



Investors' perception on fundamental factors and its effect on share price Behavior- A case study in Anantapuramu district

C Nirmala Devi¹, Dr. K Maddileti²

¹ Research Scholar, Department of Commerce, Sri Krishnadevaraya University, Anantapuram, Andhra Pradesh, India

² Associate Professor, Department of Commerce, Sri Krishnadevaraya University, Anantapuram, Andhra Pradesh, India

Abstract

Investor's participation in stock market has shown gradually rise in India in recent past particularly after covid period due to down trend in interest rates on fixed deposits, post office savings, and not much availability of social security government schemes and available and accessibility of digital trading platforms in India. This led investors participation crossed 100 million in 2024. The rise in participation without adequate awareness on fundamental of stock market causes early exit with huge losses which creates negative opinion on stock markets. Thus, present study examines perception of investors on fundamental factors and its impact on share price. The study included sample size of 350 investors selected by simple random sampling technique from entire Anantapuramu district. The study found that majority of the investors have high awareness on the global economic factors, company marketing factors, industrial factors but poor knowledge on company financial factors and their impact on share price behavior. This is particularly observed among young investors and non-financial back ground investors. The hypothesis suggest difference in between and within group's investor's perception on fundamental factors and its impact share price behaviour in Anantapur District.

Keywords: Investor's perception, fundamental analysis, investor's awareness

Introduction

Fundamental factors are chief drivers of share price behaviour in the long run. These factors comprise of economic, industrial and company factors. The economic factors are broad factors affect the entire stock market irrespective of nature of industry and company. The economic factors comprise of GDP, exchange rate, oil prices, FIIs, inflation and deflation. The industrial and company factors are specific factors affect the share prices of specific industry and company. The industrial factors comprise of nature of industry, size of industry, demand and supply for products, competition in the industry, government policies, industry cycles etc. The factors comprise of both financial and non-financial in nature. The financial factors comprise of income, profitability, liquidity, leverage and turnover ratio etc, on the other hand, non-financial information comprises of market share, capacity utilization, order book position, raw material cost and availability, management efficiency, quality of products and services and customer base etc. The investor's awareness on the fundamental factors strongly affects their decision making in long period. Thus, present study aimed to examine the selected investor's awareness on the fundamental factors on the share price behaviour.

Review of Literature

Perez- Restrepo *et al* (2021) ^[1] examined the perception of 100 investors of the countries of Malaysia, Indonesia and India. The study revealed that, majority of investors is expressed that they are investing in stock market with curiosity of earning abnormal profits. The study found that, media is playing key role in investing decision along with fundamental factors in these three regions. However, the study observed variation in investment behavior of three regions investors. Harikumar Pallathadka (2020) ^[2]

examined the impact of fundamental factors on the share price of top five IT companies in trading in BSE. The sample companies in the study are selected on market capitalization basis such as TCS, Infosys, Wipro, HCL and Tech Mahindra. The fundamental variables of the study comprise of DPS, EPS, Net worth, P/E Ratio and current ratio. The study period is 2014-19. The study found that that P/E ratio and EPS are major influencing factors of share price even in economic slowdown period in Indian stock market. The study found no impact of Net worth on the share price during entire study period and in case of all companies. Therefore, the study suggested that P/E ratio should be considered by an investor while investing in IT sector while rise in P/E ratio indicates rise in valuation of the stock and rise in future value of stock. Hawaldar *et al* (2019) ^[3] analyzed the behavior of retail investors towards stock market in India. The study found that tax benefits, risk & return, maturity period, capital appreciation and safety of principal are influencing factor of investor decision where risk and return has high significant influencing factor. The study also revealed that rate of return is high motivational factor in stock market, and majority of investors depended on their own strategies of investment. The majority of investors preferred stock market for investment rather than mutual funds and derivatives with expectation of high return. Kavitha (2015) ^[4] has made a comprehensive analysis on the behavior of 500 investors of equity market Tiruchy city of Tamilandu. The study focused on the sources of information, investment preferences, risk and return level and investor's satisfaction. The study adopted chi-square, Anova, F-test and t-test. The investors' ranked the investment avenues as gold/silver, fixed deposits, futures & option, debentures/bonds and shares. The study observed, investors ranked the preferred industries for investment such as pharmacy, food processing, banking sector and

telecommunication. The study found that around 41.2 percentage made investment decision on stock brokerage advice while 33.4 perent on the basis of technical and only 19 percent is on fundamental analysis basis. Gagan Kukreja (2012) [5] conducted a investors’ survey in national capital region to know the investor perception and influencing factors. The study used systematic sampling technique and selected 120 investors from the region. The study found age and education are major influencing factors of investors decisions. The study also found that, market transparency, tax advantage, regulation of stock markets and size of the investment also influencing factors of investors’ decisions in the selected region.

need of the study: The Indian stock market is witnessed strong growth in recent period by rapid increased in participation of both institutional and retail investors. The availability and accessibility of digital platforms such as mobile and online trading portals and applications reached the made trading and investment accessible by vast people in entire country. However, investment or trading in stock market is subject high risk and returns and involved need of through knowledge on various fundamental and technical aspects else it leads to huge losses. Therefore, presents study assessed the perception of investors or traders on the different fundamental aspects and their impact on stock market prices in Anantpuramu district of Andhra Pradesh.

Objectives of the study

- To study the Investors perception on fundamental factors such as economic, industrial and company factors
- To examine the level awareness among the investors on relationship between fundamental factors and share price behaviour

Hypothesis

H₁: ‘There is significant difference in between and within group’s investor’s perception on fundamental factors and its impact share price behaviour in Anantapur District.

H₀: ‘There is insignificant difference in between and within group’s investor’s perception on fundamental factors and its impact share price behaviour in Anantapur District.

Research Methodology

Present stud is based on both primary and secondary data. The primary data is collected from the well- structured questionnaire designed by using three-pint liker scale. The secondary is collected regarding conceptual frame work and review of literature from various published sources such as previous research article, doctoral thesis, research reports etc. The sample size in the present study is 350 participants in stock market from Anantapur district of Andhra Pradesh. The sample respondents are selected by using simple random sampling technique. The study used technique such as percentage, Cronbach's Alpha and ANOVA technique.

Data Analysis and Interpretation

Table 1: Demographic Profile of Investors

| | | Frequency | percentage | Cumulative |
|----|-------------------------|--------------------------|------------|------------|
| 01 | Gender of the Investors | Male | 263 | 75.14 |
| | | Female | 87 | 24.86 |
| | | Total | 350 | 100.00 |
| 02 | Age of the Investors | 20-30 Years | 129 | 36.86 |
| | | 30-40 Years | 152 | 43.43 |
| | | 40-50 Years | 42 | 12.00 |
| | | above 50 years | 27 | 7.71 |
| | | Total | 350 | 100.00 |
| 03 | Education | 10 th class | 36 | 10.29 |
| | | Intermediate | 52 | 14.86 |
| | | Graduation | 180 | 51.43 |
| | | Post -Graduation | 82 | 23.43 |
| | | Total | 350 | 100.00 |
| 04 | Occupation | Private Employee | 153 | 43.71 |
| | | Govt Employee | 65 | 18.57 |
| | | Self-Employee | 73 | 20.86 |
| | | Business | 59 | 16.86 |
| | | Total | 350 | 100.00 |
| 05 | Annual Income | Below Rs 2.5 Lakhs | 26 | 7.43 |
| | | Rs 2.5 Lakhs–Rs 5 La | 104 | 29.71 |
| | | Rs 5 Lakhs- Rs 7.5 Lakhs | 95 | 27.14 |
| | | Above Rs 750000 | 125 | 35.71 |
| | | Total | 350 | 100.00 |

Table 01: The demographic profile of the investor’s revealed that, 75.14 percentage is male and 24.86 percentage is female. In investors 43.43 percentage is in age of group of 30-40 years, 36.86 percentage is 20-30 years, 12 percentage is 40-50 years and 7.71 percentage is above 50 years. The 51.43 percentage of investors pursued graduation, 23.43 percentage completed post graduation, 14.86 percentage is pursued intermediate and 10.29

percentage completed 10th class. Similarly, 43.71 percentage is private employee, 20.86 percentage self-employee, 18.57 percentage is government employee and 16.86 percentage occupation is business. Annual income of 35.71 percent is above 7.5 Lakhs, 29.71 percentage is s2.5 Lakhs to Rs 5 Lakhs, 27.14 percentage is between Rs 5 to 7.5 Lakhs and finally 7.43 percentage is below Rs 2.5 Lakhs.

Table 2: Investor Behaviour In Stock Market

| | | Frequency | Frequency | Percentage | Ranks |
|----|---------------------------------|----------------------|------------|------------|--------|
| 01 | Stock market participation | Full time trader | 125 | 35.71 | 3 |
| | | part time trader | 182 | 52.00 | 2 |
| | | speculator | 36 | 10.29 | 4 |
| | | investor | 210 | 60.00 | 1 |
| | | Total | 553 | | |
| 02 | Trading/investment segments | cash market | 256 | 73.14 | 1 |
| | | currency market | 62 | 17.71 | 3 |
| | | commodity market | 152 | 43.43 | 2 |
| | | Bond market | 42 | 12.00 | 4 |
| | | Total | 512 | | |
| 03 | Investment decision is based on | Own Analysis | 153 | 43.71 | 2 |
| | | friends Advices | 89 | 25.43 | 4 |
| | | Professional advices | 253 | 72.29 | 1 |
| | | Brokers Advisors | 110 | 31.43 | 3 |
| | | Online Advisors | 36 | 10.29 | 5 |
| | | Total | 641 | | |
| 04 | Investment objective | Regular Income | 185 | 52.86 | 3 |
| | | Wealth Maximization | 253 | 72.29 | 1 |
| | | tax savings | 143 | 40.86 | 4 |
| | | inflation | 210 | 60.00 | 2 |
| | | Total | 791 | | |
| | | Frequency | percentage | cumulative | |
| 05 | Size of Investment | Below Rs 50000 | 51 | 14.57 | 14.57 |
| | | Rs 50001-100000 | 69 | 19.71 | 34.29 |
| | | Rs100001 –Rs500000 | 156 | 44.57 | 78.86 |
| | | above Rs 5 Lakh | 74 | 21.14 | 100.00 |
| | | Total | 350 | 100.00 | |
| 06 | Investor status | Beginner | 75 | 21.43 | 21.43 |
| | | Experienced | 215 | 61.43 | 82.86 |
| | | Professional | 60 | 17.14 | 100.00 |
| | | Total | 350 | | |

Source: Field study

The investor’s behavior of the stock market is revealed the study as 60 percentage is investors, 52 percentage is part-time traders, 35.71 percentage s full time traders and 10.29 percentage is speculator. In total investors two third of investors trading in cash market, 43.43 percentage is trading in commodity market, 17.71 percentage trading in currency market and 12 percentage is investing bond market, cash market is scored first in trading and investment segment. The professional advice is base for investment decision for 72.29 percentage of investors, own analysis is base for 43.71 percentage, brokers advisors for 31.43 percentage and

friend advice is using by 25.43 percentage and online advisors is base for 10.29 percentage of investors. The major investment objective is wealth maximization which scored top one, inflation ranked top two with 60 percentage regular income ranked three with 52.86 percentage and tax saving is ranked four with 40.86 percentage. The size of investment preferred by majority of investors is between one lakh to five lakhs. In total investors 61.43 percentage of investors are experienced where is 21.43 percentage is beginners and 17.14 percentage professional.

Table 3: investor’s perception on fundamental factors

| | Statements | Highly aware | Just aware | No aware | Total |
|----|---|----------------|----------------|---------------|--------------|
| 01 | Do you aware of the factors comprise of fundamental analysis such as economy analysis, industrial analysis and company analysis. | 185 (52.86) | 120 (34.29) | 45 (12.86) | 350 (100) |
| 02 | Do you aware that fundamental analysis helps the investors for long term investment purpose and construction of effective portfolio for long run | 210 (60) | 85 (24.29) | 55 (15.71) | 350 (100) |
| 03 | Do you aware of economic factors comprises of domestic factors such as GDP, inflation, oil prices, IIP, CPI, WPI, exports and imports, economic cycles etc. | 189 (54) | 131 (37.43) | 30 (8.57) | 350 (100) |
| 04 | Do you aware of economic factors comprises of global factors such as exchange rates, oil prices, wars, economic recession, world competition etc | 195 (55.71) | 130 (37.14) | 25 (7.14) | 350 (100) |
| 05 | Do you aware of industrial factors comprises of industry business cycles, competition, demand-supply, technology, government policies and regulations etc | 210 (60) | 96 (27.43) | 44 (12.57) | 350 (100) |
| 06 | Do you aware that company factors comprise of firm’s growth, management efficiency, brand image employee’s strength, branch network, customer base etc | 220 (62.86) | 85 (24.29) | 45 (12.86) | 350 (100) |
| 07 | Do you aware that in company analysis financial factors comprises of Net profits, cost efficiency, ROA, ROE, EPS, DPS | 155 (44.29) | 140 (40) | 55 (12.86) | 350 (100) |
| 08 | Do you aware of company factors also comprises of liquidity, debt equity ratio, solvency, bad debts etc. | 182 (52) | 120 (34.29) | 48 (13.71) | 350 (100) |
| 09 | Do you aware that fundamental analysis helps to find the Intrinsic Value of the share | 130 (37.14) | 155 (44.29) | 65 (18.57) | 350 (100) |
| 10 | Do you aware that, take short position when market price is greater than intrinsic value else long position | 198 (57.14) | 98 (28.57) | 54 (15.71) | 350 (100) |

Source: Field study

Table 01 exhibits the investor’s perception on fundamental factors. The study found that, 52.86 percent of investors are highly aware that fundamental factors comprise of economy, industrial and company factors, where as 34.29 percent is just aware and 12.86 percentage is no aware. Similarly, 60 percent of investors are highly aware that fundamental analysis significantly role in portfolio construction and long-term decision making, where as 24.29 percent is just aware and 15.71 percentage is no aware. In similar line, 54 percentage has high awareness domestic economic factors such as GDP, inflation, oil prices, IIP, exports and imports etc, where as 37.43 percentage has just aware and 8.57 percent has no aware on domestic economic factors due to most them are beginners and science back ground and engineering back educational ground. Besides, 55.71 percentage expressed that they are high awareness on global economic factors such as exchange rates, oil prices, wars, economic recession, world competition where as 37.14 percent has just awareness and 7.14 percentage have no awareness. On the other hand, 60 percentage has high awareness on industrial factors such as business cycles, competition, demand-supply, technology, government policies and regulation, 27.43 percentage has just awareness and 12.57 percentage have no awareness on industrial factors.

The study witnessed that, 62.86 percent of investors are highly aware that company marketing factors firm’s growth, management efficiency, brand image employee’s strength, branch network, customer base, where as 24.29 percent is just aware and 12.86 percentage is no aware. Similarly, 44.29 percent of investors are highly aware company financial factors such as of Net profits, cost efficiency, ROA, ROE, EPS, DPS, whereas 40 percent is just aware and 12.86 percentage is no aware, his is mainly due to no-financial background. In similar line, 52 percentage has high awareness on company financial factors such as liquidity, debt equity ratio, solvency, bad debts etc, whereas 34.29percentage has just aware and 13.71 percent has no aware. Besides, 37.14 percentage expressed that they are high aware that fundamental analysis helps in finding intrinsic value of the share which is base for investment decisions., where as 44.29 percent has just awareness and 18.57 percentage has no awareness. On the other hand, 45.71 percentage has highly aware to take short position of the shares when its market price much higher than intrinsic price else long position, 38.57 percentage has just awareness and 15.71 percentage has no awareness

Table 4: investor’s perception on impact of fundamental factors on share price behaviour

| Statements | | Highly aware | | Just aware | No aware | Total |
|------------|--|----------------|----------------|----------------|---------------|--------------|
| 11 | There is a positive relationship between GDP growth and stock market movement | 198 (56.57) | | 130 (37.14) | 22 (6.29) | 350 (100) |
| 12 | There is inverse relationship between inflation and stock market movement | 195 (55.71) | | 70 (20) | 85 (24.29) | 350 (100) |
| 13 | There is inverse relationship between oil prices and stock market movement | 160 (45.71) | | 135 (38.57) | 55 (15.71) | 350 (100) |
| 14 | The stock market/share prices show bull trend when economy and industry is boom period, in contrast, stock market/share prices shows bearish trend when economy and industry is recession period | 210 (60) | | 98 (28) | 42 (12) | 350 (100) |
| 15 | The increase in demand for the product of specific company and industry shows positive impact on share prices | 169 (48.29) | | 120 (34.29) | 61 (17.43) | 350 (100) |
| 16 | Management efficiency contributes positively to the market price of the share | 178 (50.86) | | 102 (29.14) | 70 (20) | 350 (100) |
| 17 | The increase in liquidity and profitability shows positive effect on the share price and down trend affects negatively. | 142 (40.57) | 169 (48.29) | 39 (11.14) | | 350 (100) |
| 18 | The increase in ROA and ROE positively affects and decrease negatively affects the share price | 198 (56.57) | 99 (28.25) | 53 (15.14) | | 350 (100) |
| 19 | The high P/E ratio indicates overvaluation and low P/E ratio indicates undervaluation of shares. | 156 (44.57) | 129 (36.86) | 65 (18.57) | | 350 (100) |
| 20 | The rise in EPS and DPS positively affect the share price of the company | 185 (52.86) | 105 (30) | 60 (17.14) | | 350 (100) |
| 21 | Increase in the market share of company positively affects share price | 205 (58.57) | 81 (23.14) | 64 (18.29) | | 350 (100) |

Source: Field study

Table 02 exhibits the investor’s perception on the impact of fundamental factors on share price behavior. The study found that, 56.57 percent of investors are highly aware on positive relationship between GDT growth and stock market, where as 37.14 percent is just aware and 6.29 percentage is no aware. Similarly, 55.71 percent of investors have higher awareness on inverse relationship between inflation and stock market. 20 percent is just aware and 24.29 percentage is no aware. In similar line, 45.71percentage has high awareness on inverse relationship between oil prices and stock market movement, where as 38.57 percentage has just aware and 15.71 percent has no due to most them are beginners and science back ground and engineering back educational ground. Besides, 60 percentage expressed that they are high awareness on

bullish and bearish trend in stock market during book and recession periods where as 28 percent has just awareness and 12 percentage has no awareness. On the other hand, 48.29 percentage has high awareness on demand rise for product of specific company or industry shows positive impact on its share price, 34.29 percentage has just awareness and 17.43 percentage have no awareness.

The study witnessed that, 50.86 percent of investors are highly aware on positive impact of management efficiency on market price of the share, where as 29.14 percent is just aware and 20 percentage is no aware. Similarly, 40.57 percent of investors are highly aware that uptrend in liquidity and profitability shows positive effect on share price where as 48.29 percent is just aware

and 11.14 percentage is no aware. In similar line, 56.57 percentage has high awareness on ROA and ROE have positively affect the share price where as 28.25 percentage has just aware and 15.14 percent has no aware. Besides, 44.57 percentage expressed that they high P/E value indicates high valuation and low P/E rate indicates under valuation, where as 36.86 percent has just awareness and 18.57 percentage has no awareness. On the other hand, 52.86 percentage has highly aware rise in EPS and DPS positively affects the share price, 30 percentage has just awareness and 17.14 percentage has no awareness. Finally, 58.57 percentage has highly aware that rise in market share of company positively affects the share price, 23.14 percentage has just awareness and 18.29 percentage has no awareness

Reliability Statistics

| Reliability Statistics | | |
|------------------------|--|------------|
| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
| .898 | .887 | 21 |

Cronbach's alpha technique is used to assess the reliability, or internal consistency, of a set of scale or test items. The results of the test will be in range from (α) 0 to 1. If α = 0, it indicates independency of all scale items one with another where α = 1 indicates entire dependency of all scale items and high covariance. Therefore, increasing the value indicates high reliability. In general, suggestible Cronbach alpha reliability coefficient level is .898. In the present study reliability test results is .887 which is higher than standard acceptable level of 0.70, this indicates high reliability and consistency of data and fit of ANOVA.

Hypothesis Testing Result

| Anova | | | | | | |
|---------------------|--------|------|----------|----------|---------|--------|
| Source of Variation | SS | df | MS | F | P-value | F crit |
| Between Groups | 49.8 | 9 | 5.533333 | 3.565138 | 0.000 | 1.8851 |
| Within Groups | 2778.2 | 1790 | 1.552067 | | | |
| Total | 2828 | 1799 | | | | |

The ANOVA result found that, the Sig value is 0.000 which is less than 0.05 so we reject the null Hypothesis and accept alternative null hypothesis and conclude that 'There is significant difference in between and within group's investor's perception on fundamental factors and its impact share price behaviour in Anantapur District.

Conclusion

The investor's participation in stock market has shown gradually rise in India in recent past particularly after covid period due to down trend in interest rates on fixed deposits, post office savings, not much availability of social security government schemes and available and accessibility of digital trading platforms in India. This led investors participation crossed 100 million in 2024. This is a good sign for rise in interest of public on equity participation, however investment in equity market is subject high risk and high returns in nature. The rise in participation without adequate awareness on fundamental of stock market causes early exit with huge losses which creates negative opinion on stock markets. Thus, present study examines perception of investors on fundamental factors and its impact on share price. The study included sample size of 350 investors selected by simple random sampling technique from entire Anantapuram district. The study found that majority of the investors have high awareness on the global economic factors, company marketing factors, industrial factors but poor knowledge on company financial factors and their impact on share price behavior. This is particularly observed among young investors and non-financial back ground investors. The hypothesis suggest difference in between and within group's investor's perception on fundamental factors and its impact share price behaviour in Anantapur District.

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