

## **A Study on Investor's Preference towards Stock Market - Special Reference to Chennai City IT Employees**

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*Received September 30, 2021; Accepted December 21, 2021*

*ISSN: 1735-188X*

*DOI: 10.14704/WEB/V19I1/WEB19337*

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### **Abstract**

Stock markets functioning important role in developing countries. It is functioning as intermediate between the investors and the corporates. Investors have differing needs, and for each investor failure to meet those needs poses a risk. Falling short of the nest eggs or amount required for a particular goal is one of the major risks but also returns, failing which he or she could face the risk of outlive his or her investments. The trade-off between risk and returns is the most absorbing and challenging job for most investors. Investor's perspective there are various investment options are available even though stock market is one of the most preferred investment destinations for maximum of the investors because high return as well as high risk as the concept in financial management. The purpose of the study is to identify and evaluate the investor to make right investment decision. The methodology perspective samples have been used purposive sampling techniques and the target audience are IT employees in Chennai. The primary data have been collected through structured questionnaire & secondary data through research papers, journals. The dependent and independent variables used for the study are stock market investor's expectation, objectives, risk perception, influencing factor, preference which influences the decision. The findings of the study identified that financial constituents have direct relationship which influences the stock

market investors. The result of the study gives an understanding in a better perspective to how and what are the factors influence an investment drive to be a sustainable decision.

## **Keywords**

Investor's Preference, Risk Expectations, Investors' Perceptions, Stock Markets, Factors Influencing Stock Investment.

## **Introduction**

The stock market is a place where the listed companies' shares traded. Another market called primary market companies directly selling shares to general public (IPO) for generating capital. The companies once selling their shares to primary market then the shares will be available in the secondary market for listed companies' securities. In the stock market one investor buy the shares from the other investors based on the price of the share prevailing in the market. The investors have the freedom to buy and sell the share any time in the stock market. In India the stock market comes under the control of Security Exchange Board of India (SEBI).

In India there are two major stock exchanges are available namely National Stock Exchange and Bombay Stock Exchange these stock exchanges facilitate stock brokers for trading companies securities.

## **Review of Literature**

1. Manish Mittal and R.K. Vyas (2007) conducted a study on how demographic characteristics influence investment decision making. The result of the study shows that while comparing gender male showing more interest in equities market. The age of the investors from 18 to 25 prefer to make investment in equities market and the above aged people they prefer to derivative market.
2. Shanmugasundaram and Balakrishnan (2011), conducted a study comparing demographic factors how influence investment decisions. Their results of the study shows there was significance between demographic factors and investors investment decisions.
3. Joseph et al. (2015) conducted a study to evaluate the Investors perception how dependents with demographic profile of the investors. The results of the study reveals that annual revenue and age of the investors having direct impact of the investors. Selections of the investment perspective less earning people are preferring mutual fund investments.
4. Verma (2008) conducted study in demographic factors how influence choice of making investments, the results of the study disclosed that professional people

- preferring mutual funds equity market. Aged people not ready to take risky investments and also equity related investments.
5. Jeet Singh & Preeti Yadav (2016) “A Study on the Factors Influencing Investors Decision in Investing in Equity Shares in Jaipur and Moradabad with Special Reference to Gender” had a research study through a structured questionnaire with the understanding of 100 investors through collective sampling method it has been understood that the variables such as economic, social, cultural, psychological.
  6. Zhu & Zhang (2021) “The understanding from the research is the investors investing in stock market should have a fundamental of stock market and risk perceptions where the investors understand to move a better in market” had a research under a questionnaires and they used with the primary and secondary data.
  7. Prof Mohd Akbar Ali Khan, A. Kotishwar (2013) “Investor Behaviour towards Investment in Mutual Funds – A Comparative Study in Telangana region in the State of Andhra Pradesh” had research through an questionnaire with 500 respondent out which it was equally segregated for public and private sectors and they were analysed through chi-square test.
  8. R. Shanghuman, Dr.K. Ramya (2012)” Impact of Social Factors on Individual Investors’ Trading Behaviour” the research has been conducted in order to study the impact of social factors on attitude Impact of Social Factors on Individual Investors’ Trading Behaviour towards trading, perceived thinking of their thinking and their adaptability of trading which is most important thing of the portfolio management.
  9. Amit B. Mirji, Dr. Prashantha C (2016) “Preference pattern of Investors in Stock Market-A case study of Investors in North Karnataka Region “the research has been done through a questionnaires and through the respondent analysis they have made an conclusion through making an better understanding of risk aversion approach amidst the investment which requires more attention and the other understanding
  10. E Geetha, TM Swaminathan (2015)” A study on the factors influencing stock price A Comparative study of Automobile and Information Technology Industries stocks in India” the research understanding is an attempt to analyse the influencing factors which affects the movement of stock price either upward or down trend in order to prove the risk being taken and being the decision currently taken.

## **Methodology**

The methodology used for the study is descriptive research and judgment sampling. The questioners distributed to the respondents only after confirming the investors invested in stocks markets. The research tools utilized for the study is highly relevant to the research objectives, reliability, validity and internal consistency and confirmed with many researchers followed repeatedly in many study. To confirm the reliability of the research

the researcher used reliability coefficient found in this study between ranges from 0.7 to 0.8 acceptable for descriptive research suggested by smith et al, (2002).

### Objectives

- i. To identify the factors influencing stock market investment.
- ii. To evaluate the stock market investors risk perception and expectation.
- iii. To assess the stock market investment objectives and preference.

### Hypothesis

- i. There is significance positive relationship between share market investors' expectations and share market investment decisions.
- ii. There is a significant positive relationship between share market investment objectives and share market investment decisions.
- iii. There is a significant positive relationship between share market risk perceptions and share market investment decisions.
- iv. There is a significant positive relationship between share market influencing factors and share market investment decisions.
- v. There is a significant positive relationship between share market investor's preference and share market investment decisions.
- vi. There is a significance difference between gender and share market investment decisions.

### Analysis and Interpretations

**Table 6.1 Respondent's demographic profiles**

S. No	Demography variable	Category	Frequency	Percentage (%)
1	RESPONDENT AGE	18 to 28 years	19	9
		28 to 38 years	75	35
		38 to 48years	86	40
		48 to 58	26	12
		Above 58	9	4
2	GENDER	Male	168	78
		Female	47	22
3	MARITAL STATUS	Married	183	85
		Un Married	32	15
4	QUALIFICATION	Less than Graduate	17	8
		Graduate	47	22
		Post graduate	118	55
		Professional (Doctors/Engineers etc.)	30	14
		Illiterate	2	1
5	ANNUAL INCOME	Less than Rs.3,00,000	54	25
		Rs. 3,00,001 to 6,00,000	97	45
		Rs.6,00,001 to 9,00,000	39	18
		9,00,001 to 12,00,000	15	7
		Above Rs. 12,00,000	11	5
6	SECTOR PREFERENCE TO INVEST STOCKS MAKET	Public sector Companies	47	22
		Private Sector Companies	151	70
		Foreign Companies	17	8
7	EXPECTED ROI IN STOCKS MARKET INVESTMENT PER ANNUM	10% to 15%	86	40
		15% to 20%	75	35
		20% to 25%	32	15
		Above 25%	22	10

The above table shows that respondent’s demographic profiles and characteristics of investors while decision stock markets investment decisions. Overall analysis the above table the following important demographic characterizes identified by the researcher. Stock market investor’s age point of view the highest investors comes under the age from 38 to 48, 28 to 38 remaining of the investors are above and below these two age groups. Marital status perspective the male investors are showing more interest than the female investors, the percentage of interest showing 78% and 22% respectively. While comparing qualification of the investors in stock market investment, post graduate and graduate investors giving much importance in stock markets investments 55%and 22% respectively rest of investors are having other qualifications.

**Table 6.2 Loading Items**

Items	Constructs	Loading value	CR	AVE	MSV	MaxR(H)	Tolerance	VIF
SMIE3	SMIE	0.630	0.751	0.503	0.412	0.760	.680	1.470
SMIE2		0.795						
SMIE1		0.692						
SMIO3	SMIO	0.714	0.768	0.525	0.412	0.771	.667	1.498
SMIO2		0.834						
SMIO1		0.623						
SMRP3	SMRP	0.869	0.707	0.506	0.323	0.742	.732	1.366
SMRP2		0.470						
SMRP1		0.652						
SMIF3	SMIF	0.351	0.701	0.501	0.037	1.147	.971	1.030
SMIF2		0.977						
SMIF1		0.514						
SMIP4	SMIP	0.679	0.704	0.502	0.323	0.704	.761	1.315
SMIP3		0.705						
SMIP2		0.479						
SMIP1		0.548						

**Items Loading**

It has been observed from the above table the list of items used for the study loaded exceptionally. There are sixteen items loaded in the above table from that three items are highly loaded SMIF2 .977, .869, .834 and lowest loaded items are SMIF3 .351, .479, .470. The remaining items are loaded between.514 to .795 respectively.

**Composite Reliability (CR)**

According to (Hair et al., 2017) to assess the internal consistency of the analyzed data, the value of the data if more than 0.9 it indicates to the researcher the data set is not reliable because the study is going to evaluate the same objectives that already is was measured

and the same time it is questionable to measure the same construct. The CR value of the above table loaded from 0.701 to 0.768, it clearly indicates all the constructs loaded with in the limit as suggested by Hair et al., 2017; therefore it seems to be all the data properly amalgamated with each other.

### **Average Variance Extracted (AVE)**

The researcher used AVE to measure the construct convergent validity of the data set. There is a thumb rule to determine adequate convergent if the AVE values of the data set at least 0.50 is highly recommended for further investigations. From the above table the all AVE values from 0.501 to 0.525 therefor it clearly indicates that the entire construct are having respectable convergent strength.

### **Variance Inflation Factor (VIF)**

The variance Inflation Factor diagnoses the multi collinearity in regression analysis. The higher values of VIF (i.e., greater than 5) signifies that there will be multi collinearity otherwise (i.e., VIF between 1 to 5) moderately correlated that there is no multi collinearity exist in the study. It is observed from the above table values of VIF lies between 1 and 5 which explicit that there is no multi collinearity.

**Table 6.3 Discriminant Analysis**

<b>SMIF</b>	<b>SMIE</b>	<b>SMIO</b>	<b>SMRP</b>	<b>SMIP</b>
<b>0.707</b>				
-0.082	<b>0.709</b>			
0.192	0.642	<b>0.725</b>		
0.061	0.486	0.522	<b>0.711</b>	
-0.092	0.538	0.352	0.568	<b>0.708</b>

The discriminant analysis support the researcher to scrutinize the significance difference exists in the construct predictor variable perspective. In addition to that this analysis evaluates the accuracy of the classification among the group also. Discriminant validity is calculated while comparing square root of AVE of the construct with the correlation between the constructs. It is observed from the above table all the constructs successfully reached discriminant validity and all square rote of AVEs values are greater than correlation between constructs achieved. The crosswise value in the table shows the square root of AVE value.

**Table 6.4 Correlation Analysis**

Correlations						
DIMENSIONS	SHAREMARKET_INVESTOR_EXPECTATIONS	SHAREMARKET_INVESTMENT_OBJECTIVES	SHAREMARKET_RISK_PERCEPTIONS	SHAREMARKET_INFLUENCING_FACTOR	SHAREMARKET_INVESTORS_PREFERENCE	SHAREMARKET_INVESTMENT_DECISION
SHAREMARKET_INVESTOR_EXPECTATIONS	1	.496**	.331**	.024	.387**	.463**
SHAREMARKET_INVESTMENT_OBJECTIVES		1	.413**	.144*	.265**	.456**
SHAREMARKET_RISK_PERCEPTIONS			1	.014	.405**	.422**
SHAREMARKET_INFLUENCING_FACTOR				1	-.045	.134*
SHAREMARKET_INVESTORS_PREFERENCE					1	.499**
SHAREMARKET_INVESTMENT_DECISION						1

The standard value of correlation +1 to -1 and statistically it denote as r, +1 represent positive correlation and -1 represent negative correlation. The correlation analysis of the above table the following observation identified all the construct positively correlated except one that is factors influencing stock market investment and share market investors preference -.045, share market investor preference highly correlated with share market investment decision .499, risk perception of the share market and factors influencing share market showing lower correlation value of .014.

**Table 6.5 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.644 <sup>a</sup>	.415	.401	1.75665
a. Predictors: (Constant), SHAREMARKET_INVESTORS_PREFERENCE, SHAREMARKET_INFLUENCING_FACTOR, SHAREMARKET_INVESTMENT_OBJECTIVES, SHAREMARKET_RISK_PERCEPTIONS, SHAREMARKET_INVESTOR_EXPECTATIONS				

R-squared is one of the important valuations to evaluate the goodness-of-fit in linear regression model. The R-square statistically calculated in percentage basis and it explain the variance relation collectively in the independent variable to dependent variables. R-square measures the strength of relationship between your model and the dependent variable in a percentage basis between 0 to 100 percent. From the above model summary table the R-Square value is 0.415 it shows the good model fit.

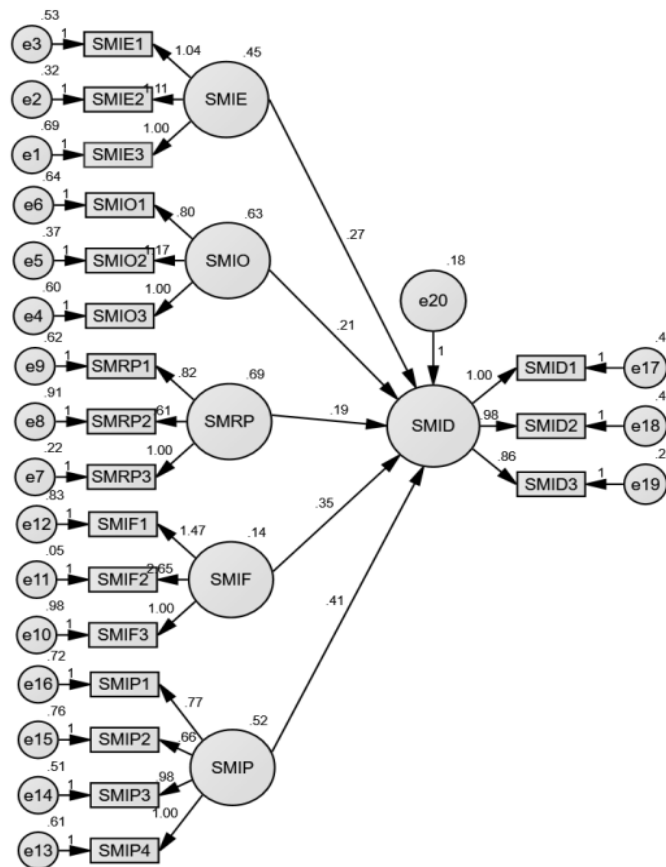
**Table 6.6 Regression Analysis**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	1.819	0.851		2.137	0.034		
	SHAREMARKET_INVESTOR_EXPECTATIONS	0.174	0.059	0.189	2.944	0.004	0.680	1.470
	SHAREMARKET_INVESTMENT_OBJECTIVES	0.171	0.055	0.202	3.115	0.002	0.667	1.498
	SHAREMARKET_RISK_PERCEPTIONS	0.136	0.058	0.145	2.349	0.020	0.732	1.366
	SHAREMARKET_INFLUENCING_FACTOR	0.109	0.052	0.113	2.102	0.037	0.971	1.030
	SHAREMARKET_INVESTORS_PREFERENCE	0.245	0.047	0.318	5.245	0.000	0.761	1.315

a. Dependent Variable: SHAREMARKET\_INVESTMENT\_DECISION

The regression analysis supports the researcher to evaluate the relationships between dependent variable to independent variable. From the above table the independent variables are share market investor expectations, share market investment objectives, share market investment risk perception, factors influencing share market investment and share market investors preference.

**SEM MODEL**



**Figure 6.7**



## **Conclusion**

In this study, different demographic variables are considered and its effect on decision making behavior in a risky situation. The direct effects of these demographic factors on risk perception and propensity ultimately on risky decision making have been established in this study. This study disclosed that old age investors have more risk perception and younger perceives the risk differently. Gender effects the decision in a manner that females have less risk preferences than males. In addition to demographic analysis it is concluded from the regression analysis the independent variables are share market investor expectations, share market investment objectives, share market investment risk perception, factors influencing share market investment and share market investors preference are influencing the share market investment decisions.

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