

Investors' perception towards Investment In securities with special reference to Salem district

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ABSTRACT

The purpose of this study, "Investors' Perception towards Investment in Securities with Special Reference to Salem District," is to pinpoint the major variables influencing investors' ability to make the best possible investment choices. It assesses the level of investor awareness in choosing suitable investment options, including mutual funds, stocks, bonds, and other financial products. Examining how investors perceive the management of their investment portfolios, taking into account factors like financial objectives, time horizon, and diversification, is one of the main goals. The study also evaluates investors' comprehension of how to balance risk and return, which is a crucial component of long-term wealth creation and successful investment planning. Using primary data gathered from investors in the Salem district via questionnaires and interviews, a systematic methodology is used. It is anticipated that the results will highlight financial literacy gaps as well as the impact of demographic variables like age, income, and education on investment choices. The study also looks at the patterns of behavior that influence the preferences and decisions of investors. Financial advisors, legislators, and academic institutions will be able to create better investment advice programs and awareness campaigns with the aid of these insights. The study ultimately advances a more comprehensive knowledge of investor psychology and behavior in semi-urban areas such as Salem, encouraging more knowledgeable, well-rounded, and logical financial investment strategies.

Key Words: Investment Decisions, Investor Perception, Financial Literacy, Risk and Return, Portfolio Management, Behavioral Patterns and Demographic Factors.

1. Introduction

Basically, investors' perception determines their attitude towards investment in financial securities like stocks and bonds. In the Salem district, investor awareness and attitude toward securities have gradually changed with increased access to financial information, digital trading platforms, and educational programs. Retail investors in the district mostly shift their orientation from traditional savings instruments like fixed deposits and gold to market-linked securities with a view to high yields and wealth creation. Yet, some sections of the population remain conservative investors due to risk aversion and avoidance resulting from a lack of deep financial knowledge.

The perception of investment in securities by Salem's investors depends on various factors like income levels, age, education, and investment experiences. Younger and tech-savvy people are more willing to take up investment options like equities and mutual funds, realizing that they are viable investment vehicles to accumulate more wealth over long periods of time. Older people may be more inclined to invest in government securities or debt products. Financial institutions' campaigns and the availability of consultancy services may have increased the participation of people in the securities market in the district.

Though there has been increased interest, there are some issues that need to be addressed in building confidence in securities within Salem. Some of the issues include market volatility, fear of loss, as well as the lack of sufficient literacy on matters of finance. There is, therefore, the need to continue working on finances by instilling confidence in the perception of securities in order to help more people in Salem see the positive aspect of investing in securities.

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In view of the fact that with the advent of facilities like mobile trading applications, live market feeds, and uncomplicated investment tools, novice investors are no longer hesitating to explore the opportunities in financial markets across the country. It is pertinent to mention here that not only have these facilities reduced investment thresholds, but investors are also able to take well-informed and appropriate decisions regarding their investments. With an increase in digital knowledge and expansion in facilities pertaining to financial services in semi-urban and rural areas of Salem, the notion regarding this particular aspect is also likely to enhance.

1.1 Statement of the Problem

The clear lack of understanding of how investors perceive investing in securities has a significant impact on the process of decision-making. Even as the number of alternatives in terms of investments increases in financial markets, investors are still not able to properly determine risks and returns attached to various financial securities. This study is aimed at understanding how various factors influence the perception and decision-making of investors. It has been hoped through this research to attain a better understanding of factors and gain some insight to assist investors in decision-making. However, there have been fewer findings regarding cognizance levels of investors. This study aims to further analyze this.

In this context, the following questions arise:

- i. How do psychological factors, such as emotions, biases, and cognitive errors, influence investor perceptions and decision-making?
- ii. How much are investors aware of the risk-return trade-off, and how does this affect the investment decision-making process?

2. Review of Literature

- Mandal Srijita, Mitra Sarbani (2024) in “Investors’ perception of their investment decision on the basis of ESG - A case study in Kolkata” said: ESG factors on the perceptions of Kolkata’s investors. The authors employed primary data collected from 55 investors and the results of non-parametric tests confirmed that there exists no interdependency between gender and investment horizon. The results confirmed the importance of ESG with respect to sustainable investment during financial challenges worldwide.
- Swaraj, Aniket, Shubhada, Turbadkar Teertha Indrasen (2024). The article under review is titled “A Study of Investor Perspective Towards Investment and Goal Setting.” It is an investigate study using descriptive research, where 100 respondents were used, focusing on the changing scenario in the Indian market concerning investors’ portfolio, knowledge, and risk perception. The article revealed that investors adopt divergent strategies, use the internet as an information platform, approach the market with prudence, and prefer technical analysis.
- The impact of share market awareness on investor challenges and satisfaction was examined by Swathi Sasikumar, Sundaram N (2024) in “Investors’ Perception towards the Share Market Awareness, Challenges and Satisfaction – A Study from Indian Context.” In this study, the authors utilized SEM on a sample of 79 investors to arrive at the conclusion that awareness enables the investors to overcome such challenges and enhances their satisfaction with reference to market norms and gains. Lack of awareness among the investors has been identified as a major cause for loss for the investors, thereby emphasizing its necessity in this context.
- The article titled “Service Quality Dimensions and Investors’ Perceptions of DEMAT Account Services in Nepal” by Bhim Kumar Thapa, Ramesh Rasik Paudel, Murari Karki, and Padam Bahadur Lama (2025) mentioned how service quality dimensions influence investors’ perceptions of DEMAT account services in Nepal. The factors that impact investor satisfaction and trust comprise responsiveness, assurance, empathy, and tangibility, while reliability is not a factor.
- Parul Mittal and Sonal Gupta (2025), while discussing “An Analysis of Awareness and Perception of Investors Towards Different Investment Avenues”, have been able to provide insight into how socio-economic variables factor into influencing investment awareness and perception in Haryana.

Using statistical analysis on 600 respondents, results have shown that investment behaviour is influenced by various economic, socio-cultural, demographic factors; financial preferability, stability of returns, liquidity, tax benefit, and convenience stand out, which again indicates the need for investor education and awareness.

- Pratiksha Tiwari, in the article "Relationship Amongst the Factors Formulating Investor Perception Towards Investment in Crowdfunding" (2025), discussed crowdfunding growth in India. The author drew attention to the various different platforms operating in the country, including Ketto and Milaap. This study evaluates investor perception, especially focusing on intention and perceived benefits as major drivers. Through a confirmatory second-order factor analysis model, the findings indicate that the investment motive and benefit variables are very important in understanding the investors' perception and engagement in crowdfunding opportunities.

2.1 Research Gap

The researcher has studied fifty studies that cover specific data on Nepal, India, and Saudi Arabia. However, comparisons must be extended across the globe to ensure wider information is covered. There is insufficient information on the various types of investors. The impact of Fintech and online platforms is also insufficiently covered. Although behavioral finance is covered, insufficient information has been provided on how psychology, including emotions and other biases, plays a role in decision-making. Most studies used were cross-sectional, with insufficient studies to cover the long-term impact. The role of ESG factors, investor education, risk perceptions, wider economic factors such as inflation, interest rates, cultural factors including media on social platforms, and their impact on an emerging market with regulations and their impact on investor perceptions also little researched. There is insufficient information on factors that influence in taking decisions by investors.

3. Objectives

- To identify the various factors that influence in taking optimal investment decisions.
- To assess the awareness level of the investors in selecting investment avenues.
- To examine the perception of the investors in portfolio management of their investments.

4. Sampling Technique

The total population of the target group for the study consisted of 2,500 investors. The sample size of 120 investors for the research was selected based on judgmental sampling, a non-probability method of sampling where the researcher selects participants based on their knowledge and judgment, considering the most valuable information for the study.

5. Data Analysis and Interpretation

In order to attain these objectives, various forms of analysis, like Structural Equation Modeling (SEM), were applied by the researcher to accomplish each of the above-stated objectives.

5.1 Structural Equation Modeling (SEM)

TABLE 5.1.1

S. No.	Test Factor	Value	Criteria*	Result
1	Chi-Square	107.54	$p > 0.05$	1% level
2	Chi-Square / df (54)	1.992	2.0–5.0	Good Fit
3	GFI (Goodness-of-Fit Index)	0.944	> 0.90	Good Fit
4	AGFI (Adjusted Goodness-of-Fit Index)	0.940	> 0.90	Good Fit
5	CFI (Comparative Fit Index)	0.942	> 0.90	Good Fit
6	NFI (Normed Fit Index)	0.941	> 0.90	Good Fit
7	TLI (Tucker-Lewis Index)	0.908	> 0.90	Good Fit
8	RMSEA (Root Mean Square Error of Approximation)	0.061	< 0.07	Good Fit

Source: Primary Data

It should be noted that the goodness of the fit of the model to the data is clear in terms of the multiple fit indices reported. It is also worth noting that the non-significant chi-square value of 107.54 presents a p-value that is higher than 0.05. The ratio of the chi-square to the df (1.992) is also within the range for a good fit. Other good fit indices reported for the model are GFI (0.944), AGFI (0.940), CFI (0.942), NFI (0.941), and TLI (0.908). This shows they are higher than the minimum 0.90. Following the report of a good fit value for the RMSEA of 0.061, which is significantly lower than 0.07, the findings here show that indeed the model fits the data well.

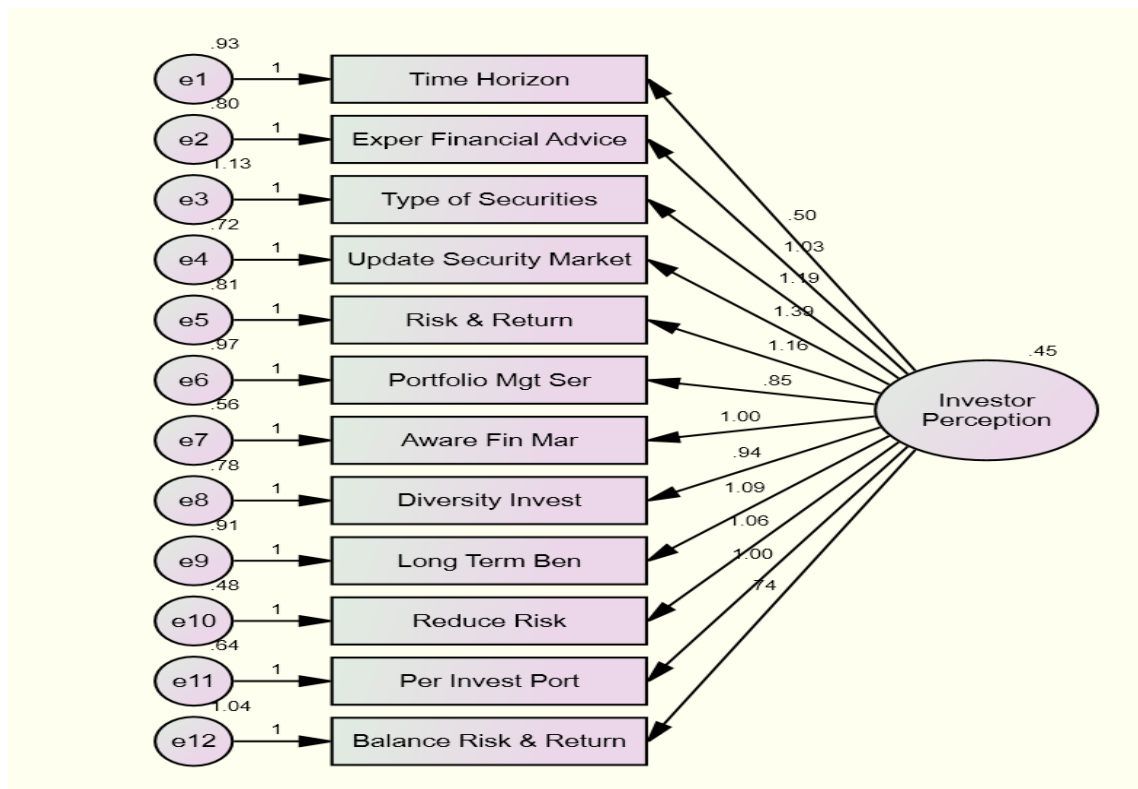


FIG. 5.1: Model of Factors Influencing Investors' Perception

5.2 Correlation

5.2.1 Degree of Relationship between Awareness of the Risk and Return Characteristics of Different Securities and the Typical Methods used to Balance Risk and Return in Investment Decision-Making

TABLE 5.2.1

No.	Variables	Opinions on Awareness of the Risk and Return Characteristics of Different Securities	Method of Typically Balancing the Risk and Return in Making an Investment Decision
1.	Opinion towards Aware of the risk and return characteristics of different securities	1.000	0.347 (0.000*)
2.	Method of typically balance the risk and return in making an investment decision	0.347 (0.000*)	1.000

Note: * - Significant at 1% level

Source: Primary Data

The results obtained from the analysis also showed a statistically significant positive relationship between investors' awareness of the characteristics associated with various securities' risks and returns and their strategies for managing risks and returns while making investment decisions. The analysis gave a correlation coefficient value of 0.347 and a value of 0.000 associated with probability, which is statistically significant at a 1% level. It shows that with increased awareness, investors are able to make strategic decisions in investing.

5.3 Regression

5.3.1 Perception of the Long-Term Benefits of a Diversified Portfolio Compared to Investing in Individual Securities

TABLE 5.3.1

No.	Variables	Coefficient	SE	't' value	'p' value
	(Constant)	1.771			
1.	Perception of How Time Horizon (Short-Term vs Long-Term) Affects Investment Decisions	0.127	0.101	1.258	0.211 ^{NS}
	R Value	0.108			
	R² Value	0.012			
	F Value	1.582^{NS}			

Note: NS - Not Significant

Source: Primary Data

From the linear regression analysis, it has been observed that the importance level of investors attached to the investment horizon, i.e., short-term and long-term, does not impact their perceptions of the long-term benefits of a diversified investment relative to investment in securities. In this analysis, the independent variable has a coefficient of only 0.127, a standard error of 0.101, a t-value of 1.258, and a p-value of 0.211. It, therefore, implies that the independent variable does not hold significant statistical importance in the analysis. Moreover, the calculated R-value of 0.108 denotes a very poor correlation, and the calculated R-squared value of 0.012 signifies a mere 1.2% change in the dependent variable owing to the independent variable. Also, the calculated F-value of 1.582 further denotes the overall insignificance of the variable, implying the overall insignificance of the independent variable.

6. Findings

The results show that the model is an appropriate fit for the data, with high fit indices, including chi-square significance non-significance, acceptable chi-square/degrees-of-freedom ratio, and good fit, reflected in the Goodness-of-Fit Index, Adjusted Goodness-of-Fit Index, Comparative Fit indexes, Normed Fit Index, and Tucker-Lewis Index, which are all above the acceptable threshold, and the low approximation error, reflected in the low Root Mean Square Error of Approximation, falling within the acceptable range. The results also show that there is a significant positive relationship between investors' awareness regarding the risk and return features of different types of securities and their strategies regarding the management of risk and return, implying that there is an informed approach in the formulation of investment decisions. Nevertheless, the regression analysis indicates that the level of emphasis given by investors to the time horizon, being either long or short term, does not affect their perception regarding the long-term benefits obtained from portfolio diversification, implying that the role of time horizon is minimal as far as its influence on investors' perception is concerned.

7. Recommendation

Based on the findings, greater emphasis is needed to improve investor awareness through focussed financial education programs, especially on the risk and return characteristics of different securities. Financial institutions, regulators, and investment advisors can strive together to provide workshops, digital content, and advisory programs for better decision-making and effective risk management for investors. Since awareness has a significant impact on the investment strategy, better portfolio outcomes may be achieved through such initiatives. Also, in view of the fact that the time horizon did not have a significant effect on perceptions regarding the benefits accruing from diversification, the awareness campaign can also be extended to cover the issue of investment duration and its impact on long-term wealth creation. Both risk awareness and long-term planning can be recommended to stakeholders for more confident and rational investment behaviour on the part of investors in the Salem district.

8. Discussion

Such an evaluation seeks to show how awareness of the risk and return potential of various securities impacts the ability of investors to effectively balance risk and return while highlighting the importance of financial literacy in building effective investment choice strategies. Furthermore, the highly significant model fit, coupled with the indices represented by SEM, shows how solid investment factors are. Most importantly, however, the result posits how the investment time period, whether in short or long terms, does not actually impact the perception of the benefit of diversification by investors. Such an explanation of the findings shows that investors are aware of the concept of diversification but perhaps remain unclear about how the long investment period promotes the performance of an investment strategy, depicting a distinction between investment knowledge and investment strategic insight. This highlights a major avenue for enhancing the perception of investment and diversification in a constantly developing financial environment such as Salem.

9. Conclusion

In addition, this study also reveals the importance of awareness in relation to various investment decisions. This is particularly true in relation to investments and their risk and return profiles. In this regard, therefore, it becomes crucial to note that financial literacy is vital in enhancing strategic financial behavior among investors in Salem district. However, from this research, it was noted that financial awareness based on the duration of investments had no significant effect on the perception of the benefits of diversification. This indicates a challenge in ensuring financial literacy and addressing various financial decisions based on a strategic understanding of financial investments. Hence, financial awareness coupled with a deeper financial understanding of investments will be crucial to ensuring strategic behavior among investors in Salem. As financial platforms continue to advance in Salem, its relation to financial diversification will be instrumental in ensuring larger financial participation in the securities market.

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