

Investment Pattern of Investors in Chennai - An Empirical Study Structural Equation Modelling - Path Analysis

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Abstract

The stock market investment is dependent on various elements and it needs significant expertise to involve as well as earn significant returns. There are various studies that have given numerous ways to assess the behavior of the investors in the stock market. The Indian Scenario has given ways to examine the elements of the stock market investment. The qualitative perception of the stock market investors tends to change from time to time which has to be assessed at regular intervals. The role of qualitative assessment will help to understand the elements that have a significant influence on the mindset of the investors. This study was an effort to examine the various elements that have an impact on the investment pattern of investors in Chennai district. The study has conducted a survey using the structured interview schedule based on the primary data. The study has used the opinions of 384 investors in study area who have been involved in the stock market investment. The exploratory factor analysis was used to arrive at the various major elements that influence the investment pattern.

Keywords: Investment Pattern, Structural Equation and Stock Market

I.INTRODUCTION

Theoretical Background

The stock market investment is dependent on various elements and it needs significant expertise to involve as well as earn significant returns. There are various studies that have given numerous ways to assess the behavior of the investors in the stock market. The Indian Scenario has given ways to examine the elements of the stock market investment. The qualitative perception of the stock market investors tends to change from time to time which has to be assessed at regular intervals. The role of qualitative assessment will help to understand the elements that have a significant influence on the mindset of the investors.

Statement of Problem

This study was an effort to examine the various elements that have an impact on the investment pattern of investors in Chennai district. The study has conducted a survey using the structured interview schedule based on the primary data. The study has used the opinions of 384 investors in study area who have been involved in the stock market investment. The exploratory factor analysis was used to arrive at the various major elements that influence the investment pattern. The following explains about the derived factors and variables.

Objective of the study

1. To find out Investment Pattern of Investors in Chennai city
2. To elements of the investment pattern of investors using structural equation modeling
 - a. **Factor – I – Risk and Returns**
 - b. **Factor – II – Time Frame**
 - c. **Factor - III- Ease of Operations – Trading Platform**

The elements of the investment pattern of investors that are to be used in structural equation modeling is coded as below

Factor – I – Risk and Returns

Higher Affordability of Share price	- RR1
Preferring Risk for Higher Returns	- RR2
Multi- Bagger Stocks	- RR3
Diversion of Risk Using Portfolio	- RR4
Avoidance of Volatile Stocks	- RR5
Economic Modelling of Return Analysis	- RR6
Periodic Returns	- RR7

Factor – II – Time Frame

Investing funds for Short Term	- TF1
Technical Analysis of Time Frame	- TF2
Forecasting Periods on Target	- TF3
Achieving Returns in Fixed Time	- TF4

Factor – III - Ease of Operations

User Friendly Interface - EP1

Execution of Order with Minimal Charges- EP2

The following table details the structural equation modeling with regard to the total number of variables used in the model with regards to the investment pattern of investors in the study area. In addition, it describes the nature of variables that are being used in the modeling. Under each category, the analysis processes a number of variables.

Table 1
Output Model - Summary of Variables

S.No	Variable Counts	Numbers
1.	Number of Variables in the Model	25
2.	Number of Observed Variables	10
3.	Number of Unobserved Variables	15
4.	Number of Exogenous Variables	13
5.	Number of Endogenous Variables	12

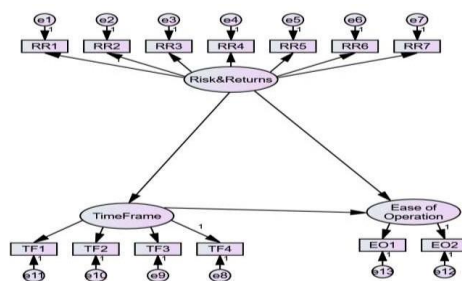


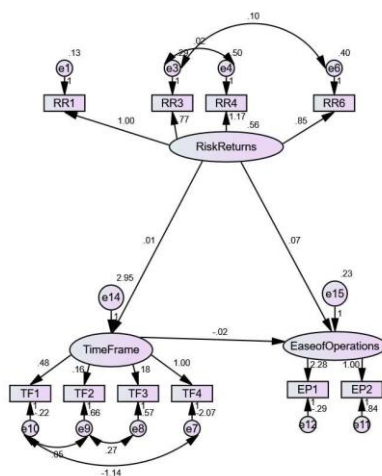
Table 2
Maximum Likelihood Estimates - Regression Weights

Relationship	Estimate	S.E.	C.R.	P
Time Frame <--- Risk & Returns	0.009	0.049	0.180	0.857
Ease of Operations <--- Risk & Returns	0.071	0.047	1.491	0.136
Ease of Operations <--- Time Frame	-0.018	0.031	-0.580	0.562
RR1 <--- Risk & Returns	1.000			
RR3 <--- Risk & Returns	0.771	0.028	13.190	***
RR4 <--- Risk & Returns	1.168	0.079	14.731	***
RR6 <--- Risk & Returns	0.847	0.062	13.743	***
TF1 <--- Time Frame	1.000			***
TF2 <--- Time Frame	0.181	0.252	0.719	0.472
TF3 <--- Time Frame	0.160	0.223	0.719	0.472
TF2 <--- Time Frame	0.482	0.048	9.951	***
EP1 <--- Ease of Operations	1.000			
EP2 <--- Ease of Operations	2.276	1.106	2.065	0.039

(***- indicates significance @ 1 % level and **- indicates significance @ 5 % level)

The above table lists the connections between the various elements included in the modeling, which describes the causes and effects involved. Before estimate values show impact on the dependent variables, estimates project the relationships among the variables. This table shows how there are five meaningful relationship ties between distinct model variables. This diagrammatic model represents the relationship among the various components and variables, all of which are detailed in this chart. Regression estimates and relationship that exists between the co- variances of the model are both shown in the above table. The investment patterns of the investors in the study area highly depend on the factors of Risk and Returns, Time Frame and Ease of Operations. The three components are interconnected in such a way that one may see how their relationship works by using a structural equation model. The elements of the investors in the study area are gauged using beta estimations and other elements are taken into consideration in determining those relationships. The results of the path analysis are of great reliability due to this reason.

Path Analysis using Latent Variables



The table of goodness of fit indices validates the reliability model that is built using the Analysis of Movement Structure (AMOS). The elements of the investment pattern among the investors in Chennai have mutual relationship among them which is explained by the significant values of the various goodness of fit indices like *Goodness of Fit (4.837)*, *Goodness of Fit Index (0.908)*, *Adjusted Goodness of Fit (0.813)*, *Normed- Fit Index (0.881)* *Comparative Fit Index (0.894)*, *Root Mean Squared Residual (0.060)* and *Standardised Root Mean Squared Residual (0.087)*. These indices reveal the validity and reliability of the model built by elements of investment pattern of the investors.

Table 3
Goodness of Fit Indices

Indices	Actual Value	Suggested value
Chi-square/Df(CMIN)	4.837	< 5.00 (Hair et al., 1998)
GFI	0.908	> 0.80 (Joreskog and Sorbom, 1981)
AGFI	0.813	> 0.80 (Joreskog and Sorbom, 1981)
NFI	0.881	> 0.80 (Joreskog and Sorbom, 1981)
CFI	0.894	> 0.90 (Daire et al., 2008)
RMR	0.060	< 0.08 (Hair et al. 2006)
RMSEA	0.087	< 0.09 (Hair et al. 2006)

(GFI – Goodness of Fit, AGFI –Adjusted Goodness of Fit, NFI- Normed- Fit Index, CFI – Comparative Fit Index, RMR – Root Mean Squared Residual, RMSEA – Standardised Root Mean Squared Residual

II. CONCLUSION

The study based on the objectives have carried out a detailed analysis about the various elements that has an influence on the investment pattern of the investors in Chennai and model that explains inter-relationship among the factors that are reasons for investment in stock market. The various elements that are influencing the investment pattern seem to Risk & Return, Time Frame and Ease of Operations. These elements tend to play a vital role in the investors mind which is revealed by the investors involved in the study. The inter-relationship among the elements of investment pattern is explained by the model and changes in one factor can directly impact another factor involved in the investment pattern. The stock market and regulatory bodies have to take notice of the fact that they have to concentrate on these areas and enhance measures to improve the areas of risk & return, time frame and ease of operation which will add to the economic growth of the investment over a long period of time. This model has highlighted the elements of investment pattern and inter-relationship among those concepts acts as a new addition to literature.

III. REFERENCES

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