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PERECEPTION OF RISK ABILITY AND DIFFICULTIES FACED BY INVESTORS IN EQUITY MARKET

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Abstract: *The main aim of the study is to study the Perception of risk taking ability and difficulties faced by investors in equity market focuses on investors perception towards equity market. The secondary objectives are to identify the investor's perception towards Indian stock market, to know the investment pattern of Indian equity investors in general and investment preference risk return perception to a limited level, to analyze a part of savings an investor ready to invest in stock market out of his income, to analyze the level of importance assumed by the retail equity investors on various investment objectives based on the socio economic variables and selective investment profile. The sample size used for the study is 303. Total population is 460. As the survey is done with investors a convenience sampling method was adopted in order to select the sample. Primary data was collected through questionnaires from the investors of Indian equity of market through Alice blue commodities pvt.ltd. Secondary data was collected from the company records, journals, websites, business magazines and books on the topic which was relevant.*

Key Words: *Investors, equity market, perception, risk ability.*

1. INTRODUCTION

Stock exchanges to some extent play an important role as indicators, reflecting the performance of the country's economic state of health. Stock market is a place where securities are bought and sold. It is exposed to a high degree of volatility; prices fluctuate within minutes and are determined by the demand and supply of stocks at a given time. Stock brokers are the ones who buy and sell securities on behalf of individuals and institutions for some commission. The Securities and Exchange Board of India (SEBI) is the authorized body, which regulates the operations of stock exchanges, banks and other financial institutions, The past performance in the capital markets especially the securities scam by 'Hasrshad Mehta' has led to tightening of the operations by SEBI. In addition the international trading and investment exposure had made it

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imperative to better operational efficiency. With the view to improve, discipline and bring greater transparency in this sector, constant efforts are being made and to a certain extent improvements have been made.

1.1. History of the Stock Broking Industry

Indian stock markets are one of the oldest in Asia. Its history dates back to nearly 200 years ago. The earliest records of security dealings in India are merger and obscure. By 1830's business on corporate stocks and shares in Bank and Cotton presses took place in Bombay. Though the trading list was broader in 1839, there were only half a dozen brokers and merchants during 1840 and 1850. The 1850's witnessed a rapid development of commercial enterprise and brokerage business attracted many men into the field and by 1860 the number of brokers increased into 60. In 1860-61 the American Civil war broke out and cotton supply from united states of Europe was stopped; thus, the 'Share Mania' in India begun. The number of brokers increased to about 200 to 250. However, at the end of the American Civil War, in 1865, a disastrous slump began (for example, Bank of Bombay Share which had touched Rs 2850 could only be sold at Rs 87). At the end of the American Civil war, the brokers who thrived out of civil war in 1874, found a place in a street (now appropriately called as Dalal street) where they would conveniently assemble and transact business. In 1887, they formally established in Bombay, the "Native Share and Stock Brokers' Association" (which is alternatively known as "The Stock Exchange"). In 1895, the stock exchange acquired a premise in the same street and it was inaugurated in 1899. Thus, the Stock Exchange at Bombay was consolidated. Thus in the same way, gradually with the passage of time number of exchanges were increased at currently it reached to the figure of 24 stock exchanges.

An important early event in the development of the stock market in India was the formation of the native share and stock brokers' Association at Bombay in 1875, the precursor of the present-day Bombay Stock Exchange. This was followed by the formation of associations/exchanges in Ahmadabad (1894), Calcutta (1908), and Madras (1937). In addition, a large number of ephemeral exchanges emerged mainly in buoyant periods to recede into oblivion during depressing times subsequently. In order to check such aberrations and promote a more orderly development of the stock market, the central government introduced a legislation called the Securities Contracts (Regulation) Act, 1956. Under this legislation, it is mandatory on the part of stock exchanges to seek government recognition. As of January 2002 there were 23 stock exchanges recognized by the central Government. They are located at Ahmadabad, Bangalore, Baroda, Bhubaneswar, Calcutta, Chennai, (the Madras Stock Exchange), Cochin, Coimbatore, Delhi, Guwahati, Hyderabad, Indore, Jaipur, Kanpur, Ludhiana, Mangalore, Mumbai (the National Stock Exchange or NSE), Mumbai (The Stock Exchange), popularly called the Bombay Stock Exchange, Mumbai (OTC Exchange of India), Mumbai (The Inter-connected Stock Exchange of India, Patna, Pune, and Rajkot. Of course, the principle bourses and National Stock Exchange and The Bombay Stock

Exchange, accounting for the bulk of the business done on the Indian stock market. While the recognized stock exchanges have been accorded a privileged position, they are subject to governmental supervision and control. The rules of a recognized stock exchanges relating to the managerial powers of the governing body, admission, suspension, expulsion, and re-admission of it members, appointment of authorized representative and clerks, so on and so forth have to approved by the government. These rules can be amended, varied or rescinded only with the prior approval of the government.

1.2. Trading Pattern of Indian Stock Market

Trading in Indian stock market is limited to listed securities of public limited companies. They are broadly divided into two categories, namely, specified securities (forward list) and non-specified securities (cash list). Equity shares of dividend paying, growth-oriented companies with a paid-up capital of at least Rs. 50 million and a market capitalization of at least Rs. 100 million and having more than 20,000 shareholders are, normally, put in the specified group and the balance in non-specified group.

Two types of transaction can be carried out on the Indian stock exchanges:

i. Spot delivery transactions 'for delivery and payment within the time or on the date stipulated when entering into the contract which shall not be more than 14days following the date of the contract'.

ii. Forward transaction 'delivery and payment can be extended by further period of 14days each so that the overall period does not exceed 90days from the date of the contract.'

The latter is permitted only in the case of specified shares. The brokers who carry over the outstanding pay carry over charges which are usually determined by the rates of interest prevailing.

A member broker in an Indian stock exchange can act as an agent, buy and sell securities for his clients on a commission basis and also can act as a trader or dealer as principal, buy and sell securities on his own account and risk, in contrast with the practice prevailing on New York and London Stock Exchanges, where a member can act as a jobber or a broker only. The nature of trading on Indian stock exchanges are that of age old conventional style of face-to-face trading with bids and offers being made by open outcry. However, there is a great amount of effort to modernize the Indian Stock exchange in the very recent times.

1.3. Importance of Stock Market

The prevailing economic conditions, both domestic and global, suggest the Indian stock market is poised to continue to rally in 2010 even though US and European market have yet to recover from recession effect. Key factor remains the impact of Q4 results and strong GDP growth of around 8%. However point of caution needs to be the phase wise withdrawal of financial support given by Indian government to the market. So far the recovery in India has been driven by domestic consumption and government expenditure. However, corporate investment is expected to surge in 2010 due to the strong GDP growth which will increase capacity utilization. Stock in the infrastructure and power sectors may be the front runners in 2010 as they receive strong policy support from the Indian Government. But one must be cautious that the interest rate cycle might start moving up with the strong GDP performance and relatively high inflation. If it does, banking stocks will be affected as was seen in the past. We have witnessed a global financial crisis in 2008-09 which is still very much unforgettable incident and taught us good lessons. During the bull rally there was considerable exuberance. This was the time when interest rates were low. Credit was available and that too cheaply. Not just that, corporate profits were growing at a healthy rate. Stock markets were notching strong gains. But the global credit crisis changed all that. The abundant liquidity, not surprisingly, led to asset bubbles that finally burst. So if one learned a good lesson should go for companies with less debt, enough cash and strong return ratios. These are the ones who will be able to tide over the crisis and generate strong returns to shareholders in the long term beyond 2014.

2. OBJECTIVES OF THE STUDY

- To analyze the risk taking ability of investors and difficulties faced by the investors in Indian Stock Market.
- To identify the investor's perception towards the Indian stock market.
- To know the investment pattern of the Indian retail equity investors in general and investment preferences, risk-return perceptions to a limited level.
- To analyze the part of savings an investors ready to invest in equity market from his income.
- To analyze the level of importance assumed by the retail equity investors on various investment objectives based on the socio economic variables and selective investment profile factors viz., like liquidity, quick gain, capital appreciation, safety and dividends on various classes of investors based on demographic factors.

3. NEED OF THE STUDY

Capital market is the backbone of a country's company. It facilitate the conversion of savings into investment globally there are evidence to suggest that investors confidence has assumed an important role in the economic development a country. The economist indicated that a lot of issues need to be addressed to make capital market safer, transparency, strengthening financial system and managing crises are some issues, which cannot be quickly fixed however they add up to stronger system. Companies with no earnings record and inexperienced directors got listed on stock exchanges.

Their only objective was to make profit out of inflated market price. The study concentrates on the investment decision taken by the investors while investing in capital markets. They also consider market price as a better indication than the analyst recommendations. The study also identifies risk orientation, quantum of return expected, time horizon, objective of making the investment and the difficulties faced by the investors in capital market. The evidence from this study suggests that investors need to be assured of some returns and risk associated with investment in market is very high. They have bad experience in terms of lower market price after listing and high issue price. There is always a positive correlation between stock price and companies brand visibility. Accordingly number of suggestive measure in terms of regulation, policy level and market oriented were suggested to improve the investors' confidence in capital primary market.

4. SCOPE OF THE STUDY

- The study helps to understand the overall perception about investors in share market.
- The study helps to understand the risk taking capabilities of the investors.
- This study helps to understand the difficulties faced by overall investors in equity market.

5. LIMITATIONS OF THE STUDY

- Time was major constraints for the study
- The sample size was restricted to 303 as it's been difficult to reach the investors
- The questions were structured in such a manner to collect complete information about the investors towards equity market, which lead to a very lengthy question.
- The answers or the views given by the respondents could be biased.

6. RESEARCH GAP

Several research works had been done on EQUITY MARKET, in INDIA and Abroad. A Perception of risk ability and difficulties faced by investors in equity market with respect to Alice Blue Commodities is the first of this kind.

7. RESEARCH DESIGN

In this research, Descriptive research has been used. Descriptive research includes survey and fact findings enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs, as it exists at present. The main characteristic of this method is that the researcher has no control over the variables; he can only report what has happened or what is happening. The methods of research utilized in descriptive research are survey of all kinds; it is concerned with the research studies with a focus on the portrayal of the characteristic of a group or individual or a situation .The main objective is to acquire knowledge.

Methods of Data Collection	:	Primary data and secondary data
Sampling procedure	:	Non – probability sampling
Sampling size	:	303
Research Tools	:	Structured questionnaire
Contact made	:	Direct & Online

7.1. Data Source

The primary data are those that are collected through questionnaire and direct personal interview. The questionnaire was framed in such a manner to obtain correct information, graded suitably for the study. All the questionnaires were collected through personal contact and through online from respondent. Secondary data was collected from the company records, journals, websites, business magazines and books on the topic which was relevant.

7.2. Tools for Analysis

The important statistical tools used in analysis are as follows,

- One Way ANOVA
- Percentage Analysis
- Kruskal-Wallis H Test

7.3. Sampling Method

Convenience sampling is the sampling procedure used in this survey. This Sampling is used for selection of homogeneous sample for study. It refers to selecting a sample of study objects on convenience. Here researcher may make use of any convenient base to select the require number of samples. The procedure is known as non – probability sampling technique.

7.4. Pilot Survey

Pilot study is requisite in any survey; it helps in removing unnecessary questions which are not helpful for the survey. In a big enquiry the significance of pilot survey is felt very much. Pilot survey is in fact, the replica and rehearsal of the main survey. Such a survey, being conducted by experts, brings to light the weakness (if any) of the questionnaire and also of the survey techniques. From the experience gained in this way, improvement can be affected. Pilot Testing of questionnaire has been made with 10 numbers of respondents. They found easy to answer the questions. Hence no modification in the questionnaire has been made. Through survey method the data has been conducted among 303 respondents.

8. DATA ANALYSIS

Table 1
Percentage of Income Investors Like To Invest In Stock Market

Percentage of Income	*Frequency*	*Percent*
00% - 10%	116	38.3
11% - 20%	94	31.0
21% - 30%	78	25.7
31% - 40%	6	2.0
More than 40%	9	3.0
Total	303	100.0

Among the investors surveyed 164 of them save 11%-20% of their income, and 5 of them save more than 40% of their income.

Table 2
Purpose for Which Investment Made In Stock Market

Purpose	*Frequency*	*Percent*
Savings	94	31.0
Liquidity	68	22.4
Dividend	10	3.3
Capital Appreciation	52	17.2
All the above	79	26.1
Total	303	100.0

Majority of the respondent invested in stock market for the purpose of Savings. It is also vivid that the respondents invest for all the purpose like liquidity, dividend and capital appreciation.

Table 3
Different Kinds of Investors

Kind of investors	*Frequency*	*Percent*
Hedger	33	10.9
Normal Trader	163	53.8
Day Trader	45	14.9
Buy today sell tomorrow	33	10.9
Arbitrage	29	9.6
Total	303	100.0

Among the investors surveyed 163 of them or Normal Trader who takes a minimum risk and 29 of them are Arbitrage.

Table 4
Advice Seek By Investors before Investment

Person	*Frequency*	*Percent*
Broker	105	34.7
Self analysis	101	33.3
Colleagues & Friends	56	18.5
Media	14	4.6
Researcher	27	8.9
Total	303	100.0

Among the investors surveyed 105 of them seek Brokers advice before investment and 14 of them seek Media advice before investment.

Table 5
Various Types of Difficulties Faced By Investors

Types of Difficulties	*Frequency*	*Percent*
Lack of Knowledge about market	110	36.3
High Brokerage	42	13.9
Being Cheated by Brokers	28	9.2
Lack of Funds	43	14.2
False Information	80	26.4
Total	303	100.0

Among the investors surveyed 110 of them mentioned that Lack of knowledge about market as a difficulty and 28 of them mentioned that being cheated by brokers as difficulties.

Table 6
Sectors under which Investors Invested at Present

Sectors	*Frequency*	*Percent*
Banking	139	45.9
IT	47	15.5
Telecom	37	12.2
FMCG	53	17.5
Others	27	8.9
Total	303	100.0

Among the investors surveyed 139 of them invested in Banking Sector and 27 of them invest in other sectors like Pharmaceutical, Construction, Leather, and Textile.

Table 7
Reason for Choosing Those Sectors

Reasons	*Frequency*	*Percent*
Savings	77	25.4
Liquidity	58	19.1
Dividend	22	7.3
Capital Appreciation	53	17.5
All the above	93	30.7
Total	303	100.0

Among the investors surveyed 77 of them choose their sector for savings and 22 of them choose their sector for dividend.

Table 8
Gender (Vs) Overall Knowledge an Investor Has In Investment

H_O: The education does not influences the overall knowledge an investor has in investment.

Groups	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
Between Groups	7.481	4	1.870	2.129	.077
Within Groups	261.832	298	.879		
Total	269.314	302			

At degrees of freedom 4-298, **calculated value (2.129),** is lesser than **table value (2.39).** Therefore, Ho is rejected. Since it is proved that Gender highly influences the overall knowledge an investor has in investment.

Table 9
Education (Vs) Overall Knowledge an Investor Has In Investment

H_O: The education does not influences the overall knowledge an investor has in investment

Groups	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
Between Groups	7.481	4	1.870	2.129	.077
Within Groups	261.832	298	.879		
Total	269.314	302			

At degrees of freedom 4-298, **calculated value (2.129),** is lesser than **table value (2.39).** Therefore, Ho is rejected. Hence it is proved that education highly influences the overall knowledge an investor has in investment.

9. FINDINGS

- Majority of the investors are normal traders who are not ready to take more risk.
- Lack of knowledge about market is the very big difficulties faced by investors in equity market.
- Few high end customers face high brokerage charges as a difficulty.

- The academic qualification influences the overall knowledge of the investors.
- Overall Knowledge of investment depends on Gender.
- Risk Capability of investors does not depends upon their educational qualification.
- Majority of the investors invested in stock market are teen agers between the age group 18 – 28.
- As most of the investors are teenagers who were investing in stock market their overall experience in stock market is also not more than a year.
- Online is the best mode of investment opted by majority of the respondent.
- The majority of investors making investment in stock market for the purpose of savings alone.
- Investors mostly seek advice from the stock brokers before making their investment.
- Investor's perception towards stock market is they are not ready to invest in stock market according to their annual income.
- The respondents, responded to the survey are nearly equal in gender.
- The Respondent to this survey mostly belongs to the category private employee and rarely belongs to house wife, auto driver, etc.
- The investors in equity market are mostly completed Post graduations.
- The annual earning of the investors in equity is mostly 1 lakh to 3 lakh very few of them earn more than 9 lakh.
- Most of the investors dealing in equity are the tax payer.
- Among the investors surveyed 91.7% of them invest in equity market directly.
- Investors in equity market are ready to invest only up to 10% of their annual income in equity market.
- As the risk is high in equity market objective of most of the investors is to save 11 to 20% of their investment.
- Majority of respondent have medium knowledge about market.
- Among the respondent 83.5% of them face difficulties in equity market.
- Banking sector is the most preferable sector opted my most of the respondent to make equity investment.

10. SUGGESTIONS & RECOMMENDATIONS

1. Many new trading software's can be outsourced from the software companies to make the transaction faster and to be user friendly as more and more number of investors prefer the online as a mode of investment.

2. Action should be taken against the issue managers, analysts and company for providing over optimistic and false information.
3. Sensitive information should be made available to everyone at the same time. Information related to promoters background and project implementation experience should be made available.
4. Transparency in the system should be maintained. Insider trading should be completely curbed in order to have transparent transactions. There should be more transparency in activities of the company.
5. Advertisements on the improvements taking place in the market should be released regularly.
6. Since some of the investors make investment decision based on brokers advice. Brokers should guide them properly
7. Every investor before investing in equity market must be able to identify the trend in the market; they can learn it from stock brokering companies and even from the researchers the experts, which leads to create more knowledge to the investors about the market.
8. The brokers can charge a minimum brokerage to the investors who trade in higher volume and in daily basis, which will encourage these traders to trade more.
9. Regular training program should be arranged for the brokers and sub brokers to improve their professional confidence.
10. Investors are not advised to invest in same sector and they should make long term investment and should seek professional advice before investing.

11. CONCLUSION

There are different investment avenues with varying degrees of risk and return. The advent of the capital market has offered a number of investment choices to the investors. Investment in the capital market need not be a nerve-racking experience provided the decisions are taken on the basis of analysis and reasoning. This necessitates the investor to set the investment goals, and to work towards his target on the basis of sound analysis of market information. The real world of investment is so lively and unstable that it attracts the investor, the speculator and gambler. No investor wants to lose money. Capital gains and dividends are the important ingredients that investors regard as return on investment. To avoid wrong decisions, one may need expert and professional guidance. Individual investor behavior can influence that of stock market and this in turn can influence the state of the economy, so the players and regulators should endeavor to protect the interest of individual investors and create confidence in their mind. The players in the capital market have been eagerly looking for the coming back of the individual investors who have been the real source of risk capital to the entrepreneurs. The task of the regulators has been to establish a vibrant capital market where financial assets are fairly priced on their intrinsic value so that they release the right signals for right investment decisions. The protection of the interest of the investors, especially the individual investors is an imperative for the development and smooth functioning of the capital market.

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