CHAPTER - VI

INVESTMENT PATTERN ON STOCK MARKETS

The market for long term securities like bonds, equity stocks and preferred stocks is divided into primary market and secondary market. The primary market deals with the new issues of securities. Outstanding securities are traded in the secondary market, which is commonly known as stock market or stock exchange. In the secondary market, the investors can sell and buy securities. Stock markets predominantly deal in the equity shares. Debt instruments like bonds and debentures are also traded in the stock market. Well regulated and active stock market promotes capital formation. Growth of the primary market depends on the secondary market. The health of the economy is reflected by the growth of the stock market.

When people draw their savings and invest in shares, it usually leads to rational allocation of resources because funds, which could have been consumed or kept in idle deposits with banks, are mobilized and redirected to help companies management boards finance their organizations. This may promote business activity with benefits for several economic sectors such as agriculture, commerce and industry, resulting in stronger economic growth and higher productivity levels of firms. Sometimes it is very difficult for the stock investor to determine whether or not the allocation of those funds is in good faith and will be able to generate long –term company growth, without examination of company's internal auditing.

The government of India has been trying to attract the investors to stock market by educating them either directly or through Securities and Exchange Board of India (SEBI). There is separate cell in SEBI in the name of investor's protection cell which takes care of the investor's problems by educating them about the stock market and its operations. The cell also tries to protect the investors through their redressed operations. All these attempts are mainly to modify the behaviour of the investors positively towards investment in stock markets. Normally the investment behaviour of the investor is influenced by the objectives and motives of an investment. An attempt is made in this chapter to study and analyse the behaviour of investors in terms of motives of investments, periodicity of investments, factors influencing the investment decisions, and the methods of evaluation of investments. For this purpose, the respondent investors are asked, a number of questions relating to the various aspects stated above, and their responses to such questions are tabulated and analyzed here under. The results of this exercise are likely to depict the investment behaviour of small and individual investors of East Godavari and West Godavari Districts of Andhra Pradesh.

Source of Advices

In the emerging market scenario, it is tedious task to marathon in stock market investors need study in depth and invest. At this juncture, self assessment is not only the source of information to investors but also depend on different sources. Efforts have been made to understand the source of advices of respondents while investing in stock market. The survey results have shown in table 6.1.

TABLE NO: 6.1 RESPONDENTS OPINION ON SOURCE OF ADVICES WHEN THEY INVEST IN STOCK MARKET

Source of advice	No. of respondents	Percentage
On the advice of broker/consultancy	131	22.74
On the advice of friends & relatives	140	24.31
On the basis of self-assessment & knowledge	200	34.72
Partially brokers and partially self	105	18.23
Total	**576**	**100.00**

Source: Field Survey

Analysis: Investment made in the stock market by the investors by relying on different sources of information. Some may be invested in the stock markets on the advice of brokers, on the advice of friends and relatives and on their self assessment and knowledge. It is observed from the above table that the majority of the respondents (34.72 per cent) invested in stock market by their own assessment and knowledge. 24.31 per cent respondents followed advice of their friends and relatives. Brokers and consultancy firms' advices adopted by 22.74 per cent respondents. Partial advices from brokers and self constituted 18.23 per cent. Therefore, it is concluded that the investments made in stock market based on the self assessment and knowledge. Always self knowledge does not work, but by watching market on regular basis, taking expert advice wherever necessary results in good returns in stock market.

Time Composition

The time composition of investment in stock market has been presented in table 6.2

TABLE NO: 6.2 TIME HORIZONS FOR INVESTING IN STOCK MARKET

Years	No. of respondents	Percentage
Less than 2	189	32.81
2 - 5	275	47.74
6 - 10	70	12.15
11 - 15	26	4.52
Above 15	16	2.78
Total	**576**	**100.00**

Source: Field Survey

Analysis: In response to the specific question, from how long the respondents invest in stock markets, the majority of the respondents (47.74 per cent) investing in the time range of 2 to 5 years. Only 32.81 per cent of the respondents continue with stock market is less than 2 years. Remaining continues from the time period of 6 to 10 (12.15 per cent), 11 to 15 (4.52 per cent) and 16 respondents (2.78 per cent) above 15 years. It is concluded that traders are very less in number and majority of the investors comes under the umbrella of long term investor. Staying long period results healthy returns to the investors.

Objectives of Investment

A winning investment plan has clear long and short term objectives and uses the appropriate tool for the goal. All investment activities are based on one or the other factual basis and these are done with the ultimate aim of having gains in future. Yet different investors have different objectives for making investment. The investment activity undertaken by the investors result in the creation of a portfolio, which possess a number of features depending upon the objectives and style of taking decisions. The investor in stock market have targeted for quick short term gain, for high long term gain, regular dividend income, liquidity and safety. A study has been undertaken to know which investment objective attracts the investors in stock market. The survey results have shown in table 6.3.

TABLE NO: 6.3 RESPONDENTS OPINION ON OBJECTIVES OF INVESTMENT IN STOCK MARKET

Objectives	No. of respondents	Percentage
For quick short term gain	240	41.67
For high long term gain	186	32.29
Regular dividend income	70	12.15
Liquidity and safety	80	13.89
Total	**576**	**100.00**

Source: Field Survey

Analysis: The above table reveals that the majority of the respondents (41.67 per cent) aimed for quick short term gain. 32.29 per cent of respondents invested in stock market with an objective of high long term gain. Only 13.9 per cent respondents cared about liquidity and safety. For regular dividend income 12.15 per cent investors responded. Hence, it is concluded that investors looking for only short term gains, it is not safe game in stock market. Most of the investors tempted and burnt their hands, so by waiting for a considerable period and receive long term high return with safe hands.

Hypothesis -1

Every investor is different, with different financial goals, different tolerances to risk, different personal situations and different objectives. From the investment management point of view always the returns vary with the holding a particular stock for a particular period. It means that the holding period of investment changes the investment objectives. Hence, there is a relation between investment objectives and period of investment. For this the researcher formulated a hypothesis to measure the relation between these two by applying chi-square test as under:

H_0 = There is no relation between Investment objectives and period of investment.

H_a = There is a relation between Investment objectives and period of investment.

Level of Significance (LOS): $\alpha = 0.05$ (5 %)

TABLE NO: 6.4 TEST STATISTIC: 1

Investment objectives / years	**For quick short term gain**	**For high long term gain**	**Regular dividend income**	**Liquidity and safety**	**Total**
Less than 2	58	12	86	86	**242**
2 -5	34	98	46	126	**304**
6 - 10	12	12	0	0	**24**
11 to 15	0	6	0	0	**6**
Above 15	0	0	0	0	**0**
Total	**104**	**128**	**132**	**212**	**576**

Source: Field Survey

Calculated Value of Chi-Square: 99.93

Table Value of Chi-Square: 21.00

Degrees of Freedom (DF): 12

Conclusion: From the table the calculated value of chi-square is 99.93 and the table value at α=0.05(5 %) LOS at 12degrees of freedom (d.f) is 21.00. Here, the calculated value is greater than table value, Ha is accepted. Therefore, it is concluded that, there is a relationship between investment objectives and period of investment.

Savings pattern in stock market

In response to the specific question, that the percentage of savings invested in stock market has shown in table 6.5.

TABLE NO: 6.5 INVESTMENT OF SAVINGS IN STOCK MARKET

Percentage of investment	No. of respondents	Percentage
Less than 20%	232	40.28
20% - 40%	257	44.62
40% - 60%	64	11.11
60% - 80%	19	3.30
80% - 100%	4	0.69
Total	**576**	**100.00**

Source: Field Survey

Analysis: It can be seen from the table that more than 44 per cent of respondents invested 20 to 40 per cent of their savings in stock market. 40.28 per cent respondents invested less than 20 per cent savings in stock market. Table 4.8 reveals the same fact that those who have below 2 lakhs savings invested constituted 77.86 per cent. it is also observed that only 11.11 per cent respondents invested 40 to 60 per cent of their savings. Therefore, it is concluded that small investors invested majority of the savings in stock markets.

Hypothesis – 2

The extent of investments made by the investors in stock markets depending upon the return he expects. More he invests, more he receives the return. Hence, there is a positive relationship between the amount of investment and the objective of investment. For this, the researcher made an attempt to test the relationship between the percentage of savings and investment objectives. Chi- square test is used to measure the relationship between these two. The test conditions are as follows:

$\mathbf{H_0}$ = There is no relationship between percentage of savings and objectives of investment in stock market.

$\mathbf{H_a}$ = There is a relationship between percentage of savings and objectives of investment in stock market.

Level of Significance (LOS): $\alpha = 0.05$ (5 %)

TABLE NO 6.6: TEST STATISTIC -2

Investment objectives / % Of savings	For quick short term gain	For high long term gain	Regular dividend income	Liquidity & Safety	Total
Less than 20%	52	86	104	86	**328**
20 - 40	46	40	29	98	**213**
40 - 60	0	6	0	23	**29**
60 - 80	0	6	0	0	**6**
80 - 100	0	0	0	0	**0**
Total	**98**	**138**	**133**	**207**	**576**

Source: Field Survey

Calculated Value of Chi-Square: 85.341

Table Value of Chi-Square: 21.00

Degrees of Freedom (DF): 12

Conclusion: From the table the calculated value is 85.34 and the table value at $\alpha = 0.05$ (5 %) LOS at 12 degrees of freedom (d.f) is 21.00. Here the calculated value is greater than table value, $H_{o\text{ is}}$ rejected and H_a is accepted. Therefore, it is concluded that, there is a relationship between percentage of savings and objectives of investment in stock market.

Purpose of Investments

The purpose of investors may vary from investor to investor. If an investor invests in stock market his purpose may be receive regular income, capital appreciation, more income, purchase of real estate, and savings for old age etc. In order to assess purpose of investment in stock market, which are preferred by the majority of the investors, the respondents were asked to rank all these purposes in order of their preferences. The results are depicted in the table No 6.7.

TABLE NO: 6.7 PURPOSE OF INVESTMENTS IN STOCK MARKETS

Purpose	Ranks	No. of respondents	Percentage
Regular income	1	193	33.51
Capital appreciation (growth)	2	138	23.96
More income/profit	3	134	23.26
Purchase of real estate	4	38	6.60
Easy to sale/transfer	5	29	5.03
Savings for old age	6	24	4.17
Easy to withdraw	7	20	3.47
Total		**576**	**100.00**

Source: Field Survey

Analysis: As can be seen from the table the majority of respondents (33.51 per cent) invested in stock market with the purpose of regular income. Second and third preferences have given to capital appreciation (23.96 per cent) and more income or profit (23.26 per cent). It is surprising to note that tale 5.8 reveals the same. Therefore, it is concluded that being a rational investor, their purpose of investment in stock market may be the regular income, capital appreciation or more income or profit. Remaining purposes are negligible.

Market Trend

A market trend is a putative tendency of a financial market to move in a particular direction over time. These trends are classified as secular for long time frames, primary for medium time frames, and secondary for short time frames. Traders identify market trends using technical analysis, a frame work which characterizes market trends as a predictable price tendencies within the market when price reaches support and resistance levels, varying over time. The terms bull market and bear market describes upward and downward market trends respectively, and can be used to describe either the market as a whole or specific sectors and securities. There has been an enquiry into know the investors trend in stock market. The survey results have shown in table 6.8.

TABLE NO: 6.8 TREND OF INVESTORS IN STOCK MARKETS

Trend	No. of respondents	Percentage
Bullish	270	46.88
Bearish	171	29.69
Stable	135	23.43
Total	**576**	**100.00**

Source: Field Survey

Analysis: It is clear from the above table that the majority of respondents (46.88 per cent) expected the bullish market prevails. Only 29.69 per cent respondents expected down ward trend prevails in the market. Considerable number of respondents (23.43 per cent) expected that trend continues neither bullish nor bearish. Therefore, it is observed that the investors expect bullish trend continue, it does not mean that the investors have positive signs towards stock market trends.

Investor Classification

Many investors are confused about equity investments. Main reason is being the volatility of markets and the investors' inability to manage his emotional response to it. Other than psychological/ behavioral aspects, the investor is classified as short term investor (trader) (duration 3 months to 1 year), medium term investor (1-3 years) and long term investor (3 years and above). Table 6.9 shows the classification of investors under study.

TABLE NO: 6.9 TRADERS OR INVESTOR CLASSIFICATION OF RESPONDENTS

Particulars	No. of respondents	Percentage
Trader	140	24.31
Medium term investor	276	47.92
Long term investor	160	27.77
Total	**576**	**100.00**

Source: Field Survey

Analysis: The above table makes it clear that 47.92 per cent respondents are medium term investors. They expect returns within the time frame of 1 to 3 years. Significant number of respondents (24.31 per cent) is traders and 27.77 per cent respondents are expecting long term returns. Hence, it is concluded that the majority respondents are medium term investors, short term and long term investors are very nearly the same.

Hypothesis – 3

The investors in the stock market are classified into trader, medium-term investor and long-term investor. Generally, a trader does intraday transactions and sometimes holds the investment for a week days, expects quick and short term gain. He does not hold the investment for a long period of time. A medium-term investor is the investor who holds the investment for a period of 1year to 3 years, expects moderate returns from the investment. Whereas a long term investor invests and holds until his expectation, receives high return. Thus, there is a relationship between investment objectives and classification of investors. To measure the relationship between these two, the researcher used chi-square test. The hypothesis for this, as under:

H_0 = There is no relation between Investment objectives and classification of investors.

H_a = There is a relation between Investment objectives and classification of investors.

Level Of Significance (LOS): α = 0.05 (5 %)

TABLE NO: 6.10 TEST STATISTIC-3

Investment objectives / Classification of investor	For quick short term gain	For high long term gain	Regular dividend	Liquidity & safety	Total
Trader	144	23	6	12	**185**
Medium-term investor	196	63	0	17	**276**
Long-term investor	17	69	0	29	**115**
Total	**357**	**155**	**6**	**58**	**576**

Source: Field Survey

Calculated Value of Chi-Square: 160.82

Table Value of Chi-Square: 12.60

Degrees of Freedom (DF): 6

Conclusion: it is observed from the above table, the calculated value of chi-square is 160.82 and the table value at α=0.05(5 %) LOS at 6 degrees of freedom (d.f) is 12.60. Here the calculated value of chi-square is more than the table value, so, H_o is rejected and Ha is accepted. Therefore, it is concluded that there is a relation between Investment objectives and classification of investors.

Source of Information

Investors in stock markets invested by their intuition or information received from various sources like tips from the experts, business news from print media and electronic media, insider information, investors past experience, market talk, rumours, and broker's advices finally from the internet. Source of information plays vital role in maximizing the returns of the investors in general. In the light of its significance an enquiry has been made into sources of information of respondents and shown in table 6.11 and 6.12.

TABLE NO: 6.11 RESPONDENTS OPINION ON SOURCE OF INFORMATION FOR THE TRADER

Source of information	Trader	
	No. of respondents	Percentage
Tips	49	12
News	90	22
Insider information	34	08
Past experience	75	18
Street talk/rumours	10	02
Brokers advice	51	12
Internet	107	26
Total	**416**	**100.00**

Source: Field Survey

TABLE NO: 6.12 RESPONDENTS OPINION ON SOURCE OF INFORMATION FOR THE INVESTOR

Source of information	Investor	
	No. of respondents	Percentage
Tips	18	11
News	32	07
Insider information	17	11
Past experience	20	13
Street talk/rumours	12	20
Brokers advice	21	13
Internet	40	25
Total	**160**	**100.00**

Source: Field Survey

Analysis: It is observed from the tables 11 and 12 that the total respondents were divided into trader and investor. Out of 576 respondents 416 were traders and 160 were investors. The objectives are varying from the investor to trader the same has proved in table 6.10 and hypothesis-3. From table 11 the majority of respondents were traders, used internet as their source of information to invest in stock market, it was followed by news, past experience, broker's advice, tips, insider information and street talk/ rumours.

Out of 160 investors 40 respondents (25 per cent) used internet as their source of information followed by news, brokers' advice, past experience, tips, insider information and street talk/ rumours. Hence, it is concluded that traders and investors used internet as a primary source of information to invest in stock market.

Hypothesis – 4

No doubt that the investors rely on different sources of information while investing in stock markets. News papers, friends and relatives advices, brokers' advices, rumours, internet and finally past experience assists them in investing. Whatever the sources of information to invest, the investors' ultimate objective is to maximize his return. The objectives of investors may be quick short term gain, high long term gain, regular dividend income, liquidity and safety. Hence, the source of information leads to fulfill the objectives of investment. For this, the researcher used chi-square test, to measure the relationship between sources of information and objectives of investment. Thus, hypothesis is framed as under:

H_0 = There is no relationship between source of information and objectives of investment in stock market.

H_a = There is a relationship between source of information and objectives of investment in stock market.

Level of Significance (LOS): $\alpha = 0.05$ (5 %)

TABLE: 6.13 TEST STATISTIC-4

Investment objectives / Source of information	For quick short term gain	For high long term gain	Regular dividend income	Liquidity & safety	Total
Tips	29	23	-	12	**64**
News	12	46	29	39	**126**
Insider information	17	23	39	80	**159**
Past experience	12	17	29	74	**132**
Street talk / rumours	6	-	12	-	**18**
Brokers advice	23	12	12	6	**53**
Internet	6	6	6	6	**24**
Total	**105**	**127**	**127**	**217**	**576**

Source: Field Survey

Calculated Value of Chi-Square: 174.95

Table Value of Chi-Square:28.9

Degrees of Freedom (DF): 18

Conclusion: It can be seen from the table, that the calculated value of chi-square value is 174.95 and the table value at α=0.05(5 %) LOS at 18 degrees of freedom (d.f) is 28.9. Here the calculated value of chi-square is more than the table value, so, H_o is rejected and

Ha is accepted. Therefore, it is concluded that there is a relationship between sources of information and objectives of investment.

Source of funds

Such a small percentage of the purchase price of shares is normally provided from the savings of the investor, available sources of funds need to be known to anyone desiring to invest in stock markets. For purposes of discussions, the more common financial resources have been divided into personal savings, loans and pledging. Table 6.13 shows the survey results of respondents' source of funds to invest in stock market.

TABLE NO: 6.14 SOURCE OF FUNDS TO INVEST IN STOCK MARKET

Source	No. of respondents	Percentage
Personal savings	431	74.83
Loans	83	14.41
Pledging	62	10.76
Total	**576**	**100.00**

Source: Field Survey

Analysis: It is surprising to note from the table that majority of respondents (74.83 per cent) used their personal savings to invest in stock market. Just 14.41 per cent respondents used borrowed and 10.76 per cent respondents pledging their assets to invest in stock market. Therefore, it is observed that personal savings only used to invest in stock market. Borrowing and pledging funds should not be used because investments in stock market are subject to market fluctuations. If market is down trend, if loses, nothing happen if the source of funds from personal savings except personal grief. If the investor borrow or rely on pledging funds he will be ultimate sufferer. So, better investment with personal savings.

Market capitalization preference

Market capitalization often called market cap is the value of the tradable shares of a publicly traded company. It is equal to the share price times the number of shares outstanding. An outstanding stock is bought and sold in stock markets, capitalization could be used as a proxy for the public opinion of a company’s net worth and is determining factor in some forms of stock valuation.

Traditionally, companies were divided into large- cap, mid-cap and small-cap. Cap is short for capitalization, a measure by which we can classify a company’s size. Large caps are companies that have a market cap between $ 10-200 billion dollars. Mid – caps range from $ 2 billion to $ 10 billion dollars. These might not be industry leaders but are well on their way to becoming one. Small caps are typically new or relatively young companies and have a market cap between $100 million to $ 1 billion dollars. Small caps track record won’t be as lengthy as that of the mid to large caps. Small caps do present the possibility of greater capital appreciation, but at the cost of great risk. In the light of its significance the respondents were asked to give their preference to capitalizations. The survey results have shown in table 6.15.

TABLE NO: 6.15 RESPONDENTS OPINION ON THEIR TRADE OR INVEST REGARDING VARIOUS KINDS OF STOCKS

Kind of stock	No. of respondents	Percentage
Large-caps	184	31.94
Mid-caps	120	20.84
Small-caps	272	47.22
Total	**576**	**100.00**

Source: Field Survey

Analysis: It is clear from the above table that 31.94 per cent respondents invested in large-cap companies. Majority of the respondents (47.22 per cent) selected small- cap companies as their destination. Only 20.84 per cent respondents invested in mid- cap companies. Hence, it is concluded that small cap companies have the possibility of greater capital appreciation but at cost of great risk. The respondents showed their risk tolerance toward the small cap companies.

Industry sectors

Investors in the stock market have different preferential industry sectors to invest. The quantum of investments in different sectors leads to industrial development. Each industry sector has its own advantages and growth potentiality. Investor has to choose his portfolio of industries. Growth and developments of industries give rise to investors' choice to invest in those sectors. So it is important to know which industry sector gives more returns to the investor. In the light of its significance an enquiry into the sector wise allocation of investment on different industries. The survey results have shown in table 6.16.

TABLE NO: 6.16 SECTOR-WISE CLASSIFICATION OF INVESTMENT

Name of the sector	Total number of respondents		
	Rank-1	**Rank-2**	**Rank-3**
Information technology	53	105	103
Pharmaceuticals	85	116	**123**
Banking	**178**	**130**	119
Oil and gas	151	110	84
Telecommunications	46	52	52
Power & infrastructure	63	63	95
Total	**576**	**576**	**576**

Source: Field Survey

Analysis: As can be seen from the table, majority of the respondents (178) invested and give first preference to banking sector, next to that oil and gas (151). It is surprising to note that again second preference to banking sector itself. This is because of trust in Indian banking industry and growth pattern of expected returns. 123 respondents have given third preference to pharmaceuticals. Very less number of respondents has given preference to telecommunications. Therefore, it is concluded that investments in banking sector dominated, next to that oil and gas and pharmaceutical sectors invested by the respondents.

Risk Perception and Assessment

Every rational investor before investing his or her investible funds in financial assets analyzes the risk associated with them. The actual return that is received from the investment might vary from the expected return. The negative variation in the return is known as risk which is expressed in terms of variability of return. Investors in general would like to analyze the risk factors and a thorough knowledge of risk helps to plan the portfolio of investment in such a manner that minimize the risk associated with the investor. Therefore, assessment of risk of an investment constitutes an important element of investment decisions of the investor. Unfortunately the assessment of investment risk many a time is beyond the comprehension of small and household investors. The investors may not have sufficient information about the market operations, they may not be able to understand properly the reasons for fluctuations in market prices of various companies' scrips, the investors may not have sufficient professional tools and techniques to analyze the risk of investment or they may not be conversant with stock market gimmicks. This section made an enquiry into the risk perception of the respondents.

Nature of investor

The stock market's unique characteristic is its dependence on other businesses. While these businesses flourish, the stock market is prosperous. Learning the art of investing in the stock market will provide an individual with a perennial source of income. However, the stock market is associated with unpredictability and a dynamic nature and therefore, some investors become disillusioned. Many people who hoped to make it big in the stock market game have ended up losing all their assets. The stock market game is highly addictive by nature. Many will needlessly stay glued to stock tickers to get the latest stock market quotes. This addiction has influenced people to invest at the risk of their careers. Some have gained financial success, but some have lost out. So, based on the nature of investors the return depends on. Hence, an enquiry has been made to know the investor nature. The survey results have shown in table 6.17.

TABLE NO: 6.17 NATURES OF INVESTORS

Nature	No. of respondents	Percentage
Cautious	150	26.04
Objectivity	208	36.11
Optimistic	130	22.57
Competitive	88	15.28
Total	**576**	**100.00**

Source: Field Survey

Analysis: The table reveals that 36.11 per cent respondents invested in stock market with objective in nature. Cautious investors constituted 26.04 per cent. Optimistic and competitive investors were 22.57 per cent and 15.28 per cent. Thus, it is evident that majority of respondents invested in stock market with a particular objective. Objective oriented always better one because the investor tries not to derail from the objective. A little cautious nature also is required to the investors because the proverb says think twice while taking a decision.

Hypothesis – 5

Risk is inherent in almost every investment. Risk is one of the deterrents to investors in expecting returns. Generally cautious investors aim at liquidity and safety, objective investors make high long term gains, optimistic investors strive to receive regular dividend and the competitive investors enjoy quick and short term gains. Thus, based on the risk nature of the investor, objectives of investment varied. For the above, the researcher tests the relationship between risk nature and investment objectives. Chi-square test is used to measure the relationship between these two. The hypothesis for this, as under:

H_0 = There is no relation between Investment objectives and nature of risk.

H_a = There is a relation between Investment objectives and nature of risk.

Level of Significance (LOS): α = 0.05 (5 %)

TABLE NO: 6.18 TEST STATISTIC -5

Investment objectives / Risk nature	For quick short term gain	For high long term gain	Regular dividend	Liquidity& safety	Total
Cautious	29	6	12	6	**53**
Objective	35	52	40	46	**173**
Optimistic	17	35	12	40	**104**
Competitive	23	63	63	97	**246**
Total	**104**	**156**	**127**	**189**	**576**

Source: Field Survey

Calculated Value of Chi-Square: 75.89

Table Value of Chi-Square: 16.9

Degrees of Freedom (DF): 9

Conclusion: From the table the calculated value of chi-square is 75.89 and the table value at α=0.05(5 %) LOS at 9degrees of freedom (d.f) is 16.9. Here the calculated value is greater than table value, H_{o} is rejected and H_{a} is accepted. Therefore, it is concluded that, there is a relationship between investment objectives and nature of risk.

Risk Appetite

The level of risk of an investor is prepared to accept, before action is deemed necessary to reduce it. Any rational investor, before investing his or her investible wealth in the stock, analyses the risk associated with the particular stock. The actual return he receives from a stock may vary from his expected return and risk is expressed in terms of variability of return. The down side risk may be caused by several factors, either common to all stocks or specific to a particular stock. Investor in general would like to analyse the risk factors and a thorough knowledge of the risk helps him to plan his portfolio in such a manner so as to minimize the risk associated with the investment. In view of its significance, a study has been conducted to know the risk appetite of respondents. The study results have shown in table 6.19.

TABLE NO: 6.19 RISK APPETITE OF RESPONDENTS

Risk appetite	No. of respondents	Percentage
High risk	65	11.28
Medium risk	326	56.60
Low risk	117	20.31
No risk/safe investment	68	11.81
Total	**576**	**100.00**

Source: Field Survey

Analysis: The above table makes it clear that the majority of the respondents (56.60 per cent) were medium risk takers. Only 11.28 per cent respondent high risk seekers. Low risk seekers were 20.31 per cent and 11.81 per cent of respondent not willing to take any risk, they preferred to safest investments. It is evident that investors are more cautious and objective as mentioned in table 6.17, the present table reflects the same fact that majority of respondents are medium seekers.

Hypothesis – 6

Since every investment activity has an element of the futurity and the future is always full of uncertainties, it introduces an element of risk in any investment activity. By risk is meant the chance of having an adverse or low return as compared to the investors' expectations. Risk seeking investors bearing high risk, risk averters reluctant to take risk and the risk neutrals take medium risk on their investments. A cautious investor bears no risk, an objective investor takes medium risk, and an optimistic and competitive investor bears high risk. Hence, there is a positive relationship between nature of risk and risk appetite. In order to know the relationship, the researcher applied chi-square test to measure the relationship between these two. For this, the hypothesis is framed as under:

H_0 = There is no relation between nature of risk and risk appetite.

H_a = There is a relation between nature of risk and risk appetite.

Level of Significance (LOS): $\alpha = 0.05$ (5 %)

TABLE NO: 6.20 TEST STATISTIC-6

Risk appetite / Nature of risk	High risk	Medium risk	Low risk	No risk / safe investment	Total
Cautious	0	0	35	23	**58**
Objective	0	58	75	35	**168**
Optimistic	6	23	17	47	**93**
Competitive	12	123	52	70	**257**
Total	**18**	**204**	**179**	**175**	**576**

Source: Field Survey

Calculated Value of Chi-Square: 107.3

Table Value of Chi-Square: 16.9

Degrees of Freedom (DF): 9

Conclusion: it is observed from the above table, the calculated value of chi-square is 107.3 and the table value at α=0.05(5 %) LOS at 9 degrees of freedom (d.f) is 16.9. Here the calculated value of chi-square is more than the table value, so, H_o is rejected and Ha is accepted. Therefore, it is concluded that there is a relationship between nature of risk and risk appetite.

Risk – Return

The principle that potential returns rises with an increase in the risk. Low levels of uncertainty (low risk) are associated with low potential returns, whereas high levels of uncertainty (high risk) are associated with high potential returns. According to the risk-return tradeoff, invested money can render higher profits only if it is subject to the possibility of being lost. In the light of its significance, an enquiry has been made into respondents' risk- return tradeoff. The survey results have shown in table 6.21.

TABLE NO: 6.21 RISK RETURN TRADE-OFF OF RESPONDENTS

Particulars	No. of Respondents	Percentage
High risk - high return	144	25.00
Low risk - high return	370	64.24
Low risk - low return	62	10.76
Total	**576**	**100.00**

Source: Field Survey

Analysis: The majority of respondents (64.24 per cent) preferred low risk with high return. Table 6.19 revealed the same fact. The other risk- return tradeoff at high risk-high returns (25 per cent). Only 10.76 per cent of respondents preferred low risk- low return tradeoff. Thus, it is concluded that high levels risk amounted to higher returns and vice-versa. But the respondents' verdict is different from the traditional view. The respondents are not ready to face high risk but they expected high returns.

Risk Management

Risk management is one of the most difficult skills for an investor to master in stock market. Investing in the stock market is fraught with worry, for good reason. If an investor loses half of investment, he doubles the return to just break even. Warren Buffett, considered by many to be the world's greatest investor, states his first rule of investing is "do not lose money". Unfortunately, the risk in the stock market of losing money is always a possibility. However, without taking some risk there is no reward. Therefore, successful investors employ stock market risk management strategies to minimize their losses. Managing risk in stock market starts with identifying the type of risk and taking action to mitigate the impact of the risk on investment portfolio. Therefore, the respondents were asked to give their preference on risk management techniques. Table 6.22 has shown the results.

TABLE NO: 6.22 RISK MANAGEMENT TECHNIQUES OF RESPONDENTS

Risk management technique	No. of Respondents	Percentage
Switching	78	13.54
Averaging	222	38.55
Locking	106	18.4
Cut loss	170	29.51
Total	**576**	**100.00**

Source: Field Survey

Analysis: It can be seen from the table that averaging (38.55 per cent) is the major risk management technique which the respondents were adopted. When the market crashes or declines the price of a particular stock the respondents adopted cut loss (29.51 per cent) as their technique to avoid from huge losses. Only 13.54 per cent respondents adopting switching, means that shift from one to another. Locking (18.4 per cent) of funds in a particular stock when the prices of shares continuously declining. Hence, it is concluded that an objective investor always tries to minimize the risk by averaging the probable losses and profits.

Risk Perception

Risk perception is the subjective judgment that people make about the characteristics and severity of a risk. If any losses or unforeseen changes take place in the stock market the respondents behaviour/ psychology towards the changes was measured by taking preferences under study. The study results have shown in table.6.23

TABLE NO: 6.23 RISK PERCEPTION OF RESPONDENTS

Particulars	No. of Respondents	Percentage
With draw money from your investment	140	24.31
Wait till recovery the loss and then withdraw money	240	41.67
Withdraw part and investment in alternative sources	120	20.83
Invest more as the market has become cheap	76	13.19
Total	**576**	**100.00**

Source: Field Survey

Analysis: Table 6.23 reveals that when any adverse situations happened in the stock market, majority of respondents (41.67 per cent) opined that they wait till recover the loss and then withdraw money. The same is proved in table 6.22, where the majority of the respondents adopted as averaging as their technique to manage the risk. Second majority (24.31 per cent) goes to the respondents who opined withdraw money from the investment. There are 20.83 per cent respondents withdraw part and investment in alternative sources. Only 13.19 per cent respondents invest more as the market has become cheap. Therefore, it is concluded that respondents wait until the recovery the loss and then they withdraw money, but it requires patience and positive attitude towards the market.

Reasons for incurring losses

It is very difficult to identify the reasons for incurring losses in stock market. No single factor leads loss in stock market. But, in some extent identify the various reasons to incur losses in the market. The probable reasons may be lack of sufficient infrastructure or knowledge, dishonest of companies in reporting results, manipulation in the stock by operators, corrupted company management and ineffective rules and regulations of securities market. In view of this the respondents were asked to give their first, second and third preferences to the reasons for incurring losses in stock market. The results have shown in table 6.24.

TABLE NO: 6.24 RESPONDENTS OPINION ON REASONS FOR INCURRING LOSSES IN STOCK MARKET

Reason	Total number of respondents		
	Rank-1	**Rank-2**	**Rank-3**
Due to lack of sufficient infrastructure/knowledge	**150**	**192**	144
Dishonest of companies in reporting results	82	145	155
Manipulation in the stock by operators	90	48	**160**
Corrupted company management	149	44	55
Ineffective rules and regulations of securities market	105	147	62
Total	**576**	**576**	**576**

Source: Field Survey

Analysis: It can be seen from the table 6.24 that majority of respondents (150) give their first preference to lack of infrastructure and knowledge was the main reason to incur losses in stock market. The respondents strongly believed that due to lack sufficient knowledge only they incur losses, the same is reflected in the above table, because they have given the second preference to the same reason. The respondents also opined that manipulations by operators are another reason to incur losses. Hence, it is concluded that they have some unrest from the securities market regulations, dishonest of companies in reporting results, corrupted company management. The regulator of stock market SEBI comes forward to redress the grievances of investors.

Factors Leading Indian Stock Markets to Rise

In conclusion of the present study, the respondents were asked to give their opinions on what factors leading Indian stock market to rise. The results have shown in table 6.25.

TABLE NO: 6.25 OPINIONS OF RESPONDENTS ON WHAT FACTORS LEADING INDIAN STOCKMARKET TO RISE

Particulars	Mean	S.A	A	N	D	S.D	Total
FDI & FII	3.64	229 (39.76)	146 (25.35)	51 (8.85)	63 (10.94)	87 (15.10)	576 (100)
Government policies	3.51	150 (26.04)	175 (30.38)	128 (22.22)	65 (11.28)	58 (10.07)	576 (100)
Rise in national income	3.27	128 (22.22)	130 (22.57)	152 (26.39)	103 (17.88)	63 (10.94)	576 (100)
Good corporate results	2.89	103 (17.88)	94 (16.32)	132 (22.92)	131 (22.74)	116 (20.14)	576 (100)
Retail investors	3.55	169 (29.34)	188 (32.64)	79 (13.72)	70 (12.15)	70 (12.15)	576 (100)
Overall Mean	**3.37**						

Source: Field Survey

SA = Strongly Agree; A = Agree; N = Neither Agree nor Disagree; D = Disagree; SD = Strongly Disagree

Note: per cent of the respondents are indicating in parenthesis.

Analysis: It is observed from the above table that majority of respondents (3.64 mean score) opined that inflow of foreign direct investment and foreign institutional investment is the prime factor to rise Indian stock market and it was followed by participation of retail investors (3.55 mean score) in the market lead Indian stock market to rise, government policies (3.51 mean score) and rise in national income also attributed to rise Indian stock market. The least mean score 2.89 (good corporate results) indicated that investors do not care the corporate results to fetch Indian stock market to rise. Hence,