Introduction
CHAPTER – I
INTRODUCTION

"The work of investment is the most delicate and at the same time, the most important of all economic functions"

- M.F. Jusawalla

The capital market vitality in the development of any economy is evidentiary in promoting economic growth through the acceleration of industrial activities. The Indian capital market is credited, being the oldest capital markets having been in existence since 19th century and in terms of number of listed companies, in world, the second largest in the world. But rules and regulations have constrained the growth of the Indian economy through seriously restricting the frameworks of capital market activities. The financial reform initiated in 1990’s has bought a tremendous transformation in the relevance of capital market activities to the larger macro economics. Market capitalization, investor population, and funds mobilization have enlarged to a never seen and never before levels. With the massive growth, the associated issues and problems began to emerge demanding intervention by appropriate authorities. The capital market reforms includes abolition of industrial licensing for public sector undertakings, abolition of asset ceiling for companies covered by Monopolistic Trade Practice Act.

Formation of Securities Exchange Board of India to protect the interest of the investor allowing 51% Foreign Ownership of Equities and also gave permission to Foreign Institutional Investors to invest in Securities traded in Indian capital market. Struggling credit market, slumping stocks and sliding dollars have been generating anxiety among executives and policy makers in early 2008. Amid the turmoil, it is easy to forget that long term structural changes in the worlds capital markets will probably prove more important than short term fluctuations as it did after the 1987 US stock market crash, the 1992 assault on the British pound and the 1997 unraveling of Asia's financial market.
MC Kinsey Global Institute (MGT) recent Research highlights several trends that look set to continue during the years ahead, long after the present bout of market turbulence has ended. (i) The continuing growth and Deepening’s of Global Capital Market as investors pore more money into equities, debt securities, bank deposits and other assets around the world. (ii) The soaring growth of financial markets in emerging economies and the growing it has between financial markets in developed and developing countries. (iii) The shift of financial weight in Asia from Japan towards fast growing emerging markets. (iv) The growing financial doubt of the euro zone countries and the significance of the euro. (v) The burgeoning role of oil rich middle eastern countries as suppliers of capital to the world along with the rise of new financial hubs in the middle east to compliment the rapidly growing hubs in London and Asia. While these trends reflect a shift in financial power from the US towards other parts of the world the sheer size and depth of the US market will give it a leading role on the international financial stage for years to come.

In spite of many ups and downs the equity culture in India, it has grown at rapid pace, spreading to even the remote part of the country. Besides the traditional middle income from urban markets, even low income and less educated from rural areas are participating actively in the Indian capital market. All investments have elements of risk. The investors are bound to take all precautions to protect their interest. To safeguard their interest the SEBI, Company Law Board, Reserve Bank of India and stock market regulators confer several rights to protect and insure them from the perils of stock market. Despite these positive developments there has been a greater concern for increased protection and sensibility to the investor communities.

**Investment**

An Investment is a Commitment of funds made in the expectation of some positive rate of returns. If the Investment is properly undertaken, the return will be commensurate with the risk the investor assumes - Ronald J. Jordan.
“The Purchase by an individual or institutional investor of a financial or real asset that produces a return proportion to the risk assumed over some future investment period.”- F. Amling

**Concepts of Investment**

- Financial Investment
- Economic Investment
- Business Investment
- General Investment

**Financial Investment**

Allocation of monetary resources to assets that are expected to yield some gain or positive return over a given period of time is known as financial investment.

**Economic Investment**

According to the economists, investment means the net additions to the economy’s capital stock, which consists of goods, and services that are used in the production of other goods and services.

**Business Investment**

Putting money in a private business is known as business investment.

**General Investment**

Sometimes, some persons invest in the avenues, which do not give any additional income such as interest, dividend, rent etc., or capital growth. Such people are called “The man on the street”. 
TYPES OF INVESTMENT

- Direct Investment Alternatives.
- Indirect Investment Alternatives

Direct Investment Alternatives

- Fixed Principal Investments
- Variable Principal Securities
- Non-security Investments

Fixed Principal Investments

Fixed Principal Investments are those whose principal amounts at the terminal value are known with certainty. There will not be any change in the terminal value.

- Cash: Cash has a definite and constant value. It does not earn any return, while in hand. It is the safest investment.

- Savings Accounts: Savings accounts have a fixed return. They differ only in terms time period.

- Savings Certificates: Savings certificates are quite recent. Some of the examples of savings certificates are national savings certificates, bank savings certificates, postal savings certificates etc.

- Government Bonds: State Governments and Central Governments issue Government bonds. These bonds are having a fixed maturity value. They bear a fixed rate of return over time.

- Corporate Bonds and Debentures: Corporate bonds and debentures also have a fixed maturity value and fixed rate of return over time.
Variable Principal Securities

The Variable Principal Securities are those whose terminal values are not known with certainty.

- **Preference Shares:** Preference share is a share that bears a stated dividend and has priority of claim over equity shares in the matter of dividend and assets in the event of liquidation of the company.

- **Equity Shares:** Equity share is security that represents ownership interest in a company. It is issued to those who have contributed capital in setting up an enterprise. They have neither fixed return nor maturity period.

- **Convertible Securities:** Convertible securities such as convertible debentures or preference shares can convert themselves into equity shares.

Non-security Investments

Non-security investments are those, which are other than corporate securities.

- **Real Estate:** It denotes the ownership of residential as well as commercial properties. It is less liquid than corporate securities.

- **Mortgages:** Mortgages denote the financing of real estate. It has a periodic fixed income and the principal is recovered at a stated maturity date.

- **Commodities:** In the process of buying and selling commodities, while purchasing the goods we pay the price for them.

- **Business Ventures:** Business ventures denote direct ownership investments in new or growing business before firms sell securities on public basis.

- **Art, Antiques and other Valuables:** Art, antiques and other valuables include silver, gold and Jewellery.
Indirect Investment Alternatives

Indirect Investment alternatives are those in which the individual has no direct hold on the amount he invests. It is a contribution from the investor savings to certain organizations such as LIC, UTI. Etc. The Investor has no direct responsibility or hold on the savings.

Types of Investors

Investors are three categories.

- Conservative Investors.
- Speculative Investors.
- Enterprising Investors.

Conservative Investors

Conservative Investors buy the securities with a view to invest their savings in profitable income earning securities.

Speculative Investors

Speculative Investors are popularly known as speculators. They buy securities with a hope to sell them in future at a profit.

Enterprising Investors

They assume risk very boldly as well as willingly. They aim at income as well as enjoying capital appreciation.
STATEMENT OF THE PROBLEM

The retail investors are the Axis of the study. The evolving sophistication and level of transaction of investor having seen a positive spin. The study endeavors to identify the issues and challenges faced by the retail investors' community. The avenue of investment having multiplied in the options the preference or otherwise and the level of preference over others makes for exciting and inquisitive study. The media explosion and its influence in educating and enlightening the prospective investors and investors about the risks, opportunities and factors impacting its growth ranges makes it a rather insightful and holistic study on the titled topic. With the stock market having witnessed volatile fluctuation and down turn recently, the corresponding changes in their perception towards the stock market, changes in the investing pattern, investor awareness continent behavioural trends and their overall assessment of market realities is other factor in this retail investor oriented study.

Sometimes coincidences like truth can be stranger than fiction. There is a brief check list of broad coincidences that have been noticed during the pattern of booms and scams in Indian stock market. There seems to be a 4 to 5 years period during which major scams tends to erupt in India. Each scam proceeded by a prolonged buildup of the sensex which touches a new peak. Some times before the scam breaks out the sensex naturally crashes after the scam and it usually takes about 2 years for the index to get back to the respectable levels. During each scam the stock market investors get badly hit. Each scam has been processed by growing media reports about the scamsters that have glorified them as poster boys of the bull kingdom in Dalal Street. This shows that even Indian media in particular the segment covering dalal street after as it gets carried away bull runs. Scam are usually followed by official committees that signals determined voices about holding all culprits no to let go un punished while the committee members are busy marveling at the long arm of the Indian law, the culprits have usually subverted the system to get away lightly. Nobody seems to have learned any lessons from the scams
investors, regulators, investigators while the bulls are on rampage. There is sucker born every minute despite stories about how the retail investor has been frightened away by scams, the reality is that their pulses quicken quickly and they start dreaming of the millions, the moment, they sense a bull run, it happen in 1992, it happening today.

The study enters to seek probable solution to the issues plaguing the retail investors

- The impact of media on the investment idea and mode
- The Equities culture penetration among the classes of society
- The effectiveness of the instituted investors protection mechanisms
- To enlighten thyself of the investor awareness of stock market happenings
- To understand the investors acknowledgement of the drivers and inhibitors to the growth of their stock performance.

SCOPE OF THE STUDY

The study results will be of a great help to the government in future policy makings. It will also be useful to stock exchange authorities, retail investors issuing companies, merchant bankers, under writers to find out the nature of the investing public, their objectives and their grievances. It would be useful to the students of financial management who specialize in capital market studies, especially about the online trading systems.

OBJECTIVES OF THE STUDY

- To understand the investors investment attitude towards share market
- To explore the investors level of awareness towards dynamic and myriad environmental impacts
- To examine the investors investment pattern and thread bare the investors behaviour
• To find the probable investment objectives and factors influencing the process
• To identify the challenges and issues faced by the investors and to gauge the effectiveness of instituted investors’ protection mechanisms.

METHODOLOGY USED IN THE STUDY

Area of the study

Area of the study refers to Coimbatore city, India which is known for Textiles, Foundries, and Pump & Motor Industries.

Population and Sampling

The research was undertaken with the help of primary and secondary data. The total population of Coimbatore city is fifteen lakhs (2001 Census) of which 35% is investors (TATA mutual fund Census record). There are ten agencies operating in Coimbatore which covers most of the investors from each of the agencies 50 investors are selected under random sampling to get 500 respondents for the study. The secondary data are collected from the journals, magazines and websites etc.,

Tools for analysis

The following statistical tools were used in the study

• Percentage Analysis
• Chi-square Analysis
• Four point scaling Technique
• Average rank Analysis
• Factor Analysis
• SWOT Analysis
• Kruskal Wallis (H) test
• Correlation analysis and t-test
• Z-test
LIMITATIONS OF THE STUDY

As the study involves lot of time, the collection of data was a real challenge due to the problem in identification of proper investors. However adequate time was given to the investors in providing data as an attempt to collect the unbiased data.

CHAPTER SCHEME

The thesis is arranged into the following Six chapters

CHAPTER I: INTRODUCTION

The chapter deals with introduction, statement of the problem, objectives of the study, methodology, limitations and scope.

CHAPTER II: REVIEW OF LITERATURE

This chapter deals with review of various studies conducted in this area or in the related area.

CHAPTER III: INDIAN CAPITAL MARKET AN OVERVIEW

This chapter presents a detailed theoretical input relating to capital market and the recent developments in the primary and secondary markets.

CHAPTER IV: ON LINE TRADING SYSTEM

This chapter presents detailed theoretical input relating to the functioning of online trading system.

CHAPTER V: ANALYSIS AND DISCUSSION

In this chapter, data collected from the investors were analysed and presented in the form of descriptive analysis and statistical analysis.

CHAPTER VI: FINDINGS, SUGGESTIONS AND CONCLUSION

This chapter brings out the results of the study, recommendations and conclusion.