CHAPTER – VI

SUMMARY OF THE STUDY, FINDINGS AND SUGGESTIONS

In this chapter the findings of each objective are explained in brief and suitable suggestions given for the stake holders of the study and highlights the scope for further research, social relevance, conclusion for policy makers, to know the impact of socio-economic profile on the investment decision of small equity investors in order to give priorities towards different objectives of investment and to study the sources of investment information on the mode of trading in Indian Capital Market.

The stock market is one of the most vital and dynamic sectors in the financial system making and an important contribution to the economic development. Investors are the backbone of the capital market and they are not alike. Institutional investors are capable of understanding the stock market activities and trends but the small investors’ lack of adequate awareness about it. As small investors find it difficult to participate directly in the capital market to a significant extent, SEBI encourages them to offer innovative products to suit the risk appetite of the small equity investors. Guntur and Krishna districts are considered to be the top 50 centers in India for mobilizing capital through new issues. It shares more than three percent of the traded activity in the National Stock Exchange. Hence, Guntur and Krishna districts have been selected for the survey.

OBJECTIVES OF THE STUDY:

The study has been undertaken the following objectives:

1. To review the capital market developments in recent times in India.
2. To know the impact of socio-economic profile on the investment decision of small equity investors.
3. To identify the investment pattern of small equity investors, their portfolio practices based on demographic factors and the problems associated with small equity investment;
4. To know the investors' perception towards risk-return of investment and the post-investment satisfaction of the small equity investors in Indian capital market.
5. To suggest measures for enhancing small investor’s participation in Indian capital market.
HYPOTHESES:

a) **Hypothesis**: The demographic factors like Investors’ age, sex, family income, type and category of investor and market experience of the investor have no significant influence over risk-return factors of small equity investors.

b) **Hypothesis**: Small equity investors’ investment is not influenced by the demographical factors.

c) **Hypothesis**: Various socio-economic factors of the small equity investors have no significant influence on various investment factors.

**METHODOLOGY OF THE STUDY:**

(i) **Selection of the Sample:**

The sample selection for this study is done by using multistage random sampling. In the first stage the state of Andhra Pradesh was selected as a sample unit. In the second stage by using deliberate sampling or judgment sampling method Guntur and Krishna districts were selected as sample units. In the third stage the revenue divisions of those districts were selected as sample units. By using stratified sampling method it is framed into several sub-groups and from these sub-groups, availability and accessibility of 700 investors was found to be the sample size. After scrutinizing the information supplied by the respondents, only 600 were found to be suitable, free from errors and so the effective sample size of the study is 600.

(ii) **Scope of the study:**

The present study is aimed to probe into the investment decisions, demographic factors influencing small equity investors, pattern, risk-return perceptions, evaluation of post-investment satisfaction and the problems associated with equity investments of small equity investors. The area of coverage for the study is Guntur and Krishna districts in the State of Andhra Pradesh. These are considered to be the top 50 centers in India for mobilization of capital through new issue market.
(iii) **Collection of data:**

Personal interview by the researcher was the major tool used for data collection. Structured interview schedule was used during personal interviews. The data collected was recorded by the researcher in the interview schedule. The schedules thus filled up were thoroughly checked to ensure accuracy, consistency and completeness. The data thus collected were categorized and posted in the master table for further processing.

(iv) **Statistical techniques:**

In order to suit the requirements of the present study, the relevant statistical tools have been employed by the researcher, viz., Four Point Scaling Technique, Descriptive Analysis, Average Score Analysis, Average Rank Analysis, Correlation Analysis, t-Test, Chi-square Test, Kruskal Wallis H-Test, Factor Analysis, Multiple Regression Analysis.

All the tests in this study were carried out by formulating suitable hypothesis and were also tested at 5% level of significance.

(v) **Limitations of the study:**

The major limitations of the study are: The study is confined to the small equity investors alone. Institutional investors remain uncovered. The limitations associated with the statistical tools are applicable for the tools employed in this study also.

(vi) **Plan of the study:**

A thorough review of the capital market developments in India has been made in the first chapter. The second chapter consists of objectives and methodology of the study and review of literature. The third chapter presents the impact of socio-economic profile of small equity investors towards their investment decision. The fourth chapter deals with the investment pattern of small equity investors and their portfolio practices based on demographic variables and their perception towards risk – return. The fifth chapter deals with the factors influencing the selection of investment decision of small equity investors. The sixth chapter presents the summary of findings, suggestions for enhancing small investor participation and scope for further study.
FINDINGS:

I. It is identified that major percentage of sample investors are from the cities like Guntur (40%) and Vijayawada (32%) because these investors are having knowledge regarding risk and return of the equity investment and most of the stock broking companies have been situated in these cities.

II. Maximum percentage of investors are in the age group of 20 to 40 as they are in young age and they may have interest to invest their surplus amount in equity investments, the sample investors in the age group of 40 to 60 show somehow moderate interest on equity investments this may be due to high risk in equity investments. It is also found that a small percentage of the sample investors in the age group of above 60 are showing very little interest in equity investment.

III. Major percentage of sample investors is married 420 (70%) and followed by the unmarried 180 (30%) sample investors according to marital status. The married investors view these investments for their future requirements where as unmarried sample investors are not showing much interest to invest in the equity investment.

IV. Sample investors in the small family 52% (312) are not very enthusiastic in equity investment and the investors of medium size family 44% (264) are able to invest more amount of their income in equity investments. It is clear that huge family size 4% (24) of investors have not shown sufficient interest in the equity investment.

V. Single earning member families 34% (204) of sample investors are very much interested in equity investment as they have surplus funds to invest followed by the 2-earning member families (55% 330) and families with 3 or more earning members (11% 66) are not showing much interest in the equity investment as they may not find surplus funds to invest in the different forms of investment.

VI. Investors with monthly family income below Rs. 20,000 investors are showing interest towards equity investment whereas medium income family (Rs. 20,000 – Rs. 40,000) investors are not paying attention towards equity investment and finally high monthly income family (Rs.40,000 and above) investors are showing least interest towards equity investment.
VII. Most of the sample investors 50% (300) are interested to operate in secondary market because they can make their own portfolio with the help of stock brokers and there is a chance to reduce the risk based on the fundamentals and stock market conditions prevailed in the stock exchanges. Some of the sample investors 38% (228) are interested in both primary market and secondary market. Very few sample investors 12% (72) are showing interest towards only primary market operations.

VIII. Majority of the sample investors are taking the opportunity by investing their savings in banking and pharmacy sectors and at the same time they are also very cautious by selecting infrastructure and capital sectors which have future prospective in investing.

IX. A maximum of 50% (300) of sample investors dealing in securities market have 5 years and above experience followed by 30% (180) of investors having the moderate experience of 3-5 years in the securities market and then, 20% (120) of the investors have less than 3 years experience in the securities market.

X. 75% (450) of the sample investors are able to invest from their own funds in securities market, whereas 6% (36) of the sample investors are investing from borrowing funds in equities. Some of the investors 19% (114) of the sample investors are investing in securities market from both sources, own sources and borrowings.

XI. Female group of sample investors felt gold/silver, real estate, fixed deposits, insurance policies, NSC/PPF/PF followed by mutual funds, debentures/bonds, and shares of investment forms generate more returns compared with its relative risk. It is found that both category of investors group sample investors felt that except stock futures other forms of investment real estate, insurance policies, gold/silver, fixed deposits and mutual funds followed by NSC/PPF/PF, debentures/bonds, shares, other generate more returns compared with its relative risk.

XII. The high market experience of sample investors group felt shares, debentures/bonds, insurance policies, NSC/PPF/PF, fixed deposits followed by mutual funds, gold/silver, real estate investment forms generate more returns compared with its relative risk. It is found that the small equity investors have been influenced by the general information factors to the extent of 68.3%, followed current project details to the extent of 15.8%, financial
information to the extent of 13% and prospectus details to the extent of 5.5% in their investment evaluation and decision.

XIII. It is found that there is a significant association between the domicile of the sample investors and various investment factors such as stock exchange information, broker’s advice/ advertisement, promoter’s information, size of current issue, objectives of current issue, cost of the project, product strength and future prospects, profitability and EPS/PE ratio.

XIV. There is a significant association between the age of the sample investors and various investment factors such as broker’s advice/ advertisement affect and promoter’s information. There is also a significant association between the sex (gender) of the sample investors and one investment factor such as broker’s advice/ advertisement. There is a significant association between the marital status of the sample investors and various investment factors such as stock exchange information, promoter’s information.

XV. There is a significant association between the education level of the sample investors and various investment factors such as credit rating, broker’s advice/ advertisement, companies under the same management, future prospects and profitability. There is a significant association between the occupation of the sample investors and one investment factor such as company history.

XVI. There is a significant association between the monthly income of the sample investors and various investment factors such as credit rating, company history, about promoters, size of current issue, dividend payment policy. There is a significant association between the type of investor factor of the sample investors and various investment factors such as companies under the same management and market volume traded.

XVII. There is a significant association between the category of investor of the sample investors and various investment factors such as broker’s advice/ advertisement effect, promoters’ information and companies under the same management. It is found that there is a significant association between the market experience of the sample investors and various investment factors such as stock exchange information and credit rating.
CONCLUSIONS:

The participants in the Indian capital market are unable to understand the investor investment objective due to the dramatic change in the attitude of the investors. The investor can make the trading in securities as a beneficial area of investment. It is purely based upon the investor’s awareness towards investment objectives. When the investor gets more and more accurate information on the right time, then they can enjoy the taste of success from Investment in securities. The authorities should implement more training and awareness programmes for the investors. Different sections of the people in the country should formulate the policies to attract the investors to invest their savings for the industrial development of the nation.

An investment in equity shares is one of the welcoming trends in the investment sector. These investments have been found in the primary market and secondary market. The equity share is always dominated by the primary market and secondary market and the investors select one of these to their investment in a lucrative approach. Understanding the post investment satisfaction of small equity investors in investment decision is important for the entire stock trading.

SUGGESTIONS:

- It is suggested that improving awareness among small equity investors is needed to attract more investments in securities market with the help of controlling bodies like SEBI and RBI.
- Domicile is influencing the investment objectives of investors so it is suggested that based on the preferences of investors, broking companies must change their focus relevant to that particular area.
- Awareness not only about liquidity but also about other objectives of investment like dividends, capital appreciation etc., irrespective of age of investors, should be improved.
- It is better to conduct investment awareness programs from school level to college and university level as education of the investor shows significant difference among the investors.
- Long term traders and day traders’ objective is safety, it is suggested both categories of investors should be enlightened about other objectives of investment so as to enable them to understand the other side of the investment.

- Market experience of retail investors is also vital independent variable which may influence the investment objective so that investment companies or organizations could give priority to this variable in all aspects of investment.

- The problem of insider trading is relatively more in India and it is an extraordinarily difficult crime to prove, as traders often hide behind nominees, off shore companies and other proxies. Hence the following tricks may be adopted by the investors to get over insider trading.

- Investors shall track two things, the stock that goes up with expanding volume and goes down with contracting volume. After spotting such stocks, the investor may look at the insider buy and sell records for the past six months and plot the insider trades where buying is accelerating. When the insiders aggressively buy, it conveys a message that the stock is going to take off shortly. Investors may create an accumulated model for the above. Statistical and quantitative models may be used to fine tune this.

- The unreasonable belief in the possibility of getting rich quickly is the primary reason for the investors to speculate in the markets causing wide intra – day movements leading to market crashes. Speculative investors burn their fingers by losing a lot in such market crashes and tend to run away from equity markets.

- Investors shall go in for a long - term disciplined investment, realizing that equity investments are meant to generate reasonably high long term benefits rather than to generate high short term gains. Intermediaries shall advise their clients and direct them towards long- term disciplined investment.

- Unless the small equity investors are educated enough to understand the basics of share investments, share selection criterion and the basis of stock market behavior, most of the investors would be unable to benefit from the progress of stock market developments.
Most of the stock market investors are ignorant, losing bulk of their valuable savings invested due to their own lack of understanding, greed and gullibility. Investor education is highly important to ensure that individual investors are aware of the pros and cons of investing in the capital markets and can make an informed and knowledgeable choice. Hence SEBI shall take constructive steps to enhance investor education and awareness in equity markets.

Investors’ city meetings may be organized in all cities throughout the country to help the people to learn how to save and invest wisely in equities. Awareness towards stock markets may be created early in the minds of the young prospective investors from the school and college level by organizing fantasy stock-picking in the class room through stock market games. Various national and international competitions may be conducted in this area to increase awareness.

Investor awareness must be started early as many investors lose their money by investing early before learning the basics of share investment. A formal and systematic training may be evolved and conducted for the investors and this shall be made compulsory for them before opening de-mat account.

Young and potential investors may be encouraged to experiment in share investment for a while, taking small bids with share investments. Investors must be directed to buy shares of successful companies as they do well in the long run.

Domestic broker chains, voluntary organizations, investor forums and internet may be used as a potential medium to disseminate investor education as it has a vast reach. It is suggested that it is better to bring the government or regulatory bodies like SEBI to create a lot of awareness and encourage retail investors in equities to become greater part of development of economic system for making investment on long term basis.

It is suggested that the regulatory bodies give more emphasis on investment factors in the investment evaluation and decision of small investors for their post satisfaction. It is also suggested that the investors education campaigns be organized in respect of lead
managers, credit rating, about promoters and their contribution, size, objectives and terms of issue, cost of the project and product strength, future prospects and profitability of the companies.

**Scope for further research:**

The present study is confined to Guntur and Krishna districts only; there is a scope for further research in other districts in Andhra Pradesh.