Chapter VII: Summary of Findings, Suggestion & Conclusion

7.1 Summary of Findings:

Today evidences around the world suggest that the household investors' confidence is utmost necessity of a developed capital market. It is reflected in developed capital markets in the west i.e. U.S.A., U.K., Canada, Germany, France etc. Household investors' participation in Asia pacific emerging markets is very insignificant excepting a few countries and more so in India. In India, the household sector participation in capital market is even below 7% reflecting a very weak base. Moreover, in India capital market operations are mainly confined in cities and trading centers until recent couple of years. A radical change in the whole gamut of capital market has been noticed during last half a decades. However, the participation from the household sectors is also shy.

In view of the imperceptible growth of capital market in the north eastern states the present study aims to examine the status of household investments in capital market. This also examines the perceptions and attitude and also the level of awareness among the household investors of the region. The study also attempts to bring out the hindering factors and come with suggestions to make the capital market household investors' friendly.

The study was conducted in twenty one commercial centers covering all the eight States of the region. The subject of the study was household investors those who have a demat account. Altogether 1487 households were selected and household heads were interviewed with well-structured schedule. The household were interviewed on face-to-face basis to understand their investment pattern, and awareness level about the Indian capital market, their perceptions and attitude towards capital market etc through various close ended and open-ended questions.
The summary of the findings of the study is presented below.

- **Personal profile of respondents:** The personal profile of respondents incorporated various demographic profile. It is revealed that among all respondents majority of respondents are middle aged and below 50 years of age, male respondents who dominate and majority of respondents are married. Regarding income, it can be observed that sample respondents mainly comprise of middle and upper class people, although there is cross-section occupation but majority of them are service holder followed by business and profession. Income-wise analysis of occupation shows that in higher income category business holder are ahead of others. From education point of view it is found that majority of respondents are graduate and 5.2% of them are also post graduate. It can be said that respondents are fairly educated enough to observe various developments in Indian capital market.

- **Investment profile of respondents:** The investment profile of respondents mainly highlights the saving pattern (monthly saving percentage) of household investors, shareholding pattern, and experience in the capital market, amount of investment, present investment type and amount of investment, rate of return gaining from equity / mutual fund by the household investors’. These highlights reveals that saving pattern of household investors of north east India and shows that there are 74.9% respondents who can able to save less than 20% of their monthly income. Another interesting fact that our data shows that a good number of respondents i.e. 29.5% save below 10%, which is not at all a good sign for the economy of north east this may be due to lack of institutional infrastructure facilities available in the region. It also appeared from the analysis that the sample investors are average savers; majority entered capital market.
after the reform process and invested in equity share for more than five years; they also invested in the range of 1 - 5 lakh and majority of them getting average return of 5 – 10% and few of them even more than 20%. Most interesting fact revealed is that higher income class is more diversified in their investment pattern. Age wise analysis shows that senior citizen also prefer mutual fund and tax free bonds. Occupation wise, professionals are more diversified in their investment.

- **Awareness level:** Awareness level on different avenues of saving and investment among the household investors is found to be poor in the north eastern region. Respondents have lack of knowledge about the modern investors’ service and poor understanding about market terms evident from the study. Regarding knowledge of household investors of north east India - 55.4% respondents generally verify their contract note, only 37.7% have knowledge about present rate of STT / TC / SD / SC, 42.2% use newspaper to know about share price, only 17.1% respondents buy large cap stocks, 41% have no idea about SENSEX / NIFTY shares, only 31.3% visited the GSE but 61% never visited and 7.7% did not even know about the location of the exchange, overall analysis shows 55.9% have no idea about categories of share (Group A, B, B2, S, T, Z). Respondents’ main sources of awareness are television / newspaper, friends and relatives. Lacks of knowledge about mutual fund are also evident from the study.

- **Perceptions attitude:** Another interesting findings observed is that only 6.5% respondents feels that SEBI is playing an excellent role, 26.9% feels its good but majority of the respondents i.e. 38.5% believe that SEBI is performing poorly and
even 15.1% feels SEBI's role is very poor as regulator / surveillance, while 13% can not say anything.

- **Investor's preferences and motive:** Investors' preference is important because investors' choices and preferences are a product of many complex and interactive factors like appetites for return and risk absorption capacity. It is evident from the study that 'High safety' and 'high return' is the main motive of the investment for majority of respondents. Occupation-wise analysis shows that service holders are motivated by high safety, high return and tax saving; professionals like high safety, future growth and tax saving; while business man want high return and risk coverage and others get motivated by high safety and to some extent by risk coverage. Investors consider price fluctuations (high volatility) is the main reasons for insignificant investments in capital market followed by lack of adequate knowledge, inadequate institutional infrastructure, high STT / Stamp Duty / Miscellaneous Charges, Uncertainty and Scam / Fraud. A sizable respondent think that scam / fraud, cumbersome procedure and uncertainty also restrict them to invest fully in capital market. Regarding purchase of shares they also give importance to the analysts' views on television and advice from friends and relatives as compared to self study.

- **Portfolio practices:** Portfolio practice always need a diversification and it cannot be done better then by using the technique of 'Asset Allocation'. Asset allocation is about diversifying our portfolio among different asset investments like equity, debt, gold, real estate etc. The study reveals that majority of respondents allocate only upto 20% in capital market while bank and post office generally attract lions share in portfolio allocation. Interestingly only 120 respondents allocate more than 60% to capital
market. Among the investors, it was noticed that the level of equity diversification was very high. Responses showed that 37.3% of household investors have 11-20 companies in their portfolio, 30.1% have 6-10 companies, 16% have 1-5 companies, 12.9% have 21-50 companies, 2.9% have 51-100 companies and only 0.8% have more than 100 companies in their household portfolio; higher income group have higher level of diversified portfolio.

An analysis of holding period shows that majority of them is short term investors who wanted to remain invested in equity for one year; they have hard experience in dealing with brokers DP but had no option due to lack of infrastructure. Results also shows that 94.75% hold share in Demat form and only 5.25% still hold physical shares and they did not convert physical shares into Demat form due to - Cumbersome Procedure, High Cost (AMC/ DP charge per script), No depository service available in city / town and Procedure are not known to them.

They also like momentum stock and follow tips, advices from friends and relatives. Many of them suffered badly by investing in de-listed companies. Data analysis also shows that 47.6% respondents generally invest between 50k – 1 lakh and 29.5% invest more than 1 lakh whereas 22.9% invested less than 50k. Regarding past experience with selected investment types, 62.2% respondents are satisfied with equity share (though only 14.7% are very satisfied); 41.1% respondents are satisfied with mutual fund equity scheme (though only 12.4% are very satisfied). It was observed that household investors of north east India mainly go with the tips and advices of news channels. An enquiry about the participation of household investors in F&O market reveled that only 208 (13.9%) respondents of total respondents of 1487
participated in F&O, which indicate that household investors are still operating in retail market and in small quantity.

- **Physical and Institutional problems:** It is observed from the responses receive from the household investors' during the field work that physical and institutional problems also creating hindrances for the development of capital market and bringing down household investors' participations in equity investments. Main problems pointed out by the respondents during personal interview, some of the important are – distances of the region from the main stream is creating a mental distance among the household investors, non existence of SEBI / BSE / NSE offices and dormant role of GSE has widened the gap among them. Insufficient number of depository participants in the towns and very less number of brokers are also reasons for insignificant participation of household investors and for the same reasons respondents is not able to convert their physical shares into demat form. The institutional arrangements relating to capital market in north eastern region are mostly urban oriented and totally neglected the semi-urban and rural masses. Due to non availability of adequate banking technology namely ECS (Electronic Clearing Service) etc. household investors are not getting speedy refund of IPO and dividend which are very discouraging for them. Some places of study area like Udaipur, Rongpo, etc. only have two depository service provider, thus institutional spread of capital market intermediaries is very slow which is main hindrance in bringing the household investors to the fourfold of Indian capital market.
7.2 Suggestions:

The study evaluates various measures suggested by the respondents to build investors' confidence and to spread the capital market in north-east India. The evidence from this study suggests that investors need to be assured of some return and current level of risk is associated with investment in the market. They have bad experience in capital market due to lack of information and knowledge. Accordingly, a number of suggestive measures in terms of regulatory, policy level, and market oriented were suggested to improve the household investor confidence in equity markets.

One important reason for people keeping away from the capital market is the complexities of documentation required in a trading transaction. A simplified procedure is a must, which can be introduced as a pilot project in some select areas.

- **Evolving a systematic training methodology:** There is a definite need for some formal and systematic training for investors during their working life even if they may not be investing significantly in shares at that time. Just as they go through training for a vocation or occupation to earn a living, every earner should ordinarily save and invest a part of the earnings to provide for old age, children's education, etc. Learning to invest should be regarded as a preparation for adult life. Education programmes to facilitate this process should be made easily accessible on a countrywide basis. The internet is a potent tool for making this possible.

- **Providing Insurance and Capital Market Products:** Insurance and capital market products should be an integral component of any package on financial inclusion. The SEBI should take initiative to increase outreach of the Depository Participants and mutual funds in the region. Increasing access to the capital markets would also result
gradually in the greater use of such markets to provide equity funding for projects in the region and thereby facilitate the emergence of an industrial/capitalist ethic. Insurance products may be tied up with capital market so that investors can get the benefits of capital market in terms of higher return.

➢ Creating Awareness and Financial Literacy: A massive awareness campaign may be launched in the north eastern states for promoting investors awareness in capital market. To disseminate such awareness, workshops, seminars, public campaign, powerful traditional audio-visual media like mobile theatre in Assam and dance/drama forms in the states of the region may be used. SEBI, Stock Exchanges, Corporate Houses and Brokers Houses may take initiative in this regard. Universities, Colleges, Training Institute, Community Organizations, NGOs etc. can also be engaged for campaign and public awareness camp. More activities across the states can be undertaken from the Investors Education and Protection Fund (IEPF).

➢ The investors themselves are feeling the need for education programmes. Suggestions received from respondents in the course of the household investors’ survey indicate the need for improving the investor education programmes being offered. The suggestions make a long list of what they want to learn – from the evaluation of a company’s performance and prospects to the evaluation of the market conditions, procedures of buying and selling, how to devise a good investment portfolio suited to one’s own circumstances, how to choose mutual funds, how the changes in interest rate affect the value of investments, how to interpret stock indices, etc. etc.

➢ The sample investors were asked to give their suggestions for improvement of capital market situation in North East India and household investors’ participation; they gave the
following measures for strengthening and spreading the market to small towns and business places.

Enumerous suggestions were obtained from the field study for improvement of the capital market. The important ones are presented below:

**Information Related:**
- Regular advertisements on the new improvements taking place in the market should be released on regular basis.
- Some regulatory sanctions against issue managers, analysts and company for providing over-optimistic and wrong information.
- Proper information related to promoters background and experience in project implementation should be made available.
- Regular updated information about Delisted / Z / S categories of companies and ‘A’ Grade companies.
- Frequent update of information of vanishing companies and name change by companies.
- More and more awareness about SENSEX / NIFTY shares.
- Full and clear information regarding the F&O mechanism and risk factor so that investors can be aware of consequences of the actions after investments.
- More advertisement and information about Awareness Camp / Programmes and target should be household investors.
- More information in local language and target should be small town and mainly village and rural areas.
Government Action:

- Set up regional centre of SEBI at Guwahati
- Set up information centre in north east of BSE / NSE / NSDL / CDSL
- Improve required institutional infrastructure of north east India for development of capital market
- Reduce the rate of STT / Transaction Charge / Stamp Duty / Service Charge for household investors
- Introduction of nominal brokerage for encouragement of small / retail / household investors while purchasing securities for lesser amount.
- Appoint independent director in the board of directors of companies with good character
- Insurance of stock market investments should be developed
- Grievance redresses machinery should be more efficient

Stock Market:

- More and more publicity about pros and cons of market
- Market vigilance is important to Improve trust and confidence level of household investors
- Proper audit of exchanges should take place at regular interval
- More vigilance on Z and S categories companies
- Proper information on post listing activities should be made available by stock exchanges to investors
- Some basic rules of capital market must be informed regularly to the household investors
Promoters of Issuing Companies:

- Strict action against promoters for unfair and fraudulent activities causing losses to household shareholders
- Only experienced promoters should be allowed to enter into capital market
- More transparency in activities of owners / friends and relatives of owner
- Dishonest promoters should be banned for life
- Disclosure of loans taken from various sources
- Mandatory disclosure regarding promoters other involvement

Public:

- Encourage to set up investors associations in every state
- Participation in Public awareness campaign through out north east India
- Understanding the risk associated with investment in shares
- More financial literacy for public in general
- More active participation of public in capital market

Regulators:

- Tighter regulations and for the benefit of household investors
- Only Stable companies allowed to enter market
- Market price control mechanism should be developed
- Companies with good image and disclosures norms should be allowed
- Premium at the time of new issue properly evaluated
- Post listing performance of company should be monitored
- Improve quality of paper and information in IPO should be clearly readable
Capital Market Intermediaries:
- Improve faith in brokers and sub-brokers
- Honesty and fair dealing in brokers should be encouraged
- Lower brokerage and more transparent
- Improve relationships with customers
- Take action against brokers with bad conduct
- Brokers with good research facilities should be allowed
- Mutual funds should be allowed to invest actively in primary and secondary markets
- Brokers and sub-brokers should strictly follow pay-in and pay-out, extra exposure to the small investors should be curtailed
- Online share trading should be encouraged with proper knowledge about the market

Equity Markets:
- Encourage individual investment accounts for high income/high net worth individuals / corporate.
- Amend taxation norms on capital losses.
- Remove restrictions on lending against shares by the banks.
- Amend taxation norms on borrowings against shares.
- Encourage retail investment in the markets through mutual funds
Steps need to be taken:

- To achieve genuine investor protection, we must empower the investors. The goal is to create a statutory framework under which violation of any SEBI regulation or listing requirement gives the investor the statutory right to sue the company and its management,

- To strengthen the retail investors’ confidence in stock market and mutual fund by organizing various camp at local level district wise,

- To establish one regional center of SEBI, NSDL, CDSL in any capital city of the NE Region,

- To create conducive atmosphere for infrastructural development of capital market,

- To encourage broker / sub-broker for establishing more and more trading terminals in nook and corner of the region,

- To aware about the benefits of mutual fund scheme (mutual fund association can organize camp at district level),

- Local media should play more responsible role in highlighting various pros and cons for investment in capital market,

- Investors Association should be formed in all state of the region through the funding of IEPF, they should play more dominant role for investors protection of household investors of the region,

- To introduce ‘financial literacy’ as a subject from school level and continued upto undergraduate level for all courses (Arts, Commerce and Science)
7.3 Suggestive Model:

One of main objective of establishing SEBI is to spread the capital market in nook and corner of the country. Though they have made some progress in big cities and towns but still a large part of India, especially rural India cannot be covered.

Here an attempt has been made to develop a model of capital market aiming the spread of capital market towards the rural and far-flung areas of the country. The suggestive model will ensure the greater participation of the household investors who hitherto have no access or very limited access to capital market due to non-availability of institutional framework.

This model demand very high level of government initiatives with the promotional and regulatory bodies like SEBI and DCA. Various government departments like Dept. of Post and Dept. of Telecommunications have to be involved to work as facilitators of capital market. As suggested in the model State governments have also to work as the nodal agency to bring the local banks, NGOs, Panchayet etc. to work as intermediaries of capital market. Certain modifications and amendments are required to be made in the SEBI guidelines in regard to the licensing of brokers / sub-broker in the rural and semi-urban areas so that small value capital be procured for investments in the capital market. Post offices are very large networked organizations in India that can be used as trading points of capital market while commercial bank branches in every circle of the country may be permitted to undertake the Depository Participants work. However, most important aspects of the model is to involve the local organizations / individuals and community organizations as an awareness creating agents so that awareness and financial literacy can be ensured among all the household which is precondition for capital market investments.
By the above suggestive model, we can take the capital market to the door step of people of rural India with existing infrastructure and policy. Some of the important steps in this direction are:-
- Mass Awareness Campaign at district level, block level and panchayat level
- Capacity Building Training to the members of Gayon Panchayat, NGOs, SHGs, local youth, for this purpose brokers, sub-brokers, teachers can be engaged at different level to educate them about NCFM, Back office support
- Media can play an active role and they should be engaged at all level to highlight various product of capital market,
- Post office and Gayon Panchayat can provide the required space for setting up trading terminals and VSAT connectivity,
- SEBI should relax some of the existing norms for brokers and sub-brokers for rural area, like minimum exposure limit and margin money and no speculative activity will be allowed,
- Central and State Govt. can help the project by providing logistics support through its existing infrastructure and machinery,
- DP facilities can be provided by local banks at a radius of 5 -7 km,
- Local banks and SHG can provide financial support to the local youth and mass opening of bank accounts under existing financial inclusion project,
- NSDL, UTI can set up rural branches or set up franchises for PAN CARD

**Benefits of the suggestive model:**

- Mass Participation of Rural People in Capital Market
- Employment Generation
- Financial Inclusion for all
- Financial Literacy at the grass root level.
7.4 Conclusion:

In spite of various reform measures undertaken by the government to spread the capital market to every nook and corner of the country, in NE India the scenario is still gloomy. The problem of household investors is not only confined to big cities but also spread across the country. In North-Eastern states situation is also not at all encouraging. Media should play more responsible role in creating awareness among household investors. We have to educate our household investors and for this purpose Investors Camp should be organised by the regulators / depositary participants / brokers / sub-brokers / TV Channels etc at regular intervals. Camp should be organised in holidays and in those places where it can be easily accessible and comfortable for household investors and maximum can take advantage of it. Organizing Investors Camp at reputed hotels did not serve the purpose. The north-eastern leaders urged for more emphasis on infrastructure development with a view of integrating their economy with the rest of the country, as well as with neighboring Bangladesh, Bhutan, Myanmar and Nepal.

The main reasons of these kinds of developments in North East India can be summarized from the important findings of the structured schedule are lack of saving habit among the respondents, lack of knowledge about capital market in spite of being in the market for a decade, awareness level in capital market is found very poor, as majority of them allocate not more than 20% in capital market, respondents also have very poor perception about Indian capital market. Household Investors' confidence level is also found very low due to high volatility, frequent scam and price manipulation and so there is insignificant investment in capital market. Due to lack of knowledge, and awareness among the respondents, they get easily influenced by news flashed by Business Channels, Poor
investment maturity is also prevalent among household investors as 1st preference is Tips, Advises (News Channels / Friends / Relatives etc) and 2nd preference is Momentum Stock (News Based). Some of the respondents are badly affected by investing in De Listed’ / ‘Z’ / ‘S’ types of Companies, Majority of respondents are short term and medium term investors in capital market. Lack of confidence in Mutual Fund Scheme. Non-availability of capital market product due to inadequate institutional infrastructure facilities and Lack of modern facilities in various parts of north-east India, Role played by SEBI is not at all satisfactory,

For future growth of capital market in NE India various steps should be taken like SEBI should launch a special north east-wide Securities Market Awareness Campaign for educating investors about the risks associated with the market as well as the rights and obligations of investors, Depository Participants (NSDL and CDSL) should organize more and more seminar and workshop at regular interval through out all the NE states. The program not only gave insights into the depository but also the functioning of the entire Capital Market, Central Government has also established a fund called Investor Education and Protection Fund (IEPF) in October 2001 for the promotion of awareness amongst investors and protection of the interest of investors. More association should be set up to take advantage of the IEPF and promote investors awareness and education in NE India so that large number of retail investors can participate in the market.

Local media can play an important role in promoting capital market by giving due emphasis on investors guidelines issued by SEBI from time to time. Intermediaries should come forward with more publication related with capital market so that investors can access them as per their need. Extensive research should be encouraged on capital market of NE India. Local Government should encourage national level broking houses and private banks to
set up required infrastructure and provide them required facilities. Development of peaceful atmosphere for all round development of business and commercial activities. Local young entrepreneur should be encouraged more so that they can take stock broking as an alternative career option. The brokerage business today is high profile and employs a number of specialists from varied fields.

Thus, there is fabulous scope of growth of capital market in NE India and investors should be encouraged more and more to come forward to tap the potentiality of capital market and contribute to the all round development of their states as well as the nation.

The study concludes with firm believe that “An Informed Investor is a Safe Investor” and all stakeholders related with Indian capital market should work together for a “Healthy Investor and Wealthy Capital Market”