

INVESTOR PERCEPTION TOWARDS THE STOCK MARKET

UNDER THE GUIDANCE OF

Prof. Ms. Pratima Sharma

SUBMITTED BY:

Shivam Kumar

Admission no:22GSOB2011005

School of Business

Galgotias University

INTRODUCTION TO STOCK MARKET

A stock market is a market in which stocks are bought and sold. It is also called industrial securities market, because it is the market for the trading of company stocks i.e. corporate securities; both those securities listed on stock exchange as well as those only traded privately. The term ‘Stock Market’ is often used as synonymous to ‘Stock Exchange’. But there is a difference in the two terms. Stock exchange is a corporation in the business of bringing buyers and sellers of stocks together. It is a major part of stock market, but not whole of it. Because a stock market besides stock exchanges also includes the market for new issue of securities. Thus the stock market can be divided into two constituents as follows: -

1. Primary Market or New Issue Market

2. Secondary Market or Stock Exchange

PRIMARY MARKET

Primary stock markets are also called new issue markets. A primary market is the market in which assets are sold for the first time. In other words, it is that market in which new shares, debentures etc are bought and sold. The essential function of the primary market is to arrange for the raising of new capital by corporate enterprises, whether new or old. The firms raising funds may be new companies or old companies, planning expansion. The issues of the new firms are called “initial issues” and those of old firms already existing are called “further issues”. Initial capital is raised by issuing ordinary and preference shares only, whereas further capital can be raised by selling all three types of industrial securities. The new companies need not always be entirely new enterprises. They may be private firms already in business, but going public to explain their capital base. Going public means becoming public limited companies to be entitled to raise funds from general public in the open market.

The volume of initial issues has mostly been smaller than that of further issues; it has mostly accounted for 30 to 40 percent of the total issues till 1988-89, 10 to 28 percent during 1990-97, and one percent to 48 percent after 1998. Thus, the range of fluctuations in the share of initial (and, there of further) issues in total issues has been, as in cases of other aspects of stock market activity, very wide indeed; this share has varied between 10 to 63 percent during 1957-97. There has been an inverse relationship between the volume of initial and further issues in most of the years.

❑ **Financial Instruments in New Issue:** – A number of securities are issued by companies in the new issue markets. They include:

- **Equity shares:** – Equity shares represent the ownership position in the company. The holders of the equity shares are the owners of the company, and they provide permanent capital. They have voting rights and receive dividends at discretion of the Board of Directors.
- **Preference Shares:** – the holders of the preference shares have a preference over the equity in the event of the liquidation of the company. The preference dividend rate is fixed and known. A Company may issue preference with a maturity period (called redeemable preference shares). A preference share may also provide for the accumulation of dividend. It is called cumulative preference share.
- **Debentures:** – Debentures represent long-term loan given by the holders of debentures to the company. The rate of interest is specified and interest charges are treated deductible expenses in the hands of the company. Debentures may be issued without an interest rate. They are called zero-interest debentures. Such debentures are issued at a price much lower than their face value. Therefore, they are also called deep-discount debentures/bonds.
- **Convertible Securities:** – A debenture or a preference share may be issued with the feature of being convertible into equity shares after a specified period of time at a given price. Thus a convertible debenture will have features of debenture as well as equity.
- **Warrants:** – A company may issue equity shares or debentures attached with warrants. Warrants entitle an investor to buy equity shares after a specified period at a given price.
- **Cumulative Convertible Preference Shares (CCPS):** – CCPS is an instrument giving regular returns at 10% during the gestation period from three years to five years and equity benefit thereafter introduced by the Government in 1984. CCPS has, however, failed to catch the investor's interest mainly because the rate of return was considered to be too low in the initial years and the provision for conversion into equity was also unattractive if the company failed to perform well.
- **Zero Coupon Bonds and Convertible Warrants:** – These are two new instruments that have been floated by certain companies. Their overall impact and popularity will be known only in the years ahead.

I.P.O.'s (Initial Public Offer)

A Company proposing to raise resources by a public issue should first select the type of securities i.e. share and /or debentures to be issued by it. The decision regarding the issue of shares to be made at par or premium should be decided keeping in view the SEBI guidelines.

The whole process of issue of shares can be divided into two parts:

- **Pre issue activities**
- **Post issue activities**

All activities beginning with the planning of capital issues, till the opening of the subscription list are pre issue activities, while all activities subsequent to the opening of the subscription list may be called post issue activities.

SECONDARY STOCK MARKETS (STOCK EXCHANGES)

A stock exchange is an organized market for sale and purchase of listed existing shares and other corporate securities. It is a platform for bringing together the buyers and sellers of securities. The securities which may be bought and sold in stock exchange generally includes shares and debentures of public companies. These may include Government securities and bonds issued by municipalities, public corporations, utility undertakings etc. Securities held by the investors are also traded on the stock exchange. Only listed securities are dealt in stock exchanges. The listed securities are those securities that appear on the approved list of stock exchange.

The association or body of individuals generally organizes it. Hence it is defined as an association or body of individuals established for the purpose of assisting and controlling business buying, selling and dealing in securities.

The stock markets play an important role in the mobilization of financial resources for the corporate sector. They provide an organized market for transactions in shares and other securities.

❑ Organization and Structure of Stock Exchanges in India: –

The number of stock exchanges in India has increased from nine in 1979-80 to 25 till now. Presently, the stock market in India consists of twenty three regional stock exchanges and two national exchanges, namely, the **National Stock Exchange (NSE)** And **Over the Counter Exchange of India (OTC)**

The **Bombay Stock Exchange (BSE)** is the largest Stock Exchange, in the country, where maximum transactions, in terms of money and shares take place. The other major stock exchanges are Calcutta, Madras and Delhi Stock Exchanges. India has now the largest number of organized and recognized stock exchanges in the world. All of them are regulated by SEBI. They are organized either as voluntary, non-profit making associations (viz., Mumbai, Ahemdabad, Indore), or public limited companies (viz., Calcutta, Delhi, Bangalore),or company limited by guarantee(viz. Chennai, Hyderabad). **Various stock exchanges in India are as follows:-**

Name of Stock Exchange	Incorporated	Type of Organization
1. Bombay Stock Exchange	1875	Voluntary non profit organization
2. Calcutta Stock Exchange	1908	Public Ltd. Company
3. Madras Stock Exchange	1937	Company Ltd. by Guarantee
4. Ahmedabad Stock Exchange	1897	Voluntary non profit organization
5. Delhi Stock Exchange	1947	Public Ltd. Company
6. Hyderabad Stock Exchange	1943	Company Ltd. by Guarantee
7. Madhya Pradesh Stock Exchange (Indore)	1930	Voluntary non profit organization
8. Bangalore Stock Exchange	1957	Private Converted into Public Ltd. Company
9. Cochin Stock Exchange	1978	Public Ltd. Company
10. Utter Pradesh Stock Exchange (Kanpur)	1982	Public Ltd. Company
11. Ludhiana Stock Exchange	1983	Public Ltd. Company
12. Guahati Stock Exchange	1984	Public Ltd. Company
13. Kannar Stock Exchange (Mangalore)	1985	Public Ltd. Company
14. Pune Stock Exchange	1982	Company Ltd. by Guarantee
15. Magadh Stock Exchange (Patna)	1986	Company Ltd. by Guarantee
16. Bhubaneshwar Stock Exchange	1989	Company Ltd. by Guarantee
17. Saurashtra Stock Exchange (Kutch)	1989	Company Ltd. by Guarantee
18. Jaipur Stock Exchange	1983	Public Ltd. Company
19. Vadodra Stock Exchange	1990	ND
20. Coimbtore Stock Exchange	1996	ND
21. Meerut Stock Exchange	1991	ND
22. National Stock Exchange	1994	ND
23. Over The Counter Exchange	1992	ND

MAIN STOCK EXCHANGES IN INDIA

In India mainly two stock exchanges:-



BSE i.e. BOMBAY STOCK EXCHANGE

NSE i.e. NATIONAL STOCK EXCHANGE

Bombay Stock Exchange Limited



INTRODUCTION

India's economy has been one of the talks of the business world. Starting with the information technology and moving rapidly to outsourcing, this foreign market has truly emerged in the past two years. With globalization on the rise and a strong demand for information technology and outsourcing, India will look attractive not only for investors but for businesses looking to go overseas. This expansion will not only help India's economy as money is invested into the country, but companies will benefit due to lower operating costs and higher revenue. India is benefiting from this shift of home front to the idea of outsourcing. With India surging, so is the Bombay Sensex, as it reflected the state of the economy.

The Bombay Stock Exchange is known as the oldest exchange in Asia. It traces its history to the 1850s, when 4 Gujarati and 1 Parsi stockbroker would gather under banyan trees in front of Mumbai's Town Hall. The location of these meetings changed many times, as the number of brokers constantly increased. The group eventually moved to Dalal Street in 1874 and in 1875 became an official organization known as 'The Native Share & Stock Brokers Association'. Later the name changed to Bombay Stock Exchange or the BSE. In 1930, the BSE building was established in today's present downtown Mumbai. Premchand Roychand was the leading stockbroker of that time, and he assisted in setting out traditions, conventions, and procedures for the trading of stocks at Bombay Stock Exchange. . In 1956, the Government of India recognized the Bombay Stock Exchange as the first stock exchange in the country under the Securities Contracts Regulation Act. The Bombay Stock Exchange changed into the E-trading system in 1995. The Bombay Stock Exchange Sensitive Index was initially composed of 30 stocks in April 1979. These 30 stocks in various sectors are one-fifth the market cap of the Sensex. Currently, India has 10,000 listed companies on the Bombay Stock Exchange. This is the largest amount of total companies in one exchange. The technology that is operated in the BSE is getting advanced as stock information can be accessed in 417 cities and towns in India" (BSE Sensex).

The Sensex broke 2000 rupees on January 15, 1992 because of a liberal economic policy proposed by the finance minister (BSE Sensex). This mark seemed important because it allowed the economy to open up to new ideas and trade with other countries. The import and export companies in India began trading and gaining revenue.

On December 30, 1999, the Sensex reached 5000 rupees because BJP led the coalition that won majority in the nation's election (BSE Sensex). This was big movement because the BJP coalition was heavily focused on bringing the economy back to its feet. India was beginning to grow and see a more promising future as the economy started to shift to Information Technology. This field not only helped India grow and develop, but it was in demand and many countries began to utilize its attributes. India was beginning to boom and the Sensex was on the rise. On January 2, 2004, the "InfoTech" boom took place and India was the founder of this main sector. India was not only developing the inner services in the county, but information technology began spreading widespread around the world. Companies were beginning to come into India and establish a hub for business. Billions of dollars were being invested not only into the country,

but also into the stock market. This strong movement made India's economy look attractive to foreign investors.

The boom wasn't only affecting the information technology sector, but telecom and energy started coming around. Reliance did not only offer telecom, but energy started to develop. The company was started by Dhirubhai Ambani in the early 1980's but didn't start expanding until 1999 (Reliance Industries Limited). Reliance was climbing high and hitting new targets as the company was soaring in India and controlling the market share in energy and telecom. Dhirubhai Ambani set out high standards and a strong vision for his company to succeed, but he couldn't see what the future of Reliance was going to be because he died on July 6, 2002. The company was left in the hands of his sons: Mukesh and Anil Ambani, who wanted to follow in the footsteps of their father and carry out his dreams. Unfortunately, Mukesh and Anil saw different visions and parted ways. The company was split into the three groups: Reliance Infocom, Reliance Industries Limited, and Reliance Energy on June 20, 2005 (Reliance Industries Limited). Reliance Infocomm consists of broadband and telecommunications in India and other Asian countries. The telecom sector is an emerging market because of the high growth in information technology and process development. With technology in demand in India, Reliance is able to control the market share in cellular technology and service, broadband, local phone service, and other communication services. Mukesh Ambani heads Reliance Infocomm (Reliance Infocomm). Anil Ambani decided go with the industrial division of the company, which includes Reliance Industries Limited. Reliance Industries Limited is a private sector that in one of India's leaders in conglomerates. Other products offered by this company are petrochemicals and garments (Reliance Energy). Anil is also the head of Reliance energy with provides electricity to many areas in India. This is vast and growing field for the company because of the major control in providing electricity for India. News of the split between the two brothers hit Mumbai and the Sensex exploded to 7000 rupees (BSE Sensex). Investors sought more areas of interest in the Indian market and started buying up shares in various sectors. The split proved very worthy because the India's main market not only consisted of information systems, but now it had a foot in energy and basic materials. Reliance now had many fields to put its hands in the foreign market and grow, but the moves it made had the Sensex rolling and an attractive play for long-term investment.

With unstable world oil prices and interest rate hikes going on, many investors decided that it was time to start looking abroad. This was a movement that started a particular trend to start holding more investments abroad than in one's country. The precious metals index that includes: gold, copper, silver, and platinum all started to move. India was one of the main consumers and importers of these metals. The use of the metals and world demand affected the Sensex as it climbed above 8000 rupees on September 8, 2005 (BSE Sensex). The foreign investors saw India as a main target of investment because the market was relatively cheap compared to the domestic market. The growth rate in India was also more than the domestic market. Lastly, India had a steady GPD figure. Unlike China, India's growth rate and steady market rate made it a favorable target for investment. The foreign investment trend continued from September to November 28, 2005, when the Sensex surpassed the 9000-rupee mark (BSE Sensex). The sector that sparked this rally was the banking and brokerage sector.

The Sensex is continuing to grow despite interest worries and the momentum is pushing stocks and commodities higher. On February 7, 2006, the Sensex rallies to the 10,000-rupee mark (BSE Sensex). The momentum swing continues as it heads for the budget meetings and the economic reports show no signs of

slow growth in India's economy. The Sensex now shares its market capitalization with foreign and domestic investors. This move not only affected the shares on the Sensex, but India American Depository Receipts (ADR's) were soaring on the NASDAQ. On March 27, 2006, the Sensex rose above 11,000 rupees on Wipro's and Infosys's better than expected earnings report (BSE Sensex). Profits doubled from the previous year and the companies were hitting new milestones. The demand for the It still continues in the world and the major contracts are given to the best of breed in the sector. India's rapid pace market didn't stop from there. All sectors traded on the Sensex started going up. Shortly after the 11,000 mark, a new breed of foreign investors entered the Indian market. The bears of Asia started to upgrade the Sensex as an outperform rating which to many people on Wall Street means buy. The movement hit Mumbai and the Sensex crossed 12,000 rupees (BSE Sensex).

January 8, 2008 is considered a golden day in the history of the Indian stock markets as the Sensex touched a record 21,077.53 in intra-day trading. It closed the day at 20,873. Analysts expected the Sensex to touch 25,000 by the end of 2008; some even saw it touching 27,000. But Aggarwal had warned then that "because of a sudden crisis of confidence, there would be a flight of foreign institutional investor (FII) money out of the country".

He pointed out that if \$12 billion of FII money was to leave within a quarter, the stock market would drop by approximately 30 per cent to the level of 14,000. By July 8, 2008, Aggarwal's predictions came true. And then the world economy was sucked into the vortex of one of the worst recessions in recent times.

On October 24, the Sensex plunged by 1,070.63 points (10.96 per cent) to close at 8,701.07, and sank further to a low of 8,160 on March 9, 2009. Since then it has climbed gradually to hover very close to the 18,000-mark in April 2010.

National Stock Exchange



INTRODUCTION

National Stock Exchange of India (NSE) is India's largest Stock Exchange & World's third largest Stock Exchange in terms of transactions. Located in Mumbai, NSE was promoted by leading Financial Institutions at the behest of the Government of India, and was incorporated in November 1992 as a tax-paying company. In April 1993, NSE was recognized as a Stock exchange under the Securities Contracts (Regulation) Act-1956. NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994. Capital Market (Equities) segment of the NSE commenced operations in November 1994, while operations in the Derivatives segment commenced in June 2000. NSE has played a catalytic role in reforming Indian securities market in terms of microstructure, market practices and trading volumes. NSE has set up its trading system as a nation-wide, fully automated screen based trading system. It has written for itself the mandate to create World-class Stock Exchange and use it as an instrument of change for the industry as a whole through competitive pressure. NSE is set up on a demutualised model wherein the ownership, management and trading rights are in the hands of three different sets of people. This has completely eliminated any conflict of interest.

The Organization:

The National Stock Exchange of India Limited has genesis in the report of the High Powered Study Group on Establishment of New Stock Exchanges, which recommended promotion of a National Stock Exchange

by financial institutions (FIs) to provide access to investors from all across the country on an equal footing. Based on the recommendations, NSE was promoted by leading Financial Institutions .at the behest of the Government of India and was incorporated in November 1992 as a tax-paying company unlike other stock exchanges in the country.

NSE Objectives:

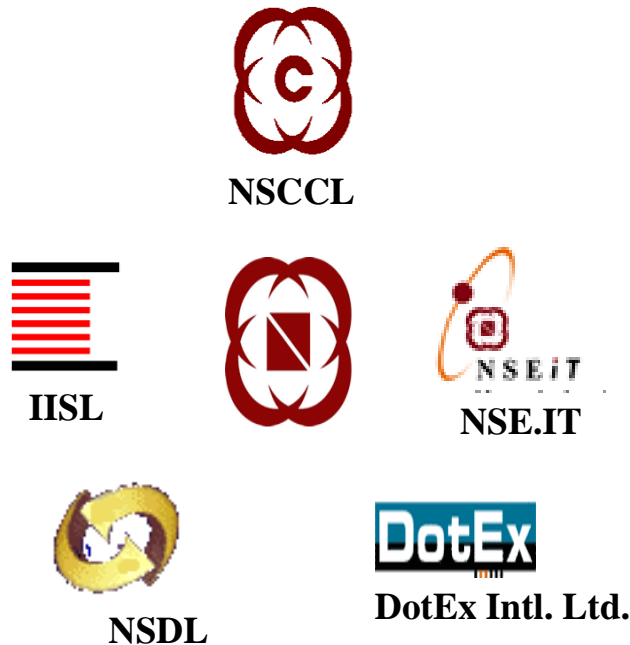
- Establishing nationwide trading facility for all types of securities
- Ensuring equal access to investors all over the country through an appropriate telecommunication network
- Providing fair, efficient & transparent securities market using electronic trading system
- Enabling shorter settlement cycles and book entry settlements
- Meeting International benchmarks and standards
- Within a very short span of time, NSE has been able to achieve its objectives for which it was set up. Indian Capital Markets are a far cry from what they were 12 years back in terms of market practices, infrastructure, technology, risk management, clearing and settlement and investor service. To ensure continuity of business, NSE has built a full fledged BCP site operational for last 7 years.

NSE's Markets:

NSE provides a fully automated screen-based trading system with national reach in the following major market segments:-

- Equity OR Capital Markets {NSE's market share is over 65% }
- Futures & Options OR Derivatives Market {NSE's market share over 99.5% }
- Wholesale Debt Market (WDM)
- Mutual Funds (MF)
- Initial Public Offers

NSE Group:



- **NSCCL**

The National Securities Clearing Corporation Ltd. (NSCCL), a wholly owned subsidiary of NSE, was incorporated in August 1995. It was set up to bring and sustain confidence in clearing and settlement of securities; to promote and maintain, short and consistent settlement cycles; to provide counter-party risk guarantee, and to operate a tight risk containment system. NSCCL commenced clearing operations in April 1996.

NSCCL carries out the clearing and settlement of the trades executed in the Equities and Derivatives segments and operates Subsidiary General Ledger (SGL) for settlement of trades in government securities. It assumes the counter-party risk of each member and guarantees financial settlement. It also undertakes settlement of transactions on other stock exchanges like, the Over the Counter Exchange of India.

NSCCL has successfully brought about an up-gradation of the clearing and settlement procedures and has brought Indian financial markets in line with international markets.

It was set up with the following objectives:

- To bring and sustain confidence in clearing and settlement of securities;
- To promote and maintain, short and consistent settlement cycles;
- To provide counter-party risk guarantee, and
- To operate a tight risk containment system.

NSCCL commenced clearing operations in April 1996. It has since completed more than 1800 settlements (equities segment) without delays or disruptions.

Clearing

Clearing is the process of determination of obligations, after which the obligations are discharged by settlement.

NSCCL has two categories of clearing members: trading members and custodian. The trading members can pass on its obligation to the custodians if the custodian confirms the same to NSCCL. All the trades whose obligation the trading member proposes to pass on to the custodian are forwarded to the custodian by NSCCL for their confirmation. The custodian is required to confirm the trade on T + 1 days basis.

Once, the above activities are completed, NSCCL starts its function of Clearing. It uses the concept of multi-lateral netting for determining the obligations of counter parties. Accordingly, a clearing member would have either pay-in or pay-out obligations for funds and securities separately. Thus, members pay-in and pay-out obligations for funds and securities are determined latest by T + 1 day and are forwarded to them so that they can settle their obligations on the settlement day (T+2).

- **IISL**

India Index Services & Products Ltd. (IISL) is a joint venture between the National Stock Exchange of India Ltd. (NSE) and CRISIL Ltd. (formerly the Credit Rating Information Services of India Limited). IISL has been formed with the objective of providing a variety of indices and index related services and products for the capital markets.

IISL has a consulting and licensing agreement with Standard and Poor's (S&P), the world's leading provider of investible equity indices, for co-branding IISL's equity indices.

IISL - Products & Services

IISL offers a wide range of products and services which are key support tools for the equity markets. We provide reliable, accurate and valuable data on indices and index related services to cater to the needs of various segments of users. Our speciality is indices based on Indian equity markets, which may be used for benchmarking, trading or research. Use of IISL data or name or indices requires a license or subscription.

- **NSDL**

In order to solve the myriad problems associated with trading in physical securities, NSE joined hands with the Industrial Development Bank of India (IDBI) and the Unit Trust of India (UTI) to promote dematerialisation of securities. Together they set up **National Securities Depository Limited (NSDL)**, the first depository in India.

NSDL commenced operations in November 1996 and has since established a national infrastructure of international standard to handle trading and settlement in dematerialised form and thus completely eliminated the risks to investors associated with fake/bad/stolen paper.

- **DotEx International Limited**

"The data and info-vending products of the National Stock Exchange are provided through a separate company DotEx International Ltd., a 100% subsidiary of NSE, which is a professional set-up dedicated solely for this purpose."

- **NSE.IT Ltd.**

NSE.IT, a 100% subsidiary of **National Stock Exchange of India Limited (NSE)**, is the information technology arm of the largest stock exchange of the country. A leading edge technology user, NSE houses state-of-the-art infrastructure and skills. NSE.IT possesses the wealth of expertise acquired in the last six years by running the trading and clearing infrastructure of largest stock exchange of the country. NSE.IT is uniquely positioned to provide products, services and solutions for the securities industry. There has been a long felt need for top-of-the-line products, services and solutions in the area of trading, broker front-end and back-office, clearing and settlement, web-based trading, risk management, treasury management, asset liability management, banking, insurance etc. NSE.IT's expertise in these areas is the primary focus. The company also plans to provide consultancy and implementation services in the areas of Data Warehousing, Business Continuity Plans, Stratus Mainframe Facility Management, Site Maintenance and Backups, Real Time Market Analysis & Financial News over NSE-Net, etc.

NSE.IT is an Export Oriented Unit with STP and plans to go global for various IT services in due course. In the near future the company plans to release new products for Broker Back-office Operations and enhance NeatXS / Neat iXS to support Straight Through Processing on the net.

DERIVATIVES

INTRODUCTION

BSE created history on June 9, 2000 by launching the first Exchange traded Index Derivative Contract i.e. futures on the capital market benchmark index - the BSE Sensex. The inauguration of trading was done by Prof. J.R. Varma, member of SEBI and chairman of the committee responsible for formulation of risk containment measures for the Derivatives market. The first historical trade of 5 contracts of June series was done on June 9, 2000 at 9:55:03 a.m. between M/s Kaji & Maulik Securities Pvt. Ltd. and M/s Emceez Share & Stock Brokers Ltd. at the rate of 4755.

In the sequence of product innovation, the exchange commenced trading in Index Options on Sensex on June 1, 2001. Stock options were introduced on 31 stocks on July 9, 2001 and single stock futures were launched on **November 9, 2002**.

September 13, 2004 marked another milestone in the history of Indian Capital Markets, the day on which the Bombay Stock Exchange launched Weekly Options, a unique product unparalleled in derivatives markets, both domestic and international. BSE permitted trading in weekly contracts in options in the shares of four leading companies namely Reliance, Satyam, State Bank of India, and Tisco in addition to the flagship index-Sensex.

Types of Products:

Index Futures

A futures contract is a standardized contract to buy or sell a specific security at a future date at an agreed price. An index future is, as the name suggests, a future on the index i.e. the underlying is the index itself. There is no underlying security or a stock, which is to be delivered to fulfill the obligations as index futures are cash settled. As other derivatives, the contract derives its value from the underlying index. The underlying indices in this case will be the various eligible indices and as permitted by the Regulator from time to time.

Index Options

Options contract give its holder the right, but not the obligation, to buy or sell something on or before a specified date at a stated price. Generally index options are European Style. European Style options are those option contracts that can be exercised only on the expiration date. The underlying indices for index options are the various eligible indices and as permitted by the Regulator from time to time.

- **Stock Futures**

A stock futures contract is a standardized contract to buy or sell a specific stock at a future date at an agreed price. A stock future is, as the name suggests, a future on a stock i.e. the underlying is a stock. The contract derives its value from the underlying stock. Single stock futures are cash settled.

- **Stock Options**

Options on Individual Stocks are options contracts where the underlying are individual stocks. Based on eligibility criteria and subject to the approval from the regulator, stocks are selected on which options are introduced. These contracts are cash settled and are American style. American Style options are those option contracts that can be exercised on or before the expiration day.

HOW DOES TRADING TAKES PLACE?

Trading of shares in a stock exchange takes place through Registered Stockbrokers, Transfer Agent etc. Buyer gets in touch with a Broker, and gives him all the details of shares he wants to buy. Then the broker strikes a requisite deal and receives share certificate, and transfer form. After deducting, documents to the buyers. As for seller, he also gets in touch with a broker and gives him details along with share certificates and transfer forms. Once the deal is struck, broker receives the payment and deducts his commission.

Floor Trading: – Apart, from NSC, and OTC, trading takes place mainly through on open outcry system on the trading floor of the exchange during the official trading hours. There are several "notional" trading posts for different securities where the buyer and seller get in contact with each other. These buyers and seller are authorized Brokers or Agents or a shareholder. Buyer make their bids and sellers make their offers, and bargains are closed at the mutually agreed upon prices. In stock, where jobbing is done, the "jobber", plays an important role. This is floor trading, where buyer and seller transact face to face using a variety of signals.

Screen based Trading: – In a screen-based system, the trading ring is replaced by the computer screen and distant participants can trade with each other through the computer network. A large number of participants, geographically separated can trade simultaneously at high speeds. The screen based trading systems are of two types:

- **Quote Driven System, and**
- **Order Driven System,**

Under the **QUOTE DRIVEN** system for trading, market makers input two way quotes in the system. Market players, then contact the market makers over telephone, negotiable, and trace. Under the **ORDER DRIVEN** system, client place their orders with the brokers, which are then fed, into the system. These are then automatically matched according to certain rules.

EDELWEISS group is a leading Financial Services and Real Estate player with all India presence and an extensive client base. EDELWEISS offers ease, convenience and reliability in all their products ranging from securities trading to consumer finance, mortgages to real estate development.

EDELWEISS Securities Limited is India's leading stock brokerage house having a network of over cities and have a customer base of more than 6 lacs satisfied customers. They are committed towards their goal of "Creating a world of smart investors". They offer state of the art products and services to their customers. Indiabulls is the first brokerage house to be accorded the "CRISIL Highest Broker Quality Grading BQ 1".

EDELWEISS Group companies are listed in Indian and overseas financial markets. The Net worth of the Group exceeds USD 3 billion. Power Indiabulls, in-house trading platform, is one of the fastest and most efficient trading platforms in the country. Indiabulls has been conferred the status of a "Business Super brand" by The Brand Council, Super brands India.

The products are selling in Edelweiss:-

- Trading Platform for Equity and Derivatives
- Depository Services
- Commodities
- Equity Analysis
- IPO Financing
- Loan Against Shares
- Margin Trading

INTRODUCTION

EDELWEISS FINANCIAL ADVISORS LTD

Edelweiss Financial advisors is an integrated financial services powerhouse providing Consumer Finance, Housing Finance, Commercial Loans, Life Insurance, Asset Management and Advisory services. Edelweiss Financial advisors Ltd is amongst 68 companies constituting MSCI - Morgan Stanley India Index. Edelweiss Financial is also part of CLSA's model portfolio of 30 Best Companies in Asia. Edelweiss Financial Services signed a joint venture agreement with Sogecap, the insurance arm of Société Generale (SocGen) for its upcoming life insurance venture Edelweiss Financial Services in partnership with MMTC Limited, the largest commodity trading company in India, is setting up India's 4th Multi-Commodities Exchange.

Edelweiss Securities Limited:

Edelweiss Securities Limited is India's leading capital markets company with All-India Presence and an extensive client base. Edelweiss Securities possesses state of the art trading platform, best broking practices and is the pioneer in trading product innovations. Power Edelweiss, in-house trading platform, is one of the fastest and most efficient trading platforms in the country. Edelweiss Securities Limited is the first and only brokerage house to be assigned the highest rating BQ – 1 by CRISIL.

Power Edelweiss is the advanced online trading platform from Edelweiss Securities Limited. provides the best in the class internet trading features and delivers a seamless and rich online trading experience for its users. Edelweiss comes with a whole host of online features for the internet trading users ranging from real-time stock prices, to live trading reports, charting, News Room. Edelweiss provides an integrated online trading platform for the internet trading community to invest in equity, F&O, Online IPOs and base their decision on sound fundamental research and technical analysis. It also provides various kinds of trading reports, each developed to cater to internet trading users' distinct needs.

With whole host of **advanced online trading features**, Edelweiss aims to fulfill the needs of every genre of investors & help them gain profits in every possible way.

WHAT IS Edelweiss?

Edelweiss is the internet based stock trading application, which provides you an unparalleled edge to trade in Indian stock markets. Here are some of the compelling reasons, why we should subscribe for Edelweiss

- Integrated market watch for Equities and Derivatives
- Live Streaming Quotes
- Fast Order Entry
- Tic by Tic Live Intraday Charts
- Technical Analysis
- Live Market News
- Customizable Alerts
- Extensive Reports
- Real Time Market Statistics
- World Market Summary
- Introducing Intraday Futures

Now everything you want to know about Edelweiss is available in one capsule. Visit the site dedicated for Power Indiabulls application <http://edelweiss.in>

SIGNATURE ACCOUNT

With Edelweiss Signature account we will always remain on top of our investments. It provides the platform to trade in Equity and Derivatives. With an unmatched service and nationwide presence, Edelweiss Signature account comes bundled with a variety of exclusive features.

- **Ease of trading** – With Indiabulls Signature account it provides the flexibility to place orders either by logging on the website, calling at the branch or walking in the branch.
- **Dedicated Service Branch and Relationship Manager**: You can get in touch with your Relationship Manager and Service Branch for all your trading related requirements.
- **Power Edelweiss** : You can trade smarter and faster using the Power Indiabulls application. Access the broad spectrum of sophisticated trading tools and get an edge in the stock markets.
- **Online Payment Gateways**: Use our online payment gateways facility and get instant credit in your Trading Account. We currently provide online **gateway payment facility** with four major banks – HDFC, ICICI, AXIS and IDBI.
- **IPOs** – Edelweiss provides you the flexibility to apply in ongoing IPOs through either online or offline channels. For applying online, you do not need to fill tedious forms and write cheques. You can apply conveniently in IPOs from the comfort of your home / office through our Website For applying offline, you can contact your Relationship Manager/ Service Branch.

- **Portfolio Tracker:** You can track your investments online through our portfolio tracker functionality. You can conveniently track the daily movement, notional / booked profits and losses in your portfolio.
- **Equity Analysis Report** – A qualified and dedicated team of equity analysts at Indiabulls publishes various research reports. You can view these reports to gain insight into the companies of your interest.
- **News Room:** The News Room provides real-time news from stock-markets, corporate sector, economy and other segments that have a bearing on the market sentiment.
- **Market Statistics:** This functionality facilitates tracking the market trend by providing you real time data on top gainers, top losers, volume toppers and most volatile stocks.
- **Mobile Power Edelweiss:** is a mobile-phone based application, developed exclusively for Indiabulls customers. Using you can view the live market rates of your favorite stocks and futures contracts on your mobile device. Thus with you can always remain connected with the market, even on the move.
- **Electronic Contract Notes on Email:** This facility enables you to get digitally signed Electronic Contract Notes on email within 24 hours of executing trades in your Trading Account.
- **Introducing Intraday Futures:** Intraday Futures Product enables you to take intraday positions in various future contracts at lower margins. These positions have to be necessarily squared-off at the day end.
- **Security Token:** Security Token, the new age security tool to make your trading experience totally secure by using two factor authentication mechanism.
- **Comprehensive Reports:** Track your financials and portfolio efficiently through various reports like Ledger Statements, Account Summary, Net Portfolio Report, Daily Transaction Report, Daily Transaction report etc.
- **Currency Derivatives:** Trade in Currency Derivatives which are similar in nature to Stock or Index Futures contracts. Currency Future Contracts, with INR: USD exchange rate as the underlying, are available with a monthly expiry.

DEPOSITORY

Edelweiss is a depository participant with the National Securities Depository Limited and Central Depository Services (India) Limited for trading and settlement of dematerialised shares. Edelweiss performs clearing services for all securities transactions through its accounts. It offers depository services to create a seamless transaction platform – execute trades through Edelweiss Securities and settle these transactions through the Indiabulls Depository Services. Edelweiss Depository Services is part of Edelweiss value added services for its clients that create multiple interfaces with the client and provide for a solution that takes care of all your needs.

ONLINE IPO

For various reasons, we often miss the opportunity of subscribing to an **IPO**. It can either be because we could not procure the application form or we did not have the time to fill up the form and submit it. The most important benefit of the '**ONLINE IPO**' facility offered by Edelweiss Securities Ltd. is the convenience in submission of applications from anywhere breaking the limitations of time and geography. You don't need to submit the application in paper form, or write a cheque or go to submit it anywhere.

Now you have the convenience at your fingertip. You can quickly and seamlessly apply to the latest public offerings with just a few clicks. Edelweiss Securities Ltd. offers **ONLINE IPO** facility to its registered trading customers at absolutely no cost.

To use the **ONLINE IPO** feature, you need to fulfill the following criteria :

- You must be registered for internet Trading with Edelweiss
- You must have a demat account with Edelweiss Securities Ltd.
- You must have signed the POA agreement for Online **IPOs**.
- You must have access to Net Banking facility with those banks with which Edelweiss is providing Payment Gateways. Currently, we are providing payment gateways for ICICI, IDBI and HDFC Banks.

NRI's TRADING

Non-Resident Indians (NRIs) can also enjoy the state of the art Online trading Platforms of Indiabulls to trade in Indian Capital Markets. Indiabulls, provide NRI clients, a fast and secure trading platform which

would perfectly cater to NRI's Trading requirements. To start trading through Edelweiss , the following simple steps need to be followed:

1. **Opening of Online NRI Trading and NRI Demat account with Edelweiss:** Get in touch with your nearest edelweiss service branch locator to complete all the Trading and Demat account opening formalities.
2. **Opening of a NRI PIS account** A NRI is required to open a PIS account (Portfolio Investment Scheme) with a designated bank in India. Edelweiss Securities Limited has tied up icici bank to offer this facility to NRIs to enable them to trade in the Indian Capital markets. The edelweiss team would also help and assist you with opening a PIS account with Axis Bank.
3. **Documentation required:** The following proofs need to be submitted along with the Trading and Demat account opening forms:
 - Copy of PIS approval letter
 - Copy of passport (copy of the pages containing the Name, address and photographs)
 - Valid & self-attested Proof of Identity and Proof of Address (Indian and Foreign).

EQUITY ANALYSIS

Edelweiss Equity Analysis complements its equity broking and advisory services with high quality comprehensive report which can be accessed online. Research report assess the potential strength and investment risk by doing in-depth and exhaustive analysis of operational and financial performance of company, Peer group analysis, present Industry scenario using advanced and sophisticated forecasting tools and models. These research reports identify, examine and distill attractive investment opportunities to help you in building and maintaining your ideal portfolio.

Salient features of Edelweiss Equity Analysis:

- Updated on a daily basis
- Scorecard on Fundamentals, Valuations and risk
- Peer Analysis
- Valuation of potential growth
- Industry Scenario
- Expansion plan
- Details of Mergers and Acquisitions

CURRENCY DERIVATIVES

Edelweiss offers trading in the Currency Derivatives Segment in National Stock Exchange (NSE). Currency Derivatives are similar in nature to Stock or Index Futures contracts. Currency Futures Contracts, with INR: USD exchange rate as the underlying, are available with a monthly expiry. At any given time, Currency Future Contracts are available for trading for the next 12 months.

The Mark-to-Market for Currency Derivatives is settled on a daily basis in a manner similar to Equity / Index Futures. The market for Currency Derivatives is open from 9 A.M to 5 P.M (Monday to Friday).

COMMODITIES

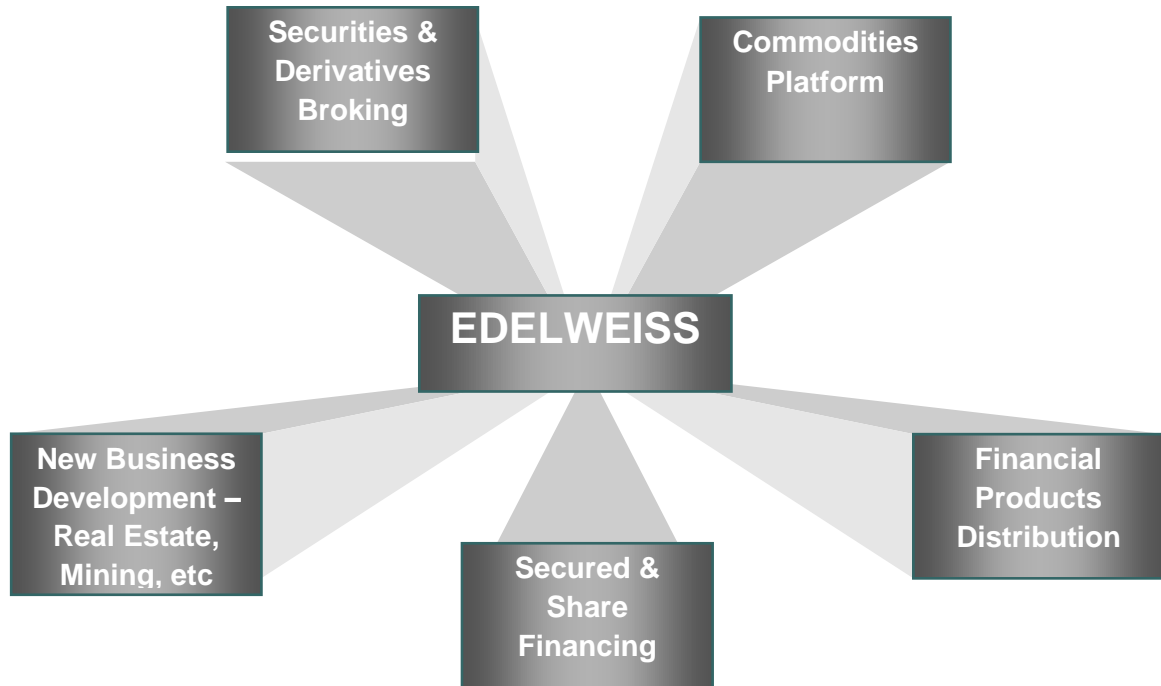
Edelweiss Commodities Limited (ECL), a 100% subsidiary of Edelweiss Securities Limited, offers commodity brokerage services to its customers. ECL is a registered Trading-cum-Clearing member of Multi Commodity Exchange of India Ltd. (MCX) and National Commodity and Derivatives Exchange Ltd (NCDEX). These two Commodity Exchanges have shown a phenomenal growth in trading volumes. Significant Trading and Arbitrage opportunities exist for informed players in the futures market.

ECL is the right partner for its clients if they are keen on tapping opportunities being presented by this nascent commodities futures market. It offers a clearly differentiated product to its clients with a strong focus on research. Indiabulls commodities research team has a rich research experience in the commodities markets. The specialized services provided by its research team include daily intraday reports, reports on Agri-commodities & Metals, weekly & medium term market outlook and arbitrage strategies.

Edelweiss retail branch network is one of the largest retail branch networks in the private financial service sector and provides their customers with an unmatched distribution and service capability. Its flagship Edelweiss network, spread offers real-time prices, detailed data and news, intelligent analytics and electronic trading capabilities, right at the fingertips of the clients.

ECL offers dedicated Relationship Manager to cater to all trading related requirements. To provide the highest possible quality of service, it provide full access to all their products and services through multiple channels.

EDELWEISS HIGH GROWTH AREAS



PART-3

OBJECTIVES

- To know about the Indian securities market.
- To know about the investors perception towards the stock market.
- To know about the investors perception towards the SENSEX in future.

PART-4

RESEARCH METHODOLOGY

Research has been undertaken, how the research problem has been defined, in what way the problem has been defined, what data have been collected and what particular method has been adopted and a lot of similar other questions coined for research methodology.

REDMEN & MORY defines "Research as a systematized effort to gain knowledge."

Research is defined as manipulation of things, concepts and symbol for the purpose of generalizing to extend correct & verify the knowledge whether that knowledge may used for construction of theory or practice of an art."

For undertaking any research it is essential to adopt some methodology.

"Research methodology is a plan of action to be carried out in connection with a research report."

METHODOLOGY: -

Survey method was adopted for the study. Survey work with a structured questionnaire was administered to collect primary data. This study is totally based on **Primary data** collected from the respondent.

The purpose of research methodology section is to describe the procedure for conducting the study. It includes **Research design, Sample unit, Sample size, Sampling technique, Tools for data collection, Statistical tools, sources of data & Procedure** of analysis of research instrument.

RESEARCH DESIGN:-

Descriptive Research Design

SAMPLING UNIT: -

The data was collected from various locations of **MANDI GOBINDGARH**.

SAMPLE SIZE:-

Due to time constraints sample size taken for survey work is **FIFTY PERSONS** only, which represents a very less number of the total population.

SAMPLING TECHNIQUE :-

Random Sampling was carried out to identify the respondents from the different areas at different times; the data is collected from various locations so there are very less chances of duplication of data.

TOOLS FOR THE DATA COLLECTION: -

A **structured questionnaire** was used to collect the primary data from respondents at different locations randomly.

STATISTICAL TOOLS:-

For the representation of the data various statistical tools like **Column Diagrams** have been used. These statistical tools have really provided great help to understand the results of the analysis.

SOURCES OF DATA: -

Primary data: Structured Questionnaire

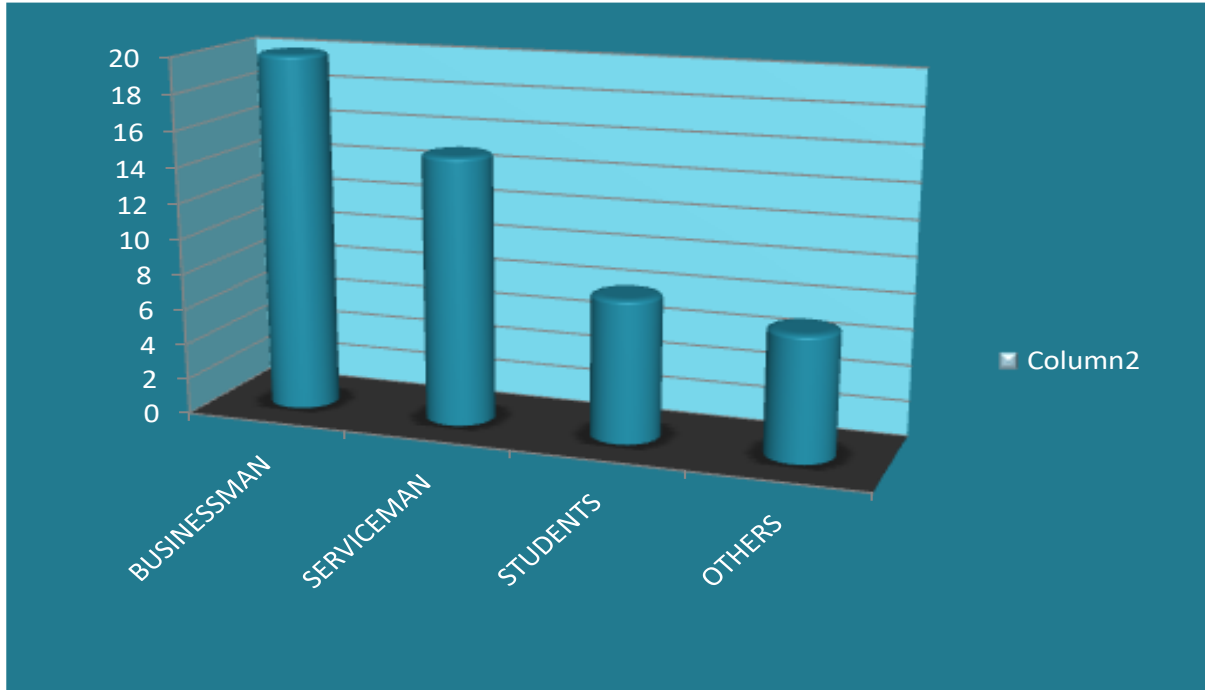
Secondary data: Newspapers, Television, Internet, Journals & Magazines

PART-5

DATA ANALYSIS AND INTERPRETATION

WHAT IS YOUR PROFESSION

OPTIONS	NO. OF RESPONDENTS
BUSINESSMAN	20
SERVICEMAN	15
STUDENTS	8
OTHERS	7

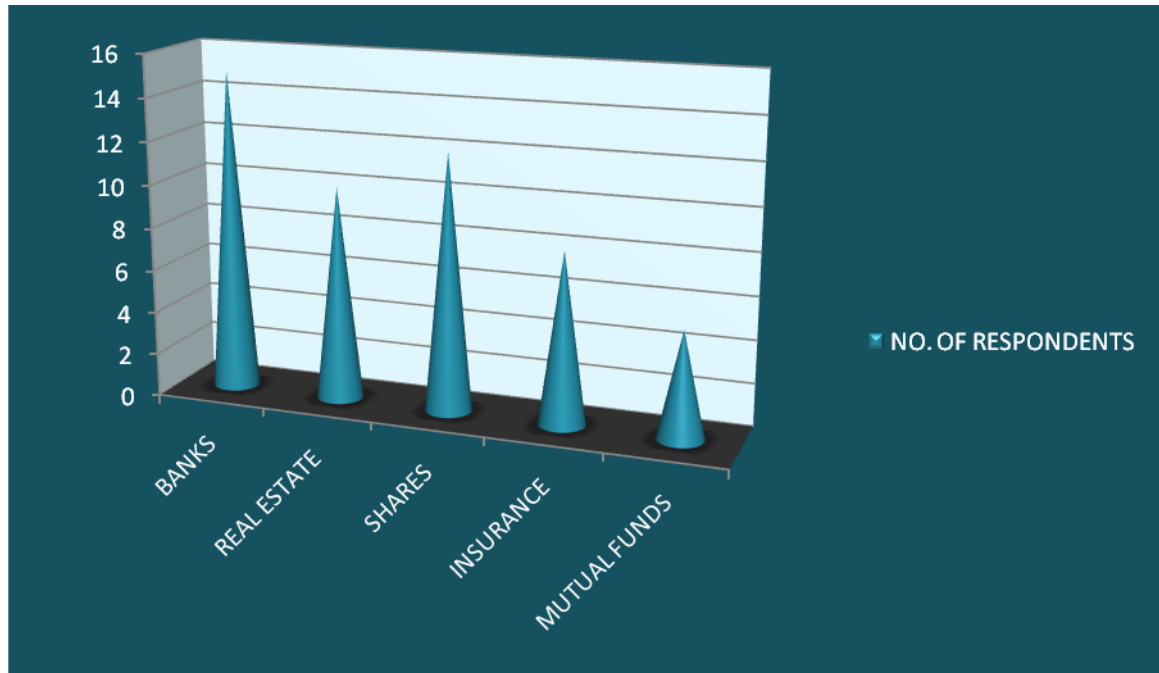


ANALYSIS:-

This diagram shows that 40% respondents are businessman, 30% are serviceman, 16% are students and 14% are other respondents.

WHAT ARE THE VARIOUS ALTERNATIVES FOR INVESTING YOUR MONEY

OPTIONS	NO.OF RESPONDENTS
BANKS	15
REAL ESTATE	10
SHARES	12
INSURANCE	8
MUTUAL FUNDS	5



ANALYSIS:-

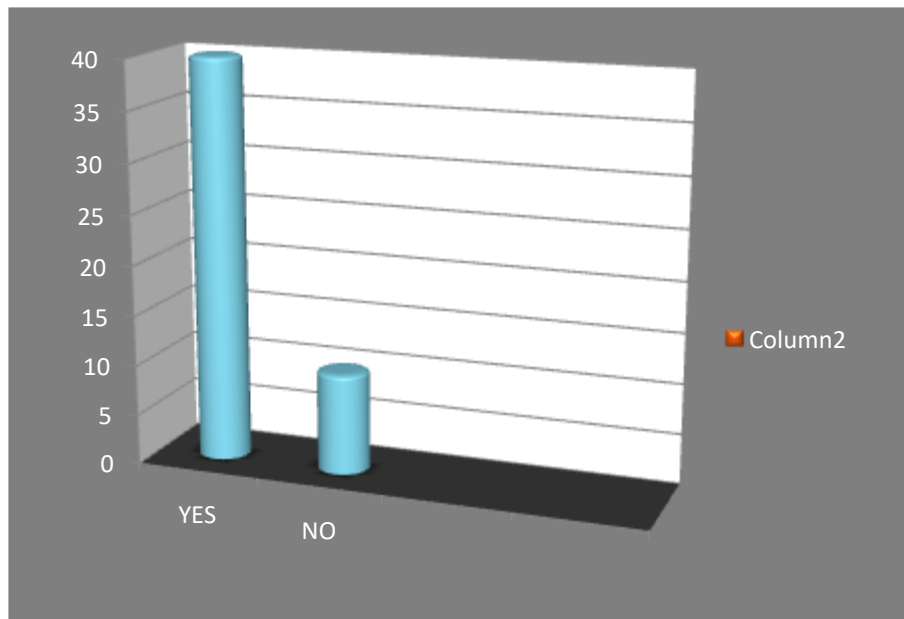
This diagram shows that 30% respondents said that they are investing their savings in banks, 24% respondents

Are investing in shares, 20% respondents investing in real estate, 16% respondents investing in insurance and other

10% respondents are investing in mutual funds.

DO YOU INVEST IN STOCK MARKET

OPTIONS	NO.OF RESPONDENTS
YES	40
NO	10



ANALYSIS:-

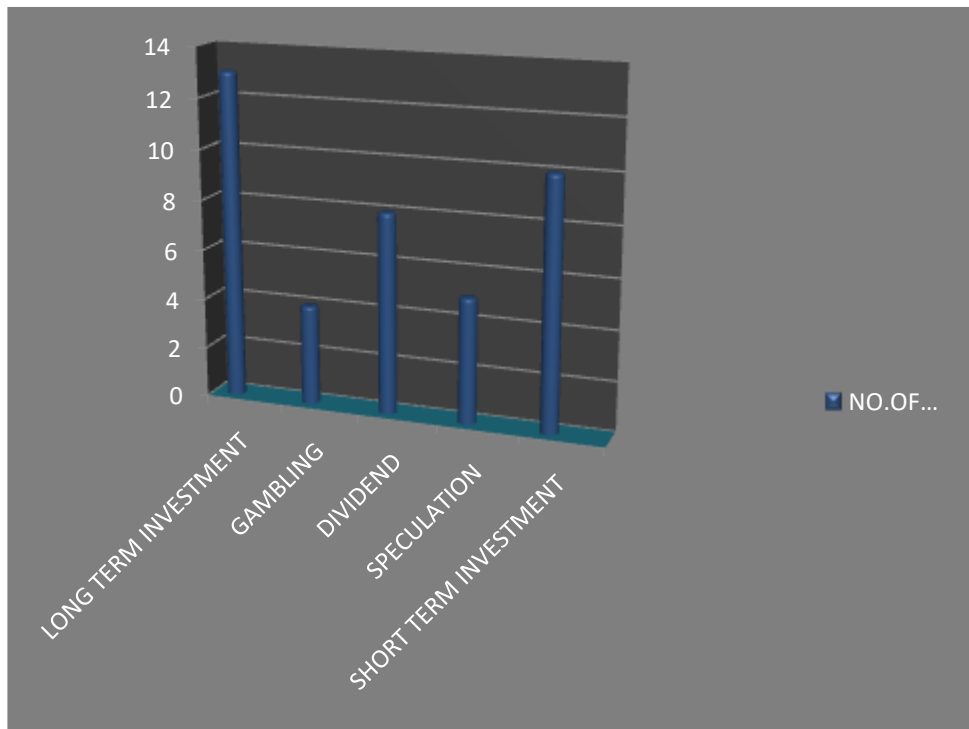
This diagram shows that 80% respondents said that they are investing their money in the stock market

And other 20% respondents said that they are not investing their money in the stock market.

WHAT ARE THE REASONS FOR INVESTING IN STOCK MARKET

OPTIONS	NO.OF RESPONDENTS
LONG TERM INVESTMENT	13
GAMBLING	4
DIVIDEND	8
SPECULATION	5

SHORT TERM INVESTMENT	10
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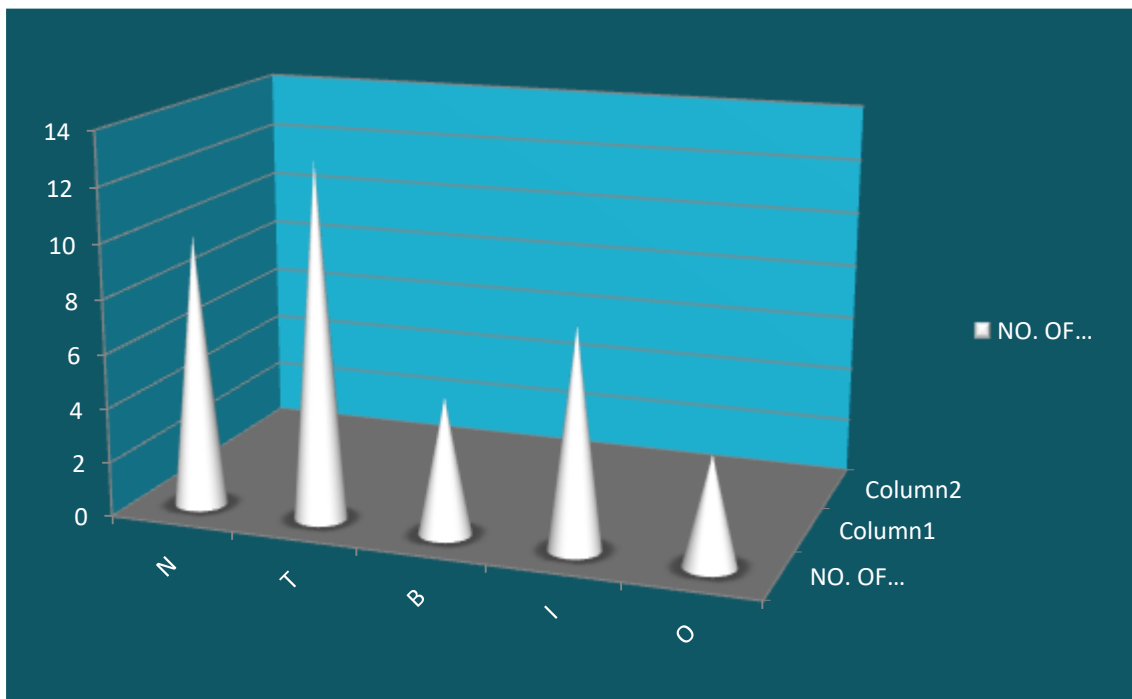


ANALYSIS:-

This diagram shows that 32.5% respondents said that investment in stock market is a long term investment, 10% said that it is a gambling, 20% said that it provides dividend, 12.5% respondents said that it is a speculation and The other 25% respondents said that it is a short term investment.

FROM WHERE DO YOU GET INFORMATION ABOUT STOCK MARKET

OPTIONS	NO.OF RESPONDENTS
NEWSPAPER	10
TELEVISION	13
BROKERS	5
INTERNET	8
OTHER SOURCES	4

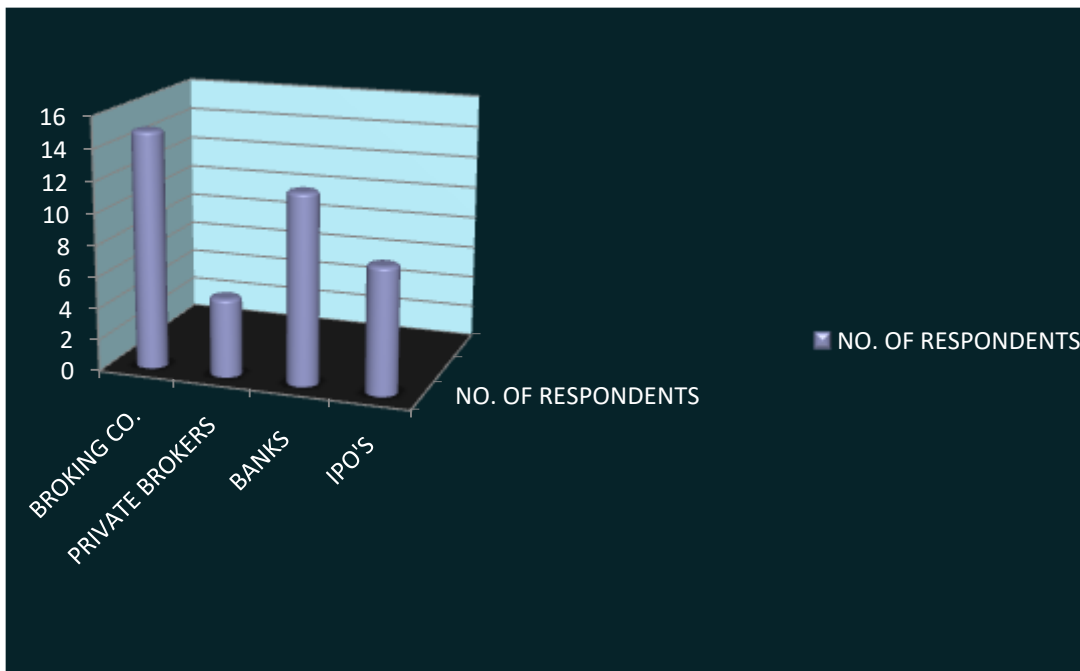


ANALYSIS:-

This diagram shows that 25% respondents get the information about stock market from newspaper, 32.5% respondents get information from television, 12.5% respondents get information from brokers, 20% get information from internet and 10% respondents get information from other sources.

WHAT ARE THE VARIOUS SOURCES TO BUY SHARES

OPTIONS	NO.OF RESPONDENTS
BROKING CO.'S	15
PRIVATE BROKERS	5
BANKS	12
IPO'S	8

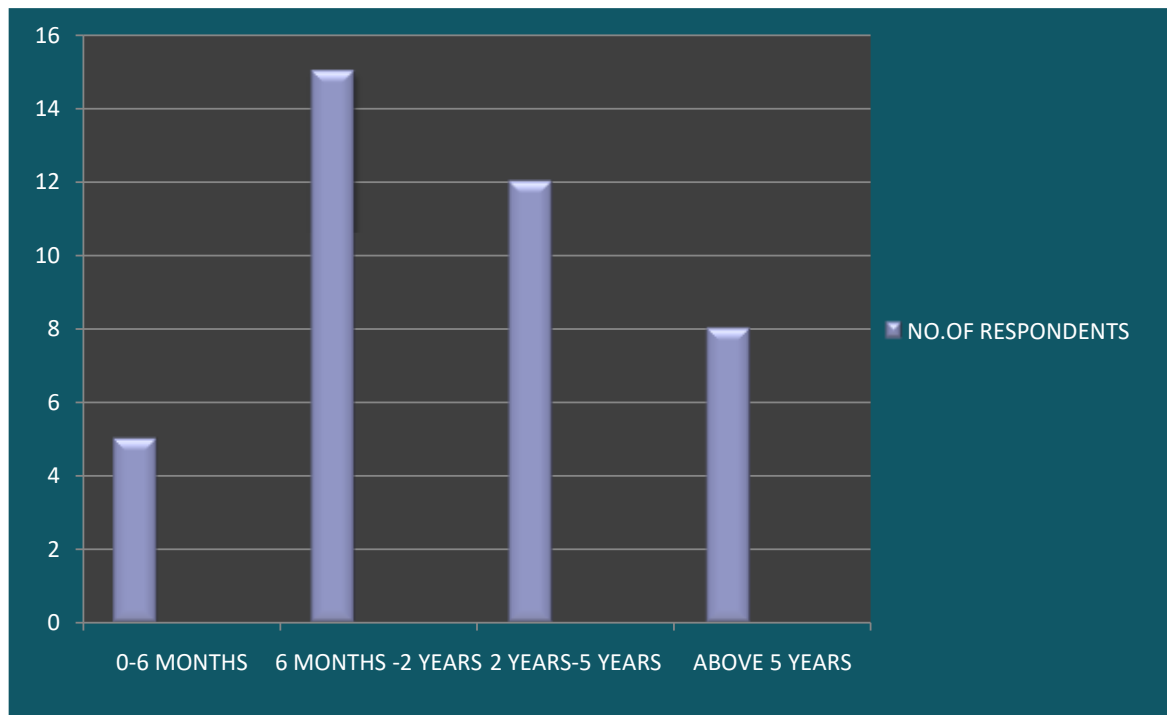


ANALYSIS:-

This diagram shows that 37.5% respondents said that they buy shares from broking co.'s, 12.5% respondents said that they buy shares from private brokers, 30% said that they buy shares from banks and the other 20% respondents said that they buy shares from IPO'S.

WHAT IS THE DURATION OF YOUR INVESTMENT IN STOCK MARKET

OPTIONS	NO.OF RESPONDENTS
0-6 MONTHS	5
6 MONTHS - 2 YRS	15
2 YRS – 5 YRS	12
ABOVE 5 YRS	8

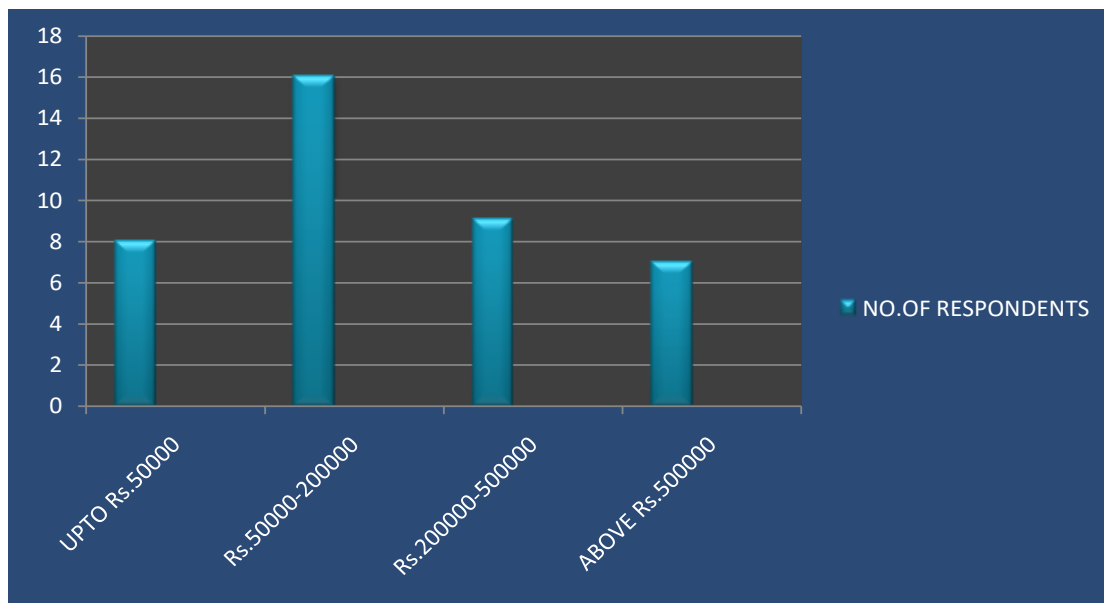


ANALYSIS:-

This diagram shows that 12.5% respondents said that they invest their money for 6 months, 37.5% respondents invests their money for 6 months to 2 yrs, 30% respondents invest their money for 2-5 yrs and other 20% respondents invests their money for more than 5 yrs.

HOW MUCH MONEY YOU ARE INTERESTED FOR INVESTING IN SHARES

OPTIONS	NO. OF RESPONDENTS
UPTO Rs.50000	8
Rs.50000-200000	16
Rs.200000-500000	9
ABOVE Rs.500000	7

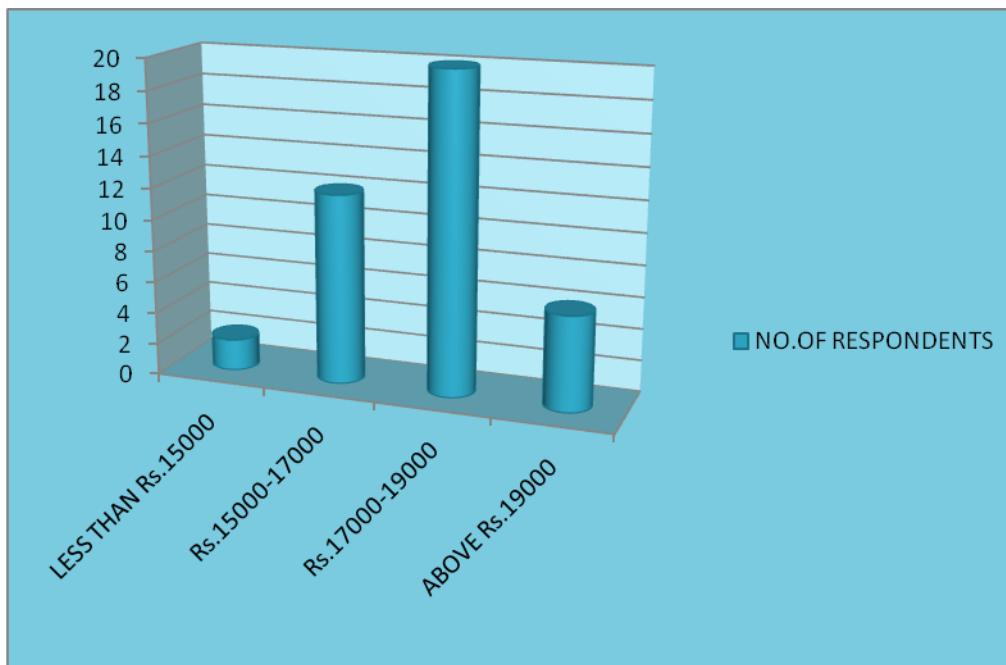


ANALYSIS:-

This diagram shows that 20% respondents invests their money upto Rs.50000, 40% respondents invest their money upto Rs.50000-200000, 22.5% respondents invests their money upto Rs.200000-500000 and other 17.5% respondents invest their money above Rs.500000.

WHAT ARE YOUR EXPECTATIONS ABOUT THE SENSEX IN FUTURE

OPTIONS	NO. OF RESPONDENTS
LESS THAN Rs.15000	2
Rs.15000-17000	12
Rs.17000-19000	20
ABOVE Rs.19000	6

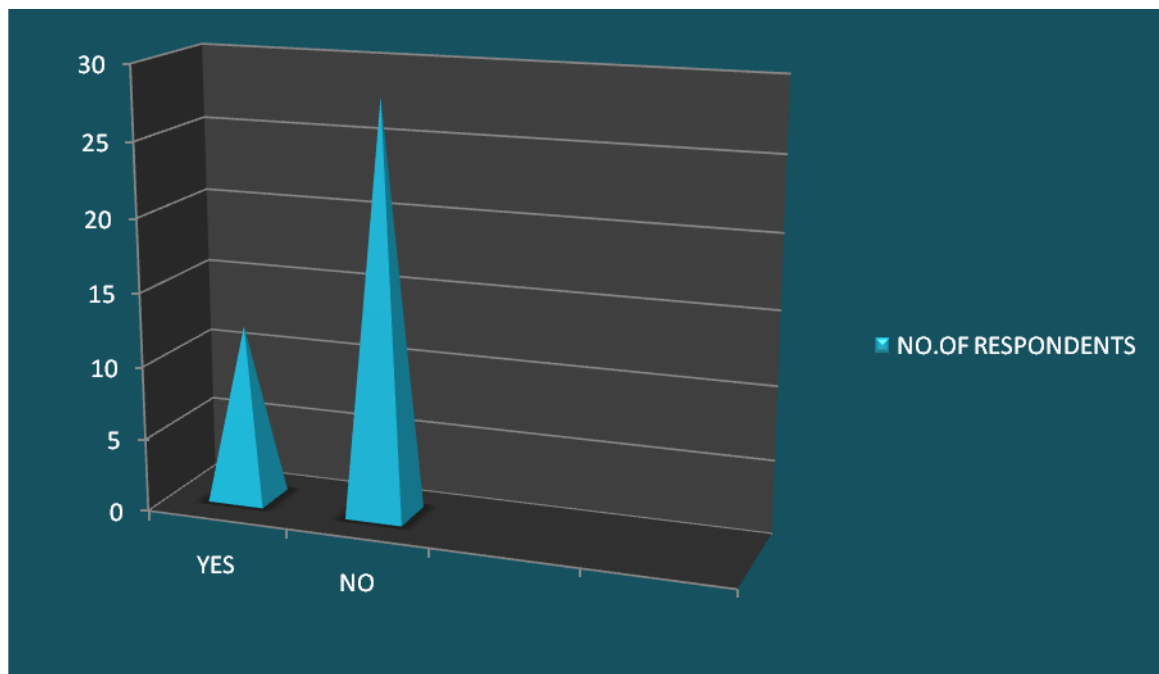


ANALYSIS:-

This diagram shows that 5% respondents expect that the Sensex will fall below Rs.15000, 30% expect that it will rise to the range of Rs.15000-17000, 50% expect it to rise to the range of Rs.17000-19000, and 15% expect it to rise above Rs.19000.

ARE YOU READY TO INVEST AT THE CURRENT LEVEL OF SENSEX(18000)

OPTIONS	NO. OF RESPONDENTS
YES	12
NO	28

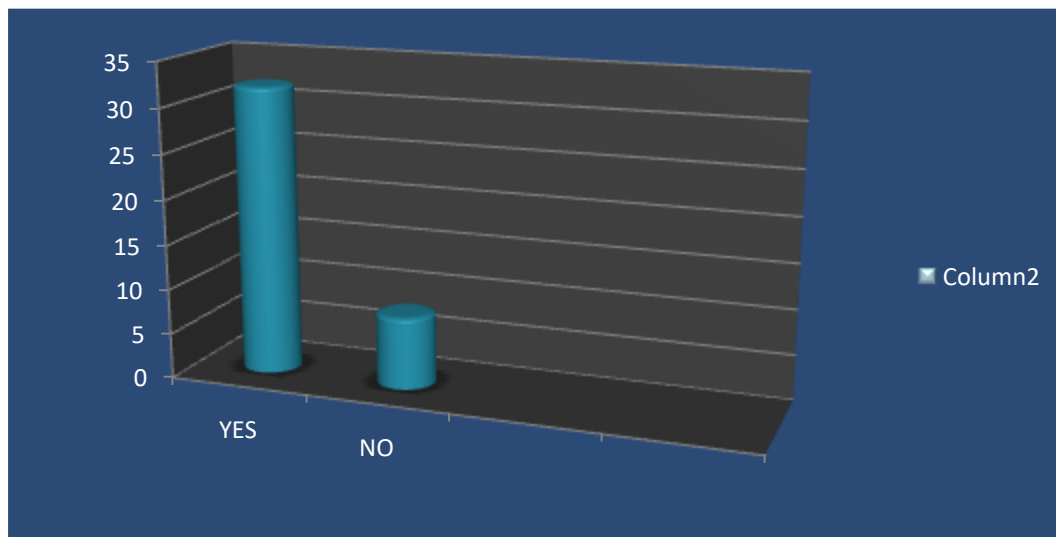


ANALYSIS:-

This diagram shows that 30% respondents are ready to invest in shares at the current level of sensex and Other 70% respondents are not ready to invest at the current level.

ARE YOU SATISFIED WITH THE SERVICES OF THE BROKERS

OPTIONS	NO. OF RESPONDENTS
YES	32
NO	8



ANALYSIS:-

This diagram shows that 80% respondents are satisfied with the services of brokers and other 20% respondents are not satisfied with the services of brokers.

PART-6

FINDINGS

- I found that most of the investors in stock market are from business class and service class people.
 - I found that most of the investors invest their money in banks for safety purpose and for earning regular income and some investors invest their savings in stock market for earning huge amount of profits irrespective of its risk factor. Inspite of Banks and Shares, Real Estate & Mutual funds also get a great response for investment.
 - I found that most of the investors get information about stock market from television and newspaper and some investors get information directly from the brokers.
 - I found that most of the investors invest their savings in stock market for long term benefits and tax benefits and some invest for short term gains.
 - I found that most of the investors invest their savings in stock market through broking companies. Banks are also a good source of buying shares from market. Their faith on the private brokers also encourages the investors to invest in shares through private brokers. Some investors buy shares through initial public offerings.
 - I found that most of the investors invest in stock market for a period ranging from six months to two yrs or two yrs to five yrs.
 - I found that most of the investors i.e. 50% perceives that the level of sensex will be in the range of Rs. 17000-19000 in future. Some investors perceives that it will be in the range of Rs.15000-17000 approx.
 - I found that most of the investors are not ready to invest their money in stock market at the current level of sensex i.e.(Rs18000 approx) due to the risk of fall in market position in future.
 - I found that most of the investors are satisfied with the services of the brokers.
-

LIMITATIONS

Though every care has been taken to make this report authentic in every sense. Yet there were a few uncomfortable factors, which might have had their influence on the study. These are:-

- Some respondents may have distorted the figures / facts or may not have disclosed the true information because of the hesitation to tell the right data.
- No tool for the cross-checking of the facts / figures was employed.
- As most of the times respondents were busy and were unable to spend a considerable amount of time. So they may not have been able to give the exact figures / facts.
- Since the study was restricted to MANDI GOBINDGARH, the findings/results may not be applicable to other areas.
- The method of data collection was a slow procedure as a considerable amount of time was lost in filling up the questionnaire

CONCLUSION

At last the conclusion of this project is that most of the investors invest their savings in Shares by getting information from Television and Newspapers. Most of the population want to invest their savings in Banks because of low risk and regular returns. Investment in Shares and Mutual Funds also get a positive response from investors. Investors invest in shares on the bases of News provided by the T.V and Newspaper. The Fundamentals and technical analysis provided by the broking co. also plays a vital role in the base of investment in shares. Most of the investors perceives that the level of sensex at present is high and they expects that it will come down in future that's why most of the investors are not ready to invest in stock market at its present position but on the other hand some investors are ready to invest in stock market at its present position in order to earn high profits irrespective of risk in future. But no investor wants to speculate in the life time at the highest point of the Sensex. As the Investors of today's era have no time to watch on shares regularly that's why they hire Broking Co. to reduce the tensions of share market and also to get knowledge about market from the executives of the Broking Co. and the Initial Public Offerings (IPO).of the companies.

RECOMMENDATIONS

- I want to suggest to the Broking companies to give more and more advertisements in television and Newspapers because most of the Investors are getting information from television and Newspapers as these are easiest and cheapest source of information.
- I want to suggest to the Broking companies to give information to the investors about stock market and eliminate the perception that share market is a gambling market by providing better services to the clients through relationship managers and also through dealers who execute the orders of the client.
- I want to suggest to the Broking companies to give information to the investors about stock market which is based on some fundamentals and do not encourage the investor to buy or sell the stock for earning brokerage etc.
- I want to suggest to the Broking companies to give information to the investors properly and don't encourage them to sell or buy any stock without their knowledge and also take care of their savings for their benefits.
- I want to suggest to the Broking companies that most of the population believes that the broking companies are a good source to buy shares from market so they have to take care of each and every aspect to satisfy the client.

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