
**“STUDY ON INVESTMENT PERCEPTION AND SELECTION BEHAVIOUR
TOWARDS STOCK MARKET”**

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Abstract

Stock Market volatility is unavoidable. It is the nature of the stock markets to fluctuate and turn red and green within short span of time. Volatility is an essential part of the stock market because it checks the nerve of the market.

The same way market has two aspects the positive and the negative. At present stock market is much volatile because of the impact of weak rupee against dollar Indian capital market has grown exponentially in the last few decades. Further research provides evidence of volatility caused by a host of factors, including information contained in news, the financial performance of organizations, and even investor behavior. Day-to-day price swings are often large. So, is felt that there is a need to analyze the volatility and return in the Indian capital market from the perspective of understanding market behavior. Under this situation, present study was conceptualized to re-examine the time variation in volatility.

Keywords: investment, stock market, capital, perception, financial.

Stock market

The stock market broadly refers to the collection of exchanges and other venues where the buying, selling, and issuance of share of publicly held companies take place. Such financial activities are conducted through institutionalized formal exchanges (whether physical or electronic) or via over the counter (OTC) marketplaces that operate under a defined set of regulations.

While both the terms “stock market” and “stock exchange” are often used interchangeably, the latter term generally comprises a subset of the former. If one trades in the stock market, it means that they buy or sell shares on one (or more) of the stock exchange(s) that are part of the overall stock market. A given country or region may have one or more exchanges comprising their stock market. The leading U.S. stock exchanges include the New York Stock Exchange (NYSE) and the Nasdaq. These leading national exchanges, along with several other exchanges operating in the country, form the stock market of the United States.

Capital market

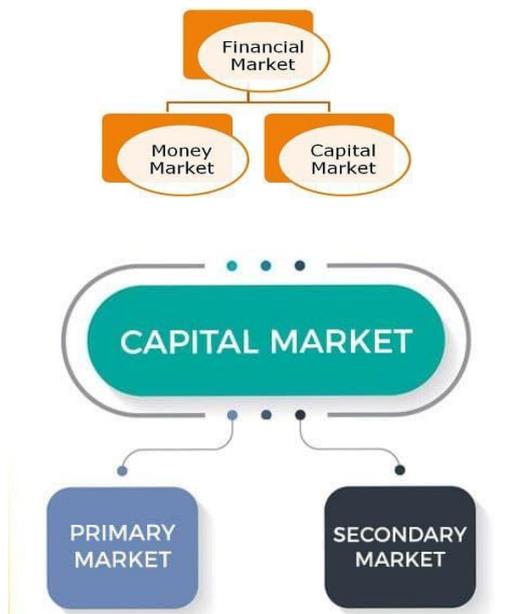
Capital markets are where savings and investments are channeled between suppliers—people or institutions with capital to lend or invest—and those in need. Suppliers typically include banks and investors while those who seek capital are businesses, governments, and individuals.

Capital markets are composed of primary and secondary markets. The most common capital markets are the stock market and the bond market.

Capital markets seek to improve transactional efficiencies. These markets bring suppliers together with those seeking capital and provide a place where they can exchange securities.

Types of capital market:

- **Primary market.**
- **Secondary market.**



Primary Market

The primary market is where securities are created. It's in this market that firms sell (float) new stocks and bonds to the public for the first time. An initial public offering, or IPO, is an example of a primary market. These trades provide an opportunity for investors to buy securities from the bank that did the initial underwriting for a particular stock. An IPO occurs when a private company issues stock to the public for the first time.

This is the first opportunity that investors have to contribute capital to a company through the purchase of its stock. A company's equity capital is comprised of the funds generated by the sale of stock on the primary market.

Secondary Market

For buying equities, the secondary market is commonly referred to as the "stock market." This includes the New York Stock Exchange (NYSE), Nasdaq, and all major exchanges around the world. The defining characteristic of the secondary market is that investors trade among themselves.

That is, in the secondary market, investors trade previously issued securities without the issuing companies' involvement. For example, if you go to buy Amazon (AMZN) stock, you are dealing only with another investor who owns shares in Amazon. Amazon is not directly involved with the transaction.

In the debt markets, while a bond is guaranteed to pay its owner the full par value at maturity, this date is often many years down the road. Instead, bondholders can sell bonds on the secondary market for a tidy profit if interest rates have decreased since the issuance of their bond, making it more valuable to other investors due to its relatively higher coupon rate.

The secondary market can be further broken down into two specialized categories:

Auction Markets

In the auction market, all individuals and institutions that want to trade securities congregate in one area and announce the prices at which they are willing to buy and sell. These are referred to

as bid and ask prices. The idea is that an efficient market should prevail by bringing together all parties and having them publicly declare their prices.

Thus, theoretically, the best price of a good need not be sought out because the convergence of buyers and sellers will cause mutually agreeable prices to emerge. The best example of an auction market is the New York Stock Exchange (NYSE).

Dealer Markets

In contrast, a dealer market does not require parties to converge in a central location. Rather, participants in the market are joined through electronic networks. The dealers hold an inventory of security, then stand ready to buy or sell with market participants. These dealers earn profits through the spread between the prices at which they buy and sell securities.

An example of a dealer market is the Nasdaq, in which the dealers, who are known as market makers, provide firm bid and ask prices at which they are willing to buy and sell a security.² The theory is that competition between dealers will provide the best possible price for investors.

Money Market

Money market refers for short-term market Money market basically refers to a section of the financial market where financial instruments with high liquidity and short-term maturities are traded.

Money market has become a component of the financial market for buying and selling of securities of short-term maturities, of one year or less, such as treasury bills and commercial papers.

Money market instruments such as treasury bills, commercial papers. And certificates of deposit. It is used by many participants, including companies, to raise funds by selling commercial papers in the market Money market is considered a safe place to invest due to the high liquidity of securities.

Types:

1. Commercial Paper
- 2 Federal Funds
3. Discount Window
4. Certificate of Deposit
5. Treasury Bills

Types of stocks

There are two main types of stocks: Common stock and Preferred stock

Common stock:

A common stock is a simple piece of ownership of company and a claim (dividends) on a portion of profs. Common stock may or may not pay a dividend. and are consider riskier than preferred stock They are referring to common stock, if your friend or relatives owns a few shares of that company, they are therefore an owner of the company.

A benefit of being an owner includes the receipt of any dividends paid by the company. In addition, most common stock is classified as "voting stock", which allowed stockholders to vote for the board of directors and various shareholders proposals

Preferred stock:

Preferred stock represents some degree of ownership in a company but usually doesn't come with the same voting rights. Preferred stock typically a debt instrument of a company. Preferred stock works in very similar, it may be issued at \$25 per share and may trade on stock market.

This is a different from common stock which has variable dividends that are declared by the board of directors and never guaranteed. It's also possible for companies to customize different classes of stock in any way they want.

The dividends of preferred stocks are different from and generally greater than those of common stock. Preferred stocks trade the same way as common stocks, usually through a brokerage firm and transaction cost

Preferred share can be converted to a fixed number of common shares.

Types of exchanges

There are two types of exchanges:

1. **National Stock Exchanges (NSE)**
2. **Bombay stock Exchanges (BSE)**



National Stock Exchange

The National Stock Exchange of India Limited (NSE) established in 1992 Located in Mumbai NSE was the first exchange in the country to provide a modern fully automated screen-based electronic trading system which offer easy trading facility to investor.

Mr. Ashok Chawla chairman of the NSE and Vikram Limaye is Managing Director & Chief Executive officer (MD & CEO) of NSE National Stock Exchange has a total market capitalization of more than US\$ 2.27 trillion. NSE was the provide different types of markets like Equities, Derivatives, Debt etc.

There are two types of Trading Schedule in NSE

1. Pre-open session
 - Order entry & modification open: 09:00 hrs.
 - Order entry & modification close: 09:08 hrs.
2. Regular trading session
 - Normal/Retail debt/Limited physical market open: 09:15 hrs.
 - Normal/Retail debt/Limited physical market close: 15:30 hrs.

NIFTY 50

Formerly known as the S&PCNX Nifty Index, it was renamed in 2013 with the expiration of agreement between IISL, and Standard and Poor's Financial Service on 31 Jan 2013.

The NIFTY 50 is a diversified 50 stock index accounting for 12 sectors of the economy. NIFTY 50 is managed by INDIA INDEX SERVICES AND PRODUCTS LTD. (IIS).

There are three types of NIFTY 50 index:

1. NIFTY midcap.
2. NIFTY small cap.
3. NIFTY large cap.

Bombay Stock Exchanges

The Bombay Stock Exchange (BSE) is an Indian Stock Exchange located at Dalal Street, Mumbai, established in 1875 is Asia's first stock exchange. It claims to be the world's fastest stock exchange. Bombay Stock Exchange was founded by Premchand Roychand. A man who made a fortune in the stock broking business and come in be known as the cotton king, the bullion king, or just the Big Bull.

The Bombay stock exchange is the oldest stock exchange in Asia. Its history dates back to 1855, when 22 stockbrokers would gather under banyan trees in front of Mumbai town hall On August 31, 1957, the BSE become the first stock exchange to recognized by the Indian Government under the securities contracts Regulation Act.

More than 5000 companies listed on BSE. The companies listed on BSE ad. Command a total market capitalization of USD 1.51 Trillion as of May 2014.

BSE provides a host of other services to capital market participants, including risk management, clearing, settlement, market data services, and education BSE is the first exchange in India and the second in the world to obtain and ISO 9001:2000 certification and the Information Security Management System Standard BS 77992-2002 certification for its On-Line Trading system.

SEBI



The Securities and Exchange Board of India (SEBI) is the regulator for the securities market in India. It was established in the year 1988 and statutory power on 30 January 1992 through the SEBI Act, 1992.

The Government of India on May 1992 and given statutory power in 1992 with SEBI Act 1992 being passed by the Indian Parliament.

SEBI headquarters at the business district of Bandra Kurla Complex in Mumbai, and has Norther, Eastern, Southern and Western Regional Offices in New Delhi, Kolkata, Chennai and Ahmedabad.

The chairman who is nominated by Union Government of India. Two members One member from the Reserve Bank of India. Second member are officer from Union Finance Minister

Function and Responsibilities of SEBI

The basic functions of the Securities and Exchange Board of India as "to protect the interest of investors securities and to promote the development of, and to regulate the securities market and for matter connected there with or incidental there to SEBI has to be responsive to the needs of three groups:

- The issuers of securities
- The investors
- The market intermediaries

SEBI has main responsibilities are the guide of all Stock Market and handle the regulation in Stock Market.

Function:

- The main function of SEBI is Regulating the business in stock exchanges and any other securities markets.
- Registering and regulating the working of stockbrokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, portfolio managers, investment advisors.
- The duty of the Board to protect the interest of investors in securities and to regulate the securities market.
- Bound have some powers as issuing commissions for the examination of witness or documents

Role of SEBI:

SEBI has power to make new rules for controlling stock exchange in India. For example: SEBI fixed the time of trading 9:00 AM and 5:00 PM in stock market. SEBI has power to provide license to dealers and brokers of capital market. If SEBI sees can also control to that product and its dealer. SEBI has many powers for stopping fraud in capital market. It can be on the trading of those broker who are involved in fraudulent and unfair trade practices relating to stock market.

SEBI uses his powers to audit the performance of different Indian stock exchange for bringing transparency in the working of stock exchanges.

Objective of SEBI:

1. To regulate the activities of stock exchange.
2. To protects the rights of investors and ensuring safety to their investment.
3. To prevent fraudulent and malpractices by having balance between self-regulation of business and its statutory regulations.
4. To promote orderly functioning of stock exchange and securities industry by regulating them.
5. To create and enforce byelaws for 27orporate and financial intermediaries.
6. Promote and develop the financial market of India.
7. Checking for insider Trading
- 8.To regulate and develop a code of conduct for intermediaries such as brokers. underwritten, etc.
9. Settlement of investor's grievances in securities market.

Objective of the Study

1. To study the investors behavior towards the various investment alternatives with special reference to stock market.
2. To study the investors objectives.
3. To study the factors influencing the investors to invest in various investment alternatives.
4. To identify the time horizon with which they make their investment.
5. To identify the front rummers for investment in various sources Investor attitude and perception.

Investor's Attitude and Perception

A stock market is a place in which long term capital is raised by industry and commerce, the government and local authorities and it is regarded as capital market.

- A study revealed the investors, can easily and quickly participant in, or withdraw from the market depending on their confidence and perception towards the prevailing market conditions.

- In the past, there have been extremely few studies on the subject of attitudes and perceptions of the individuals' investors. However, the emerging research studies suggest that perceptions and attitudes may act as mediators between financial transactions and investment decisions.
- Individual investors' perceptions as well as their attitudes may change their investment decisions. The examined how individual investor perceptions change & drive trading and risk-taking behavior during the 2008-2009 financial crisis. It is revealed that investor perceptions fluctuate significantly during the crisis, with risk tolerance and risk perceptions being less volatile than return expectations.

Objective of Research

- The main objective of the study analyzes the investor perception and selection behavior in stock market.
- To see the stock market volatility patterns in Indian stock market and behavior of volatility after the introduction of stock market.
- To study the stock price movements to show that any trend or movements in the market are interdependent and to understand the weak form efficiency of the Indian stock market
- To identify the day-of-the-week effect and month-of-the-year effect in the Indian stock market.
- To investigate and compare the stock returns and volatility behavior of the Indian stock market as compared to international stock markets.

Research Design

1. Sources of Data:

The present study mainly depended upon secondary data and used daily index closing values. The required information of every day's closing values was collected from the websites of respective stock exchanges (www.meindia.com, www.bscindi.com, www.moneycontrol.com, www.allstocks.com, and www.yahoofinance.com.)

- **Primary Data:**

The data for carrying out this study has been collected thoroughly on questionnaire basis for the research purpose.

- **Secondary Data:**

Secondary data collect on the base of the case study, annual report and internet base.

2. Tools of presentation & Analysis:

- Percentage. Bar graphs: these tools were used for analysis of data.
- Descriptive analysis
- Hypothesis Testing

3. Sampling Plan:

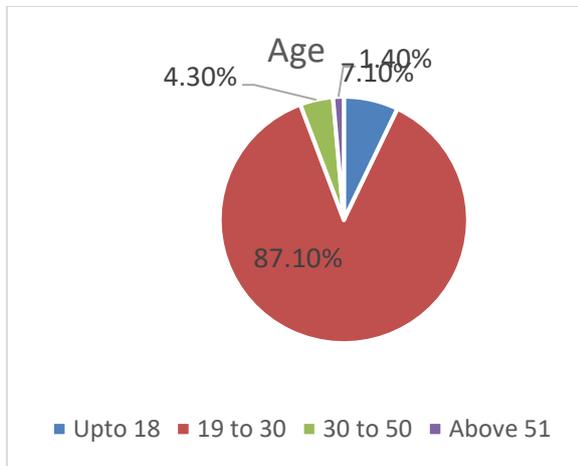
- Sampling Method: Non-Probabilistic-Convenience sampling

- Sample Size: The sample size selected for the Research in 100 in the area of Indore and Raipur.
- Sampling Unit: For our study purpose, the sampling unit is investor who invests in Stock Market.
- Sample Frame: people of Indore and Raipur.

ANALYSIS

Age

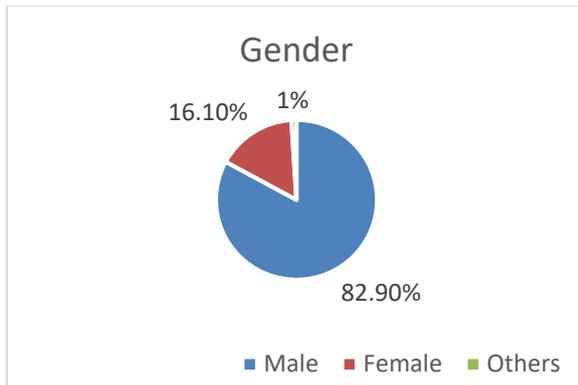
- Up to 18
- 19 to 30
- 30 to 50
- Above 51



- 7.10% are age of up to 18.
- 87.10% are age of between 19 to 30.
- 4.30% are age of between 30 to 50.
- 1.40% are age of above 51.

Gender

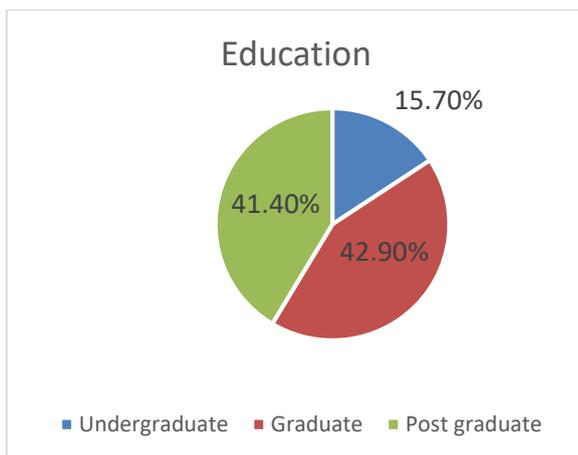
- Male
- Female
- Others



- **82.90% respondents are males.**
- **16.10% respondents are females.**
- **1% respondents are of other genders.**

Education

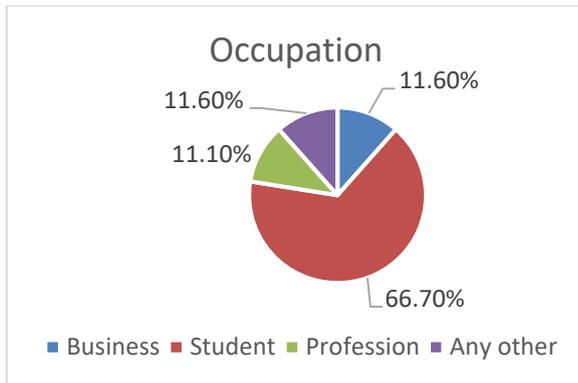
- **Undergraduate**
- **Graduate**
- **Postgraduate**



- **15.70% of respondents are undergraduate.**
- **42.90% of respondents have graduate degree.**
- **41.40% of respondents have post degree.**

Occupation

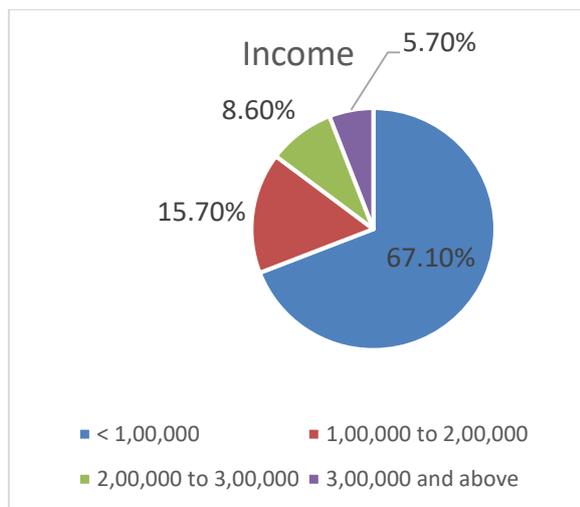
- **Business**
- **Student**
- **Profession**
- **Any other**



- **11.60% respondents are businessmen.**
- **66.70% respondents are students.**
- **11.10% respondents have profession.**
- **11.60% respondents belong to other occupations.**

Annual income

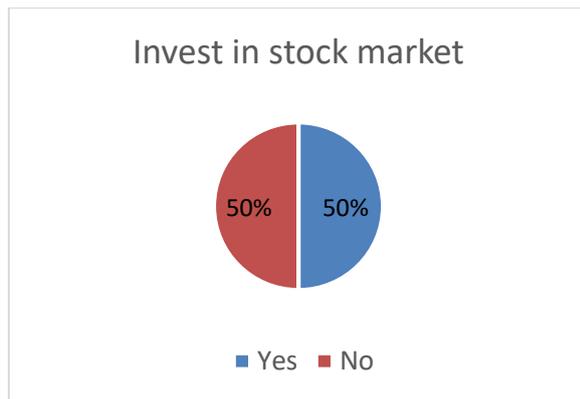
- **< 1,00,000**
- **1,00,000 to 2,00,000**
- **2,00,000 to 3,00,000**
- **3,00,000 and above**



- **67.10% respondent's annual income is less than 1,00,000.**
- **15.70% respondent's annual income is 1,00,000 to 2,00,000.**
- **8.60% respondent's annual income is 2,00,000 to 3,00,000.**
- **5.70% respondent's annual income is 3,00,000 and above.**

1. Do you invest in the stock market or working there?

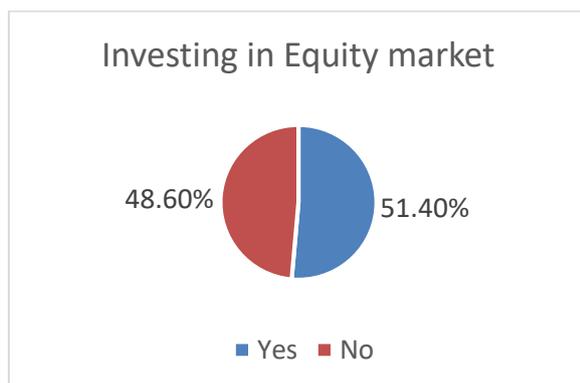
- **Yes**
- **No**



- **50% respondents invest in stock market or works there.**
- **50% respondents don't invest in stock market or work there.**

2. Are you investing into Equity market?

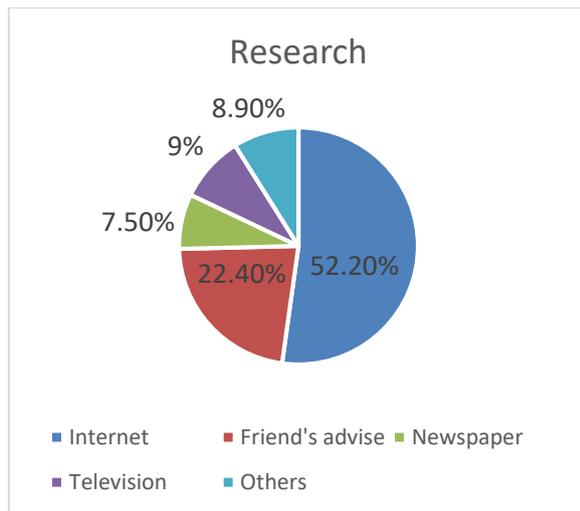
- **Yes**
- **No**



- **51.40% respondents are investing into equity market.**
- **48.60% respondents are not investing into equity market.**

3. Which of the methods do you use to conduct stock market research before investing money into shares?

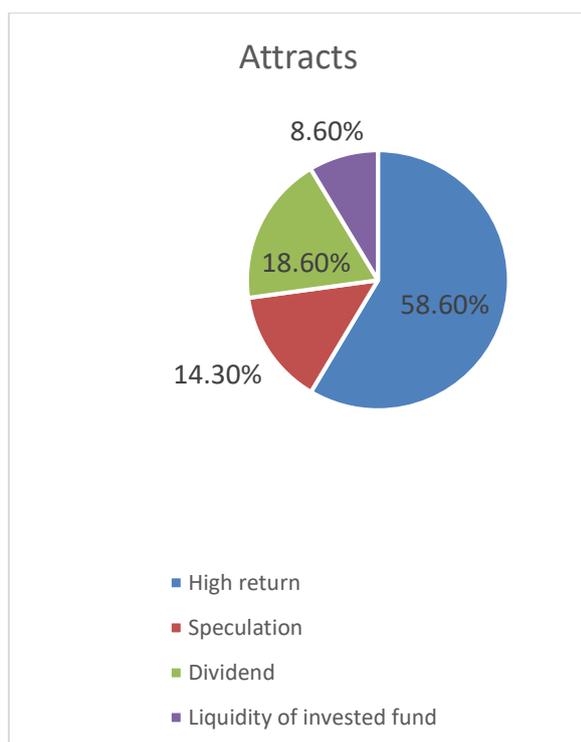
- **Internet**
- **Friends advise**
- **Newspaper**
- **Television**
- **Others**



- **52.20% respondents use internet to conduct stock market research before investing money into shares.**
- **22.40% respondents take friends advice before investing money into shares.**
- **7.50% respondents use newspaper to conduct stock market research before investing money into shares.**
- **9% respondents use television to conduct stock market research before investing money into shares.**
- **8.90% respondents use other resources to conduct stock market research before investing money into shares.**

4. What attracts you to Equity Market?

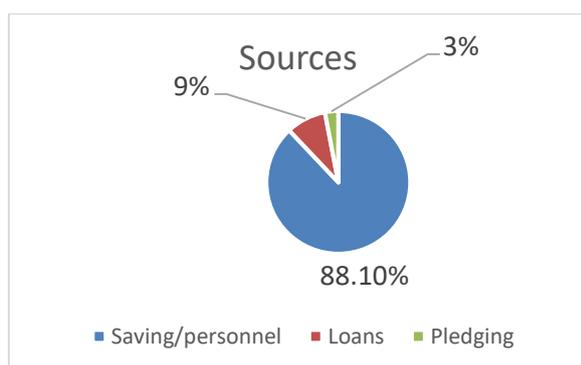
- **High returns**
- **Speculation**
- **Dividend**
- **Liquidity of invested fund**



- **58.60% respondents are attracted to equity market by high returns.**
- **14.30% respondents are attracted to equity market by speculation.**
- **18.60% respondents are attracted to equity market by dividend.**
- **8.60% respondents are attracted to equity market by liquidity of invested fund.**

5. What sources of funds do you utilize to invest or trade in the Stock market?

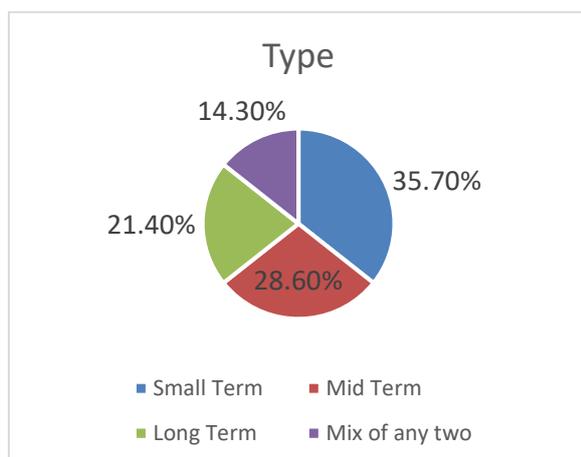
- **Saving/Personnel**
- **Loans**
- **Pledging**



- **88.10% respondents use their savings as a source to invest or trade in the stock market.**
- **9% respondents use loans as source to invest or trade in the stock market.**
- **3% respondents use pledging as source to invest or trade in the stock market.**

6. What type of investor are you?

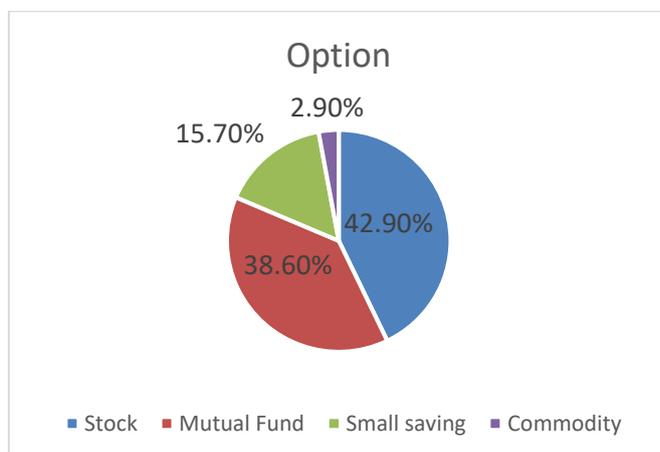
- **Short term**
- **Mid term**
- **Long term**

➤ **Mix of any two**

- **35.70% respondents are small term type of investor.**
- **28.60% respondents are midterm type of investor.**
- **21.40% respondents are long term type of investor.**
- **14.30% respondents are mix of any two type of investor.**

7. **What investment option are you considering?**

- **Stock**
- **Mutual fund**
- **Small saving**
- **Commodity**

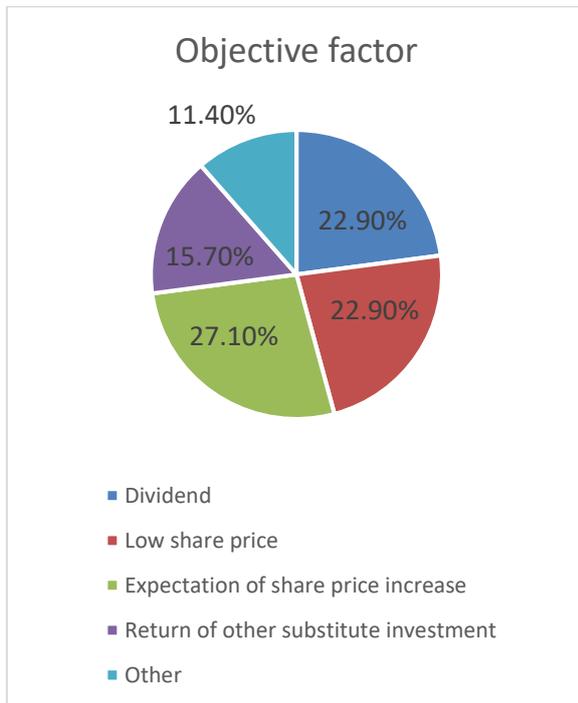


- **42.90% respondents invest in stocks.**
- **38.60% respondents invest in mutual funds.**
- **15.70% respondents invest in small savings.**
- **And the rest 2.90% respondents invest in commodities.**

8. **What are the objective factors that you think are in general taken into account when investing in the market?**

- **Dividend**
- **Low share price**

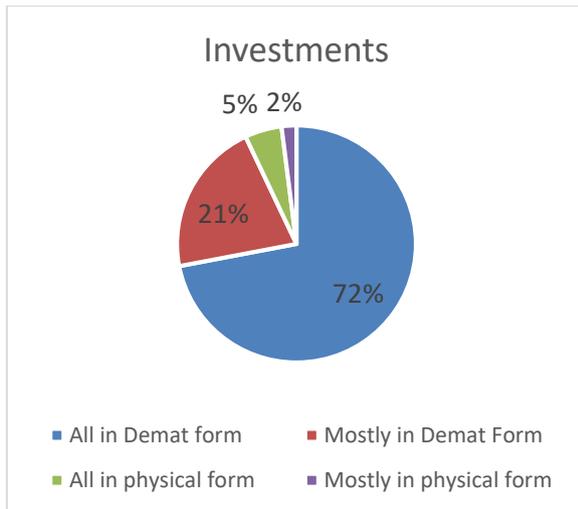
- **Expectation of share price increase**
- **Returns of other substitute investment**
- **Other**



- **22.90% respondents generally take dividends into account when investing in the stock market.**
- **22.90% respondents generally take low share price into account when investing in the stock market.**
- **27.10% respondents expect of share price to increase into account when investing in the stock market.**
- **15.70% respondents generally take return of other substitute investment into account when investing in the stock market.**
- **And the rest 11.40% respondents take other factors when investing in the stock market.**

9. My investment in capital market is?

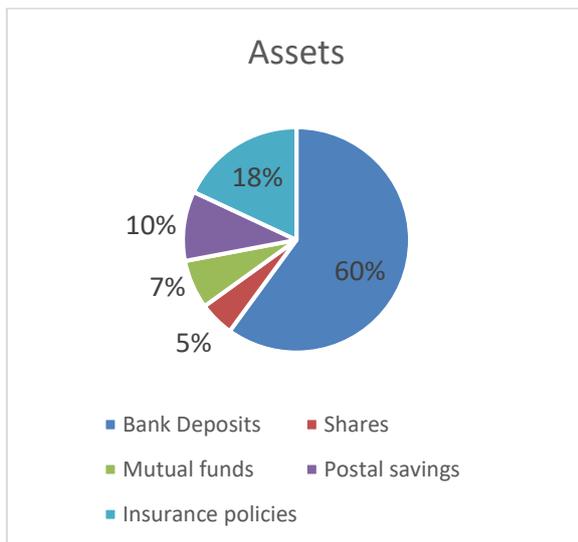
- **All in Demat form**
- **Mostly in Demat form**
- **All in physical form**
- **Mostly in physical form**



- **72% respondent's investment are all in Demat form.**
- **21% respondent's investment are mostly in Demat form.**
- **5% respondent's investment are all in physical form.**
- **2% respondent's investment mostly in physical form.**

10. I own the following assets.

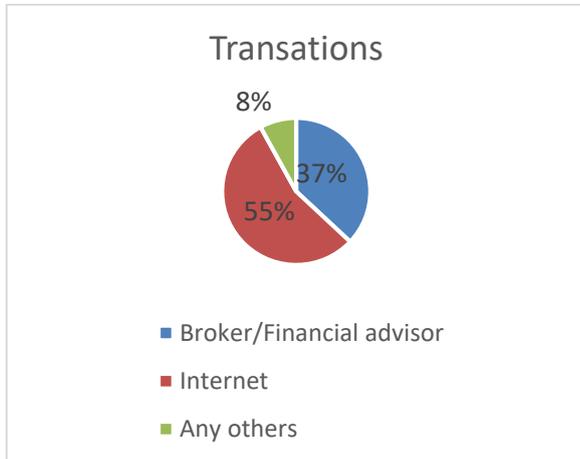
- **Bank deposits**
- **Shares**
- **Mutual funds**
- **Postal savings**
- **Insurance policies**



- **60% respondents own bank deposit as their assets.**
- **5% respondents own shares as their assets.**
- **7% respondents own mutual funds as their assets.**
- **10% respondents own postal savings as their assets.**
- **And the rest 18% respondents own insurance policies as their assets.**

11. I prefer to do the investment transactions.

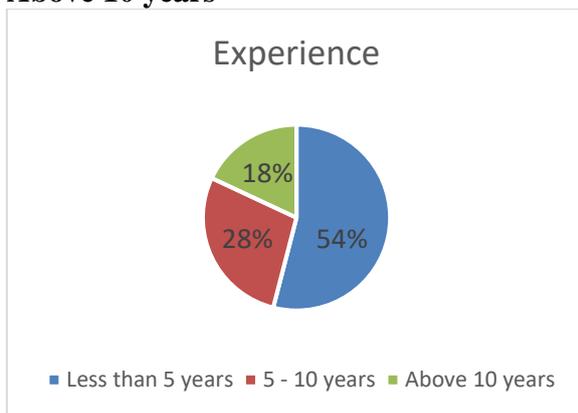
- **Through my broker/financial advisor**
- **On my own using internet**
- **Any other**



- **37% respondents prefer broker or financial advisor to do the investment transaction.**
- **55% respondents prefer internet to do the investment transaction.**
- **37% respondents prefer any other resources to do the investment transaction.**

12. My experience in the stock market is?

- **Less than 5 years**
- **5 – 10 years**
- **Above 10 years**



- **54% respondents have less than 5 years of experience in the stock market.**
- **28% respondents have 5 – 10 years of experience in the stock market.**
- **18% respondents have above 10 years of experience in the stock market.**

Finding

- From the collected data, I found that there are large number of males who are mostly prefer stock market.

- 19 to 30 age group of the people who have invested in stock market.
- Most of the people are being in stock market based on friends and relatives.
- Broker advice and market situation basis investor investment in stock market.
- Most of the people mutual fund, equity market who have consider investment option.
- Most of the people attract to equity market based on high return.
- At current level banking sector, FMCG sector who have preferred more investment.

LIMITATION

- As the sampling taken were convenience sampling, so it might not necessarily be the representation of the actual population of the Indore and Raipur region.
- As the survey was circulated through Google Survey Forms, which require internet connection. So, this study is limited to the internet users only.
- Some of the respondents of sampling units filled the survey without any interest and knowledge, which lead to sampling error to some extent.
- This study is mainly based on the people of Indore and Hoshangabad, so it will not give clear picture of people's perception and selection behavior towards stock market.

CONCLUSION

It is a good experience for me to conduct research about study for investor investment perception in stock market. It will prove very helpful to me in my future career.

While conducting the research I can understand of the investor who have invest in stock market. Their experience of stock market, frequency of stock market expected of return, on what basis invest & their views to about to make money in stock market.

With the help of the research, you can conclude that the majority of investors are focusing of equity investment for higher return although they know about higher risk.

Capital market provides the resources needed by medium and large-scale industries for investment purposes. In India households invest their saving in different financial investments and product, even in capital market but some investors are reluctant to invest or trade in derivative segment & capital market.

The investors who invest in stock markets are usually unaware of the stock market behavior. Many are facing the problem of stock trading as they do not know which stocks to buy and which to sell in order to gain more profits. And moreover, they understood that the behavior of the stock market depends a lot on the relevant news items. But they need to go through a lot of news articles manually and analyses them in a very short span of time.

Although there is a bit risk that we often hear from people around us, we don't always look at the benefits of it.

Proper research in the stock market is never harmful to investment, not just it reduces risk but also guarantees profit to you. At lastly, most importantly it protects your money.

QUESTIONNIRE

Name: - _____

Contact no: - _____

Age

- Up to 18
- 19 to 30
- 30 to 50
- Above 51

Gender

- Male
- Female
- Others

Education

- Undergraduate
- Graduate
- Postgraduate

Occupation

- Business
- Student
- Profession
- Any other

Annual income

- < 1,00,000
- 1,00,000 to 2,00,000
- 2,00,000 to 3,00,000
- 3,00,000 and Above

1. Do you invest in the stock market or working there?

- Yes
- No

2. Are you investing into Equity market?

- Yes
- No

3. Which of the method do you use to conduct stock market research before investing money into shares?

- Internet
- Friend's advisor
- Newspaper
- Television
- Others _____

4. What attracts you to Equity market?

- **High returns**
- **Speculation**
- **Dividend**
- **Liquidity of invested fund**

5. What sources of fund do you utilize to invest or trade in the stock market?

- **Saving/Personal**
- **Loans**
- **Pledging**

6. What types of investors are you?

- **Short term**
- **Mid term**
- **Long term**
- **Mix of any two**

7. What investment option are you considering?

- **Stock**
- **Mutual fund**
- **Small saving**
- **Commodity**

8. What are the objective factors that you think are in general considered when investing in the stock market?

- **Dividend**
 - **Low share price**
 - **Expectation of share price increase**
 - **Returns of other substitute investment**
 - **Others**
-

9. My investment in capital market is?

- **All in Demat form**
- **Mostly in Demat form**
- **All in physical form**
- **Mostly in physical form**

10. I own the following assets

- **Bank deposits**
- **Shares**
- **Mutual funds**
- **Postal savings**
- **Insurance policies**

11. I prefer to do the investment transactions

- **Through my broker/financial advisor**
- **On my own using internet**
- **Anyother _____**

12. My experience in the stock market is

- **Less than 5 years**
- **5 – 10 years**
- **Above 10 years**