

BEHAVIORAL STUDY OF INVESTORS OF STOCK MARKET WITH REFERENCE TO SOLAPUR CITY

Dr. Satyajit K. Shah*

Abstract

Recently Financial Markets are more extensive and competitive and able to fight against inflation. Equity as a part of such market becomes famous among investors because of easy liquidity, affordability, flexibility and good returns. It is found that many investors are not aware of stock market; as they are more depend upon low risk investment avenues such as fixed deposits, post office schemes. It is thus time to study the behavior of investors of stock market. This research paper gives emphasis on number of elements that highlights investor's behavior about stock market.

Keywords: Behavior, Investors, Stock Market

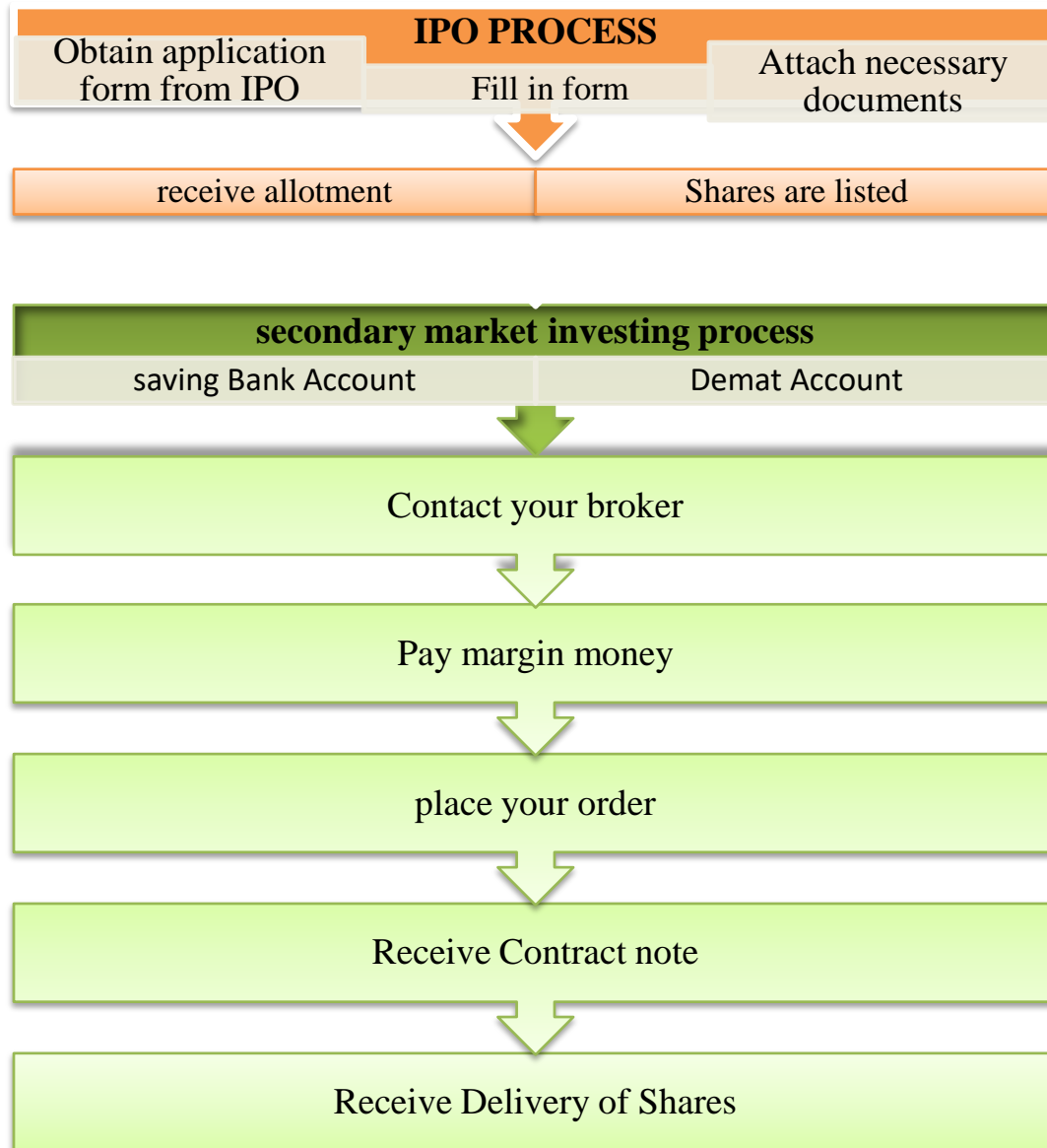
* (Associate Professor)Hirachand Nemchand College of Commerce, Ashok chowk, Solapur

Introduction

Stock is sometimes referred to as shares, securities or equity. Simply put, common stock is ownership in part of a company. For every stock you own in a company, you own a small piece of the office furniture, company cars, and even that lunch the boss paid for with the company credit card. More importantly, you are entitled to a portion of the company's profits and any voting rights attached to the stock. With some companies, the profits are typically paid out in dividends. The more shares you own, the larger the portion of the company (and profits) you own.

Common stock is just that, "common". The majority of stocks trading today are in this form. Common stock represents ownership in a company and a portion of profits (dividends). Investors also have voting rights (one vote per share) to elect the board members who oversee the major decisions made by management. In the long term, common stock, by means of capital growth, yield higher rewards than other forms of investment securities. This higher return comes at a cost, as common stock entails the most risk. Should a company go bankrupt and liquidate, the common shareholders will not receive money until the creditors, bondholders and preferred shareholders are paid. Buying and selling stocks provides better returns as compared to other financial instruments. Stock trading can be done either on a full time or part time basis. Online stock trading can also be used as a source of income from home for housewives, the elderly as well as the physically challenged. Stock trading also offers scope for diversification across various companies, geographies.

Common stocks or equity shares can be purchased either via an initial public offer i.e.; when the company raises money and offer the public at large a share of ownership in the company or via secondary markets i.e.; when you buy from previous holder in a marketplace. Stock Market is an electronic platform where investors come together to buy and sell their equity shares. Like any other market, this is where the price of an equity share gets decided upon an on-going basis, depending upon the demand and supply and prevailing emotions of the buyers and sellers. The two largest markets for equities in India are the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

Chart No.1**Share Investment process**

Source: “ Everything you wanted to know about stock market investing” Kotak Securities.

A stock index represents the change in the weighted value of a set of stocks. Some of the prominent indices in India are SENSEX (30 Stocks), NIFTY (50 Stocks), BSE 200 Stocks). Investors with optimistic view of the future of the stocks are buyers and commonly referred as bulls,. Similarly, investors who hold a pessimistic view are sellers of stocks are considered bears. Indices fluctuate and some of the other factors that affect indices are sentiments, government

policies, currency movements, global factors, economic indicators such as GDP growth, interest rates, inflation.

The benefits distributed by the company to its shareholders can be

- 1) Monetary benefits
- 2) Non monetary benefits.

Interim dividend, final dividend and capital appreciation are monetary benefits whereas bonus, right issues are nonmonetary benefits.

Below is the snapshot of all available investment avenues with their returns, tax impact and lock in period

Review of Literature

Deepak Parekh, Chairman, Authority on Finance and Capital Market in India, Small investor treated as backbone of liquid and actively traded capital market. While the size of the investments made by these investors may be smaller, the number of investors is very large. Only small amount of household savings are channelized into the capital markets in India. Indian small investors are more concerned with guaranteed returns and are not ready to invest in capital markets instruments. They have to be educated about the risks involved in investing in share market or commodity market, and also about the return expectations and more importantly, their own risk profile, so that they may make more most favorable allocation to various kinds of investment avenues..

Rawashdeh, Najed Massad Sulaiman, (2009), The Relation between “Average Stock Return to price Earnings Ratio and face value to Market value Ratio in FTSEBM”, Master’s thesis, University Utara Malaysia. In Asia, Malaysia stock market is an emerging market. Now days, Malaysia has implemented some liberalization in the stock market. Malaysia stock market is a potential market to get high profits. Many domestic as well as foreign investors would be interested to know whether the Malaysian stock returns could forecast by financial ratios. The main purpose of this study is to investigate the ability of price to earnings and book-to-market ratios to predict future stock market returns in FTSEBM. A linear regression analysis is applied for this purpose. Findings reveal that book to market ratio significantly manipulate stock return, while there is no significant positive association between price earnings ratio and stock return.

Objectives:

1. To study the awareness of investors of stock market
2. To analyse the risk ability of investors of stock market
3. To understand the behavior of investor of stock market

Sample size:

The sample size consists of 40 respondents who invest their savings in shares. The respondents are segregated on basis of different variables such as gender, age, income and occupation

Analysis & Discussion**Profile of investors****Table No.1; classification of respondents according to gender, age, income and Occupation**

Gender		Age		Income		Occupation	
Male	32	Less than 35 yrs	09	< 30000 p.m.	06	Salary earners	34
Female	08	35 to 60 years	27	30000 to 50000	14	Professionals	06
		Above 60 years	04	> 50000	20		
Total	40		40		40		40

Source: primary data

Out of total respondents 80% are male and 20% are female, out of total respondents 22.5% are below age of 35 years and 67.5% are above 35 years and 10% are above 60 years of age, 15% of the respondent having income less than Rs.30,000 , 35% having income more than Rs.30,000 but less than 50,000 per month and 50% having income more than 50,000 per month , 85% of the respondents are salary earners and only 15% are professionals or businessmen.

Table No.2: Type of Stock market Investment opt by Respondent

Type of Mutual Fund Investment	Inter day	Short term	Long term	Total
No. of respondents	07	27	06	40
Percentage	17.5	67.5	15	100
Cumulative %	17.5	85	100	

Source: primary data

Out of total respondents 17.5% respondents invest or a day and earn or lose the money , whereas 67.5% invest for short term period that is more than a day to 12 months and only 15% investors invest in shares for long term that is more than 12 months.

Table No.3: Mode of Mutual Fund Investment

Source for Investment in stock	Company profile	News	Tips from friends and relatives	Total
No. of respondents	05	09	26	40
Percentage	12.5	80	7.5	100
Cumulative %	12.5	92.5	100	

Source: primary data

12.5% respondents invest in shares based on knowledge about EPS, MPS PE Ratio of company; whereas 22.5% invest their money in shares on basis of news on television or in news paper, and remaining 65% respondents invest in shares on basis of tips from friends, relatives, brokers etc.

Table No.4: Risk awareness in Mutual Fund Investment

Risk	Low	Moderate	High	Total
No.of Respondents	16	14	10	40
Percentage	40	35	25	100
Cumulative %	40	75	100	

Source: primary data

40% respondents are taken very low risk while investing in syock market, whereas 35 respondents are taken average risk about the risk, and remaining 25% respondents are high risk tolerance

Table No.5: Expected rate of Return on Investment in Stock Market

Return	Less than 10%	10-20%	More than 20%	Total
No.of Respondents	17	18	05	40

Percentage	42.5	45	12.5	100
Cumulative %	42.5	87.5	100	

Source: primary data

Out of 28 respondents only 17 respondents analyze the risk involved in investment of Mutual Fund, that is only 60% of risk aware respondents were analyzing their risk attached in the investment

Table No.6: Is investment in Stock Market a Profitable Investment

Profitable investment	Yes	No	Total
No.of Respondents	29	11	40
Percentage	72.5	27.5	100
Cumulative %	72.5	100	

Source: primary data

Near about 72.5% respondents said that the investment in Stock Market is profitable and remaining 27.5% are not satisfied by investing their savings in Stock Market.

Table No.7: update and diversification of stocks

Update and diversification	Yes	No	Total
No.of Respondents	13	27	40
Percentage	32.5	67.5	100
Cumulative %	32.5	100	

Source: primary data

32.5% of the respondents are update their stocks and diversify their stocks, on other hand 67.5% of the respondents are not update their stocks

Table No.8: Reasons for diversification from one scheme to another

Reason	Security	profitability	Total
No.of Respondents	03	10	13
Percentage	23.08	76.92	100
Cumulative %	23.08	100	

Source: primary data

Out of the total respondents 76.92% were diversified their investment in view of maximum profitability and remaining 23.08% were diversified their investment in security point of view.

Findings and Conclusions :

- Share Brokers should come forward with full support for management in terms of advisory services.
- Government should give more tax rebate on investment in Shares.
- Investor should take the help of private financial consultant for their portfolio management.
- Periodical review should be done and risk analysis should be done regularly and properly.
- Investor should have a habit of regular saving and should keep the investment for long period.

References:

- Gur Huberman, (2000) ,“Familiarity Breeds Investment”, Review of financial studies
- R. L.Tamboli (2004) ,”Analysis of Accounting Disclosure and Investor Protection”, The Indian Journal of Commerce, Vol.57, No.4,October-December
- B.N. Adarkar,(2005) ,Ex- Governor, Reserve Bank of India , article published in the Hindu Business Line, “Managing of Money should be an interesting subject to anybody having savings to invest”
- Charles D. Ellis, (1989), Investment Policy: How to win the Loser’s Game, Business One Irwin.
- Chetan Parikh, (2005), book-“India’s Money Monarchs”, published by cerebrum online Pvt. Ltd, ISBN-8175256109.
- Clark, G. and Strauss, K. (2008) “Individual pension-related risk propensities: the effects of socio-demographic characteristics and a spousal pension entitlement on risk attitudes”, Ageing and society, Vol.28, p.p. 847-874.\
- Daniel Kahneman and Amos Tversky, (1979), Keeney H (1998). Smart Choice. Harvard Business School Press.
- Deepa Venkatraghvan, (2011), book-“Everything you wanted to know about investing in mutual funds”ISBN No.978-93-80200-42-2, published by Network

publications private Ltd.

- Devid Dremon, (1998), book “Contrarian Investment Strategies: The next Generation, New York. Simon Schuster.
- Divya Bhutani, (2011), “investment and portfolio Management”, published by Rajat publications, New Delhi. ISBN 978-81-7880-516-
- Dr.Rajarrjan, (1999) “Investors’ life styles and Investment characteristics”, Indian journal of Accounting, Vol.XXX.Dec.
- Esther Duflo, Emmanuel (2000) Saez NBER Working Paper No. 7735 2000 Participation and Investment Decisions in .a Retirement Plan:The Influence of Colleagues' Choices”
- Fast Track Program Member at Canadian Association of Professional Speakers (CAPS) Senior Associate at PwC Member, Board of Directors at Consumers Council of Canada
- Rewashed, Najed Massad Sulaiman, (2009), The Relation between “Average Stock Return to Earning Ratio and Book to Market Ratio in FTSEBM”, Master’s thesis, University Utara Malaysia.
- Shashank Khade, 2011, “Targeting good absolute returns on equity book- “Everything you wanted to know about stock market investing