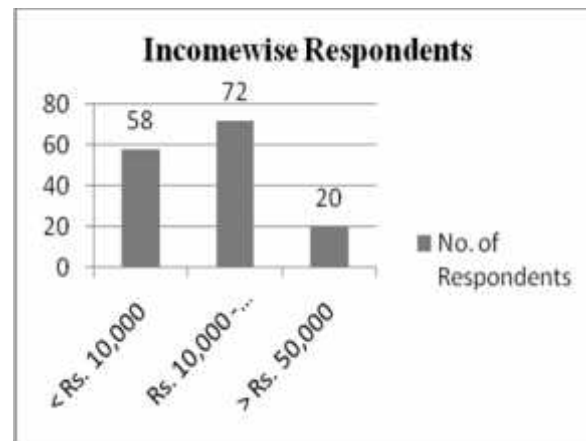
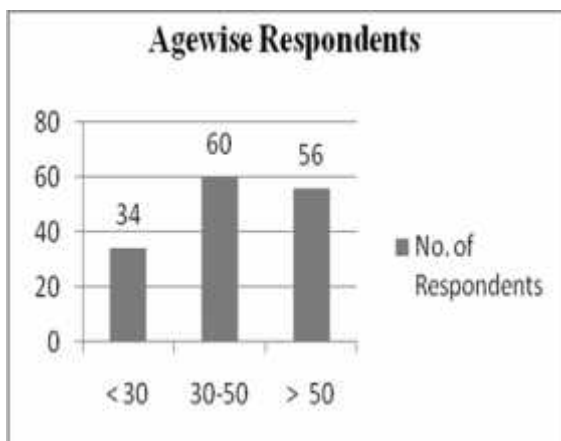
Naresh Kumar (1993) states investors' information processing capabilities are sharply limited due to low, level of education and awareness about investment in financial instrument.

OBJECTIVE

1. To find the investors perception towards the equity and tax saving mutual funds
2. To study the performance of the Equity/Tax saving mutual funds from the investor's point of view.
3. To study and to find out the consistency of performance confined to selective Equity /Tax saving mutual funds.

METHODOLOGY

Nature of the study	: This is an Empirical Study
Sources of Data	: Both primary and secondary data are used.
Instrument Used	: Questionnaire
Size of the Sample	: 150
Framework of Analysis	: Factor analysis, Cross tabulation, Chi Square test
Category of Respondents	: The following graphs explain the demographic profile of the Respondents.



ANALYSIS AND INTERPRETATION

The main objective of this study is to find out the major factors considered by investors in equity investment. Some 24 factors have been taken into consideration. They are company image, Risk factors of shares, financial performance of the company, Good industrial performance related to shares, Change of price appreciation of shares, Expert views, Growth in Dividend per share, Growth in P/E ratio, Growth in earnings per share, Book value per share, management group, size of the company, products and services of the company, frequent issue of bonus share, accumulated reserves of the company, value of assets of the company, Changes in sales over last 3 years, Changes in profit over last 3 years, insider trading information, Share price movement for past 6 weeks, Technology level of the company, Stock brokers' advice, Stock split available in the company, proposed merger and acquisition of the company. Factors analysis is used to find out the major factors considered by investors in equity investment. From the result, all the 24 variables have been grouped in 9 factors. The first factor is considered as the most important factor considered by individual equity investors. The variables included in this factor are: Company Image, financial performance of the company, Management group, Size of the company, Accumulated Reserves of the Company, Values of the assets of the company, Insider trading information, Technology level of the company.

SUMMARY AND FINDINGS

1. Company Image, financial performance of the company, Management group, Size of the company, Accumulated Reserves of the Company, Values of the assets of the company, Insider trading information, Technology level of the company are the important factors considered in equity investment by individual investors.
2. All the investor irrespective of their experience consider company image, risk factor of shares, financial performance of the company, chances of price appreciation of shares.
3. Both the investor who read investment related information or not reading consider company image, chances of price appreciation of shares as a main factors.
4. Investor who do not have the habit of reading equity investment related information normally consider qualitative factor such as management group, company image, size of the company, product and services of the company as the important factor. Investor who normally read equity investment related information consider quantitative factor such as Risk factor, growth in EPS etc., as important factor.
5. Company image, Risk factors of shares, financial performance of the company is the important factors consider by all occupational group of investors.
6. Company image, Risk factor of shares, financial performance of the company, chances of price appreciation are the factors consider by the investor irrespective of their frequency on change in equity investment .

SUGGESTION

1. It can be concluded that modern investor is mature person. Purpose of this study was to know the investment preference of investors.
2. This study find government securities and fixed income securities are most preferred in comparison to other.
3. Mutual fund is the least preferred security, as it gets least rank in preference. Arrangement of securities from most preferred to least preferred according to response were: government securities, fixed income securities, equity securities, debentures, mutual funds.
4. It also shows that investor is risk averse. Another objective was to identify the factors responsible for investment insecurities.
5. This study found that investor is strongly agreed that they invest in security for the purpose of safety. Availability of funds and high liquidity also influence them to invest.
6. The individual investors prefer investments according to benefit and safety provided by security. For example, people who want tax benefit invest in government securities. Occasion of blind investment are scarce, investors who invest on recommendation of people, they mainly invest on therecommendation of family and financial experts.



CONCLUSION

The researcher carried out the study in this area with the objective of finding out the various parameters that governs the investor's perception towards Equity/Tax saving mutual funds. The researcher had identify the following major parameters namely, Liquidity, Rate of Return and Market share the elite performance of the Equity/Tax saving mutual fund. The researcher has taken the growth in NAV in order to arrive at the elite performance of Equity/Tax saving mutual fund offered by Consultant. As the organization plays with the funds of the investment it is the moral responsibility to wealth maximization of the investor's. Hence it is imperative that the organization should be cautious in making investment towards the various financial instruments which safeguard the interest of the investors.

LIMITATION OF THE STUDY

1. Only secondary market is taken into consideration. Primary markets dealing are ignored.
2. Perception of Chennai investors alone taken. So, it cannot be generalized.
3. Only Individual investors are taken into consideration. Institutional investors are ignored.

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