1.1 Introduction

The present study is entitled as “Investors’ Attitude towards Stock Market: A study with Reference to Madurai City”. The Indian stock market is one of the oldest and largest in the world. The rapid industrialisation in the country since independence has given vitality to the stock market. Stock market helps to channelize household savings to the corporate sector which in turn facilitates the development of industrial and service sectors. An equity share is a part of the ownership capital of the company eligible to share many benefits from the company. When one invests in shares, he keeps it for some time depending upon the stock price. When the rates of shares increase, he sells the securities to another party. Investment is generally done by people in order to meet their future needs and also to protect them from the impact of inflation. Investment in shares will fetch better returns compared to any other form of investment. Whenever the inflation rate is high, the stock market has given higher rates of return to the investors. Share trading helps the corporate to raise additional funds for expansion by creating demand for the securities. The liquidity that an exchange provides gives the investors the ability to quick and easy selling of securities. This is an attractive feature of the stock market investment.

Investors can select the suitable avenue according to their desired level of risk, return and liquidity. Investment in securities of capital market can be made through primary or secondary market. In the primary market corporate entities offer new securities directly to the investors and mobilize the funds needed for their development. The secondary market provides continuous liquidity to the securities by trading them in the stock exchanges. The investors can buy or sell the
existing securities at the prevailing market prices in the stock exchange through stockbrokers\footnote{1 J. Michael Sammanasu, “An Inquiry into the Investors’ Preferences in Capital Market Investment with special Reference to Tiruchirappalli – District”, Unpublished Thesis, Bharathidasan University, April 2010}. 

Investment is the deployment of fund with the aim of achieving additional income or growth in capital value. Investment is an investing activity that attracts all people irrespective of their occupation, education and social status. An understating of the core concepts and a thorough analysis of the options can help investors to create a portfolio that maximize returns while minimizing risk exposure. The general concern and focus of the financial advisors and government is to see that every individual needs to invest and earn returns on their idle resources and generate a specified sum of money for a specific goal in life and make a provision for an uncertain future. The financial investment is the obligation of money that is expected to yield some gain over a period of time. If a person has more funds than his current needs he can deposit the surplus money in the bank to earn a fixed rate of interest or buy gold or purchase shares or invest in any other form of financial instruments. In other words, investment is allocating of monetary resources to assets that are expected to yield some gain or positive return over a period of time. The assets may range from safe investment to risky investment.

The nature of investment in the financial sense differs from its use in the economic sense. To the economists, investment means net addition to the economy’s capital stock which consists of goods and services that are used in the production of other goods and services. In this context, the term investment,
therefore, implies the formation of new and productive capital in the form of new construction, new products and durable equipments. Inventories and human capital are included in the economists’ definition of investment. Traditionally investment is distinguished from speculation in three ways. Speculation brings in its wake risk, capital gain and period of time. The word risk refers to the possibility of incurring a loss in a financial transaction. In investing in shares, if purchases of securities are preceded by proper investigation, analysis and review they will receive a stable return over a period of time. Such an act is called investment.

In India, the investors have the dual advantages of free enterprises and government control. Freedom and growth are ensured from the competitive forces of private enterprise. On the other hand, being a fixed economy, government control exerts discipline and curtails some elements of freedom. A public sector left free to operate hope to achieve the benefits derived from both socialistic and capitalist forms of government. But such an independent public sector brings in disadvantages also. In India, the political climate is conducive to investment as government controls lends stability to the capital markets. The success of every investment decision has become increasingly important in recent times. Making sound investment decisions require both knowledge and skill. Skill is needed to evaluate the risk and return associated with and investment decision. Knowledge is required to analyse the complex investment alternatives available in the economic environment. The main aim of investors is to get capital appreciation and regular returns. The capital appreciation occurs when an investment is sold out at a higher price as compared to the original purchase price of an investment. The regular return from investment is derived in the form of interest or dividend. Before
making an investment the investors are considering different factors such as financial, political, economical, market conditions and psychological environment.

Nowaday’s investors have before them the wide range of investment opportunities such as equity shares, fixed returns securities, deposits, tax benefits saving schemes, units of mutual funds, insurance schemes, gold and real estates. Out of the various investment opportunities available, the investment on equity shares is considered to be a more rewardable and more risk prone. However many investors in India are coming forward to invest their hard earned money in equity. In this context, the present study highlights the investors’ attitude towards stock market in Madurai city. This study mainly focuses on the awareness of the investors’ in respect of stock market and factors to be considered before investing in the market. Besides it has also been has also analysed about the investors’ satisfaction regarding investment in stock market.

1.2 Statement of the Problem

An investor means a person who invests his savings. Investment is an activity, which is different from savings. Savings are generated when a person abstains from present consumption for a future use. Savings keep the cash idle and do not earn anything. Hence the saver has to find a temporary repository for his savings until they are required for his future. This results in investment. Increase in investments is because of hike in working population, enhanced family incomes and consequent savings, availability of large and attractive investment alternatives and increase in investment related publicity. Investment has become a household word and is very popular with the people at large.
Investment is a word of many interpretations. When a person has advanced some money to others, he may consider his loan as an investment. He expects to get back the principal along with interest at a future date. Another person may have purchased a land for the purpose of value appreciation and may consider it is an investment. The investors consider their investment needs, goals, objectives and constraints in making investment decisions; it is not possible to make a successful investment decision at all times. In the past, the equity investment was considered to be a risky investment and hence only rich and business class people had entered in the stock market transactions. But to-day, the equity investment has become a household word and even middle class people also actively involved in equity investment operations with the results that the total investments on equity in various companies in India had increased tremendously. The investment made with the help of rumours and tips may erode off the amount invested. As there is a general attitude prevailing that making out of the stock market is easy, many enter the stock market without prior knowledge and get their fingers burnt.

In Indian stock market, the majority of the investors are investing their money in shares based on their own assumptions and others’ decision. In buying a share number of factors are to be considered like the standing of the company, political and economical environments, condition of the financial, market and psychological factors. These considerations help to purchase the shares with least cost and selling them at high price. It is better to invest after careful study and a systematic evaluation in the form of fundamental and technical analysis.

Many investors neglect this evaluation due to inefficiency or lack of knowledge of the importance of such an analysis. As a result they enter the market
without adopting any systematic approach. Therefore they are not able to predict the future movements and they lose more when the market turns bearish. Even though the Government of India has established many supervisory bodies to take over the various operations of the stock market, it has not yet attained stability. The irrational investors enter the market and buy the shares as per their own wish and pleasure. They do not mind whether it is worthy to invest or not in the particular company’s share. As a result the market loses its stability, when a large number of irrational investors play in the stock market. Ultimately when the stock markets lose the stability, the flow of funds into capital market slows down and affects the economic growth of the country.

A behavioural finance expert has stated that investors’ financial decision making is not always driven by just mental considerations. The investors have revealed more human traits in investment decision making such as fear, risk seeking and aversion, peer group pressures and pleasure rather than going in a systematic manner. Psychological and behavioural factors play a vital role in investment decision rather than fundamental analysis of facts and figures. It is a well known fact that the ability of human beings to make complex decisions is limited and emotionally and psychologically biased. The attitude of investors is examined from their risk bearing capacity. A number of implications of this issue have been expressed by retail investors in the selected area of Madurai city, which have been explicitly studied with respect to awareness about the stock market in different dimensions, factors influencing investment decisions and level of satisfaction towards stock market investment. These are all in respect of measuring the investors’ attitude in the study area. The major objective of the study is to
discover the attitude of investors in their stock market investment and explore their expectations as to make such investors achieve their investment objectives. This study would help many investors who may want to know a rational method to buy shares that have a better, risk position, role of SEBI, investors’ rights and portfolio information along with their broad category of statement. Hence the study is entitled as “Investors’ Attitude towards Stock Market: A Study with Reference to Madurai City”.

1.3 Objectives of the Study

The following are the objectives of the study

1. To trace the theoretical framework of the stock market investments.
2. To develop the conceptual model of satisfaction of towards stock market.
3. To examine the socio-economic profile and assess the level of awareness of the sample respondents about the stock market in Madurai city.
4. To identify the factors influencing investment decisions in stock market.
5. To evaluate the level of satisfaction of the investors in the stock market investment.
6. To summarize the findings and offer suitable suggestions to the individual investors to make a good return on their investment in the stock market.
1.4 Hypotheses

The following null hypotheses were framed and they were tested with the help of statistical tools mentioned at the end of this chapter.

- There is no significant difference in the level of awareness and perception of factors influencing investment decisions among the group of respondents on the basis of personal profile such as gender, age, educational qualification, occupation, marital status, type of family, monthly income and annual investment.

1.5 Scope of the Study

The present study is devoted to analyse the attitude of stock market investors in Madurai city. For the purpose of the study, the investors belonging to Madurai city only were selected. The study had been approached from the standpoint of investors who had interest in buying equity shares only. It does not include any other individual and institutions which are directly associated with stock market investment.

The study will be helpful for better understanding about the stock market investment and help make good decisions in the market. It could be used by the various factors that are to be considered to reduce their market risk, beside to earn a fair return. The market predictions probably change many times, so that the return cannot be measured accurately. This study will also help the stock brokers, executives and financial experts. It is providing more number of tips with regard to investments in the stocks used to be traded in the market. This study helps to find answers for questions relating to investment strategies, views on different
investment portfolios and minute details considered by the respondents before going in the stock selection in the stock market. This study may help the individual investor and will be highly beneficial, giving valuable information at the time of investment in the stock market.

1.6 Review of Literature

The research dimension of the related literature and the relevant information begins from an explanatory perspective, approaching towards specific studies which are related to judging the imitations and informational gaps in data from the secondary sources. This analysis may reveal conclusions from past studies to realise the reliability of the secondary sources and their creditability. This in turn enables one to rely on a comprehensive review for the study.

A few studies had been made which were indirectly helpful to this investigation. Reviews of such studies are presented below:

Marshall E. Blume and Irwin Friend\(^2\), in their article had concluded that investors’ perceptions of their rate of return were not strongly related to any socio-economic demographic characteristics except for age and income. The amount of diversification was positively related to educational level and age even after holding the income constant. Age was a lesser factor than education.

Thomas A Durkin and Gregory F. Elliehausen\(^3\) had found the stage in life cycle to have less influence on holdings, than income. The survey further confirmed that ownership of every type of assets by age, stage in life cycle

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education; occupation, housing status and racial and ethnic group were to follow the patterns related to income.

Preethi Singh⁴ had disclosed the basic rules for selecting the company to invest in. She had viewed that understanding and measuring return and risk is fundamental to the investment process. According to her, most investors were ‘risk averse’. To have a higher return, the investor had to face greater risks. She had concluded that every investor should have an understanding of the various pitfalls of investments. Investors should carefully analyse the financial statements with special reference to solvency, profitability, EPS, and efficiency of the company.

Richard B. Roxs⁵, had defined risk as the chance that the investor will not achieve the terminal amount necessary at the time required. Risk, according to him is really not a question of objectivity for most people and it is an emotional question.

David. L. Scott and William Edward⁶ reviewed the important risks of owning common stocks and the ways to minimise these risks. They commented that the severity of financial risk depends on how heavily a business relies on debt. Financial risk is relatively easy to minimise if an investor sticks to the common stocks of companies that employ small amounts of debt. They suggested that a relatively easy way to ensure some degree of liquidity is to restrict investment in

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⁵ Richard B. Roxs “Marketing to the Individual Investors in Darwin”, M.Baytoned.1988, pp.53-57
stocks having a history of adequate trading volume. Investors concerned about business risk can reduce it by selecting common stocks of firms that are diversified in several unrelated industries.

Nabhi Kumar Jain\(^7\) had specified certain tips for buying shares for holding and for selling shares. He had advised the investors to buy shares of a growing company of a growing industry, buy shares by diversifying in a number of growth companies operating in different but equally fast growing sectors of the company. He had suggested selling the shares; the moment company had or almost reached the peak of its growth. Also, he had suggested selling the shares the moment one realised that he had made a mistake in the initial selection of the shares. The only option to decide when to buy and sell high priced shares was to identify the individual merits or demerits of each of the shares in the portfolio and arrive at a decision.

Peter Lynch\(^8\) had stated that the price-earnings ratio is often a useful measure of whether any stock is over the period, fairly priced or under priced relating to a company’s money making potential.

Prasanna Chandra\(^9\), had stated that the price earnings ratio was a summary that primarily reflect growth prospectus, risk characteristics, shareholder orientation, corporate image and degree of liquidity. The popular consideration of the price earnings multiple was because it provided a convenient measure for inter-firm and inter-industry and inter-market comparison.

\(^7\) Nabhi Kumar Jain, “How to Earn More from Shares”, Nabhi publications, Delhi, 1994
\(^8\) Peter Lynch, The former fund Manager Magellan fund, Charted Financial Analyst, September, 1994
\(^9\) Prasanna Chandra, IIM, Bangalore, Chartered financial analyst, September, 1994
Vinayakam and Charumathi\textsuperscript{10} in their study observed that equity cult had spread to different parts of the country and millions of Indian investors invested their savings in the booming stock markets. What was once considered as the exclusive game of the rich and privileged class is now becoming a matter of day interest for millions of middle and low income groups of investing public in India. In spite of such widespread interest of Indian investors in shares, investment knowledge is very much lacking in them. This is evident from the fact that most of them usually get attracted towards the stock exchanges like moths to a candle in periods of boom and rising prices in a bid to become rich quickly. When the boom bursts and a depression sets in, most of such new entrants prove a menace to themselves and to the general public ultimately.

Elke U. Weber Richard A. Milliman\textsuperscript{11}, had stated that commuters changed their preferences for trains with risky arrival times when the alternative involved gains with changes in the perception of the riskiness of the choice of alternatives. This had left the perceived risk attitudes of majority of commuters unchanged. Similarly, they had investigated changes in risk perception, information acquisition and stock selection as a function of outcome viz., returns. Investors’ stock selection and their perception of the risk of the same stock were different in series of decisions in which they lost money than in series in which they made money.


Lewellen et al\textsuperscript{12}, had found investor’s age, income level and gender essentially in that descending order of importance to be the characteristics which overrode characteristics viz., occupation, marital status, family size and educational background as significant influences in the explanation of differences in investment style and strategy. The last four were found to make modest contribution to investment decisions.

Tomy Varghese\textsuperscript{13} conducted a study on individual investors in the capital market in Kerala. He had stated that brokers were not well informed. His survey revealed that, 53 per cent of investors felt that brokers were not honest and about 83 per cent had experienced delay in payments. However, the majority of the investors (74 per cent) considered that brokers are helpful.

Santi Swarup K\textsuperscript{14} had indicated that the investors gave importance to their own analysis as compared to brokers’ advice. They also considered market price as a better indicator than analyst’s recommendations. The study also identified factors that were affecting primary market situation in India. Issue price, information availability, market price after listing and liquidity had emerged as importance factors in the study. The study suggested that investors need to be assured of some return and the level of risk associated with investment in the market was very high. They have bad experience in terms of lower market price after listing and high issue price. A number of measures in terms of regulatory

\textsuperscript{12} Welbrr G. Lewellen, R.C. Lease and G.G. Schlarbaum, 1997.op.cit
\textsuperscript{14} Santi Swarup, K., “Measures for Improving Common Investors’ Confidence in Indian Primary Market a Survey”, (online), National Stock Exchange India Limited, 2003.
price level and market oriented reforms were suggested to improve the investor confidence in equity primary markets. However, this study did not highlight the measures for improving investors’ confidence in the secondary market.

Ravichandran, K.S, and others\textsuperscript{15} had stated that traditionally, technical analysis approach, that predicted stock market prices and volume, basic concepts of trends, price concepts trends, price patterns and oscillators, were commonly used by investors to aid investment decisions. In recent year most of the studies had considered the future predictions in the stock market through Neural Networks.

Natalie Y. Oh, Jerry T. Parwada and Terry S. Walter\textsuperscript{16} investigate the trading behaviour and performance of online equity investors in comparison to non-online equity investors in Korea. While online trading has become more prevalent in financial markets, the role of online investors and their impact on prices has attracted little empirical scrutiny. They study the trading activity of foreign investors, local institutions and individual traders between 2001 and 2005 and compare their performance based on whether or not trading is performed online. Their main finding is that in aggregate, online investors perform poorly in comparison to non-online investors. Between investor-types, foreigners show the best returns, followed by local institutions. Individual investors provide liquidity to other investor-types, particularly when trading online. On balance, the main


implication of their findings is that the disadvantage suffered by individual investors is mainly explained by their online trades.

Mahabaleswara Bhatta H. S\textsuperscript{17} had felt that empirical studies had time and again proved that irrational behaviours have caused stock market bubbles and crashes. The knowledge developed through the studies would provide a framework of behavioural principles within which the investors would react. The paper suggested for a time bound program to educate and counsel the individual investors about the wisdom required in stock trading and be aware of unethical and tactical practice of brokers, shady dealing of the companies and the insider trading.

Tabassum Sultana Syed\textsuperscript{18}, studied the characteristics of the Indian individual investors i.e., risk tolerance level and independent variables such as age, gender on the basis of a survey. Some of the investors had high income, well-educated, high salaries and independent in making investment decisions and some conservative investors, had conveyed that irrespective of gender, most of them were found to have a low risk tolerance level and many others had a high tolerance level rather than moderate risk tolerance risk.

Singh Sandhu and Kundu\textsuperscript{19} had indicated that attitude dimensions and demographic variables contributed significantly in classifying investors as adopters or non-adopters in internet trading. As regards attitude dimensions,

\textsuperscript{19} Singh Sandhu and Kundu, JIBL, Vol.15, No.1, April, 2010, pp. 1-19
‘variety of financial products and safety’ contributed significantly in discriminating between adopters and non-adopters followed by the factor such as convenience and transparency. As far as the demographics were concerned, the mature/older, experienced and business men investors were less likely to use internet stock trading as compared to young, inexperienced and non-business investors.

Manoj Kumar Dashl Factors Influencing Investment Decision of Generations in India: An Econometric Study This study aims to gain knowledge about key factors that influence investment behavior and ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups. The individuals may be equal in all aspects, may even be living next door, but their financial planning needs are very different. It is by using different age groups along with Gender that synergism between investors can be generated. In this context, demographics alone no longer suffice as the basis of segmentation of individual investors. Hence keeping this in mind, the present study is an attempt to find out Factors which affects individual investment decision and Differences in the perception of Investors in the decision of investing on basis of Age and on the basis of Gender. The study concludes that investors’ age and gender predominantly decides the risk taking capacity of investors.

Annal Lourdhu Regina, had pointed out that the blue-chip shares were followed by the growth shares. The buying decision of the investor may be on the

basis of fundamental or technical analysis or it may be triggered by a very positive earnings announcement. Some forty per cent of the respondents had unfavourable perceptions about Indian stock market, the level of investor’s awareness varied significantly among respondents belonging to different age groups.

James E. Corter\textsuperscript{22} had concluded that risk tolerance and uncertainty tolerance can be distinguished not only theoretically but empirically and that both types of attitudes affected investing behaviour. While higher levels of risk tolerance led to riskier portfolios and thus to higher exposure to losses, it seemed that investors’ emotional reactions to losses were not mitigated by higher level of risk tolerance. It suggested that a high level of risk tolerance insulated a client from neither the actual nor the emotional consequence of market losses.

Sohan Patidar\textsuperscript{23}, found that as per the age-wise classification, the investors in the age group of below 35 years were actively participating in the speculation trade and the age group of above 55 hesitated to take risks. Professional people were not interested in the share market and investors falling under the income group below Rs 20,000 showed more interest in investing their earnings in the share market.

Maruthu Pandian P and Benjamin Christopher\textsuperscript{24} had stated that there was a difference in the revival of awareness among the investors. It was found that the

\begin{itemize}
    \item Maruthu Pandian and Benjamin Christopher, “A Study on Equity Investor Awareness”, Unpublished Doctoral Dissertation at Bharathiar University, 2010
\end{itemize}
awareness index was high among young male investors, post-graduates and meticulous business men.

Selvam V\textsuperscript{25} had concluded that internet trading had gained momentum, as result of trading volume growing by 150 per cent per annum. The NSE had 108 registered brokers, 10.54 crore internet trading subscribers with five major companies’ controlling 90 per cent of the market share in internet trading.

E. Bennet et al\textsuperscript{26}, found the average value of the five factors namely, return on equity, quality of management, return on investment, price to earnings ratio and various ratio of the company had influenced the decision makers. Further other five factors such as recommendation by analysts, broker and research report, recommended by friend, family and peer, geographical location of the company and social responsibility were given the lowest priority or which had low influence on the stock selection decision by the retail investors.

Arifur Rehman Shaikh and Anil B Kalkundarikar\textsuperscript{27} had revealed that knowledge level significantly leveraged the returns on the investments and there was a negative correlation between the occupation of retail investor and the level of risk.


\textsuperscript{26} E. Bennet and Others, “Investors’ Attitude on Stock Selection Decision”, International Journal of Management and Business studies (online), Vol 1, Issue 2, June, 2011, pp. 7-15

Palaneeswari T and Kaleeswari J\textsuperscript{28} had analysed the factors influencing investment in capital market in which risk factors had the highest loading and awareness factor had the lowest loading.

Srinivasa and Rasure\textsuperscript{29}, had pointed out that there seemed to be a certain degree of correlation between the factors that behavioural finance theory and previous empirical evidence were identified as the influencing factors for the average equity investor, and the individual behaviour of the active investors in the Indian stock market was influenced by the overall trends prevailing at the time of the survey in the BSE.

Mart Grinblatt and Matti Keloharju\textsuperscript{30} had analysed that the difference in investor behaviour was consistent at regular intervals. The portfolios of foreign investors outperformed the portfolios of households, even after controlling the behaviour difference.

Rajeev Jain\textsuperscript{31}, had examined three important attitudes displayed by the investors such as expectations that those investors had about the future

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performance of the stock market in India, secondly confidence that investors had regarding their investments and finally the herd instincts that indicate investors tend to herd together. It is a fact that only few investors created immense wealth from a stock market and also managed to keep it for decades, Investors take the right decisions and for taking right decisions they needed experience.

Dhiraj Jains and Nakul Dashora\textsuperscript{32} had identified that the decision factors such as market expectations, dividend and bonus announcements, and the impact of age, income levels and other market related information were influenced by market movements.

Warne, D.P., Suman\textsuperscript{33}, had stated that the market movements affected the investment pattern of investors in the stock market.

Wahida Farzana and others\textsuperscript{34}, in their findings showed that though individual investors made investments in security market as an alternative source of income along with their fixed income; they tend to take risks by investing large amounts of capital. The reasons for taking high risks on investments were steady return on capital, knowledge of capital market situation through trading program arranged by Securities and Exchange Commission. Moreover, investors maintained their own portfolio. It was the responsibility of the brokers who do not provide them with a contract note after trading.


E. Bennet and et al\textsuperscript{35} had analysed the factors influencing investors’ expectation of stock price rising for next twelve months are the low rate of inflation, interest rate, unemployment rate and price of fuel. The investor optimism or nothing can go wrong attitude was reflected in the belief that there was no alternative investment option other than the stock market. Investors desired to invest in stock market for getting high rate of return and capital appreciation whereas post office, government bonds, bank deposit and other instruments yielded low rate of returns. Therefore, investor’s preference lay in investing in the stock market.

Manjunatha T and Gopi K. T\textsuperscript{36}, found that every investor had his own investment objectives, risk acceptance level, inflows and outflows of money and other constraints. Their study showed that the decision of retail investors in primary market were influenced by issue price, information availability, broker advice, recommendations of the analysts, secondary market situation, disclosure by market participation and other factor. The study suggested that wealth maximisation criteria was important to retail investors while investing in the primary market, the recommendation of brokerage house analysts, issue price, IPOs grading, promoters’ reputations and other factors go largely were considered in the primary market.


\textsuperscript{36} Manjunatha T and Gopi K. T, “Factors Influencing Retail Investors in Indian Primary Market”, International Journal of Research in Commerce in Management (online), Vol 4, Issue 2, February, 2013, pp. 81-86
Arun Lawrence and Zajo Joseph\textsuperscript{37}, had pointed out that ‘non execution of order’ on time and availability of statement of account from brokers were the main reasons for dissatisfaction and it constituted equal part of the population to the extent of 43 per cent of population. Not getting information regarding transactions on time was the problem quoted by 14 per cent as the reason for dissatisfaction. They had suggested that the brokers should try to execute the orders on time and provide account details of investors frequently.

Tomola Marshal Obamuyi\textsuperscript{38}, in his study found that the socio economic characteristics of investors statistically and significantly influenced the investment decisions of investors in Nigeria. The study recommended that the investment climate and the market environment be made friendly and conducive to attract investors by creatively developing programmes and policies that impact on investor decision in order to maximise the value of the firms and enhance the wealth of the investors.

Claessens\textsuperscript{39} in his study on equity investment in developing countries points out that the benefits available to an investor of equity investment in emerging markets ultimately depend on a trade-off between the expected rate of return and its associated risk. To assess this trade-off a number of factors are important: the underlying factors driving the rate of return and its variability; the efficiency of the domestic stock market; the regulatory, accounting and enforcement standards in

the host country etc. The risk-return trade-off should, however, be investigated from the point of view of an internationally well diversified investor who is considering investing in emerging markets.

Feldman and Kumar\textsuperscript{40} in their article examine the main characteristics of emerging stock markets. They point out that the regulatory environment is particularly important for countries eager to integrate their market with the international financial system. Without effective regulation and enforcement, domestic and international investors will be reluctant to commit resources to these markets. Regulation to effect governmental control should be restricted to those strictly necessary for correcting market failures proves to occur in unregulated markets.

1.7 Methodology

The study was based on the both primary and secondary data which were collected through various sources. The primary data were collected through questionnaire from the 500 sample investors of stock market at Madurai city belonging to varied profiles of different age groups, varied income level, different educational qualifications and nature of employment. The secondary data were collected from journals, books, websites and magazines. Apart from this for the collection of data various libraries, broking houses at Madurai city were visited. The experts in the field were contacted and fruitful discussions followed by purposeful guidance from them were obtained.

1.8 Framework of Analysis

The collected primary data were properly edited, coded and classified. Based on this, a master table was developed and thereby a number of small tables were drawn for the purpose of analysis. Different types of statistical tools such as percentage analysis, weighted scoring technique were used in appropriate places to derive inferences and conclusion for the study. To assess the attitude of investors towards fourteen different dimensions, a five-point Likert scaling technique was used to find the scores. To find out the significant differences that existed between two or more variables, to assess the level of awareness about the stock market, to identify the factors influencing investment decisions towards stock market and other personal factors the One Way ANOVA test was applied.

The descriptive statistics method was used to calculate the mean scores, standard deviation and co-efficient of variation to find out the overall view and attitude of the sample investors. In order to find out the relationship between the level of satisfaction, level of awareness and also factors influencing investment decisions, the correlation and multiple regression tests were applied. Because the sample size was 500, the assumption of normality had been met. So the parametric test has been applied.

In order to test the significant difference between the opinion of the respondents based on their personal profiles and the level of awareness and also factors influencing investment decision, the One Way ANOVA test and Independent sample t-test were applied. The statistical calculation for mean, standard deviation, co-efficient of variation, correlation, multiple regression, One
Way ANOVA test and independent sample t-test were derived by using SPSS packages and results were shown chapter-wise in specific tables and inferences.

In order to analyse the attitude of the respondents towards the level of awareness about the stock market they were asked to respond to 20 statements using Likert’s five point scale starting from “Fully Aware” (5) to “Fully Not Aware” (1). These 20 statements were grouped in to four dimensions each of them consisting of five statements:

i. Risk

ii. Rights of a shareholder

iii. Derivative market

iv. Role of SEBI in the stock market

In order to analyses the attitude of the respondents towards factors influencing investment decision in the stock market they were asked to respond to 42 statements and they were analysed by using Likert’s five point scale starting from “Strongly Agree” (5) to “Strongly Dis Agree” (1). These 42 statements were grouped into six dimensions with each of them consisting seven statements:

i. General

ii. Company

iii. Political and economic

iv. Financial

v. Market

vi. Psychological

To test the attitude of the respondents in respect of relationship between the level of satisfaction in the stock market, the level of awareness and factors
influencing investment decision variables in the stock market, the sample investors were asked to respond to 28 statements. They were analysed by using Likert’s five point scale starting from “Fully Satisfied” (5) to “Fully Not Satisfied” (1). These 28 statements were grouped in to four dimensions with each of them consisting of seven statements:

i. Stock broker

ii. Depository

iii. SEBI rules and Regulations

iv. Market condition

The perception scores were classified into three groups:

1. High Perception: Scores above (Arithmetic Mean + Standard Deviation)

2. Medium perception: Score ranging from (Arithmetic Mean – Standard Deviation) to (Arithmetic Mean + Standard Deviation) and

3. Low perception: Scores less than (Arithmetic Mean – Standard Deviation).

1.9 Period of the Study

For collection of secondary data the last ten years from 2003-04 to 2012-13 were taken as the reference period. The required primary data were collected from investors through interview schedule during the year 2012-13.

1.10 Sampling Design and Pre-Test

For an in-depth investigation, 500 sample investors were chosen for this study in Madurai city. The sample investors were chosen by adopting the following procedure. There were ninety six stock brokers and the average weekly trading of each house was nearly about forty investors and the total population
worked out to 3840. By applying multistage proportionate random sampling technique, 500 as sample respondents were selected. For getting the results different stages were followed. In the first stage, all the 96 stock brokers in Madurai city were taken as universe. Secondly, out of 96 stock brokers, fifty per cent of total stock brokers i.e. fifty were chosen for the study. At the third stages, out of 40 average investors 25 per cent of the investors were chosen broker-wise, i.e. 10 investors from each 50 houses and it was worked out to 500 respondents. Accordingly, the primary data were collected from 500 sample investors by taking 10 each from 50 stock brokers through a well structural questionnaire. To test the validity of the sample size, Cochran’s simple size formula was applied.

\[
N = \frac{(t) \times (p) \times (q)}{(d)^2}
\]

\[
= \frac{(1.96)^2 \times (0.5) \times (0.5)}{(0.05)^2}
\]

= 384

Where \( t \) = value for selected alpha level of 0.025 in each tail = 1.96

(The alpha level of 0.05 indicates the level of risk the researcher is willing to take that true margin of error may exceed the acceptable margin of error)

Where \( p \) and \( q \) = estimate of variance = 0.25

(Maximum possible proportion (0.5) * 1 – maximum possible proportion (0.5) produces maximum possible sample size)

Where \( d \) = Acceptable margin of error for proportion being estimated = 0.05

(Error, researcher is willing to except).

The above said population of the study was 3840 investors. The required sample size was 384. However, since this sample size exceeded five per cent of
the population (3840 * 0.05 = 192), Cochran’s (1977) correction formula was used to calculate the final sample size\textsuperscript{41}. This calculation is as follows

\[
\frac{N}{n} = \frac{1}{1 + \frac{n}{\text{population}}}
\]

\[
\frac{384}{n} = \frac{1}{1 + \frac{384}{3840}} = 349
\]

Where population size = 3840

Where N = required return sample size according to Cochran’s formula (384)

Where n = required return sample size because sample size > 5 per cent of the population

Here n worked out to 349. In order to find out the final sample size, the pilot study was conducted to find out the anticipated response rate and it was found to be 65 per cent\textsuperscript{42}. By substituting the data to over sampling procedures as follows

\[
\frac{\text{Minimum sample size (corrected)}}{\text{Response rate}} = \frac{349}{0.65} = 537
\]

\textsuperscript{41} Cochran, W. G, Sampling techniques (3\textsuperscript{rd} ed.,), New York: John Wiley & Sons, 1977, pp. 43-50

Finally, the sample size was fixed as 537. Out of 537, 37 respondents filled
the questionnaire incorrectly. Hence those questionnaires were considered as
incomplete questionnaires and only 500 respondents were considered for the
study.

1.11 Limitations

In spite of its strength and uniqueness, the study is hedged with certain
limitation. They are

1. The study mainly based on the primary data collected form 500 sample
respondents in the Madurai city. The inherent drawbacks of the primary
data are applicable for this study.
2. The study covered only with the equity and equity derivative oriented
investments alone.
3. The hesitation of the respondents in disclosing their income and
investment particulars made the data collection very difficult. Respondents
did not want to reveal their investment details in absolute
terms and hence the questionnaire had to be modified to get the data
relating to the income level and investment level.
4. The findings were restricted to a small group of investors in Madurai city
and may not represent the entire population.
5. Many technical information and terms contained in the questionnaire, had
to be explained to the respondents to enable them to fill the questionnaire.
6. This study pertains to a specific period and place and may be applicable
to other periods and places if a similar condition exists.
1.12 Operational Definition Concepts

1.12.1 Blue chips

Shares of particularly well known and established companies that have shown consistent growth over the years, which have bright future prospects and are expected to do well in the future.

1.12.2 Fundamental Analysis

Fundamental analysis of a business involves analysing its statements and health, its management, competitive advantages, its competitors and markets.

1.12.3 Technical Analysis

In finance, technical analysis is undertaken through the study of past market data, primarily price and volume as a security analysis discipline for forecasting the future direction of prices.

1.12.4 Gross Domestic Product

The value of total final output of goods and services produced within a country during a year.

1.12.5 Nifty Index

Share price index started by the National Stock Exchange in November 1996. It comprises 50 large and liquid stocks in the NSE.

1.12.6 Primary Market

These refer to the market for new issues. Once a new issue has been made, it begins to be traded in the secondary market.

1.12.7 Secondary market

The market, in which existing shares are traded among investors bought or sold.
1.12.8 Securities Exchange Board of India

Statutory Regulatory Authority for the capital market in India created by the Government in 1992.

1.12.9 Listed Company

It means a company whose shares are tradable in a stock exchange. Such a company has to fulfil a host of prescribed conditions intended to protect the investors. Capital market regulations cover only the listed companies.

1.12.10 Sensex

It is a short form of Sensitive Index, based on share prices of 30 leading companies in India. It was started by the BSE in 1978-79 and is the oldest index of India.

1.12.11 Broker

A member of the stock exchange, who is licensed to buy or sell shares on his own or his clients’

1.12.12 Inflation

The annual percentage increase in the general price level

1.12.13 Settlement Cycle

Settlement cycle on the NSE/BSE is an account period for the securities traded on the exchange.

1.12.14 Capital Gain

Rise in the value of an equity share over and above the purchase price.

1.12.15 Contract Note

Contract note is a confirmation of the trade done on a particular day for and on behalf of a client.
1.12.16 Brokerage

The minimum brokerage chargeable as stipulated by SEBI is at present 2.5 Per cent of the trade value. This maximum brokerage is inclusive of sub-brokers brokerage which shall not exceed 1.5 per cent of the total value.

1.12.17 Dematerialization

Securities in physical form are cancelled and credited in the form of electronic balances which are maintained on a highly secure system at NSDL.

1.12.18 Investors

One who buys or sells the securities in the stock market.

1.12.19 Short Delivery

Short delivery refers to situation where a client, who has sold certain shares during a settlement cycle, fails to deliver the shares to the buyer either fully or partly.

1.12.20 Bonus Share

When a company’s accumulated reserves are high, it may choose to issue bonus shares to existing shareholders in proportion to their shareholding. Thus the reserves get converted into share capital but the number of shareholders will remain the same.

1.12.21 Liquidity

Quick access to cash is needed in order to make scheduled withdrawals from the portfolio with reducing transaction costs.

1.12.22 Risk Tolerance

It refers to the risk taking ability of the investors which is assessed based on the responses given by the investors relating to their investment strategy.
1.12.23 Investors Awareness

Financial literacy or investor awareness is the process by which investors improve their understanding of financial market products, concepts and risk.

1.12.24 Reliability

In statistics, Cronbach’s alpha is a coefficient of internal consistency. It is commonly used as an estimate of the reliability of a psychometric test for a sample of examinees.

1.12.25 Intraday

It refers to price movements of a given security over the course of one day of trading. It is generally used to describe the high and low price of a stock or option during a given trading day or session.

1.13 Chapter Scheme

The report of the study was organised and presented in seven chapters.

The first chapter forms the introduction and design of the study. This in detail had sub-divisions like introduction, statement of the problem, review of literature, objective of the study, significance of the study, methodology, design of the study, limitations, and chapter scheme.

The second chapter deals with the theoretical background of the stock market investment elaborating the various theories related to investors' behaviour in the stock market.
The third chapter covers validation of the conceptual model using visuals Path Linear Square. It deals with statistical validation of an empirical model that explains the attitude of investors and it offers a predictive analysis of the data resulting in a theoretical confirmation.

The fourth chapter describes the level of awareness about the stock market along with socio economic profile of the respondents in the study area in which, the hypothesis related to level of awareness and personal variables of the respondents were analysed.

The fifth chapter contains the attitude of investors towards various factors influencing their investment decision and also tested the hypothesis with regard to personal variables and various factors influencing investment decision in the stock market.

The sixth chapter deals with the level of satisfaction towards stock market investment in various dimensions and analysed between them the level of awareness, level of satisfaction and the factors influencing investment decision.

The seventh chapter concludes with the summary of the study. The chapter contains the major findings of the study and the suggestions for further research.