

A Study on Factors Influencing Investors' Perception towards Stock Market Decision

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Abstract

The globalization of financial markets has been increasing the size of the community of retail investors' over the past two decades by providing a wide variety of market and investment options. Hence, it makes their investment decisions process more complex. The factors influencing investor's perception are return on investment, market trend or risk, short term profitability, price of the share, dividend policy, past financial performance, company reputation, reputation of the board, current earnings of the company and expert opinion. This study focuses the main factors influencing investor's perception.

Keywords

Investment, Perception, Investor, Stock Market

I. Introduction

An investor is a person who commits capital with the expectation of financial returns. Investors utilize the investments in order to grow their money or to provide an income during retirement with an annuity. An investor allocates capital with the expectation of a future financial return. A wide variety of investment vehicles exist including the stocks, bonds, commodities, mutual funds, exchange-traded funds (ETFs), options, futures, foreign exchange, gold, silver, retirement plans and real estate. Investors typically perform technical or fundamental analysis to determine favorable investment opportunities, and generally prefer to minimize risk while maximizing returns. There are two types of investors that are retail investors and another one is institutional investors. The retail investors are individual investors who buy and sell securities for their personal account and not for another company or organization. They are also known as individual investor or small investor. The institutional investor is a term for entities which pool money to purchase securities, real property, and other investment assets or originate loans. Institutional investors include banks, insurance companies, pensions, hedge funds, investment advisors, endowments and mutual funds. Operating companies which invest excess capital in these types of assets may also be included in the term. Activist institutional investors may also influence corporate governance by exercising voting rights in their investments. An Investor's perception is his way of understanding something related to the investment invested in. It may also refer to his thoughts or ideas that he intends to invest in.

II. Objective of the study

- To identify the investor's perception towards company
- To study the major aspects of an investors perception
- To ascertain the areas and aspects that make more attractive in order to attract more shareholders
- To study the factors influencing investor behaviour.

III. Review of literature

Petter (1970) - "Motivating Factors Guiding the Common Stock Investor" identified those factors which motivated and

guided the investment decisions of the investors. The factors include Income from dividends, Rapid growth, Purposeful investment as a protective outlet of savings and Professional investment management.

Shanmugham (1990) "A Study on Investors' Awareness of Investment", examined the factors affecting investment decision and found that the investors are high risk takers. The investors possessed adequate knowledge of government regulations, monetary and fiscal policy.

Kannadhasan (2006) - "Risk Appetite and Attitudes of Retail Investors with Special Reference to Capital Market".

The author examines about the factors that influence the retail investors' decision in investing. The decision of the retail investors is based on various dependent variables viz., gender, age, marital status, educational level, income level, awareness, preference and risk bearing capacity.

Hussein A Hassan (2006) - "Factors influencing Individual Investor Behaviour: An empirical study of the UAE Financial Markets" identified the factors influencing the UAE investor behavior. Six factors were found the most influential factors on the UAE investor behavior. The most influencing factors were expected corporate earnings, get rich quick attitude and past performance of the stocks.

Geetha N, & Ramesh M. (2012) - "A Study on Relevance of Demographic Factors in Investment Decisions" studied the Relevance of Demographic Factors in Investment Decision and reveals that there is significant relationship between the demographic factors such as gender, age, education, occupation, annual income and annual savings with the sources of awareness obtained by the investors.

IV. Research Methodology

A research is the process of defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; analyzing and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulation hypothesis. This research is to find the factors that influence investor's perception towards stock market decision.

Research Design

Descriptive research has been used as research design

Sampling tools and techniques

Percentage analysis and convenience sampling has been used.

Sample Size & Data Collection

From the total population of Chennai, 75 people are chosen as sample size for the study and the data is collected through a Structured Questionnaire.

A. Frequency of Investment in Shares

Table 1: Frequency of Investment in Shares

Frequency	Number of Respondents	Percentage
Never	7	11.67
Very rare	16	26.67
Sometimes	15	25
Often	18	30
Very often	4	6.67

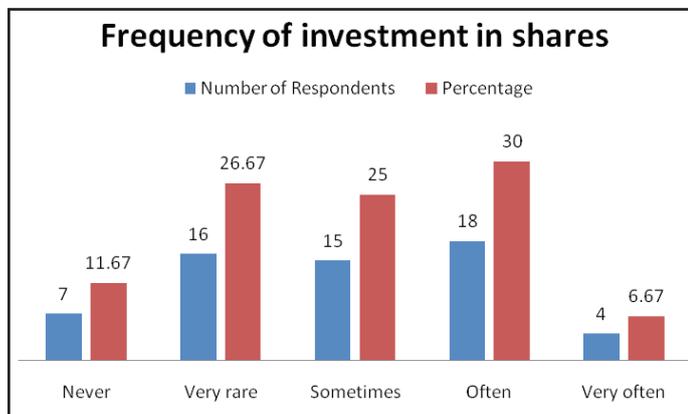


Fig. 1: Frequency of Investment in Shares

Inference

The above table and diagram shows the respondents' frequency of investment in shares. 4 respondents invest very often while 18 respondents invest often in shares.

B. Purpose of Investing

Table 2: Purpose of Investing

Purpose	Number of responsibility	Percentage
Long term Investment	28	46.67
For trading	7	11.67
Short term Investment	24	40
Other reasons	1	1.67

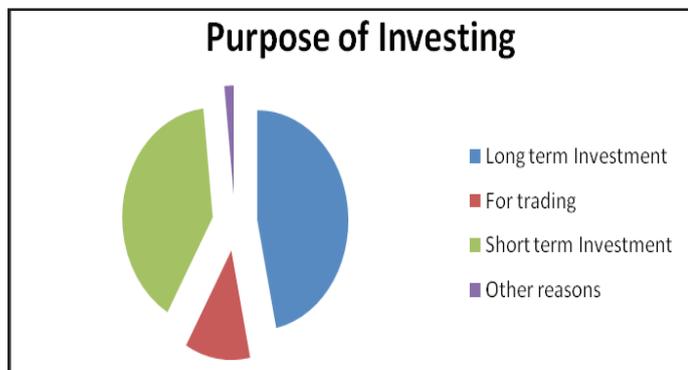


Fig. 2: Purpose of Investing

Inference:

Long term investment is the motive of investment for the respondents. Only few of the respondents indulge in practice of regular trading of investments.

C. Influential Factors

Table 3: Influential Factors

Factor	Number of Respondents	Percentage
Return on investment	22	36.33
Short term Profitability	9	15
Company Reputation	19	31.67
Risk factor	10	16.67

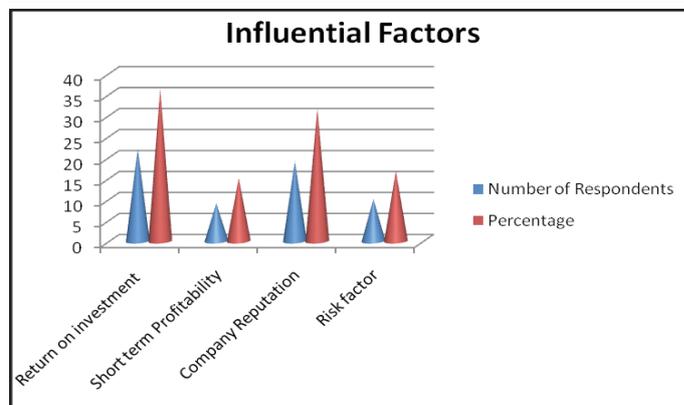


Fig. 3: Influential Factors

Inference

The above table and diagram discusses the factors that influence the investor while making an investment decision. The table and diagram clearly expresses that 36.3% of respondents feel return on investment is the most important factor.

D. Factors Affecting Investors Perception

1. Return on Investment

Table 4: Return on Investment

Level of Impotance	Number of Respondents	Percentage
5	21	35
4	17	28.33
3	14	23.33
2	5	8.33
1	3	5

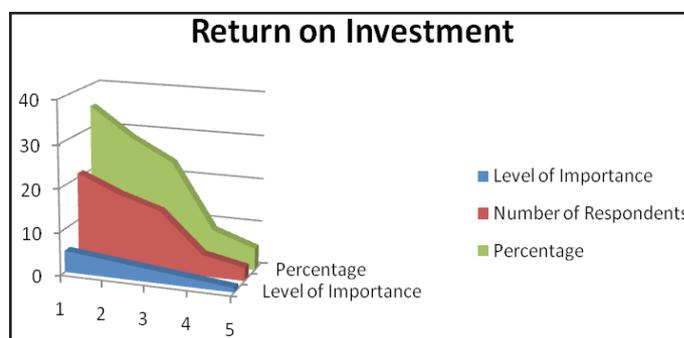


Fig. 4: Return on Investment

Inference:

The above table and diagram shows the rating for return on investment. 21 respondents gave 5 points while 3 respondents gave only 1 point.

2. Market trend / risk

Table 5: Market Trend / Risk

Level of Importance	Number of Respondents	Percentage
5	12	20
4	22	36.67
3	16	26.67
2	4	6.67
1	6	10



Fig. 5: Market Trend/Risk

Inference:

The above table and diagram shows the rating for market trend/risk. 22 respondents (highest) gave 4 points while 2 respondents (lowest) gave only 2 points.

V. Limitations of the Study

- The data collected for the project study is a small group of respondents with a limited sample size of 75.
- Primary data was taken with the authorization of the respondents.
- Secondary data was taken with the authentication from the websites and internet.
- Data and information collected from the respondents are based on their opinions and knowledge. Which are subject to bias

VI. Conclusion and Recommendation

The study was conducted to understand the factors that influence Investors perception as well as to analyze the investor behavior with respect to various factors that influence an investment decision. The factors that were ranked highly in level of importance, namely, company reputation, return on investment, reputation of the board, past financial performance, dividend policy is all ascertained with the help of the information available in the stock market decision. Return on investment is a very important factor that influences the investment decision. Return is the ultimate aim for an investor. Hence, majority of respondents rated ROI very high. Every investor should be very cautious in market trend or risk while investing. The main factors influencing investments are the return on investment and for the short-term profitability.

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