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An Empirical Research on Investors Perception towards Equity Market in India

Mrs. S. Anji Asha Jyothi

Assistant Professor, Department of Management Studies, Sri Venkateswara College of Engineering, Tirupati-517507, Andhra Pradesh, India

Abstract **- This research article aims "To explore the association in the investors perception attributes towards equity market across the demographic variables". The article applies data reduction using Reliability test, Confirmatory Factor Analysis (CFA) and Chi-Square test on a sample of 223 investors perception towards equity market in Hyderabad city and condenses a set of 19items of six investors perception attributes. The present study proposes a model of the investors' perception attributes towards equity market across the demographic variables. The study found that six investors perception attributes significantly association with demographic profile of the respondents. The Indian equity market is subject to many unexpected fluctuations but at the same time for tactful and foresighted investors, it provides huge gains in terms of returns and capital appreciation.**

Keywords: Benefits Risk, Capital Increase, Equity Market, Investors Perception and Equity Market Maturity Period, Return on Investment, Safety of Principle, Tax.

I. INTRODUCTION

Investors act as major key players in Indian equity market. Since they constitute a greater share of investments and income, the behavior of individual investor cannot be ignored by the regulators of the equity market. The above study is undertaken to understand and to be aware of the factors that bears an impact on behavior and attitude of the retail investor. Basic concentration lies on investors‟ quality of decisions and their viewpoints towards investing in equity market. Maximization of income and minimization of expenses proves to be main motive of the investors engaged in investment. The rational behavior of the investors routes them to spare their income between expenditure and savings. Decision-making becomes tough for the investors in the investment process, when probability of profit and loss is taken into consideration. Well- framed and structured questionnaire is a technique adopted to know the perspective of investors in the equity market. The personality traits of investors and their equity preference are a factor that widely affects the investment decisions so utmost care is taken up to study these psychological traits of the investors. In this volatile market, the perception and attitude of the investors towards equity market changes from time to time, taking into consideration of this aspect, this study was undertaken to understand the behavior of the investors and to know the awareness, taste and preferences of the investors regarding the various investment avenues.

1.1 Equity Exchange

Aequity exchange, it is an exchange where traders and equity brokers purchase and sell bonds, equitys and other securities with certain rules and regulations. So, equity exchange is called as structured or organized market. It also provides services for redemption and deliverance of securities and other financial instruments. Organization members are joined together to deal with company equitys and securities for the purpose of monitoring of buying and selling securities. There are two major equity exchanges in India, they are:

- BSE (Bombay Equity Exchange)
- NSE (National Equity Exchange)

Bombay Equity Exchange (BSE) One of the oldest and growing equity exchanges in Asia is Bombay Equity Exchange casualty called as BSE. "Native Share and Equity Brokers Association" was started. It was registered in the year 1875, where we can say that it is an AOP app as to create non-profit institution of persons. Where it shifted over the years into leading equity exchange in the country with current status. BSE takes an essential role in equity market in the country. It is the first and foremost equity exchange in the country received lifetime appreciation in 1956. The exchange provides a clear-cut picture about trading securities to their customers; it reviles the companies and brokers noticeable complaints and mistakes about Derivatives, Debts, and Provisions. It mainly deals with educating and instructing the investors by guiding awareness programme and improving essential and knowledgeable information, by this we can say that BSE mainly deals with directing because without proper direction there is no destination. Top 20 bodies‟ gives proper directions under the governing board. Which is very essential to frame the terms and policies, and it also selects the control system. Policies and control system also connected with exchange relationships and affairs of the retirement. Everyone

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third of the year retirement process will take place. Which consist of 6 public representatives, nine nominated directors, executive directors, three SEBI candidates and operating officer. Chief operating officer is answerable for daily activity and operation of the exchange.BSE also linked with other foreign equity exchanges like EUREX and BRCS nations.

II. REVIEW OF LITERATURE

Rout, B. S., Das, N. M., & Rao, K. C. (2021) concluded that the price discovery mechanism is relatively effective for most commodities, but may not be extremely effective for a few commodities. In particular, causality in commodities markets can be employed to either hedge or speculate price movements. If variations in spot prices force variations in futures prices, competent hedging strategies can be prepared; while if changes in futures prices force changes in spot prices, competent speculation strategies can be formulated. Additional, causality can be employed in predicting commodity spot and futures prices. As mostly of Indian investors are not conscious of organized commodity market; their perception about is of risky to very risky investment. Numerous of them have wrong notion about commodity market in their minds. It makes them baseless towards commodity market. Concerned authorities have to take action to make commodity trading procedure trouble-free and simple. **Dey and Maitra (2012)** performed study on pepper to inspect the price discovery process by applying Granger causality, Co-integration, Error Correction model. There was a unidirectional causality from Futures to Spot prices in the pepper Futures market. **Sehgal, Rajput and Dua (2012)** considered the price discovery relationship for Agricultural Commodities in Indian markets. They found an efficient price discovery process in place. They suggested the strengthening of the market regulatory framework. An importance on the independence of Forwards Market Commission (FMC) was made. Their study also exposed the need for well-developed warehousing and market linkages. **Ali, J., & Gupta, K. B. (2011)** studied the long-term relationship between Futures and Spot Prices for the Agricultural Commodities like Maize, Chickpea, Sugar, Black Lentil, Pepper, Castor Seed, and Soybean. They found co integration in the Futures and Spot prices. There was a short-term connection between them and the Futures markets had capacity to forecast spot prices for Castor Seed, Soybean, Chickpea and Sugar. There was a bi-directional relationship in the short run among the Black Lentil, Maize and Pepper. **Baldi, L., Peri, M., &Vandone, D. (2011)**applied Granger Causality test to conclude the direction of information flows between Spot and Futures prices in the agricultural commodities. It was established that Spot prices are usually discovered in Futures Markets. They disagreed for establishment of sufficient food grain reserves internationally, to fight the volatility in markets.**Sen and Paul (2010)** stated that on the entire future trading in agricultural goods, and particularly in food items has neither resulted in price discovery nor fewer of volatility in food prices. No effects are noticeable on farmers in attracting higher prices as rule in the market. Future markets in commodities in India appear to have provided new paths of speculation to traders in equity markets, as has occurred somewhere else. They experienced the sheer increases in spot prices for major food items along with a granger causal link from future to spot prices for commodities on which future data was accessible. **Nath and Lingareddy (2008)** in their study tried to discover the effect of introducing futures trading on the spot prices of pulses in India. Supporting the destabilization effect of futures contract, their learning found that volatilities of urad, gram and wheat prices were high during post-futures period than that in the pre-futures period as well as after the forbidding of futures contract. **Bose, S. (2007)** discovered that the cash market for two commodities (chana and copper) to be a pure settlement of the futures market in the pre-contract expiration weeks, and for four commodities (copper, gold, chana and rubber) in the expiration weeks. **Mahalwala, R. (2016)** established that when the derivatives markets were established as dummy variables the level of volatility was decreased. Therefore, a net positive pressure was observed from the trading of the derivatives on index. The trading volume of the NSE Nifty50 index has also improved since the derivative markets were introduced and this consequence appears even when the volume traded on the expirations days was removed. The introduction of derivatives does not symbolize a problem for the spot market because their impact is favorable. These conclusions disagree with the accepted belief that derivatives market trading enlarges the volatility and diminishes the liquidity of the underlying market. Thus he did not agree with writers who promote a larger regulation of derivative markets because this regulation could limit the possibilities of investment. **Mukherjee, D. (2011)** considered the force of introducing future contracts on the volatility of the underlying commodities in India. He discovered that unpredicted increase in future activity in terms of rise in trading volumes and open interest has reasoned increase in cash price volatilities, suggesting that futures trading had a destabilizing effect on spot price commodities. **Mattos and Garcia (2004)** examined the relationship between cash and future prices in Brazilian agricultural markets, focusing on the consequence of the trading activity on the price discovery mechanism. Their results proposed that higher trading activity is not correlated to the existence of long-run equilibrium relationship between cash and futures prices, though in thinly-traded markets, long-run nor short run interactions are noteworthy. **Kumar and Sunil (2004)** examined the price discovery of five commodities in six Indian commodity exchanges. They used the daily futures and comparable ready price for their study

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and also employed the ratio of standard deviations of spot and future rates for empirical testing of ability of futures markets to incorporate information powerfully. In addition, the study has empirically analyzed the efficiency of spot and future markets by employing the Johansen Co-Integration Technique. They searched that incapability of future market to fully incorporate information and confirmed inefficiency of future market. Although, the authors concluded that the Indian agricultural commodities future markets are not yet mature and efficient.

III. RESEARCH PROBLEM

Technological enablement and rapid growth of Indian capital market since the new economic policy of 1991 has given more importance to investors. Investor behavior also tend to move into savings to investment, short-term trading of capital market instruments. More number of brokers also entered into the capital market due to the liberalized regulation in capital market. Brokers are providing number of services under single umbrella to the investors based on their need. So, this study aims to discover that how these services are perceived by the investors and how these services are utilized by the investors.

IV. RESEARCH OBJECTIVES

1. To identify the investors' perception attributes towards equity market.
2. To explore the association in the investors perception attributes towards equity market across the demographic variables.

V. RESEARCH HYPOTHESIS

Ho1: There is no significant association in investors perception attributes towards equity market with respect to demographic variables.

- **Ho1.1:** There is no significant association in investors perception attributes towards equity market with respect to age.
- **Ho1.2:** There is no significant association in investors perception attributes towards equity market with respect to qualification.
- **Ho1.3:** There is no significant association in investors perception attributes towards equity market with respect to occupation.
- **Ho1.4:** There is no significant association in investors perception attributes towards equity market with respect to income.

Statistical Tools

- Reliability Test
- Confirmatory Factor Analysis
- Chi-Square Test

VI. SAMPLING PROCEDURE

The study is multistage analysis constituted to examine the association of demographic profile as independent variables on the perception of investors' towards equity market in Hyderabad city. The total sample size was 223 investors, which were generated using the judgmental sampling technique and retained after screening for response error for final analysis. The dependent variables were chosen on the assumption that they are affected by the independent variables like age, qualification, occupation and income.

VII. DATA ANALYSIS & RESULTS

Reliability Test

Table 1: Case Processing Summary of all Variables

		N	Percentage
Cases	Valid	223	100.0
	Excluded [a]	0	0.0
	Total	223	100.0

Table 2: Reliability Statistics

Cronbach's Alpha	N of Items
.871	19

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The internal consistency of the questionnaire of 19 questions with a value of the Cronbach's Alpha is 0.871, which shows that data is 87.1 per cent reliable.

Confirmatory Factor Analysis of Investors Perception Attributes

The measures adopted to study the retention practices have already been validated by other researchers as mentioned earlier. So, we have only conducted a confirmatory factor analysis in order to establish the valid factor structure of Investment Perception Attributes. The proposed six-factor model (see Figure 1) was found to fit the research study. The model with a chi-square of 472.809, df =137 CFI = 0.702, TLI = 0.653, AIC = 837.066, RMSEA = 0.088. Good fit values that are generally acceptable for CFI and TLI should be near to 0.95 and for RMSEA should be less than 0.08 (Hair et al., 2010).

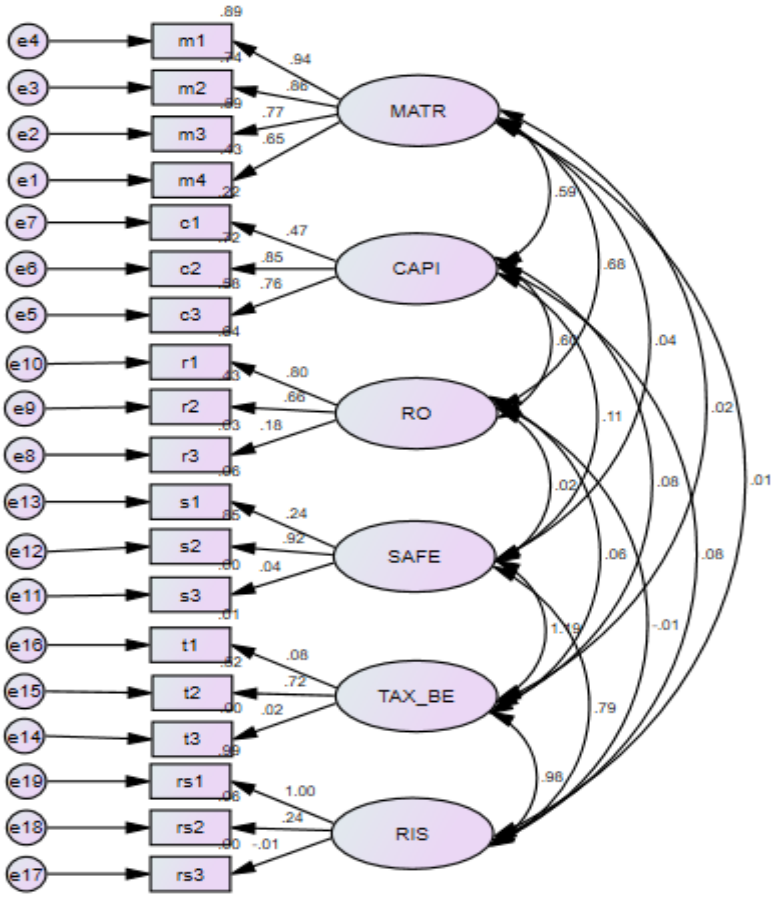

Figure 1: AMOS output of the measurement model or CFA –Standardized

Selected Variables Expansion

MATR (Maturity Period), CAPI (Capital Increase), RO (Return on Investment), SAFE (Safety of Principle), TAX_BE (Tax Benefits) and RIS (Risk).

Table 3: Confirmatory Factor Analysis of Alternative Models

Model	χ2	Df	χ2/Df	TLI	CFI	RMSEA
Six-Factor Model	472.809	137	3.451	0.653	0.702	0.088

Investors Perception Attributes (Maturity Period, Capital Increase, Return on Investment, Safety of Principle, Tax Benefits and Risk). Figure 1 shows a significant inter-factor correlation between Maturity Period and Capital Increase at a significant level ($r = 0.59$, $p < 0.05$), Maturity Period and Return on Investment ($r = 0.68$, $p < 0.05$), Maturity Period and Return on Investment ($r = 0.68$, $p < 0.05$), Maturity Period and Safety of Principle ($r = 0.40$, $p < 0.05$), Maturity Period and Tax Benefits ($r = 0.02$, $p < 0.05$)

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and Maturity Period and Risk (r = 0.01, p < 0.05), Capital Increase and Return on Investment (r = 0.60, p < 0.05), Capital Increase and Safety of Principle (r = 0.11, p < 0.05), Capital Increase and Tax Benefits (r = 0.80, p < 0.05) Capital Increase and Risk (r = 0.80, p < 0.05)and Return on Investment and Safety of Principle(r = 0.02, p < 0.05), Return on Investment and Tax Benefits(r = 0.60, p < 0.05) Return on Investment and risk(r = 0.10, p < 0.05) and Safety of Principle and Tax Benefits (r = 0.19, p < 0.05), Safety of Principle and Risk (r = 0.79, p < 0.05) and Tax Benefits and Risk (r = 0.80, p < 0.05). The result of the confirmatory factor analysis of alternative models is displayed in Table 3.

Chi-Square Test

Ho1: There is no significant association in investors perception attributes towards equity market with respect to demographic variables.

- **Ho1.1:** There is no significant association in investors perception attributes towards equity market with respect to age.

Table 4: Investor Perception towards Equity Market * Age Cross Tabulation

		Investor Perception towards Equity Market						
		Maturity Period	**Capital Increase**	**Return on Investment**	**Safety of Principle**	**Tax Benefits**	**Risk**	**Total**
Age	<30	4	7	6	3	5	8	33
	30-40	7	4	28	22	5	8	74
	41-50	14	14	9	11	12	8	68
	>50	9	6	12	11	5	5	48
Total		34	31	55	47	27	29	223

Table 5: Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	33.610[a]	15	.004
Likelihood Ratio	34.371	15	.003
Linear-by-Linear Association	2.079	1	.149
N of Valid Cases	223		
a. 3 cells (12.5%) have expected count less than 5. The minimum expected count is 4.00.			

The above stated hypothesis was tested by using a statistical tool called Chi-square test, where the categorical data to be tested hence it is the best suitable tool, this test was tested with the help of statistical software package SPSS-20. Hypothesis was tested with 5 percent level of significance and 95 percent confidence level.

Table shows the contingency cross table between two variables and table. 5 depicts the Pearson chi-square test, in the above table the significant value is 0.004 which is less than 0.05.

- **Ho1.2:** There is no significant association in investors perception attributes towards equity market with respect to qualification.

Table 6: Investor Perception towards Equity Market * Qualification Cross Tabulation

		Investor Perception towards Equity Market						
		Maturity Period	**Capital Increase**	**Return on Investment**	**Safety of Principle**	**Tax Benefits**	**Risk**	**Total**
Qualification	UG	8	4	14	3	3	4	36
	PG	9	12	32	28	16	12	109

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	Others	17	15	9	16	8	13	78
Total		34	31	55	47	27	29	223

Table 7: Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	25.024[a]	10	.005
Likelihood Ratio	26.817	10	.003
Linear-by-Linear Association	.069	1	.793
N of Valid Cases	223		
a. 2 cells (11.1%) have expected count less than 5. The minimum expected count is 4.36.			

The above stated hypothesis was tested by using a statistical tool called Chi-square test, where the categorical data to be tested hence it is the best suitable tool, this test was tested with the help of statistical software package SPSS-20. Hypothesis was tested with 5 percent level of significance and 95 percent confidence level.

Table shows the contingency cross table between two variables and table. 7 depicts the Pearson chi-square test, in the above table the significant value is 0.005 which is equal to 0.05.

- **Ho1.3:** There is no significant association in investors perception attributes towards equity market with respect to occupation.

Table 8: Investor Perception towards Equity Market * Occupation Cross Tabulation

		Investor Perception towards Equity Market						
		Maturity Period	**Capital Increase**	**Return on Investment**	**Safety of Principle**	**Tax Benefits**	**Risk**	**Total**
Occupation	Student	4	4	2	2	1	2	15
	Self-Employed	6	7	24	17	3	10	67
	Salaried	16	16	24	19	20	12	107
	Others	8	4	5	9	3	5	34
Total		34	31	55	47	27	29	223

Table 9: Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	23.129[a]	15	.001
Likelihood Ratio	23.253	15	.000
Linear-by-Linear Association	.075	1	.784
N of Valid Cases	223		
a. 9 cells (37.5%) have expected count less than 5. The minimum expected count is 1.82.			

The above stated hypothesis was tested by using a statistical tool called Chi-square test, where the categorical data to be tested hence it is the best suitable tool, this test was tested with the help of statistical software package SPSS-20. Hypothesis was tested with 5 percent level of significance and 95 percent confidence level.

Table shows the contingency cross table between two variables and table. 9 depicts the Pearson chi-square test, in the above table the significant value is 0.001 which is less than 0.05.

- **Ho1.4:** There is no significant association in investors perception attributes towards equity market with respect to income.

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Table 10: Investor Perception towards Equity Market *Income Cross Tabulation

		Investor Perception towards Equity Market						
		Maturity Period	**Capital Increase**	**Return on Investment**	**Safety of Principle**	**Tax Benefits**	**Risk**	**Total**
Income	< 25000	6	7	10	2	5	2	32
	25000-50000	9	5	21	7	6	4	52
	50001-75000	5	7	11	13	7	9	52
	75001-100000	8	5	11	17	7	9	57
	> 100000	6	7	2	8	2	5	30
Total		34	31	55	47	27	29	223

Table 11: Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	30.236[a]	20	.003
Likelihood Ratio	32.506	20	.038
Linear-by-Linear Association	2.467	1	.116
N of Valid Cases	223		
a. 8 cells (26.7%) have expected count less than 5. The minimum expected count is 3.63.			

The above stated hypothesis was tested by using a statistical tool called Chi-square test, where the categorical data to be tested hence it is the best suitable tool, this test was tested with the help of statistical software package SPSS-20. Hypothesis was tested with 5 percent level of significance and 95 percent confidence level.

Table shows the contingency cross table between two variables and table. 11 depicts the Pearson chi-square test, in the above table the significant value is 0.003 which is less than 0.05.

VIII. SUGGESTIONS

- The investors have to discuss about the market condition and performance with the share Brokers and dealers beyond discussing with friends to make efficient investment decision.
- The investors have to attend online trading programs to take efficient investment decision.
- The more positive attitude, enhancement strategies are introduced the more it is easy for local investors to invest in the equity market.
- The investors have to go through the window dressing of the company.
- The investors have to see the last few years result of the organization.
- The company has to ensure to make the investors to earn regular dividends.

IX. CONCLUSION

Indians are traditionally known for their orientation towards savings and preferences for safe investments. Post Independent India has been continuously witnessing higher rates of savings. On the investment side many new instruments have been introduced during the last two decades to attract the public. The major reason for selecting this investment is owing to safety and security. The Indian equity market is subject to many unexpected fluctuations but at the same time for tactful and foresighted investors, it provides huge gains in terms of returns and capital appreciation. The attitude of the investors has been changing due to the changes in the equity market scenario. The investor can make the share trading as a beneficial investment arena. It is purely based upon the investors' perception towards the share trading and equity investments. When the investors avail the accurate and reliable information, then he can enjoy the taste of success from the share market.

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