

THE INFLUENCE OF STOCK SPECIFIC FACTORS ON THE SENTIMENT OF EQUITY INVESTORS: EVIDENCE FROM INDIAN STOCK MARKET

Bennet, E.

Ph.D Research Scholar, Department of Commerce and Financial Studies
Bharathidasan University, Tiruchirappalli – 620 024. India &
Senior Lecturer & Head, Department of Business Administration
All Nations University College, Koforidua, Ghana, West Africa

Selvam, M.

Associate Professor and Head, Department of Commerce and Financial
Studies Bharathidasan University, Tiruchirappalli – 620 024. India

ABSTRACT

More the financial markets become 'peopled', more behavioural patterns are observed in individual investors. The individual investor's attitudes and opinion towards investing must have a significant impact on the stock market. The aim of this study is to analyse the individual Investor's sentiment and to study the influence of Stock Specific Factors on investors' sentiment. The investors were administered a Structured Schedule to measure the investors' sentiment. The impact of Psychological Factors, Past Price Performance, Price Earnings and Familiarity with Products, Price Earnings and Familiarity with Products, Recommendation of the financial community, Expected events surrounding the stock and Book Value, Who else is buying, Quality of Management, Financial Characteristics and Price cut off rules were tested in this study by using the Bootstrapping Method. It is found that the overall Stock Specific Factors did not have much influence on the investors' sentiment in India during the study period.

Key Words: Investors' Sentiment, Best Game, PLS Path Modeling, Stock Specific Factors, Psychological Factor, Financial Community, Quality of Management.

INTRODUCTION

Investors' Sentiment Measures are widely used in practice. Politicians base their decisions on consumer sentiment (**Dominitz and Manski 2004**) while Sentiment Measures are widely discussed in the media (**Abeter 2006**) and Stock Exchanges provide sentiment measures on their homepages (**web page of Deutsche Borse Group**). Furthermore, Sentiment Measures are used in practice by several Fund Managers who claim that the sentiment of investors plays an important role in their investment decision making process.

The Investors' Sentiment is therefore useful in two contexts. First, studying how a group of investors form expectation or pursue trade, contribute to the growing literature of investor

behavior. Second, several empirical studies show that Investor Sentiment Measures are useful to predict the future development of stock returns.

Shleifer (2000) mentions two major foundations of Behavioral Finance: Limited Arbitrage and Investor Sentiment. Investor Sentiment is mainly driven by two phenomena: a) Representativeness Heuristic, i.e the tendency of people to view events as representative of some specific class and ignore the laws of probability in the process, and b) Conservatism, which leads people to a slower updating of models in the face of new evidence than is necessary. These two drivers result in overreaction and under reaction of investors in stock markets.

The research in Behavioural Finance is comparatively less in India, when compared to foreign countries. Behavioural Finance is defined as “a rapidly growing area that deals with the influence of psychology on the behavior of financial practitioners” (**Shleifer, A 1999**). Within Behavioural Finance, it is assumed that the information structure and the characteristics of market participants systematically influence individuals’ investment decisions as well as market outcomes. Behavioural Finance mainly focuses on how investors interpret and act on micro and macro information to make investment decisions. The globalization of financial markets has been increasing the number of retail investors over the past two decades by providing a wide variety of market and investment options. Thus, it makes the investment decisions process much more complex.

According to the traditional market theories, it is not only the markets that do not behave neatly but also the individual decision makers who do not behave in accordance with the tenets of expected utility theory. **Allais Paradoxes (1959)** pointed out that neither the markets nor the individual decisional makers behave neatly. **Kahneman and Tversky (1979)**, **Machina (1982)** and others looked at how people make choices of investment under uncertainty. They studied human behaviour traits that violate the axioms of the expected utility maximizing model of financial economics.

It is to be noted that many studies have been conducted in other countries but there is no comprehensive study covering Investors’ Sentiment on Equity in India. Further, the study of this nature should be conducted at periodical intervals because, the investors attitude do change from time to time. In short, this study attempts to find out the Impact of Investors’ Sentiment on the Equity Market in India.

LITERATURE REVIEW

The following are the select earlier research studies conducted in the area of Behavioural Finance. The stocks become overpriced or underpriced during periods of high or low sentiment, which leads to predictable subsequent returns [**Baker and Wurgler (2006)**, **Lemmon and Portniaguina (2006)** and **Qiu and Welch (2006)**].

Peter Roger Eiving (1970) carried out a study to identify those factors which motivate or guide the investment decisions of the retail investors. The study identified factors such as income from dividends, rapid growth, purposeful investment as a protective outlet of savings and Professional investment management. **Shanmugam (1990)** studied a group of 90 investors to identify the factors affecting investment decision. The study found that the Indian investors were high risk takers. The investors possessed adequate knowledge of government regulations, monetary and fiscal policy. **Warren, et al., (1996)** developed lifestyle and demographic profiles of investors based on the value and types of investment holding. **Krishnan and Booker (2002)** analyzed the factors influencing the decisions of investors who basically used analysts’ recommendations to

arrive at a short-term decision to hold or to sell a stock. **Merikas et al.**, (2003) analyzed the factors influencing Greek investors behaviour on the Athens Stock Exchange. The results indicated that individuals base their stock purchase decision on economic criteria. **Glaser, et al.**, (2009) tested whether individual investor sentiment was related to daily stock returns by using Vector Auto Regressive Models and Granger Causality tests. According to this study, there exists a mutual influence between sentiment and stock market returns, but only in the very short-run (one and two trading days). **Iihara, Kato and Tokunaga (2001)** documented herding behaviour in various classes of Investors on the Tokyo Stock Exchange. The money-flow instruments allowed the separation of the measurement of sentiment from the measurement of asset returns. **Elton et al (1998)** found that investor sentiment did not exist even in a market whose environment was expected to be more prone to investors' sentiment than in other developed markets. **Sachithanatham et al. (2007)** studied the relationship between the capital market reforms and amount of money invested by the investors. It was found that the educative reforms and attractive reforms were statistically significant but they had negative influence over money invested by the investors at the Indian Capital Market. **Bennet and Selvam, (2011)** found out that SPERTEL risks influenced the value of equity shares in the market. The market factors influenced the stock selection Decision of Retail Investors in India. **Bennet et al (2011)** carried out a study and found that most of the investors expect the stock prices to go up to a degree greater than most of their investments.

It is to be noted that there is no comprehensive study in Tamil Nadu, India, focussing on Stock Specific Factors that influence Investors' Sentiment. Hence this study, with the primary objective of analysing data on individual Equity Investors, proposes to identify the Stock Specific Factors that influence Investors' Sentiment.

STOCK FACTORS / VARIABLES THAT INFLUENCE INVESTORS' SENTIMENT

The Stock Specific Factors (SSF) include nine factors that were identified as independent variables. They are Financial Characteristics, Psychological Factors, Quality of Management, Expected Events Surrounding the Stock and the Book Value, Recommendation of the Financial Community, Price Cut-off Rules, Who else Buy?, Past Price Performance and Sector Attractiveness and Price Earnings Ratio and Familiarity with the Products and Services. The various Stock specific factors (variables) are briefly described below:

Financial Characteristics (FC): The financial characteristics comprise of the various financial ratios pertaining to a company. These ratios are calculated on the basis of information publicly available in the Annual Report of the company. These ratios include Dividends per Share, Cash Flow per Share, Current Assets to Current Liabilities Ratio, Interest Coverage Ratio, Debt to Equity Ratio, Quality of Assets, Return on Assets and Turnover Ratio (Accounts Receivable and Accounts Payable).

Psychological Factors (PF): Psychological Factor too plays an important role in stock selection. The psychological factors refers to investors' gut feeling, intuition, rumours and recommendation by friends, family and peer. **Chip Heath, Steven Huddart, and Mark Lang (2006)** investigated stock option exercise decisions with over 50,000 employees at seven corporations. It is found that consistent with psychological models of beliefs, employees exercise in response to stock price trends—exercise was positively related to stock returns during the preceding month and negatively related to returns over longer horizons. Psychological Factors include Recommended by Friend, Family & Peer, Investors' Gut feeling, and Rumors.

Quality of Management (QM): It is the engine that drives the train. The efficiency of the top management determines the performance of the company. Hence the investors are particular about the track record of the CEO and other Directors before investing in any stock. The factors of Quality Management were Industry Sector to which stock belongs, CEO / MD – Track Record, and Expertise, and Quality of Management.

Expected Events Surrounding the Stock and the Book Value (EESS): This factor comprises of various events and stock characteristics that investors believe would influence the investment decision. The three factors under EESS were Book Value, Expected Stock Value and Potential Takeover Target.

Recommendation of the Financial Community (RCF): Before investing in any stock, the individual investor is anxious to get more information and recommendation from the financial community. RCF factor includes professional advice from various sources, namely, Recommended by analyst and Research Reports, Recommended by broker and Recommended by stock market ‘gurus’.

Price Cut-off Rules (PCR): Many investors feel ‘Price Cut-off Rules’ play a vital role in stock selection though it is an irrational rule. PCR rules include insider buying.

Who else Buy? (WEB): The individual Investors often study the names of institutional investors who are behind the company issue before confirming their investment decisions. But, institutions and corporations normally buy shares in bulk. When corporation decide to sell its holding, it adversely affects the price of the share. Moreover, it is not possible to predict when the institutional investors would sell their shares. Hence it is always advisable for the individual investors to avoid buying shares of a company that has a significant percentage of shares held by the institutions. The factors include Insider Buying and Major Institutions & Corporations currently buying the stock of the Company.

PAST PRICE PERFORMANCE AND SECTOR ATTRACTIVENESS (PPSA)

This PPSA is important for investors. This factor contains two stock features, namely, the past price performance of the stock including any recent price over reaction and is the stock and its sector viewed as ‘hot’?

PRICE EARNINGS RATIO AND FAMILIARITY WITH THE PRODUCTS AND SERVICES (PERFPS)

Price to Earnings Ratio and Familiarity with Products and Services is another important stock specific factor.

For the purpose of this study, all the above nine Stock Specific Factors were considered as independent variables.

OBJECTIVE OF THE STUDY

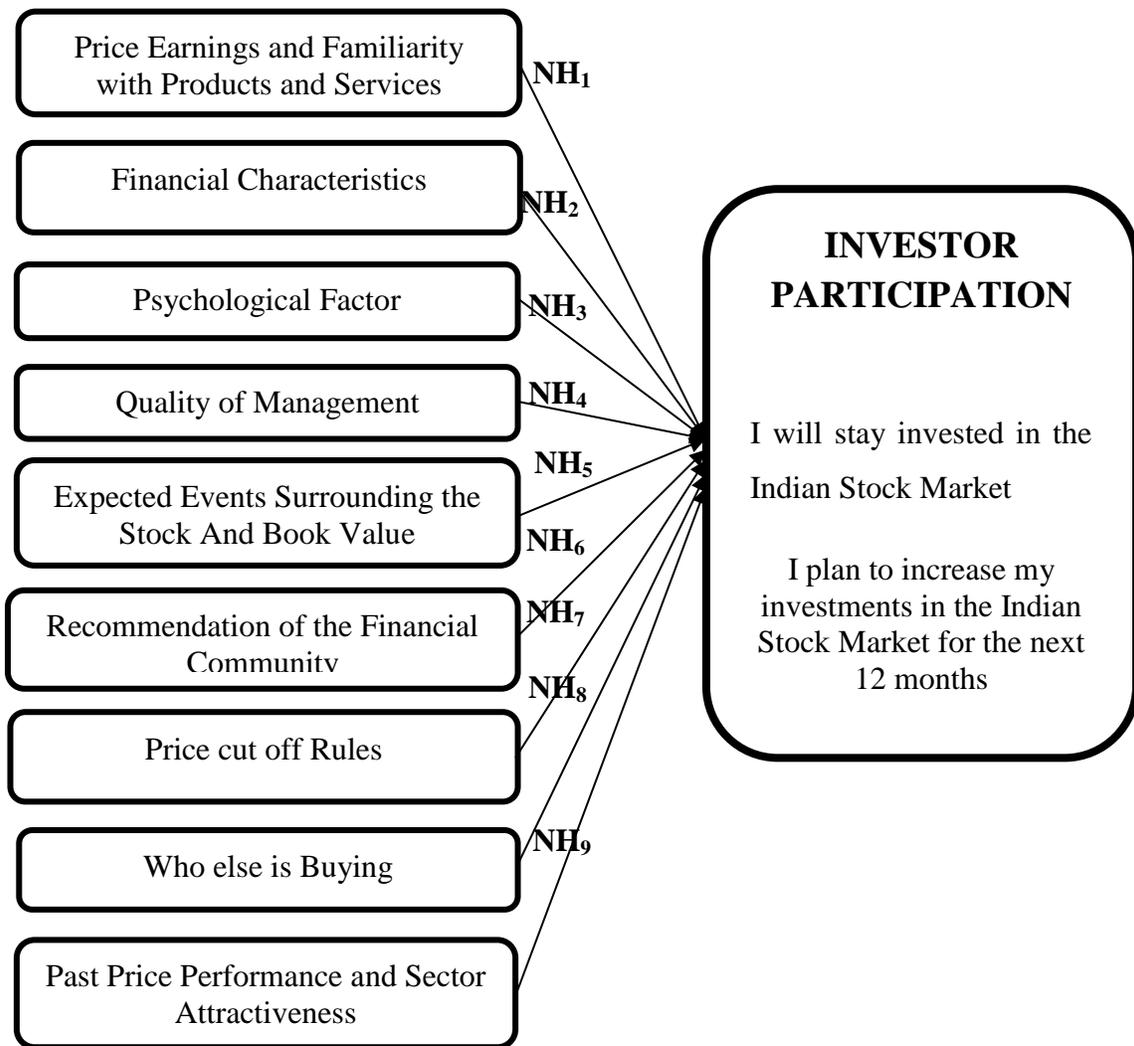
An attempt has been made in this study to examine the influence of Stock Specific Factors on the sentiment of Equity Investors in India.

HYPOTHESIS OF THE STUDY

Investors’ Participation is a more comprehensive measure of sentiment since it includes market expectation and investors’ level of participation. The following nine null hypotheses (NH_1 to NH_9) were formulated and tested.

- NH₁:** There is no relationship between Investors' Participation and Price Earnings and Familiarity with Products and Services
- NH₂:** There is no relationship between Investors' Participation and Financial Characteristics
- NH₃:** There is no relationship between Investors' Participation and Psychological Factor
- NH₄:** There is no relationship between Investors' Participation and Quality of Management
- NH₅:** There is no relationship between Investors' Participation and Expected Events Surrounding the Stock and Book Value
- NH₆:** There is no relationship between Investors' Participation and Recommendation of the Financial Community
- NH₇:** There is no relationship between Investors' Participation and Price cut off Rules.
- NH₈:** There is no relationship between Investors' Participation and who else is Buying, and
- NH₉:** There is no relationship between Investors' Participation and Past Price Performance & Sector Attractiveness.

The hypotheses developed are given in the figure.



METHODOLOGY OF THE STUDY

Data Collection and Instrument Administered

The instrument used for this study consists of nine constructs (**independent variables**), namely, Psychological Factors, Past price performance, Price earnings and familiarity with products, Price earnings and familiarity with products, Recommendation of the financial community, Expected events surrounding the stock and Book Value, Who else is buying? Quality of Management, Financial Characteristics and Price cut off rules. The Investors' Participation is taken as a **Dependent Variable** (another construct). These constructs were developed in line with the model validated by **Shiller's (1999)** and **Vandana Singhvi (2001)**.

Sources of Data

The research design for the study was descriptive in nature. The Researcher depended heavily on primary data. The required data were collected from the retail investors living in Tamil Nadu through a Structured Interview Schedule. The study was conducted during the period between May and September, 2010.

Sampling Size and Procedure

In order to collect the required primary information from the retail investors, the sampling design was carefully decided and properly chosen for the study. The sample size covered 400 retail investors who were spread through ten different important investment centres in Tamil Nadu. The important places where large investors were available, were identified as Investment Centres and the study used Purposive Sampling Method. The ten important places in Tamil Nadu include Chennai, Coimbatore, Trichy, Madurai, Karaikudi, Kumbakonam, Hosur, Tirunelveli, Erode and Tiruppur. From each identified Investment Centre, five approved stock brokers were chosen and eight investors were contacted with the help of brokers. Thus, this study was based on 400 selected respondents of the retail investors.

Variables used

Dependent Variables: This study consists of Dependent Variable, namely, Investors' Participation which consists of two statements, namely,

- a. Presently, I will stay invested in the Indian Stock Market
- b. I plan to increase my investments in the Indian Stock Market in the next 12 months.

Independent Variables: The study consists of nine Stock Specific Factors influencing Investors Sentiment. The in-depth interviews and secondary research identified nine multi-item Stock Specific Factors that possibly influenced investors' attitude towards investing. In the survey, the sample respondents were asked to rate each item on a one (not important) to seven (very important) point scale, indicating the extent to which they thought each of the item is likely to influence the individual Investors' attitude towards investing. The idea was to get the relative importance of stock factors likely to influence on investors' sentiment. This rating was used to list the independent Stock variables that could impact investors' sentiment.

Reliability Test: Tables -1 shows the value of reliability (Alpha) test for market specific factor. The reliability value of each Stock factors were ascertained and the Alpha values of each Stock specific factors are : Psychological Factors - 0.804, Past price performance and Sector Attractiveness - 0.701, Price earnings and familiarity with products - 0.879, Recommendation of the financial community - 0.879, Expected events surrounding the stock and Book Value - 0.748, Who else is buying - 0.842, Quality of Management - 0.836, Financial Characteristics - 0.905 and Price cut off rules - 0.845. The reliability of each construct in question was examined using Cronbach's alpha (**Cronbach, 1951**). An alpha score, larger than 0.5 is generally acceptable as

sufficient accuracy for a construct (Nunnally, 1978). Hence all the constructs are considered to be very good as the alpha value of each construct was more than 0.5.

It is to be noted that after the collection of data, the scales were analyzed to test the purification of scales, reliability of scales, unidimensionality of scales and validity of the scales. The purification was done using Corrected Item Total Correlation (CITC), reliability was tested using Cronbach's Alpha while validity and unidimensionality were tested using PLS Path Modeling. Before any type of factor analysis was done (Exploratory Factor Analysis, EFA or Confirmatory Factor Analysis, CFA), it was essential to purify the measuring instruments of variables that did not correlate to the constructs (Churchill, 1979). The purification was carried out by inspecting the CITC values of each variable with respect to the construct to which it belongs. CITC indicates whether the variable actually belongs to the construct or not. The variables showing scores lower than 0.5 were deleted, unless there was a compelling reason to keep them in the construct. Reliability of constructs refers to the accuracy with which the constructs repeatedly measure the same phenomenon without much variation. Validity refers to the accuracy of the research instrument. There are three types of validity, which are commonly examined in research projects namely, Content Validity, Construct Validity and Predictive Validity (Gaur and Gaur 2006). The Researcher used Convergent Validity for this study. The Convergent Validity of each construct, modelled in the reflective mode, was verified by examining the "Average Variance Extracted (AVE)" values. Generally, constructs, which have AVE greater than 0.50 and composite reliability greater than 0.70, are considered to have a good Convergent Validity. (Chin 1995, 1998, Chin et al 1999 and 2003).

The Results of Structural Equation Model

In this study, Structural Equation Modeling was employed to test the unidimensionality of the constructs. There are two approaches to Structural Equation Modeling— Covariance Methods and PLS Path Modeling. Covariance Methods make rigid assumptions about the distribution of variables (multivariate normality) and the sample size (at least 200). Another criterion is the degrees of freedom, which means that each construct should have at least three indicators for it to be identified. These three indicators do not make any assumptions about the distribution of the data and the sample size needed for model validation and testing is much smaller. The convergent validity of each construct was checked by examining the Average Variance Extracted' (AVE) values. Constructs, which have AVE values greater than 0.5, are said to have convergent validity or unidimensionality. In some cases, values up to 0.4 are also considered if they are central to the model (Chin, 1995 and 1998; Chin and Newsted, 1999; and Chin *et al.*, 2003). The Discriminant Validity of Constructs is ascertained by comparing the AVE scores of two constructs, with the square of the correlation between the two constructs. If both the AVE values are larger than the square of the correlation, the constructs can be considered to show Discriminant Validity (Fornell and Larcker, 1981).

Table – 1 Purification results of Independent Variables

Financial Characteristics	CITC
	Iteration 1
Dividends per share	0.693
Cash flow per share	0.697
Current Assets to Current Liabilities ratio	0.732
Turnover Ratio (Accounts receivable, Inventory Accounts Payable)	0.734
Interest Coverage Ratio	0.691
Debt to Equity Ratio	0.742
Quality of Assets and Return on Assets	0.734
Alpha Value	0.905
Purification results of Psychological Factors	
Recommended by Friend, Family, Peer	0.710
Investors’ Gut feeling	0.611
Rumors	0.626
Alpha Value	0.804
Purification results of Quality of Management	
Industry sector to which stock belongs	0.683
CEO / MD – Track Record, Expertise	0.677
Quality of Management	0.735
Alpha Value	0.836
Purification results of Expected events surrounding the Stock and Book Value	
Book Value	0.510
Expected Stock Value	0.571
Potential Takeover Target	0.646
Alpha Value	0.748
Purification results of Recommendation of the Financial Community	
Recommended by analyst, research reports	0.745
Recommended by broker	0.806
Recommended by stock market ‘gurus’	0.751
Alpha Value	0.879
Purification results of Recommendation of the Price cut-off rules	
Insider Buying	0.732
Major Institutions & Corporations currently buying the stock of the Company	0.732
Alpha Value	0.845
Purification results of Past price performance and Sector attractiveness	
The past price performance of the stock including any recent price over reaction	0.540
Is the stock and its sector viewed as ‘hot’.	0.540
Alpha Value	0.701
Purification results of Price earnings ratio and familiarity with the products and services	
Price to earnings ratio	0.785
Familiarity with products and services	0.785
Alpha Value	0.879

Source: Computed from Primary Data using SPSS 16

Analysing the Influence of Stock Specific Factors on the Investors’ Sentiment

The analysis of level of influence of nine Stock Specific Factors on the Equity Investors’ Sentiment in India was based on:

- a. **Construct Level Correlation Analysis**
- b. **Boot Strap Summary for Individual Stock Specific Factors**

a. Construct Level Correlation Analysis

According to **Table – 2**, that exhibits the results of construct level correlation analysis that there exists a positive correlation between the Price Earnings Ratio and Familiarity with the Products and Services and Investors’ Participation (r=0.442), Financial Characteristics and Investors’ Participation (r=0.404), Psychological Factors and Investors’ Participation (r=0.467), Quality of Management and Investors’ Participation (r=0.403), Expected Events Surrounding the Stock and the Book Value and Investors’ Participation (r=0.357), Recommendation of the Financial Community and Investors’ Participation (r=0.394), Price Cut off Rules and Investors’ Participation (r=0.288), Who Else Buying and Investors’ Participation (r=0.339), Past Price Performance and Sector Attractiveness and Investors’ Participation (r=0.388). The correlation coefficient between the entire nine variables, namely, Price Earnings Ratio and Familiarity with the Products and Services, Financial Characteristics, Psychological Factors, Quality of Management, Expected Events Surrounding the Stock and the Book Value, Recommendation of the Financial Community, Price Cut off Rules, ‘Who else is Buying?’, Past Price Performance and Sector Attractiveness and Investors’ Participation was positively significant at 0.01 per cent level. Though the bivariate correlations were significant between the constructs, it was still necessary to assess the Path Coefficients in the structural model as a causal effect. The results were examined at 5 per cent significance level and the t-statistic value at 0.05 level was 1.96. If the t-statistic value was greater than 1.96, the path was significant.

Table 2 - Construct Level Correlation Analysis

Hypothesis	Independent Variable	Dependent Variable	Pearson Correlation	Sig. (2 Tailed)
NH ₁	PEFPS	INVESTOR PARTICIPATION	0.442	0.000**
NH ₂	FC		0.404	0.000**
NH ₃	PF		0.467	0.000**
NH ₄	QM		0.403	0.000**
NH ₅	EESS		0.357	0.000**
NH ₆	RFC		0.394	0.000**
NH ₇	PCF		0.288	0.000**
NH ₈	WEB		0.339	0.000**
NH ₉	PPPSA		0.388	0.000**

** Correlation is significant at 0.01 level

Source: Primary Data

b. Boot Strap Summary for Individual Stock Specific Factors

Table - 3 presents the results of the Boot Strap summary for Stock Specific Factors and Investors’ Participation. It is to be noted that the null hypotheses, - 1 to 9, were related to the relationships between Price Earnings Ratio and Familiarity with the Products and Services, Financial Characteristics, Psychological Factors, Quality of Management, Expected Events Surrounding the Stock and the Book Value, Recommendation of the Financial Community, Price Cut off Rules, ‘Who else is Buying?’, Past Price Performance and Sector Attractiveness, and the outcome variable of Investor Participation. These hypotheses were tested by using PLS-PM Procedure in Visual PLS Software. The results of these hypotheses are given below:

- i. Price Earnings Ratio and Familiarity with the Products and Services:** There was negative relationship between Price Earnings Ratio and Familiarity with the Products and Services and Investors' Participation. The results of study proved that it was not statistically significant at 0.05 level (Beta = -0.0280, $t = -0.3950$). This indicates that Price Earnings Ratio and Familiarity with the Products and Services did not influence the Investors Participation. Hence the null hypothesis (NH_1), namely, **there is no relationship between Investors' Participation and Past Price Performance & Sector Attractiveness**, is accepted.
- ii. Financial Characteristics:** The study established the positive relationship between Financial Characteristics and Investors' Participation and proved that it was statistically significant at 0.05 level (Beta = 0.03030, $t = 2.3842$). This indicates that Investors' Participation was directly influenced by Financial Characteristics. Therefore, the null hypothesis (NH_2), viz, **there is no relationship between Investors' Participation and Financial Characteristics**, is rejected.
- iii. Psychological Factors:** According to the results of **Table – 3**, the path linking Psychological Factors to the extent of usage of Investors' Participation was found to be negatively significant at 0.05 level (Beta = 0.0740, $t = 0.9004$). This indicates that Investors' Participation was not influenced by Psychological Factors. Hence the null hypothesis (NH_3), namely, **there is no relationship between Investors' Participation and Psychological Factor**, is accepted.
- iv. Quality of Management:** As revealed in **Table – 3**, the relationship between Quality of Management and Investors' Participation was found not to be significant at 0.05 level (Beta = - 0.1240, $t = -1.2378$) and it was also negatively related. This indicates that Quality of Management did not influence the Investors' Participation. Hence the null hypothesis (NH_4), viz, **there is no relationship between Investors' Participation and Quality of Management**, is accepted.
- v. Expected Events Surrounding the Stock and the Book Value:** The path linking Expected Events Surrounding the Stock and the Book Value to the extent of usage of Investors' Participation was found not to be significant at 0.05 level (Beta = 0.1160, $t = 1.7974$). This indicates that Investors' Participation was not influenced by Expected Events Surrounding the Stock and the Book Value. Therefore the null hypothesis (NH_5), namely, **there is no relationship between Investors' Participation and Expected Events Surrounding the Stock and Book Value**, is accepted.
- vi. Recommendation of the Financial Community:** The study established negative relationship between Recommendation of the Financial Community and Investors' Participation. It was not statistically significant at 0.05 level (Beta = -0.0360, $t = -0.7386$). This indicates that Recommendation of the Financial Community did not influence Investors' Participation. They were also negatively connected. Hence, the null the hypothesis (NH_6), viz, **there is no relationship between Investors' Participation and Recommendation of the Financial Community**, is accepted.
- vii. Price Cut off Rules:** The path linking Price Cut off to the extent of usage of Investors' Participation was not found to be significant at 0.05 level (Beta = 0.0370, $t = 0.7134$). This indicates that Price Cut off did not influence the extent of usage of Investors' Participation in Investors' Sentiments. Hence the null hypothesis (NH_7), namely, **there is no relationship between Investors' Participation and Price Cut off Rules**, is accepted.
- viii. 'Who else is Buying?':** As revealed in **Table – 3**, the path linking 'Who Else is Buying' to the extent of usage of Investors' Participation was not found to be significant at 0.05 level (Beta = - 0.0280, $t = 0.4689$). This indicates that 'Who Else is Buying' did not influence the extent of usage of Investors Participation in Investors Sentiments. Hence the null hypothesis (NH_8), viz, **there is no relationship between Investors' Participation and Who else is Buying**, is accepted.

ix. Past Price Performance and Sector Attractiveness: The study established the negative relationship between Past Price Performance and Sector Attractiveness and Investors’ Participation. The study proved that it was not statistically significant at 0.05 level (Beta = 0.1310, t= 1.5423). This indicates that Investors’ Participation was not influenced by Past Price Performance and Sector Attractiveness. Therefore, the null hypothesis (NH₉), namely, **there is no relationship between Investors’ Participation and Past Price Performance & Sector Attractiveness**, is accepted.

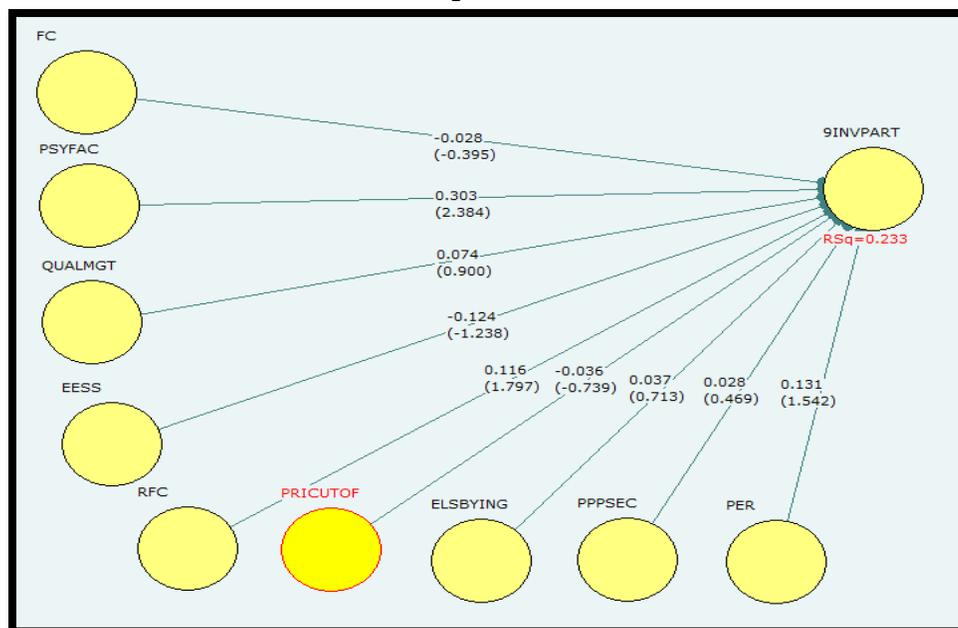
Table – 3 Boot Strap Summary for Stock Specific Factors and Investors’ Participation

Hypothesis	Entire Sample Estimate	Mean of Sub Samples	Standard Error	t-Statistic	R Square Value	Result
NH ₁	-0.0280	-0.0997	0.0709	-0.3950	0.233	Insignificant
NH₂	0.3030	0.2861	0.1271	2.3842		Significant
NH ₃	0.0740	0.1136	0.0822	0.9004		Insignificant
NH ₄	-0.1240	-0.1381	0.1002	-1.2378		Insignificant
NH ₅	0.1160	0.1034	0.0645	1.7974		Insignificant
NH ₆	-0.0360	-0.0631	0.0487	-0.7386		Insignificant
NH ₇	0.0370	0.0694	0.0519	0.7134		Insignificant
NH ₈	0.0280	0.0753	0.0597	0.4689		Insignificant
NH ₉	0.1310	0.1374	0.0849	1.5423		Insignificant

Source: Primary Data

The validation of the relationship between Investors’ Participation and Individual Stock Specific Factors is given in **Figure – 1**. It could be inferred from the above Figure that among the nine Stock Specific Factors, only one factor recorded positive relationship with Investors’ Participation, namely, Financial Characteristics.

Figure - 1 Validation of the relationship between Investors’ Participation and Individual Stock Specific Factors



Source: Primary Data. Computed from Table 2 using Visual PLS software

DISCUSSION

The influence of Stock Specific Factors (in total) was studied by **Vandhana Singhvi**, New York University, New York in 2001 in USA. The influence of individual Stock Specific Factors was not studied, whereas in our Study, in India, the individual Stock Specific Factors influencing Investors Participation and the Overall influence of Stock Specific Factors influencing Investors Participation, Investors Sentiment were studied. The present study found that the only Stock Specific Factor that has significant influence on both the studies of India and USA is Financial Characteristics.

CONCLUSION

The present study investigated the sentiments of Indian Equity Investors, especially in Tamil Nadu, India. The analysis of this study clearly shows that Sample Investors felt that they will stay invested in the Indian Stock Market, and also plan to increase their investments in the Indian Stock Market in the next 12 months. The study found that during the period of the Post Global Crisis, Investors' Participation was influenced by one of the Stock Specific Factor, namely, Financial Characteristics. The financial characteristics comprise of the various financial ratios pertaining to a company and nowadays investors take into consideration these aspects before they specifically invest in any particular stock. Finally, it is concluded that the overall Stock Specific Factors did not have much influence on Investors' Sentiment in India.

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