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# CHAPTER – II

# REVIEW OF RESEARCH AND LITERATURE

This chapter aims at reviewing the available literature on stock market in India and developments in stock market mainly with the objective of identifying the gaps in the research and give justification for the present study. Since the main objective of this study is to analyse the investment pattern, the studies mainly related to investment culture and investment behaviour, investors protection, risk perception and analysis and related areas are given more importance while reviewing the literature.

The fundamental objective of any stock market is capital formation which supports faster growth of any economy. This objective is fulfilled only when individuals, households, trusts, and fund companies come forward to invest their savings and financial resources in financial assets of corporate sector, more popularly known as corporate securities. Therefore, the essential prerequisite for capital formation is development of positive investment culture among the people of a country which supports the faster growth of its economy. Investment culture refers to the attitudes, perceptions, and willingness of the individuals and institutions in placing their savings in various financial assets, more popularly known as securities. A study on the investors' perceptions and preferences, thus, assumes greater significance not only in the formulation of policies for the development and regulation of security markets in general but also helps in protecting the interests of stock market investors in particular.

A selection of empirical and evaluative studies (articles and book-length studies) carried out hitherto in the area of stock markets relevant to the present enquiry are reviewed here briefly to serve as a scaffolding for it, to obtain an insight into chosen theme, and also to identify if there are any gaps to be filled in. Such reviews help a researcher to take his bearings in his investigation. The review of research and literature on this area are given below:

**Khan (1977 & 1978)**[1] studied the role of new issues in financing the private corporate sector in India during the 1960s and the early 1970s, and concluded that , new issues were declining in importance. He also showed that with underwriting becoming almost universal, institutions like the LIC and the UTI were becoming major players.

**Jain (1979)**[2] in his article studied further light on this question of financing with an analysis of the UTI's role in the new issue market. He argued that the UTI looked at underwriting as a method of acquiring securities at low cost rather than an arrangement for guaranteeing the success of new issues. In the context of the rapidly changing structure of the merchant banking industry in India today, a deeper analysis of the motivations and strengths of different players would be highly useful.

**Guajarati and Srinivasan (1980)**[3] in their article discuss the issue of discount coupons being distributed, particularly by textile mills, for purchasing the products of the companies. They argue that such coupons are akin to payment of (disguised) dividends, which would not be taxed.

**Srivastava (1984)**[4] does a cross-section study of 327 companies for the year 1982-83 to conclude that high dividend rates are associated with higher market prices of securities. He therefore states that the famous Modigliani-Miller Model that dividends have no impact on share price is not applicable in the Indian context. This analysis however suffers from several limitations, the most obvious being the fact that had the researcher examined the relationship between earnings and dividends, and he would have in all likelihood found that the higher dividend paying companies are also the ones with higher earnings.

**Saha (1988)**[5] in his article in Yojana argues that the strategy of merchant bankers should not be to develop an instrument for raising capital from the market, but to develop a process that makes creation and delivery of the instruments possible in accordance with the pace and requirements of the issuers.

**Bhat (1988)**[6] in his paper studies the relationship between the regional market indices in the Indian stock market during the period 1971-85 using monthly data. He finds that the regional price indicators respond immediately to the all India index, but cautioned that his study is not adequate to conclude the existence of an integrated national market.

**Rao and Bole (1990)**[7] have examined the real rates of return on equities in the Indian market during the period 1953-87. They conclude that equities provide only a partial hedge against inflation. While the long term real rates of return are positive, during periods of extraordinarily high inflation, the real rates of return are negative. The study would have been more useful had the returns provided by bullion also been analyzed for the same period. It would also have been useful to break up the long period into sub-periods to determine whether the behaviour of returns was different for different sub-periods and whether reasons could be ascribed to any observed differences. The authors also observe that, as the Indian stock market has been booming in recent years, the conclusions for a more recent period could be quite different from the conclusions reached in their present.

**L.C.Gupta (1991)**[8] conducted a survey of the shareowners. His objectives of the study were to study the growth and profile of the Indian shareowners, to know the investors' share portfolio diversification and size, to study investment experience of the shareowners, to evaluate investors' preferences, perceptions and intentions and investment experience of the shareowner, and to examine service and information given to investors. From the study he observed that share investment has moved up considerably during 1980-90. A great majority perceives the UTI/MF units as same. Most of the MF schemes are highly conservative, with about 75-80 per cent invested in fixed-income securities, enabling the MF organizers to promise fairly high assured returns. This makes MF industry almost risk-less but it also means that such MF schemes cease to serve as vehicle for equity investment.

Despite the image of high safety and a higher return than bank fixed deposits, UTI/MF schemes have not been as popular among the lower income groups. UTI/MF schemes appear to be not finely turned to what household investors need, especially in the middle and lower income category. Buying from new issues market is more popular than buying from the secondary market. The standard of services and information being provided to shareowners in India by companies and stock-brokers, are not only below world standard but also have a minority of Indian shareowners are dissatisfied with the services provided to them. Nearly four-fifth of Indian shareowners was dissatisfied with the working of the present mechanism for redressal of their grievances. Gupta concluded in his study that debentures were perceived to be as risky as equity shares and, in contrast, mutual fund schemes were perceived to be as safe as bank deposits.

**Anshuman and Chandra (1991)**[9] in their paper examine the government policy of favoring the small shareholders in terms of allotment of shares. They argue that such a policy suffers from several lacking, such as higher issue and servicing costs and lesser vigilance about the functioning of companies because of inadequate knowledge. They suggest that the there is a need to eliminate this bias as that would lead to a better functioning capital market and would strengthen investor protection. With proportional allocation being advocated by the SEBI, a shift in the policy is already evident. However, there appears to be some re-thinking on proportional allocation after the recent experiences, which clearly demonstrate that such a policy could result in highly skewed ownership patterns.

**Survey of Indian Share Owners (1991)**[10] this survey was sponsored by the Securities and Exchange Board of India. The object of the survey was that on "the strong and spectacular growth experienced by the Indian Capital market during the 1980s had thrown up many policy and regulatory issues", these issues required to be tackled urgently for ensuring the continuance of the healthy growth of the market during the 1990s.

**Ignatius (1992)**[11] has done an interesting study comparing the returns in the Bombay Stock Exchange (BSE) with those in the New York Stock Exchange (NYSE). He finds a mildly significant weekend effect in the returns on equities in India as well as seasonality in the returns on equities in India as well as seasonality in the returns, with the month of December providing significantly higher monthly returns. Overall, the return patterns in the BSE and the NYSE appear to be similar. A more rigorous study of this kind involving other markets would be very useful at the present juncture when the Indian stock market has been thrown open to investment by foreigners, since such a study can assess whether there could be gains from portfolio diversification through investment in Indian capital markets.

**Mohd Shamim (1992)**[12] in his article on Emerging of Depository Services in India Under the depository system, the securities are kept in the form of electronic accounts i.e., in dematerialized form and the system revolves around the concept of paperless trading. Introduction of depository system with the establishment of NSDL and CDSL has improved the performance of Indian capital market.

The number of companies opting for Demat trading has been increasing because most of the problems in the Indian Capital Market were due to paper based; time consuming bothersome, risky, slow and inefficient trading system. However, a few problems have also arisen with the establishment of depository services. These are mainly due to non-adherence of rules and regulations by the DPs. Some strict laws should be made and the DPs made to adhere to these. Moreover, proper measures must be taken by the NSDL, CDSL and SEBI to provide the necessary infrastructure to their DPs, especially training regarding entire operation of depository system.

**M.K. Patel (1994)**[13] in his article on Globalization and Indian Capital Market stated that the Indian Capital Market remained restricted to the territorial limits of the country till the commencement of the process of globalization of the economy started ten years ago. A plethora of controls and regulative measures prevented foreign investors investing in Indian capital market and also the Indian companies raising capital from aboard. The Indian financial system comprising the commercial banks, financial institutions and the capital market has undergone a very rapid transformation in the past decade. Institutional frame work of Indian Capital Market was strengthened to uplift it and put it on par with the international markets. Securities and Exchange Board of India (SEBI) has been given statutory powers. Stock Exchanges have been turning to electronic trading system. Due to change made by the SEBI and financial institutions, there has been a stupendous rise in the number of shares, value of shares, number of investors, number of stock exchanges, etc. Despite tremendous progress in capital market after the reforms, it is not free from problems. One of the major problems has been the withdrawal of small investors from the capital market. However, the accelerated pace of liberalization and globalization will pave the way to explore this unexploited potential.

**M. Talha and Riazul Hasan Siddiqui (1995)**[14] felt that the Capital market is a sine-quo-non for speedy growth and development of every country's economy and India is no exception to it. It is considered as a spring-board to provide financial and economic sustainability to a nation's economy. After mapping global scenario, this paper highlighted the emerging trends and future prospects of Indian capital market.

**Refael La Porta, Florencio Lopez-de-Silanes and Andrei Shleifer, (1996)**[15] in their working paper titled "**Law and Finance"** suggest three broad conclusions. **Firstly**, laws protecting investors differ markedly around the world, though in most places they tend to give investors a rather limited bundle of rights. Countries whose legal systems stem from the common law tradition tend to protect investors considerably better than countries whose systems are based on civil law, especially French civil law. Countries whose systems are based on German and Scandinavian civil law take an intermediate stance towards investor protection. There is no clear evidence that different countries favor different types of investors; the evidence points instead to a stronger stance favoring all investors in common law countries. **Secondly**, law enforcement too differs a great deal around the world. The German and Scandinavian civil law countries have the best law enforcement, although to some extent this reflects their higher average income. Law enforcement is also strong in common law countries, and weakest in the French civil law countries. **Thirdly,** good accounting standards, rule of law, and shareholder protection have a strong negative correlation with the concentration of ownership. This result suggests that inadequate protection of investors may be costly. If small investors are not protected, companies will be unable to raise capital from them, and entrepreneurs will be unable to diversify their holdings. High ownership concentration, then, may be a symptom of a poorly functioning capital market.

**Madhusoodanan (1997)[16]** conducted a study to find out the relationship between the expected return and risk by using portfolio method rather than the individual security approach. For the purpose, portfolios were formed to test their performance in the consequent period. Results indicated that the risk and expected return in the Indian market are not necessarily positively related. In the Indian market, the investor rationality and risk aversion do not appear to be important. It is found that higher risk is not priced and investing in higher risky securities with the expectations of higher returns in future may not produce good results. In case of yearly test periods, as against quarterly ones, the securities, which had produced high returns in the past, did not perform well in the next period. Hence the policy of selling prior winners and purchasing prior losers could produce excellent results over one year investment horizon.

**L.C. Gupta Committee (1998)**[17] conducted a wide market survey with contract of several entities relevant to derivatives trading like brokers, mutual funds, banks/FI, FIIS and merchant banks, the committee in its report observed that ,a widespread recognition of the need for derivative products including equity, interest rate and currency.

**Yoon Je Cho (1998)**[18] a Korean in his study report about Indian Capital Market, Recent Developments and Policy Issues, analyses the capital market reforms and development in India.

**I.P. Tripathi and R.P. Gupta (1998)**[19] are of the view in their combined article on Emerging Issues in Capital Market, that the capital markets are generally known for long term funds as distinct from the money market which deals in short-term funds. The money and capital markets are infact inter-dependent as developments and trends in one affect the other. The capital market has important components such as the suppliers of loanable funds, the borrowers and the intermediaries who deal with the lenders on the one hand and the borrowers on the other. They can be divided into two constituents: (i) the financial institutions and (ii) the securities market. The financial institutions like IFCI, ICICI, IDBI, SFC's, LIC, and UTI. etc., provide long-term and medium term loan facilities. The securities market (stock exchange) is a market where securities can be bought and sold freely.

**Dr. H.N. Agrawal (1999)**[20] in his paper observed that Indian capital market had been undergoing several structural changes particularly during the 1990s, all leading the market to more efficient and healthier capital market. The changes were mainly directed towards improving infra-structural facilities and evolving more comprehensive and realistic regulatory framework, aware of investor protection. The process is still on, and there is a long way to go for investor protection, particularly when a large number of ignorant and incapable investors and unscrupulous market participants exist. Since the inevitable principle of caveat emptor cannot be ignored, no investor protection is possible exclusively by government and other regulatory bodies as a party.

**Dr. V. Rajarajan (1999)**[21] in his article points out those investors with investible funds is selective investing. The investment behaviour of individuals is in fact, very much a direct and systematic function of personal circumstances. Investment attitudes result in portfolio decisions. The investment choices of individuals remain portfolio decisions, and a profound secret. Therefore fund managers find it difficult to market their financial products. How and investor tries to balance various considerations in his choice of financial assets will be understood better if empirical data choices are available.

**Arindam Guppta (1999)**[22] has analyzed global stock exchange towards globalization and economic liberalization of the Indian economy and capital market reforms was carried out with an array of reforms encompassing primary and secondary markets for equity and debt, and for foreign institutional investment.

**Raju (1999)**[23] attempted to measure the household investment preferences, and to measure qualitatively and quantitatively the degree of awareness and perception of urban and rural investors. He finds that a majority of the respondents still have preferences for traditional schemes like term deposits of banks, LIC and NSC. There is a great diversification if investment portfolio with increase in income. MF products are highly valued by investors belonging to all professional groups. Majority of the urban and rural investors gives high safety ranks for MF products. The investors are influenced in varying degrees by the brand image of different agencies. They themselves can take independent decisions by looking into the advertisements. There are investors from both urban and rural areas this indicates the market segmentation of the organizations.

**Charles P. Himmelberg, R. Glenn Hubbard, and Inessa Love (2000)**[24] in their paper presented at a conferences, bring together recent research on determinants of corporate ownership structure and research on costly external financing for investment to highlight the role played by contracting costs in the absence of strong investor protection on both firm financial structure and the cost of external funds for investment. Their principal findings, using firm-level data from a broad sample of countries, are two: Firstly, the weaker is legal protection, the more likely is concentrated inside equity ownership of firms and the higher is the marginal cost of equity financing. Secondly, to the extent that the size of the firm's equity base reduces the cost of debt financing, the marginal cost of debt financing is more sensitive to changes in firm net worth (peroxide by leverage) in countries in which weak investor protection has made the cost of external financing high. Implications of these basic results for analysis of cross-country variation in effects of monetary policy action and analysis of cross-country variation in industrial development are important topics for future research.

**Sanjay. D. Khaimar (2000)**[25] in his study on Changing Scenario of the Indian Capital Market observed that the growth in the Indian capital market has been phenomenal after independence. Primary issues rose from average annual amounts of Rs.900 million in the late 1970 to 225 billion in 1990. The number of listed companies at the Bombay Stock Exchange was 1,023 in 1970 which rose to over 7,500 companies in 1995. The daily turnover on the Indian stock markets shot up from about Rs.250 million in 1979-80 to about Rs.8 billion during 1993-94. The number of investors shot up from 2 million to over 40 million during this period. The number of stock exchanges increased from just 8 in the 70s to 22 currently. Thus, capital market emerged as a major mobiliser of resources for economic development.

**L.K. Singh (2000)**[26] in his article on emerging Issues in Capital Market has observed that with the advent of economic liberalization in early 1990s, various measures of economic reforms were undertaken. Financial sector reforms were an integral part of this reforms process. Indian capital markets, both primary and secondary, witnessed a host of legal, structural and procedural changes which were aimed at better investor protection and improved market efficiency. Despite all efforts, Ketan Parekh fiasco, UTI muddle, BSE president's involvement in insider trading, etc., are the indicators suggesting that a lot more is required to be done to improve the capital markets suitable for international practice in the new millennium. Adequate investor protection is still elusive. Registration of intermediaries like brokers, sub-brokers etc., is still far from satisfactory. Underdeveloped debt market is a cause of concern. Uniformity in credit rating, access to, and flow of information, integration of various segments of capital market, promotion of derivatives trading by removing bottlenecks, professionalization of work culture, etc., are various issues confronting the capital market regulators. But, the free pricing of securities have adversely affected as the freedom given to issuers have been misused. The statistical evidence reveals that about 75 to 91 percent of new issues were made to promoters, directors, friends of promoters and financial institutions. A combined strategy to further push structural, legal and procedural changes is required to make the capital market vibrant and suited to contemporary international business environment.

**M. Nazir Zamir Qureshi and G.S. Modi (2000)**[27] in his study on Issues and Options felt a well developed capital market is regarde1d as the backbone of industrial growth and sign of prosperity of an economy. It provides business finance by way of mobilizing the savings of the individuals. In order to achieve the economic growth, the inflow of capital in the form of foreign direct investment (FDI) and foreign institutional investment (FIIs) are essential. There is a need to take more stringent steps to protect the interest of the investors and create an environment of confidence. Manipulative practices including the discretionary character of margins levied by stock exchanges, secrecy of transactions promoting speculations, trading activities designed and evolved to benefit only the brokers ignoring the interest of genuine investor etc., are some such problems which cause many administrative difficulties and inefficiencies in the capital market. The steps taken by SEBI from time to time to streamline the capital market are not serving the purpose fully. In this regard, the efforts including dematerialization of shares, introduction of rolling settlement, CIS scheme and introduction of financial derivatives have not brought about the desired results.

**Survey of Indian Investors conducted by Securities and Exchange Board of India (SEBI) and National Council of Applied Economic Research (NCAER) (1999-2000)[28]** the report of the survey says that the Indian securities market has undergone a substantial and speedy change in the last few years. Indeed its present form and content hardly bears any resemblance to its earlier state. And for the investor population, no recent estimate has been available for want of a detailed scientific enumeration. This has handicapped the SEBI, market intermediaries, researchers and investors in deciding their policies and investment choices respectively. To overcome this problem the SEBI requested the National Council of Applied Economic research (NCSER), an agency known for its expertise and experience in conducting objective and large-scale household surveys, to undertake a survey of the Indian investors. The primary objective of the survey was to have a demographic profile of investors and their households investing both directly and indirectly. This was expanded also to find out the investment preferences, perceptions about risks in investments, level of awareness and experience of investors while investing in the Indian securities market and the reasons, which inhibit some household from investing in the securities market.

**Van Schalkwyk (2000)[29]** in the paper "Creating Wealth in a Developing Economy by Incorporating Investors Psychology in Portfolio Construction" has focused on the impact of behavioural dimensions and investors' psychology on risk perception of individual investors. The purpose of research was to establish whether the portfolio construction or reexamination was to be done on the basis of risk profile of an investor.

The literature study was put together to make it applicable to investment policies, risk perception and decision making of the individual investor. The study enlightens on the various perceptions of risk and how the individual investor arrives at a decision. The decision-making approaches are classical or behavioural and the perception of risk differs on how the investor is defined i.e. active or passive investor. The study suggests that on the basis of the knowing the client (type of investor) and his decision making approach (on basis of risk perception), the investment policies can be evaluated and portfolios rebalanced. The author has lucidly discussed the risk perception of investor on the basis of definition of investor; nonetheless, there are other factors also responsible for changes in perception of risk.

**Bennett, Sias and Starks (2000)**[30] in the research work "Investment Competition, Greener Pastures, and Dynamic Institutional Preferences" have analyzed the shift in institutional investors' investments from large safe investment preference to liquid securities. The study was conducted over a period of 17 years. The objective was l. To essay the changing preferences of the institutional investors and prove that they preferred liquid, more risky and smallholdings rather than hold conservative and large capitalization securities because of increased competition in the market. 2. To establish that the change in preference was due to the change in the relative size of the different types of institutional investors by testing hypotheses. The comparative study was made on the basis of eight stock characteristics (beta, standard deviation, firm size, firm age, dividend yield, share price, turnover and lag return) across institutional classes of five groups (Bank Trusts departments, insurance companies, mutual funds, independent advisors and unclassified institutional investors) over a period of time. The findings of the study were that the growth of the institutional investors was due to 1) growth in individual investment advisor growth; the investment holdings of banks and other institutional investor started 'to decline from 1990; 2) it also reported a strong growth in mutual fund ownership from 1990. The paper established that the institutional investors have shifted from large, conservative holding to risky and liquid holding. The study explains that the aggregate preferences are a function of the preferences by each type of Institutional investor and the impact is felt on the aggregate preferences of all the investors' including individual investor. The shift in preferences has been observed in this article to be systematic with the increasing role of individual investment advisor and mutual funds. The paper suggest that the investment advisor and mutual funds cannot invest in conservative stocks, as the individual investor requires high, liquid returns, which can be yielded, only by investing in smallholdings of risky investments and competition among the institutional investors are the reasons for shift in preferences to have competitive and sustainable advantage.

**SEBI-NCAER Survey (2000)[31]** was carried out to estimate the number of households, the population of individual investors, their economic and demographic profile, portfolio size, and investment preference for equity as well as other savings instruments. Data was collected from three lakhs geographically dispersed rural and urban households. Findings of the survey are: the investors' choice of investment instruments matched the risk perceived by them. Bank Deposit was the most preferred investment avenue across all income class; 43% of the non-investor households (estimated around 60 million households) apparently lack awareness about stock markets; and: a relative comparison shows that the higher income group has a greater share of investments in mutual funds compared with low income groups, suggesting that mutual funds have not truly become investment vehicle for small investors'. Nevertheless, the study predicts that in the next two years (i.e., 2000 hence) the investment of households in mutual funds is likely to increase.

**Rajarajan (2000)**[32] has attempted to identify predictors of individual investors' expected rate of return by investigating relationship of demographic variables such as age, income, occupation, employment status and stage in life cycle with investment behaviour of an individual in the paper titled, "Predictors of Expected Rate of Return by Individual Investors". The study was conducted by administering questionnaire to a sample size of 405 investors. The investigation was made across 12 variables. Multiple regression analysis was used by the researcher to examine the relationship between expected rate of return on investments by individual investors and their demographics. Some investment related characteristics (including risk bearing capacity of investor) were also studied. The study found that factors like investment size, portfolio choice, and risk bearing capacity are positively related to rate of returns. The variable locus of control was inversely related to rate of return. The paper concluded that the rate of return was not strongly related to any socio economic variable except age. The author has empirically proved the significant relationship between expected rate of return on investments and demographic variables.

**Dr. N.L. Mitra Committee (2001)**[33] in his study report on Investor Protection submitted to the Government. The following are the recommendations (1) There was a need for a specific Act for protecting investors' interest (2) A judicial forum was needed for the redressal of investors' grievances (3) The provisions relating to investor education and protection fund should be removed from the companies Act, 1956 (4) The SEBI should be the only regulator for the entire capital market, both primary and secondary. It should have powers for investigation and to attach the public fund and all converted assets to prevent misappropriation (5) The regulator mighty require all IPOs to be insured on the principle of third party insurance with differential premium based on risk study by the insurance companies (6) The SEBI Act , 1992 should be amended to provide for statutory standing committees on investors' protection, market operation and standard setting ,(7) The Securities Contract (Regulations) Act, 1956 should be amended to provide for corporatization and principles of good governance for stock exchanges.

The study conducted by **Karmarkar (2001)**[34] has investigated in to the investment behaviour of household sector in a rural block of West Bengal with a sample size of 50 respondents. The paper titled "Investment Behaviour of Household sector- A study of a rural' block in West Bengal", has highlighted the relationship between demographic variables and investment behaviour. The paper further adds that risk-return perception of individual is dependent upon income of individual. The study found that Life Insurance Corporation was the most preferred avenue to invest and people in general were risk averse and wanted to invest in safe assets. The author has explained the risk-return relationship in relation to the income of investor.

**R.N. Agarwal (2001)**[35] in his paper, titled **Financial Integration and Capital Markets in Developing Countries** study examines the impact of financial integration on India's capital market in terms of growth, volatility and market efficiency. The study reveals that the primary Indian capital market has grown significantly since the beginning of capital market reforms in 1992-93. The secondary capital market is also found to have grown in terms of its size and liquidity. Volatility in stock prices is found to have declined annually. Industry-wise volatility is measured by “beta”. The regression results do not support the random walk model of market efficiency.

**Committee on Petitions (13th Lok Sabha) 2002)**[36] in its report made certain observations/ recommendations in the matter and the Ministry of Finance (Department of Economic Affairs) was requested to implement those recommendations regarding protecting the interest of small investors and depository and furnish the action taken for the consideration of the Committee.

**D. Himachalam (2002)**[37] in his research project report submitted to LCSSR on “Consumer Protection in India”, examined the measures being undertaken by the government on consumer protection in India. The report explores the existing malady in the market milieu both in commodity market and capital market as well. He suggested appropriate suggestions based on the observations for the protection of consumers and investors in the complex global market environment.

**Peterson (2002)**[38] in article titled **"**Buy on the Rumor: Anticipation affect and investment behaviour**"** has lucidly put forth the relationship between investor psychology and security pricing around anticipated events by finding inter linkages between finance, psychology and neuroscience literature. The paper has analyzed the trading strategy of "Buy on Rumour and sell on News" with the multi- disciplinary approach and concludes that a systematic "neuroanatomical" approach is required than a mathematical description of cognitive biases.

**Y.P. Singh (2002)**[39] the survey results show that investors in general, do not perceive the risk inherent in MF investment and use it primarily as a tax saving instrument. Among various financial instruments available to the investors MFs are ranked below NSE, PPF & LIC policies. However, among the various MFs and schemes available for investment, private MFs, open ended schemes and balanced funds are most preferred by the investors. The study also provides useful suggestions to various market players and investors.

**A study conducted by SEBI (2003)**[40] in association with National Council of Applied Economic Research (NCAER), has thrown up several interesting facts on people's investment preferences. The Survey of Indian Investors is SEBI's second effort after the one in 1998-99. Since then, the investment climate and rules of the game have changed considerably. With the objectives of sketching the investor profile and investment preferences and estimating State-wise distribution of investors, the survey is conducted from a stratified sample of 2, 88,081 households across the country. The reference period for the survey from April 1, 2000 to March 31, 2001.

The sample was classified on demographic and non-demographic parameters of income, education, occupation, and so on. The survey estimated that 7.4 per cent Indian households totaling 21 million individual investors have invested in equity or debentures of both in 2000-2001. There are 19 million mutual fund unit holders in 2000-2001 against 23 million as per the survey of 1998-1999. A greater percentage of urban households invested in equity and debt. There has been a definite migration of investors from equity to bond market between the two surveys. Rural households appear to have preferred bonds to equity. The southern region accounted for 45 percent of the total investor households followed by the western region (33 percent), the northern region and the eastern region (11 percent each). Gujarat has the highest number of equity investor households accounting for 25 percent of all equity investors. Gujarat and Andhra Pradesh lead in bond investment activity. The bond owning households in Gujarat is about 26 percent of all households in the State followed by Andhra Pradesh at 18 percent and Chandigarh at about 14 percent. In Himachal Pradesh, Madhya Pradesh and Bihar, bond owned Households are 2 percent or less.

**Rajarajan (2003)**[41] in the research article titled "Investors' Demographics and Risk Bearing Capacity" has focused on finding out whether there exists any relationship between Indian investors' demographic characteristics and their risk bearing capacity. The paper also identifies the pattern of influence of demographics on the risk bearing capacity of investor. The study was conducted in Chennai with a sample size of 405 investors. The risk bearing capacity was measured in the study as the percentage of investment in high-risk assets to total financial assets. Chi-Square test was used to determine the association of demographic characteristics and the risk categories. The Correspondence analysis further applied in the study revealed the characteristics of individual risk categories. The study found that there is a strong association between demographic characteristics and risk bearing capacity of individual investor. The author has logically established the relationship between risk and demographic variables.

**Pronab Sen, Nikhil Bahel and Shikar Ranjan (2003)**[42] the secondary debt market in India is practically non-existent. The authors of this working research paper argue that, with the recent economic reforms, an efficient and active debt market, particularly in long-term private debt instruments, is essential for the country to realize the full benefits of the reform process and to achieve its potential. It is further argued that the presence of small investors is critical to this process, given the limitations of the institutional investors. The essential conditions for a well-functioning debt market are identified from a study of the U.S and European markets, and an assessment made of their presence in India. Specific concerns of small investors in the Indian context are described, and suggestions made as to how these can be addressed.

**Joint Parliamentary committee (JPC-2003)**[43] on “stock Market Scam and Matters Relating to Thereto” in its report presented a detailed analysis of the nature and dimensions of the stock market scam, which surfaced in 2001. It observed upon the systematic weaknesses that led to the scam, also the abuse of systems by various individuals. This Action Taken Report (ATR) presents the Government.

**Furqan Qamar (2003)**[44] paper is an exploratory study that seeds to analyze the saving behaviour and investment preferences and investment preferences among average urban middle class people in Delhi. Despite the financial sector reforms and entry of private domestic and foreign banks into the country, the nationalized commercial banks seem to be the favorite choice of an average household. Capital market imperfections and associated risk have not been a deterrent for many households, as they are found investing in debentures and shares either directly or through mutual funds. The saving behaviours and investment preferences of average urban households seem to be significantly influenced by the level of educational attainments and income of the respondents.

**Rui Castro, Gian Luca Clementi and Glenn MacDonald (2003)**[45] have introduced investor protection in a simple extension of the two-period overlapping generations model of capital accumulation and study how it affects economic growth. Investor protection is positively related to risk sharing. As is standard in models of investment with risk-average agents, better protection (better risk sharing) results in a larger demand for capital. This is the demand effect. A second effect, which is called the supply effect, follows from the general equilibrium restrictions. For a given aggregate capital stock, better protection (i.e. a higher demand schedule) implies a higher interest rate. The aggregate resource constraint then implies lower income for the entrepreneurs, as a result, current savings and the supply of capital in the following period decrease. It turns out that the strength of the supply; effect is greater, the tighter the restriction on capital follows. Therefore their model predicts that the positive effect of investor protection of growth is stronger for countries lower restrictions. They find that the data provides some support for this prediction.

**Measures for Improving Common Investor Confidence in Indian Primary Market - A Survey (2003)**[46] this research paper discusses various measures of revival of common investor confidence in the Indian equity primary markets. The study is based on questionnaire survey results in ten cities of India. **The first part** of the study concentrates on the decisions taken by the investors while investing in primary markets. It appears from the analysis that the sample investors give importance to their own analysis rather than compared to the brokers' advice. They also consider the market price as a better indicator than the analyst's recommendations. **The second part** of the study identifies the factors, which are affecting primary market situation in India. Issue price, information availability, market price and liquidity emerge as important factors. **The third part** of the study evaluates various revival measures available. The evidence from this study suggests that investors need to be assured of some return as the current level of risk associated with investment in market is very high. They have unpleasant experience in terms of lower market price after listing and high issue price. Accordingly a number of suggestive measures regulatory, policy level and market-oriented are suggested to improve the investor confidence in equity primary markets by offering protection-oriented investment.

**Qamar (2003)**[47] in the article "Saving Behaviour and Investment Preferences among Average Urban Households" has evaluated the investment references of the 300 households in Delhi to gain an insight into the preferred mode of savings, factors influencing the selection of investment instrument and the extent of savings. The results of the study were achieved by testing for null hypothesis using Chi Square tests on the following grounds: 1) holding a bank account does not affect investors ability to save in other investments: 2) educational qualifications does not influence the magnitude of savings: 3) level of educational attainments, income profile and magnitude of savings does not influence decision to invest in term deposits. The study found that the preferred mode was savings in bank accounts, followed by post office savings schemes. The study proved that the influence of demographic variables such as level of literacy, educational attainments, occupational distribution and income profile was high in investment decision making. The author covers all the possible demographic variables required for the study.

**Crosnan and Gneezy (2004)**[48] in the research work titled “Gender Differences by Preferences" have done an exhaustive review of various studies on gender differences over a period of time. The authors have highlighted the differences in perception on the basis of gender. The paper explains that there is vast difference as to how men or women perceive the areas of risk taking, social behaviour and competition behaviour. The paper establishes that women take less risk than men. According to the authors the various factors that might be responsible for such a difference in preference may be age, marital status, number of children and culture. The paper further discusses that gender difference by preference is reduced when the outcome is unsure as in the case of lottery as the perceptions are made on a subjective idea of outcome. Similarly the paper establishes the lack of difference in perception when a population consisting of managers and professionals was studied. The study disclosed that there is no significant difference in the way men or women. Managers think of performance, risk and other fund characteristics. The authors concluded the study by stating that women are risk averse than men as far as investment decision involving risk was concerned.

**Harvinder Kaur (2004)[49]** the study describes the extent and pattern of stock return volatility of the Indian stock market during the last decade of the previous millennium, i.e. from 1999-2000.

**Diacon (2004)[50]** in the study on "Investment risk perceptions: Do consumers and advisers agree**?",** has made a detailed analysis of the risk tolerance levels by making comparison of the perceptions by individual consumers and expert financial advisors of the investment risk involved in various United Kingdom personal financial services products. Factor similarity tests using Pearson's correlation coefficient and Tuckers congruence correlation were conducted. The author concluded that there were significant differences between expert and lay investors in the way financial risks are perceived. The Factors studied were dislike of adversity; dislike of volatility; regulatory failure; poor knowledge and Distrust. Financial experts were less loss averse than lay investors, but Were prone to affiliation bias (trusting providers and salesmen more than lay investors do), and believe that the products are less complex, and are less cynical and distrustful about the protection provided by the regulators. The research study comparing risk tolerance levels of individual investors and financial planners is an admirable piece of work.

**R.L. Tamboli (2004)**[51] this paper analyses the impact of disclosure and regulatory authorities' efforts on investor protection. The author discusses philosophy, concept, accounting disclosure norms and actual practices. Based on the information collected from 100 respondents, the study concludes that the individual investors relied very much upon "Materials on Financial Products" followed by 'Annual Reports' and 'Verbal advice'. Investors preferred small saving schemes to corporate securities, followed by consumer durables and real estates. Personal lending remained the last and least preference. The Investors faced grievances on corporate investments as they did not know about the right authorities to be approached for the redressal. This paper analyses the issues relating to accounting disclosure and investor protection.

**Gurcharan Sign (2004)**[52] **Ill liquidity in stock Exchanges:** some Issues Lessons from stock market crashes and the serious economic damage, they have caused, has made some to paint the stock market as a wasteful venture that relies on rolling over money earned from real business activity without building any real economic value. This paper examines the liquidity scenario of Indian Stock exchanges and raises issues related to ill liquidity.

**Staader and Ramaswami (2004)**[53] in the research titled "Investor Perceptions of Traditional and Online Channels" conducted a study during 2001-2002 in which 318 respondents participated. The study was focused on three questions. First, how do individual investors view each of the two channels on each cost/benefit criterion? Second, do users of the online channel perceive that channel to be better than the traditional channel? Third, do non-users have more favourable perceptions of the traditional channel as compared to their user counterparts? The perception of the investor regarding online channel benefits were evaluated on the basis of responses on the following 10 features: 1) Reduced cost of transactions: 2) Convenience: 3) Opportunity for taking personal control: 4) Ease of conducting transactions: 5) Increased rate of return: 6) Investment education: 7) Trustworthiness: 8) Access to information of value: 9) Meet personal financial goals: 10) Manage risk level. Two features showed no differential evaluation: "managing risk level" and "access to information." The overall finding of study is that the online channel could continue to grow as a medium for personal financial management and investment because individual investors felt that it provides benefits which are not available through the traditional agent/broker channel. However, the online channel is not expected to completely replace the traditional channel, because some investors still appreciate, and are willing to pay for, face-to-face personal service available only through the traditional channel.

**P. Viswanadham(2005)**[54] in his paper titled '**Investor Protection the Role of SEBI'** outlines the Endeavour's of the SEBI towards a proactive approach by conducting several Investors' awareness/ Investor' education programme across the country. The SEBI is equally active in its reactive approach also by redressing the investors' grievances, conducting investigations and appointing enquiry officers against financial intermediaries and also taking action in a number of cases.

**Sundar Burra and Devika Mahadevan (2005)**[55] in their paper recommend that it is very important to have another SIF-type scheme, based on the lessons that emerge from the previous experience, and which create the opportunities for even the poorest citizens to participate in and benefit from India's markets. They also recommend that financial institutions may invest in established and reputed NGOs to act as intermediaries. Such initiatives are representative of the true spirit of democratic participation because they pave the way for the inclusion and access of the urban poor to the financial market an institution from which they have been traditionally excluded. The creation of such a scheme acknowledges not only that the poor could also be beneficiaries from a healthy and growing economy, but that they are an important market in themselves, with resources to contribute to the general development of the economy-both privileges typically limited to the middle classes. In conclusion, the authors believe this case study points towards win-win partnerships that can be developed and that are beneficial to everyone concerned-financial institutions, and the overall economy.

**Joydeep Biswas (2005)**[56] in his article "Indian Stock Market at the Cross Roads" seeks to evaluate the development and efficiency of the Indian Stock market in the post-liberalization period. With the implementation of financial liberalization in the securities market during the last decade, Indian stock markets had graduated to a better position vis-à-vis the stock markets in the developed and emerging markets in terms of a number of parameters. On the domestic count also the Indian stock market responded favorably with the stock market liberalization policies, with the stock market and price rigging in the post-liberalization period. Having discussed one of the reasons for asset price fluctuations, this study concludes with some suggestions to arrest the volatility in Indian stock market

**S.D. Israni Committee (2005)**[57] the Israni committee has recommended that effective measures be initiated for protecting the interests of stakeholders and investors, including small investors, through legal means for sound corporate governance practices. An underlying theme of the recommendations is that increasing stress is sought to be laid on share holders' democracy. Theoretically, shareholders' democracy is indeed a great concept and needed a great concept and needs to be encouraged. Responding to the recommendation of the JJ Irani Committee report, the

**Federation of Indian Chambers of Commerce and Industry (FICCI) (2006)**[58] offered certain suggestions. It feels that the Committee has taken a very pragmatic approach to the ground realties, the emerging economic scenario and the increasingly important role of Indian corporate in the global arena. The recommendations of the Irani committee should provide adequate flexibility for timely evolution of new arrangements needed in the ever-changing business models and facilitate the adoption of internationally accepted best practices.

The basic objective of **Joydeep Biswas (2006)**[59] paper "Emerging Trends in the Indian Stock Market", seeks to evaluate the impact of financial liberalization on the growth and efficiency of the Indian Stock Markets in the post-liberalization period. It is the author's view that the Indian Stock Market has been afflicted by excessive speculation, volatility and inefficiency in the post-liberalization period. The author concludes the paper with some suggestions to arrest the volatility in the Indian Stock Market.

**Riccardio (2006)**[60] in the research "A Research Starting Point for the New Scholar: A Unique Perspective of Behavioural Finance" has provided an insight into the contributions made in the area of behavioural finance and has highlighted behavioural finance as emergent body of literature and research area to investigate and study in order to challenge many assumptions and theories of standard finance

**R.K. Raul, (2006)**[61] presents in his paper the basic and most important details of the Indian stock market in the global context. He concludes that the Indian Stock Market success story is based on structural rather than cyclical boom and fundamental changes have driven the market rally. However, some gray clouds are hovering in the bright sky. Such impediments relate to infrastructure that can apply brakes on the growth trajectory. Plugging the loopholes, developing overall infrastructure and sustainability of the market growth.

**Hemendra Kumar Porwal and Rohit Gupta (2006)**[62] in their article, "**The Stock Market Volatility"** examine the hot issue of volatility in the Indian stock markets. They found that perceptual factors have led to mad rush for stocks leading to volatility. The market regulators have been trying their best to curb this speculative uprising but have not been able to keep it in control. The authors believe that such bubbles cannot be curbed by imposing circuit breaker of margins but by allowing free trade. A more analytical media reporting which highlights better risk management coupled with investor learning will surely lead to a more stable market.

**Dr. D.R. Dandapat and M.M. Jana (2006)**[63] investigate into the nature of household saving in rural areas, its relationship or extent of association with the income of the rural people, conducting a case study on one of the Gram Panchayats in the district of South 24-parganas in the State of West Bengal, and coming out with some suggestions for improvement of present state of affairs on the basis of the findings of the case study.

**P.M. Deleep Kumar and G Raju (2006)**[64] are concerned with the pushing of grievances in the Indian Stock Market. They pointed out that in spite of the market reforms and regulatory measures initiated by those at the helm of affairs, many investors continue to face several difficulties from a multitude of elements involved in the capital market. The gullibility of the investors is a major factor inviting difficulties to them. The authors suggest that if the investors educate themselves better in the intricacies of the market and show more restraint and caution, a major share of their problems could be averted.

**M. Kannadhasan (2006)**[65] in his article titled "**Risk Appetite and Attitudes of Retail Investors with Special Reference to Capital Market"-** pointed out that the Retail Investors' financial decisions are not always guided by due consideration. Their decisions are also often inconsistent. The rationale behind the behaviour of retail investors is examined by the author from their attitude and risk-bearing capacity. This research paper dwells on the behavioural pattern of Retail Investors, based on their various dependent variables viz., gender, age, marital status, educational level, income level, awareness, preference, and risk-bearing capacity.

**Sreejata Banerjee Sunderesh Sankar (2006)**[66] in their study show that Indian Stock markets have moved towards greater integration with the rest of the world over a period of time. This could be attributed to the gradual lowering of barriers for foreign portfolio investment funds into the country and increasing de-regulation of the domestic markets. This also could be due to the policies of freeing the movement of capital inflows and facilitating raising capital from abroad.

**Shaji Vikraman (2006)**[67] in his Separate law proposed to protect Small Investors', pointed out that, a debate has been on over the need for a separate legislation for protecting the interests of small investors, considering that there are multiple agencies involved in policing companies that raise funds from the public limited companies, or NBFCs'. These include the capital markets regulator, SEBI, the banking regulator, RBI, and the Department of company Affairs (DCA), which is responsible for regulating unlisted companies.

**Dr. ManMohanSing, (2006)**[68] in his speech on the occasion of the inauguration of SEBI Bhavan said that protecting the interests of investors is the primary responsibility of any capital market regulator. Those who part with their savings in search of relatively risk free and reasonable returns, seek comfort in a regulatory regime that is responsive to their needs. In this context, great importance attaches to good corporate governance laying emphasis on ethical conduct, transparency of operations, effective disclosure norms and concern about the legitimate interests of all stakeholders. SEBI has been somewhat handicapped in its efforts in promoting investor education because of its lack of access to a suitable investor protection fund.

Leora F. Klapper and Inessa Love in their study "**Corporate Governance, Investor Protection, and Performance in Emerging Markets" (2006)**[69] used recent data on firm-level corporate governance ranking across 14 emerging markets. They explore the determinants of firm-level governance and find that governance is correlated with the extent of the asymmetric information and contracting imperfections that firms face. They also find that better corporate governance is highly correlated with better operating performance and market valuation. Finally, they provide evidence that firm-level corporate governance provisions with weak legal environments.

**Enrico Perotti and Paolo Volpin (2006)**[70] in their paper "**Investor Protection and Entry"** presented at a conference, stock holders pointed out that entry requires external finance, especially for less wealthy entrepreneurs. So poor investor protection limits competition. Their model shows how incumbents lobby harder to reduce access to finance for entrants in countries where politicians are less accountable to voters. In a broad cross-section of countries and industries, they find that (i) entry rates and the total number of producers are positively correlated with investor protection in financially dependent sectors and (ii) Countries with more accountable political institutions have better investor protection and lower entry costs.

**Van de Venter (2006)**[71] in the research work titled "Financial Planners' Perceptions of Risk Tolerance" has examined eighteen academic studies to understand the factors influencing risk tolerance. Of the studies the author identified thirteen factors and constituted it in a questionnaire. The questionnaire was administered to 406 registered Australian financial planners. The study was done with the objective of clarifying whether there were any significant differences between the factors identified by academicians and financial planners with respect to risk tolerance level of an investor. The study found that there was difference in risk tolerance on individual factors like women, older individuals, large family households, people not owning residential property, low wealth individuals, individuals with externalities as locus of control and individuals with low knowledge of finance and investment were risk averse. On the other hand factors like marital status, occupation and level of education gave inconsistent results on risk tolerance levels. The academicians and the financial planners' results were found to be matching in the study.

The authors **Rooij, Lusardi and Alessie (2007)**[72] in the paper "Financial Literacy and Stock Market Participation" have used the data of 2005 DNB Household Survey covering information about demographic and economic characteristics with focus on wealth and saving data. The research was conducted by administering a questionnaire to test the level of financial literacy of the Dutch population using internet resources. The objective of the paper was to find the reason behind low participation of households in the stock market. The research results were established using regression analysis and it was found that financial literacy of peers affected stock market participation as the respondents having social association was more likely to participate in the stock market; self-assessed economic literacy is also a factor; knowledge of finance and cognitive ability affects risk taking attitude of the investor; and the paper finally concludes that understanding economics and finance is a major determinant of stock ownership.

**Veld and Merkoulova (2007)**[73] in the paper "The Risk Perceptions of Individual Investors" have studied perception of investors by asking experimental questions and or analyzing the responses of 2,226 members of a consumer panel to detect the perfect risk measure used by investor while evaluating investment decisions. The study revealed that most investors implicitly use more than one risk measure. For those investors who systematically perceive risk according to the same risk measure, semi-variance of returns is most popular. Stock investors implicitly choose for semi-variance as a risk measure, while bond investors favour probability of loss. The study indicated the importance of original investment as it was considered to be the most important bench mark for individual investor.

**Vanjeko (2007)**[74] has observed the relationship between a specific personality characteristic, "Locus of Control" and risk bearing capacity of Indian investors by applying Rotters scale for testing the externality and internality factor in the paper **"**investors' Locus of Control and Risk bearing capacity"**.** The study was conducted by administering a Questionnaire at Chennai to a sample size of 405 investors. The analysis was undertaken by application of Chi Square test. The findings of the study indicated that investors motivated by themselves opted risky investments and the investors who depended on their environment were into less risky investments. The study establishes that there is relationship between individual personality and investment decision. The author has lucidly enlightened on the specific personality characteristic and its relationship to risk perception.

**Saifsiddiqui (2008)**[75] presented in a heuristic way to understand investor psychology. Investors invest generally by their intuitive judgment. From their paper, it is observed that majority of the investors believe that security of the investment is the first priority. Further, if investors make profits, they relate the profit with their own analysis and evaluation but if they lose money in the market. They try to make the other person responsible for the loss. According to Dr. Saifsiddiqui emotions are not effective while taking investment decision.

The present paper documents the findings of a survey performed to analyze the derivative market experience and investor strategies of Indian stock market. The survey was conducted on a sample of investors who are active participants in the cash and derivative segment of the NSE.

**Karlsson and Norden (2008)**[76] in the research study titled "Investor Competence, Information and Investment Activity" investigate the link existing between individual investors' perceived competence and their decisions to make active investment choices. The study is based on a sample of 1 083 scheme investors between the age group 20 to 62 selected as representative population representing Sweden. The research was conducted by questioning the sample investors by telephone. The authors analyzed the empirical results on basis of individual's perceived competence and information processing for investment activity, information usage. The research was done by testing hypothesis to find whether there was significant relationship between high perceived competence and active management of pension funds by individual investors. The findings of the study revealed that there was a positive relationship between investment activity, perceived competence and information processing. In other words, individual investors were more confident in active management of pension funds when they became familiar with the information relating to the funds.

**Dr. S. Sampath (2008)**[77] has analyzed the NSE stocks by using correlation. He finds that the obtained clusters indicate that common economical factors affect certain groups of stocks irrespective of their NSE industry classification. The outcome of his investigation is of fundamental importance, for example, in asset classification and portfolio optimization where co-movement between assets is of vital importance.

The present paper discusses the individual investor behaviour of Delhi stock markets.

**Dr. Rajarajen (2008)**[78] this study brought out the investors experiences and their expectations regarding dematerialization and IPO related reforms. The investors who have accepted the dematerialization process wholeheartedly have a different view regarding the book building method of IPOs. He also observed that the investors are very much disappointed with the SEBI's in action regarding manipulators in the capital market.

**Al-Ajmi (2008)**[79] in the paper titled **"**Risk Tolerance of Individual Investors in an Emerging Market"**,** has analyzed the risk perception of investor by administration of Questionnaires to a sample of 1500 individual investors in Bahrain. The findings of the study indicate that as investors, men have high propensity towards risk tolerance than women. Investors with better level of education and wealth are more likely to seek risk than less educated and less wealthy ones. Risk tolerance declines with increased financial commitments and increasing age. Another important finding of the study was low risk tolerance level of citizens of Bahrainis in comparison with non-Bahrainis. The author has intelligibly established the relationship between risk tolerance levels and demographic variables.

**Prof. Umesh Holani (2008)**[80] stated that the stock market is a highly efficient pricing mechanism. Efficiency does not refer to the organizational and operational aspects of the market or to the efficient allocation of resources within the economy, but to the capacity of the market to convert information into share prices. He advised the investors, before investing in the shares of the company listed on BSE, an investor should not rely only on the historical prices of the shares of that company.

**Dr. T. Manjunadha (2009)**[81] in his paper studied about the Risk return analysis of BSE Sensex companies. He opined that the investments are made in stock markets in expectation of returns in excess of the risk free rate. This investment naturally involves assuming some risks. Therefore, it is important to understand the rate of returns and the degree of risks to be assumed. He suggested the rational investors would assess the risk return profiles of securities before choosing the securities. This paper has attempted to assess the risk return relationship of automobile companies listed on the BSE.

**Anuradha Guru & Anokhi Parikh (2009)**[82] in their paper looked at the dynamics of foreign institutional investments in the country to see the pattern of their investments and possible cause and effect relationship with returns on the domestic markets. His emphasis is on getting an insight into the FIIs activity, following the period when the sub prime crisis in the US started to spread to other parts of the world by second half of 2007.

They conclude that there is a public perception that the investments by the FIIs are driving the market. However, FIIs do not seem to be having any large share in the stock market activity in the country. They contribute to only 18% of total turnover on the

NSE and the market capitalization of their holding on the exchange is 15% of the total market capitalization.

**Krishna Reddy Chittedi (2009)**[83] has studied about the Bombay stock exchange calculation procedure. In his article, he explained the sensitivity index of BSE and its land mark point 20,000. He suggested/advised the investors should keep in mind that the factors could derail this rally like rising interest rates, high inflation fuelled by firm global crude oil prices, slow down in the economy and in corporate earnings, fluctuations in currency markets, sluggish pace of economic reforms, political instability, crash in asset prices across the board, political tension and possible terrorist attacks.

**Ranjit Singh (2009)**[84] found that level of risk perception of the human resources of oil India Limited was the determining factor in influencing the investment decisions in the past, it continues to be the influencing factor in influencing the investment decision in equity shares in the present and it is expected that in the future also it will continue to influence the equity investment decisions. But along with the level of risk perception, the knowledge and skill to manage and handle risk is also very important to make equity investment decisions, it is also evident that different elements of marketing mix influence the equity investment decision together but the impact of different element of marketing mix is of varying degree.

**Dr. Aminul Islam (2009)**[85] in his article examined the global financial crisis and its impact on Indian capital market. During 2007 financial crunch shaked the entire world at this juncture how the world financial crisis affects Indian economy, especially how the Indian stock markets are affected. He emphasized that due to the world/global financial crisis Indian capital market changed its momentum and adversely affected. He focused on rejuvenation of Indian capital markets by strengthening SEBI rules and regulations.

**Jayasree Raveendran (2009)**[86] the present study confirms the presence of bubbles in the said Indian indices which is the main objective of this article. The paper use linear rational expectations model in the behaviour of the variables and one of the significant attributes of this bubble going up could be the expectation of investors which is very high and is much more than what the price movements can really be explained by the fundamentals thus hinting that irrationality could exist in the market.

According to the author, in the context of Indian stock market, two major stock exchanges dominate the equity market, viz., BSE & NSE. Both the markets have moved in tandem and the present study has been carried out to test the efficiency of the markets.

**Dr. Kavita Chavali (2009)**[87] the present study is about understanding and comparing the various tax saving instruments in the market with focus on the equity linked saving schemes. The performance of various funds is evaluated using various parameters of risk and return and comparing their performance with its benchmark S&P CNX Nifty. The fund chosen by the investor should match the risk appetite of the investor. He suggested that the equity linked saving schemes should be seriously considered by investors because of the dual advantage of tax savings and high returns.

**Amaresh Das (2010)**[88] in his paper demonstrates the empirical relevance of non-linear effects of uncertainty, measured by the volatility of stock market returns, on aggregate investment for a set of countries in Asia. The results strongly suggest that there are differences between the impact of low and high levels of uncertainty on the aggregate investment levels. It appears that high levels of uncertainty have less favorable effects on investment than low levels of uncertainty.

**Anjali Choksi(2010)**[89] rightly mentioned that the awareness of derivatives among mass investors and those investors having no knowledge of it depend mostly on broker or take advice of friends in order to make an investment. The survey also points out the reasons for less popularity of derivatives among a few investors. Main focus is on risk element and uncertainty, whereas attraction for cash market is due to safety, low risk, higher return and no long term capital gain.

**Dr. Iqbal, Dr. T. Mallikarjunappa (2010)**[90] in their paper made certain general observations on the efficiency of the Indian stock market. According to them, market efficiency is examined in three forms: 1.Weak form of efficient market – the prices of securities fully reflect all historical information and no excess returns can be earned by utilizing historical share prices, 2.Semistrong form – securities prices adjust instantaneously to available new information such as earnings announcements, bonus issue, merged and acquisition etc. So that no excess returns can be earned by trading on that information, 3.Strong form of efficient market – securities prices fully reflect all information including inside or private information.

**M. Venkatalaxmi & C.M. Sindhu (2010)**[91] in their analytical research article suggested that the investors should be trained to use the technical analysis tools, since it will help them in their day to day investments to get more returns. They find that the fundamental analysis can also be suggested to the investors together with the technical analysis in order to analyze the financial strength of corporate, growth of earnings and profitability. The present research article analyzes the price movements of shares of Tata Motors with the help of technical analysis tools. In this paper they used simple moving average, exponential moving average, Bollinger bands and Dow Theory for technical analysis.

**Mayank V.Bhatt (2010)**[92] has studied about the forecasting share prices, is it a good practice or a waste of time? He examined sector wise analysis on share prices and how they are changed from time to time. He concluded that it is very difficult to develop a common model for a particular sector which can be applied to any company that exists in this sector. Through this study, the researchers have demonstrated that the accuracy of the forecasting model is largely affected by selection of time period and length. He also opined that forecasting share prices is possible; it is good practice but investors to confine the time horizon.

**Bouri Abdelfettah (2010)**[93] in this paper he defends the proposal according to which, the securities return on the financial markets is affected by the irrational behaviour of individual investors. He compared the CAPM and predictability of the securities return on the Tunisian stock exchange. He suggested the adjustment of the traditional CAPM to the herding bias.

## CONCLUSION

There are considerable number of studies on Indian Stock markets and its related activities. However, most of these studies concentrated either on overall development, growth, development and performance of Capital market in India or on the recent trends of change after liberalization. Most of the studies reviewed above have mainly covered the aspects at macro level, like the ownership patterns in the capital market, occupation-wise break up of paid up value of share holdings of individuals, ownership pattern of shares/debentures, geographical distribution of share ownership in India. Though there are some specific studies on the investment pattern of individual, they mainly focused their attention on individual investors' problems and need for their protection. There are no specific studies exclusively on investment culture focusing on investors' awareness, his evaluation process of investment, his investment pattern, risk perception and risk preference. It is needless to emphasize that the behaviour of the small and household is a very crucial area in the formulation of policies and procedures for the orderly growth and development of securities markets in any nation. There are only a few studies covering the issue of investor perception and behaviour at micro/regional level. Especially in the context of decline in the participation of small and household investors in the primary market operations, withdrawal of investors from the capital market, diversion of household savings into safer investment avenues like bank deposits, real estate and unproductive assets like gold and silver, it becomes all the more important to study and analyse the investor awareness, perceptions and preferences of various investment avenues available to them in the securities markets. This may help the policy makers in evolving the suitable strategies to get small and household investors once again in large numbers into the capital market operations. Hence, the present investigation is an attempt in that direction. The issues investigated in the present study include awareness of investment avenues, investment pattern, the most preferred objectives of investors, and investment evaluation. Moreover, this study is mainly undertaken in Coastal Andhra, a very prominent region of Andhra Pradesh, with the hope that the observations and conclusions of the study are of immense use.

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