



## INVESTORS ATTITUDE TOWARDS THE INDIAN STOCK MARKET – AN SOCIO ECONOMIC PROFILE OF INVESTORS

N. Princess Vinothini\*

Dr. J. R. Isaac Balasingh\*\*

\*Research Scholar, Department of Management Studies, Manonmaniam Sundaranar University, Tirunelveli.

\*\*Guide and Supervisor, Dean, Pope Engineering College, Tuticorin.

### Abstract

The reforms in the real sectors such as trade, industry and fiscal policy were initiated first in order to create the necessary macroeconomic stability for launching financial sector reforms, which sought to improve the functioning of banking and financial institutions (FIs) and strengthen money and capital markets including securities market. This research study on “Investors’ attitude towards Indian stock market” is found that age, gender, income level (monthly), investment level have no association with the attitude of investors towards Indian stock market. But educational qualification has an association with the investors’ attitude towards stock market. People think FM radio, television news as the most important source and online newspapers show as the least important source. This study carries out only the general attitude of the investors within India towards the stock market. In this study six demographic and socio economic variables have been used to find out the association with investors’ attitude.

The process of economic reforms and liberalization was set in motion in the mid-eighties and its pace was accelerated in 1991 when the economy suffered severely from a precariously low foreign exchange reserve, burgeoning imbalance on the external account, declining industrial production, galloping inflation and a rising fiscal deficit. The economic reforms, being an integrated process, included deregulation of industry, liberalization in foreign investment, regime, restructuring and liberalization of trade, exchange rate, and tax policies, partial disinvestments of government holding in public sector companies and financial sector reforms. The reforms in the real sectors such as trade, industry and fiscal policy were initiated first in order to create the necessary macroeconomic stability for launching financial sector reforms, which sought to improve the functioning of banking and financial institutions (FIs) and strengthen money and capital markets including securities market.

### Review of Literature

**Mugdha S. Kulkarni., (2014)** in his study entitled “Behavioral finance an impact of investors unpredictable behavior on stock market”, found that the field of modern financial economics assumes that people behave with extreme rationality, but they do not. The two common mistakes investors make i.e. excessive trading and the tendency to disproportionately hold on to losing investments while selling winners have their origins in human psychology. Because the tendency for human beings to be over confident causes the first mistake and the human desire to avoid regret prompts the second. So, psychological research teaches as about the true form of preferences, allowing us to make finance more realistic within the rational choice framework. This is the reason today Behavioral Finance is a rapidly growing area that deals with the influence of psychology on the behavior of financial practitioners. The above-mentioned arguments are provided for why movements towards greater psychological realism in finance will improve mainstream finance. Apart from these things this particular area also collectively predict some outcomes where the traditional models failed along with reaches, the same current predictions as the traditional models. **Saranya., (2014)** in his study entitled “A Study on Investors Attitude towards Physical Gold and E-Gold in Coimbatore City”, found that the most of the people have invested in E-gold as it is the most efficient form of investment in gold. It assures safety to the investors. But the awareness level is moderate. It also helps the investors from worrying about the purity and quality of gold. Its mode of purchase is very fast as it needs to click of the mouse or a phone call to a broker and it is freely traded on stock exchange and the investors can trade it at any time. Hence, necessary steps have to be taken to educate the investors about investment in e-gold, so the financial sector of our Country can reap higher benefits out of the investor’s investment in e-gold. **Gunjan Tripathi., (2014)** in his study entitled “An Empirical Investigation of Investors Perception towards Derivative Trading”, examined the effect of demographic characteristics on derivative investment. The study finds that education, profession and gender do not affect the derivative investing behaviour, however income is found to have a significant effect on derivative investment. Further study proposes to popularize option instruments because they may prove to be a useful medium for enhancing retail participation in the derivative market. **Jaya Mamta Prosad., (2014)** in his study entitled “Impact of Investors’ Behavioral Biases on the Indian Equity Market and Implications on Stock Selection Decisions: An Empirical Analysis”, found that the presence and impact of four behavioral biases in the Indian equity market, namely; herd behavior, optimism (pessimism), overconfidence and the disposition effect, using both primary and secondary data. The primary data provides the real time insight into investors’ psychology. On the other hand, the secondary data approach provides the findings that can be generalized on the market as a whole, for a period 2006-2013. The secondary data analysis determines the presence and impact of behavioral biases on various indicators of the



Indian equity market like return dispersion, risk premium, volatility and transaction volume. **Shailendra Kumar Chaturvedi et.al., (2014)** in their research entitled “A Roadmap of customers perception towards mutual funds in Uttar Pradesh with special reference to Lucknow city”, found that mutual fund is a tax saving instrument and to a certain extent a return oriented investment. It was also found that the investors were more prone to public companies rather than private companies. **Puneet Bhushan., (2014)** in his study entitled “Insights into awareness level and investment behaviour of salaried individuals towards financial products”, found that the respondents are quite aware about traditional and safe financial products whereas awareness level of new age financial products among the population is low. Majority of the respondents park their money in traditional and safe investment avenues. Overall results suggest that people must be made more aware about new investment opportunities available in the market. They must be properly educated about new financial products available in the market, so that they can get advantage of earning higher returns. Moreover they will not get cheated by sales personnel as they will have knowledge regarding the charges levied by a company selling financial products and they will invest in financial products only after weighing risk return characteristics of the financial products.

**Gauri Prabhu., (2015)** in his study entitled “Perception of Indian Investor towards investment in mutual funds with special reference to MIP Funds”, found that the Indian mutual fund industry is growing rapidly and this is reflected in the increase in Assets under management of various fund houses. Mutual fund investment is less risky than directly investing in stocks and is therefore a safer option for risk averse investors. Monthly Income Plan funds offer monthly returns and invest majorly in debt oriented instruments with little exposure to equity. However it has been observed that most of the investors are not aware of the benefits of investment in mutual funds. This is reflected from the study conducted in this research paper. This paper makes an attempt to identify various factors affecting perception of investors regarding investment in Mutual funds. The findings will help mutual fund companies to identify the areas required for improvement in order to create greater awareness among investors regarding investment in mutual funds. **Apparao., (2015)** in his study entitled “ A survey on Investors Perception towards Investment Avenues in Godavari Districts of Andhra Pradesh”, found that the behaviour of the small and household is a very crucial area in the formulation of policies and procedures for the orderly growth and development of securities markets in any nation. There are only a few studies covering the issue of investor perception and behaviour at micro/regional level. Especially in the context of decline in the participation of small and household investors in the primary market operations, withdrawal of investors from the capital market, diversion of household savings into safer investment avenues like bank deposits, real estate and unproductive assets like gold and silver, it becomes all the more important to study and analyse the investor awareness, perceptions and preferences of various investment avenues available to them in the securities markets. This may help the policy makers in evolving the suitable strategies to get small and household investors once again in large numbers into the capital market operations. Hence, the present investigation is an attempt in that direction. The issues investigated in the present study include awareness of investment avenues, investment pattern, the most preferred objectives of investors, and investment evaluation. Moreover, this study is mainly undertaken in Coastal Andhra, a very prominent region of Andhra Pradesh, with the hope that the observations and conclusions of the study are of immense use. **Rishi Manrai., (2015)** in his study entitled “Investor Behavior towards Derivative Markets in Indian Context”, found that the derivative market can benefit and understand investor’s preference better and unravel the factors that influence the risk tolerance level of the investors. So the crux of the study will give the researcher a quantitative model reflecting the factors affecting the investor behavior in derivative market with load factors. Through this study the researchers would like to study the various factors responsible for the investment behavior in derivative market. This will not only help the asset management companies to frame their investment policy but also help the macro policy makers to frame certain policy which will encourage investors to invest in derivative market. **Kavitha., (2015)** in her study entitled “Investors Attitudes towards Stock Market Investment”, found that the study was guided by objectives with a purpose of tracking investor’s attitudes and perceptions towards stock market investments. A sample of 125 respondents was used and the findings analyzed using SPSS. The study used a cross-sectional survey design and with application of quantitative and qualitative data. The study may also use descriptive and correlation approaches to establish the relationships amongst the study variables. The study made several recommendations among which to increase investor awareness as a means of encouraging local investors to list on the stock exchange. The regulatory authorities should improve on their performance in order to increase the confidence of the local investor. Furthermore they should introduce investor incentives to boost the volumes traded on the exchange with a review of The stock market regulations with a view to make them stronger and more attractive to local investors. **Kajal Gandhi., (2015)** in his study entitled “Retail Investors Participation in Indian Stock Market- A Survey”, found that the passive investors on the other hand are those who are not frequently transacting in stock market activity and are risk averse. They make no attempt to distinguish between attractive and unattractive securities or forecast securities prices, or time markets and market sectors. Though they want to make profit in long term, but accept the average returns. Passive investors will purchase investments with the intention of long-term appreciation and limited maintenance. For the purpose of our analysis, in context of retail individual investors, passive investors are taken as those investors who participate very less in stock market in comparison to active investors. **Gurinder Singh., (2015)** in his study

entitled “Investigation of the Determinants to Augment Investment in the Indian Stock Market”, made an attempt to access the factors which resist common man in India from investing in stock market and ways to overcome such hesitations with the sole motive to induce investment in Indian Stock Market. India is one of the fastest developing countries in the world. As country’s growth is mainly dependent upon its financial markets, India is also concentrating towards its share market sector. Indian stock markets are the engines that drive the vehicle of our economy by pumping in much needed capital. The study compares investment in Indian Stock Market with United State, London and Japanese Stock Market. This research is based upon a survey conducted on both investors and non-investors. This paper tends to find out why in a population of over one billion; barely 3% invest in equity markets in India, whereas in developed countries like US, UK and Japan more than 50% invest in equity markets. **Tamil Selvi., (2015)** in her study entitled “Investors Attitude towards Investment Avenues”, found that the main objective of the investors in Coimbatore District towards making investments and to assess the investors' attitude towards the investment avenues. The demographic variables and objectives of the investors have been obtained from the respondents and the relationship between these variables and objectives has been computed. The attitude of the respondents towards the select investment avenues has been ranked. The study also offers suggestions to the investors to make investments.

### Socio Economic Profile of the Respondents

The researcher has gathered the details about socio economic profile of the respondents and presented in the following Table.

**Table 1.1: Socio Economic Profile of the Respondents**

Variables	Categories	Frequency	Percentage
<b>Gender</b>	Male	322	64.40
	Female	178	35.60
	<b>Total</b>	<b>500</b>	<b>100.00</b>
<b>Age Group</b>	Below 30 years	134	26.80
	31-40 years	117	23.40
	41-50 years	133	26.60
	Above 50 years	116	23.20
	<b>Total</b>	<b>500</b>	<b>100.00</b>
<b>Marital Status</b>	Married	367	73.40
	Unmarried	133	26.60
	<b>Total</b>	<b>500</b>	<b>100.00</b>
<b>Type of Family</b>	Nuclear	398	79.60
	Joint Family	102	20.40
	<b>Total</b>	<b>500</b>	<b>100.00</b>
<b>Size of Family</b>	Below 3 members	217	43.40
	4 to 6 members	183	36.60
	Above 6 members	100	20.00
	<b>Total</b>	<b>500</b>	<b>100.00</b>
<b>Educational Qualification</b>	Upto school level	116	23.20
	Diploma	83	16.60
	Under Graduate	117	23.40
	Post Graduate	84	16.80
	Professionals	50	10.00
	Others	50	10.00
	<b>Total</b>	<b>500</b>	<b>100.00</b>
<b>Employment</b>	Business	100	20.00
	Salaried	150	30.00
	Professional	150	30.00
	Currently not employed	100	20.00
	<b>Total</b>	<b>500</b>	<b>100.00</b>
<b>Annual Income</b>	Below Rs.3,00,000	150	30.00
	Rs. 3,00,001 - 6,00,000	167	33.40
	More than Rs.6,00,001	183	36.60
	<b>Total</b>	<b>500</b>	<b>100.00</b>

Source: Primary Data



### **1.1.1 Gender**

The researcher has classified the respondents based on their gender and it is found that out of 500 respondents, 322 respondents (64.40 per cent) are male and the remaining 178 respondents (35.60 per cent) are female. It is found that majority (64.40 per cent) of the respondents are male.

### **1.1.2 Age Group**

Age is an important variable to study the investors attitude towards Indian stock market. Below 30 years of age group is not considered for the study. Hence the researcher has classified the respondents based on their age group. It is found that (134) 26.80 per cent of the respondents are in the age group between 30 years, (117) 23.40 per cent of the respondents are in the age group between 31 years and 40 years, (133) 26.60 per cent of the respondents are between 41 and 50 years, (116) 23.20 per cent of the respondents are above 50 years of age. It is understood that majority of the respondents (26.80 per cent) are in the age group between 30 years.

### **1.1.3 Marital Status**

The researcher has classified the respondents based on their marital status. It is noted that out of 500 respondents, (367) 73.40 per cent of the respondents are in married category and the remaining (133) 26.60 per cent of the respondents are in married category. It is apparent that majority (73.40 per cent) of the respondents are married.

### **1.1.4 Type of Family**

To know the family type of the respondents study has been made and it is found that out of 500 respondents, (398) 79.60 per cent of the respondents are living as nuclear family and the remaining (102) 20.40 per cent of the respondents are living as joint family. It is interesting to note that majority (79.60 per cent) of the respondents are living as nuclear family.

### **1.1.5 Number of Family Members (Including Respondent)**

Regarding the number of family members of the respondents it is found from the Table 4.1 that (217) 43.40 per cent of the respondents fold in below three members, (183) 36.60 per cent of the respondents are with four to six members and the remaining (100) 20.00 per cent of the respondents are having six members in their family, It is obvious that majority of the respondents (43.40 per cent) are having below three members in their family.

### **1.1.6 Educational Qualification**

Educational qualification is an important factor used to analyse the risk level of the respondent about Indian stock market investment. Hence, the researcher has classified the respondents based on their educational qualification. It is observed that out of 500 respondents, (116) 23.20 per cent of the respondents studied upto school level, (83) 16.60 per cent of the respondents have got diploma, (117) 23.40 per cent of the respondents have qualified up graduate level education, (84) 16.80 per cent of the respondents have qualified post graduate level, (50) 10.00 per cent of the respondents completed professional course and the remaining (3) 0.60 per cent of the respondents have got IT. It is understood that most of the respondents (23.40 per cent) have studied up graduate level education in the study area.

### **1.1.7 Occupation**

The researcher has made an attempt to know the occupation of the respondents and it is found that out of 500 respondents (100) 20.20 per cent of the respondents are Business people, (150) 30.00 per cent of the respondents are salaried persons, (150) 30.00 per cent of the respondents are professionals such as lawyers, doctors etc, and the remaining (100) 20.00 per cent of the respondents are home maker. It is found that most of the respondents (30.00%) of the respondents are salaried and professional persons.

### **1.1.7 Annual Income**

Regarding the monthly family income, out of 500 respondents, (150) 30.00 per cent of the respondents' annual income is below Rs.3,00,000, (167) 33.40 per cent of the respondents' annual income varies between Rs.3,00,001 and Rs.6,00,000 and the remaining (183) 36.60 per cent of the respondents annual income is above Rs.6,00,000 per annual. It is understood that majority of the respondents' (36.60 per cent) annual income is more than Rs.6,00,000.

## **1.2 Knowledge about Indian Stock Market Investment**

The researcher has gathered details about the knowledge about Indian Stock market investment and Ranking of Sources of Information according to score of the respondents. The details are presented in the Table 1.2.

**Table 1.2: Descriptive Statistics**

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
FM Radios	500	1.00	21.00	4233.00	8.4660	8.19849
Television News	500	2.00	20.00	4362.00	8.7240	7.61892
Printed Newspapers	500	2.00	19.00	4410.00	8.8200	7.31893
Online Newspapers	500	1.00	18.00	4210.00	8.4200	7.40414
Facebook	500	2.00	19.00	4597.00	9.1940	6.65770
Verbal Information from Other Investors	500	3.00	20.00	5147.00	10.2940	5.87099
Verbal Information from Merchant Bankers	500	6.00	21.00	5608.00	11.2160	4.96777
Verbal Information from different Political Leaders	500	7.00	14.00	4950.00	9.9000	2.52641
Verbal Information from Brokers	500	6.00	13.00	4750.00	9.5000	2.73220
Research Papers Published by Brokerage House	500	8.00	13.00	5165.00	10.3300	1.68010
Friends Working in Broker House or Merchant Bank	500	11.00	19.00	6502.00	13.0040	2.81208
Research Paper Published by Merchant Banks	500	10.00	20.00	6702.00	13.4040	3.43575
Experts Opinions	500	8.00	20.00	6155.00	12.3100	3.65960
Students Studying in Business at University	500	8.00	17.00	6051.00	12.1020	3.18054
Papers Published by Stock Exchanges	500	6.00	16.00	5972.00	11.9440	4.14236
Research Paper Published by Others	500	6.00	19.00	5765.00	11.5300	4.56363
International Research Papers/Journals	500	4.00	18.00	6237.00	12.4740	6.03275
Papers Published by Indian Securities & Exchange Commissions	500	4.00	18.00	5870.00	11.7400	5.78475
Paper Published by Govt. Agencies	500	2.00	19.00	5855.00	11.7100	7.22539
Information from Friends	500	1.00	20.00	5987.00	11.9740	8.37530
Television Talk Show	500	1.00	21.00	6972.00	13.9440	9.31420
Valid N (listwise)	500					

### Ranking of Sources of Information According to Score

Table 1.2 shows the ranking (according to score) of different sources from where the investors collect their information. In this table highest possible value is 10500 ( $500 \times 21 = 905$ ) and lowest possible value is 500 ( $500 \times 1 = 500$ ). FM radio is in the highest position with 4233 score. There are eight sources those mean value is more than 8, which is the average score for each sources. It indicates that investors give more than average value on these eight sources. These are (according to the rank) : FM radios, Television news, printed newspapers, online newspapers, facebook, verbal information from other investors, verbal information from merchant bankers, verbal information from different political leaders. On the other hand investors give their least preference on television talk show and score for it is 4210. Mean value for online newspapers is 8.42. It indicates investors give below average importance on the information coming from online newspapers.

### Conclusion

This research study on “Investors’ attitude towards Indian stock market – An Socio Economic Profile ” is found that age, gender, income level (monthly), investment level have no association with the attitude of investors towards Indian stock market. But educational qualification has an association with the investors’ attitude towards stock market. People think FM radio, television news as the most important source and online newspapers show as the least important source. This study carries out only the general attitude of the investors within india towards the stock market. In this study six demographic and socio economic variables have been used to find out the association with investors’ attitude.



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