INVESTOR'S PERCEPTION REGARDING FUNDAMENTAL DETERMINANTS OF PRICING OF EQUITY STOCKS IN INDIA

Suresh K. Mittal[1]

[1] Assistant Professor, Haryana School of Business, Guru Jambheshwar University of Science and Technology, Hisar-125001, Haryana (India),
e-mail: sureshkmittal@yahoo.co.in

Neha Goyal[*2]

[2] Research Scholar, Haryana School of Business, Guru Jambheshwar University of Science and Technology, Hisar-125001, Haryana (India),
e-mail: nehagoyal999@gmail.com

ABSTRACT

The present paper is an attempt to know the perception of equity investors towards fundamental variables related to company in Indian stock market. The main objective of the study is to examine the influential level of various fundamental variables and to test the difference between the various demographic attributes of the investors at different levels in giving importance to fundamental variables. The study is based on the primary data from 165 equity investors of Haryana and NCR with the help of a structured questionnaire. The study used percentage, frequency and mean analysis, independent sample t- test and one way ANOVA to achieve the objectives of the study. The result of the study found that earning per share and dividend payout are the most influencing fundamental variables of equity stock prices whereas quick ratio and total asset turnover are the least influencing variables according to sampled respondents. The outcome of the study also confirms that the level of importance given to each of the fundamental variable significantly differs with at least one demographic attribute of respondents like gender, age, occupation, family income, education level, average holding period, technique used and stock market experience..

Keywords: Fundamental Variables, Book Value, Dividend Payout, Current Ratio, Book Value.

1.   Introduction

There are many alternatives to invest money but equity investment is one of the best options because it gives opportunity to have ownership in the company as well as gives income in the form of dividend income or through increment in the market price of share which in aggregate may beat the inflation rate. There is need to do effective and efficient usage of equity investment at national level as well as at individual level. A rational investor analyzes all market information while making their investment decisions. Rational investors usually compare level of expected risk and expected return among investment alternatives and choose that alternative which gives highest returns with minimum risk. The expected risk and return depends on many factors which may be related to economy, industry and company such as gross domestic product, interest rates, inflation, crude oil prices, earnings, dividend, leverage etc. that affect the price of equity shares. These fundamental variables influence the investment decision of individual as well as institutional investors and useful for investors in determination of the intrinsic value of the security and on the basis of intrinsic value, they may take a buy, sell or hold decision.

The price of any asset is being given by human being so it is very important to examine the investor's perception regarding fundamental variables. So the present study has been conducted to identify the influencing level of fundamental determinants i.e. current ratio, quick ratio, cash flow from operation, size of the firm, earning per share, book value per share, price to sales, net profit margin, debt to equity, debt to total asset, return on net worth, return on average capital employed, return on asset, dividend payout, price to book value and total asset turnover on equity stock prices from investor's point of view. The study also provides information regarding the most influencing variables to least influencing variables used in valuation of equity stocks. The present study may be useful for stakeholders, investors for their future investment planning and for companies and government for making their future policies and strategies.

2.   Review of Literature

For equity investors, fundamental variables play a vital role while taking their investment related decisions in the equity market. Earning per share, dividend payout, book value, debt to equity etc. are the major fundamental variables related to company that affects the market value of stocks. Some review of relevant studies relating to the fundamental variables of equity stock prices and perception of investors regarding these fundamental variables are mentioned below:

Sharma (2011), Shukla and Devani (2011), Ozlen and Ergun (2012) and Malhotra and Tandon (2013) found that earning per share, price-earnings ratio, book value, dividend yield are the most significant fundamental determinants of equity stock prices. Maditinos et al. (2004) found that fundamental analysis is mostly used by mutual fund management companies, official members of ASE, portfolio investment companies and public companies while brokers believes on technical analysis and individual investors mostly rely on the information from media, rumors and their personal experiences. The results also showed that combined use of fundamental and technical analysis increases the confidence of all user groups to earn more and more by making their best investment strategy than the portfolio analysis. Sugiharto et al. (2007) found that price earnings ratio is the most popular indicator used by investors of Jakarta followed by MVIC/EBITDA, MVIC/Free Cash Flow, price to book Value, dividend ratio, MVIC/Book Value, MVIC/revenue and price to sales. The results of the study also depicted that there is significant positive relationship exists between social, political, economic, regulatory, technological, environmental and legal (SPERTEL) with future value of equity stocks. The study also observed that foreign institutional investors are also attracted towards Jakarta stock exchange due to favorable trading conditions. Bennet et al. (2011) exposed that fundamental and market factors, earning factors, decision making factors, industry related factors, corporate governance factors, positioning factors, image building

factors, goodwill factors and industry competition are the factors that have linkage with the return on equity, quality of management, return on investment, price to earnings ratio and also found to be the most influencing variables. Venkatesh and Tyagi (2011) found that mostly respondents consider both fundamental and technical analysis while taking investment decisions in securities but use of analysis changes according to the conditions of market. In bearish market, investors mostly rely on fundamental analysis; on the other hand if there is bullish market, technical analysis is used by the investors. The results are in some way consistent with the results of Maditinos et al. (2004). Azam and Kumar (2011) analyzed the fundamental variables that influence the individual investor behavior and stock prices movement in Karachi stock exchange through a structured questionnaire and the result found that earning per share, dividend payout ratio, foreign investment and gross domestic product at growth rate are the four factors which are mostly consider by investors of Karachi and results also revealed that earning per share, foreign direct investment, and gross domestic product growth rate have a positively significant impact on equity share prices while dividend yield is the insignificant variable. Varadharajan and Vikkraman (2011) assessed investor's perception towards investment decision regarding selection of stock, company, risk and equity portfolio and the result of the study revealed that factors like opinion from family/friends, broker's recommendation and other advice from experts affects the stock returns. There was no relationship found between factors influencing investment decisions and risk appetite while investment behavior of FII's has a significant impact on trading regularity.

Sultana and Pardhasaradhi (2012) found that individual eccentric, wealth maximization; risk minimization, brand perception, social responsibility, financial expectation, accounting information, government and media, economic expectation and advocate recommendation are the ten factors that influence the equity investors. Hossain and Nasrin (2012) depicted that accounting information, company specific attributes, publicity, ownership structure, influence of people, trading opportunity, personal financial needs, market variables, convenience and net asset value are the ten factors that affects the stock prices and firm specific factors, net asset value and accounting information are the most influencing factors among all of them in Bangladesh. Results of the study also revealed that level of value given to each of the factors excluding ownership structure significantly differs with at least one demographic character of retail investor's like gender, age, occupation, income, education, and experience. Kukreja (2012) found investment influence, convenient investment, investment benefit, service satisfaction, client service, charges and liquidity, investment attributes, satisfaction of alternate choices, stock broker attitude, client attitude are the factors that affects the investor's behavior in India. The result also indicated that educational qualification has significant relation with transparency of transaction in cash market, tax advantage in cash market, past performance of the company in cash

market. Occupation has significant influence on investment pattern in cash market, services of the stock broker in cash market, risk and uncertainty in future & option, size of investment in future & option, services of the stock broker in future & option. Age has significant influential role on cash market, future & option, life insurance. Zaheeruddin and Sivakumar (2012) revealed that recession and political turmoil present in the economy affects the market value of equity stocks of software industry in India. Motwani (2013) found that financial performance, policy and information dissemination are the factors that are mostly used by small and infrequent investors followed by governance and ethical practice of the company.

In the light of reviewed literature, it is found that various attempts have been made to analyze the perception of investors regarding pricing techniques of equity stock i.e. fundamental and technical techniques. But very less study has been conducted especially on the company related fundamental factors influencing the investors' behavior in Indian context. The present study is focused to fulfill this comprehensive gap.

2.1 Objectives and Hypothesis of the Study

- To analyze the investor's perception towards the fundamental variables of the equity share prices.

- To identify whether there is any significant differences between the various demographic attributes of the investors at different levels in giving importance to fundamental variables.

On the basis of the above objective, following hypothesis is outlined:

Ho$_1$: Fundamental variables do not significantly differ between male and female investors.

Ho$_2$: Fundamental variables do not significantly differ between demographic and attributes of investors i.e. stock market experience, education level, occupation groups, family income groups, average holding period groups, trading Frequency groups, techniques used and various age groups.

3. Research Methodology

A structured questionnaire has been developed to analyze investor's perception regarding equity fundamental variables. The variables have been selected from relevant literature and by taking interviews of the experts of the stock market. The whole questionnaire has been divided into two parts. The first part contains the questions related to the demographic attributes of the respondents and second part contains the questions related to the various fundamental variables that influence the equity share prices. The respondents are asked to give rate to these fundamental variables at 5 point Likert type scale ranging from 1 (least influential variable) to 5 (most influential variable). The importance of each fundamental variable has been assessed by taking average of ratings of each fundamental indicator. The study is descriptive in nature focused on the investors of Haryana and NCR to know their opinion regarding fundamental variables of the equity shares. Convenience random sampling method has been employed to select the sample respondents. The sample size consists of one hundred sixty five respondents who understand the fundamental determinants of equity investment. Descriptive statistical techniques have been used to evaluate the influential level of each variable given by respondents. Independent sample t-test and one way ANOVA test has been employed to determine whether the mean value of the variables differ significantly between investors with respect to demographic variables like gender, age, stock market experience, average holding period etc.

4. Analysis and Findings

The demographic attributes and responses of the respondents on various fundamental variables have been analyzed in this section with the help of descriptive analysis, independent sample t- test and one way ANOVA test.

4.1 Demographic Attributes of Respondents

This section explains the findings of the frequency and percentage analysis of demographic attributes and investment attributes of 165 respondents who responded in the study.

Table 1: Demographic and Investment related Attributes of Respondents

Variables	Attributes	Frequency	Percentage (%)
Gender	Male	133	80.6
	Female	32	19.4
Age	Below 25	39	23.6
	25 to 40	78	47.3
	40 to 60	41	24.8
	60 & above	7	4.2
Marital Status	Single	72	43.6
	Married	93	56.4

Variables	Attributes	Frequency	Percentage (%)
Occupation	Government Service	18	10.9
	Private Service	73	44.2
	Self Employed	39	23.6
	Any Other	35	21.2
Family Income per year	Up to 2 lakh	23	13.9
	2 to 5 lakh	64	38.8
	5 to 10 lakh	61	37
	10 lakh & above	17	10.3
Percentage of Investing	Up to 10	75	45.5
	10 to 25	54	32.7
	25 to 40	26	15.8
	40 & above	10	6.1
Stock Market Experience (in years)	0 to 5	109	66.1
	5 to 10	39	23.6
	10 to 15	12	7.3
	15 & above	5	3
Technique used while Investing	Fundamental Analysis	33	20
	Technical Analysis	4	2.4
	Both (Fundamental & Technical)	108	65.5
	Speculation Based	20	12.1
Trading Frequency	Daily	35	21.2
	Weekly	44	26.7
	Monthly	32	19.4
	Quarterly	28	17
	Semi – Annually	14	8.5
	Annually	12	7.3
Average Holding Period	Less than 1 month	20	12.1
	1 to 3 months	29	17.6
	3 to 6 months	25	15.2
	6 to 12 months	41	24.8
	1 to 3 years	34	20.6
	3 to 5 years	9	5.5
	More than 5 years	7	4.2

Source, Field Survey data, 2014

4.2 Fundamental Variables Influencing the Equity Stock Prices

This section reveals the opinion of respondents regarding their influential level towards various company related fundamental variables that affects the market price of the equity stocks by considering the sum and mean value of ratings ranging from 1 to 5 given by respondents. Rank 1 has been given to a variable which is not at all influencing variable whereas rank 5 has been given to most influencing variable.

Table 2: Fundamental Variables Affecting Equity Stock Prices

S. No.	Variable	Not Influenced (1)	Slightly Influenced (2)	Moderately Influenced (3)	Influenced (4)	Highly Influenced (5)	Mean Value
Profitability Factor							
1.	Return on Net Worth	8 (4.8%)	11 (6.7%)	29 (17.6%)	90 (54.5%)	27 (16.4%)	3.709
2.	Return on Average Capital Employed	5 (3%)	14 (8.5%)	35 (21.2%)	90 (54.5%)	21 (12.7%)	3.654
3.	Return on Asset	10 (6.1%)	19 (11.5%)	37 (22.4%)	85 (51.5%)	14 (8.5%)	3.448
4.	Dividend Payout	7 (4.2%)	7 (4.2%)	19 (11.5%)	74 (44.8%)	58 (35.2%)	4.024
5.	Price to Book value	9 (5.5%)	19 (11.5%)	36 (21.8%)	77 (46.7%)	24 (14.5%)	3.533
6.	Total Asset Turnover	6 (3.6%)	29 (17.6%)	46 (27.9%)	80 (48.5%)	4 (2.4%)	3.284
Liquidity Factor							
7.	Current Ratio	10 (6.1%)	9 (5.5%)	30 (18.2%)	89 (53.9%)	27 (16.4%)	3.690
8.	Quick Ratio	9 (5.5%)	32 (19.4%)	40 (24.2%)	68 (41.2%)	16 (9.7%)	3.303
Operating Efficiency Factor							
9.	Cash flow from operation	8 (4.8%)	13 (7.9%)	31 (18.8%)	88 (53.3%)	25 (15.2%)	3.660
10.	Size of the firm	3 (1.8%)	22 (13.3%)	33 (20%)	72 (43.6%)	35 (21.2%)	3.690
Growth Factor							
11.	Earning per share	9 (5.5%)	8 (4.8%)	17 (10.3%)	57 (34.5%)	74 (44.8%)	4.084
12.	Book value per share	7 (4.2%)	14 (8.5%)	34 (20.6%)	68 (41.2%)	42 (25.5%)	3.751
Sale Factor							
13.	Price to sales	10 (6.1%)	15 (9.1%)	41 (24.8%)	72 (43.6%)	27 (16.4%)	3.551
14.	Net profit margin	6 (3.6%)	17 (10.3%)	39 (23.6%)	75 (45.5%)	28 (17%)	3.618
Leverage Factor							
15.	Debt to equity (DEQ)	8 (4.8%)	8 (4.8%)	23 (13.9%)	75 (45.5%)	51 (30.9%)	3.927
16.	Debt to total asset (DTA)	4 (2.4%)	22 (13.3%)	40 (24.2%)	90 (54.5%)	9 (5.5%)	3.472

Source, Field Survey

Table 2 specifies the results of the study that helps in analyzing the perception of the investors towards company's fundamental variables. Out of six profitability variables that notifies about the profit earning ability of company, dividend payout has the highest mean value (4.024) followed by the mean value of return on net worth (3.709), return on average capital employed (3.654), price to book value (3.533), return on asset (3.448) and total asset turnover (3.284). It indicates that according to respondent's perception dividend payout is one of the most influencing profitability determinants of stock price in India chased by all other profitability variables. All of six variables have mean value greater than 3 indicates that on an average, profitability factors influences stock prices adequately. Liquidity factor enlightens the investors about the short term solvency position of the company. The findings of the present study reveal that current ratio is stronger determinant that affects equity share prices than the quick ratio having mean value of 3.690 and 3.303 respectively. According to respondents' observation, both variables i.e. size of the firm and cash flow from operation having mean value 3.690 and 3.660 respectively influences the equity stock prices satisfactorily. Both have almost similar mean value indicates that investors gave almost equal weightage to both the variables.

The results of the study also revealed that the growth related variables of firm i.e. earning per share and book value per share having mean value 4.084 and 3.751, signifies that earning per share is more influential variable of equity share prices than book value per share but between the two sales related variables net profit margin having mean value 3.618 is more influencing variable as compare to price to sales variable having mean value 3.551. Out of leverage factor, the high mean value of debt to equity ratio (3.927) as compare to debt to asset ratio (3.472) indicates the more influencing power of debt to equity than debt to total asset for forecasting equity stock prices.

4.3 Fundamental Factors of Equity Stock Prices with Ranks

Table 3 shows the results of mean value and rank of the six factors i.e. growth, leverage, operating efficiency, profitability, sales and liquidity. Grand mean i.e. mean of mean has been computed for each factor for giving ranks.

Table 3: Major Fundamental Factors of Equity Stock Prices

S. No.	Factor	Mean	Rank
1	Growth	3.917	1st
2	Leverage	3.699	2nd
3	Operating Efficiency	3.675	3rd
4	Profitability	3.609	4th
5	Sales	3.584	5th
6	Liquidity	3.496	6th

Source, Field Survey

Among all six factors, the growth factor got 1st rank having mean value 3.917 indicates the most influential fundamental factor of share prices while leverage factor got 2nd rank having mean value 3.699 which confirms 2nd most influential factor. Operating efficiency factor got 3rd rank followed by profitability factor (4th rank), sales factor (5th rank) and liquidity factor (6th rank) having mean value of 3.675, 3.609, 3.584 and 3.496 respectively. The overall result of the study indicates that the mean value of all the factors is more than 3; which is considered acceptable value. It can be concluded that all the factors taken under consideration individually influence the market value of equity. Investors should consider these company related fundamental variables while taking decision of buying, selling or holding of equity shares.

4.4 Differences in Perception regarding Fundamental Variables between Male and Females

To identify the difference between male and female respondents with respect to average score of each fundamental variable i.e. current ratio, quick ratio, cash flow from operation, size of the firm, earning per share, book value per share, price to sales, net profit margin, debt to equity, debt to total asset, return on net worth, return on average capital employed, return on asset, dividend payout, price to book value and total asset turnover, an independent sample t- test has been employed in the study. The results of t-test are shown in Table 4.

Table 4: t- test of Statistical Differences between Male and Female Respondents

Variables	Mean		t- value	Sig. (p-value)
	Male	Female		
Current ratio	3.7444	3.4688	1.390	.166
Quick ratio	3.3835	2.9688	2.002	**.047****
Cash flow from operation	3.6992	3.5000	1.021	.309
Size of the firm	3.6842	3.7188	-.173	.863
Earning per share	4.1353	3.8750	1.190	.236
Book value per share	3.7669	3.6875	.379	.705
Price to sales	3.5639	3.5000	.305	.761
Net profit margin	3.6391	3.5312	.545	.587
Debt to equity	3.9474	3.8438	.505	.614
Debt to total asset	3.5038	3.3438	.923	.358
Return on net worth	3.7293	3.6250	.539	.591
Return on average capital employed	3.7218	3.3750	1.941	**.054****
Return on asset	3.4962	3.2500	1.242	.216
Dividend payout	4.0526	3.9062	.734	.464
Price to book value	3.5714	3.3750	.949	.344
Total asset turnover	3.3534	3.0000	1.991	**.048****

*Note: * denotes significant at 1% level,   ** denotes significant at 5% level*

The finding of the independent t-test reveals in Table 4 shows that the statistical difference between male and female investors has found to be significant at 5 percent level of significance for the variables like quick ratio, return on average capital employed and total asset turnover and other variables namely current ratio, cash flow from operation, size of the firm, earning per share, book value per share, price to sales, net profit margin, debt to equity, debt to total asset, return on net worth, return on asset, dividend payout, price to book value has found insignificant. So the null hypothesis (H_{01}) that fundamental variables do not significantly differ between male and female investors has been partially rejected at 5 percent level of significance.

4.5   Differences between the Demographic Attributes and Fundamental Variables

One way ANOVA test has been used in the study to identify whether each of the fundamental variable i.e. current ratio, quick ratio, cash flow from operation, size of the firm, earning per share, book value per share, price to sales, net profit margin, debt to equity, debt to total asset, return on net worth, return on average capital employed, return on asset, dividend payout, price to book value and total asset turnover is equally considered important to all demographic as well as investment related attributes of respondents i.e. stock market experience, education level, occupation groups, family income groups, average holding period groups, trading Frequency groups, techniques used and various age groups. Results of the test are shown in Table 5.

Table 5: One Way ANOVA Test of Respondents in respect of Various Demographic and Investment Related Attributes

Attributes/ Variables	Stock Market Experience	Education level	Occupation	Family Income period	Average holding	Trading Frequency Investor's	Technique used by	Age
CR	3.687* (.013)	.963 (.412)	1.858 (.139)	5.522* (.001)	1.023 (.412)	2.319** (.046)	.339 (.797)	1.982 (.119)
QR	3.261** (.023)	.532 (.661)	1.603 (.191)	4.084* (.008)	2.258** (.041)	1.694 (.139)	1.036 (.378)	4.276* (.006)
CFO	5.827* (.001)	.133 (.940)	.837 (.475)	2.346 (.075)	1.861 (.091)	1.680 (.142)	2.929 (.035)**	5.043* (.002)

Size	3.197** (.025)	1.192 (.315)	1.788 (.152)	1.383 (.250)	1.325 (.249)	2.405** (.039)	2.064 (.107)	3.031** (.031)
EPS	3.971* (.009)	.481 (.696)	.835 (.476)	3.151** (.027)	2.793* (.013)	2.437** (.037)	2.367 (.073)	2.843** (.040)
BV	4.238* (.007)	.626 (.599)	.304 (.823)	1.912 (.130)	2.032 (.064)	1.462 (.205)	.610 (.609)	.978 (.405)
PS	3.202** (.025)	.964 (.411)	.740 (.530)	1.245 (.295)	1.356 (.236)	1.231 (.297)	6.033 (.001)*	4.871* (.003)
NPM	2.466 (.064)	2.546** (.058)	.536 (.658)	1.093 (.354)	2.810* (.013)	.467 (.800)	1.682 (.173)	1.749 (.159)
DEQ	3.864* (.011)	1.314 (.272)	1.159 (.327)	4.900* (.003)	1.298 (.261)	1.354 (.245)	.761 (.517)	3.280** (.022)
DTA	5.089* (.002)	2.230 (.087)	.294 (.830)	3.890* (.010)	1.082 (.376)	1.988 (.083)	1.415 (.240)	4.560* (.004)
RONW	3.833* (.011)	.259 (.855)	.585 (.625)	6.246* (.000)	1.543 (.168)	3.444* (.006)	1.135 (.337)	1.369 (.254)
ROCE	3.447* (.018)	1.359 (.257)	.268 (.848)	7.555* (.000)	1.264 (.277)	1.769 (.122)	3.667 (.014)*	2.368 (.073)
ROA	4.443* (.005)	.190 (.903)	1.019 (.386)	3.067** (.030)	2.902* (.010)	1.041 (.396)	3.865 (.011)*	6.484* (.000)
DP	7.979* (.000)	.875 (.456)	1.279 (.283)	3.725* (.013)	1.418 (.211)	2.043 (.075)	.478 (.698)	2.915** (.036)
PB	5.758* (.001)	1.849 (.140)	1.365 (.255)	2.283 (.081)	1.074 (.380)	2.534** (.031)	.735 (.533)	2.988** (.033)
TAT	5.359* (.002)	.639 (.591)	3.085** (.029)	1.441 (.233)	1.588 (.154)	1.470 (.203)	4.426* (.005)	4.865* (.003)

Note: * denotes significant at 1% level,   ** denotes significant at 5% level

The table 5 shows the findings of the one way ANOVA test and found that all the variables taken under consideration except net profit margin are significant at 5 percent level of significance between various groups of stock market experience of investors. So the null hypothesis i.e. fundamental variables do not significantly differ between stock market experience groups is rejected at 5 percent level of significance which proves that stock market experience has significant affect on fundamental variables. The outcome of the test in respect of different educational groups found that there is no significant difference between various fundamental variables except net profit margin and null hypothesis that fundamental variables do not differ between different education level groups of investors is unable to reject at 5 percent significance level and the findings of the test between different occupation groups shows that all fundamental variables taken under study except total asset turnover have significant value more than .05, specifies that there is no significant difference between different occupation groups towards each of the fundamental variable except total asset turnover.

The result of the study in respect of different groups of family income found that fundamental variables i.e. current ratio, quick ratio, earning per share, debt to equity ratio, debt to total asset, return on net worth, return on average capital employed, return on asset and dividend payout are significant at 5 percent significance level and indicates that they differ according to different family income groups while other fundamental variables like size of the firm, book value per share, price to sales, net profit margin, cash flow from operation, price to book value and total asset turnover do not differ between different family income groups. In the case of average holding period, result of the one way ANOVA test indicates that the fundamental variables like quick ratio, earning per share, net profit margin and return on asset are significantly differ between average holding period groups while other variables current ratio, cash flow from operation, debt to equity ratio, debt to total asset, return on net worth, return on average capital employed, price to book value, dividend payout, size of the firm, book value per share, price to sales and total asset turnover do not significantly differ according to average holding period of investors.

The findings of the test with regard to different groups of trading frequency of investors reveal that current ratio, size of the firm, earning per share, return on net worth and price to book value found statistically significant while the significant value of quick ratio, net profit margin and return on asset, cash flow from operation, debt to equity ratio, debt to total asset, return on average capital employed, dividend payout, size of the firm, book value per share, price to sales and total asset turnover is more than 0.05 which indicates that there is no difference in means of these variables according to trading frequency group. The different technique used by investors while taking investment decision have different affect on the fundamental variables i.e. cash flow from operation, price to sales ratio, return on average capital employed, return on asset and total asset turnover while other variables taken under study do not differ affect according to the technique used by investors. The results of the study also depict that all the fundamental variables i.e. cash flow from operation, price to sales ratio, return on asset, quick ratio, debt to equity ratio, debt to total asset, dividend payout, size of the firm, book value per share, and total asset turnover except current ratio, net profit margin and return on net worth are statistically significant between different age groups of investors. The study may be concluded that perception regarding fundamental determinants affects the market price of equity stocks but their degree and direction of effect differs across demographic variables.

5. Conclusion

The present study analyzes the investor's perception towards the company related fundamental variables which influences the value of equity shares. The questionnaire contains sixteen variables that belong to six factors, namely profitability, growth, leverage, operating efficiency, sales and liquidity. The outcome of the survey reveals that earning per share (4.084) and dividend payout (4.024) are the two most influential variable of equity share prices among all the variables followed by the debt to equity ratio (3.927), book value per share (3.751), return on net worth (3.709), current ratio (3.690), size of the firm (3.690), cash flow from operation (3.660), return on average capital employed (3.654), net profit margin (3.618), price to sales (3.551), price to book value (3.533), debt to total asset (3.472), return on asset (3.448), quick ratio (3.303) and total asset turnover (3.284). The most influencing factor by order of their influential level is the growth factor, leverage factor, operating efficiency factor, profitability factor, sales factor and liquidity factor. The overall result of the study indicates that all the individual variables and factors influences the market value of equity in satisfactorily way. Investors should consider these company fundamental variables while taking decision of buying, selling or holding of equity shares.

The study also found that current ratio and return on net worth has significant difference in significance level across respondents with regard to stock market experience, family income and trading frequency. Degree of importance given to quick ratio differs significantly with stock market experience, family income, average holding period and age of respondents. Respondents are giving significantly different level of importance to cash flow from operation and price to sales ratio in choosing a stock with regard to their stock market experience, technique used and age. There is key difference in size of firm and price to book value between different groups of stock market experience, trading frequency and age of respondents and book value per share between different categories of stock market experience of respondents. The study also found that the level of importance given to earning per share differs significantly with stock market experience, family income, average holding period, trading frequency and age of respondents. Investors' are giving significantly different level of importance to return on average capital employed in selecting a share with regard to their stock market experience, technique used by investors and family income. Respondents having different average holding period of investment and education level are giving importance to net profit margin ratio in a significantly different way. In addition to it, debt to equity, debt to total asset and dividend payout has significant difference in importance level across respondents with regard to age, family income and stock market experience. Respondents are giving significantly different degrees of importance to return on asset in selecting a share with regard to their stock market experience, family income, average holding period, technique used and age and total asset turnover in choosing a share with regard to their stock market experience, occupation, technique used and age. The study concluded that perception regarding fundamental determinants affects the market price of equity stocks in India.

6. References

Azam, M. & Kumar, D. (2011). Factors Influencing the Individual Investor and Stock Price Variation: Evidence from Karachi Stock Exchange, *Australian Journal of Basic and Applied Sciences*, 5(12), 3040-3043.

Bennet, E. Selvam, M. Ebenezer, E. Karpagam, V. & Vanitha, S. (2011). Investors' Attitude on Stock Selection Decision, *International Journal of Management & Business Studies*, 1(2), 7-15.

Bhuvaneswari, C. (2014). A Study on Investor's Perception towards Equity/Tax Saving Mutual Funds, *Journal of Applied Research*, 2 (12), 1-21.

Field, A. (2005). Discovering Statistics Using SPSS for Windows, *Sage Publications, London*.

Graham, Benjamin & David L. D. (1934). Security analysis: Principles and Technique, *First Edition, Mc-Graw Hill, New York*.

Hossain, M. F. & Nasrin, S. (2012). Factors Affecting Selection of Equity Shares: The Case of Retail Investors in Bangladesh, *European Journal of Business and Management*, 4 (20), 110-124.

Kukreja, G. (2012). Investors' Perception for Stock Market: Evidences from National Capital Region of India, *Interdisciplinary Journal of Contemporary Research in Business*, 4 (8), 712-726.

Maditinos, D. Sevic, Z. & Theriou, N. (2004). User's Perception and Investment Strategies Employed on the Athens' Stock Exchange. In *Conference Paper presented at 2nd International Conference on Accounting and Finance in Transition (ICAFT)*.

Malhotra, N. K. (2008). Marketing Research: An Applied Orientation. *5ᵗʰ Edition, Pearson Education India*.

Malhotra, N. & Tandon, K. (2013). Determinants of Stock Prices: Empirical Evidence from NSE 100 Companies, *International Journal of Research in Management & Technology*, 3(3), 86-95.

Mondal, M.S. & Imran, M. S. Determinants of Stock Price: A Case Study on Dhaka Stock Exchange. Retrieved from http://wbiconpro.com/337-Saheb.pdf as on Janauary 2015.

Motwani, R. K. (2013). Fundamental Determinants of Equity Investments among Infrequent Small Scale Investors, *Research Journal of Management Sciences*, 2(4), 1-6.

Ozlen & Ergun, U. (2012). Internal Determinants of the Stock Price Movements on Sector Basis, *International Research Journal of Finance and Economics*, 92, 111-117.

Sharma, S. (2011). Determinants of Equity Share Prices in India, *Journal of Arts, Science & Commerce*, 2(4), 51-60.

Shukla, H. J. & Devani, J. (2011). A Study on the Determinants of Equity Prices in the Stock Markets in India, *The Journal of IMIS*, 11(1), 66-72.

Sugiharto, T. Inanga, E. L. & Sembel, R. (2007). A Survey of Investors Current Perceptions and Valuation Approaches at Jakarta Stock Exchange, *International Research Journal of Finance and Economics*, 10, 175-206.

Sultana, S.T. & Pardhasaradhi, S. (2012). An Empirical Analysis of Factors Influencing Indian Individual Equity Investors' Decision Making and Behavior, *European Journal of Business and Management*. 4 (18), 50-61.

Varadharajan, P. & Vikkraman, P. (2011). A Study on Investor's Perception towards Investment Decision in Equity Market, *International Journal of Management, IT and Engineering*, 1(3), 62 – 81.

Venkatesh, C. K. & Tyagi, M. (2011). Fundamental Analysis as a Method of Share Valuation in comparison with Technical Analysis, *Bangladesh Research Publication Journal*, 5(4), 167-174.

Zaheeruddin, M. & Sivakumar, P. (2012). A Study on Equity Script Valuation with Special Reference to Selected Companies of Software Industry, *International Journal of Business and Management Tomorrow*, 2 (12), 1-7.