

ANALYSIS ON THE SATISFACTION PERCEIVED BY THE PRIVATE EQUITY INVESTORS IN THE CHENNAI REGION (TAMILNADU)

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ABSTRACT: International investment has been multiplied at a decent pace and the purposes behind this could be accessibility of private monetary capital for development and the positive impact of these private equity houses on Indian managerial activities. With an extending domestic market and extra open doors brought by globalization, the effect of private equity on Indian business is probably going to improve in the coming years that the Indian government even perceives the key part of private equity for financial improvement and as a critical wellspring of innovation and worldwide accepted procedures. With know-how and expertise based ideas set to drive the global financial system in the coming years, and given the intrinsic strength by way of its human capital, technical skills, cost competitive workforce, research and entrepreneurship, India can unleash a insurrection of wealth creation and rapid economic growth in a sustainable manner. The present study is empirical that has been made to analyse the level of satisfaction on the private equity sector in the Chennai region (Tamilnadu) of India.

Keywords: International investment, private monetary capital, private equity and global financial system.

LINTRODUCTION AND PROBLEM DISCUSSION

Private equity investments have been a piece of India's rising tale about 10 years which has seen a large number of occasions that have formed the investment atmosphere in India when the unfurling of the procedure of advancement and globalization created a great deal of worldwide enthusiasm for the Indian economy. The Indian private equity showcase is appealing for some reasons. Right off the bat, as a result of its entrepreneurial status, furthermore, the related straightforwardness and advantages of an English speaking society, thirdly, an investment base that really comprehends the various open doors for Private Equity, lastly a emerging infrastructure with solid hidden financial development.

The Indian economy has been a proactive economy and in this way turning into a sheltered and alluring avenue for international investment. As far back as Indian economy experienced arrangement of financial reforms in 1991, there have been dynamic strides in banking, fund, industry, investment atmosphere, salary, business, and so forth. India has delighted in a normal growth rate of 7-8 for each annum in GDP in the ongoing years and

investments from FIIs, expanded FDI in a few segments, surging International Reserves, deregulation of rates of interests, and so on, have all been seen in the recent decade.

By 2013, the 25 biggest private equity firms in India had no less than one investment over infrastructure in their portfolio, and by and large, this kind of asset stands to 43 per cent of the \$77 billion Private equity firms made investment in India in the period between 2007 and 2013. Past particular segments, this unreasonable good faith likewise prompted around 75 per cent of new investments being made at valuations higher than the median for the last 15 years. Having a positive development in the country, the private equity Market has been scattered everywhere throughout the nation.

The Chennai region (Tamilnadu) has demonstrated the impressive improvement in the previous couple of years contending with National Capital Region (NCR), Mumbai, Delhi, Bangalore and Hyderabad areas. However, the region remains back to other regions of the nation; the development of the market has been extraordinary where the quantity of arrangements included is being maintained step by step. Hence, with the basis of aforesaid facts the researcher intended to identify the answer for the following research questions;

1. What is the level of satisfaction perceived by private equity investors in Tamilnadu?

II. RESEARCH OBJECTIVES

Based on the aforesaid problem, the following research objective is formulated;

1. To examine the level of satisfaction perceived by private equity investors in Tamilnadu.

III. HYPOTHESES FOR THE STUDY

Based on the above objective, the present study attempts to test the following hypothesis

H₀₁: The perceived satisfaction of investors has no significant relationship with investors based on their demographic classification.

IV. RESEARCH DESIGN

Sources of data

The study is analytical and is based on both primary and secondary data. Primary data is gathered from the private equity investors as sample respondents through mailed questionnaire method. The secondary data for the study is being collected and compiled from the Venture Intelligence database. Other required data has been collected from various websites, magazines, journals and theses.

Data design and Sampling design

The study focuses on the private equity investors of Tamilnadu. There were a total of 313 registered investors in the state and all of them have been taken as samples based on Census method. The primary data from the private equity Investors has been collected from the investors during the months of January and February, 2018.

V.LIMITATIONS OF THE STUDY

- The study has been made in consideration with the locality of Tamilnadu and the results and suggestions may not be applicable to other parts of the country.
- The primary data collected depicts the attitude of the respondents which may be self-biased by the respondents.

VI.ANALYSIS AND DISCUSSION

TABLE – 1: LEVEL OF SATISFACTION OVER STAGES OF INVESTMENTS

S. No.	Stage of Investments	Worthiness Rank	Riskiness Rank	Returnability Rank
1	Early	3	2	2
2	Growth	1	3	1
3	Late	2	1	3
4	Pre-IPO	5	5	4
5	PIPE	4	4	5
6	Buyout	6	6	6

Source: Compiled and calculated using primary data

The analysis over worthiness of various stages of investments is clear from the above calculations. The Garrett Score is being used for ranking. Higher the score better the rank. The various stages are ranked as growth stage at first, followed by the stages namely late, early, PIPE, Pre-IPO and buyout respectively at the succeeding ranks.

The analysis over riskiness of various stages of investments is inferred from the above calculations. The Garrett Score is being used for ranking. Higher the score better the rank. The various stages are ranked as late stage at first, followed by the stages namely early, growth, PIPE, Pre-IPO and buyout respectively at the succeeding ranks.

The analysis over returnability of various stages of investments can be referred from the above calculations. The Garrett Score is being used for ranking. Higher the score better the rank. The various stages are ranked as growth stage at first, followed by the stages namely early, late, Pre-IPO, PIPE and buyout respectively at the succeeding ranks.

TABLE – 2: LEVEL OF SATISFACTION OVER STAGES OF EXITS

S. No.	Stage of Exits	Worthiness Rank	Riskiness Rank	Returnability Rank
1	Buyback	2	3	2
2	Public Market Sale	1	2	1
3	Secondary Sale	3	1	3
4	Strategic Sale	4	4	4

Source: Compiled and calculated using primary data

The analysis over worthiness of various stages of exits is clear from the above calculations. The Garrett score is being used for ranking. Higher the score better the rank. The various stages are ranked as public market sale stage at first, followed by the stages namely buyback, secondary sale and strategic sale respectively at the subsequent ranks.

The analysis over riskiness of various stages of exits can be conferred from the above calculations. The Garrett score is being used for ranking. Higher the score better the rank. The various stages are ranked as secondary sale stage at first, followed by the stages namely public market sale, buyback, and strategic sale respectively at the subsequent ranks.

The analysis over returnability of various stages of exits is inferred from the above calculations. The Garrett score is being used for ranking. Higher the score better the rank. The various stages are ranked as public market sale stage at first, followed by the stages namely buyback, secondary sale and strategic sale respectively at the subsequent ranks.

TABLE – 3: LEVEL OF SATISFACTION INDUSTRIES OF PRIVATE EQUITY

S. No.	Stage of Exits	Worthiness Rank	Riskiness Rank	Returnability Rank
1	IT and Enabled Services	2	1	1
2	Manufacturing	5	6	6
3	Banking and Financial Services	3	2	3
4	Healthcare and Life Sciences	1	3	2
5	Telecommunication	7	7	5
6	Energy	4	5	4
7	Others	6	4	7

Source: Compiled and calculated using primary data

The analysis over worthiness of various industries of private equity investment is clear from the above calculations. The Garrett score is being used for ranking. Higher the score better the rank. The various industries

of private equity investment are ranked as healthcare and life sciences at first, IT and enables services, banking and financial services, energy, manufacturing, others and telecommunication at the subsequent ranks.

The analysis over riskiness of various industries of private equity investment is inferred from the above calculations. The Garrett score is being used for ranking. Higher the score better the rank. The various industries of private equity investment are ranked as IT and enables services at first, banking and financial services, healthcare and life sciences, others, energy, manufacturing, and telecommunication at the subsequent ranks.

The analysis over returnability of various industries of private equity investment is inferred from the above calculations. The Garrett score is being used for ranking. Higher the score better the rank. The various industries of private equity investment are ranked as IT and enables services at first, healthcare and life sciences, banking and financial services, energy, telecommunication, manufacturing, and others at the subsequent ranks

TABLE – 4: OVERALL LEVEL OF SATISFACTION ON PRIVATE EQUITY INVESTMENTS

Variables	Weights	Weighted Arithmetic Score	W.A	Rank
Capital Appreciation	313	5573	6.10	7
Hedging	313	5652	6.42	2
Quick gain	313	5493	5.15	15
Safety	313	5553	5.82	10
Liquidity	313	5564	5.99	9
Tax benefits (if any)	313	5538	5.47	12
Diversification of Asset Holding	313	5682	6.44	1
Speculation	313	5650	6.36	3
Comfortable exits	313	5527	5.40	13
Flexibility	313	5543	5.59	11
Market Information	313	5613	6.22	4
Procedures Involved	313	5518	5.32	14
New Practices or Innovations	313	5573	6.10	7
Knowledge over various Avenues	313	5601	6.21	5
Exceptional Performance even during the Crises	313	5591	6.13	6

Source: Compiled and calculated using primary data

The ranking of the variables of level of satisfaction based on weighted average is inferred from the table 5.33. The variables are ranked with the variable named Diversification of Asset Holding leading up front at first rank, which is then followed by the variables namely Hedging, Speculation, Market Information, Knowledge over various Avenues, Exceptional Performance even during the Crises, New Practices or Innovations, Capital Appreciation, Liquidity, Safety, Flexibility, Tax benefits (if any), Comfortable exits, Procedures Involved and Quick gain at the corresponding ranks.

LEVEL OF SATISFACTION OF PURCHASE OF PRIVATE EQUITY INVESTMENTS: CHI-SQUARE ANALYSIS

H₀₂: The perceived satisfaction of private equity investment has no significant relationship with investors based on their demographic classification.

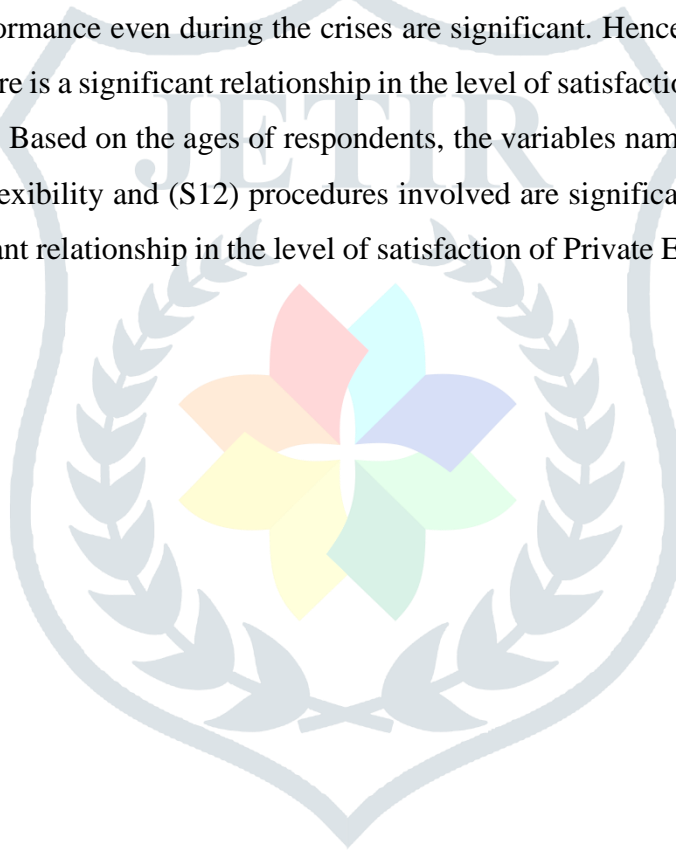


VARIABLES	GENDER	AGE	AREA OF RESIDENCE	EDUCATIONAL QUALIFICATION	ASSOCIATION IN PRIVATE EQUITY	YEARS OF ASSOCIATION	SOURCE OF AWARENESS	INITIAL INVESTMENT	ANNUAL INVESTMENT	REINVESTMENT
S1	0.632	0.009**	0.003**	0.007**	0.006**	0.005**	0.043*	0.650	0.045*	0.652
S2	0.453	0.354	0.542	0.762	0.042*	0.739	0.546	0.047*	0.453	0.039*
S3	0.042*	0.761	0.455	0.765	0.565	0.047*	0.683	0.459	0.647	0.542
S4	0.005**	0.005**	0.632	0.654	0.583	0.731	0.349	0.264	0.643	0.944
S5	0.235	0.050*	0.005**	0.363	0.047*	0.005**	0.005	0.542	0.578	0.467
S6	0.832	0.981	0.433	0.543	0.758	0.642	0.648	0.039*	0.006**	0.008*
S7	0.047*	-0.873	0.045*	0.005**	0.008**	0.037*	0.943	0.047*	0.049*	0.005**
S8	0.387	0.023*	-0.536	0.690	0.005**	-0.742	0.046*	0.005**	0.634	0.761
S9	0.532	0.642	0.542	-0.733	-0.546	0.547	-0.745	0.572	0.342	0.012*
S10	0.004**	0.004**	0.034*	0.683	0.748	0.346	0.002**	-0.344	0.005**	0.563
S11	0.041*	0.732	0.573	0.454	0.004**	0.003**	0.003**	0.006**	-0.658	-0.542
S12	0.490	0.043*	0.540	0.023*	0.436	-0.565	0.029*	0.463	0.678	0.478
S13	-0.651	0.541	-0.624	0.462	0.041*	0.653	0.456	0.546	0.048*	0.019*
S14	0.643	0.642	0.840	0.004**	0.439	0.432	0.006**	0.024*	-0.543	0.480

S15	0.006**	0.324	0.028*	0.532	0.546	0.450	0.434	0.632	0.050*	0.385
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*Significant at 5 per cent level **Significant at 1 per cent level

The chi-square analysis over the level of satisfaction of private equity investments based on the demographics - gender, age, area of residence, educational qualification and nature of association of private equity of respondents is shown in above table. It is quite clear from the table that the variables namely (S3) quick gain, (S4) safety, (S7) diversification of asset holding, (S10) flexibility, (S11) market information and (S15) exceptional performance even during the crises are significant. Hence, the null hypothesis is rejected for these variables and it can be concluded that there is a significant relationship in the level of satisfaction of Private Equity Investments purchase between various genders of respondents. Based on the ages of respondents, the variables namely (S1) capital appreciation, (S4) safety, (S5) liquidity, (S8) speculation, (S10) flexibility and (S12) procedures involved are significant. Hence, the null hypothesis is rejected for these variables and there is a significant relationship in the level of satisfaction of Private Equity Investments purchase between ages of respondents.



On the basis of residences of respondents the variables namely (S1) capital appreciation, (S5) liquidity, (S7) diversification of asset holding, (S10) flexibility and (S15) exceptional performance even during the crises are significant. Hence, the null hypothesis is rejected for these variables and there is a significant relationship in the level of satisfaction of Private Equity Investments purchase among the respondents of different residences. In the demography of education of respondents the variables namely (S1) capital appreciation, (S7) diversification of asset holding, (S12) procedures involved and (S14) knowledge over various avenues are significant. Hence, the null hypothesis is rejected for these variables and can be inferred that there is a significant relationship in the level of satisfaction of Private Equity Investments among the groups of respondents with varied education. Based on the nature of association of respondents the variables namely (S1) capital appreciation, (S2) hedging, (S5) liquidity, (S7) diversification of asset holding, (S8) speculation, (S11) market information and (S13) new practices or innovations are significant. Hence, the null hypothesis is rejected for these variables and there is a significant relationship in the level of satisfaction of Private Equity Investments purchase among the groups of respondents with different nature of association to private equity investments.

The chi-square analyses over the level of satisfaction of private equity investments based on the demographics namely years of association, source of awareness, initial investment, annual investment and reinvestment proportion of respondents are shown. It is quite clear from the table that the variables namely (S1) capital appreciation, (S3) quick gain, (S5) liquidity, (S7) diversification of asset holding and (S11) market information are significant under the demography of years of association. Hence, the null hypothesis is rejected for these variables and there is a significant relationship in the level of satisfaction of Private Equity Investments purchase among the groups of respondents with different years of association. Based on the source of awareness of respondents the variables namely (S1) capital appreciation, (S8) speculation, (S10) flexibility, (S11) market information, (S12) procedures involved and (S14) knowledge over various avenues are significant. Hence, the null hypothesis is rejected for these variables and can be concluded that there is a significant relationship in the level of satisfaction of Private Equity Investments purchase among the respondents of different sources of awareness.

On the basis of initial investment of respondents the variables namely (S2) hedging, (S6) tax benefits (if any), (S7) diversification of asset holding, (S8) speculation, (S11) market information and (S14) knowledge over various avenues are significant. Hence, the null hypothesis is rejected for these variables and there is a significant relationship in the level of satisfaction of Private Equity Investments purchase among the respondents of different initial investment. Based on the annual investment of respondents the variables namely (S1) capital appreciation, (S6) tax benefits (if any), (S7) diversification of asset holding, (S10) flexibility, (S13) new practices or innovations and (S15) exceptional performance even during the crises are significant. Hence, the null hypothesis is rejected for these variables there is a significant relationship in the level of satisfaction of Private Equity Investments purchase among the respondents of different annual investment. In the demography of reinvestment proportions of respondents the variables namely (S2) hedging, (S6) tax benefits (if any), (S7)

diversification of asset holding, (S9) comfortable exits and (S13) new practices or innovations are significant. Hence, the null hypothesis is rejected for these variables and there is a significant relationship in the level of satisfaction of Private Equity Investments purchase among the respondents of different rate of reinvestment.

VII.CONCLUSION

Private equity market is still in its preliminary stages of evolution. Developed firms keep on diversifying, developing firms continue to grow and follow developing strategies and limited partners (LPs) are sanctioning ever-increasing amounts to the asset class. The outcome is an industry which looks very dissimilar today than it did a decade ago, and which will see even massive transformation over the following decade. Companies that remain triumphant through this evolutionary era will be those that can stay disciplined in their investment strategies and thorough in their conscientiousness, yet elastic enough to grab new opportunities and find out new markets.

The private equity business model has changed significantly over the last 40 years. Over this period, the scope and scale of the industry have expanded tremendously. As often happens in sectors that undergo change, the type of industry participants and their connections within the ecosystem have also changed. The nature and structure of the PE firm universe has evolved, with some of the largest firms becoming publicly listed, some have raised large funds that support extensive sales teams and many have expanded into emerging areas, including credit funds. Competencies in the sector, particularly in developed markets, have shifted from financial engineering to a mix of finance and operations, which has resulted in far more engagement with the management, operations, and strategy of portfolio companies.

VIII.REFERENCES

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