



# Factors influencing Buying and Selling of Securities in share market trading with special reference to Tirunelveli District – an Empirical Study

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## Abstract:

A plethora of investment opportunities are available before investors seeking appreciation of capital invested as well as income generation from the investment. Real estates, Gold, Fixed deposits, investment in bonds / Debentures, Mutual funds and investment in Share Markets are some of the choices available to investors. Market linked investments provides good earning opportunity with inflation adjusted returns on the investment made in long run. Investors' can exercise their choice of appropriate investment to achieve their financial goals. Some investments have short gestation period while some have long gestation period. This study focuses on the major factors influencing the buying and selling of securities by investors in share market trading.

**Key words:** Share market trading, Factors influencing buying and selling of securities

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## Introduction

Investing is very much essential these days as savings alone is not adequate to fulfill all our financial goals and also to beat inflation. Saved amounts should be invested to get appreciation. There are several investment options available and investors can choose them as per their needs and convenience. Based on

their risk appetite and time horizon they can select the appropriate investment option. The present research study also tries to find out the major factors that are to be considered by the investors' while buying and selling a security or a share. The factors considered for buying of securities are Safety & Security, Easy Marketability, Past Track Record, Growth / Appreciation, Lesser Value Security, Means of Savings, Influence of Peer Group, Recommended by Experts, Tips from Magazines / Newspapers, Recommended by Intermediary and Recommended by Beneficiary. Whilst the factors considered for selling of securities in share markets are targeted returns, Urgent need for money, Down trend in security price, Medical Obligations (Self / Family), Social Obligations (Marriage), Impact of Political Changes, Purchase more profitable security (Plough Back), Expected future downfall in prices, Peer Pressure and Invest in Residential house /plots. This will increase the understanding of the investing process with regard to the investment in share trading.

### **Objective of the study**

- ✓ To find out the major factors considered by the investors while buying and selling a security.

### **Hypothesis:**

**H<sub>01</sub>**- The factors safety & security, Easy Marketability, Past Track Record, Growth / Appreciation, Lesser Value Security, Means of Savings, Influence of Peer Group, Recommended by Experts, Tips from Magazines / Newspapers, Recommended by Intermediary and Recommended by Beneficiary have no impact on buying decisions relating to investing in share market.

**H<sub>02</sub>**- The factors targeted returns, Urgent need for money, Down trend in security price, Medical Obligations (Self / Family), Social Obligations (Marriage), Impact of Political Changes, Purchase more profitable security (Plough Back), Expected future downfall in prices, Peer Pressure and Invest in Residential house /plots have no impact on selling decisions relating to disposal of investments made in the share market.

### **Research design**

The minimum required sample size for accuracy of the present research study was 384, which was calculated with Cochran's formula. The investigator targeted 570 samples consisting of respondents who are involved in online share trading and trading through intermediaries in Tirunelveli District of Tamilnadu state. Among the 570 respondents, only 561 respondents responded properly. From that

561, only 554 complete responses were selected for the present study. Respondents have been selected

by Snowball sampling technique from Non probability sampling method.

### Analysis and Result Interpretation

**Weighted average method:** Mean in which each item being averaged is multiplied by a number (weight) based on the item's relative importance. The result is summed and the total is divided by the sum of the weights. Weighted averages are used extensively in descriptive statistical analysis such as index numbers. It is also called weighted mean.

### Investors' opinion on factors considered while buying a security:

This table brings out the opinion of respondents involved in all three types of share trading as per the factors they rely on while buying a security. Here the factors Safety & Security, Easy Marketability, Past Track Record, Growth / Appreciation, Lesser Value Security, Means of Savings, Influence of Peer Group, Recommended by Experts, Tips from Magazines / Newspapers, Recommended by Intermediary and Recommended by Beneficiary are taken for the study and they are assessed through their weighted average score which depict their place amidst of the respondents.

**Table No. 1**

### Investors' opinion on Factors considered while buying a security

Factors	Online Trading		Trading Through Intermediaries		Both	
	Weighted Average Score	Result	Weighted Average Score	Result	Weighted Average Score	Result
Safety & Security	3.78	Agree	4.51	Strongly Agree	3.88	Agree
Easy Marketability	2.98	Neither Agree nor Disagree	3.57	Agree	3.74	Agree
Past Track Record	4.01	Agree	3.81	Agree	4.21	Agree
Growth / Appreciation	4.13	Agree	3.66	Agree	3.93	Agree
Lesser Value Security	2.38	Disagree	2.13	Disagree	2.08	Disagree
Means of Savings	3.11	Neither Agree nor Disagree	3.28	Neither Agree nor Disagree	3.21	Neither Agree nor Disagree
Influence of Peer	1.32	Strongly	1.22	Strongly	1.09	Strongly Disagree

Group		Disagree		Disagree		
Recommended by Experts	2.24	Disagree	3.16	Neither Agree nor Disagree	3.07	Neither Agree nor Disagree
Tips from Magazines / Newspapers	3.56	Agree	4.22	Agree	4.19	Agree
Recommended by Intermediary	3.53	Agree	4.67	Strongly Agree	4.55	Strongly Agree
Recommended by Beneficiary	3.21	Neither Agree nor Disagree	3.76	Agree	3.68	Agree

Source: Primary Data

When the respondents involved in online trading, share trading through intermediaries and both type of investors' were asked about factors that they consider while buying security, they revealed their opinion.

Online share trading: Respondents doing online share trading agreed that they would consider Growth / Appreciation, Past Track Record, Safety & Security, Tips from Magazines / Newspapers and Intermediary's recommendation while buying securities. These factors grabbed the highest weighted average scores of 4.13, 4.01, 3.78, 3.56 and 3.53 respectively. Online share trading respondents neither disagree nor agree for the factors - Easy Marketability, Means of Savings and beneficiary recommendation while buying securities. Amidst of the listed factors these respondents strongly disagree the Influence of Peer Group (weighted average score=1.32) and disagreed the rest.

Trading through Intermediates: Intermediaries' recommendation and safety and security facilities are highly preferred by respondents doing Trading through Intermediates. Hence these factors are strongly agreed as vital by these respondents with the weighted average scores of 4.67 and 4.51 respectively. Further respondents trading via intermediates agree the vitality of Tips from Magazines / Newspapers (weighted average score 4.22), Past Track Record (weighted average score 3.81), beneficiaries recommendation (weighted average score 3.76) Growth / Appreciation (weighted average score 3.66) and Easy Marketability (weighted average score 3.57) during security buying process. In case of means of saving and experts recommendation, the respondents neither agree nor disagree the facts while buying securities.

Both: In case of respondents doing both type of share trading through online and intermediaries, Intermediaries' recommendation (weighted average score 4.55) and Tips from Magazines / Newspapers



facilities (weighted average score 4.19) are highly preferred. Further respondents trading through intermediaries agree the vitality of, Past Track Record (weighted average score-4.21), Growth / Appreciation (weighted average score 3.93), safety and security (weighted average score 3.88), Easy Marketability (weighted average score 3.74) and beneficiaries recommendation (weighted average score 3.68) during security buying process. In case of means of saving and experts recommendation, the respondents neither agree nor disagree the facts while buying securities.

Safety & Security, Past Track Record, Growth / Appreciation, Tips from Magazines / Newspapers and Recommended by Intermediary are the vital factors agreed by all the respondents.

### Investors' opinion on factors considered while selling the security:

The following table consists of Factors considered by the respondents while selling the security. Their weighted average scores, opinion of respondents are analyzed in table -2. The factors are, targeted returns, Urgent need for money, Down trend in security price, Medical Obligations (Self / Family), Social Obligations (Marriage) , Impact of Political Changes, Purchase more profitable security (Plough Back) , Expected future downfall in prices , Peer Pressure and Invest in Residential house /plots are taken for the study and they are assessed through their weighted average score which depict their place amidst of the respondents.

**Table No. 2**  
**Investors' opinion on Factors considered while selling the security**

Factors	Online Trading		Trading Through Intermediaries		Both	
	Weighted Average Score	Result	Weighted Average Score	Result	Weighted Average Score	Result
Targeted Returns	3.39	Neither Agree nor Disagree	3.54	Agree	3.61	Agree
Urgent need for money	4.11	Agree	4.37	Agree	4.22	Agree
Down trend in security price	3.57	Agree	3.92	Agree	3.76	Agree
Medical Obligations (Self / Family)	3.35	Neither Agree nor Disagree	3.32	Neither Agree nor Disagree	3.27	Neither Agree nor Disagree

Social Obligations (Marriage)	3.16	Neither Agree nor Disagree	3.23	Neither Agree nor Disagree	3.27	Neither Agree nor Disagree
Impact of Political Changes	4.11	Agree	4.55	Strongly Agree	5.62	Strongly Agree
Purchase more profitable security (Plough Back)	3.26	Neither Agree nor Disagree	3.44	Neither Agree nor Disagree	3.48	Neither Agree nor Disagree
Expected future downfall in prices	3.48	Neither Agree nor Disagree	3.91	Agree	3.82	Agree
Peer Pressure	2.42	Disagree	2.13	Disagree	2.26	Disagree
Invest in Residential house /plots	1.62	Disagree	1.52	Disagree	1.59	Strongly Disagree

Source: Primary Data

When the respondents indulged in online trading, share trading through intermediaries and both type of investors' were asked about factors that they consider while selling a security, they revealed their opinion.

All the respondents involved in online trading, those trading through intermediaries and those involved in both types of trading agree the two vital factors that while selling securities are urgent need for money and down trending in security price. Further all these respondents are in dilemma that, they neither agree nor disagree certain factors namely, Medical Obligations (Self / Family), Social Obligations (Marriage) and Purchasing more profitable security (Plough Back). All the respondents disagreed about the occurrence of peer pressure during security selling. Apart from these factors respondents show their different opinion towards rest of the factors. They are targeted returns, impact of political changes, expected future downfall in price and investing in residential house / plots.

Online share trading: Online share trading respondents agree that impact of political changes and urgent need for money occurs during security selling (weighted average score 4.11). In addition respondents agree the down trending in security price that occurs while selling securities (weighted average score 3.57). The respondents doing online share trading disagree about peer pressure and investments in Residential or house / plots. Hence these factors grabbed the least weighted average score of 2.42 and 1.62 respectively. But the respondents neither agree nor disagree for the remaining factors namely targeted returns, Medical obligations (self/ family), Social obligations (Marriage), Purchase of more profitable security (Plough back) and expected future downfall in prices.

agree with impact of political changes (weighted average score 4.55). Further the respondents here just agree that impact of urgent need for money occurs during security selling (weighted average score 4.37), down trending in security price that occurs while selling securities (weighted average score 3.92) and even they agree the expected future downfall of price (weighted average score 3.91) and targeted return achieved/expected during security selling (weighted average score 3.54). The respondents doing online share trading disagreed with peer pressure and investments in Residential or house / plots. Hence these factors grabbed the least weighted average score of 2.13 and 1.52 respectively. But the respondents neither agree nor disagree the remaining factors namely medical obligations (self/family), Social obligations (marriage) and purchase more profitable security (Plough back).

Both: In case of respondents Trading through Intermediates and through online, they strongly agreed to the impact of political changes (weighted average score 5.62). Further the respondents here just agree that selling of securities is due to urgent need for money (weighted average score 4.22), even they agree the expected future downfall of price (weighted average score 3.82) followed by down trending in security price that occurs while selling securities (weighted average score 3.76) and targeted return achieved / expected during security selling (weighted average score 3.61). The respondents doing both online shares trading and trading through intermediaries disagreed about peer pressure and investments in Residential or house / plots. Hence these factors grabbed the least weighted average score of 2.26 and 1.59 respectively. But the respondents neither agree nor disagree the remaining factors.

### Findings:

Based on this study, the following findings are made:

The factors influencing buying of securities were safety & security, past track record of the share, growth/ appreciation potential for the share, tips from magazines/ newspapers and recommendation by intermediary.

The factors which did not influence buying of a security were lesser value security and influence by peer group. Investors' were neutral about the other factors.

The factors influencing selling of securities were urgent need for money, down trend in security price and impact of political changes. The investors' disagreed to the factors like peer pressure, invest in residential house / plots. Other factors they maintained neutral stance.

### Conclusion and Recommendations:

Share market is a perfect place for both money multiplication as well as developing a company and to the nation at the macro level. Both the companies that put out their shares as well as the investors who invest in these companies can get benefit out of it. It's a mutual process where both the parties need to be very careful before taking decisions. Moreover, the role of the intermediaries too is very significant as they take the decisions regarding investing on behalf of the investors. When all the three stakeholders come together and work in harmony all of them can reap the full benefits out of it.

Taking a wise decision and investing money can help the investors in many ways. The fluctuations in the market are very much real and the investor needs to be very careful and make well informed and calculated decisions before making any investments in securities. Following the principle of diversification, instead of investing the entire money in one or two companies, it is advisable to invest in many companies so that even if one or two companies falter, the other companies might give the investor the much needed return. Choosing the intermediary wisely and investing with their guidance will maximize the earning whilst a wrong selection of intermediary will result in losses in share market

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