



A STUDY OF INVESTORS' BEHAVIOR TOWARDS NEW ISSUE MARKET IN KANNIYAKUMARI DISTRICT

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ABSTRACT

Investment is that the loss of certain present value for the uncertain future reward. Investment is always interesting, challenging and rewarding. It is interesting because the stock market is dynamic; there is never a dull moment. It is challenging because it is uncertain, the only certainty is its uncertainty, rewarding because it is risky. The increased needs of trade, commerce and the society in the past necessitated the establishment of large-scale enterprise. The present trend of commercial enterprises is to increase their size through expansion and diversification.

Few years back, stock market investment was perceived very risky and was meant only for rich class. But recently stock market investment has witnessed a great change and all investors have started viewing it as a right channel of investment to beat the inflation. Hence there is an imperative need to undertake a study of this nature to identify the problems faced by the investors and his preference towards new issue market and offer suitable solutions to overcome the problems identified.

The present study focuses mainly to assess the attitudes and behaviours of the various segments of the investors. The study is also concentrated on the preference and problems faced by the investors of Kanniyakumari District in Primary Market. The objectives of the study are to find out the investment preference of investors, to analyse factors influencing the investable surplus, to determine the problems faced by the investors while investing and to offer suggestion for the problems identified in the study.

Key words: *Investment, Stock market, Investors, Attitudes, New issue market*

INTRODUCTION

Investment is that the loss of certain present value for the uncertain future reward. Investment is always interesting, challenging and rewarding. It is interesting because the stock market is dynamic, there is never a dull moment. It is challenging because it is uncertain, the only certainty is its uncertainty, rewarding because it is risky. Generally, when there's a high risk, more rate of return is assured. Risk and rewards go together.

The key to successful investment involves the following examination and analysis of three chronological segments of the business operations namely Past performance, Present condition & Future prospects. Investors can invest in shares through the new issue market and/or the secondary market.

NEW ISSUE MARKET

The New issue market is also called as "Primary Market". It has no physical existence. The primary market offers channel for sale of new securities. The main function of New Issue Market is to facilitate the transfer of resources from money savers to users. Thus, a new issue market acts as an important link between those who save and those who need such savings for investing in a project. Few years back, stock market investment was perceived very risky and was meant only for rich class. But recently stock market investment has witnessed a great change and all investors have started viewing it as a right channel of investment to beat the inflation. Hence there is an imperative need to undertake a study of this nature to identify the problems faced by the investors and hid preference towards new issue market and secondary market and offer suitable solutions to overcome the problems identified.

OBJECTIVES OF THE STUDY

1. To find out the investment preference of investors in the study area.
2. To analyses factors influencing the investable surplus.
3. To determine the problems faced by the investors while investing and
4. To offer suggestion for the problems identified in the study.

HYPOTHESES

1. Safety is not the deciding factor while investing in the new issue market.
2. There is a significant difference between the monthly family income of the investors and the investment in securities market.

RESULTS AND DISCUSSION.

Gender wise classification of the Respondents

The researcher has gathered information about the category of respondents according to the gender, because investment decisions vary from male to female and even from person to person.

Gender wise classification of the Respondents

Table 1

S.No	Sex	No. of Respondents	Percentage (%)
01	Male	94	72.31
02	Female	36	27.69
Total		130	100.00

Source: Primary Data

It has revealed that out of 130 respondents interviewed, 94 of them (72.31%) are male and the remaining 36 (27.69%) are female.

Necessity and Purposes of Investment

According to all respondents, the investment is a necessary one in everybody's life. Further the researcher has examined the purpose of making investment of their surplus income.

Purpose of making Investment

Table 2

S.No	Purpose	No. of Respondents	Percentage(%)
01	Earn Additional Income	63	48.46
02	Reduce tax burden	26	20.00
03	To safe guard the money	21	16.15
04	To avoid holding of ideal money	18	13.85
05	Prestige	2	1.54
Total		130	100.00

Source: Primary Data

The investment has ascertained that, 63 respondents (48.46%) said that the investment is necessary one to earn additional income. Twenty six persons (20%) favour with the investment to reduce the tax burden. As per the view of the 21 respondents (16.15%), the investment is needed to safeguard the money, 18 respondents (13.85%) said that investment is necessary one to utilize money that is ideal. Two respondents (1.54%) prefer to invest for prestige.

Forms of Investment

Investment can be made both in financial as well as non-financial forms. An attempt has been made to know their investment forms.

Forms of Investment

Table-3

S.No	Forms	No. of Respondents	Percentage (%)
01	Financial Investment	74	56.92
02	Non-Financial Investment	09	6.92
03	Both	47	36.16
Total		130	100.00

Source: Primary Data

It brings to focus that, 56.92% of the sample force has invested in the financial investment, 6.92% of the informants have preferred non-financial investments and the rest 36.16% of the respondents opt for both the forms of investments.

Amount of Investment made in Securities Market

Amount of Investment
Table 4

S.No	Amount	No.of Respondents	Percentage (%)
01	Below Rs.10,000	42	34.71
02	Rs.10,000 – Rs.20,000	28	23.14
03	Rs.20,000 – Rs. 30,000	21	17.36
04	Rs. 30,000 – Rs.40,000	24	19.83
05	More than Rs. 40,000	06	4.96
Total		121	100.00

Source: Primary Data

Out of 121 investors, who have made the investment in companies' securities, 34.71 percent of them have invested below Rs. 10,000, 23.14 percent of them have deposited Rs. 10,000 – Rs. 20,000, 17.36 percent of the investors are investing between Rs. 20,000 and Rs. 30,000, 19.83 percent of them are investing between Rs. 30,000 – Rs. 40,000 and the remaining 4.96 percent of the sample force invest above Rs.40,000.

Factors considered by the Investors before making investment in the New Issue Market

Making investment in an art. Before investing, the investors consider various factors because it is a risky one. The interviewer has unfolded the information regarding the factors, which are considered by the interviewee before making any investment.

Testing Hypothesis

To test the hypothesis, "Safety is not the deciding factor while investing in new issue market", the researcher has used chi-square test.

Chi-square Table
Table 5

Factors	No. of Respondents (O)	(E)	(O-E)	(O-E) ²	(O-E) ² /E
Safety	42	16.17	25.83	667.19	41.26
Regular Income	21	16.17	4.83	23.33	1.44
Liquidity	15	16.17	-1.17	1.37	0.08
Value Appreciation	14	16.17	-2.17	4.71	0.29
Marketability	03	16.17	-13.17	173.45	10.73
Value of the investment	02	16.17	-14.17	200.79	12.42
	97				66.22

Among the 97 respondents, who have made investment in new issue markets (i.e. 18 +79 of new issue and both the form of investment), 43.30% of respondents attach more importance to the safety of money, 21.65% of them attach more importance to return on investment, 15.47% of them give importance to liquidity of investment, 14.43% of them are of the opinion that they have considered capital appreciation of investment, 3.09% of them are considering marketability of the investment and the value of the investment have been

considered by the balance 2.06% of the investors. The above survey reveals that, most of the informants are considering the safety of the investment as the main factor for making new investment in the new issue market. For 5 degree of freedom at 5% level of significant, the table value is 11.07. Since the calculated value (66.22) is more than the table value, the hypothesis is rejected.

Result:

It is evident from the above hypothesis tested; Safety is the deciding factor while investing in the new issue market.

Investment Preference

Many types of investment media or channels for making investments are available. Investors are normally making their investment very carefully in various securities. In order to identify their preference, an enquiry has been made.

Investment Preference
Table 6

S.No	Investment Media	No. of Respondents	Percentage (%)
01	Equity Shares	55	56.70
02	Mutual Funds	18	18.56
03	Debentures	13	13.40
04	Preference Shares	11	11.34
	Total	97	100.00

The enquiry indicates that, out of 97 respondents, 56.70 percent of the investors like to invest their money in equity shares, 18.56 percent of the investors prefer mutual funds, 13.40 percent of investors prefer debentures and the remaining 11.34 percent of respondents like to invest in preference shares.

Factors influencing the preference of a particular investment media

Various factors are influencing the consumer in selecting a particular investment media. They are safety, regular income, liquidity, easily transferable and so on. To ascertain the reasons for influencing the investment, as study was made and the responses are analysed by adopting Ranking method.

The ranking analysis shows that, capital appreciation has got the first rank among the various factors, safety has got the second rank, regular income from the investment has got third rank, liquidity has got fourth rank, easily transferable of security has got fifth rank, enjoying the benefit of bonus / right issue and reducing tax burden has got the sixth and seventh rank respectively.

Factors influencing the Preference of a Particular Investment Media
Table 7

S.No	Reasons	Weighted Average Point
01	Capital Appreciation	8.0
02	More Safety	8.29
03	Get Regular Income	8.26
04	Liquidity	6.36
05	Easily Transferable	6.12
06	Right and bonus issue benefits	6.04
07	Reducing Tax Burden	5.22

From the above analysis, it is quite evident that majority of the investors are giving importance to capital appreciation.

Mode of Applying

Certain investors may apply in various names of their close relatives and binamies. Hence, they can avail the benefit of tax exemption etc. Also the future of the close relatives would be well secured.

Mode of Applying
Table 8

S.No	Mode of Applying	No. of Respondents	Percentage (%)
01	Self	59	60.82
02	Others Name	38	39.18
	Total	97	100.00

An analysis has been made to the new issue market investors to know the name under which the investors have applied. It has indicated that, out of 97 respondents, 60.82 percent of the investors are sending application form on their own name and another 39.18 percent of respondents prefer to apply in others name.

Problems

Further, the researcher has studied the nature of problems faced by the investors in the new issue market.

Nature of Problems
Table 9

S.No	Problems	No.of Respondents	Percentage (%)
01	Lack of knowledge in understanding information	29	29.90
02	Delay in receiving acknowledgement	22	22.68
03	Delay in receiving Certificates	19	19.59
04	Delay in getting Replies	17	17.52
05	Getting Application forms	10	10.31
	Total	97	100.00

Out of 97 investors, 29.90 percent of them have confronted with the problem of lack of knowledge in understanding the information, 22.68 percent of them are having the problem of receiving acknowledgement, 19.59 percent of them have cited the problem of delay in receiving the certificates, 17.52 percent of them are facing the problem of delay in getting replies and the remaining 10.31 percent of them have indicated the problems in getting of application form.

RECOMMENDATIONS

After going through the above facts and the findings the researcher has preferred to provide the following suggestions and recommendations from the point of view of investors for the further development of securities market activity in the study area.

1. To deal with the complaints of the investors a separate grievance cell is to be created in each Taluk at least.
2. Because of delay in allotments and return of the application money, the investors may lose interest. So necessary steps can be taken to avoid this and attractive interest should be paid to attract the investors.
3. Effective steps must be taken to minimize the number of refund applications and these applicants may be given priority/guarantee, if this company or its associated company issuing any securities in future.

4. It is necessary to give advertisements about new issues for capturing the Semi urban and rural markets and it is suggested that the advertisement messages should be in regional languages. They may be conveyed in simple language.
5. The procedure and formalities followed while buying and transferring the securities should be simplified.
6. To attract the small investors / savers, the lot size of the issues and face value of the securities is to be minimized.

CONCLUSION

The household sector has been the only surplus sector in India, while the investment of private sector and public sector has always beaten their respective savings. Since the house hold sectors are the major saving and surplus sector, a study of its saving, financial investment and borrowing is made.

The study unravels the fact that investors are rational in investing. They are ready to invest in securities market, if the market transactions have integrity, fairness in dealings, faith in liquidity and transparency. It is the responsibility of the issuer of securities and SEBI to build the confidence of the investors through better investor services to attract their savings.

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