APPENDIX - I

Code No. 

VOLATILITY IN STOCK PRICES AND ITS IMPLICATIONS FOR INVESTMENT DECISIONS OF INDIVIDUAL PLAYERS

(Doctoral Research – Periyar University)

QUESTIONNAIRE

I. Identification:

1.1. Name* : Mr / Mrs. __________________________________________

1.2. Address* (brief) : __________________________________________________

1.3. Age ________ ( Years )

1.4. Education (upto)____________________________________________________

1.4. No. of years investing in stocks: ________________ years.

1.5. Your investment is directly by you or through broker?

Direct / Broker / Both ( circle appropriate word )

Note: * - Optional, you may omit if you wish.

II. Investment Pattern:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Sources</th>
<th>( % share )</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.</td>
<td>Government Bonds</td>
<td></td>
</tr>
<tr>
<td>2.2.</td>
<td>Term Deposit in Banks</td>
<td></td>
</tr>
<tr>
<td>2.3.</td>
<td>Mutual Fund / UTI</td>
<td></td>
</tr>
<tr>
<td>2.4.</td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>2.5.</td>
<td>Real Estate</td>
<td></td>
</tr>
<tr>
<td>2.6.</td>
<td>Gold</td>
<td></td>
</tr>
<tr>
<td>2.7.</td>
<td>Large Company Shares</td>
<td></td>
</tr>
<tr>
<td>2.8.</td>
<td>Small Company Shares</td>
<td></td>
</tr>
<tr>
<td>2.9.</td>
<td>Chit Funds (private)</td>
<td></td>
</tr>
<tr>
<td>2.10.</td>
<td>Others (specify)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td></td>
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</tbody>
</table>

Note: Do not give the amount (value) of investments, just show their relative importance (% share), only for the source you have actually used. If % is difficult, just rank them.
III. Investment Objectives:

(Just rank them. For objectives not in your consideration just mark - . Most preferred objective gets rank -1.)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Investment Objectives</th>
<th>Rank</th>
<th>Remarks*</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.</td>
<td>To make earning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2.</td>
<td>To have a flow of income for future</td>
<td></td>
<td></td>
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<tr>
<td>3.3.</td>
<td>To get a large sum in a future date (to meet expenses on education, marriage, hospital charges)</td>
<td></td>
<td></td>
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<tr>
<td>3.4.</td>
<td>To build assets (Land, gold, houses)</td>
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<tr>
<td>3.5.</td>
<td>To supplement resource for other businesses</td>
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<tr>
<td>3.6.</td>
<td>To have insurance protection</td>
<td></td>
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<tr>
<td>3.7.</td>
<td>Not to keep available fund idle</td>
<td></td>
<td></td>
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<tr>
<td>3.8.</td>
<td>Others (specify)</td>
<td></td>
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</tbody>
</table>

Note: * any comment you wish to add. Two or more items may receive equal ranks also.

IV. Sensex and Nifty

4.1. Have you invested in stocks included in (circle Yes or No)

a) Sensex Yes / No
b) Nifty Yes / No
c) Preference to Sensex over Nifty Yes / No
d) Preference to Nifty over Sensex Yes / No

4.2. Your recent (past 3 years) experience from investment in stocks mark (✔)

Happy Satisfactory Suffered Losses Disappointing
4.3 What is the cause of your reservations if any, in investing in stocks:

a) Very large variations in stock prices
b) Some violent changes in market environment
c) Inflation eating into the value of money
d) Manipulative practices by some person (e.g. Harshad Mehta)
e) Strong preference to less risky investment
f) Difficulty in obtaining and understanding stock market information
g) High cost of transaction (Brokerage)

V. Perceptions

The Statements below are intended to know your perceptions on return-risk trade-off for investment in stocks. Please indicate your agreement/disagreement with them by marking (✔) in any one of the columns.

SA - Strongly Agree, A - Agree, NC - No Comment, DA - Disagree, SDA –Strongly Disagree

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Statements</th>
<th>SA</th>
<th>A</th>
<th>NC</th>
<th>DA</th>
<th>SDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td><strong>Market Sentiment</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1.</td>
<td>Indian Stock Market has grown fast</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2.</td>
<td>Equity prices fully reflect company fundamentals</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>3.</td>
<td>Prices of stocks show their real value</td>
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<tr>
<td>4.</td>
<td>Some people unduly influence price</td>
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<td>5.</td>
<td>SEBI's control has made investment in stock market safe</td>
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<td>6.</td>
<td>Indian equity market is efficient</td>
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<tr>
<td>7.</td>
<td>Indian equity market is weakly efficient</td>
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<td>8.</td>
<td>In the Market arbitrage opportunities are good</td>
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<td>9.</td>
<td>Market is very sensitive to politics</td>
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<tr>
<td>10.</td>
<td>With electronic ‘quotes’ market information is reliable and quickly available</td>
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</tr>
</tbody>
</table>
11. A study of market behaviour is a real tool to decide investment options

12. Historical data on prices and macro economic variables would show future prospects

II. Factors Influencing

1. Institutional Investors set market trend

2. Retail investors have no role

3. FII’s have larger influence

4. With SEBI, unlawful actives are weak now

5. RBI’s and Govt. Monetary policies strongly influence

6. Detailed technical analysis is necessary

7. Derivatives need special attention

8. Fundamentals of India are strong

9. Globalized economy helps growth of the equity market

10. Liberal policy has encouraged FII

III. Returns:

1. Returns to equity investments are large

2. Returns show increasing trend

3. Inflation has affected real trend

4. Short term variation in returns is large

IV. Expectations

1. Buy stocks for which good news is expected

2. Market sentiment determine expectations

3. Buy stocks most actively traded

4. Buy stocks that carry bonus

5. Buy stocks with good quarterly results
6. Buy stocks on the basis of 30 days moving average
7. Stocks with higher returns are preferable

V. **Risk in Stock Return** (\(\beta\)) = Beta
1. \(\beta\) is the most important factor in investment decision
2. \(\beta\) of Indian companies is large
3. \(\beta\) has stronger effect than P/E & leverage
4. Risk must be totally avoided (\(\beta\approx 0\))
5. Some risk must be accepted (small \(\beta\))
6. Only high risk will bring high return
7. Risk can be reduced by indexing
8. Portfolio of investment has smaller risk
9. Portfolio may include international stocks
10. Use investment Hedges (Gold etc.) to reduce risk

VI **Investment Strategies :**
1. There is size effect on risk, so buy small cap. stock
2. Buy stock with high Book/Price ratio stock (value effect)
3. Buy stocks of highly leveraged company
4. Buy stocks with small P/E ratio
5. Buy stocks of past winners (momentum effect)

VII **Prices**
1. Prices reflects market value of stocks
2. Prices show wide short term variation
3. In the long term prices are “mean reverting”
4. Buy stocks price of which has gone up by 20%
5. Buy stocks, the price of which has gone down by 20%
6. Follow investment behaviour of FII

**VIII Seasonal Effects:**
1. January Effect-Buy in December and sell in January
2. April Effect-Buy in March & sell in April
3. Holiday Effect – Buy Monday & sell Friday
4. There is preferred time to buy
5. Do not go with her, act independently

**IX Volatility Tolerance**
1. Invest in stocks with small variance (SD)
2. Make long term investments based on variance of prices discounted for inflation rate
3. A Portfolio is a better choice than single asset because diversification reduces variance.
4. So Index based investment is good
5. You are ready to accept high risk for large return
6. You accept only small variance, and so you are satisfied with small return.
7. You accept moderate return and risk
8. You go by the advice of brokers