PERCEPTIONS OF INVESTORS TOWARDS INDIAN STOCK MARKETS A SELECT STUDY

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ABSTRACT A stock market is a place in which long term capital is raised by industry and commerce, the government and local authorities and it is regarded as capital market. The money derives from private investors, insurance companies, pension funds and banks and is usually arranged by issuing houses and merchant banks. Stock exchanges are also part of the capital market which provides a market for the shares and loan that represent the capital once it has been raised. Stock market is a place where the securities can be sold and purchased at an agreed price. This paper analyzes the perceptions of investors towards Indian stock markets. The study involves the examination of perception level of respondents towards investments in stock markets and the risk factors involved in stock investments. The study was conducted in Vijayawada city of Andhra Pradesh and the sample size was 126. The study concludes that majority of the respondents were males and their perception levels towards stock markets differ from females. The study further concludes that the awareness levels of respondents towards the risk factors involved in stock market investments is very low.

KEYWORDS *Perception, Investment, Risk factors, Stock Markets*

INTRODUCTION

A stock market is a place in which long term capital is raised by industry and commerce, the government and local authorities and it is regarded as capital market. The money derives from private investors, insurance companies, pension funds and banks and is usually arranged by issuing houses and merchant banks. Stock exchanges are also part of the capital market which provides a market for the shares and loan that represent the capital once it has been raised. Stock market is a place where the securities can be sold and purchased at an agreed price. Indian stock market is the oldest stock market incorporated in 1875. The term investment refers to the commitment of funds at present in anticipate of some positive rate of return in future course of time. There are three types of investors namely conservative investors, moderate and aggressive investors. There are also different avenues available to invest for investor's namely corporate securities, equity shares, preference share, debentures/ bonds/ ADRs/ GDRs, mutual funds, etc. The investor can get education about their investment from financial institution, financial markets, media etc.

STATEMENT OF THE PROBLEM

Most of the investors generally have limited information about the developments in the securities market. Information about the financial performance of the companies and data of share market available to investor is also limited. The information available from newspapers, television and internet, media, sometimes may not be sufficient for investment decision making. All these problems made them rely on share brokers, fund managers and experts to invest in securities. Investors desiring to invest in stocks require countless preparation and homework. It is very important for them to know their risk appetite and investment objectives for better decision-making.

Hence, the present study is an attempt to know the investment pattern of investors. The study is made to examine investor's awareness of investment avenues, investment objectives of investors and the evaluation of investment by the investors.

REVIEW OF LITERATURE

Dr. Kavita Chavali (2009) the present study is about understanding and comparing the various tax saving instruments in the market with focus on the equity linked saving schemes. The performance of various funds is evaluated using various parameters of risk and return and comparing their performance with its benchmark S&P CNX Nifty. The fund chosen by the investor should match the risk appetite of the investor. He suggested that the equity

linked   saving   schemes   should   be   seriously considered by investors because of the dual advantage of tax savings and high returns

Amaresh Das (2010) in his paper demonstrates the empirical relevance of nonlinear effects of uncertainty,   measured   by   the   volatility   of   stock   market   returns,   on aggregate investment for a set of countries in Asia. The results strongly suggest that there are differences between the impact of low and high levels of uncertainty on the aggregate investment levels. It appears that high levels of uncertainty have less favorable effects on investment than low levels of uncertainty.

Anjali Choksi(2010) rightly mentioned that the awareness of derivatives among mass investors and those investors having no knowledge of it depend mostly on broker or take advice of friends in order to make an investment. The survey also points out the reasons for less popularity of derivatives among a few investors. Main focus is on risk element and uncertainty, whereas attraction for cash market is due to safety, low risk, higher return and no long term capital gain

Dr. Iqbal, Dr. T. Mallikarjunappa (2010) in their paper made certain general observations on the efficiency of the Indian stock market. According to them, market efficiency is examined in three forms: 1.Weak form of efficient market – the prices of securities fully reflect all historical information and no excess returns can be earned by utilizing historical share prices, 2.Semistrong form – securities prices adjust instantaneously to available new information such as earnings announcements, bonus issue, merged and acquisition etc. So that no excess returns can be earned by trading on that information, 3.Strong form of efficient market – securities prices fully reflect all information including inside or private information.

M. Venkatalaxmi & C.M. Sindhu (2010)   in   their   analytical   research   article suggested that the investors should be trained to use the technical analysis tools, since it will help them in their day to day investments to get more returns. They find that the fundamental analysis can also be suggested to the investors together with the technical analysis in order to analyze the financial strength of corporate, growth of earnings and profitability. The present research article analyzes the price movements of shares of Tata Motors with the help of technical analysis tools. In this paper they used simple moving average, exponential moving average, Bollinger bands and Dow Theory for technical analysis.

Mayank V.Bhatt (2010) has studied about the forecasting share prices, is it a good practice or a waste of time? He examined sector wise analysis on share prices and how they are changed from time to time. He concluded that it is very difficult to develop a common model for a particular sector which can be applied to any company that exists in this sector. Through this study, the researchers have demonstrated that the accuracy of the forecasting model is largely affected by selection of time period and length. He also opined that forecasting share prices is possible; it is good practice but investors to confine the time horizon.

Bouri Abdelfettah (2010) in   this   paper   he   defends   the   proposal   according   to which, the securities return on the financial markets is affected by the irrational behavior of individual investors. He compared the CAPM and predictability of the securities return on the Tunisian stock exchange. He suggested the adjustment of the traditional CAPM to the herding bias.

OBJECTIVES OF STUDY
1.To study the perceptions of the investors towards Indian stock markets.
2.To study the awareness of investors towards risk factors involved in stock market investments.

HYPOTHESES
In order to verify the above objectives, the following Null Hypotheses were framed to test the statistical significance and validity.
Null Hypothesis Ho1: Gender factor and perception of investors towards stock
          Markets are not independent.
Null Hypothesis Ho2: Investors are not more aware of risk factors involved in stock
                    Market investments

RESEARCH METHODOLOGY
The present study adopts Descriptive Research Design and both primary and secondary data were utilized for the study. The study involves the investors involved in stock market investments and data was collected with the help of stock broking agencies. The study was conducted in Vijayawada city of Andhra Pradesh and 126 respondents was selected for study which comprises both males and females.

Data was collected through questionnaire method and the questionnaire consists of the demographic particulars and the factors of risk tolerance towards investments and the general awareness levels of investors towards stock markets.

A statistical tool like Chi-square test was used to verify the significance of the proposed Null Hypotheses.

DATA ANALYSIS AND INTERPRETATION

Verification of Hypothesis-H_{o1}:

Null Hypothesis Ho1: Gender factor and perception of investors towards stock
Markets are not independent.

Gender:

Table No.1

Gender	Responses	Percentage
Male	72	57.14
Female	54	42.86
Total	126	100.00

The above table shows that 57.14 percent of the total respondents are males and 42.86 percent are females. It shows that out of the total respondents' majority are males.

To verify the above hypothesis, chi-square test was applied to test the statistical validity.

Table No.2

Gender	Observed frequency	Expected	O-E	$(O-E)^2$	$(O-E)^2/E$
Male	72	63	9	81	1.28
Female	54	63	-11	121	1.92
Total	126				3.20

The above table shows that the calculated Chi-square value (x^2) is 3.20 at 5% significance level and it is less than the tabulated value. Hence the above Null Hypothesis H_{o1} is rejected.

It can be inferred from the above results that the perceptions of males and females regarding the investments in stock markets are independent.

Verification of Hypothesis-H_{o2}:

Null Hypothesis Ho2: Investors are not more aware of risk factors involved in stock Market investments.

Risk Tolerance:

Table No.3

Level of Awareness	Responses	Percentage
High	0	0
Moderate	52	41.27
Low	74	58.73
Total	126	100.00

The above table shows that 41.27 percent of the total respondents are having moderate level of awareness and 58.73 percent are having low level of awareness on risk factors involved in stock market investments. It shows that out of the total respondents' majority are having low level of awareness with regard to risk factors involved in stock market investments.

To verify the above hypothesis, chi-square test was applied to test the statistical validity.

Table No.4

Gender	Observed frequency	Expected	O-E	$(O-E)^2$	$(O-E)^2/E$
High	0	42	42	1764	42
Moderate	52	42	10	100	2.38
Low	74	42	32	1024	24.38
Total	126				68.76

The above table shows that the calculated Chi-square value (x^2) is 68.56 at 5% significance level and it is more than the tabulated value. Hence the above Null Hypothesis H_{o2} is accepted.

It can be inferred from the above results that the awareness levels of respondents towards the risk factors involved in stock market investments is very low.

CONCLUSION

The findings of the study shows that the gender factor and perception of investors towards stock markets are independent and majority of the respondents are low awareness levels on the risk factors involved towards investments in stock markets. The female population in the society has to increase their perception levels towards Indian stock markets and the investors in the stock market has to make themselves known to risk factors involved in stock investments.

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