CHAPTER - I

INTRODUCTION

The economic prosperity of a country ultimately depends upon its financial system. As long as its financial system is well managed and maintained efficiently, effectively and on sound lines, the country's economy would maintain its upward swing and sustain all round growth. Such a situation gives the public a lot of confidence in the system to channelize their savings into the financial institutions, which is very necessary for all developing economies. Mobilizing adequate resources for development and for being self-reliant such channelising is very necessary. The effective functioning of the two important constituents of the financial system viz., financial Institutions and Markets, decides the development of the economy, particularly in the developing countries like India. Therefore effective management of financial institutions and financial markets has assumed greater importance all over the globe. These have become key areas to decide a country's reputation and progress[1].

A nation embarking upon accelerated economic development and industrialization has to make planned efforts to develop organized and healthy money and capital markets with an adequate institutional set-up, Market for credit (money and capital market) and business enterprises must go hand-in-hand to ensure quick industrialization in a developing democratic country[2]. The capital market in India was not well organized and developed during the British rule because the British government was not interested in the economic growth of the country. As a result, many foreign companies depended on the London capital market for funds rather than on the Indian capital market.

The Indian stock market has witnessed a radical transformation and grown manifold both in qualitative and quantitative terms. It now occupies the centre stage of the domestic financial system. Various sectors of the economy are influenced by the changes in it. There is hardly another country in the world, which has witnessed such massive changes in its capital market in such a short period. The capital market is one of the main supporting systems that provide vitality and sustenance to industrial and commercial enterprises[3]. Recognizing the need of capital market development as a precondition for the blossoming of industries and allied areas, every government strives hard for the sustained growth of its capital market. Introduction of on-line trading, dematerialization of securities, derivatives trading, rolling settlement in the stock exchanges etc. are some of the notable measures initiated by the government. This has resulted in increased market capitalization of companies, increased transparency in dealings, rise in market volume and the like.

The capital market is directly responsible for the following activities : (1) Mobilization or concentration of national savings for economic development, (2) Mobilization and import of foreign capital and foreign investment capital plus skill to fill up the deficit in the required financial resources to maintain the expected rate of economic growth, (3) Productive utilization of resources, and (4) Directing the flow to funds of high yields and also strive for balanced and diversified industrialization.

Concept of Stock Market

The Capital market facilitates free trading, buying and selling in all securities. It has two mutually supporting and indivisible segments: the primary market and the secondary market.

In the primary market, companies issue new securities to raise funds. Hence it is also called the new issue market**.** The secondary market also known as the stock market deals with the securities that have already been issued by companies, which are listed in stock exchanges. In the primary market, companies directly interact with investors while in the secondary market investors interact with stock brokers. In both cases, the capital market intermediaries, (investment or merchant bankers, stockbrokers etc.,) play an important role. The secondary market, based on all available information, determines the price and risk of the issued securities. It provides useful signals to both listed companies and investors to act in the primary market[4].

The Indian capital market really developed from the mid-1980s onwards with the introduction of the New Economic Policy. The thrust of the new policy was on the quality of products, on productivity growth and efficiency so as to make the Indian industry competitive. At that time debentures and public sector bonds emerged as powerful instruments of resource mobilization in the primary capital market. Consequently, the secondary market also began to grow fast from that time. The number of stock exchanges, the number of listed companies on stock exchanges, their market capitalization and the value of traded shares increased significantly. However, until 1991-92, the securities market did not develop in consonance with the rest of the economy for various reasons. The trading and settlement infrastructure remained poor. Trading on all stock exchanges was through open oral transaction. The regulatory structure was fragmented and administered by different agencies. There was no apex regulatory authority for regulation and inspection of the securities markets. The practice of forward trading created unnecessary speculation .The large-scale of irregularities in securities transactions detected in 1992 exposed many loopholes in the existing system[5].

The phenomenal change in the fortunes of secondary markets in India has come about by the introduction of online trading, rolling settlements, electronic shares, and increased foreign institutional Investors (FIIs), and participation. A comparative analysis of experiences of selected emerging Asian countries also confirms the view that financial liberalization has helped in the development of stock markets[6]. The continued upward trend of the Sensex during the last nine years has been due to a variety of factors. In fact, the upward trend has not been a straight line. The price curve has had its ups and downs. For example, there was the Securities Scam, which in 1992 pulled the Sensex downward, and then the settlement between the ambani brothers, which pushed the Sensex up by about 200 points. In 1997 – about twelve years ago- the BSE Sensex ruled at a little above 3000. The bulls pushed it above 5000 in about two years. The bullish trend persisted and the Sensex ruled above 9000 in 2005, and it shot up tremendously to 20,000 marks by the end of October 2007[8]. The same trend continued up to second week of January 2008. It is an amazing trend in the capital market and a good sign of corporate performance and also overall economic prosperity of India. But unfortunately a drastic decline was started crashing the market recording a BSE Sensex less than 15,000.

The volume of capital market activity has increased substantially over the last couple of decades though in very recent years, for various reasons, the activity has been somewhat subdued both in the primary and secondary markets. The period has also witnessed some widening and deepening of the market and the emergence of new institutions, such as merchant banks and mutual funds as well as new market instruments. Venture capital companies have also made their appearance but they have not grown anywhere near their potential, as exemplified in the U.S or the need for them given the contribution they can make to convert innovative scientific ideas into commercial propositions and for their role in promoting techno entrepreneurship. This calls for proactive policies such as fiscal concessions and a supportive setup operational guideline including encouraging foreign venture companies to set up in India. The expansion of capital markets to meet successfully the challenges of the future requires the correction of some longstanding systemic deficiencies stemming institutional and procedural aspects of the functioning especially of secondary market institutions. This is being done and there is now a greater measure of transparency as a result of the requirement of fuller disclosure and the arrival in the scene of investment –oriented research agencies. Reform of the stock exchanges is also under way. A depository system has been introduced and dematerialized trading has picked up. Computerized on-line trading between different markets is gathering momentum and the presence of the National Stock Exchange has made an enormous difference acting as it does as a pace setter for improved market procedures[8].

The reform in the Indian capital market would gain added significance in the context of a measure of internationalization of Indian capital markets. For the Indian system to derive the full benefits and avert risks involved in the process, a structured and sequenced integration would be needed. Greater integration of Indian and international markets would necessarily involve further improving our procedures and practices. Foreign investors are used to open trading systems within the framework of prudential regulation. Their markets are also characterized by adequate disclosure and research based information and severe penalties for insider trading. Our markets would need to conform to these principles, both for their own development and to promote fruitful linkages with foreign capital market[9].

Individuals and small investors in our country suffer from certain inherent drawbacks. There is a general reluctance on their part to invest either directly or indirectly in the capital market. This may be due to many reasons. Firstly, only those who have a fairly good knowledge, they can do successful investment in the capital market. Consequently, people shy away from investing in it. Secondly, investors encounter various impediments created by other market participants. As a result investor complaints keep escalating year after year. "The standard of service and information being provided to shareholders in India by companies and stock brokers is not only below world standards but leaves a majority of Indian shareholders dissatisfied". Thirdly, the series of securities scams unearthed over the past few years have dampened the sprit and enthusiasm of investors.

The liberalization in the primary capital market was mainly aimed at greater autonomy to corporate bodies and better transparency for investors. If included free pricing norms for issues, removal of interest ceiling on debenture, abolition of the position of Controller of Capital issues and dropping of mandatory conversion of debt to equity by term lending institutions. Statutory powers were conferred on the Securities and Exchange Board of India (SEBI) and comprehensive measures were taken for investor protection in the form of laying down disclosure norms, allotment procedures, control over insider trading, rights issue norms, handling of investor complaints, etc. the Over-the Counter Exchange of India (OTCEI) was set up in February 1992 to trade in the scripts of middle market corporate. The National Stock Exchange (NSE) was set up recently, with nation-wide stock trading facilities, electronic display, and efficient clearing and settlements facilities[10].

The important task of the economy is to strengthen the capital market largely through stimulation of private investment. This could be achieved by effecting structural changes to the capital market, widening the scope of fiscal incentives and to impart some mobility to it. It is also equally important to protect the value of savings held in the form of fixed interest securities, which is the mainstay of fixed income earners. This will help in strengthening the capital market and improve the economy[11]. In recent years, various reform measures for blending market with freedom and regulation of the market on prudential lines were introduced. The measures include abolishing government control over capital issues and pricing, allowing mutual funds to be set up in the private sector, freeing of interest rates on permitting foreign institutional investment directly in the capital market. All India development banks have promoted individually and collectively, new institutions to help investors and entrepreneurs.

Building a capital market mere responsive to the needs of lenders and borrowers would require substantial improvements in the macro-economic, legal, and regulatory environments. To operate efficiently, the capital market and financial institutions have to be guided by market forces rather than government directives. Competition needs to be strengthened by encouraging the entry of new and innovative providers of financial services. And all the players of the capital market need to introduce discipline and transparency in their activities. Towards this end, the development banks have a lead responsibility and mutual funds, the merchant bankers and the stock exchanges have to play a crucial role with efficiency and credibility of a sound and vibrant capital market to promote investment and thereby accelerate the process of industrial development and at the same time push up exports to new heights[12].

History of the Stock Market

The history of the capital market in India dates back to the eighteenth century when East India Company securities were traded in the country. Until the end of the nineteenth century, securities' trading was unorganized and the main trading centers were Bombay (now Mumbai) and Calcutta (now Kolkata). Of the two, Bombay was the chief trading center wherein bank shares were the major trading stock. During the American Civil War (1860-61), Bombay was an important source of supply for cotton. Hence, trading activities flourished during the period, resulting in a boom in share prices. This boom, the first in the history of the Indian capital market, lasted for a half a decade. The bubble burst on July1, 1865, when there was tremendous slump in share prices[13].

Trading was at that time limited in a dozen brokers; their trading place was under a banyan tree in front of the Town Hall in Bombay. These stock brokers organized an informal association in 1875-Native Shares and Stock Brokers Association, Bombay.

The stock exchanges in Calcutta and Ahmadabad, also industrial and trading centers, came up later the Bombay Stock Exchange was recognized in May 1927 under the Bombay Securities Contracts Control Act, 1925.

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In the post – independence period also, the size of the capital market remained small. During the first and second five year plans, the government's emphasis was on the development of the agricultural sector and public sector undertakings. The public sector undertakings were healthier than the private undertakings in term of paid – up capital but their shares were not listed on the stock exchanges. Moreover, the Controller of Capital Issues (CCI) closely supervised and controlled the timing, composition, Interest rates, pricing, allotment, and floatation costs of new issues. These strict regulations demotivated many companies from going public for almost four and a half decades.

As speculation became rampant, the stock market came to be known as 'Satta Bazaar'. Despite speculation, non-payment or defaults were not very frequent. The government enacted the securities Contracts (Regulation) Act in 1956 to regulate stock markets. The Companies Act, 1956 was also enacted. The decade of the 1950s was also characterized by the establishment of a network for the development of financial institutions and state financial corporations.

The 1960s was characterized by wars and droughts in the country which led to bearish trends. These trends were aggravated by the ban in 1969 on forward trading and ‘Badla’, technically called ‘contracts for clearing’. ‘Badla’ provided a mechanism for carrying forward positions as well as for borrowing funds. Financial institutions such as LIC and GIC helped to revive the sentiment by emerging as the most important group of investors. The first mutual fund of India, the Unit Trust of India (UTI) came into existence in 1964[14]. In the 1970s, badla trading was resumed under the disguised form of ‘hand-delivery contracts – A group.’ This revived the market. However, the capital market received another server setback on July 6, 1974, when the government promulgated the Dividend Restriction Ordinance, restricting the payment of dividend by companies to 12 per cent of the face value or one-third of the profits of the companies that can be distributed as computed under section 369 of the Companies Act, whichever was lower. This led to a slump in market capitalization at the BSE by about 20 per cent overnight and the stock market did not open for nearly a fortnight. Later buoyancy came in the stock markets when the multinational companies (MNCs) were forced to dilute their majority stocks in their ventures in favor of the Indian public under FERA, 1973. Several MNCs opted out of India. One hundred and twenty three MNCs offered shares worth Rs.150 crores, creating 1.8 million share holders within four years. The offer prices of FERA shares are lower than their intrinsic worth. Hence, for the first time, the FERA dilution created an equity cult in India. It was the spate of FERA issues that gave a real fillip to the Indian stock markets. For the first time, many investors got an opportunity to invest in the stocks of such MNCs as Colgate, Hindustan Lever Limited. Then, in 1977, a little known entrepreneur, Dhirubhai Ambani, tapped the capital market. The scrip, Reliance Textiles, is still a hot favorite and dominates trading at all stock exchanges[15].

The 1980s witnessed an explosive growth of the securities market in India, with millions of investors suddenly discovering lucrative opportunities. Many investors jumped into the stock markets for the first time. The government's liberalization process initiated during the mid-1980s, spurred this growth[16]. Participation by small investors, speculation, defaults, ban on badla, and resumption of badla is continued. Convertible debentures emerged as popular instrument of resource mobilization in the primary market. The introduction of public sector bonds and the successful mega issues of Reliance Petrochemicals and Larsen and Toubro gave a new lease of life to the primary market. This, in turn, enlarged volumes in the secondary market. The decade of the 1980s was characterized by an increase in the number of stock exchanges, listed companies, paid up capital, and market capitalization.

The 1990s will go down as most important decade in the history of the capital market of India. Liberalization and globalization were the new terms coined and marketed during this decade. The capital issues (control) Act, 1947 was repealed in May 1992. The decade was characterized by a new industrial policy, emergence of SEBI as a regulator of capital market, advent of foreign institutional investors, euro issues, free pricing, new trading practices, new stock exchanges, entry of new players such as private sector mutual funds and private sector banks, and primary market boom and bust[17].

Major capital market scams took place in the 1990s. These shook the capital market and drove away small investors from the market. The securities scam of March 1992 involving brokers as well as bankers was one of the biggest scams in the history of the capital market. In the subsequent years owing to free pricing, many unscrupulous promoters, who raised money from and capital market, proved to be fly-by-night operators. This led to erosion in the investor's confidence. The M.S Shoe case, one such scam which took place in March 1995, put a break on new issue activity.

In 1991-92 securities scam revealed the inadequacies of and inefficiencies in the financial system. It was the scam, which prompted a reform of the equity market. The Indian Stock Market witnessed a sea change in terms of technology and market prices. Technology brought radical changes in the trading mechanism. The Bombay Stock Exchange was subject to nationwide competition by two new stock exchanges - the National Stock Exchange, set up in 1994, and Over the Counter Exchange of India, set up in 1992. The National Securities Clearing Corporation (NSCC) and National Securities Depository Limited (NSDL) were set up in April 1995 and November 1996 respectively for improved clearing and settlement and dematerialized trading. The securities Contracts (Regulation) Act, 1956 was amended in 1995-96 for introduction of options trading. Moreover, rolling settlement was introduced in January 1998 for the dematerialized segment of all companies, with automation and geographical spread, stock market participation increased[18].

In the late 1990s, the Information Technology (IT) scrip's were dominant on the Indian Bourses. The IT scrip's included Infosys, Wipro, and Satyam. They were a part of favorite scrip's of the period, also known as 'New Economy' scrip's, along with telecommunications and media scrip's[19]. The new economy companies are knowledge intensive unlike the old economy companies that were asset intensive.

The Indian capital market entered the twenty-first century with Ketan Parek scam. As a result of the scam, badla was discontinued from July 2001 and rolling settlement was introduced in all scrips. Trading at futures commenced from June 2000, and Internet trading was permitted in February 2000. The government's decision to privatize oil PSUs and in 2003 fuelled stock prices. One big divestment of international telephony major VSNL took place in early February 2002. Foreign institutional investors have emerged as major players on the Indian bourses. NSE has an upper hand over its rival BSE in terms of volumes not only in the equity markets but also in the derivatives market[20].

It has been a long journey for the Indian capital market. Now the capital market is organized, fairly integrated, mature, more global and modernized. The Indian equity market is one of the best in the world in terms of technology. Advances in computer and communications technology, coming together on Internet are shattering geographic boundaries and enlarging the investor class[21]. Internet trading had become a global phenomenon. The Indian stock markets are now getting integrated with global markets.

Growth of Stock Market

Between 1946 and 1961, during a span of 15 years, the number of listed companies in all stock exchanges rose modestly from 1,125 to 1,203. During the next 28 years, end by 1988; this number short up to 5841. Market capitalization of these listed companies was Rs.39, 133 crores in 1988. Capital appreciation was highest in the 1980s.

The number of local stock exchanges also grew in number, all over the country, during the period[22]. The total capital raised by non-Government companies under the control of Capital Issues increased from Rs. 130.8 crores in 1980 to Rs.2, 231 crores during 1988-89. The index number of an ordinary share, which was prices, 100 in 1980-81, became 346.5 by the end of June 1989. The capital raised from the public as a proportion of net domestic savings constituted 2.7 per cent during 1984-85 which surged up to 5.4 per cent during 1988-89. This was the scenario of pre-liberalization[23].

A Capital market is a conduit for mobilizing the savings of the community and channelizing them into the most desirable and productive forms of investment. It is mostly concerned with mobilization of the savings of the household sector (comprising individuals and non-government non-corporate enterprises), the public sector and the private sector. An efficient market is a sine-qua-non for the economic development of a country. The size and function of a country's capital market is basically determined by the volume and pattern of savings and investment[24].

For the past several years it has been more than 20% of the GDP, and it has helped India to have a GDP growth of 5% during 2003-04. The savings habit of the Indian has improved impressively.

The observations of Deepak Parekh formerly HDFC Chairman, Authority on Finance and Capital Market in India, in this regard Parekh observes; retail investors form the backbone of a liquid and actively traded capital market. While the size of investments made by their investors may be smaller, the number of investors is very large. The large number of investors also ensures that there is higher amount of buying and selling, thus liquidity in the underlying stocks. Small investors are a very important source of funds in an economy where the Government is running a fiscal deficit.

Concept of Investor

An investor is a party that makes an investment into one or more categories of assets viz., equity, debt securities, real estate, currency, commodity, derivatives such as put and call options, etc. with the objective of making a profit. Stock markets attract a wide spectrum of investors[25]. Different categories of investors buy shares in the stock market. There may be reservations for retail investors, non- institutional investors, Qualified Institutional Bidders (QIB), employees of the issuing company, existing share holders of the issuing company etc. Investors are broadly classified categorized as:

1) Qualified institutional buyers 2) Non- institutional buyers 3) Retail investors

Qualified institutional buyers

Mutual funds, banks, financial institutions like LIC and foreign investors fall under the category of QIBs. Earlier, QIBs were not required to submit any money along with their bids and this had led to some manipulative practices. However, SEBI has recently changed the provisions and now QIBs have to pay a margin, not the full payment, at the time of bidding in the book building of an issue.

Non- institutional buyers

Resident Indian individuals, HUF, companies, corporate bodies, NRIs, societies and trusts whose application size in terms of value is more than one lakh rupees also come under this category. At least 15 per cent of the total issue has to be reserved for non- institutional investors.

Retail Investors

A retail investor is an individual investor possessing shares of a given security. Retail investors can be further divided into two categories of share ownership.

1. A Beneficial Shareholder is a retail investor who holds shares of their securities in the account of a bank or broker, also known as “in Street Name.” The broker is in possession of the securities on behalf of the underlying shareholder.

2. A Registered Shareholder is a retail investor who holds shares of their securities directly through the issuer or its transfer agent. Many registered shareholders have physical copies of their stock certificates.

According to Dr. Jeff, University of Melbourne identifies three broad types of investors found operating in the stock market[26]; those are 1.The contrarians 2. Trend followers 3. Hedgers and holders.

The contrarian buys when the rest of the world sells. Trend followers are more conservative and tend to invest in products such as bank stocks. The last is the very conservative hedger and holder. The small investors of India, who want high returns and low risk preferably guaranteed by the government. Researchers in this field have also found that investor personality may differ across asset classes, with more risks being taken with a more familiar category. A person comfortable with real estate may take large risks in property but may want to stick to a diversified equity fund for his stock market exposure. Alternatively, a conservative investor may rank the risk of loss of purchasing power due to inflation lower than the risk of losing money even in a low risk equity product.

The key finding of a study done by the research firm of Mathew Greenwald & Associates Inc. for Merrill Lynch investment managers[27]. Merrill divided the investors into four distinct personality types. 1. Measured investors 2. Reluctant investors

3. Competitive investors 4. Unprepared investors

1. Measured Investors

Measured investors are secure in their financial situation and confident they will have a comfortable retirement. The investors are least likely to say they waited too long to start investing or that they haven't invested enough. Moreover, they are least likely to be plagued by emotions such as fear and anxiety that commonly cause investment mistakes. The most common mistake is not letting go of losing investments.

2. Reluctant Investors

Reluctant investors don't particularly enjoy investing and prefer to spend as little time as possible managing their holdings. Not surprisingly, this group is the most likely to have a financial adviser. Reluctant investors are least likely to become overly attached to an investment or to put too much money into a single holding. Competitive investors enjoy investing, are informed and try to beat the market. They are most likely to have started investing early, to put enough money into their investments and to invest regularly[28].

3. Competitive Investors

Competitive investors can have a hard time letting go of losing investments, often dedicate too much of their portfolio to one stock or investment and tend to be greedy and chase hot stocks.

4. Unprepared Investors

Unprepared investors, characterized as unhappy with their financial situation and lacking in confidence. They tend to start investing late and are the least likely to rebalance their portfolios.

Need for the Study

After liberalization of Indian economy in 1991 many reforms have taken place in financial sector. The Securities and Exchange Board of India has been very active in modifying its rules and regulations mainly to protect the interests of the investors and infuse confidence in them on financial market operations. It has been widely recognized and accepted that the small and household investors constitute a vital segment of the Indian securities market and greater understanding of the perceptions, preferences, and behaviour of these investors is very vital in the policy formulation on development and regulation of the securities market to ensure the promotion and protection of interests of small and household investors. The present research work, thus attempts to study the socio-economic profile of the investors in one of the well known regions of Andhra Pradesh; their investment culture in terms of their perceptions; and behaviour in respect of various investment avenues. The present research work also provides a foundation of facts relating investors' behaviour towards various types of securities and assessment of investment risks.

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

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

Objectives of the Study

The basic objective of the present research work is to study the investment culture among the people of a prominent region and to give suggestions that educate the investors and increase their awareness. The specific objectives of the study are as follows:

1. To study the socio-economic profile of the investors
2. To analyze the investment pattern of the investors
3. To examine the motives, perceptions and the resultant behaviour of investors in investment decision
4. To identify the factors that influence the investors towards investment in the stock market

5. To give appropriate suggestions, for proper understanding of stock market operations and the investment culture towards investment in stock market in India.

Methodology of the Study

The study is based on both primary and secondary data. However, as the study is primarily evaluative in nature and mainly deals with psychology and behaviour of the investors**,** primary data provides foundation for the present study. The primary data is collected through structured questionnaires. Separate questionnaires were designed comprehensively to elicit information about the socio-economic profile of the investors, their awareness about stock market operation, their investment behaviour and risk assessment. The questionnaire is designed keeping in view the objectives of present research work and it is pre-tested by means of a pilot study. The secondary data is also made use of at some places of the study wherever it became necessary. The relevant secondary data gathered from the reports, books, journals, periodicals, dailies ,magazines, and websites.

For the study, the researcher selected stock market investors in East Godavari and West Godavari Districts of Andhra Pradesh. For this purpose he visited all the stock broking agencies in these two districts. There are 96 stock broking agencies in these two districts out of which 65 in East Godavari and 31 in West Godavari. The researcher selected a minimum of 6 investors from each stock broking agency and collected information through a structured questionnaire.

Table 1.1 Stock Broking Agencies in East Godavari District

Name of the Town	No. of Stock Broking Agencies
Kakinada	20
Rajahmundry	20
Peddapuram	03
Alamuru	06
Amalapuram	03
Anaparthy	02
Mandapeta	05
Rayavaram	01
Tuni	02
Rajole	01
Jaggampeta	02
Total	**65**

Source: Field survey

Table 1.2 Stock Broking Agencies in West Godavari District

Name of the Town	No. of Stock Broking Agencies
Eluru	12
Bhimavaram	06
Tadepalli gudem	03
Tanuku	05
Palakol	04
Nidadavole	01
Total	**31**

Source: Field survey

Selection of the area for the Study

East Godavari and West Godavari districts of state of Andhra Pradesh are selected as the area for the present study. This area is deliberately selected by the researcher as it is coastal Andhra, one of the notified regions in Andhra Pradesh State and the extent of investors awareness and the investment culture in this region definitely gives proper picture of the efforts of the Securities and Exchange Board of India (SEBI) in inculcating investment culture among Indians especially small investors who constitute major part of investors in India.

Sample Design

For the purpose of the study, convenience sampling technique is adopted. In East Godavari and West Godavari Districts of Andhra Pradesh, there are about 96 stock broking agencies, out of which, 65 from East Godavari and 31 from West Godavari Districts. The researcher selected a minimum of 6 investors from each stock broking agency and collected information through a structured questionnaire from the total sample respondents 576.

Tools for Analysis

The data collected form primary and secondary sources is subjected to statistical treatments. Simple statistical tools like Percentages, Ratios, Mean, Cross-tabulation and Chi-square Tests have been used. The chi-square test has been adopted to examine the association between the variables.

Limitations

The present study is mainly based on data collected through the administration of a questionnaire. The general limitations of the validity of the responses of the investors are subject to their interest in giving responses. As far as possible, care was taken to spend more time with the investors, so that the responses are given with some thought based on their experience with the stock market operations.

Presentation of the Study

Chapterisation of the present study is driven by its objectives. An introduction is presented in the first chapter while the existing literature available is reviewed in the second chapter. The third chapter is devoted for a full length presentation of the Stock markets with special reference to India. The perceptions of investors in terms of their personal and family considerations are measured in the fourth chapter, while the focus of fifth chapter is on the investors' perception. The sixth chapter is on the investment pattern of the investors while the summary and suggestions are presented in the seventh chapter. Annexure is the Questionnaire used in the study, followed by bibliographical references.

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