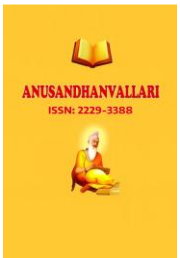


Anusandhanvallari
Vol 2024, No.1
December 2024
ISSN 2229-3388

# Perception of Investors on Growth Potential of Consumer Staples Companies: Evidence from Indian Stock Market

**[1]Ms. Tejaswini Laxane, [2]Dr.Rajesh Timane (Assistant Professor)**

[1]Research scholar Department of Commerce & Business Management Dr. Panjabrao Deshmukh Institute of Management Technology & Research, Dhanwate National College, Nagpur

[2]Supervisor Department of Commerce & Business Management Dr. Panjabrao Deshmukh Institute of Management Technology & Research, Dhanwate National College, Nagpur

**Abstract:** Demand for Indian consumer goods is also among the most resilient and attractive sectors to invest in the stock market because of its defensive nature, financial performance and consistent demand. This article investigates the perception of investors towards growth possibilities in the consumer staples industry in the Indian stock market. This study aims to identify the factors that influence investors which are financial performance, the dividend policies, the strength of the brand, market growth and macroeconomic conditions. Data collection technique used in the study is primary and secondary data, and analysis of the data used descriptive and analytical analysis, individual investor medium in the study using face to face interview with structured questionnaires and institutional investor medium in the study using structured questionnaires. To evaluate the perception and preference of the investors, they use statistical data analysis techniques including percentage, mean score and correlation technique. Study results indicate that the companies in the consumer staples space are seen as a less risky investment with good prospects for long-term growth, given the urbanization trend, consumer wealth and higher rates of consumption along with the growth of organized retail. Plus, the sector is a safe investment option when investors are uncertain about the economy, and even the markets. The study helps in enhancing the knowledge of investor behaviour and gives insights to the policy makers, corporate managers and investors in designing effective investment and growth strategies in the Indian consumer staples industry.

**Keywords:** Investor Perception, Consumer Staples Companies, Indian Stock Market, Growth Potential, Investment Behaviour, Financial Performance, Market Volatility, Long-Term Investment, Consumer Goods Sector, Investment Decision-Making.

## Introduction

Consumer staples has a much greater share in Indian economy and always been one of the most attentive fields for investors because of its growth potential, stability and resilience. Consumer staples include items like food, beverages, personal care products, household goods and more that are purchased on a routine basis – regardless of the economy. The major companies in the field include Hindustan Unilever Limited, ITC Limited, Nestlé India Limited and Dabur India Limited, which have made significant improvement are consistently performing well financially and have strong market penetration in India. India's population is increasing at great rates along with its rising per capita income, the swift urbanization and consumer's awareness of the branded products of the climatic changes in the lifestyle of the consumers have been the major driving forces to make this sector prominent in the country.

The Indian Stock Market has made tremendous transformations and expansion in the last 20 years, thereby drawing in a larger retail and institutional investors. Today's investors not only are seeking high returns on their investments, but opportunities for stability and risk management in investments too. Consumer staples companies have been key attractors because of their safety in down markets and market disruptions and their dependable earnings. The demand for product is fairly inelastic in nature because of the necessity of these products.Consumer staple products are luxury products and have less elastic demand compared to cyclical products. This means that first consumer staples firms are perceived as low risk and they can have a consistent dividend and capital appreciation.

Indeed, the Investor Perception is considered as the most effective factor for investment in the business world and also the most significant effect on the estimation of companies in the market. The factors affecting perception are company's performance, company indicators, corporate governance, brand reputation, market conditions, policies of the government and macro economy. While both the fundamental and the behavioural analysis are used concurrently to assess an investment opportunity, investors are increasingly combining them while assessing investment opportunity in Indian context of consumer staples. Since the emergence of new platforms, getting to trade in non-fungible slots, accessible financial data and an growing financial education, investors are better educated and have modified their activity. It is important to understand investors' views on the growth potential of consumer staples companies, as this could be useful for assessing the attractiveness of the sector and in determining factors impacting on investor preference.

Indian consumer staples' performance has proved to be resilient in times of economic shocks such as a global financial crisis, inflation, COVID-19 etc. Unlike other stocks, consumer staples are not volatile stocks and can be relied on in times of volatility because they can provide consistent revenues and profitable operations. Government policies and investments such as the increase in spending and investment for rural development; digitization of retail markets and growth of consumer spending and manufacturing have also shown positive impact on its growth. There is also an increase in the availability and the demand for consumer staple products in urban and rural markets, besides the organized retail networks and penetration by E-Commerce platforms.Increased access and rising demand of consumer Staples products in urban/rural markets because of organized retail network and ecommerce integration has boosted their retail performance.Their retail performance is improving because of the penetration of organized retail network and Ecommerce platforms in accessing their products which has led to increasing demand from consumers of their products especially household products in urban/rural markets.

The focus in the Indian economy and markets on the consumer staples segment has been relatively light in terms of empirical research on investor's expectations from the growth of consumer staples. Research, discussion and analysis to date have been preoccupied with the financial outcomes and the degree of market efficiency, rather than behavioural aspects of investment decisions being given much research attention in comparison. Therefore an analysis of the perception of the investors provides valuable information about the factors influencing the investor's investment behavior and future prospects of the investor for consumer staples companies of India.

This study aims to investigate the perception of the investors towards future growth of consumer staples companies on Indian stock market. The study would primarily have as its objective to identify factors which may influence an investor's confidence in the particular sector, to assess the attractiveness of the sector as an investment option as well as relationship of investor's perception/confidence and choice of investment in the sector. The findings of this study will blend with the current investor behavior studies available and will be a valuable tool for investors, financial analysts and firms in formulating investment and business policies in the rapidly evolving Indian consumer goods sector.

Review of Literature

Ahmad, Saffardin and Teoh (2020) examined the relationships between different work-related factors (job demands, job resources, work engagement and burnout) among preschool workers in Penang. Favorable organizational resources were shown to play a significant role in coping, employee engagement level and decrease in burnout. The study is applicable only to the education sector although it is noticeable that psychological and stakeholder perceptions have a great impact on behaviour in the education sector. The outcomes provide theoretical models and concepts about the nexus between perception and expectation in investor decision making which is an important contribution to the study of investor behaviour.

The study that was conducted by Akhtar, Azeem, Basiouni, Teoh and Alvi (2020), was on 'The effect of service quality on customer satisfaction in the banking sector of Saudi Arabia'. The study found that reliability, responsiveness and assurance has positive impact on customer satisfaction and trust. The research proved that stakeholders' perceptions of organizational performance is very influential on stakeholders attitudes and decision. Investors' perceptions of the performance and reliability of companies also shape their investment decisions and confidence in certain industry sectors when it comes to investing in the stock market.

The study conducted by Edeh et al. (2021) involved studying the factors that influenced the sustainability of Apple in the information and communication technology sector in Malaysia. The study found major factors that drive organization sustainability and long-term growth such as innovation, reputability and brand value, customer loyalty, and enabling strategic management. The findings suggest that the confidence of the stakeholders rise with the value of the brand and eco-friendly business practices; this can also affect the confidence of investors regarding the consumer staples' potential to grow.

Taking a cue from the Job Demands-Resources Model, Andrea de Breeff et al. (2018) explored the link between burnout and work engagement among preschool teachers and found that burnout is indeed a key mediating variable. This particular study emphasises the significance of psychological perceptions and involvement in behavioural reactions. The research is not directly attributable to behaviour but it allows to present the idea which one's perception influences decision making and this key question is important in investors in understanding behaviour and investment preferences.

Lim and Teoh (2021) discussed the factors influencing the success or failure of small and medium enterprises (SMEs) in Malaysia in 2021. The study results showed managerial skills as essential to become competent, financial skills as essential to become financially competent, market orientation as essential to become market oriented, innovation as essential for proving the business successful and sustainability of the business. Based on the findings, it can be concluded that investors were more attuned to companies regarding their strategic capability and the way they approach efficiency when compared to other companies that offer growth prospect. Consumer essentials companies are particularly concerned with business survival and determinants of market expansion over an extended period, particularly from the investors' point of view.

Based on the above Manimozhy and Borah have conducted a study on perception of individual investors in relation to investment in stock market in the city of Guwahati in 2018. The study revealed that the demographical factors, risk tolerance and income and knowledge of investments have a significant effect on investment decisions. Reportedly, the broad players' preferred choices are investments which have a steady and regular returns with less risk than the other investment options. Study reveals that the investors perception of their safety in a unit, the profit they may or may may not get and whether they think it would multiply is important to an investor's decision to invest.

Muthumeenakshi (2017) observed that investors perception towards investment avenues is different and the effect of other factors such as return, risk, liquidity and financial awareness etc. on investors' investment decisions. The research results show that the investors' behavior is a dynamic behavior and influential, related to the changes in the economic conditions and information given to investors in the market. It also introduced the concept of the importance of behavioural finance in modern investment decision making and necessity of study of investors perception about segment/industry.

From the literature review it was found that perceptions, confidence and behaving factors have a significant impact on decision making processes on various aspects. While there has been a number of researches done on investor behavior and perception towards investing in specific sectors, very little research has been conducted on the perception of investors towards growth opportunity of companies operating in consumer staples sector in Indian stock market. The present study provides insights into the elements that shape the customers's perception and in turn impacts their investment decisions in the Indian consumer staples sector to address this gap.

**Objectives of the Study**

1. To examine the perceptions of investors regarding the growth potential of consumer staples companies listed on the Indian stock market.
2. To identify the factors influencing investors' investment decisions towards consumer staples companies, such as financial performance, brand reputation, dividend policy, and market stability.
3. To analyze the relationship between investors' perceptions and their investment preferences and intentions in the consumer staples sector in India.

**Hypothesis**

**Null Hypothesis ($H_{01}$):** Investors do not have a significantly positive perception regarding the growth potential of consumer staples companies listed on the Indian stock market.

**Alternative Hypothesis ($H_{11}$):** Investors have a significantly positive perception regarding the growth potential of consumer staples companies listed on the Indian stock market.

**Research Methodology**

Presently the study is descriptive, analytical in nature and seeks to analyze the investor perception with respect to the growth potential of Consumer Staples companies in Indian Stock Market. The primary data was obtained from the structured questionnaire distributed to the respondents, the retail investors, the individual investors that are actively involved in the stock market as the main source. The questions on the questionnaire have a dual nature, comprising demographic questions and statements that are rated on a Likert scale on investors' perceptions regarding various aspects of the companies including financial performance, market stability, dividend policies, brand reputation, growth prospects and investment preferences towards consumer staples companies. The sampling technique used is convenience and purposive sampling which is used to select respondents who have investment experience and the knowledge about the stock market. Sample size is estimated to be around 200–300 investors for good representation of age groups, occupation, income and experience in investments. Secondary data, in addition to primary data, are collected from the annual reports of the consumer product companies, published stock exchange reports, websites of the companies, financial databases, journals, books and reports from government bodies and financial institutions. Appropriate statistical tools including percentage analysis, descriptive analysis, mean and standard deviation, chi square test, correlation analysis and regression analysis are employed to analyze the collected data to examine relationship between investor perceptions and investment decision. The study period has been chosen so as to reflect the recent years and the current nature of the Indian stock market as well as Indian investor's behavior. The results of the study would be helpful in gaining insights of the factors affecting investors' perception and investment attractiveness of the consumer staples companies in India.

**Table 1: Descriptive Statistics of Investors' Perception towards Growth Potential of Consumer Staples Companies**

| Particulars | N | Minimum | Maximum | Mean | Standard Deviation |
|---|---|---|---|---|---|
| Perception towards long-term growth potential | 250 | 1 | 5 | 4.12 | 0.78 |

| Particulars | N | Minimum | Maximum | Mean | Standard Deviation |
|---|---|---|---|---|---|
| Perception regarding stability of earnings | 250 | 1 | 5 | 4.08 | 0.81 |
| Perception towards dividend-paying capacity | 250 | 1 | 5 | 3.96 | 0.85 |
| Perception regarding resilience during economic downturns | 250 | 1 | 5 | 4.25 | 0.72 |
| Perception towards future market expansion | 250 | 1 | 5 | 4.18 | 0.76 |
| Overall Investors' Perception Score | 250 | 1.80 | 5.00 | **4.12** | **0.64** |

**Interpretation**

In the descriptive statistics above, the overall mean perceptions for the investors is 4.12 which is far from the neutral 3.00 on the five-point likert scale. As a result the investors have positive expectations on the growth of the companies which are engaged in procurement of basic commodities like food, life essentials etc. in the Indian stock market. In this case, because of the relatively small standard deviation (0.64), the opinions of the respondents are relatively similar. The highest (4.25) responses by the majority were that consumer staples companies are still doing OK in a downturn and that continued growth is expected in the future. For this reason, the descriptive results favor the AI ($H_1$): The perception of growth potential of the consumer staples listed companies among investors is significantly positive in Indian stock market.

**Table One-Sample Z-Test**

**Test Value = 3.00 (Neutral Perception Score)**

| Statistics | Value |
|---|---|
| Sample Size (N) | 250 |
| Sample Mean | 4.12 |
| Standard Deviation | 0.64 |
| Standard Error | 0.040 |
| Z-value | 28.00 |
| Significance (p-value) | 0.000 |
| 95% Confidence Interval of Mean Difference | 1.04 – 1.20 |

To check if investors' perception is significantly positive related to growth potential of the company relating to their consumer staples listed on Indian stock market, the One-Sample Z-Test was performed. Based on the results, it could be observed that the sample mean score of perception is 4.12 that is higher than the neutral (3.00) value of the 5 point Likert scale. The Z value obtained is 28.00 and p value is 0.000, indicating that difference between the mean (obtained from the table of values of Z) and test value is statistically significant at 5% level of significant. So, the null hypothesis is rejected and it can be concluded that the alternate hypothesis (thesis) is accepted, as the p value is $< 0.05$. The discovery indicates that investors have positive and a high degree of confidence in consumer staples companies' future growth prospects in India. The best case scenario might be associated with a defense industry's "defensive" character of operation, known consumer demand for key products and services, history of solid financial performance, dividend payments, and demonstrated resilience in times of economic pressure and markets volatility. In addition, increasing trends of disposable income, urbanization, growth in consumer spending and the growth of channel structure levels (dispersed retail and e-commerce) have further accentuated investors' confidence in the potential future growth of consumer staples companies. Hence, once investors felt that domestic consumption industry is a viable and promising sector to invest in sustainable growth and sustainable value creation in approaching years of India.

**Overall Conclusion**

According to the study, there is a remarkable positive outlook from investors towards the development prospect of consumer staples companies that are listed on the Indian stock exchange. The empirical results validate the reputation of the sector as a relatively stable and resilient investment sector, as well as a promising investment opportunity considering its defensive characteristics and the funds financial performance. The descriptive result obtained from research findings and hypothesis test results indicates that investors' expectations for consumer staples companies are high for long periods of time consumers staple companies have stable business performance during an economic crisis and market volatility, as well as earning good profits for investors.

High rate of urbanisation, favourable prospects of urbanisation of the consumer staples space due to changing eating habits, penetration of organised retail and E-commerce and increasing brand loyalty have also helped the consumer staples space to grow better in India over the years, the study indicates. These companies are also deemed low risk, yield steady returns and pay dividends regularly for investors as compared to a myriad of other cyclical companies. This positive perception is particularly noteworthy, and suggests that consumer staples stocks continue to be a mainstay of a diversified portfolio and comprehensive long-term wealth building strategy.

Thus, the study reveals that there is ample scope for the growth of Indian consumer staple market and it is one of the favourites of the investors from the point of investor stability and return on investment. The findings provide some worthwhile guideline to the investors and financial analysts, the resource industry for formulating their investment strategy and business policy to improve the competitiveness and growth of consumer staples business on the Indian stock market.

**References**

1. Ahmad, J., Saffardin, S. F., & Teoh, K. B. (2020). How does job demand and job resources affect work engagement towards burnout? The case of Penang preschool. *International Journal of Innovation, Creativity and Change, 12*(5), 283–293.
2. Akhtar, N., Azeem, S. M., Basiouni, A., Teoh, K. B., & Alvi, A. K. (2020). Service quality and customer satisfaction: An investigation from the Saudi Arabian banking sector. *PalArch's Journal of Archaeology of Egypt/Egyptology, 17*(7), 13764–13777.
3. Edeh, F. O., Teoh, K. B., Murugan, Y., Kee, D. M. H., Wong, J., Wong, X. S., & Jacinta, O. B. (2021). Contributing factors to Apple's sustainability in Malaysia's information and communication technology industry. *Asia Pacific Journal of Management and Education, 4*(2), 74–84.
4. Juliana, A., Saffardin, F. S., & Teoh, K. B. (2021). Job Demands-Resources Model and burnout among Penang preschool teachers: The mediating role of work engagement. *Annals of the Romanian Society for Cell Biology, 25*(3), 6679–6691.
5. Lim, C. H., & Teoh, K. B. (2021). Factors influencing the SME business success in Malaysia. *Annals of Human Resource Management Research, 1*(1), 41–54. https://doi.org/10.35912/ahrmr.v1i1.408

6. Manimozhy, N., & Borah, N. (2018). Perception of individual investors towards stock market investments with special reference to Guwahati City. *Journal of Contemporary Research in Management, 13*(3), 17–27.

7. Muthumeenakshi, M. (2017). Perception of investors towards the investment pattern on different investment avenues – A review. *Journal of Internet Banking and Commerce, 22*(S8), 1–15.