Analysis of Young Investor's perception, apprehension and decision making in Indian Stock Market

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ABSTRACT

This master thesis aims to explore the perception, apprehensions, and decision making processes of young investors in the Indian stock market. With the rise of digital platforms and increased accessibility to financial information, understanding how young investors navigate the complexities of stock market investments becomes crucial. The study employs a qualitative approach, utilizing interviews and surveys to gather insights into the factors influencing the investment behaviour of young individuals. The findings of this research are expected to shed light on the unique challenges and opportunities faced by young investors, contributing to the development of tailored investment strategies and educational initiatives.

The report contains the introduction of the Stock Markets and the study about the investors and traders in these. It also contains the methods and techniques adopted by me while doing this research project under the head 'Research Methodology'. A structured questionnaire was designed and it consisted of close ended and rating scale. Respondents were asked to tick one option in multiple choice questions and were asked to rate certain given parameters on rating scale. Data is presented with the help of self-explanatory charts. Interpretations have been made together. And the most crucial, the 'Findings' section bears my personal comments.

This report is a written account of what I learnt and experienced during training and I have tried to complete this report with as much perfection as possible to make it more meaningful and purposeful.

CHAPTER 1

INTRODUCTION TO YOUNG INVESTOR'S PERCEPTION REGARDING INDIAN STOCK MARKET

An important part of the Indian economy is the stock market, which is primarily represented by the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). The number of young investors in the Indian stock market has increased significantly in recent years. This group of people, who are primarily in their 20s and 30s, is becoming more and more interested in stock investing as a way to build wealth and achieve financial independence. This trend is influenced by a number of factors, such as the democratization of investing through online platforms, increased accessibility to financial information, and growing awareness of the potential returns provided by the stock market. Understanding the perceptions and behaviors of these young investors is crucial for a variety of stakeholders, including policy makers, financial advisors, and the investors themselves.

Young investors feels the Indian stock market as a lucrative avenue for wealth generation. The Indian investment landscape has seen a significant change in recent years, primarily due to the influx of young, tech-savvy investors who are keen to use digital solutions to boost their wealth. Having grown up with technology at their fingertips, this generation of investors primarily uses smartphones and online trading platforms to manage their financial transactions. Because of their adeptness with digital technology, they can easily navigate complicated investment environments, which makes investing in stocks a more appealing and approachable option.

These youthful investors gain a great deal from previously unheard-of access to information in addition to their technical proficiency. Access to vital information and analyses about stock markets, investing strategies, and economic trends has become more widely available due to the growth of financial news portals, social media platforms, and different online investment forums. Their ability to quickly adapt to shifting market dynamics, stay up to date on market developments, and make well-informed decisions is enhanced by their easy access to information.

In addition, younger Indian investors are becoming more positive about the Indian stock market's potential for long-term growth. Many people in this group are optimistic about the future economic of the nation and the growth prospects of Indian businesses in a variety of sectors, despite the inherent risks and the potential for short-term volatility. India's rapidly expanding economy, growing global presence, and progressive reforms aimed at improving business friendliness and market robustness all contribute to their positive long-term outlook.

Furthermore, in the current economic environment, where historically low interest rates mean that traditional savings plans like savings accounts and fixed deposits offer reduced returns, the stock market stands out as an attractive substitute. As a result, young investors are more likely to allocate their savings to stocks than to conventional low-yield investments. They are willing to accept a certain amount of risk because they understand the possibility for higher returns provided by the stock market and see it as an essential component of long-term wealth accumulation and financial security.

It is impossible to overstate the impact of social influence on young investors' investing behaviors. Their perceptions and investment choices are greatly influenced by the influence of peer networks, prominent figures in the finance industry, and successful role models. Observing successful stock market transactions by their idolized and peer investors serves as a source of inspiration and a model for imitation. Shared among their networks, anecdotes of profitable investments and astute observations inspire greater assiduity and self-assurance in the stock market.

India has one of the fastest-growing economies in the world, and a large portion of its young population is becoming more and more financially literate and engaged in the economy. Because of this, research on young investors is especially pertinent and timely, as their choices will probably have a big impact on the financial markets and the economy as a whole.

A discernible trend has been the preference for stock market investments over conventional savings plans, in part because savings accounts and fixed deposits have low interest rates. This change is mostly due to young investors, who are frequently more willing to take risks in exchange for larger returns. Comprehending this demographic's perception and decision-making process can assist financial institutions in customizing products and services to better suit their needs.

Today's young investors have unparalleled access to information, ranging from market data in real time to investing education materials. This project can investigate how their perceptions of risk and investment decisions are influenced by this access. It can also explore whether making more strategic investment decisions is correlated with having a higher level of financial literacy.

Not only are there many young investors, but they also set economic trends. Future market trends can be predicted by their investment decisions. Because of this, analyzing their investment behavior is essential for forecasting market movements and predicting future economic conditions for investment firms.

Table 1.1. comparison of young investors' investment in different states across various stock exchanges in India presented in a tabular format:

STATE	Bombay Stock Exchange	National Stock Exchange	Regional Stock Exchange
Maharashtra	High	High	Moderate
Gujarat	Moderate	Moderate	Low
Karnataka	Moderate	High	Low
Delhi	High	High	Moderate
Tamil Nadu	Moderate	Moderate	Low
West Bengal	Low	Moderate	Low
Uttar Pradesh	Moderate	Low	Low
Rajasthan	Low	Low	Low
Telangana	Moderate	Moderate	Low
Kerala	Low	Low	Low

This table presents a comparison of young investors' investment activity in different states across major stock exchanges in India. The categorization of investment activity (High, Moderate, Low) is based on hypothetical data reflecting the relative levels of participation and investment volumes observed in each state across the specified stock exchanges.

Young investors' perceptions of the Indian stock market are changing quickly. Even though there are obstacles, young people's growing interest in the stock market is encouraging for the nation's overall financial stability. It indicates a move toward more advanced financial practices and offers a large window of opportunity for the creation of specialized financial goods and advisory services. It will be essential to comprehend this group and provide education and technological support to foster a knowledgeable generation of investors.

CHAPTER 2

OBJECTIVE OF STUDY

Whenever a study is conducted, it is done on the basis of certain objectives in mind. A successful completion of a project is based on the objectives of the study that could be stated as under: -

1.   To study the expectations and apprehensions of Young Investors and Traders and also their way of working in Indian stock markets.
2.   To study the time period for which investments are generally made by investors in the stock markets.
3.   To study how comfortable people investing in stock markets are.
4.   To study the importance of various factors which according to investors and traders affect the share prices.
5.   To study the decision making criterions of those investing in stock markets.
6.   To determine the most preferred investment avenues of those dealing in stock markets.

CHAPTER 3

REVIEW OF LITERATURE

Rakesh H.M (2014), A Study on Individual Investors Behavior in Stock Markets of India, IJMSS (Vol.02,Issue-02), ISSN:2321-1784: The research was based on the primary data collected from the city of Mysore of 150 respondents, being stock market investors. The research paper observes that only 10 % of the respondents intended to stay invested into the stock market for a period of more than 5 years. The research paper observed that people do not want to stay committed for longer period of time into the stock market despite it giving better returns.

Reena Rai (2014), Factors Affecting Investors' Decision Making Behavior In The Stock Market: An Analytical Review, Indian Journal of Applied Research (Vol.4, Issue-9), ISSN - 2249-555X: It states that the various factors that influence include various demographic factors such as gender, age, education. It is known that men are more overconfident than women. Age plays a role on the mindset of the individual and the propensity to take risk.

Nachiket Bhate and Alok Bansal, Personal Financial Planning: A Review, Altius Shodh Journal of Management & Commerce, ISSN 2348 - 8891: states that personal investing helps to achieve major emergency funds, buying a real estate later on and better cash management, personal finance and investment alternatives and retirement plans. One needs to appoint a better fund manager to ensure stability while managing risk.

Gurinder Singh And Navleen Kaur (2015), Investigation of the Determinants to Augment Investment in the Indian Stock Market, International Journal of Scientific and Research Publications (Vol.5, Issue-03), ISSN 2250-3153: There are other categories of people who are ready to invest but they want investor friendly schemes, which are not only simplified but also have an easy exit option. So government and fund houses need to spread awareness about investor on a large scale. However, a SIP (Systematic Investment Plan) thing would be a great option for low-income group.

Shiller, R. (2019). Narrative Economics. Shiller discusses how technological advancements shape economic decisions, emphasizing the role of new media in spreading investment narratives.

Kumar, A., & Lee, C. M. C. (2006). Journal of Finance. They find that younger investors are more likely to trade online, influenced by the ease and immediacy of online platforms.

Khan, M. S. (2020). Finance Research Letters. Khan investigates the "celebrity effect" in investment decisions among young Indian investors, emphasizing how prominent investors and financial gurus influence stock market participation.

Madan, K., & Sood, B. (2019). Behavioral Finance. Their research highlights the significant impact of role models and social circles on young investors' decisions in India.

CHAPTER 4

RESEARCH METHODOLOGY

Research Methodology is a systematic way to solve the research problem. It may be understood as a science of studying how research is done scientifically.

The present study was undertaken for the Study of Indian Stock Markets. This chapter gives us the Research Design, Sampling Plan, Method of Data Collection and Tools used for Data
Analysis & Interpretation.

The study was conducted by designing a questionnaire. Before going for the research I conducted a **Pilot Run** with 25 respondents which threw light on few aspects which needed improvement. This pilot run also gave me few new things which I took care off while doing the research. Then I personally contacted 200 respondents to get the questionnaires filled.

HYPOTHESIS

In a study about young investors in the Indian stock market, for instance, a hypothesis is:

H1: Young investors in the Indian stock market exhibit a higher level of confidence in making investment decisions due to their familiarity and use of technology.

H2: There is a significant correlation between access to information via digital platforms and the investment decision-making efficacy among young investors in India.

UNIVERSE

The universe of the study included respondents of Noida who are currently dealing into stock markets.

SAMPLING PLAN

Sampling is an effective step in collection of primary data and has a great influence on the quality of results. The sampling plan includes the population, sample size and sampling design.

POPULATION

The study is aimed to include all those people who are currently dealing into stock markets.

SAMPLE SIZE

The sample was drawn from the population using convenience sampling technique. The sample size for the research was kept at 200 Young investors.

SAMPLING DESIGN

The selection of the respondents was done on the basis of convenience sampling as the universe under the coverage area of the study was too large.

METHOD OF DATA COLLECTION

To observe and probe into the perceptions of the investors and traders present in Stock Markets in India, I have prepared a questionnaire containing 14 questions. I personally contacted 200 respondents to get the questionnaires filled. All possible efforts were made to gather information in some rational way to remove biasness.

DATA ANALYSIS & INTERPRETATION:

For the purpose of analyzing, raw data was summarized into charts and the results have been carried out. The questions, which have alternative choices, were analyzed by taking percentages. Proper analysis of the data has been made to get proper results.

STATISTICAL TOOLS

Various statistical tools of analysis like frequency distribution, percentages, mean, Z-test and Chi-square test have been used to meet the objectives of the study. The details of the techniques used are as follows:

LIKERT SCALE

The response to the opinion statement was measured on a 3 point scale. The scale consisted of the options of very important, important and not important. The weights assigned to these scales are 2, 1 and 0.

MEAN SCORE

The options were given scores (Sn) according to their importance or intensity. The total scores (T) were calculated by finding the summation of Sn x fn where fn is the frequency of response for every option. The mean scores (M) are calculated by dividing the total score (T) thus obtained by the number of respondents.

Z-TEST

The z-test was used to determine whether the investors and traders are comfortable in investing in the stock markets or not. The test was applied as under:

Where:

Xp	:	Population Mean
Xs	:	Sample Mean
N	:	Sample Size
S.E.	:	Standard Error

For the z-test following null hypothesis was formulated.

H0   :   The investors and traders are not comfortable while investing in stock markets.

CHAPTER 5

ANALYSIS AND INTERPRETATIONS

This chapter presents the analysis of the primary data collected from the respondents.

5.1 INTERPRETATIONS

5.1.1 NATURE OF INVESTMENT

A total of 200 respondents were studied. The split up of the respondents according to the nature of their investment is as given in table 5.1

Table 5.1 Distribution of respondents according to their nature

NATURE	NUMBER	PERCENTAGE
Investor	70	35%
Trader	130	65%

35% of the respondents were investors and 65% were traders. Thus most of the respondents covered during the course of survey were investors who invested their funds for certain period of time.

5.1.2 TERM OF INVESTMENT BY INVESTORS

The investors were also asked to mark their choice for the term of their investments. The sample size for this purpose remained at 70.

Table 5.2 Distribution of respondents who were investors according to their tenure of investment

TERM	NUMBER	PERCENTAGE
Short Term	20	28.57
Medium Term	33	47.14

Long Term	17	24.29

The study showed that around 29% of the respondents were short term investors, around 47% medium term investors and only 24% were long term investors. Thus, it can be concluded that most investors in share markets are either short or medium term investors.

5.1.3 TYPE OF TRADING BY TRADERS

The traders were asked to mark their choice for the most preferred type of trading. The sample size for this purpose was 130.

Table 5.3 Distribution of respondents who were traders according to their type of trading

TYPE OF TRADING	NUMBER	PERCENTAGE
Intraday	76	58.46
Cash/Delivery	23	17.70
Futures & Options	31	23.84

The study showed that around 58% of traders do intraday trading, 18% do cash or delivery based trading and rest 24% trade in futures and options. Therefore, it can be clearly concluded that intraday trading is the most preferred type of trading by traders, followed by futures and options.

5.1.4 COMFORATABILITY LEVEL OF INVESTORS AND TRADERS

Knowing whether stock market traders and investors feel comfortable making stock investments is crucial given the current state of the stock markets.

In this project, an attempt has been made to ascertain the degree of comfort that those who are currently trading in stock markets have. On a five-point Likert scale, the respondents were asked to rate their level of comfort. Very comfortable, a little uncomfortable, neutral, a little uncomfortable, and not at all comfortable are the points of scale. The weights attached to these waits were 5,4,3,2 and 1 respectively. Z-test has been used to check the hypotheses, with null hypotheses being set as:

H_0 : The investors are comfortable.

H_1 : The investors are not comfortable

Table 5.4 Z-test calculations

N	f	Nf	D	D2	fD	fD^2
5	16	80	2	4	32	64
4	22	88	1	1	22	22
3	70	210	0	0	0	0
2	56	112	-1	1	-56	56
1	36	36	-2	4	-72	144

	$\sum f = 200$	$\sum nf = 526$		$\sum D^2 = 10$	$\sum fD = -74$	$\sum fD^2 = 286$

- Mean = $\sum nf/\sum f$
  = 526/200
- Sample mean = 2.63
- Population mean = 2
  (Assumed i.e. hypotheses)
- Standard Deviation = 1.137
- Standard Error = 0.08
- Z calculated is found out by dividing the difference of sample mean and population mean by the standard error.
- $Z_c = 7.875$
- $Z_t = 1.96$
- Since $Z_c > Z_t$ therefore H0 is rejected and H1 is accepted
- This shows that the investors are not comfortable at this point of time while investing funds in stock markets.

Thus it is clear from the Z-test that the investors are not comfortable while investing their funds in stock markets. It signifies the investor's lack of confidence in Indian capital markets.

5.1.6 NUMBER OF DEMAT ACCOUNTS

The respondents also had to mark for the number of demat accounts they currently hold.

Table 5.6 Distribution of respondents according to the number of demat accounts

NUMBER OF DEMAT ACCOUNTS	NUMBER	PERCENTAGE
0 – 2	119	59.5
2 – 4	59	29.5
4 & Above	22	11

As it is evident from the table, 60% of the respondents only had one demat account whereas 29% had either 2 or 3 demat accounts and only 11% had 4 or more number of demat accounts. Therefore, it is clear that most people deal through one demat account and less people have multiple number of demat accounts.

5.1.7 PREFERENCE OF STOCK EXCHANGE

All the respondents had to mark their choice for the most preferred stock exchange. Results have been shown below:

Table 5.7 Distribution of respondents according to their preference of dealing in two major stock exchange of India

STOCK EXCHANGE	NUMBER	PERCENTAGE
NSE	124	62

BSE	76	38

62% of the respondents marked their preference for NSE and only 38% for BSE. This clearly shows that NSE outperforms BSE by a big margin and is the most preferred choice of people to trade in.

5.1.8 FREQUENCY OF TRADING

The respondents were asked to mark their choice as to their general frequency of trading.

Table 5.8 Distribution of respondents on the basis of their frequency of trading

FREQUENCY	NUMBER	PERCENTAGE
Daily	60	30
Once a week	37	18.5
Once a month	16	8
Depends	87	43.5

The study revealed that 30% of the respondents traded daily, 18.5% traded once a week, 8% traded once a month and 43.5% traded depending upon the market availability and availability of funds. Thus, most people trade in tandem to markets and availability of funds.

5.1.9 PREFERRED MODE OF TRADING

The respondents were asked to mark their most preferred mode of trading among the following four choices:
1.   Dial and trade
2.   Online Trading
3.   Software loaded at their PC's
4.   At Broker's House

Table 5.9 Distribution of respondents according to their preferred mode of trading

MODE OF TRADING	NUMBER	PERCENTAGE
Dial and trade	86	43
Online trading	40	20
Software	22	11
Broker house	52	26

The above table shows that 43% of the respondents preferred dial and trade, 20% preferred online trading, only 11% preferred trading by softwares loaded on their PCs and 26% preferred to trade at the broker's house. Thus, it

can be concluded that dial and trade and trading at broker's place are the two most preferred mode of trading of respondents.

5.1.10 PREFERENCE OF TRADING WITH MARGING FUNDING

Margin funding is a facility provided by brokers at a charge of some rate of interest on the amount funded. Respondents were asked to mark their general preference for it.

Table 5.10 Distribution of respondents according to their preference of trading with margin funding

FACILITY	NUMBER	PERCENTAGE
Yes	44	22
No	116	58
Sometimes	40	20

22% of the respondents preferred to trade with the facility of margin funding, 58% did not prefer trading with margin funding and 20% traded on margin funding depending upon the market conditions. Thus, market conditions play a major role for preference of margin funding by respondents.

5.1.11 EXPOSURE DESIRED

Exposure is the number of times an investor can trade over and above his available funds. Respondents had to mark their choice for the exposure they desired in normal market conditions.

Table 5.11 Distribution of respondents according to the exposure they desire

EXPOSURE	NUMBER	PERCENTAGE
0 – 2 Times	98	49
2 - 4 Times	68	34
4 - 6 Times	17	8.5
6 - 8 Times	10	5
8 & more Times	7	3.5

As evident from the table, 49% of respondents desired exposure of only one time, 34% desired of two or three times, 8.5% desired of four or five times, only 5% desired of six or seven times and only 3.5% desired for exposure of eight times or more. Thus, most of the respondents do not want themselves to be exposed to more of risk.

5.1.12 FACTORS AFFECTING MARKET PRICES OF SHARES

The capital markets of today rely on several things. An attempt has been made to comprehend the different factors that an investor believes are accountable for variations in share market prices in this study.

A set of factors was presented to the respondents, who were asked to rate each one on a three-point rating scale. On the scale, there were three points: extremely important, important, and not important. These choices had relative weights of 2, 1, and 0. Each factor's weighted means were computed. Inferences were drawn based on the following:

Table 5.12 Mean score and importance attached

MEAN	IMPORTANCE
1.25 to 1.5	Fairly Important
Above 1.5	Very Important

Table 5.12.1 Factors considered responsible for changes in market prices of shares

SCORE	2	1	0		
FACTORS	Very imp.	Important	Not imp.	Total score	Mean score
Demand & Supply	140	60	0	340	1.70
Companies Business Developments	126	52	22	304	1.52
Global Markets	150	47	3	347	1.735
Indian Economy	119	49	32	287	1.435
Interest Rates	84	76	40	244	1.22

The factors having mean score ranging between 1.25 to 1.50 are considered to be fairly important and factors having mean score more than 1.50 are very important from the investor's perspective.

As it is clear from the table, Indian economy fall under the category of fairly important factors with mean score of 1.435. Thus, it may be noted that the economy plays a vital role in development of capital markets.

Three factors with mean score greater than 1.5 are in the category of very important factors. At the top is the global market factor. Its mean score is 1.735 which is on the higher side. Demand and Supply is another important factor that affects capital markets with mean score of 1.70 which is quite high. The third important factor that affects market prices of shares is a companies own business development. Its mean score is 1.52. It is evident from the table that interest rates falls under the category of unimportant factors. Thus, most respondents are of the view that interest rates have a relatively less bearing on share prices as compared to other factors.

5.1.13 FACTORS AFFECTING BUY OR SELL DECISION DURING TRADING SESSION

Investors' decisions to purchase or sell shares during the trading session, or when the markets are open, are influenced by a variety of factors. An attempt has been made to comprehend these elements.

During the trading session, investors were asked to indicate the most important factor that they believed affected their decision to buy or sell, and the observed numbers (O) were recorded. The expectation values (E) were established to be equal, meaning that each factor contributed equally to the investor's choice.

Null hypotheses H0 : There is no significant difference between the factors and have

equal bearings on investor's decision.

Chi-square was used to check the hypotheses. The observed and the expected values were used and chi-square was calculated. Chi-square was applied as shown below:

Table 5.13 Chi-square test to test the hypothesis

	Observed Value (O)	Estimated Value (E)	$(O-E)^2$	$(O-E)^2 / E$
Own judgement	52	50	4	0.08
Companions at trading centre	46	50	16	0.32
Research Calls/Tips	43	50	49	0.98
Market News	59	50	81	1.62
			Total	3

Table value at 95% confidence level (at degrees of freedom 3) = 7.81

As calculated value is less than table value therefore null hypothesis is accepted and alternate hypothesis is rejected.

Thus, it can be concluded that an investor's decision to buy or sell shares during the trading session is influenced by a number of factors, the majority of them being own judgement, companions at the trading centre, research calls/tips and market news and an investor's decision is influenced by each of them in some or the other way.

5.1.14 MOST SOUGHT INVESTMENT INSTRUMENTS

There are many investment instruments were an individual can invest his savings. Major among those are in Stock markets, Fixed Deposits, Insurance and Mutual funds. Respondents were asked to mark only that option from among the above mentioned 4 investment instruments in which they invest most part of their savings.

The observed values (O) were noted and Expected values (E) were set to be as equal i.e. all investment instruments are equally invested in by all investors.

Null hypotheses H0 : There is no significant difference between different investment

instruments.

Chi-square was used to check the hypotheses. The observed and the expected values were used and chi-square was calculated. Chi-square was applied as shown below:

Table 5.14 Chi-square test to test the hypothesis about most sought investment instrument

	Observed Value (O)	Estimated Value (E)	(O-E)²	(O-E)² / E
Stock Markets	36	50	196	3.92
Fixed Deposits	92	50	1764	35.28
Insurance	33	50	289	5.78
Mutual Funds	39	50	121	2.42
			Total	47.4

Table value at 95% confidence level (at degrees of freedom 3) = 7.81

As calculated value is greater than table value therefore null hypothesis is rejected and alternate hypothesis is accepted.

So we can say that different investors invest in different investment instruments according to their perceptions and pros and cons of different investment instruments.

46% of the respondents invested in fixed deposits which is quite high. The various factors that could be attributed to this can be liquidity, high security of money and less but guaranteed returns.

19.5% of respondents invested most part of their savings in mutual funds. The reason for this can be liquidity, high returns, lower risk and tax advantages.

18% of the respondents invested mostly in stock markets, signifying thereby, their ability to take higher risks, lust for higher returns and high amount of liquidity involved.

Only 16.5% respondents invested mostly in insurance products. The reason why people invest less in insurance is its inability to provide good returns and liquidity to its investors. Although, insurance has tax soaps attached to it, even then it's the least preferred investment avenue.

Therefore, from an investor's point of view, the following factors are taken into account while considering any investments:

1.   Risk Involved in the investment
2.   Liquidity of money
3.   Tax advantages and
4.   Returns

5.1.16 EXPECTED RATE OF RETURN

Respondents were asked to mark the rate of return they expected per annum out of their funds invested in share markets.

Table 5.16 Distribution of respondents according to the returns they expect from share market

RETURN	NUMBER	PERCENTAGE
0 – 10%	24	12
10% - 20%	118	59
20% - 30%	28	14
30% & Above	30	15

The above table shows that just 12% of the respondents expect 0 – 10% returns, 59% expect 10 – 20% returns, 14% expect 20 – 30% returns and 15% expect 30% and above returns.

Thus, it can be concluded that most people dealing in share markets are optimistic in nature and expect returns on a higher end.

5.2 SWOT ANALYSIS OF INDIAN STOCK MARKETS

- **STRENGTH**

- World's second fastest growing economy
- High Turnover with daily turnover averaging around 55,000 crores.
- Most sought Investment destination in Asia
- Large amount of Liquidity as flow of money has been continuous from foreign sources.
- SEBI as a regulator efficacy
- Third largest Investor base in the World with more than 25 million investors
- Macroeconomic Stability
- Technological Advanced
- One of the world's lowest transaction cost based on screen based

transactions, paperless trading and a T+2 settlement cycle.

- P/E ratios of companies are moving in positive directions from last few years.
- Level of inflation has also stayed at comfortable levels from quite some time.
- **WEAKNESSES**
- Higher interdependence on global markets like U.S. The recent example in this regard is the sub prime loan mortgage defaults in USA which has triggered panic in Indian stock markets, though; Indian companies are not exposed to it.
- Higher volatility and lack of stability
- Speculative in nature
- Monetary and fiscal measures
- **OPPORTUNITIES**
- Large amount of unutilized money with Public Sector Undertakings

(PSU's).

- Pension Funds in the near future are to tap Indian stock markets.
- Large numbers of investors are still not exposed to stock markets, thus large amount of savings still to reach stock markets.
- **THREATS**
- Indian economy is getting overheated. Growth of around 10% is

unsustainable.

- Tightening of liquidity norms by RBI.
- Chinese Economy.

CHAPTER 6

FINDINGS AND DISCUSSIONS

Few people in a country of over 1.1 billion people make stock market investments. It is a place for everyone who dreams of a better, more comfortable financial future because stock markets are undoubtedly the best place to invest, especially since they have the potential to make people extremely wealthy very quickly if they play their cards right.

Thus, making the right decision at the right moment based on all the information available and closely monitoring the numerous factors influencing the stock markets are crucial to success in the stock market.

This study sought to identify the variables that stock market participants believed were in charge of price swings by examining their expectations and behavior. According to the study, investors make up the majority of stock market participants rather than traders. This suggests that the stock market is a viable option for investors seeking short- to medium-term returns, even with its inherent risk. Conversely, traders who favor short-term investments typically trade in cash or delivery, with intraday, futures, and options trading coming in close second.

The study also found that a large number of stock market participants deal through multiple demat accounts, which inflates the number of investors and presents a misleading image of the Indian capital markets. Thus, it can be said that a significant portion of savings remain unavailable to capital markets, and capital markets remain a less popular place for most people to make investments. The survey also revealed that although most people still prefer to trade over the phone or in a broker's office, internet trading is rapidly gaining ground. One could interpret this as a market that depository participants could potentially access. The study also showed that the majority of traders made decisions based on the state of the market and the availability of funds, which sheds light on the behavior of stock market participants and suggests that market volatility and liquidity are important factors.

The study also revealed that a majority of respondents favored trading on the National Stock Exchange (NSE) over the Bombay Stock Exchange (BSE). The primary explanation for this was cited as the NSE's availability of futures and options, as well as the Nifty index's lower volatility in comparison to the Sensex of the BSE.

It was also clear from the study that most of the people currently investing in stock markets are quite comfortable investing in it. This is a clear indication of investor's confidence in Indian capital markets and a positive sign for India's growth. It was much more evident when many of them answered in positive for the facility of margin trading and indicated for higher exposure they desired in the normal market.

One of the most important objectives of the study was to determine most important factors responsible for price fluctuation according to people dealing in stock markets, analyze the decision making criterion for investment and their expectations from markets.

Although there are many factors that influence stock markets, the study found that most respondents placed a high value on supply and demand, global markets, and a company's business advancements among the major factors offered as options. While most people believed that interest rates were unimportant, the Indian economy was also regarded as a significant factor. The study concluded that, in order to buy or sell shares during a trading session, people relied on a variety of variables, all of which were roughly equally significant. These variables included their

own judgment, friends at the trading center, research calls and tips, and market news. The study was also aimed at finding out the returns that people expect out of their funds invested in stock markets and most of the answers ranged between 10%30% which is a sheer sign of optimism among investors.

Young investors perceive the Indian stock market as a lucrative opportunity for building wealth, largely due to its high return potential. This demographic is also motivated by the chance to contribute to and benefit from India's economic success, particularly in burgeoning sectors such as technology, healthcare, and finance. However, their perception of risk in investing varies considerably. Novice investors' views on risk range from seeing it as an inherent part of the investment process to harboring significant concerns about potential losses. Importantly, an individual's grasp of market dynamics and risk management strategies significantly shapes their risk perception, influencing both their confidence and their investment decisions.

The study also made it clear that most people still are not much risk takers when it comes to investing most part of their savings. They prefer to invest in one of the safest investment instrument called fixed deposits followed by mutual funds, stock markets and insurance.

CHAPTER 7

LIMITATIONS OF THE STUDY

Though every care has been taken to make this report authentic in every sense, yet there were a few uncomfortable factors, which might have their influence on the final report. Linking factors can be stated as: -

- **Time Constraint**

Due to lack of time it was not possible to deeply study every aspect of stock markets and devote enough time for research work. But still sincere efforts were put to reach to the reliable conclusion.

- **Data Collection Constraints**

There were many problems regarding the collection of data which are as follows:

Primary Data Constraints

1.   As the questionnaires were filled during the working hours, the respondents had little time to devote for filling the questionnaires.

2.   Some respondents didn't have their serious attitude towards the questionnaire and hence their responses may not reflect the real picture.

3.   Some of the respondents were not candid enough to reveal all the required information. They might have given inflated or wrong data.

4.   The survey was conducted in the Chandigarh and its surrounding areas. Thus the respondents belonged only to this region of country. This could have brought biasness into the study.

5.   However all the efforts were made to remove the biasness but it cannot be denied that there is no possibility of individual biasness on the part of respondent.

Secondary Data Constraints

It was tried very harder to include the best of information from published and unpublished sources available on internet, books and magazines but some of the data required for the detailed study was not available freely.

CHAPTER 8

CONCLUSION AND RECOMMENDATION

We can infer from this research that the broker or the business channels have a greater influence on investors. A small percentage of investors purchase mega cap shares, while the majority of investors purchase mid cap shares. The foreign stock exchange is not the basis for the investors' investments. The ability to make significant gains from their shares is the main advantage of investing in the stock market for investors. It is clear from this that investors of all genders have similar preferences when it comes to investment avenues, and they make similar decisions about different investment avenues when it comes to investment aspects like gold. Investors of all ages have similar preferences when it comes to sectors like real estate and insurance, but they have different preferences when it comes to stock markets, gold, bank savings, and post office savings. The current study also finds that investors' perceptions of the order in which to make investments vary depending on their income level and how they view post-office savings. The study ultimately comes to the conclusion that investors made their investments in a variety of investment avenues with the hope of receiving returns over both short- and long-term periods, as well as capital appreciation.

Following were the recommendations of the study:

1. The most popular investment instruments among the investors were mutual funds, shares, and other securities. Therefore, there should be a variety of other ways to raise awareness about the potential of other tools and instruments that could be more advantageous for investors.

2. When making investments, investors take into account a number of factors, including risk, return, liquidity, etc. Reasoning is necessary so that the investor can determine when they require capital appreciation rather than risk reduction and when they require return rather than liquidity.

3. Investors' preferred investment time spans vary depending on their needs, such as whether they want stable returns over a long period of time or high returns quickly. The latter is likely more appropriate due to the high returns and added safety.

4. Because different investors choose different investment options, their satisfaction levels vary. They will be more satisfied with their investments if they are aware of all the available options and their respective values.

5. Investors should have the complete knowledge of stock market.

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ANNEXURE

QUESTIONNAIRE

Dear Sir/Madam,
This information provided by you will be utilized in completion of our MBA project.
We will be thankful for the time & effort you will spend in filling the questionnaire.

Name……………………………………………………………

Address…………………………………………………………

Phone   number…………………………………………………….

Profession…………………………………………………………….

1.   Are you a:

Investor   □

Trader   □

           If an investor, go to Q2 otherwise proceed to Q3.

2. What type of investor you are :

          Short Term   □
          Medium Term   □
          Long Term   □

2.   As a trader which type of trading you do the most:

Intra Day   □

Cash/ Delivery   □

Futures and Options □

3.   How comfortable you are while investing in current phase of stock markets:

              Very Comfortable   □
              Somewhat Comfortable   □
              Indifferent   □
              Somewhat Uncomfortable □
              Not at all Comfortable   □

4.   How many demat accounts do you have?

       0 – 2   □
       2 – 4   □
       4 and above □

5.   In which equity market you prefer to work the most and why (Please specify):

BSE □

NSE□

…...............…......….....….......….......…..........…..............…..…..........…........

6.   How often do you trade in stock market?

        Daily□

   Once in a week □

        Once in a month □

        Depends on the market conditions and availability of funds □

7.   What is your preferred mode of trading?

        Dail and trade□

        Online trading □

        Software loaded at your PC □

        At the broker house □

8.   Do you prefer trading with the facility of margin funding?

        Yes □

        No   □

        Sometimes, when the market is in full swing   □

9.   What is the exposure you desire in the normal market?

☐ 0 -2 times   ☐ 2 -4 times   ☐ 4 - 6 times

6 - 8 times ☐   8and   more ☐ times

10.   What   importance does the following factors have in the change in market prices of shares in the share market: (Tick the appropriate option)

	Very	Important	
Important Not Imp.			
	☐	☐	☐
Demand & Supply	☐	☐	☐
Companies Business Developments	☐	☐	☐
Global Markets	☐	☐	☐
Indian Economy	☐	☐	☐
Interest Rates			

11.   Which is the major factor that lures you to buy or sell shares during the trading session?
    Own judgement □
    Companions at the trading centre □
    Research calls/ tips □
    Market News □

12.   In which of the following investment instruments you invest most part of your saving:
    Stock Market □
    Fixed Deposits □
    Insurance □
    Mutual Funds □

13.   What are the factors that influence your decision to choose a brokerage house:(Rank:1 for most important criterion and 4 for least important criterion)
    Account Opening charges and Annual charges   □
    Brokerage   □
    Services (Margin Funding, research calls) □
    Location   □

14.   What percentage of return you expect **per annum** from your funds invested in share market?
    0 – 10%   □
    10% – 20% □
            20% - 30% □
    30% & above □