Advantageous Thinking for the Future of the Stock Market

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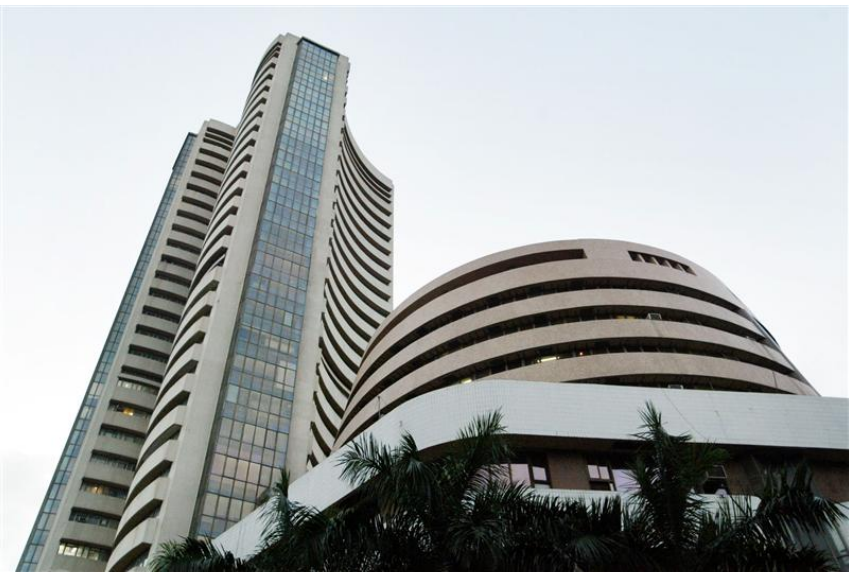
Abstract

The stock market puzzle refers to the reality that many people, despite historical proof of a favourable return on investment, fail to purchase equities. However, subjective likelihood of gain assessments demonstrate that people are more pessimistic than historical results would imply. Furthermore, predictions of future stock price increases appear to be based on outdated knowledge, which appears to contradict rational expectations in the setting of efficient markets. To shed light on these seeming inconsistencies, I used a few Indian instances to demonstrate the influence of investor psychology in urban and semi-urban areas on the equities market.

Keywords: *Stock market, Perception, Make in India, Indian Markets*



INTRODUCTION

A strong financial market with broad participation is essential for a developed economy. With India's growth story unfolding, there is a need to raise resources for companies to fuel the capital needs of the economy. India's household savings, one of the highest in the world at 30%, can be channelized through equities, bonds and other instruments to achieve greater financial inclusion and improve the financial markets in India. According to Stats the people who like to invest their money in Stock markets in any form is only 2 % of Indian population which is way to less. Through this study I want to throw a light on the increasing profitability of Indian markets and the comparison of trends in the stock markets.

NEED OF THE STUDY

People now a days are less aware of the policies and their impact on Economy, The fact that the expectations of people are fluctuating and people now are relying more on the equity market being unware of facts which lead to change the outlook of the stock market for both economy and investors. Here I would jot down some changing bias of stock market.

OBJECTIVES OF STUDY

1) To Access the Stock market literacy among the urban and Semi-urban Investors

2) To identify the role of Make in India movement in changing perceptions local Investors.

RESEARCH METHODOLOGY

Introduction

To accomplish the said objectives, the following research methodology was adopted:

Sources of data:

The study is based on both primary and secondary data.

Primary data

Primary data was collected from 156 investors in the form of questionnaire. Half of the investors of Urban and half of the Semi-Urban group re taken for the research. Experts of the Field are also taken into account.

Secondary data

Secondary data was collected from:

- Websites
- e- articles
- Book

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Sample size: 156 Investorsof Urban and Semi – urban areas are taken as sample (Sampling technique: Random sampling)

Duration of study:

The time period for analysis is 2017 -18

Tools of data representation:

For representing the working and perception of Investors following tools was used: -

- Bar diagrams
- Pie charts
- Tables
- Line graphs

Tools for analyzing data:

For analyzing the trend following tools was used: -

1) Correlation coefficient
2) Regression coefficient
3) Time series analysis - ordinary least square method
4) Ratio

REVIEW OF LITERATURE

S.no	Name of author	Title	Published details	objectives	Finding
1	**Maarten van Rooij, Annamaria Lusardi and Rob Alessie**	Financial Literacy and Stock Market Participation	**Michigan Retirement Research Center** University of Michigan	To study the impact financial literacy among the Investors of different sub groups.	The study found out that there is always a different impact of financial literacy on various subgroups based on education, sex, basic literacy quartiles and net household Incomes
2	**Malcolm Baker & Jeffrey Wurgler**	INVESTOR SENTIMENT IN THE STOCK MARKET	NATIONAL BUREAU OF ECONOMIC RESEARCH	To study the impact of investors sentiments on the stock market	Through the study it was found out that waves of sentiment have clearly discernible, important, and regular effects on individual firms and on the stock market as a whole. In particular, stocks that are difficult to arbitrage or to value are most affected by sentiment
3	**LEO Gough**	Financial Times Prentice Hall	**Pearson Education Limited**	Studied the concept of Guerrila Investor	He categorized Investors according to rating of the Investment and their literacy in the market.

4	**Dr.GaganKukreja**	Investors' Perception for Stock Market: Evidences from National Capital Region of India	**College of Business & Finance, Ahlia University**	This study aims to measure the investors' perception towards Indian capital market with reference to National Capital Region (NCR) investors of India. This research is a descriptiveresearch study, in which, systematic sampling technique is used	Investor can be increased in the market only if elements like trust, guidance and regulations exist in capital market among brokers and investors
5	P.Varadharajan and Dr.PVikkraman	A study on investor's perception towards investment decision in equity market	University of Guadalajara, 2011	The study mainly tries to find out whether the attitudes of the investors based on their self-monitoring has any effect on their selection of portfolio and their returns.	Study shows that investment strategies of people keep changing as well as the factors that influence the decision making keeps changing. The study reveals that there exists an independency between the demographics, majority of the factors and the returns obtained.
6	Dr. T. N. Murty and P.V.S.H Sastry	**Investment Perception Of Small Investors - A Scientific Analysis**	F-I-L Research Programme, october 2010	The study is to know the investors' perception towards risk- return of small investment in capital market based on their demographic factors	The investors assign different risk and return ratings for each type of investment and the rating vary with the socio-economic and investment profile of the investors
7	Dr. K. RAVICHANDRN	**A study on Investors Preferences towards various investment avenues in Capital Market**	(School of Excellence of Bharathidasan University), Tiruchirapalli	To study about the Awareness in the various uses of derivatives which can help investors to reduce the risk and minimize the losses	The study found out that investors should be aware of the various hedging and speculation strategies, which can be used for reducing their risk.
8	Ms. Anitha, D. Phani Bhargavi	**Investors' Perception Towards Investment**	Dept of Mgmt Studies, Ravindra College of Engineering for Women	This paper attempts to know the preferences and analyse the Significance of demographic factors that influence the investor's decision towardsmaking investments.	The study found out that the gender difference and age affects the risky decision-making behaviour and ability to take risk

9	**Gene Amromin and Steven A. Sharpe**	How do Investor Expectations of Risk and Return Vary with Economic Conditions?	Federal Reserve Bank of Chicago and Federal Reserve Board	To find out positive predictors of actual stock returns in the asset-pricing literature are also highly correlated with investor's reported expected returns	The study shows that over a period of about 10 years, the expectation for 12-month-ahead or 3-year ahead stock returns exhibits a strong negative correlation with both the dividend-price ratio and with the consumption-wealth ratio
10.	Rituparna Bhattacharya, Anuradha Sen &SandipaLahiri Anand	Genesis of Indian Stock Market & Impact of World Economy on Indian Market		To frame a brief account on the changing dynamics of the Indian stock market and tries to explain the growth of the market in the light of various economic as well as international aspects.	Research showed that FII has helped to increase the stock prices of selected shares with a chasing tendency, the effect of mutual funds seems to be very positive on the movement of BSE & NSE.
11.	**Gunjan Tripathi**	An Empirical Investigation of Investors Perception towards Derivative Trading	**Global Journal of Finance and Management**	This study is conducted to understand investors' awareness towards derivative products and their perception towards derivatives.	It is found that more than 75% of investors are aware about derivatives, out of which 74% have invested in derivatives. Most of the users often invest 10% - 20% of their total investment in derivatives followed by users who invest 20% - 35% of their total investment in derivatives.
12	**Dr. Anil Nagtilak**	A STUDY ON INVESTORS PERCEPTION TOWARDS INITIAL PUBLIC OFFERING IN MUMBAI	**Abhinav Publication**	To find out investors confidence level and their preference while investing money (whether investors feel that they can make money in the stock market	This project report has proven that large no of investors have shown confidence in IPO and prefer to invest in IPO and according to them IPO is one of the good option for Investment.

A literature review is a text written by someone to consider the critical points of current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and as such, do not report any new or original experimental work. Also, a literature review can be interpreted as a review of an abstract accomplishment.

A literature review usually precedes a research proposal and results section. Its main goals are to situate the current study within the body of literature and to provide context for the particular reader. Literature reviews are a staple for research in nearly every academic field.

Analysis and Interpretation

Questionnaire Analysis

1. Which area you belong to?

Among the 156 questionnaires collected the people who are interested in investing in the stock markets are mostly Urban while the Semi- Urban people are less interested as well as the amount of investors in urban community are much more than in Semi-Urban community. This can be showed by help of diagram:-

Urban	108
Semi -urban	48

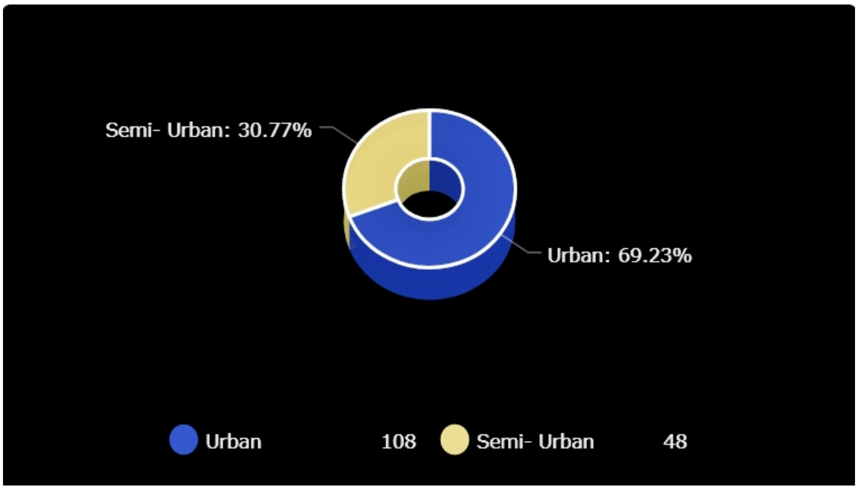


Figure: 1

2. Why do you invest in equity market?

For quick short-term gain	69
For high long-term gain	87

People have different views regarding their gains but mostly people want to invest for long term gains, As India is a country where people believe in savings therefore long term gains are usually preferred by the people.

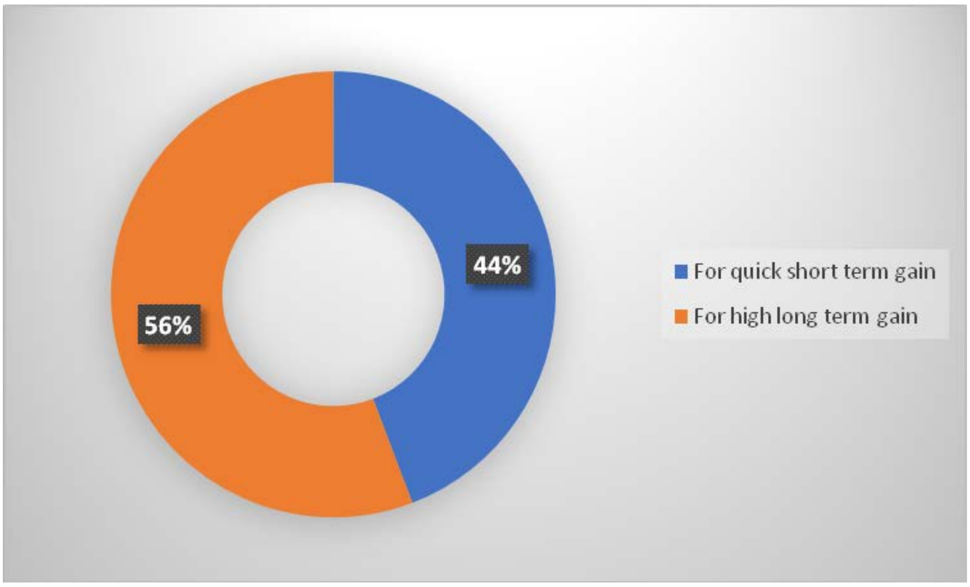
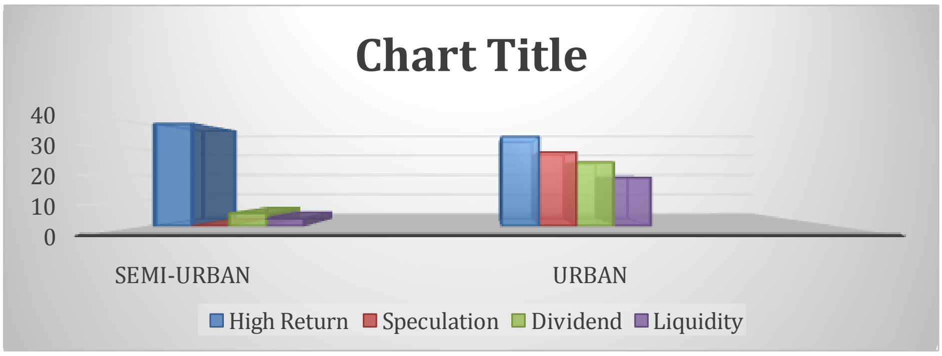


Figure: 2

3. What attracts you towards Stock market?

High return	78
Speculation	30
Dividend	27
Liquidity of invested fund	21

Attraction is the most important factor that strengthens the investor to invest in the stock market. If we study the Indian Investor most of them invest in the market due to higher return and the proportion to the investors who want to invest in market due to high return mostly consists of Semi-Urban people while on the other hand Urban investors look towards other factors as well while investing into the Stock Market. Awareness of Semi-Urban People regarding other gains is very less compared to those of urban people.



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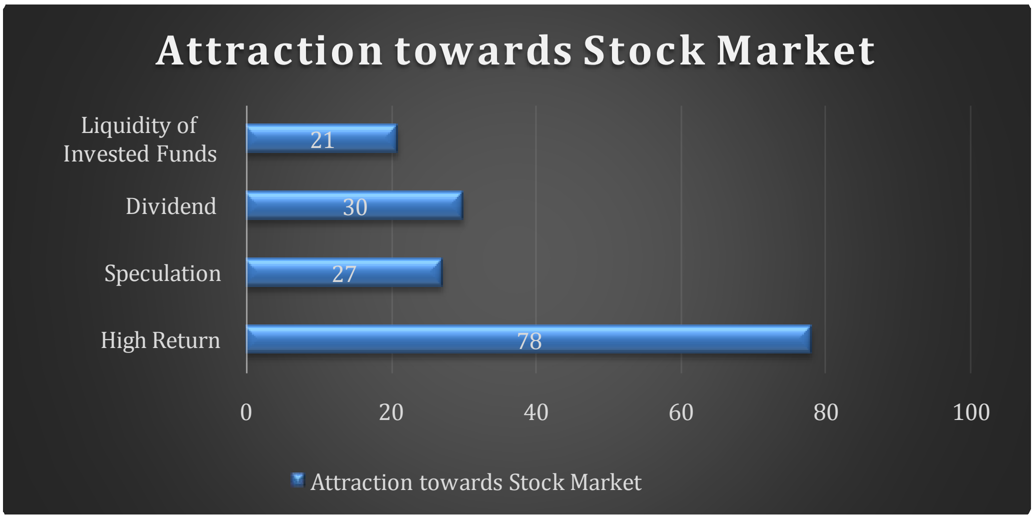


Figure: 4

4. Which companies you think will yield a better return in the stock market?

TCS	38
Dr. Reddy's Labs	24
Reliance Industries	45
MRF	22
L&T	27

According to Questionnaire the people opted for TCS as the best return yielding company whereas in the recent scenario TCS is not adequate enough to provide good returns there the financial literacy among the people especially from Semi-Urban areas. People their use to go by brand names because they don't have enough source of gaining knowledge.

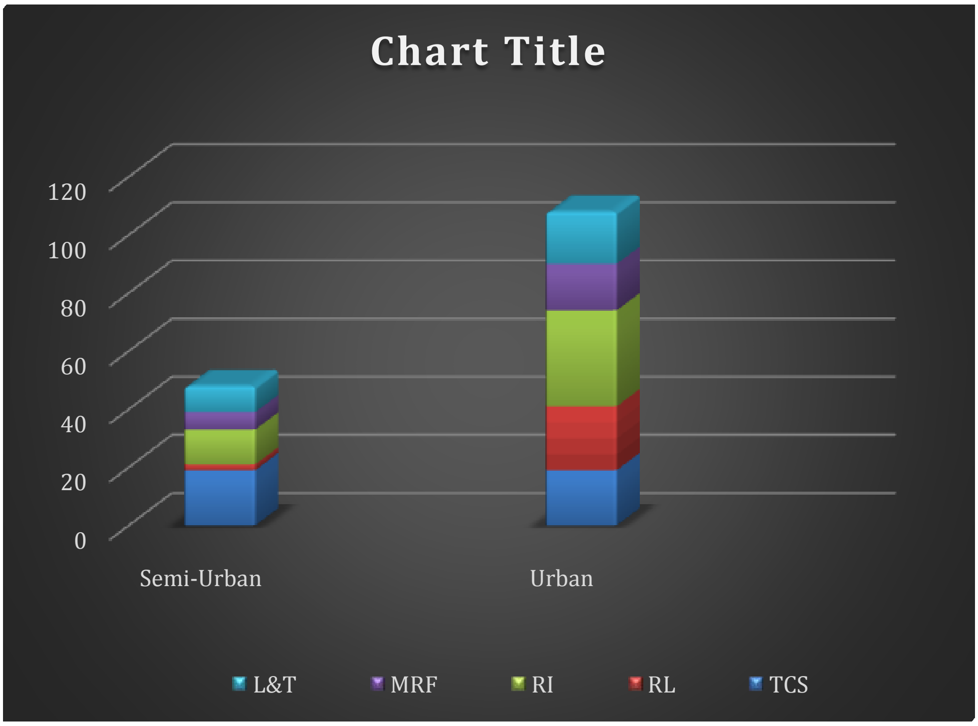


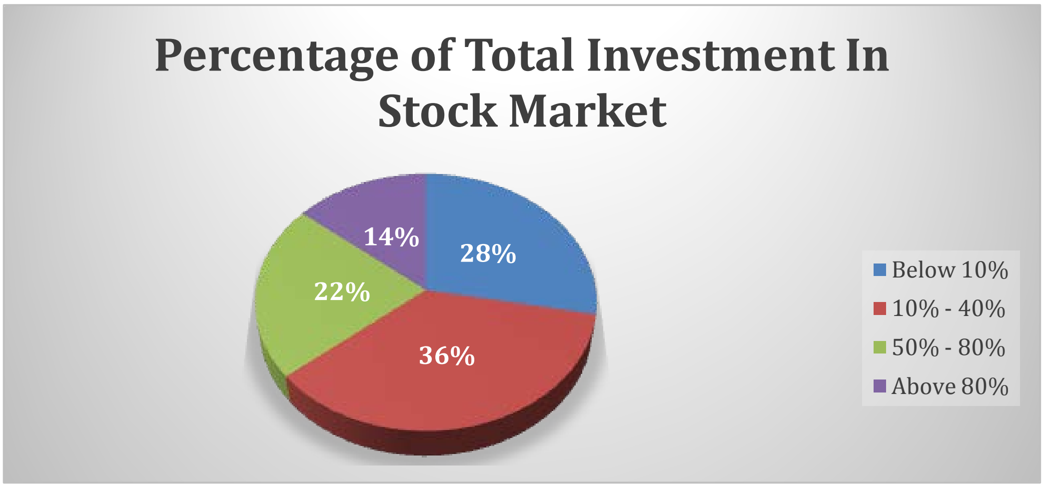
Figure: 5

5. *How much percent of your Total Investment you put into Stock Market?*

Below 10%	42
10% to 40%	54
50% to 80%	33
Above 80%	21

Most of the Indian people only like to invest about 10% to 40% of their amount into the stock market, Dominancy been 36% of the investors come under this category as the are not regular investors but want to gain profits from the stock market.

The other class of people consists of people who invests less than 10% of their total investments into the stock markets. Therefore the people who are investing less than 50% into the stock market are dominant in both Urban and Semi- Urban areas.



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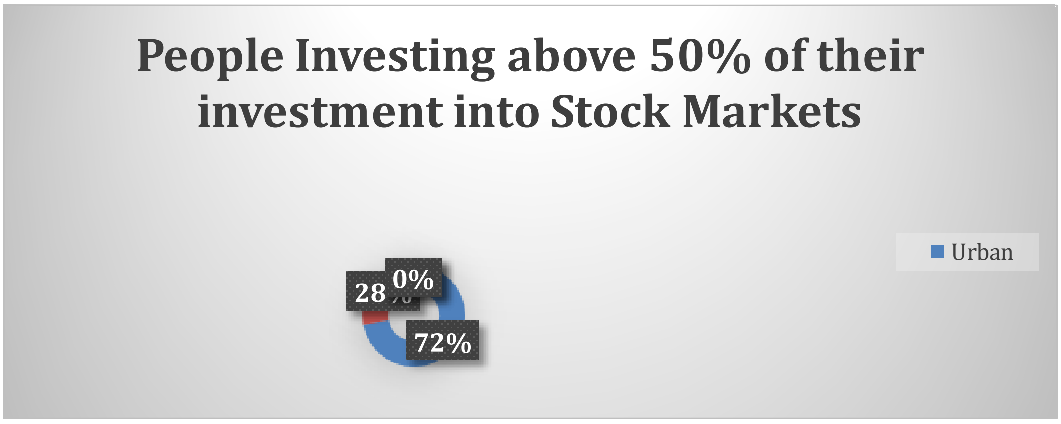

Figure: 7

6. Do you think that the 'MAKE IN INDIA' program will affect Stock Market?

Yes	47
No	43
Maybe	66

Most of the investors are ignorant about the fact that whether the **Make In India** program would benefit the stocks or not, and would show some response towards the stock market. While the number of investors who consider it an important variable of stock exchange and the number of investors who undermine the effect of this program are almost equal. Consequently, this shows that the investors' awareness regarding the **Make in India** program is quite less.

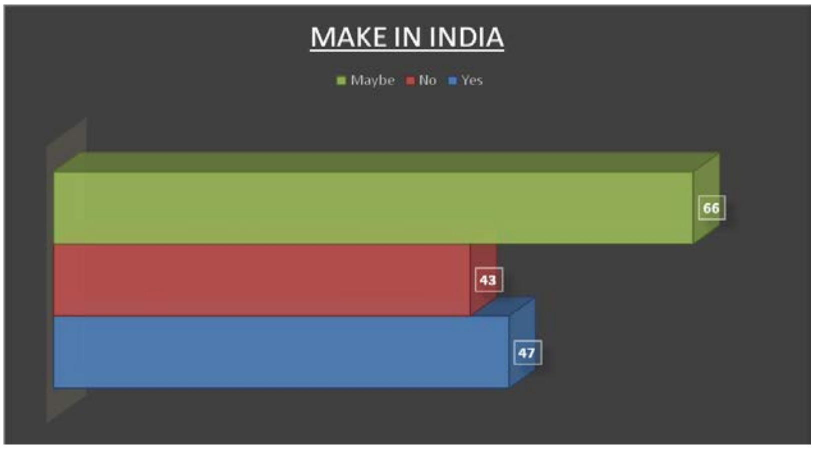

Figure: 8

7. Which Sector, according to you will be benefited the most under 'MAKE IN INDIA' program?

Banking	27
Oil & Gas	45
Infrastructure	62
Power	22

As the investors are quite particular about India growing in terms of Infrastructure people are investing in Infrastructure development companies and a positive response is obtained by the investors towards both infrastructure and oil & Gas companies. Investors are much more concerned towards infrastructure development as it is a key note industry which would be affected by MAKE IN INDIA program.

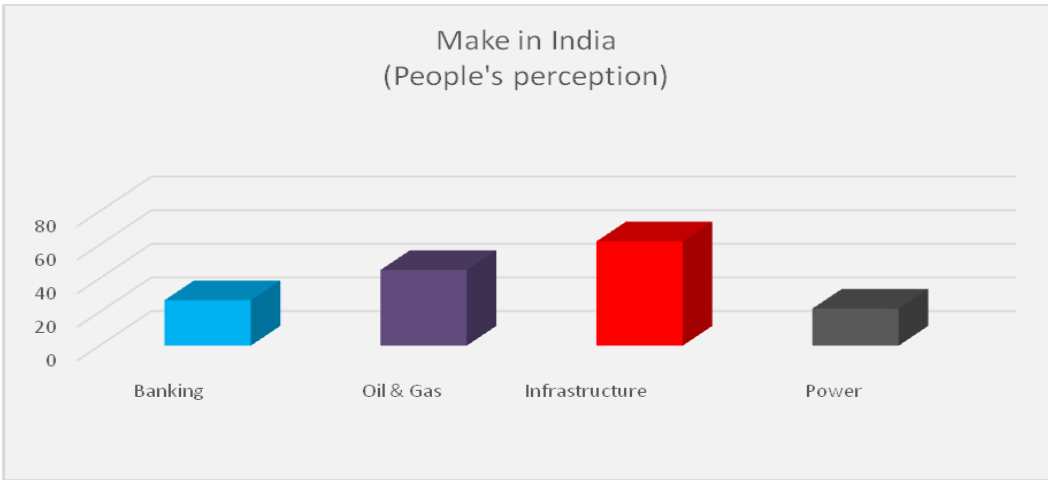

Figure: 9

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8. How will the changing policies in India affect the value of your stocks?

Value will increase	78
Value will decrease	18
No change in value	24
No Idea	36

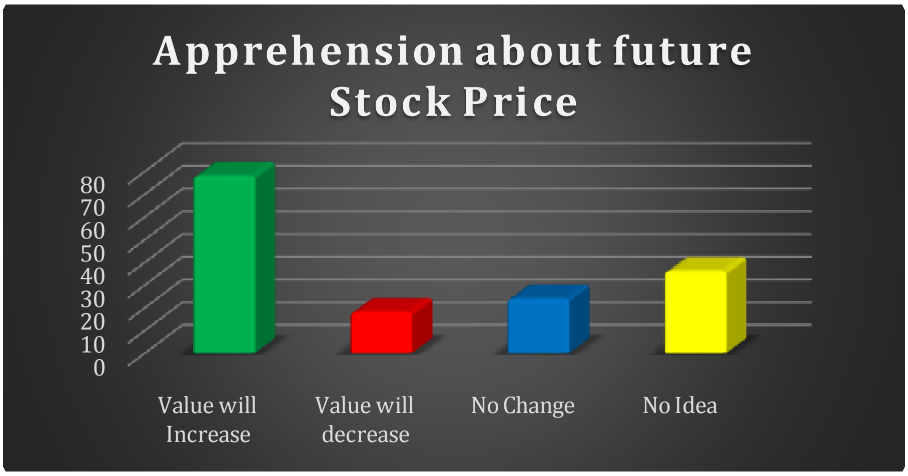

Figure: 10

Investors are still positive about their stock prices despite the fall in various index in last one year. Approximately half of the investors are of the view that their stock price will definitely increase in the upcoming years as the policies will definitely make indexes grow at a swift pace. Yet the awareness among few of them is very less as approximately one-fourth investors are of the view that they don't have any idea about the policies and their impact upon stock price.

Interpretation with reference to Interview
According to **Mr Gaurav,** the Branch Manager of Tundla branch the average monthly footfall in the branch was around 250 which includes people from loaning, Insurance and trading sector. This less footfall is due to the low awareness among people in Semi-Urban area regarding stock markets and its returns.

Talking about the major attraction of investors in the stock market. People usually invest due to high returns. But as **Mr Ashish** from sales dept. of India Infoline he clearly said that regular investors prefer doing speculative trade after some time period which also provides an edge to trading due to speculation which is more prevalent in Urban areas.

Mr Asif, told that people are normally concerned about the Big Brand names despite gaining the actual knowledge about the companies. As we can see from the questionnaire Reliance got the maximum profit yielding company, the fact is MRF is a better one. Therefore, this could be interpreted that the preferences change according to the brand name.

Mr Gaurav also told us in in the interview that people here usually trade in lesser amounts, the average investor invests not more than 50000 in stock market in the branch. There are also many dummy accounts which people do not use or are only operated once a year. While according to **Mr. Ashish** there are lot of transactions which happen in all the branches of Delhi and investors usually trade in lakhs.

Mr. Mohit an analyst from Delhi branch talked about MAKE IN INDIA, he told us that at first urban investors went crazy for infrastructure stocks after the launch of program, While the oil and gas sector stocks came to boom after crude oil prices reduced but at this point of time people are ignorant about the MAKE IN INDIA program and its consequences. While the Banking sector stocks are prominent among Semi-Urban sector as they want the consistent returns and low risks which tells about the changing preference according to the demography.

CONCLUSION AND SUGGESTIONS

Despite the fact that India is home to numerous investors, the majority of them prefer to invest in other areas such as real estate, gold, and so on. The ratio of urban to semi-urban stock market investors is 9:4. The study also emphasises on the fact that consumers are less aware of the benefits that may be obtained via markets. Most of them are just interested in short-term gains. The second element of Make in India shows that individuals are anticipating infrastructure expansion as well as a rise in share price as a result of changing legislation, but they are not putting much effort into the market. The genuine perception would emerge only at the end of this year, when the outcomes are clear to investors.

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