Chapter – vii

Summary of Findings and Suggestions
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7.1 Introduction

The Indian financial markets have witnessed a transformation over the last decade. India is now placed among the mature markets of the world. Key progressive initiatives in recent years include; the depository and share dematerialization systems, that have enhanced the efficiency of the transaction cycle replacing the flexible, but often exploited, forward trading mechanism, with rolling settlement, to bring about transparency. The InfoTech - Driven National Stock Exchange (NSE) with a national presence (for the benefit of investors across locations) and other initiatives to enhance the quality of financial disclosures. The Securities and Exchange Board of India (SEBI) has effectively been functioning as an independent regulator with statutory powers. Indian capital markets have rewarded Foreign Institutional Investors (FIIs) with an attractive valuations and increasing returns.

The amount of capital raised from the new issues market in 1993 was about 304 times more than the capital raised in the seventies. Further development can be observed during the recent years. During 2001-02 amount raised from the primary market was approximately Rs. 493b. Out of which Rs. 485b was raised from the domestic market. Money raised through initial public offerings was Rs. 95b. During January 2004, SENSEX reached a 41 month high crossing the 6000 point mark. Many new instruments were introduced in the markets, for example, index futures, index options, derivatives etc., in select stocks. In addition to the above, investor behavior and preferences have changed in the matter of investment decisions. An attempt is made in this chapter to present a summary of findings and suggestions that emerge from the present enquiry. Besides, further areas for future research are also suggested.
7.2 Investor profile and investment pattern

7.2.1 The demographic profile of sample investors clearly shows that almost all the sample investors belong to the working group i.e. 25-59 years age groups and that they are well educated. Most of the investors are from middle class, which is a major group contributing sizable amount to the investment market.

7.2.2 Ninety percent of sample investors are well educated. In terms of educational qualification, they ranged from graduates to professionally qualified.

7.2.3 Men investors dominate women investors. The share of the later is 11 percent. However, this group may increase in future due to the growth of working women.

7.2.4 Among the different occupational groups of sample investors, salaried investors rank first with 40 percent share in the investment market.

7.2.5 Investor in income range of Rs.50001-100000 constituted the highest with a share of 30 percent.

7.2.6 For more than half of the investors, annual return on investment in securities is less than Rs. 10000. It may be noted that the investors have not parted with true information due to apprehension of tax problems.

7.2.7 It is found that on an average per annum, over 50 percent of investors have saved less than Rs.25,000 from their income.

7.2.8 Sixty six percent of investors had less than 5 years of experience in corporate securities.

7.2.9 Nearly 80 percent of sample investors are new generation investors in securities market. The reduction on the interest rates of fixed
deposits and other fixed interest barring financial instruments had influenced the investor towards corporate securities.

7.2.10 Risk-averse Indian investors are moving towards mutual funds due to better returns. This is because of reduced interest rates.

7.2.11 All the sample investors have invested in equity shares. This is considered to be the most preferred corporate security by the investor, followed by convertible debentures and non convertible debentures. It may be inferred that the investors are interested in short term gains.

7.2.12 One fourth of investors has invested their fund in diversified securities. It means diversification of their funds among different instruments is inadequate.

7.2.13 Fifty percent of investors in the case of equity portfolio size is below Rs. 60,000. In the case of convertible debentures 62.4 percent of investors' portfolio size is in the range of up to Rs. 60000 to Rs. 1, 10,000. Investors holding non convertible debentures are comparatively less.

7.3 Awareness and investment objectives of investors

7.3.1 It is found that equity shares, debentures and fixed deposits are very much familiar to all the sample investors.

7.3.2 It is found that 83 percent of investors have high to medium level of awareness of investment avenues. This is so because, investors had good education. Besides there is a revolutionary developments in information and communication sector which made all types of information with regard to investment are available to needy investors.

7.3.3 It can be inferred that there is no association between the different age groups of investors and the levels of awareness. Irrespective of
the age of the investor, investor had awareness of investment opportunities 
based on the requirements and availability of funds.

7.3.4 It is found that there is a significant relationship between the 
different income groups of investors, and the extent of awareness of 
investment opportunities. It is also clear from the study that the higher the 
income of the investor, the higher is the awareness of investment 
opportunities. This is because the investors' necessity to diversify the funds 
among different instruments.

7.3.5 Seventy seven percent of investors have the awareness of 
investment opportunity through Investor clubs. Hence, investor clubs play a 
crucial role in the investment awareness of investor. Investors, who often 
meet in the investor clubs, are found to be discussing about their investments 
in different instruments.

7.3.6 Capital appreciation is found to be the most important objective 
of investors. At the same time, they also gave equal importance to the other 
objectives like liquidity, safety of capital and current yield.

7.3.7 The correlation between the various investment objectives is 
found to be more meaningful and logical. Each and every objective is related 
only to such other objectives that are helpful to achieve the same and vice 
versa. However, the total score to each and every objective is highly 
significant.

7.3.8 The level of importance attached to various investment 
objectives is not affected by the demographic profile of investors like age and 
education. The other factors like occupation, income and the investors' type 
affect the level of significance attached to the various investment objectives. 
This is because difference in occupations exposes them to different 
information and different industries and the level of income varies as to their 
occupations. Income plays a major role in forming the investment objectives
and in deciding whether to invest or not to invest, how much to invest and returns to be expected etc. All these factors depend on the income of investors. Hence, investors with different occupations and different income levels differ in their level of importance attached to investment objectives. In the case of investor type, hereditary investors are more attached to share investments and stock market than the new generation investors. So they differ from one another in their level of importance attached to investment objectives.

7.3.11 It is found that there is a significant difference between the various occupational groups in respect of investment objectives. Business group investors differ from all other occupational groups, namely, salaried, professionals and others. Investors belonging to the business group spend less time and have moderate expectation. They get less guidance from peer groups which lead to significant difference between the various occupational groups.

7.3.12 There is also a significant difference between the various income groups, in respect of investment objectives. The level of importance attached to investment objectives increases as the income increases and the importance decreases as the income decreases.

7.4 Investment evaluation of investors

7.4.1 It is found that investors undertake an investment analysis while making investments and while taking investment decisions. They do so with the help of various techniques available namely, industry analysis, company analysis, technical analysis and security analysis in order to know about the profitability of their investments.

7.4.3 Ninety two percent of the sample investors conducted industry analysis while making investment decision. They have accorded highest priority to growth and profitability of the industry. However, export potential,
use of modern technology, industrial and taxation policy of the government are also considered by the investors to some extent.

7.4.4 The correlation between the various variables of industry analysis is significant at one percent level.

7.4.5 Age, education, income level and investor type have not affected the importance attached to industry analysis. However, the behavior of investors in various occupational groups was found to be different. This is because, difference in occupational status exposes them to different types of information. This is leading to difference in industry analysis between the occupational groups.

7.4.6 Earning per share had highly influenced the investment decision of 95 percent of investors. This is based on mean score computed at 3.524. Further variables of company analysis like marketing success, financial soundness, future plans, dividend policy and use of technology have also exercised some influence on the evaluation of securities.

7.4.7 It is found that there is a significant correlation between the variables of company analysis.

7.4.8 A similar trend of industry analysis exists in company analysis with regard to demographic profile of investors and investment evaluation and occupational groups.

7.4.9 Among the variables of technical analysis investors are highly influenced by marketability, whose mean score is 3.668. Besides share prices, capital appreciation and yield also influenced them. It may be concluded that speculation is the main objective in their investment decision.

7.4.10 The relationship between the various variables of technical analysis is highly significant at 1 percent level.
7.4.11 With regard to demographic profile of investors and investment evaluation and occupational groups the findings of industry and company analyses hold good for technical analysis.

7.4.12 Of the security analysis variables, safety of capital and capital appreciation have significantly influenced the investment behaviour of investors. Further liquidity of capital, current yield scope for further investment tax benefits and participation in management have influenced less. Sample investors have invested their funds in debentures due to the fact that the return is fixed and regular. The other factors like convertibility, terms of redemption and safety have moderate influence. This is because that the debentures are non-speculative in nature. This accounts for the investors' lack of interest in debentures.

7.4.13 The relationship between the various variables of security analysis is found to be more meaningful, logical and highly significant.

7.4.14 The investment behaviour from security analysis angle is similar to those of industry, company and technical analyses except the level of income and investment evaluation and occupational group and investment selection. It is evident from the results that higher the income higher the importance attached to security analysis and vice versa. It may be noted that occupational groups have no significant influence in evaluation of technical analysis.

7.4.15 Among the industry, company, technical and security analyses, technical analysis has highly influenced the evaluation process of selection of securities when compared to the remaining. Hence, it could be inferred that the present day investors are more speculative and are very much interested in getting short term profits. So, they are favour to technical analysis which reveals the marketability of securities over a period of time.
7.4.16 It is found that the relationship between industry analysis, company analysis, technical analysis, and security analysis, was highly significant at 1 percent level. This shows that they are closely related to one another and a change in one analysis could make a direct proportionate change in the other analysis.

7.4.17 Of the various evaluation techniques, only the industry analysis is found to be significantly discriminating between the educational groups. Three functions are extracted from the analysis. Of that, function I had the highest discriminating power of 65 percent which is contributed mostly by the company analysis. Except between the function I and the educational groups, the canonical correlation between the other two functions and the educational groups is found to be weak. The professional group is found to be discriminated more from the other educational groups. This is because of the sophisticated skill, knowledge, capacity and ability of the professionally educated investors about the analysis of industry.

7.4.18 In the case of occupational category, two methods, namely, technical analysis and industry analysis are included in the analysis. Out of which, technical analysis had the capacity to discriminate significantly between the various occupational groups. Two functions are produced by this analysis and, of these, function I has about 78 percent of the discriminating power, which is contributed mostly by the technical analysis. The canonical correlation between the function I and educational groups is not weak but between function II and educated groups is weak. The other group is found to be discriminated more from other occupational groups. This group gives relatively more weightage to function I than the remaining three groups.

7.4.19 It is found that there is a significant discrimination between different income groups of investors in the security analysis. Only one function was extracted from the analysis which has the entire discriminating power, which is contributed entirely by security analysis. The canonical
correlation between the income groups and the function so produced is weak. The income group of above Rs.1, 50,000 is discriminated more from the other income groups on the function. This is because of the greater weightage given by the income group of above Rs.1, 50,000 to security analysis than others.

7.4.20 Evaluation of techniques have not discriminated hereditary investors against new generation investor. Industry analysis and security analysis are included in the study but both of them have no such capacity to significantly discriminate between them. Only one function, which is extracted from the analysis, is having 100 percent discriminating power. That is mainly contributed by the industry analysis. The canonical correlation between functions and the types of investors is found to be very weak. It is found that the new generation investors give more importance to industry analysis as well as security analysis. New generation investors discriminated more on function 1 as compared to hereditary investors.

7.4.21 It is found that investors give more importance to the tips and suggestions reported in the investment magazines, journals and internet. This is because, investors believe that the information provided by these sources are useful to take decisions with regard to investment. This shows that Internet, investment magazines and journals play an important role in the investment decisions of investors. It can also be understood that the information form these sources influences the present day investors.
7.5 Suggestions

The following are the specific suggestions, which are based on the findings of the study.

7.5.1 There is an explosion in the growth of middle class families due to double income group families and increase in number of working women, hence this group will play a vital role in the investment market. Efforts should be made to attract the women investors by providing right information and knowledge about the investment market through advertisements. Print media and electronic medias should play an active role in disseminating investment information for timely decisions.

7.5.2 Since the rate and magnitude of savings of sample investors is low. There is a dire need to initiates steps to inculcate a habit of savings among the growing middle class families. The savings are to be pooled and channelized into productive investment, there by returns to investors may enhance. It may further accelerate investment in corporate securities in future on a large scale.

7.5.3 Investors should be educated about the benefits of investment in diversified industries and companies. If one company fails or in crisis, investment in other companies would be safe. Diversification of funds among different industries is a must because if one industry fails or experiences a down trend in share value, investment in other industries would be safe. So investors are to be explained about the advantages of diversifying funds across industries and over different companies in the same industry.

7.5.4 Of the different groups of investors, professionals and business man pay less attention while evaluating the pros and cons of investing in different securities. They have to be explained about the need and benefits of systematic and analytical evaluation of different alternatives and competitive
investment avenues. Then only it is possible to park surpluses in economically viable investments.

7.5.5 The capital market regulator should undertake educative and informative mechanisms through internet so as to create investment awareness among the public.

7.5.6 The investing public is informed about the benefits of capital appreciation instead of short term returns. The capital appreciation may take place provided that the investments are made in companies, where the fundamentals are strong. Further investments are to be continued over a longer period of time, then only capital appreciation may take place. There by investors wealth increases with wire investment.

7.5.7 Investment should be a habit and not an exercise undertaken by someone who behaves whimsically, if they are to be really benefited from the investment. Since it is very difficult to know when to enter and when to exit the security market to make profit from the investment, investor should understand that it is important to beat the market by being systematic and regular to investments. The automatic investments plan offered by some funds goes a step further, as the amount can be directly / electronically transferred from the account of the investors.

7.5.8 Since the investors are according importance to regular and fixed returns from debentures, the watch dogs of capital market should periodically and constantly oversee the functionality of corporate bodies, then only it is possible for the corporates to earn and declare and pay internet regularly. It promotes confidence in the minds of the investors about the payment of return at regular intervals.
7.6 Indicators for further research

The present study has covered the aspects like capital market in India, investment pattern of investor in Bangalore, investor awareness of investment opportunities in the investment market, investment objectives and evaluation techniques. The specific objectives of the study are to know the investor awareness, investment pattern of investors in corporate securities, to understand investment objectives of investor and to examine the evaluation methods. Capital market in India, legal frame work of security market and investor protection have been discussed only to some extent in theoretical background of the study to give an idea about its present state.

There is plenty of scope for further research in capital market; some of the possible areas are given below.

- Investor problems can be discussed in depth in the capital market.
- Impact of foreign direct investment on Indian capital market.
- Investor protection and the opinion of investors
- Are Indian investors satisfied with the services rendered SEBI?
- What is the opinion of Indian investor about credit rating agencies?
- What is the impact of interest rates on investment decision making.
- SEBI's action on insider trading and kerb practices – investor opinion
- Scams in capital market and their impact on investors.
- Does history repeat itself in capital market?
- Factors that influence the investment decision making of investors etc.

Research along these lines may be useful under Indian conditions.
Summary

Majority of investors have high to medium level of awareness of investment avenues. Still investor education is a key in the investment market. Since women investors are less in the investment market, there is a need to encourage them for investment in corporate securities. Investors have not diversified their funds among different instruments. Therefore investor should go for proper diversification of their funds. Majority of investors have carried out industry analysis, company analysis, technical analysis and security analysis, while they are evaluating the investment. However occupational groups differ in their investment evaluation.