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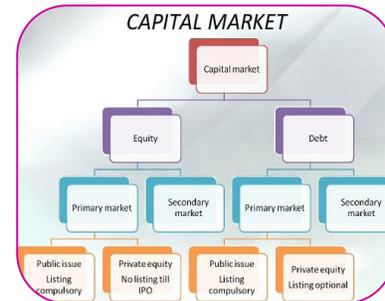## FACTORS INFLUENCING THE INVESTORS IN KANYAKUMARI DISTRICT WHILE INVESTING IN CAPITAL MARKET

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CAPITAL MARKET

ABSTRACT

The health of a country's economy is reflected by the growth of the capital market. It helps to channelize the surplus funds from savers. In this paper, the various factors that influence the investors in KanyaKumari District while investing in capital market is investigated. The primary data used for this investigation was collected personally by using questionnaire and interviews. The data collected from 320 investors are used for this investigation. The results show that the investors expect a maximum percentage of 11-15% of returns from capital market. The results show that when the market is favourable towards gold and real estate, majority of the investors hold the securities. The investors prefer to invest in stock during unexpected gain or income. The investors mainly concentrate on the company management while investing and it is observed that there exists a strong correlation between the satisfaction level of broker agencies and the opinion about the capital market.

KEYWORDS: *Capital market, National Stock Exchange (NSE), Investors, Investment, KanyaKumari District.*

1.   INTRODUCTION

Economic liberalisation, privatisation, foreign private participation, disinvestment in public sector and regulatory changes provided a new impetus to the capital market since the early 1990's.The Financial Sector Reforms and the Capital Market Reforms were initiated in India in a big way during 1991 – 1992 have been the aim of these reforms are to improve market efficiency, enhancing transparency, checking unfair trade practices and bringing the Indian capital market up to the International Standards. The Capital Issues (control) Act, 1947 was abolished in the year 1992.The National Stock Exchange (NSE) was incorporated in 1992 and was given recognition as a Stock Exchange in April 1993.The Securities and Exchange Board of India (SEBI) was set up on April 12,1988. It took almost four years for the government to bring about a separate legislation in the name of securities and Exchange Board of India Act, 1992 conferring statutory powers. SEBI has been exercising power under: (a) Securities and Exchange Board of India Act, 1992, (b) Securities Contracts (Regulation) Act, 1956, (c) Depositories Act, 1996 and delegated powers under the (d) Companies Act, 1956. Indian Capital Market has made commendable progress since the inception of SEBI and has been transformed into one of the dynamic capital markets of the world.

Analysing the factors that influence the investors while investment in capital market is a major task. This enables us to understand the attitude of the investors about capital market. In this paperthe various investment factors are analysed using the questionnaire and by processing the response of the investors for thequestions. Psychological factors also explain why different investors behave in different way which affect their investment decisions. Investors might actually overreact towards some information that they gain and

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under react towards others. One of the most common investor behaviour is overconfidence in their judgment towards the market. This actually happens when they actually underestimate the risk ofthe investment.

The theory says that to get more return one has to take more risk. One of the major investing hubs, which is not so popular in India, is the stock market. There is a belief that they are a ground for gambling. This ideology is actually a misconception. If the investor follows some basic principles, the chances of failure are reduced to a large extent.The return which a person can get in a stock market can be very high. When Wipro's share went high in the late 90s, it made Azeem Premji a very wealthy person. It can also reduce the wealth which is recently seen by Vijay Mallya where Kingfisher's shares are exceedingly low. An individual's investment depends upon the type of return the person wants from his investment. The largest returns come from taking the biggest risk and vice versa. The paper is organized as follows. Secion 2 deals with review of literature, section 3 deals withanalyzing the factors and preparation of questionnaire. In section 4 the results obtained by using the SPSS tool are analysed and the conclusion is given in section 5.

2. REVIEW OF LITERATURE

An intensive research has been carried out by many researchers to increase the investment in capital market which in turn improves the country's development. The critical global factors influencing the stock prices of Indian markets may include the stock market returns in other developed and developing economies such as the US, the BRICS, the interest rate (LIBOR, etc.), Foreign Institutional Investment (FII) And Foreign Direct Investment (FDI), the exchange rate of Indian rupee with other important foreign currencies, such as US Dollar (US$), Euro, etc., influential commodity prices, such as, gold, crude oil, etc. and many other such factors.

A prior knowledge of the sensitivity of stock markets to the behaviour of key macroeconomic variables and vice-versa is indispensable in all areas of investment and finance. Research in this area may be helpful to comprehend this relationship reliably for the policy makers, traders, investors and others concerned along with the future researchers. It also helps to explore whether the movement of Indian stock markets (represented by the BSE SENSEX Index) is the result of some selected macroeconomic variables or it is one of the causes of movement in those variables of the Indian economy. Some of the recent research work related to our work are given below.

Joshi and Batra (2017) have studied perception of investors about the factors which affect the investment in stock market. They found that factors like Price Earning (P/E) Ratio and Earnings Per Share (EPS) are given the top most importance by the investors when compared to Market share, company's prestige and liquidity. Talal et al., (2016) explored the behavioural factors influencing individual investors' stock investment decisions in the Saudi stock market by using a sample of 140 individual investors selected randomly from an unspecified population.Khan et al., (2015) used a sample of 270 investors to investigate the factors that influenced share investment decisions in Khulna city in Bangladesh. He identified 13 factors and classified into market, hedging and economic factors. The most influential factors included industry attractiveness, share price, financial indicators, historical data, expected dividends, financial statements and a firm's rank in the industry.

Hoang and Nguyen (2014) conducted a study to find out the discrepancies among the investors in the Vietnam stock market using demographical factors such as gender, age, education, investment experience, income and marital status. They selected a sample of 205 out of an unspecified population and used the Chi-square test for an analysis.Vijaya (2014) conducted a survey of 200 individual retail investors residing in the twin cities of Hyderabad and Secunderabad in India to identify the factors influencing retail investors' behaviour in the Indian stock market.Rakesh H M, (2014) in his study aims to understand the behavior of individual investor in stock market with special reference to their attitude and perception with respect to the stock market. He is of the view that investors are fully aware about the stock market. The level of income decides the level of savings. Moreover, he feels that market movements affect the investment pattern of investors in the stock market.

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Gunathilaka (2014) used 168 respondents to identify the factors influencing equity selection decisions in the Colombo Stock Exchange. The results revealed 19 factors of which the five most influential ones were market awareness, company stability, performance, riskiness and economic impact while the five least influential factors were advice of colleagues, big-quick profit, social status, religious beliefs and trading experience. While Gunathilaka's (2014) study identifies the influential factors but it fails to classify them. Our study on the other hand explores factors influencing investment decisions considering the economic, psychological, social and demographic factors. Vidya Sekhri (2014) in his research investigates the efficiency level of Indian capital market and he tries to find out how investors behave with merger announcements. The author finds in his study that the information of merger event is leaking in the market before actual event of merger takes place. Small investors who want to earn some good profits in the short run gets benefitted by abnormal returns.

3. ANALYZING THE FACTORS AND PREPARATION OF QUESTIONNAIRE

Inorder to analyse the factors influencing the investors, various questions were framed. The first question asked was 'Who makes decisions in your financial investment?' and the choices given to them were (i) Myself (ii) Myself and my life partner (iii) Myself and my business partner (iv) Myself and my financial advisor. The second question was 'What is your primary source of information while investing?'. The various choices of sources given to them were (i) Newspaper articles (ii) Application form (iii) Advice of broker (iv) Advice of friends / relatives (v) Discussion on T.V (vi) Prospects of the company (vii) From the company employees (viii) Bankers advice (ix) Online websites (x) Accountant (xi) Lawyer (xii) Colleague.

The third question was about the expected return rate of their investment which is the major factor deciding the investment behaviour of investors. The choices given to them were (i) Below 5% (ii) 5 – 10% (iii) 11 – 15% (iv) Above 15%. The fourth question framed was ' If you rely on internet when investing in mutual funds /stocks select the order of preference to internet sites' and the choices given to them were (i) Company home pages (ii) News & Information sites (CNN Money) (iii) Stocks & fund tracking site. The fifth question was 'Which one of the following investment is best?' and the various choices given to them were (i) 60% of low risk investment, 30% of medium risk investment, 10% of high risk investment (ii) 30% of low risk investment, 40% of medium risk investment, 30% of high risk investment (iii) 10% of low risk investment, 40% of medium risk investment, 50% of high risk investment.

The sixth question was 'If the market is favorable towards gold and real estate then what will be your reaction towards your portfolio investments in hand' and he various choices given to them were (i) Hold the securities (ii) Sell the securities and invest half the securities in gold/real estate (iii) Sell the securities and invest all money in gold/ real estate (iv) Sell the securities and borrow additional money to buy more assets like gold/ real estate. In the seventh question the investors were asked to rank the various investment schemes in case of unexpected gains/incomesuch as deposits in a bank account, investment in mutual funds, investment in high quality government bonds, investment in stocks, spend it, investment in commodities like gold/silver and crude oil followed by factors they consider the most important while investing in the eighth question. The various factors given to them in the eighth question are returns. risk factor, credit rating, inflation/deflation, company, lock in period, Government policy, increase of reserve in industry, labour, research & development

The reasons for choosing a particular broker for investing or trading in capital market was asked in the ninth question. The various choices given to the investors for choosing a particular broker for investing or trading in capital market are (i) Competitive brokerage (ii) Goodwill of the broker (iii) Success of the broker (iv) location (v) Reliability (vi) Good stock recommendation (vii) Good trading platform. Finally in the tenth question the investors were askedto answer whether they were comfortable with the services rendered by the broker.

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4. RESULTS AND ANALYSIS

In the first question, in order to determine the factors influencing the investment, the question on who decides the investment was asked. It is seen from table 1 that 39.4 percent make investment by themselves, 26.9% have responded that they make investment in consultation with their life partner, 26.3% have responded that they make investment in consultation with their business partner and 7.5% 26.9% have responded that they make investment in consultation with their financial advisor.

In question number two, ten different sources which influence the investment were identified and queried. It is reported from table 2 that 33.1 % of respondents were influenced by news paper articles, 13.8 percent by the advice of friends and relatives, 11.9% by online web sites, 8.1% of respondents were influenced by the company employees, 7.5% through the advice of the brokers, 6.3% through the banker's advice and discussion on television, 5.6 % gained information from application form, 5.0 % from the prospectus of the company and 2.5% were influenced by the Accountant.

Table 3 shows the expectation of returns by the investors. It is seen that 54.4% of investors expect 11-15% of returns, 23.8% of investors expect 5-10% of returns, 13.8% of investors expect above 15%of returns and 8.1% of investors expect below 5% of returns. It is evident that the investors invest in capital market with the expectation of high percentage of returns.Table 4 shows the investor's preference to Internet sites while browsing. The table shows that 51.3% of investors browse the News and Information Site mainly CNN Money, 27.5% of investors browse the Company's home pages to get the detailed history of share value over years and 21.3% use the Stock and Fund tracking site.

Table 5 shows the response of investors to the question that when the market is favourable towards gold and real estate then what will be the investors reaction towards portfolio investments. It is seen that 68.1% of respondents hold the securities,20% of respondents sell the securities and invest half the securities in gold/real estate. 9.4% of respondents sell the securities and invest all money in gold/ real estate, 2.5% of respondents sell the securities and borrow additional money to buy more assets like gold/ real estate.

Table 6 shows the ranked response of the investors to the type of investment they make when they receive unexpected gain or income. It is seen that investors prefer to invest in stocks as it is given rank number one. Similarly deposits in a bank account is ranked as second, investment in commodities like gold/silver and crude oil is ranked as third, investment in mutual funds is ranked as fourth, investment in high quality government bonds is ranked as fifth and spending the money is ranked as sixth by the investors.From table 7 it is seen that the first three ranks are given to company management, the earnings/growth and future prospects respectively by the investors.

Table 8 shows that competitive brokerage ranks first, goodwill of the broker ranks second, success of the broker ranks third, location of the broking agency ranks fourth, reliability of the broking agency ranks fifth, providing good stock recommendation ranks sixth and good trading platform is ranked in the seventh position by the investors.Table 9 shows the satisfaction level of investors with the broking agencies. It is seen that 11.9 % of investors are very much satisfied by the services of broking agencies, 41.3% are satisfied ,6.3% neither satisfied nor dissatisfied, 13.1% of investors are not much satisfied and 27.5% are not at all satisfied.

4.1 Correlation Analysis Between Satisfaction Of Investors With Broking Agencies

Correlation Analysis is a measure of association between two continuous variables. Correlation measures both the size and direction of relationships between two variables. Correlation analysis is the relationship between two variables. Correlation is denoted by "r". Table 10 shows the result of Pearson correlation between the two variables namely satisfaction of investors with broking agencies and the investor's opinion towards capital market. It is seen that the Correlation value is +0.544 which means that there is strong positive correlation between the two variables.

5. CONCLUSION

The factors influencing the investors while deciding to invest in capital market are analysed in this chapter. From the analysis it is concluded that majority of the investors decide by themselves or by having

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discussion with their life partner while making an investment. The main source of information influencing the investment is the newspaper articles.The investors expect a maximum percentage of 11-15% of returns from capital market.Investors prefer News and Information Sites (CNN Money) while browsing for information. The results show that when the market is favourable towards gold and real estate, majority of the investors hold the securities.The investors prefer to invest in stock during unexpected gain or income.The investors mainly concentrate on the company management while investing.The main factor influencing the investors while choosing a broking agency is the competitive brokerage.It is observed that 23.1% of investors are very much satisfied and 19.4% of investors are satisfied with the services of broking agencies.There exists a strong correlation between the satisfaction level of broker agencies and the opinion about the capital market.

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APPENDIX

Table 1: Decision for investment				
	Frequency	Percent	Valid Percent	Cumulative Percent
Myself	126	39.4	39.4	39.4
Myself and my life partner	86	26.9	26.9	66.3
Myself and my business partner	84	26.3	26.3	92.5
Myself and my financial advisor	24	7.5	7.5	100.0
Total	320	100.0	100.0	

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Table 2: Source of information influencing investment

	Frequency	Percent	Valid Percent	Cumulative Percent
Newspaper articles	106	33.1	33.1	33.1
Application form	18	5.6	5.6	38.8
Advice of broker	24	7.5	7.5	46.3
Advice of friends / relative	44	13.8	13.8	60.0
Discussion on T.V	20	6.3	6.3	66.3
Prospectus of the company	16	5.0	5.0	71.3
From the company employees	26	8.1	8.1	79.4
Bankers advice	20	6.3	6.3	85.6
Online websites	38	11.9	11.9	97.5
Accountant	8	2.5	2.5	100.0
Total	320	100.0	100.0	

Table 3: Expectation of returns

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 5%	26	8.1	8.1	8.1
5 – 10%	76	23.8	23.8	31.9
11 – 15%	174	54.4	54.4	86.3
Above 15%	44	13.8	13.8	100.0
Total	320	100.0	100.0	

Table 4: Investor's preference to Internet sites

	Frequency	Percent	Valid Percent	Cumulative Percent
Company home pages	88	27.5	27.5	27.5
News & Information sites (CNN Money)	162	50.6	50.6	78.1
Stocks & fund tracking site	68	21.3	21.3	99.4
Total	2	.6	.6	100.0
Company home pages	320	100.0	100.0	

Table 5 :Holding

	Frequency	Percent	Valid Percent	Cumulative Percent
Hold the securities	214	66.9	66.9	66.9
Sell the securities and invest half the securities in gold/real estate	66	20.6	20.6	87.5
Sell the securities and invest all money in gold/ real estate	31	9.7	9.7	97.2
Sell the securities and borrow additional money to buy more assets like gold/ real estate	9	2.8	2.8	100.0
Total	320	100.0	100.0	

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Table 6: Total Score and Rank for Investment during unexpected gain

Sl. No	Investment during unexpected gain	Score	Rank
1	Deposit in a bank account	1568	2
2	Invest in mutual funds	1117	4
3	Invest in high quality government bonds	602	5
4	Invest in stocks	1617	1
5	Spend it	552	6
6	Commodities like gold/silver ,and crude oil	1200	3

Table 7: Total Score and Rank for factors considered while investment

Sl.No.	Factors	Score	Rank
1	Returns	1250	14
2	Risk factor	3346	5
3	Inflation/deflation	1392	13
4	Government policy	1692	11
5	Increase of reserve in industry	2668	7
6	Labour	940	15
7	Company Management	4162	1
8	Financial statement	3610	4
9	Future prospects	3974	3
10	capital appreciation	2140	9
11	Liquidity	2096	10
12	Market sentiment	2946	6
13	Micros / macros	1420	12
14	Earnings growth	4032	2
15	Technical analysis of price fluctuations	2504	8

Table 8: Total Score and Rank given by Investors for factors while choosing broker

Sl.No.	Factors while choosing broker	Total score	Rank
1	Competitive brokerage	1653.00	1
2	Goodwill of the broker	1581.00	2
3	Success of the broker	1367.00	3
4	Location	1282.00	4
5	Reliability	1178.00	5
6	Good stock recommendation	992.00	6
7	Good trading platform	880.00	7

Table 9: Satisfaction level of investors with the broking agencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very much satisfied	74	23.1	23.1	23.1
	Satisfied	62	19.4	19.4	42.5
	Neutral	79	24.7	24.7	67.2
	Not much satisfied	20	6.3	6.3	73.4
	Not at all satisfied	41	12.8	12.8	86.3
	Total	44	13.8	13.8	100.0
	Very much satisfied	320	100.0	100.0	

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Table 10: Correlation Analysis Between Satisfaction Of Investors With Broking Agencies			
		Opinion	broker
Opinion	Pearson Correlation	1	.544[**]
	Sig. (2-tailed)		.000
	N	320	320
broker	Pearson Correlation	.544[**]	1
	Sig. (2-tailed)	.000	
	N	320	320

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