Perception of Individual Investors towards Stock Market Investments with Special Reference to Guwahati City

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Abstract

Capital is a crucial factor in the economic development. The economic development depends mainly on capital formation. As securities market grown-up individual investors directly invest their funds in financial securities. Thus, Investment is regarded as a critical aspect for financial planning and management. Investing in stock market for a retail investor is often risky. However, it can easily impel in the financial growth of an individual if the risk is well managed. Today stock market provide various avenues such as investment in equities, bonds, derivatives etc. Guwahati, the hub of northeast is rapidly growing in terms of population as well as economy. With the increase in the number of stock broking firms in Guwahati, there is a rise in the individual investors. This is also encouraging young investors to invest in various avenues. This research paper analyses the perception of retail investors of Guwahati city towards investment in various avenues of stock market.

Introduction

Investment strengthens the financial position an individual. . This allows the individual money to build, creating wealth over time. With increase in income level of an individual, investment act as an important step in securing individual future and increasing financial worth. But due to the current economic quagmire, the growth cycle has been hampered. Here a fortified Investment Act can foster the growth cycle along with other investments vehicles for short term and long term returns depending upon the risk associated.

Retail Investor

A retail investor is who buy and sell securities for their own account and not for any organization. He is also familiar as 'smart investor' or 'individual investor'. They typically trade in much smaller amount than the institutional investors such as in direct equities, mutual funds, etc. Through investment in stock a retail investor can achieve personal financial goals. A survey by Geojit shows that 59.3% of the retail investors invest in stock market when they have surplus funds. Investments in stock market by the retail investors have increased in the recent years due to increase in the number of stock broking firms.

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Stock Market

The stock market plays a vital role in the economic development of a country. It can be defined as a place where shares of public listed companies are traded. In India most of the stock market trading takes places on its two stock exchanges namely the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE has been in existence since 1875. The NSE, on the other hand, was founded in 1992 and started trading in 1994. However, both exchanges follow the same trading mechanism, trading hours, settlement process

Investment Avenues

There are various investment options available in the stock market where the retail investors can invest depending upon the term of investment and risk associated. Some of them are:

- Direct or cash equity

- Debt securities

- Derivatives – equity, currency, commodity

- Mutual funds

Review of Literature

Giridhari Mohanta and Sathya Swaroop Debasish (2011). Investors do not act rationally in taking decisions relating to investment. The personal as well as environmental factors influence investors in formulating their perceptions on investment avenues. Their study reveals that investors invest in different investment avenues for fulfilling financial, social and psychological need. While selecting any financial avenue they also expect other type of benefits like safety and security, getting periodic returns or dividend, high capital gain, secured future, liquidity, easy purchase, tax benefits, meeting future contingency etc.

N. Geetha and M. Ramesh (2011). There are a lot of investment choices and one must select the most appropriate one. The study examined on people's choice in investment avenues of Kurumbalur. Data were analyzed using descriptive statics and chi-square technique. In Kurumbalur respondents were more aware about various investment avenues like insurance, PPF, bank deposits, small savings like post office savings etc.

S. Suriya Murithi, B. Narayanan and M. Arivazhagan (2012). Investment benefits both economy and the society. It is an outgrowth of economic development and the maturation of modern capitalism. The study confirms the earlier findings with regard to the relationship between age and income level of the individual investors. The individual investors still prefer to invest in financial product which gives risk free returns.

S.N. Geeta and K. Vimala (2014). Understanding household saving and investments is of importance for several reasons. Their study traces the investor's perception relating to financial investment avenues in Chennai city. Earlier investors stuck to one particular avenue, but there is a remarkable change in the investment avenues because of establishment of different financial institution, creditable source attractive return, good capital appreciation, and tax concession.

C. Kavitha (2015). A stock market is a place in which long term capital is raised by industry and commerce, the government and local authorities and it is regarded as capital market. The money derives from private investors, insurance companies, pension funds and banks and is usually arranged by issuing houses and merchant banks.

G. Velmurugan, V. Selvam and N. Abdul Nazar (2015). The economic liberalization and globalization have brought a fervent environment for the common and small investors who are willing to participate in the various investment avenues available in India. The findings of the study on investor's perception towards various investment avenues emphasized that the aged and high income investors prefer to invest only in post office and bank deposits for safety investment reason.

Scope and Objectives

Stock market investments are mounting with the growth of stock broking firms in India. This has not only encouraged the young investors to invest in various avenues but also strengthened individual's financial position. This study is concerned exclusively for the retail investors investing in different stock market avenues such as equities, mutual funds, financial derivatives, etc. The coverage of this study is limited to the urban and semi urban areas of Guwahati. The objectives of this study are:

1. To know the perception of retail investors regarding stock market investments.

2. To study the various factors influencing the retail investors in stock market investments.

3. To elicit the level of satisfaction of retail investors in stock market investments.

Methodology

The study was based on primary data obtained through a structured questionnaire by directly communicating with the respondents. The primary data were collected from 100 respondents using convenient sampling. The collected data was analyzed through statistical tools like percentage analysis, rank analysis, factor analysis and regression analysis using SPSS software package.

Analysis And Interpretation

(i) Percentage analysis

Table 1.1 : Demographic profiles of the respondents

VARIABLE	CATEGORY	RESPONDENTS (%)
Age	18-30 yrs	23%
	31-35 yrs	53%
	Above 35 yrs	24%
	Total	100%
Gender	Male	83%
	Female	17%
	Total	100%
Marital Status	Married	72%
	Unmarried	28%
	Total	100%
Education	10th standard	10%
	12th standard	8%
	Graduate	34%
	Post graduate	48%
	Total	100%
Area of Domicile	Semi-urban	15%
	Urban	85%
	Total	100%
Occupation	Student	7%
	Employee	29%
	Business	29%
	Agriculture	2%
	Professional	23%
	Others	10%
	Total	100%
Monthly Income	Less than Rs. 20,000	34%
	Rs. 20,001- 40,000	56%
	Rs. 40,001- 80,000	2%
	More than Rs. 80,000	8%
	Total	100%

(Source- Author's findings)

Interpretation

The above table reveals that 53% of the respondents are in the age group of 31-35 yrs, 24% of the respondents are in the age group of above 35 yrs and only 23% of the respondents are in the age group of 18-30 yrs. Secondly, 83% of the respondents are male whereas 17% are female. 72% of the respondents are married while 28% are unmarried. Regarding education qualification, 48% of the respondents are post graduate, 34% are graduates, 10% have passed 10th standard and only 8% have passed 12th standard. Also, 85% of the respondents are from urban area while 15% of them are from semi-urban. Regarding occupation, 29% of the respondents are employed, 29% of the respondents are engaged in business, 23% of the respondents are professionals, 10% have other activity, 7% are students and only 2% are engaged with agriculture. Analysis also reveals that 56% of the respondents belongs to the income group of Rs.20,001-40,000, 34% belongs to the income group of less than Rs.20,000, 8% belongs to the income group of more than Rs.80,000 and only 2% of the respondents belongs to the income group of Rs.40,001-80,000

(ii) Factor analysis

The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis and the Bartlett's Test of sphericity is the test for null hypothesis that the correlation matrix has an identity matrix

Table 1.2 : SPSS output-KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.571
Bartlett's Test of Sphericity	Approx. Chi-Square	672.564
	df	253
	Sig.	.000

Interpretation:

The above table reveals that the KMO > 0.5 and the Bartlett's test of sphericity is significant, i.e., its associated probability is less than 0.05.

Table 1.3 : Communalities

	Initial	Extraction
INVESTING	1.000	.669
DIRECTLY INVESTING	1.000	.556
INDIRECTLY INVESTING	1.000	.506
SELCTED STOCKS	1.000	.805
STOCKS	1.000	.633

MONITORING	1.000	.670
WEEKLY MONITORING	1.000	.798
MONTHLY MONITORING	1.000	.721
YEARLY MONITORING	1.000	.579
QUICK GROWTH	1.000	.765
STEADY GROWTH	1.000	.688
MONTHLY RETURN	1.000	.728
SAFETY OF PRINCIPAL	1.000	.745
FULLY SELL	1.000	.696
PARTLY SELL	1.000	.539
HOLD	1.000	.750
CAPITAL APPRECIATION	1.000	.704
LIQUIDITY	1.000	.770
GROWTH STEADY	1.000	.569
GOOD RETURNS	1.000	.605
TAX BENEFIT	1.000	.801
ADVICE SEEKING	1.000	.580
RISK MAGNITUDE	1.000	.573

(Extraction Method: Principal Component Analysis.)

Table 1.4 : SPSS output-Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.367	14.638	14.638	3.367	14.638	14.638	2.621	11.398	11.398
2	2.511	10.919	25.558	2.511	10.919	25.558	2.057	8.943	20.340
3	2.268	9.862	35.420	2.268	9.862	35.420	2.013	8.751	29.091
4	1.934	8.408	43.828	1.934	8.408	43.828	1.996	8.677	37.768
5	1.737	7.551	51.378	1.737	7.551	51.378	1.761	7.658	45.426
6	1.364	5.932	57.311	1.364	5.932	57.311	1.738	7.556	52.982
7	1.159	5.038	62.349	1.159	5.038	62.349	1.734	7.539	60.521
8	1.093	4.751	67.101	1.093	4.751	67.101	1.513	6.580	67.101

9	.924	4.017	71.117							
10	.836	3.633	74.751							
11	.778	3.383	78.134							
12	.711	3.092	81.226							
13	.653	2.840	84.066							
14	.585	2.543	86.608							
15	.533	2.318	88.927							
16	.496	2.158	91.084							
17	.486	2.115	93.199							
18	.361	1.570	94.769							
19	.335	1.458	96.227							
20	.267	1.161	97.389							
21	.223	.971	98.360							
22	.199	.866	99.226							
23	.178	.774	100.000							

(Extraction Method: Principal Component Analysis.)

Interpretation:

After these preliminary steps, Factor analysis with Principal component analysis as an extraction method has been performed on the remaining 23-item scale. Factor Analysis was rerun on the remaining 23-item scale. Ultimately, the final factor solution, which met the criteria, included 23 - items defined by eight factors. Consequently factors considered by the investors in the present study compose eight factors namely, **Growth, Liquidity, Safety investment, Investment perspective, Perception, Risk minimization, Monitor and Wealth maximization.** Quick growth, Monthly Monitoring, Capital appreciation and Monthly Return are referred as Growth. Liquidity and Hold the securities are referred as Liquidity, Yearly Monitoring , Indirect Investment and direct Investment are referred as Safety investment, Safety Principal and Tax benefit are referred as Investment Perspective, Risk magnitude and steady growth are referred as Perception, Selected stocks, fully sell and monitoring are referred as Risk minimization, Good returns ,weekly monitoring and investing in selected stocks are referred as Monitor, Return and Steady growth and investment are referred as wealth maximization . The initial instrument was adjusted to account for eight factors. The results obtained do not fully capture the proposed dimensions. Rather eight obtained factors have become a mix match of various items relating to the perception of investors in stock market. **Table No**.1.4 shows total composition of each factor that provides the information regarding items that constituted these eight factors with their factor loadings, Eigen values and the variance explained by each factor. The deduction of three-factor solution accounted for 67.101 per cent of explained variance which is higher than 50 per cent. The eight -factor solution might be to measure the perception of investors in stock market. All dimensions were named on the basis of the contents of final items making up each

of the eight dimensions. The commonly used procedure of Varimax Orthogonal Rotation for factors, whose Eigen values were greater than 1.0, was employed in the analysis. The factors so generated had Eigen values between 1.093 and 3.367. All items were found highly loaded under eight factors, which indicate perceptions of investors are highly related

(iii) Rank analysis

Table 1.5 : Ranking of Investment Avenues

SI.No.	INVESTMENT AVENUES	Rank
1	Fixed Deposit	IV
2	Mutual Fund	V
3	Equity Market	I
4	Commodity market	III
5	Financial Derivative market	VIII
6	Insurance	VII
7	Real Estate	VI
8	Gold	II

(Source- Author's findings**)**

Interpretation:

Table 1.5 clearly depicts the ranking of various investment avenues. Among all the avenues majority of the investors are investing their amount in equity market which secured the first rank and only few of the investors are investing their amount in financial derivatives market which secures the last rank.

(iv Regression analysis:

With the help of factor analysis 23 variables were reduced to eight factors and by using those eight factors keeping Risk minimization as dependant variable and other seven factors as independent variable.

Hypothesis:

H01: There is no significant relation between Risk minimization and growth rate.

H02: There is no significant relation between Risk minimization and Liquidity

H03: There is no significant relation between Risk minimization and Safety Investment

H04: There is no significant relation between Risk minimization and. Investor perspectives

H05: There is no significant relation between Risk minimization and Percep0tion.

H06: There is no significant relation between Risk minimization and wealth maximization.

H07: There is no significant relation between Risk minimization and Monitoring

Table 1.6 : SPSS Output- Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Co Statistics	linearity
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.387	1.459		.951	.344		
Safe	-.007	.107	-.007	-.068	.946	.811	1.233
perception	-.107	.178	-.059	-.600	.550	.910	1.099
growth	.154	.104	.146	1.485	.141	.925	1.081
Wealth factor	-.048	.102	-.047	-.476	.635	.930	1.075
monitoring1	.313	.114	.284	2.737	.007	.827	1.209
Liquid	-.063	.109	-.056	-.575	.567	.942	1.062
Investor perception	.322	.121	.259	2.667	.009	.943	1.060

a.   Dependent Variable: Risk minimization

b.   Predictors: (Constant), investor perception, monitoring1, perception, wealth factor, growth, liquid, safe

Table 1.8 : SPSS output-ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.	
1 Regression	8.004	7	1.143	3.045	.006[b]	
Residual	34.177	91	.376			
Total	42.182	98				

a.   Dependent Variable: Risk minimization.

b.   Predictors: (Constant), investor perception, monitoring1, perception, wealth factor, growth, liquid, safe

Interpretation:

With the help of regression analysis the significant relation between risk diversification and other factors were analyzed. Among the entire hypothesis H05 and H07 is rejected i.e. there is a relationship between risk diversification and monitoring and also with perception. Hence the investors are monitoring the stock market and perceive the market correctly and then they are making the investment decision in order to minimize the risk. All other Hypothesis was accepted.

Findings

The following are the important findings of the study:-

- Majority of the respondents belongs to the age group of 31-35 years.

- 83% of the respondents were male.

- Majority (72%) of the respondents were married.

- 85% of the respondents are from urban area.

- 48% of the respondents were post graduate

- 29% of the respondents were employees and Businessman.

- Majority (56%) of the respondents are having the monthly income of Rs.20,001 to Rs.40,000.

- Majority of the investors are investing their amount in equity market which secured the first rank

- Factors considered by the investors in the present study were reduced to eight factors namely, Growth, Liquidity, Safety investment, Investment perspective, Perception, Risk minimization, Monitor and Wealth maximization.

- The investors are monitoring the stock market and perceive the market correctly and then they are making the investment decision in order to minimize the risk

Suggestions and Conclusion

It is suggested to have client awareness programmes because most of the investors are not aware about the stock market. Before making investment decision investors should know about the sources of investment and prior history of the firm regarding growth aspect. Further, there is a noteworthy relationship between investor's perception of stock market regulations and their intent to participate in NSE and Stock Exchanges. In order to have more investors participating on the NSE and Stock exchanges efforts should be directed towards stronger regulation and creation of more awareness. Investor has huge scope for current earnings and capital appreciation in emerging market like India. At the present moment brokers have access to the best technique and tools due to technological developments and globalization like trading software online, capital market information online, etc. Investors 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.

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