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A Study of Stock Market Investors' Perception towards Price and Term of the Investment

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Abstract: **During last one decade investment pattern of investors has changes. Now the investors consider many factors like primary and secondary sources of information, risk and return of the investment, sectors' volatility and so on, before investing, but still the most important and common basic factor that is considered by the investors is price and term of the investment. Based on the current price of the security, the investor decides for how much time he is going to hold that security. This research focuses on what investors of stock market think about price and term of the investment and how this factor affects their investment decision. To extend the same, this research reviews the previous studies on the investors' perception and stock market concepts. Z- test was used on 160 stock market investors of Indore, Ujjain, Dewas and Bhopal.**

Keywords: **Investment Pattern, Stock Market, Price and Term of the Investment.**

I. INTRODUCTION

Moffatt (2014) defines market as an environment that allows buyers and sellers to trade or exchange goods, services and information. According to Machiraju (2009), stock market is the secondary market where those securities are traded which are already issued in the primary market. These markets facilitate shareholders to sell their holdings readily, thereby ensuring liquidity. For these investors, fluctuating prices are transformed into gains or losses as change of ownership of stock takes place.

Investors are the fundamental stone of any market. Because of them market exist, as they are responsible for the flow of money in the market. An investor is a person or an entity that purchases assets with the objective of receiving a financial return. He can also be defined as an individual who commits money to investment products with the expectation of financial return. Normally, the primary anxiety of an investor is to minimize risk while maximizing return, as contrasting to a speculator, who is willing to accept a higher level of risk in the hopes of collecting higher than average profits.

An investor invests in the stock market to get return on their investment. Generally, the investors' basis of investment is good market price. If the present market price of their potential investment is good, they will invest more and vice-versa. The holding term can be defined as the intervening time between the initial date of purchase and the date on which the security was sold. It can be short term holding means holding for one year only or long term holding means holding for more than one year.

II. REVIEW OF LITERATURE

In order to study the impact of price and term on the investment decision of the investors, a review of literature was done to develop the concept and understand what had been done earlier. Shaik, Murty, Krishna and Gopi Kiran (2012) concluded that nearly all of our Indian investors' psychological tendencies are identical. Now a days, many tools and sources exist for analysis of equity stocks. Therefore, the investors should make up their mind-set before taking investment decisions. Retail equity investors should realize that while making their investment, they should develop a clear investment purpose with long term investment outlook and orientation which should be based on fundamental analysis of various equity scrips,. Then only they will enjoy the fruits of their investments and assure their mottos. As per Sun (2003), when investors today read the business section of the paper, or obtain online quotations of their favorite stocks, one of the statistics which usually goes unnoticed is volume data. After seeing the price of a security, which is usually of primary interest, an investor may look next at data such as yield, price-to-earnings ratio, market capitalization, or ex-dividend date, before even considering the volume statistic. Despite being ignored by many investors, trading volume does have a relationship to price data, returns, and other aspects of portfolio theory. Merikas et al, (2003) found that individuals base their stock purchase decisions on; fluctuation in the price index, recent price movement in a firms stock and current economic indicators. Many investors will benefit from the relative stability that long term investing offers. New investors

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should definitely focus on long term prospects rather than watching every little fluctuation in the market. This is not to say that you should buy a stock and hold it for twenty years no matter what. If something substantially changes with the company or the market as a whole, then you should adjust accordingly. However, trades should be made with your overall market strategy in mind, not just the day to day ebb and flow of the market. As per Attie and Roache (2009), Long-term investors face a common problem that is how to maintain the purchasing power of their assets over time and achieve a level of real returns consistent with their investment objectives. They found that dynamics of a response to unexpected inflation indicate a shifting pattern of asset class returns. Over a 12–18 month period following an inflation shock, the best and worst performing asset classes—commodities and bonds, respectively—correspond closely to those found in the short-run model. Morck, Shleifer and Vishny (1990) found only a minor role for share prices beyond their ability to predict fundamental determinants of investment. In contrast, Doan, Litterman and Sims (1983) showed that once allowance is made for other determinants of investment, share prices still play a prominent role in explaining investment. One strand of the literature argues that the share market is a passive predictor of future activity and that managers do not rely on share-price movements to make investment decisions. For example, Bosworth (1975) argued that it is inconceivable that management who are concerned with the long-run market value of the firm would 'scrap investment plans in response to the highly volatile short run changes in stock prices'. On the other hand, there is a strand of literature which suggests that share prices provide key price signals to managers regarding corporate investment decisions (Fischer and Merton (1984)). Beaver (1968) asserted that the volume corresponding to a price change due to new information indicates how much investors differ in the interpretation of the new data. As one can imagine, the validity of many of these inferences rely on the relationships between price and volume.

III. RATIONALE OF THE STUDY

Stock market never remains constant. Many fluctuations, ups and downs are going on. Change in norms, broking activities, government interventions make the investors trade from their home. Now the investors don't have to go to the floor trading. The investor still refer the price of the security first before investing, as this changes the mindset and holding term of the investor.

OBJECTIVES OF THE STUDY

1. To analyze the investment patterns of the Stock Market investors.
2. To know the impact of the price and term of the investment on the investors' decision.

HYPOTHESIS OF THE STUDY

H01: There is no difference in the perception of the Male and Female investors of Stock Market.

H02: There is no difference in the perception of the Salaried and Businessman investors of Stock Market.

H03: There is no difference in the perception of the Male Salaried and Female Salaried investors of Stock Market.

H04: There is no difference in the perception of the Male Businessman and Female Businessman investors of Stock Market.

H05: There is no difference in the perception of the Male Salaried and Male Businessman investors of Stock Market.

H06: There is no difference in the perception of the Female Salaried and Female Businessman investors of Stock Market.

RESEARCH METHODOLOGY

The present research is based on exploratory study. The study is an attempt to understand the investing behavior of investors as per different age classes; and whether the males and females perceived differently while investing in Stock Market. The study is carried out in Indore, Ujjain, Dewas and Bhopal taking them as representative cities of Madhya Pradesh.

Various primary and secondary sources of data collection are used to collect the data. Secondary sources like books and websites related to stock market are referred. For primary data, first, the sample questionnaire was prepared. The initial part of the questionnaire was concentrated on demographic variables such as Name, Gender, Age and Occupation. The second part of the questionnaire contained 40 statements to be answered on 5 point Likert scale. Second, this questionnaire was got filled from 160 respondents who were investors of Stock Market. Finally z-test was applied to test the hypothesis.

RESEARCH DESIGN

The respondents of the study are classified into following manner:

Stock market

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	SALARIED (80)	BUSINESSMAN (80)
MALE (80)	E (40)	F (40)
FEMALE (80)	G (40)	H (40)

RESULTS OF z-TEST

H01: There is no difference in the perception of the Male and Female investors of Stock Market.

All Male Stock Market Investors: EF

All Female Stock Market Investors: GH

EF ($\bar{x}$=8.18) $\boxed{EF < GH}$

GH ($\bar{x}$=9.41)

The null hypothesis is rejected [z = -3.2, p = 0]

The Male and the Female investors of Stock Market differ significantly in their perception of the factor Price and Term of the Investment affecting the investment in the Stock market. The Female investors perceive the factor Price and Term of the Investment as more significant criteria for investment in the Stock Market than the Male investors of Stock Market.

H02: There is no difference in the perception of the Salaried and Businessman investors of Stock Market.

All Salaried Stock Market Investors: EG

All Businessman Stock Market Investors: FH

EG ($\bar{x}$=8.55) $\boxed{EG = FH}$

H ($\bar{x}$=9.1)

The null hypothesis is accepted [z = -1.43; p = 0.15]

H03: There is no difference in the perception of the Male Salaried and Female Salaried investors of Stock Market.

All Male Salaried Stock Market Investors: E

All Female Salaried Stock Market Investors: G

E ($\bar{x}$=7.9) $\boxed{E < G}$

G ($\bar{x}$=9.1)

The null hypothesis is rejected [z = -2.27, p = 0.02].

The Male Salaried and the Female Salaried investors of Stock Market differ significantly in their perception of the factor Price and Term of the Investment affecting the investment in the Stock market. The Female Salaried investors perceive the factor Price and Term of the Investment as more significant criteria for investment in the Stock Market than the Male Salaried investors of Stock Market.

H04: There is no difference in the perception of the Male Businessman and Female Businessman investors of Stock Market.

All Male Businessman Stock Market Investors: F

All Female Businessman Stock Market Investors: H

F ($\bar{x}$=8.47) $\boxed{F < H}$

H ($\bar{x}$=9.72)

The null hypothesis is rejected [z = -2.38, p = 0.01]

The Male Businessman and Female Businessman investors of Commodity Market differ significantly in their perception of the factor Price and Term of the Investment affecting the investment in the commodity market. The Female Businessman investors perceive the factor Price and Term of the Investment as more significant criteria for investment in the Stock Market than the Male Businessman investors of Stock Market.

H05: There is no difference in the perception of the Male Salaried and Male Businessman investors of Stock Market.

All Male Salaried Stock Market Investors: E

All Male Businessman Stock Market Investors: F

E ($\bar{x}$=7.9) $\boxed{E = F}$

F ($\bar{x}$=8.47)

The null hypothesis is accepted [z = -1.01; p = 0.31]

H06: There is no difference in the perception of the Female Salaried and Female Businessman investors of Stock Market.

All Female Salaried Stock Market Investors: G

All Female Businessman Stock Market Investors: H

G ($\bar{x}$=9.1) $\boxed{G = H}$

H ($\bar{x}$=9.72)

The null hypothesis is accepted [z = -1.30; p = 0.19]

III. CONCLUSION

The study brings out the certain characteristics of the

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investors of the Madhya Pradesh region. According to this, the gender and the occupation affect the perception of the investors towards the price and term of the investment. Female investors perceive price and term of the investment as more significant than the Male investors. However, there is no significant difference in the perception of the Salaried and Businessman investors. The Female Salaried investors perceive price and term of the investment as more significant than the Male Salaried investors. The Female Businessman investors perceive price and term of the investment as more significant than the Male Businessman investors of Stock Market. Whereas, the male salaried and the male businessman investors perceive same towards price and term of the investment. The perception of the female salaried and female businessman investors of the stock market towards price and term of the investment is also same.

LIMITATIONS OF THE STUDY

The present research paper was aimed to achieve the defined objectives in full earnest and accuracy, although there were certain limitations:

- The data has been taken from the primary sources i.e. questionnaire, so the findings are true to the extent of authentication of the data.
- The data is based on the responses of the investors that may be biased because of their mood.
- The study was conducted targeting the investors of Madhya Pradesh region only.
- As many of the investors are online investors, the study does not represent the view points of the offline traders.

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