it is concluded that foreign direct investment and foreign institutional investment highly influence the Indian stock markets to rise.

CHAPTER – VII

SUMMARY, FINDINGS AND SUGGESTIONS

SUMMARY

The economic prosperity of a country ultimately depends upon its financial system. As long as its financial system is well managed and maintained efficiently, effectively and on sound lines, the country's economy would maintain its upward swing and sustain all round growth. Such a situation gives the public a lot of confidence in the system to channelize their savings into the financial institutions, which is very necessary for all developing economies. Mobilizing adequate resources for development and for being self-reliant such channelizing is very necessary. The effective functioning of the two important constituents of the financial system viz., financial Institutions and Markets, decides the development of the economy, particularly in the developing countries like India. Therefore effective management of financial institutions and financial markets has assumed greater importance all over the globe. These have become key areas to decide a country's reputation and progress.

A nation embarking upon accelerated economic development and industrialization has to make planned efforts to develop organized and healthy money and capital markets with an adequate institutional set-up, Market for credit (money and capital market) and business enterprises must go hand-in-hand to ensure quick industrialization in a developing democratic country. The capital market in India was not well organized and developed during the British rule because the British government was not interested in the economic growth of the country. As a result, many foreign companies depended on the London capital market for funds rather than on the Indian capital market.

The Capital market is directly responsible for the following activities : (1) Mobilization or concentration of national savings for economic development, (2) Mobilization and import of foreign capital and foreign investment capital plus skill to fill up the deficit in the required financial resources to maintain the expected rate of economic growth, (3) Productive utilization of resources, and (4) Directing the flow to funds of high yields and also strive for balanced and diversified industrialization.

In the post – independence period also, the size of the capital market remained small. During the first and second five year plans, the government's emphasis was on the development of the agricultural sector and public sector undertakings. The public sector undertakings were healthier than the private undertakings in term of paid – up capital but their shares were not listed on the stock exchanges. Moreover, the Controller of Capital Issues (CCI) closely supervised and controlled the timing, composition, Interest rates, pricing, allotment, and floatation costs of new issues. These strict regulations de-motivated many companies from going public for almost four and a half decades.

The 1980s witnessed an explosive growth of the securities market in India, with millions of investors suddenly discovering lucrative opportunities. Many investors jumped into the stock markets for the first time. The government's liberalization process initiated during the mid-1980s, spurred this growth. Participation by small investors, speculation, defaults, ban on badla, and resumption of badla is continued. Convertible debentures emerged as popular instrument of resource mobilization in the primary market. The introduction of public sector bonds and the successful mega issues of Reliance Petrochemicals and Larsen and Toubro gave a new lease of life to the primary market. This, in turn, enlarged volumes in the secondary market. The decade of the 1980s was characterized by an increase in the number of stock exchanges, listed companies, paid up capital, and market capitalization.

The 1990s will go down as most important decade in the history of the capital market of India. Liberalization and globalization were the new terms coined and marketed during this decade. The capital issues (control) Act, 1947 was repealed in May 1992. The decade was characterized by a new industrial policy, emergence of SEBI as a regulator of capital market, advent of foreign institutional investors, euro issues, free pricing, new trading practices, new stock exchanges, entry of new players such as private sector mutual funds and private sector banks, and primary market boom and bust.

The Indian capital market entered the twenty-first century with Ketan Parek scam. As a result of the scam, badla was discontinued from July 2001 and rolling settlement was introduced in all scrips. Trading at futures commenced from June 2000, and Internet trading was permitted in February 2000. The government’s decision to privatize all PSUs and in 2003 fuelled stock prices. One big divestment of international telephony major VSNL took place in early February 2002. Foreign institutional investors have emerged as major players on the Indian bourses. NSE has an upper hand over its rival BSE in terms of volumes not only in the equity markets but also in the derivatives market.

It has been a long journey for the Indian capital market. Now the capital market is organized, fairly integrated, mature, more global and modernized. The Indian equity market is one of the best in the world is terms of technology. Advances in computer and communications technology, coming together on Internet are shattering geographic boundaries and enlarging the investor class. Internet trading had become a global phenomenon. The Indian stock markets are now getting integrated with global markets.

Need for the Present Study

After liberalization of Indian economy in 1991 many reforms have taken place in financial sector. The Securities and Exchange Board of India has been very active in modifying its rules and regulations mainly to protect the interests of the investors and infuse confidence in them on financial market operations. It has been widely recognized and accepted that the small and household investors constitute a vital segment of the Indian securities market and greater understanding of the perceptions, preferences, and behaviour of these investors is very vital in the policy formulation on development and regulation of the securities market to ensure the promotion and protection of interests of small and household investors. The present research work, thus attempts to study the socio-economic profile of the investors in one of the well known regions of Andhra Pradesh; their investment culture in terms of their perceptions; and behaviour in respect of various investment avenues. The present research work also provides a foundation of facts relating investors’ behaviour towards various types of securities and assessment of investment risks.

Most of the investors generally have limited information about the developments in the securities market. Information about the financial performance of the companies and data of share market available to investor is also limited. The information available from newspapers, television and internet, media, sometimes may not be sufficient for investment decision making. All these problems made them rely on share brokers, fund managers and experts to invest in securities. Investors desiring to invest in stocks require countless preparation and homework. It is very important for them to know their risk appetite and investment objectives for better decision-making.

Hence, the present study is an attempt to know the investment pattern of investors. The study is made to examine investor's awareness of investment avenues, investment objectives of investors and the evaluation of investment by the investors.

The present study is undertaken with the following specific objectives.

6. To study the socio-economic profile of the investors
7. To analyze the investment pattern of the investors
8. To examine the motives, perceptions and the resultant behaviour of investors in investment decision
9. To identify the factors that influence the investors towards investment in the stock market
10. To give appropriate suggestions, for proper understanding of stock market operations and the investment culture towards investment in stock market in India.

Methodology of the Study

The study is based on both primary and secondary data. However, as the study is primarily evaluative in nature and mainly deals with psychology and behaviour of the investors**,** primary data provides foundation for the present study. The primary data is collected through structured questionnaires. Separate questionnaires were designed comprehensively to elicit information about the socio-economic profile of the investors, their awareness about stock market operation, their investment behaviour and risk assessment. The questionnaire is designed keeping in view the objectives of present research work and it is pre-tested by means of a pilot study. The secondary data is also made use of at some places of the study wherever it became necessary. The relevant secondary data gathered from the reports, books, journals, periodicals, dailies ,magazines, and websites.

For the study, the researcher selected stock market investors in East Godavari and West Godavari Districts of Andhra Pradesh. For this purpose he visited all the stock broking agencies in these two districts. There are 96 stock broking agencies in these two districts out of which 65 in East Godavari and 31 in West Godavari. The researcher selected a minimum of 6 investors from each stock broking agency and collected information through structured questionnaire.

Tools for Analysis

The data collected from primary and secondary sources is subjected to statistical treatments. Simple statistical tools like Percentages, Ratios, Mean, Cross-tabulation, Graphs and Chi-square Tests have been used. The chi-square test has been adopted to examine the association between the variables.

Limitations

The present study is mainly based on data collected through the administration of a questionnaire. The general limitations of the validity of the responses of the investors are subject to their interest in giving responses. As far as possible, care was taken to spend more time with the investors, so that the responses are given with some thought based on their experience with the stock market operations.

FINDINGS

1. The study found that majority of respondents aware of all the savings schemes like national savings certificates, indira vikas patra/ kisan vikas patra, postal savings schemes, mutual funds, insurance schemes, chits, bank fixed deposits, company fixed deposits, shares, bonds and debentures, government securities, real estate etc., besides that all these schemes have been adopted by the respondents except national savings certificates, indira vikas patra/ kisan vikas patra, chits, company fixed deposits and government securities.

2. The study distinctly comes out with the required sources of information for the investment obtained from various means. But the majority of respondents obtained their information regarding investment through their friends and relatives as a first priority; it was followed by national news papers within the first rank. Whereas, regarding rank two, the first place was occupied by national news

papers and it was followed by friends and relatives. But in the rank three, the first place was occupied by the broker/ agents it was followed by magazines.

3. As per the respondents opinion the fixed deposits savings pattern was rated by the respondents as a rank one, and it was followed by shares and debentures, insurance schemes and real estate/ fixed assets respectively. In the same way the respondents also rated as a rank two of various existing savings schemes pattern, 95 respondents rated for shares and debentures followed by insurance schemes. Whereas, within the rank three insurance schemes were rated by the majority of respondents (109), and it was followed by shares and debentures (100). Finally, it can be concluded that the majority of respondents (148) were rated the fixed deposits as a first rank.

4. The study also found that the majority of respondents have savings for the purpose of safety for future, capital appreciation, regular returns, speculative gains and tax benefits. They preserve certain portion of income as savings for the safety for future as a first priority (mean score 4.39). It was followed by regular returns (mean score 3.85).

5. It was evident that 86.46 per cent respondents agreed that bank deposits were the safest investment avenue. It was followed by insurance (69.1 per cent) and the meager portion of respondents (13.89 per cent) were opined that commodity derivatives were the least safe investment of the given investment avenues.

6. Regarding savings avenues the majority of respondents (72.75 per cent) were opined that fixed deposits in bank was a preferred savings avenue as it was

followed by cash/ savings deposits at bank with the 72.22 per cent of respondents. Whereas the least preferred option was meant to provident fund, pension and retirement plans by having of 40.28 per cent. The same finding was also reflected the mean scores, because of 3.89 mean score was opted by fixed deposits in bank and it was followed by cash/ savings deposits at bank (3.78 mean score) and the least mean score was 3.16 for provident fund, pension and retirement plans.

7. The study distinctly comes out with the regular income was prime motive for investment and it was followed by more income/ profit, capital appreciation and safety return of capital and interest respectively. But, the availability of loan facility was rated by the respondents as a investment motive as a rank twelve which was considered as a least rank.

8. The anticipation of respondents for the probable future savings reflected that the respondents preferred bank deposits as a first probable future saving alternative and it was followed by company shares and debentures and mutual fund schemes.

9. Of the given behaviour and attitude parameters of managers and staff of stock broking firms towards investors was reflected that, investors were very satisfied regarding courtesy (54.34 per cent) it was followed by interest in work (4028 per cent), attitude (39.41 per cent and presence as well as solving investment grievances (28.99 per cent). whereas, investors were satisfied regarding presence of staff with 63.02 per cent it was followed by efficiency 61.46 per cent and helpfulness (60.59 per cent) respectively. But, 22.74 per cent of respondents were

not satisfied regarding after sale services it was followed by solving investment grievances 19.62 per cent.

10. The study found that 34.72 per cent of respondents invest their funds in stock market on the basis of their self assessment and knowledge. Whereas, 24.31 per cent of respondents invest their funds on the basis of advice of friends and relatives. The remaining respondents based on the advice of broker/ consultancy and partially brokers and partially themselves.
11. The study evident that 47.74 per cent respondents investing their funds in the range of 2-5 years. It was followed by less than 2 years and 6-10 years. Whereas, the meager portion of respondents were invested their funds from more than 15 years.
12. The investors invest their funds in stock market to earn quick short term gain, it was followed by long term gain, liquidity and safety and regular dividend income respectively. Hence, the quick short term gain was the main objective of the investors to invest their funds in stock market.
13. The study found that there was a relationship between investment objectives and period of investment.
14. The investors invest their funds from their savings in the stock market is a range between zero per cent to 100 per cent. 44.62 per cent of respondents hailed from the investment group of 20 per cent to 40 per cent, it was followed by less than 20 per cent by the 40.28 per cent respondents. There was only 0.69 per cent respondents represented from 80 per cent to 100 per cent.

15. The study distinctly comes out with the hypothetical study resulted there is a relationship between percentage of savings and objectives of investment in stock market.

16. The main purpose of investment in stock market was a regular income, it was followed by capital appreciation, whereas, easy to withdraw was considered as a least purpose of in terms of ranking by the concerned respondents.

17. The study evident that about half of the respondents were belonged to the bullish trend. Whereas, 29.69 per cent respondents from bearish trend and the remaining were considered as a trend of stable.

18. The study found that about half of the respondents were represented as the medium term investors. They were followed by long term investors and traders respectively.

19. The study also found that the result of the hypothesis indicates that there was a relationship between investment objectives and classification of investors because of their calculated value of chi-square was greater than that of table value of chi-square.

20. Only 26 per cent of respondents as a traders obtained their information with the help of internet. Whereas, 22 per cent of respondents obtained from news papers and it was followed by past experience. The source of street talk / rumours was not considered as a source of information by the majority of respondents.

21. The study indicates that the majority of respondents as investors were known their investing activities through internet. Whereas, it was followed by street talk/

rumours (20 per cent), past experience (13 per cent). But the news papers were not helpful as a source of information for investors because merely represented by only the some per cent of respondents.

22. The study found that there was a relationship between source of information and objectives of investment, at the level of significance is 5 per cent, where the calculated value of chi-square greater than that of table value of chi-square.

23. The study found that the majority of respondents acquired their funds to invest in stock market from the personal savings. It was followed by loans taken from others and pledging of their assets.

24. The majority of respondents invest their funds in small-caps, it was followed by large-caps and mid-caps respectively.

25. The study found that the majority of respondents were invested their funds in the banking sector, it was followed by pharmaceuticals.

26. The study found that amongst the investors 36.11 per cent of respondents having the nature of objectivity and 26.04 per cent respondents were cautious, 22.57 per cent respondents were optimistic, whereas, the remaining considered as competitive.

27. The study also found that the examination of investment objectives and nature of risk as a study of hypothesis resulted that there was a relationship between investment objectives and nature of risk.

28. The majority of respondents were ready to seek medium risk and it was followed by low risk, high risk and no risk/ safe investment respectively.

29. The study was evident that there was a relationship between nature of risk and risk appetite.

30. The study indicates that 38.55 per cent respondents having averaging as their risk management technique, it was followed by cut loss, locking and switching respectively.

31. The study found that whenever if any losses or unforeseen changes taking place in stock market 41.67 per cent of respondent wait till recovery of their loss and then withdraw their money. It was followed by withdraw money from their investment and also withdraw some portion of the amount and invest in alternative sources.

32. The study distinctly comes out with the following reasons for incurring losses in stock market. The main reason was lack of sufficient infrastructure/ knowledge in concerned stock market and it was followed by manipulations by the operators in the stock market.

SUGGESTIONS

❖ Majority of the investing respondents were found to be in the age group of 20 to 40 years. Hence it is suggested that investment schemes tailored to the senior citizens need to be developed.

❖ It was found from the study that urban people were more aware of the different investment schemes than the rural. As more than 80 percent of the Indian society resides in rural areas, it is strongly suggested that necessary steps should be taken to increase awareness among rural population about the existing investment schemes.

- ❖ The perception of most investors on the safety and liquidity of different investment avenues is unfavourable. Hence there is need to create the environment to instil confidence on investing public with regard to the liquidity and safety of their investment schemes.
- ❖ More than 20 per cent of respondents are not satisfied with after sale services of stock broking firms. Therefore, efforts to improve the after sale services by the managers and staff of stock broking firms, so as to satisfy the needs of customers.
- ❖ It was observed that large number of investor complaints and grievances regarding the managers and staff of stock broking firms are not properly resolved. Therefore, it is recommended that stock broking firms should be careful enough in resolving the grievance of the investors.
- ❖ As there is change in the income levels of the investors most of the investors are interested to divert their savings to profitable investment opportunities. However, prior to that there is a dire need to initiate steps to inculcate a habit of savings among the growing middle class families. The savings are to be pooled and canalized into productive investment, there by returns to investors may enhance. It may further accelerate investment in corporate securities in future on a large scale.
- ❖ Construction of an efficient portfolio is always advisable to maximize the return and minimize the risk. It is disheartening to note that the investors in East Godavari and West Godavari are very little aware of investment in company securities. Hence,

investors should be educated about the benefits of investment in diversified industries and companies. If one company fails is 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.

- Of the different groups of investors, professionals and businessman 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.

- The capital market regulator should undertake educative and informative mechanisms through internet so as to create investment awareness among the public. In order to facilitate the investors to participate actively in capital market operations, these facilities must be strengthened.

- The investors in the rural area are usually conservative in their investment approach. The investing public is, therefore, be 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, and then only capital appreciation may take place. There by investors wealth increases with wise investment.

- ❖ The settlement of financial disputes must be immediate or may take a little time. It is unwarranted that the judiciary is taking very long time and therefore investors are losing their sufficient income on their investment. Therefore, a judicial forum is needed to redress the investors' grievances for the purpose of remedying the same with the award of compensation. The consumer forum should be the redressal forum only for the purpose of compensating the investors.
- ❖ The Government should have taken proper steps to regulate the market operations and protect the investors from the unethical and illegal activities of the actors of the stock market and other investment avenues.
- ❖ It was found that the investors used only their personal savings to invest in the stock market. Only a few used borrowed funds, it may be because of non availability of funds. The financial institutions should come forward to provide loan facilities to the investors for the investment.
- ❖ The objective of motivating the public to invest their savings in the stock market will be achieved only if the regulatory authorities succeed in providing a manipulation free stock market. With the rate of interest offered by banks on deposits being very unattractive, more people could think of vesting in the stock market. This could happen only if the stock market is transparent and free from scams because those who invest in bank deposits are basically averse to risk.