

# Stock Market Knowledge of Investors and Their Saving and Investment

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## Abstract

*All investments involve risk, as the investor parts with his/ her money. A diligent investor can reduce the vulnerabilities and maximize returns. Investor can avoid pitfalls and safeguard his/ her interests. Hence, the initial option of searching of every perfect investment must have an overview through the investor's requirements. If all those requirements are met by the investment, then that investment is called the perfect investment.*

## I. Introduction

Investment is the sacrifice of present day's consumption to gain profitable returns in the future. It is the employment of funds with the ambition of achieving additional income or growth in value. The crucial quality of an investment is that it comprises 'waiting' for the reward. It involves the commitment of resources which have been saved or kept aside from current consumption in the faith that some benefits will accrue in future. Hence investors are very vigilant while making investment decision and expect higher return at lower risk.

Saving is income not spent, or deferred consumption. Methods of saving include keeping money aside in a deposit account, a pension account, an investment fund, or as cash. Saving also involves reducing expenditures, such as recurring costs. Saving generally identifies low-risk conservation of money, as in a deposit account, versus investment, wherein risk is a lot higher. In economics, it refers to any income not used for instantaneous consumption.

Saving is closely related to physical investment, in that the former provides a basis of funds for the latter. By not expending income to buy consumer goods and services, it is possible for resources to instead be capitalized by being used to produce fixed capital, such as factories and machinery. Saving can therefore be important to escalate the amount of fixed capital available, which contributes to economic growth.

In India, as per the SEBI guidelines, in order to invest actively in equity market, investors are required to have a DEMAT Account. This account can be opened only if one has PAN (Permanent Account Number) from the Income Tax department of Government of India.

Hence, every investor has to have Demat Account with two Depositories, NSDL (National Securities Depository Limited) and CDSL (Central Depository Services (India) Limited). The investor accounts with these depositories as of 31 July 2017 stand at 28,975,484 (CDSL 12,951,660 + NSDL 16,023,824) or 29 million out of 1.33 billion population (2016, www.worldometers.info), just 2.18 percent. Passive investment in equity market is through pension and mutual funds.

As per the data available from AMFI, Individual Retail Investors accounts, having investment of Rs. 5 lakh or less, as of June 2017, were 55 million. This forms virtually 99 percent of total investors. About 81 percent of these are in Equity oriented structures.

Thus, total equity oriented mutual fund retail investors are 44.6 million or 3.36 percent of the total population. There are some retail investors who may not be active or may not have shifted to dematerialized platform as yet. The figure of such investors

will be very small but may not be inconsequential.

The investor has to make a choice of investing in a particular company or sector by analyzing different internal factors which might influence the performance of the company.

Eventually the doubt of outcome coupled with the difficulty of valuing equity markets results in a good number of investors investing their savings instead in bonds and fixed deposits of banks. The lower returns on bonds and fixed deposits come with the profit of higher safe bet rather than those equity investments. The efforts of financial community should be to provide retail investors with such tools and guidance to enable them to invest in the equity markets at appropriate time so that they can get proper returns. Positive update about a company can increase buying interest in the equity market whereas a negative update release can ruin the scene of any stock.

## II. Review of literature

**Jayasatha et al.** attempted to show the key demands that the major investors have of an investment are safety of principal amount, liquidity, income stability, appreciation and easy transferability. This study was based on percentage analyses and chi-square. A variety of investment avenues are available such as shares, bank, companies, gold and silver, real estate, life insurance, postal savings and so on. Author concluded that most of the investors preferred mutual fund investment followed by Life Insurance Corporations.

**Javed Iqbal Bhabha et al.** explored that working people as investors play an important role in the economic growth of nation. Savings attitude and investment behaviour are influenced by past and future act of special kinds of investment options. Women typically have lower earnings than men, which created lower total wealth. This study concludes the factors, which are controlling the attitude of working-women towards saving-investment behaviour in developing countries like, Pakistan, and explained the key critical factors like, income, financial security and returns on investment.

**Vaidehi et al.** argued for different investment strategies as motives and styles vary by different needs. They found the need for better accepting of behavioural pattern of the investors. The behaviour pattern would aid the investment advisors to envision how the investors respond to market schedule, and would allow them to develop suitable allotment approaches for their customers. Among the selected factors were the investment motives attained and the long-term gain, which established an essential factor chased by dividend and growth prospects and balancing of short-term and long-term gain. Educational qualification, occupation, age, income and amount of equity investments choose

the investing styles of the investors notably.

**Mishra** explained that his study aimed to investigate perception of investor towards mutual funds with the important aspect of mutual funds affecting perception of investors and it examined difference of perception of large and small investors based on explored factors. Difference of view about mutual funds was analyzed with the help of 't' test. Small investors focused on tax returns and savings but large investors expect future return. Thus mutual fund companies must give due significance to these segments for their survival and growth in Indian context. **Rastogi** analyzed behavioural feature in the investment choice making method. Behavioural finance provides solutions to many problems until now not answered suitably by the usual finance theory. The study concluded that behavioural biases are not affected by the combined categories of gender and occupation.

**Muruganandam et. al.** examined the evidence that investors' intentions of analyzed perception towards risk and return on investment in shares depend on their portfolio constructions and the strategies of portfolio management. They suggested that successful companies must have thorough understanding of psychology of the investors. They revealed that proper diversification of portfolio would make sure the investors get higher return and high liquidity with least risk.

**Selvi** discussed some studies that are available on the investors' attitude towards investment avenues. The conventional investment avenues, bank deposits and gold are the most preferred avenues, while insurance schemes and post office instruments are getting increased attention. She concluded most of the respondents have not preferred to invest their savings in UTI and mutual funds.

**Kumar** observed the kinds of investors' perception and their behaviour towards the stock market. More number of people have invested their money in the stock market and burnt their fingers. Few have gone into the extremes and committed suicide.

**Reddy et al.** found that financial investment avenues intended by seeing the physical vision of the investors, risk tolerance ability of investors or customers are the key of success for any business and a major executive implication that can be used by investment companies in reforming their existing practices and lastly innovating new ways of service delivery.

**Anil Nagtilak et al.** assessed behaviour of saving and investment in first public offering. They used convenience sampling method and evaluated the complex IPO process and included the legal requirements of an IPO, SEBI rule and plan, to find out the investors' confidence level and their favourites while investing money. They concluded that IPO is no more a risky investment as SEBI is playing very important role in regulating the risk and financial aspects of the investors.

**Velmurugan et al.** record that small time investors focused on value. This study used convenience sampling method, percentage analysis, mean and Whitney & Kurshallwallis tests. There are large number of small investors, who have the skill to save and invest in share market, gold, real estate, insurance and post office. Among these factors the researcher found that perception of order of investment towards post office are different between the various income level so the investors analyzed the market carefully and then made investment decision.

### III. Objectives of the Study

The following objectives have been formulated for this study.

1. To analyze how investors' level of awareness influences their intention to invest in the stock market.
2. To examine the inclination of retail investors towards savings and investment.

### IV. Hypothesis

The following hypotheses have been postulated for the research.

**Ho1** Retail investors have awareness of stock market.

**Ho2** Retail investors have awareness of saving and investment.

### V. Methods

#### Selection of the sampling Design:

It is a process of selecting a few from the bigger group to become the basis for estimating the prevalence of an unknown piece of information, situation or outcome regarding the larger group. The sample was collected from different demographical characteristics and locations of retail investors. The adopted sampling design for the current study was as follows:

#### Sample

The sample for this study is the individual retail investor who invests directly or through brokers.

#### Sample Selection

A cross-sectional non-probability judgmental and snowball sampling method was employed to collect the data. Non-probability sampling involves purposive selection of particular units of the population. Judgmental sampling is used when the number of elements in a universe is unknown.

In snowball sampling, initially, a small group of people is selected on a random basis. After that, other participants are selected by their referrals. There are 29 million (2.18 per-cent) investors in India, who operate through thousands of stocks brokers and buy or sell shares in the different stock exchanges in various cities.

For the purpose of the study retail investors operating in Indian stock market were taken. The sample selected for such a study can neither be too big nor too small. Hence, a total of 500 retail investors (0.0017% of the population) were surveyed.

#### Data Collection and Data Sources

The study used both primary and secondary data. The secondary data was collected through an extensive review of related literature; from different websites like [www.investopidea.com](http://www.investopidea.com), [www.economicstimes.com](http://www.economicstimes.com), from newspapers likes Financial Express, Economic Times; publications like Capital market, Financial Journal and from other research reports available with financial services firms.

The primary data was collected through a structured questionnaire having 10 questions. The questionnaire was pretested for checking its quality, ease of filling and validity. The questions used Likert scale and ranking techniques.

### VI. Results & Analysis

#### Statistical Tools for Data Analysis

The Statistical Package for the Social Science (SPSS 20.) was used for primary data analysis. The selected methods of data analysis included descriptive analysis, ranking percentages and Chi-square test to explain the sample characteristics and test the research hypotheses.

**Result of Hypothesis Testing**

After testing the hypothesis through Chi square test of inde-

pendence it was found that there is significant trend regarding statements.

**Ho1 Retail investors have awareness of stock market.**

S. No	Statement	Chi-Square Value / Percent of responses	Significance	Degree of Freedom (df)
1.	I know the meaning of technical analysis and fundamental analysis.	476.28	Significant	1
2.	I know what Sensex and Nifty are.	100%	--	
4.	An investor can have more than one DEMAT account.	328.35	Significant	1
5.	I understand the communication I receive from the companies I invest in.	415.01	Significant	2

Analysis was done by the researcher to find out knowledge and awareness . After testing the hypothesis through Chi square test of independence it was found that there is significant trend regarding statements. Therefore, the hypothesis that the retail investors have awareness of stock market is accepted.

**Ho2 Retail investors have awareness of saving and investment.**

S.No.	Statement	Chi-Square Value	Trend	Degree of Freedom (df)
1.	I(will) save for my children’s education	376.71	Significant	1
2.	I(will) save to purchase a house	326.43	Significant	1
3.	I(will) save for tax benefits	311.38	Significant	4
4.	I (will) save for my children’s marriage.	225.79	Significant	1
5.	I (will) save to provide for my retirement.	571.79	Significant	2

Analysis was done by the researcher to find out if Investors have positive attitude towards savings and Investment. After testing the hypothesis through Chi square test of independence it was found that there is significant trend regarding statements. Therefore, the hypothesis that the retail investors have awareness of savings and investment is accepted.

**VII. Conclusion**

The study examined the extensive review of literature; sifting of secondary data, analysis of collected primary data, minute scrutiny of the result, documenting certain facts & figures applicable to the retail investors of the Indian stock market. The study covers 500 active retail investors taken as a sample of almost 29 million retail investors in India. It was found that there is significant trend regarding statements: Retail Investors have Awareness of Stock Market, Savings and Investment.

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