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RELATIONSHIP BETWEEN MACRO ECONOMIC VARIABLES AND STOCK MARKET

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ABSTRACT

This paper is an attempt to investigate the relationship between various macroeconomic variables and stock prices. The paper determines the performance of stock prices using monthly data over the period April 2005 to March 2014 for five macroeconomic variables namely, GDP, gold prices, inflation, exchange rates, IIP. By applying regression and correlation tests individually, study found that only GDP, exchange rates and gold prices have significant relationship with stock prices. But when the relationships between macro economic variables are run together, results are insignificant for all the variables. So collectively they don't have impact on stock market. There might be other factors which can lead to the change in stock market.

1. INTRODUCTION

Stock markets play an essential role in escalating industries and commerce of a country that eventually influence the economy. A mature and sizeable stock market is perceived across the globe as an indicator of the economic health and prospect of the country as well as an index of the confidence of domestic and global investors. Internationalization of capital markets gives prospect to the investors to invest their money in the country of their choice, not just in their own country. The relationships between international stock markets and understanding the influence of macroeconomic variables on stock market prices play a dominant role and is central question in market microstructure design and very important to academia ,regulators and investors. The relationship between share prices and macroeconomic variables is well accepted for major economies.

An efficient capital market is one in which security prices adjust rapidly to the arrival of new information and, therefore, the current prices of securities reflect all information about the security. Moreover, economic theory suggests that stock prices should reflect expectations about future corporate performance, and corporate profits generally reflect the level of economic activities. If stock prices accurately reflect the underlying fundamentals, then the stock prices

should be employed as leading indicators of future economic activities, and not the other way around. Therefore, the causal relations among macroeconomic variables and stock prices are important in the formulation of the nation's macroeconomic policy.

A general belief is that higher economic growth automatically translates into better stock market returns. Even fund managers pitch this as an essential concept particularly when they are out raising money to invest in emerging markets. The basic tenet on which this theory rests is that the GDP of any nation is the aggregate of consumption, investment, government spending and net exports. Any acceleration in the consumption, investment or exports is definitely bound to have a positive impact on corporate sales. Better corporate sales mean a higher EPS (earning per share) and a higher EPS will in turn translate into higher market returns. This is as true in the opposite direction too.

In case of IIP, Low industrial production results in lower corporate sales and profits, which directly affects stock prices. So a direct impact of weak IIP data is a sudden fall in stock prices.

If we talk about gold and stock market then it is known that they both are the options in which a person can invest his money. Gold and stock are used as speculation avenues. Increase in gold and silver prices attracts investors towards the commodity market, which might decrease investor preference towards the equity market. This indicates that a negative relationship is expected between gold and silver, and stock market returns.

Most studies conclude that expected inflation can either positively or negatively impact stocks, depending on the ability to hedge and the government's monetary policy. This correlation is also thought to stem from the fact that unexpected inflation contains new information about future prices. Similarly, greater volatility of stock movements was correlated with higher inflation rates.

2. REVIEW OF LITERATURE

Numbers of studies have been conducted to examine the effects of macroeconomic variables on stock market of industrialized economies. An illustrative list of studies for developed economies includes Fama (1981, 1990), Fama and French (1989), Chen et al. (1986), Chen (1991), Thornton (1993), Kaneko and Lee (1995), Abdalla and Murinde (1997). The few notable studies for developing economies include Mookerjee and Yu (1997) and Maysami and Koh (2000) for Singapore, Kwon and Shin (1999) for South Korea, and Habibullah and Baharumshah (1996) and Ibrahim (1999) for Malaysia. Using bi-variate co-integration and causality tests, Mookerjee and Yu (1997) note significant interactions between M2 money supply and foreign exchange reserves and stock prices for the case of Singapore. However, Maysami and Koh (2000) document significant contribution of interest rate and exchange rate in the long-run relationship between Singapore's stock prices and various macroeconomic variables.

Chen et al. (1986) examined equity returns relative to a set of macroeconomic variables and found that the set of macroeconomic variables which can significantly explain stock returns includes growth in industrial production, changes in the risk premium, twists in the yield curve, measures of unanticipated inflation and changes in expected inflation during periods of volatile inflation. More recent examples of studies involving a number of macroeconomic variables include Chen (1991), and Flanery and Protopapadakis (2002). Some studies also find that the predictive ability of certain macroeconomic variables with respect to stock returns is quite uneven over time. On the other hand, there is no dearth of studies, which fail to support the ability of macro variables to predict stock returns.

Chowhan et al. (2000) have tried to fetch reasons for turbulence in stock market in the short run in India taking into account SENSEX as the main index. They have tried to find that how SENSEX which stood at 2761 on 21st of October 1998 rose to 6000 in February 2000, i.e., 117% increment in just 15 months, which is not at all strongly supported by fundamental economic factors in these years as Indian economy grew by just 5.9% in 1999-2000, As per the results of this paper, even long run economic factors don't support such a spike in stock prices. Such a trend was noted not just in Indian stock markets but word wide.

Another study conducted by Sarkar, P. (2005) has examined that if any meaningful relation between growth and capital accumulation exists in case of India. They have used annual data on various variables like nominal and real share price, share market turnover ratio, number of listed firms in the stock market, fixed capital formation and growth of real GDP and industrial output. But all tell the same story that no positive relationship exists between real and stock market variables either in short run or long run during 1950-51 to 2005.

Kanakaraj et al. (2008) have examined the trend of stock prices and various macro economic variables between the time periods 1997-2007. They have tried to explore upon and answer that if the recent stock market boom can be explained in the terms of macroeconomic fundamentals and have concluded by recommending a strong relationship between the two. The GDP growth in India has grown consistently at high levels touching the highest average from 2003-04 to 2006-07 since Independence, and is strongly backed by manufacturing sector growth and services sector growth. Gross Domestic Investment and Gross Domestic Saving as percentage of GDP have also grown enormously with inflation remaining under control most of the time.

Muhammad and Rasheed (2002) examine the exchange rates and stock price relationships for Pakistan, India, Bangladesh and Sri Lanka using monthly data from 1994 to 2000. The empirical results show that there is a bi-directional long-run causality between these variables for only Bangladesh and Sri Lanka. No associations between exchange rates and stock prices are found for Pakistan and India.

Husain (2006) has examined the causal relationship between stock price and real sector variables of Pakistan economy, using annual data from 1959-60 to 2004-05. It has divided the data into two halves- pre and post liberalization and has studied the causal relationship between them using various econometric techniques like ECM, EngleGranger co integrating regressions and Augmented Dickey Fuller (ADF) Unit Root tests. By using this data set and methodology, this analysis has indicated the presence of a long run relationship between the stock prices and real sector variables.

Mookerjee and Yu (1997) examined the nexus between Singapore stock returns and four macroeconomic variables such as narrow money supply, broad money supply, exchange rates and foreign exchange reserves using monthly data from October 1984 to April 1993. Their analysis revealed that both narrow and broad money supply and foreign exchange reserves exhibited a long run relationship with stock prices whereas exchange rates did not.

Wongbampo and Sharma (2002) explored the relationship between stock returns in 5-Asian countries viz. Malaysia, Indonesia, Philippines, Singapore and Thailand with the help of five macroeconomic variables such as GNP, inflation, money supply, interest rate, and exchange rate. Using monthly data for the period of 1985 to 1996, they found that, in the long run all the five stock price indexes were positively related to growth in output and negatively related to the

aggregate price level. However, they found a negative relationship between stock prices and interest rate for Philippines, Singapore and Thailand, but positive relationship for Indonesia and Malaysia.

3. OBJECTIVES OF THE STUDY

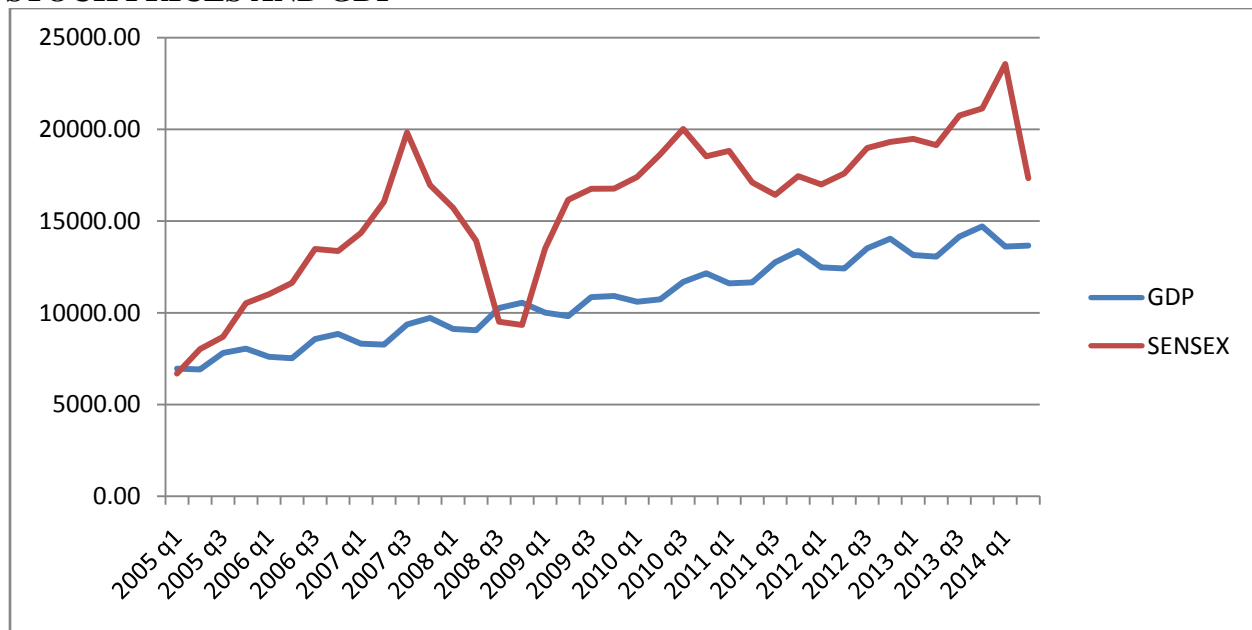
- To check the movements in various macro economic variables and stock prices graphically.
- To investigate relationship between macroeconomic variables, namely exchange rate, index of Industrial Production (IIP), inflation, and stock prices with special reference to India.
- To investigate the cause and effect relationship between stock market index prices and the macro-economic variables like prices of gold, IIP and GDP, exchange rates etc. individually.

4. SELECTION OF VARIABLES AND DATA COLLECTION

This study involves only secondary data. For the research, data for variables GDP, IIP, exchange rates, gold prices, inflation (wholesale price index) has been collected from official site of RESERVE BANK OF INDIA. Data for sensdex is taken from the BOMBAY STOCK EXCHANGE (BSE). To accomplish the above objectives, we have taken monthly variations of IIP, exchange rates, gold prices, inflation from year 2005- year 2014. Because of lack of monthly data of GDP, we have taken quarterly variations in this particular variable. So for accurate results we compare it to the quarterly variations in sensdex.

5. ANALYSIS

STOCK PRICES AND GDP



The above graph is showing the actual quarterly data of GDP and sensdex of past 10 years. From the graph we can figure out that there is greater vitality in sensdex as compare to GDP during this period.

CORRELATIONS

		GDP	SENSEX
Gdp	Pearson Correlation	1	.787**
	Sig. (2-tailed)		.000
	N	38	38
Sensex	Pearson Correlation	.787**	1
	Sig. (2-tailed)	.000	
	N	38	38

** . Correlation is significant at the 0.01 level (2-tailed).

MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.787 ^a	.619	.608	2525.375

a. Predictors: (Constant), gdp

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	372822352.296	1	372822352.296	58.459	.000 ^b
	Residual	229590590.771	36	6377516.410		
	Total	602412943.067	37			

a. Dependent Variable: sensex

b. Predictors: (Constant), gdp

COEFFICIENTS^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	812.612	2004.633		.405	.688
	Gdp	1.398	.183	.787	7.646	.000

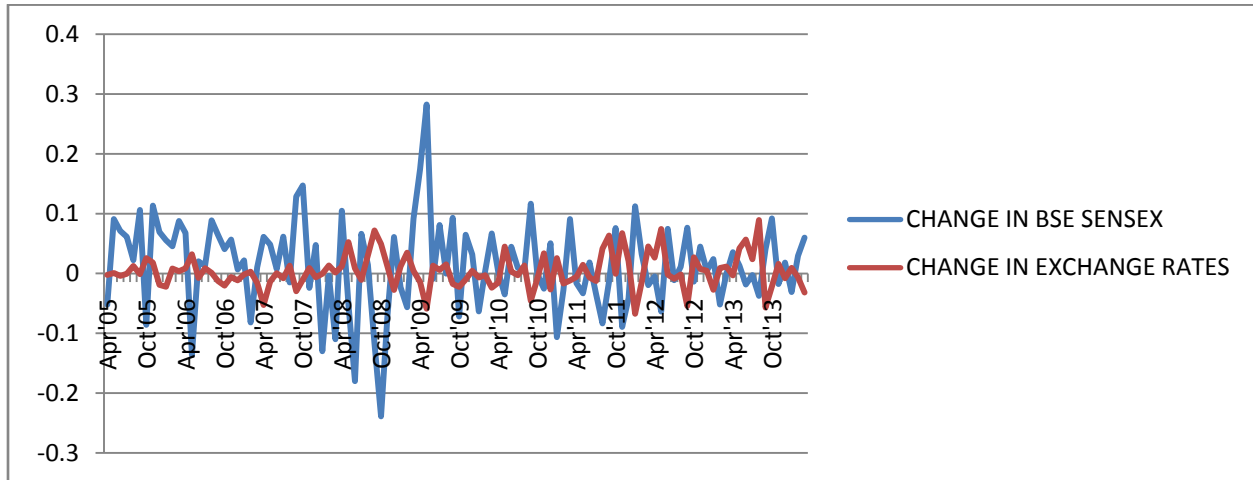
a. Dependent Variable: sensex

From the above analysis we can conclude that there is a relationship between GDP and sensex. They both have a significant and positive relationship. So GDP has a very clear impact on the movement of sensex

Also we can say

Sensex = 812.612 + 1.398 GDP

STOCK PRICES AND EXCHANGE RATES



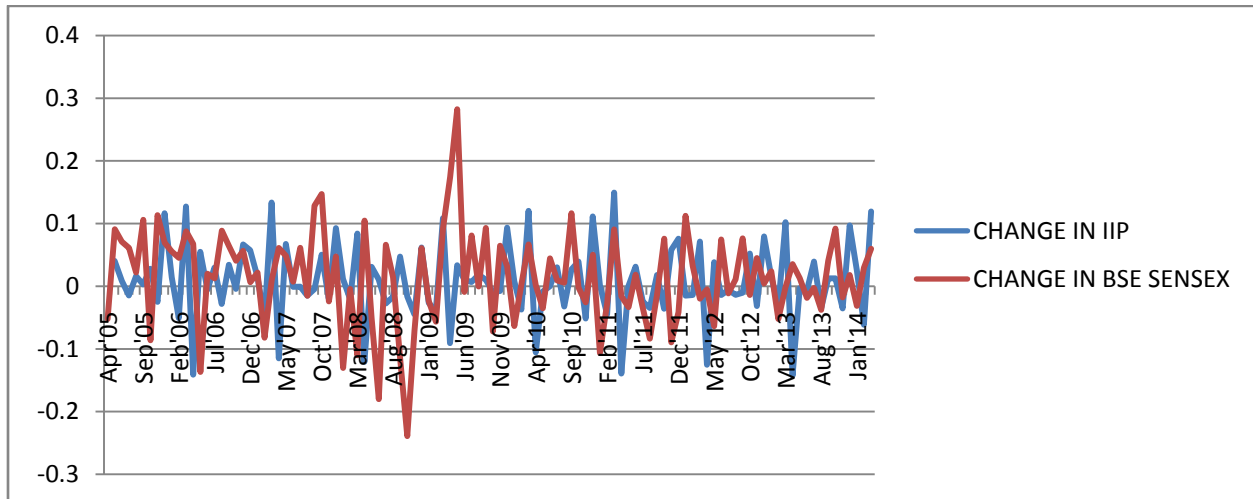
CORRELATIONS

		EXCHANGERATE	SENSEX
EXCHANGERATE	Pearson Correlation	1	-.574**
	Sig. (2-tailed)		.000
	N	108	108
SENSEX	Pearson Correlation	-.574**	1
	Sig. (2-tailed)	.000	
	N	108	108

** . Correlation is significant at the 0.01 level (2-tailed).

The data of monthly variations of past 10 years(2005-2014) is shown in the above figure. By analyzing the figure and applying correlation and regression we can say that there is a very significant and negative relationship between sensex and Exchange Rates.

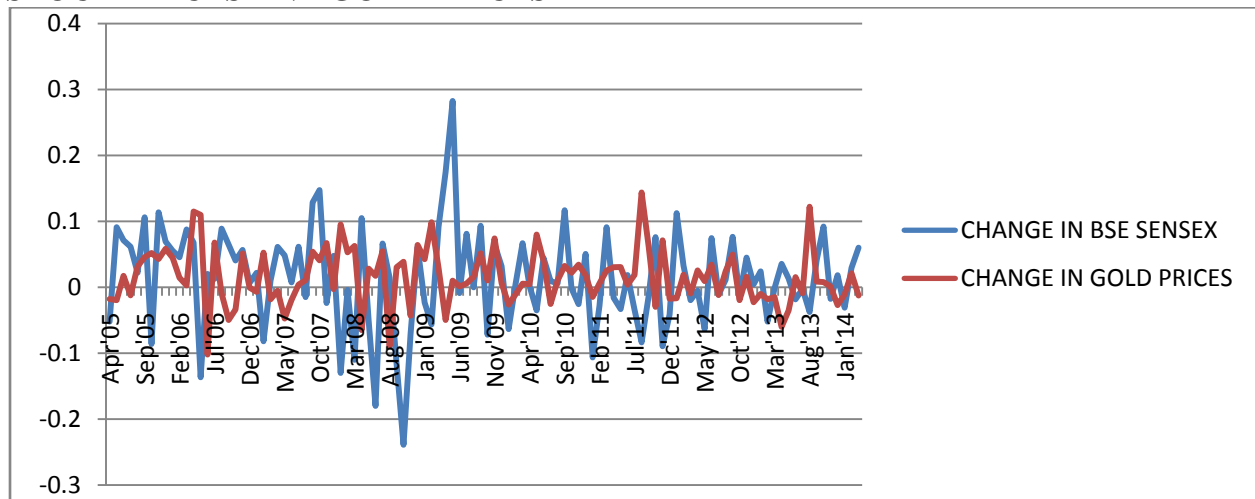
STOCK PRICES AND IIP



CORRELATIONS

		IIP	Sensex
IIP	Pearson Correlation	1	.037
	Sig. (2-tailed)		.708
	N	107	107
sensex	Pearson Correlation	.037	1
	Sig. (2-tailed)	.708	
	N	107	107

The above figure represents the data of change in IIP and stock prices (Sensex) of past 10 years (2005-2014). The relationship can be easily figured out from graph and correlation analysis. There exists a positive relationship but insignificant between IIP and Sensex. So IIP can't explain change in Sensex.

STOCK PRICES AND GOLD PRICES**CORRELATIONS**

		Sensex	Goldprices
Sensex	Pearson Correlation	1	-.201*
	Sig. (2-tailed)		.037
	N	108	108
Goldprices	Pearson Correlation	-.201*	1
	Sig. (2-tailed)	.037	
	N	108	108

*. Correlation is significant at the 0.05 level (2-tailed).

MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.201 ^a	.040	.031	.073

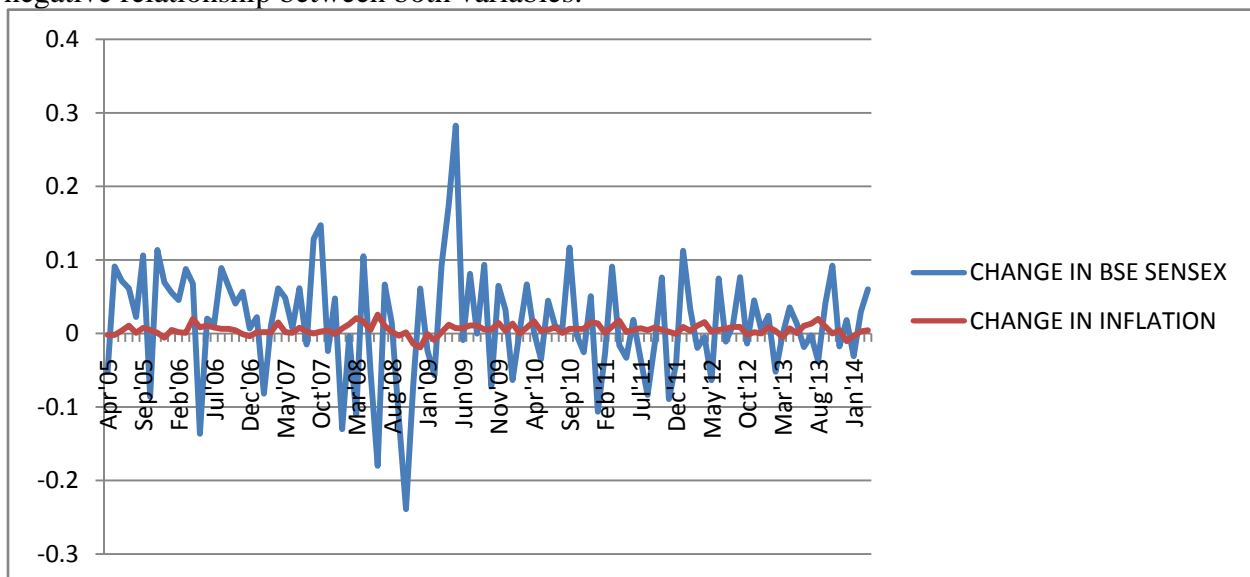
a. Predictors: (Constant), goldprices

COEFFICIENTS^A

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.020	.007		2.639	.010
	goldprices	-.352	.167	-.201	-2.110	.037

a. Dependent Variable: sensdex

The figure clearly demonstrates the trend in the movement of gold prices and sensdex from 2005 to 2014. There is an inverse relationship between the two variables as evidenced from literature review and graph.no. of Investors are ltd. So either in stock market or in gold. So this leads to negative relationship between both variables.



Also we can say

$$\text{Sensdex} = a - .352 \text{ GP}$$

STOCK PRICES AND INFLATION

The above chart shows the monthly variations in inflation and stock market. There doesn't appear to be a correlation between inflation and stock market returns.

CORRELATIONS

		INFLATION	SENSEX
INFLATION	Pearson Correlation	1	-.016
	Sig. (2-tailed)		.873
	N	108	108
SENSEX	Pearson Correlation	-.016	1
	Sig. (2-tailed)	.873	
	N	108	108

When correlation has been run there is found to be an inverse relationship But insignificant. So it says that change in inflation in not leading to change in sensex.

ALL VARIABLES AND STOCK PRICES**CORRELATIONS**

		IIP	Sensex	GDP	Exchange	Wpi
IIP	Pearson Correlation	1	.037	.096	.003	-.094
	Sig. (2-tailed)		.708	.386	.978	.333
	N	107	107	84	107	107
sensex	Pearson Correlation	.037	1	-.014	-.116	-.084
	Sig. (2-tailed)	.708		.896	.232	.392
	N	107	107	84	107	107
gdp	Pearson Correlation	.096	-.014	1	-.032	-.341**
	Sig. (2-tailed)	.386	.896		.770	.002
	N	84	84	84	84	84
exchange	Pearson Correlation	.003	-.116	-.032	1	-.024
	Sig. (2-tailed)	.978	.232	.770		.802
	N	107	107	84	108	108
wpi	Pearson Correlation	-.094	-.084	-.341**	-.024	1
	Sig. (2-tailed)	.333	.392	.002	.802	
	N	107	107	84	108	108

** . Correlation is significant at the 0.01 level (2-tailed).

COEFFICIENTS^A

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.026	.013		1.994	.050
IIP	.049	.149	.036	.326	.745
1 gdp	-.003	.005	-.064	-.548	.585
exchange	-.556	.353	-.175	-1.573	.120
wpi	-1.378	1.372	-.120	-1.004	.318

a. Dependent Variable: sensdex

The relationship between all the variables and stock prices are given above. When correlation has been run, results for all the variables came out to be insignificant. That means when all the variables are taken together to determine the movements in stock prices, they don't effect the stock market.

CONCLUSION

The present study examined the short run and long run relationship between the Indian share market index and five macroeconomic variables, namely, the industrial production index, the wholesale price index to represent inflation, gross domestic products, gold prices, and the real effective exchange rate using Johansen's co-integration and Granger Causality. The analysis used the monthly data for the period of April 2005 to March 2014 which are obtained from official website of Bombay Share exchange and National Share Exchange and the Hand Book of Statistics on Indian Economy provided by RBI.

The Johansen's co-integration test suggests that the share market index has co-integrated with the macroeconomic variables which are further investigated through VECM. The results of Granger Casualty found that there is no short-run causality found between the share market indices and other macroeconomic variables in either direction. Ali et al (2010) also find the similar results of long run cointegration between share exchange prices and macroeconomic variables and however no causal relationship was found between macro-economic indicators and stock exchange prices in Pakistan.

The present study confirmed that macroeconomic factors continue to affect the Indian share market. However, the one of the main limitation of the study is that study is limited to only seven selected macroeconomic variables. Inclusion of more variables with a longer time period may improve the results.

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IMPACT OF FORGING DIRECT INVESTMENT ON INDIAN ECONOMY

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ABSTRACT

Foreign direct investment (FDI) is a key element in international economic integration. FDI creates direct, stable and long-lasting links between economies. It encourages the transfer of technology and know-how between countries, and allows the host economy to promote its products more widely in international markets. FDI is also an additional source of funding for investment and, under the right policy environment; it can be an important vehicle for enterprise development.

KEYWORDS: *Direct Investment, development, economic, inflows.*

INTRODUCTION

Foreign Direct Investment (FDI) is fund flow between the countries in the form of inflow or outflow by which one can able to gain some benefit from their investment whereas another can exploit the opportunity to enhance the productivity and find out better position through performance. The effectiveness and efficiency depends upon the investors perception, if investment with the purpose of long term then it is contributes positively towards economy on the other hand if it is for short term for the purpose of making profit then it may be less significant. Depending on the industry sector and type of business, a foreign direct investment may be an attractive and viable option. Any decision on investing is thus a combination of an assessment of internal resources, competitiveness, and market analysis and market expectations. The FDI may also affect due to the government trade barriers and policies for the foreign investments and leads to less or more effective towards contribution in economy as well as GDP of the economy. The studies try to find out the implications which affect the economic scenario and also measure the level of predominance by the factors for economic contribution to India.

OBJECTIVES

The present study is mainly proposed to examine the following objectives.

- To know the concept, structure and determinants of FDI
- To know the extent of inflow FDI into India.

- To evaluate the impact of FDI on the Indian economy.
- To know the flow of investment in India.

RESEARCH METHODOLOGY DATA COLLECTION

This study is based on secondary data. The required data have been collected from various sources, i.e., World Investment Reports, Asian Development Bank's Reports, various Bulletins of Reserve Bank of India, publications from Ministry of Commerce, Govt. of India, Economic and Social Survey of Asia and the Pacific, United Nations, Asian Development Outlook, Country Reports on Economic Policy and Trade Practice- Bureau of Economic and Business Affairs, US Department of State and from websites of World Bank, IMF, WTO, RBI, UNCTAD, EXIM Bank, etc. It is a time series data and the relevant data have been collected for the period 2006 to 2011.

DETERMINANTS OF FDI

Determinant varies from one country to another due their unique characteristics and Opportunities for the potential investors. In specific the determinants of FDI in India are:

1. STABLE POLICIES

India stable economic and socio policies have attracted investors across border. Investors prefer countries which stable economic policies. If the government makes changes in policies which will have effect on the business. The business requires a lot of funds to be deployed and any change in policy against the investor will have a negative effect.

2. ECONOMIC FACTORS

Different economic factors encourage inward FDI. These include interest loans, tax breaks, grants, subsidies and the removal of restrictions and limitation. The government of India has given many tax exemption and subsidies to the foreign investors who would help in developing the economy.

3. CHEAP AND SKILLED LABOR

There is abundant labor available in India in terms of skilled and unskilled human resources. Foreign investors will to take advantage of the difference in the cost of labor as we have cheap and skilled labors. Example: Foreign firms have invested in BPO's in India which require skilled labor and we have been providing the same.

4. BASIC INFRASTRUCTURE

India though is a developing country, it has developed special economic zone where there have focused to build required infrastructure such as roads, effective transportation and registered carrier departure worldwide, Information and communication network/technology, powers, financial institutions, and legal system and other basic amenities which are must for the success of the business. A sound legal system and modern infrastructure supporting an efficient distribution of goods and services in the host country.

5. UNEXPLORED MARKETS

In India there is large scope for the investors because there is a large section of markets have not explored or unutilized. In India there is enormous potential customer market with large middle class income group who would be target group for new markets. Example: BPO was one sector

where the investors had large scope exploring the markets where the service was provided with just a call, with almost customer satisfaction.

6. AVAILABILITY OF NATURAL RESOURCES

As we that India has large volume of natural resources such as coal, iron ore, Natural gas etc. If natural resources are available they can be used in production process or for extraction of mines by the foreign investors.

FOREIGN DIRECT INVESTMENT FLOWS TO INDIA

FDI inflows to India witnessed significant moderation in 2010-11 while other EMEs in Asia and Latin America received large inflows. This had raised concerns in the wake of widening current account deficit in India beyond the perceived sustainable level of 3.0 per cent of GDP during April-December 2010. This also assumes significance as FDI is generally known to be the most stable component of capital flows needed to finance the current account deficit. Moreover, it adds to investible resources, provides access to advanced technologies, assists in gaining production know-how and promotes exports .A perusal of India's FDI policy vis-à-vis other major emerging market economies (EMEs) reveals that though India's approach towards foreign investment has been relatively conservative to begin with, it progressively started catching up with the more liberalized policy stance of other EMEs from the early 1990sonwards, inter alia in terms of wider access to different sectors of the economy, ease of starting business, repatriation of dividend and profits and relaxations regarding norms for owning equity. This progressive liberalization, coupled with considerable improvement in terms of macroeconomic fundamentals, reflected in growing size of FDI flows to the country that increased nearly 5 fold during first decade of the present millennium.

Though the liberal policy stance and strong economic fundamentals appear to have driven the steep rise in FDI flows in India over past one decade and sustained their momentum even during the period of global economic crisis (2008-09 and 2009-10), the subsequent moderation in investment flows despite faster recovery from the crisis period appears somewhat inexplicable. Survey of empirical literature and analysis presented in the paper seems to suggest that these divergent trends in FDI flows could be the result of certain institutional factors that dampened the investors' sentiments despite continued strength of economic fundamentals. Findings of the panel exercise, examining FDI trends in 10 select EMEs over the last 7 year period, suggest that apart from macro fundamentals, institutional factors such as time taken to meet various procedural requirements make significant impact on FDI inflows. This paper has been organized as follows: Section 1 presents trends in global investment flows with particular focus on EMEs and India. Section 2 traces the evolution of India's FDI policy framework, followed by cross-country experience reflecting on India's FDI policy vies-a-vis that of select EMEs. The last section presents the conclusions.

SECTION 1: TRENDS IN FDI INFLOWS

Widening growth differential across economies and gradual opening up of capital accounts in the emerging world resulted in a steep rise in cross border investment flows during the past two decades. This section briefly presents the recent trends in global capital flows particularly to emerging economies including India.

GLOBAL TRENDS IN FDI INFLOWS

During the period subsequent to dotcom burst, there has been an unprecedented rise in the cross-border flows and this exuberance was sustained until the occurrence of global financial crisis in the year 2008-09. Between 2003 and 2007, global FDI flows grew nearly four -fold and flows to EMEs during this period grew by about three-fold. After reaching a peak of US\$ 2.1 trillion in 2007, global FDI flows witnessed significant moderation over the next two years to touch up\$ 1.1 trillion in 2009, following the global financial crisis. On the other hand, FDI flows to developing countries increased from US\$ 565 billion in 2007 to US\$630 billion in 2008 before moderating to US\$ 478 billion in 2009.

The decline in global FDI during 2009 was mainly attributed to subdued cross border merger and acquisition (M&A) activities and weaker return prospects for foreign affiliates, which adversely impacted equity investments as well as reinvested earnings. According to UNCTAD, decline in M&A activities occurred as the turmoil in stock markets obscured the price signals upon which M&As rely. There was a decline in the number of green field investment cases as well, particularly those related to business and financial services. From an institutional perspective, FDI by private equity funds declined as their fund raising dropped on the back of investors' risk aversion and the collapse of the leveraged buyout market in tune with the deterioration in credit market conditions. On the other hand, FDI from sovereign wealth funds (SWFs) rose by 15 per cent in 2009. This was apparently due to the revised investment strategy of SWFs - who have been moving away from banking and financial sector towards primary and manufacturing sector, which are less vulnerable to financial market developments as well as focusing more on Asia. As the world economic recovery continued to be uncertain and fragile, global FDI flows remained stagnant at US \$ 1.1 trillion in 2010. According to UNCTAD's Global Investment Trends Monitor (released on January 17, 2011), although global FDI flows at aggregate level remained stagnant, they showed an uneven pattern across regions – while it contracted further in advanced economies by about 7 per cent, FDI flows recovered by almost 10 per cent in case of developing economies as a group driven by strong rebound in FDI flows in many countries of Latin America and Asia.

Rebound in FDI flows to developing countries has been on the back of improved corporate profitability and some improvement in M&A activities with improved valuations of assets in the stock markets and increased financial capability of potential buyers. Improved macroeconomic conditions, particularly in the emerging economies, which boosted corporate profits coupled with better stock market valuations and rising business confidence augured well for global FDI prospects. According to UNCTAD, these favorable developments may help translate MNC's record level of cash holdings (estimated to be in the range of US\$ 4-5 trillion among developed countries firms alone) into new investments during 2011. The share of developing countries, which now constitutes over 50 per cent in total FDI inflows, may increase further on the back of strong growth prospects. However, currency volatility, sovereign debt problems and potential protectionist policies may pose some risks to this positive outlook. Nonetheless, according to the Institute of International Finance (January 2011), net FDI flows to EMEs was projected to increase by over 11 per cent in 2011. FDI flows into select countries

SECTION 1.2: TRENDS IN FDI INFLOWS TO INDIA

With the tripling of the FDI flows to EMEs during the pre-crisis period of the 2000s, India also received large FDI inflows in line with its robust domestic economic romance. The

attractiveness of India as a preferred investment destination could be ascertained from the large increase in FDI inflows to India, which rose from around US\$ 6 billion in 2001-02 to almost US\$ 38 billion in 2008-09. The significant increase in FDI inflows to India reflected the impact of liberalization of the economy since the early 1990s as well as gradual opening up of the capital account. As part of the capital account liberalization, FDI was gradually allowed in almost all sectors, except a few on grounds of strategic importance, subject to compliance of sector specific rules and regulations. The large and stable FDI flows also increasingly financed the current account deficit over the period. During the recent global crisis, when there was a significant deceleration in global FDI From a sectoral perspective, FDI in India mainly flowed into services sector (with an average share of 41 per cent in the past five years) followed by manufacturing (around 23 per cent) and mainly routed through Mauritius (with an average share of 43 per cent in the past five years) followed by Singapore (around 11 per cent). However, the share of services declined over the years from almost 57 per cent in 2006-07 to about 30 per cent in 2010-11, while the shares of manufacturing, and „others“ largely comprising „electricity and other power generation“ increased over the same period . Sectoral information on the recent trends in FDI flows to India show that the moderation in gross equity FDI flows during 2012-13 has been mainly driven by sectors such as „construction, real estate and mining“ and services such as „business and financial services“. Manufacturing, which has been the largest recipient of FDI in India, has also witnessed some moderation

CONCLUSIONS

An analysis of the recent trends in FDI flows at the global level as well as across regions/countries suggests that India has generally attracted higher FDI flows in line with its robust domestic economic performance and gradual liberalization of the FDI policy as part of the cautious capital account liberalization process. Even during the recent global crisis, FDI inflows to India did not show as much moderation as was the case at the global level as well as in other EMEs. However when the global FDI flows to EMEs recovered during 2010-11, FDI flows to India remained sluggish despite relatively better domestic economic performance head of global recovery. This has raised questions especially in the backdrop of the widening of the current account deficit beyond the sustainable level of about 3 per cent. In order to analyze the factors behind such moderation, an empirical exercise was undertaken which did suggest the role of institutional factors (Government's to implement quality policy regime) in causing the slowdown in FDI inflows to India despite robustness of macroeconomic variables.

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MARKET VAGARIES AND INVESTORS' AWARENESS – A CASE STUDY ON RETAIL INVESTORS IN BHUBANESWAR CITY IN ODISHA - INDIA

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ABSTRACT

The Securities and Exchange Board of India (SEBI) has implemented various regulations for proper functioning of the Securities Market. The regulator aims to reduce information asymmetry among investors, and expects channelization of information in a selective manner to the respective destination. The study of the research is done on the basis of fundamental analysis and price pattern analysis. Here we analyse the market conditions, the new trends and technology in the market, the weakness of the investors, and the valuation of the securities. The methodologies used in the survey are like the barometers for an industry and its economic and financial performance within a certain period.

KEYWORDS: Retail investors, Issue price, Current market price.

INTRODUCTION

The financial system and economy of India is improving rapidly, with the progressing trend of the global economy. With the entering of new technology in the financial sector, new opportunities are coming up gradually. There are new opportunities in stock, gold, mutual fund, real estate, etc. The new facet with changed technology and terminology and new different financial instruments in the market affect all the investors in primary market as well as in secondary market. These huge fluctuations in global market and Indian market are more challenging for the investors, so it is equally important to analyse the factors affecting the investment patterns.

Let's take a look at history and a few hard numbers. The stock market has returned about 10.5 percent a year for the past 75 years or so. Corporate bonds returned 4.5 percent, and inflation grew at 3.3 percent. Notice that stock market gives an adequate return. And we say that stock market have been the best investments over time. But stock market gets affected due to the

market fluctuations and the investors are the first to face the market vagaries. So it is important for the investors to have knowledge about the market conditions, market fluctuations and to analyse the market before investing. The task is to find out how the market is performing. To find out the result investors use various methodologies like market analysis, index analysis, price pattern analysis. Hence it is required to study the: market vagaries and investor awareness.

INVESTMENT GOALS

The goal of the investors is to “buy low” and “sell high”. Investors invest on daily or weekly or monthly or quarterly basis. When the amount of money is less, it is easier to take risk and to invest. But when the amount is more it is very essential to understand the Time Value of Money. Making money is one thing; saving it and making it grow is another. The motives behind investment are:

- ✓ Tax exemption
- ✓ Growth of capital
- ✓ Income
- ✓ Safety or inflation protection
- ✓ Marketability/ liquidity

TAX EXEMPTION: The investments vary based on the basis of investment types and where it is invested in and the length of their average maturities. There are some state specific tax free investments, from which the income distribution is generally exempt from federal tax and state tax for residents of that state. Some others tax exemption are short- and intermediate-term tax-free investments, insured tax-free investments, etc.

GROWTH OF CAPITAL: is also called as expansion of capital or growth equity. Growth capital investment is provided by a variety of sources, it aims to grow in value more than inflation over the long term. Growth of capital is the allocation strategy of asset for capital appreciation. It is also for business expansion, restructuring of company's balance sheet. It is structured as either common equity or preferred equity that includes a return in addition to an ownership in the company. The exact proportion of individual's investment to the total portfolio will vary according to the investor's investment horizon, financial constraints and risk tolerance.

INCOME: When we are investing it is very important to know, where to invest and how to invest. Income generating investments are designed to provide regular income, either on monthly or quarterly basis. A good investment is one in which the company earns, more year after year. Some investments we think to be appreciate indefinitely. It is better to stick to long-term investing instead of short term for a better return.

SAFETY OR INFLATION PROTECTION: Securities are sensitive to inflation, after 70s there are many schemes and bonds have come to protect from inflation, which are called as Treasury Inflation- Protected Securities (TIPS). These inflation protected solution can improve risk adjusted returns for the overall portfolio. Under these schemes some of the portions of assets are being held in inflation hedge. Some of the inflation protection tips are:

- **AVOID A HIGH CONCENTRATION OF LONG TERM SECURITY:** Generally when we invest for long term, the return is fixed. So when we realize inflation, it is too late to compensate the loss.

- **OWN INVESTMENT THAT CAN INCREASE CASH FLOW:** Some investments have pricing power, which have some built-in protection from a rise in the inflation rate. So investor can survive without getting hurt.
- **OWN INVESTMENT THAT MOVE INDEPENDENTLY FROM CURRENCIES:** Some investments are independent of currency inflation, like post office deposit, PPF.

MARKETABILITY/ LIQUIDITY: Marketable securities are the securities that can be easily liquidated without any delay at a reasonable price. Factors that influence the choice of marketable securities are risks, maturity, yield, and liquidity. These investments are held as a temporary investment where a return is earned while investments are temporarily idle. They are built up to meet known financial requirements such as payment of tax, maturing bond issues, and so on.

METHODOLOGY

A. SML GRAPH: Securities market provides the scope of better returns. It aims to examine the volatile movement of a particular stock with the movement that happens in the market. Recent developments made in the Indian economy that induce investor's interest to invest in the market. The small and medium investors of the market can be motivated to save and invest in the stock market only if their securities in the market are properly priced. The content of information of events and its dissemination determine the efficiency of the stock market.

The predicted return represents the return that would be expected if there is no event too. The security market line ("SML" or "characteristic line") graphs the systematic risk versus the return of the whole market at a certain time and shows all risky marketable securities.

$$E(R_i) = R_f + b_i(E(R_m) - R_f)$$

Where:

$E(R_i)$: The expected return of the capital asset

R_f : The risk-free rate of interest, like interest arising from government bonds

b_i (the beta) : The sensitivity of the expected excess asset returns to the expected excess market returns

$$b_i = \text{Cov}(R_i, R_m) / \text{Var}(R_m)$$

$E(R_m)$: The expected return of the market

$E(R_m) - R_f$: The market premium

$E(R_i) - R_f$: The risk premium

Restated, in terms of risk premium,

$$E(R_i) - R_f = b_i(E(R_m) - R_f)$$

This states that the individual risk premium equals the market premium by b_i times.

Long-term government bonds are comparatively more risky, than short-term government bonds. Stocks of small company have higher risk and higher return than large company stocks.

In stock market investors will own risky investments only because they expect that the payoff from risky investments will be higher than what they can achieve with a no-risk investment.

The shift in SML can occur with changes in the following:

- Expected real growth in the economy
- Capital market conditions
- Expected inflation rate

B. PRICE PATTERN ANALYSIS

To successfully implement the buy on the upside and not to buy on the downside recommendations, investors must obviously know whether current prices are on the upside or the downside. Price pattern change helps to make better-informed buy-and-sell decisions. It describes how a stock, sector or market index changes over time.

The four basic price patterns are:

- ✓ Rising prices (Upside)
- ✓ Declining prices (Downside)
- ✓ Sideways prices
- ✓ Repeating cycles of increasing and decreasing prices

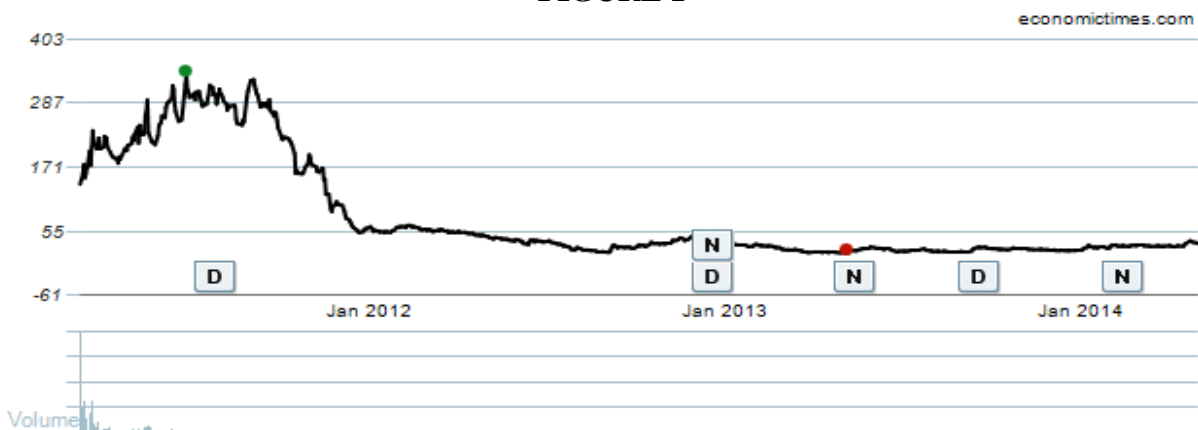
DECLINING PRICES (DOWNSIDE)

A declining price (downside) pattern is a trend of declining prices. The prices of Fineotex Chemical Limited move up and down above the declining trend line. The steep increase to Rs140.9 is an example of the volatile nature of price changes in stocks. Also note as prices decrease the fluctuating short-term peaks become lower and the fluctuating short-term lows become lower. Lower highs and lower lows are characteristic of a decreasing price pattern.

TABLE 1

Company Name	Issue price	2011	2012	2013	2014
Fineotex Chemical Limited	70	140.9	63.55	32.35	26.65

FIGURE 1



SIDEWAYS PRICES

A sideways pattern is a trend of unchanging prices. The prices of Innoventive Industries Limited move up and down within two horizontal trend lines, which are defined by the high and low prices for the pattern. The horizontal patterns end when prices form a rising or a declining pattern. The horizontal price pattern that ends when prices form a rising pattern. It is to be noticed that prices fluctuate within the upper and lower price bands.

TABLE 2

Company Name	Issue price	2011	2012	2013	2014
Innoventive Industries Limited	117	95.55	128	14.23	17.27

FIGURE 2



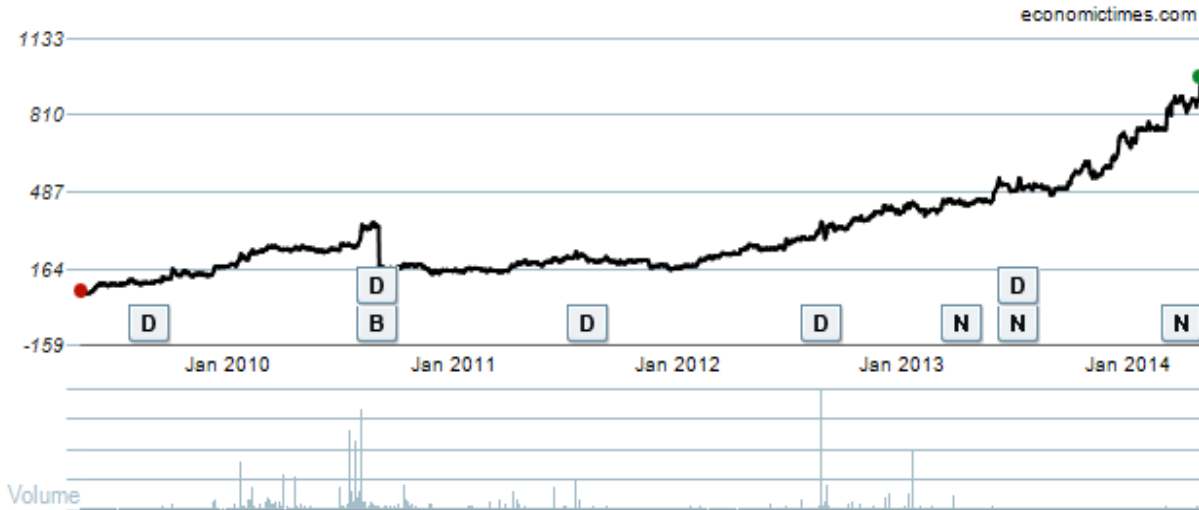
RISING PRICES (UPSIDE)

A rising price (upside) pattern has a general trend of increasing prices. As prices move higher, the short-term tops in price increase. Also the short-term lows that touch the trend line occur at higher prices. Therefore, the short-term highs and lows move higher for an increasing price pattern.

TABLE 3

Company Name	Issue price	2011	2012	2013	2014
Cera Sanitary Ltd	74	160.5	173	408.9	872.7

FIGURE 3



REPEATING CYCLICAL PRICES

The next chart shows repeating cycles for SpiceJet Ltd. Each of the four cycles has a well defined upside, a sharp peak and a downside of prices. This cyclical pattern repeats itself cycle after cycle. Investor can makes lots of money buying and selling on the upside of cyclical price patterns.

TABLE 4

Company Name	2009	2010	2011	2012	2013	2014
Spicejet Ltd	17	52.85	77.7	16.4	46.6	18.6

FIGURE 4



TABLE 5

Company Name	Issue price	2011	2012	2013	2014
Inventure Growth And Securities Ltd	117	170.19	281	4.8	9.28
Fineotex Chemical Limited	70	140.9	63.55	32.35	26.65
Prakash Constrowell Ltd	138	22.95	17.95	0.77	1.02
Brooks Laboratories Limited	100	53.45	13.35	22.45	20.15
VKS Projects Limited	55	-	55	327.8	0.42

Sensex dropped by 6% since 2009. This got more acute in small-cap indices where the market capitalization was down just 22% while the index was down by 61% over the same period. The mid-cap index's market capitalization was down 13% whereas the index was down 44%.

The PSU index was down by 50%, the capital goods index was down by 60%, the power index was down by 68%, the real estate index was down by 90%, the metal index is down by 66%, the oil and gas index was down by 38%, the consumer durable index was down by 10%.

The small-cap index in dollar terms was down by 73% and the mid-cap index in dollar terms was down by 61%. It was fair to assume that since FIIs had continued buying in Indian equities, their portfolio was more likely to be in the performing sectors and stocks rather than in non-performing sector or stocks. It was also fair to assume that the retail investors' portfolios are more likely to be in non-performing sectors and stocks.

The year 2010 was the year of big bang recovery for India. Most companies in the big league were back on track after suffering from the financial meltdown. The BSE Sensex jumped to 3,044.28 points or 17.43% in calendar 2010. Market growth of chemical industries was 8.82%, real estate industries was grown by 10.6%, Pharmaceuticals & Drugs sector was by 12%, construction industry was by 10.6% and Finance & Investments industry was grown by 8%.



FIGURE 5

Year	Sensex
2010	17540.29
2011	19691.81
2012	15867.83
2013	19663.64
2014	20851.33

Fundamental analysis is very valuable for the investors, but it should be approached with caution. All investors have personal biases, and every analyst has some sort of bias. Investors should learn what the ratings mean and the track record of an analyst before investing in any of the securities. Corporate statements and press releases give good information, but these should

be read with the good analysis tools to separate the facts. Investors should be skilled readers to weed out the important information and ignore the hype.

For Fineotex Chemical Limited earnings growth should be accelerating in recent quarters compared with earlier rates of change. This means that the rate of year-over-year earnings growth in recent quarters will exceed that of previous quarters. The acceleration doesn't have to occur in the latest period. It could have started up to six or eight quarters ago. For sales, it is down by 65% or more in one or more recent quarters or at least accelerating in their percentage change for the last three quarters. Return on equity should be 47% or lower in the coming year.

Prakash Constrowell Ltd has experienced negative cash flows for FY 2009 to FY 2010. Any negative cash flows in the future would adversely affect its results of operations and financial condition. Real estate companies require significant resources to fund their projects. These companies also procured considerably high debt to finance their capital-intensive projects.

For Brooks Laboratories Limited interest coverage ratio is increasing by 44%. So any future acquisitions of businesses/ facilities, technologies and products may expose the company to new risks and we may fail to realize the benefits of such acquisitions thereby adversely impacting our profitability.

Sales of Inventure Growth And Securities Ltd is decreased by 10% and return on equity is decreased by 50%. Earnings per share in the latest quarter should show a major percentage decrease versus the same quarter a year ago. At least 18% or 20% may down in another quarter. Growth in equity and debt declined due to decreased demand, a downtrend in sales, stoppage in execution of projects, rising interest expenses and the credit crunch arising out of the global financial crisis.

VKS Projects Limited has shown a major decrease in sales and return on equity in the last one financial year. And if we compare the result with the companies of this sector then we can infer that the sales may decrease by another 14% in the coming quarter. The global financial crisis, volatile capital markets, slowdown in FII flows made it difficult for companies to raise funds through equity markets.

IN CONCLUSION

1. Order Book. Investors should go thoroughly Order Book. It lists the number of shares being offered or bid at each price point, or market depth.
2. Earnings estimates should be properly done. This point is specific to Indian equities.
3. Peer competition should be done before investing.
4. Investors should look at share capital, and if that is increasing then investors should be careful, as ROE will be affected by increased share capital.
5. Shareholding pattern is fairly important thing to look at. Mainly three things: institutions, promoters and retail holdings. Broadly, it's good to have high promoter holdings and if retail holdings are high then stock will not perform well.
6. Secured loans and unsecured loans in balance sheet. If unsecured loans are high, then investors should be careful as it will require paying more interest.
7. Investors should be cautious when it is high "other income" in profit/loss statement.

DATA ANALYSIS & INTERPRETATION

TARGET SEGMENT: Retail investors, Corporate Executives, Retired Executives

SAMPLE SIZE: A sample size of 105 was generated. The selection of respondents was on random basis.

1. AGE CATEGORIES**TABLE 6**

Age Range	Responses in %
Under 30	10%
30-35	12%
36-40	37%
41-45	28%
Over 45	13%

This questionnaire is to identify the age range of investors in Bhubaneswar city, who all are interested in investing in various securities for increase in capital or to diversify risk. The investing pattern mainly depends on per capita income.

In Bhubaneswar most of the investors are in the age group of 36-40, which is 37%. The second most investors are in the age group of 41-45, which is 28%. Lowest numbers of investors are in the age range of less than 30 years, which is 10%. This huge difference is due to income of the investors and their interest of inquiring about securities and return and investing in it.

2. EDUCATIONAL BACKGROUND**TABLE 7**

Educational Status	Responses in %
Higher secondary	8
Graduate	55
Post graduate	37
CA(Inter)	5

This survey is done to identify the investors' literacy rate and understanding about the securities before investing in it and how much they are aware about the risk and return out of it.

From the above pie chart we can easily find out that, most of the investors are graduated, i.e. 55%. The second most investors are post graduated, i.e. 37%. Some retail investors, who are only higher secondary, have also invested in various securities.

3. EMPLOYMENT STATUS**TABLE 8**

Employment Options	Responses (in %)
Full time	59
Part time	7
Self employed	10
Retired	24

This survey is on the purpose to analyse the investor's employment status and to estimate their income range.

From the about responses most of the investors are full time employees, i.e. 59%. Even retired people, i.e. 24% have invested in many securities for their safety. Self employed people of 10% who are investing in securities, mainly to increase capital for their business or livelihood.

4. AGGREGATE MONTHLY INCOME

TABLE 9

Range of monthly income	Responses in %
Under Rs.20,000	6
Rs.20,000 - Rs.50,000	40
Rs.50,001 – Rs.80,000	42
Rs.80,001 – Rs.1,10,000	7
Above Rs.1,10,000	5

This survey is to have knowledge about the income of the investors, because accordingly they invest in various securities.

From the survey we can conclude that most of the investor's income of the sample size are in the range of Rs.50,001- Rs.80,000. And investors earning in the range of Rs.20,000- Rs.50,000, i.e. 40%. Very less number of investors are earning above Rs.80,000.

5. AMOUNT OF INVESTMENT

TABLE 10

Range of investment amount	Responses in %
Have not invested	7
Rs.10,000- Rs.50,000	14
Rs.50,001- Rs.1,00,000	23
Rs.1,00,001- Rs.1,50,000	15
Rs.1,50,001- Rs.2,00,000	20
Above Rs.2,00,000	21

This questionnaire is for the knowledge of the amount of investment in various securities. From the survey it is seen that many people have not invested yet, because of low income rate and less knowledge about the securities and return, this accounted for 7% out of the sample size. Most investors' investments are in the range of Rs.50,001-Rs.1,00,000, i.e. 23%. Many investors are in the range of above Rs.1,50,001, which is 20% and 21%. Those investors whose income is less than Rs.50,000 a month, are not quite interested in investing. So investors in this range have not invested much.

6. DURATION OF INVESTMENT

TABLE 11

Range of Duration	Responses in %
Upto 1 year	13
1-3 years	16
3-5 years	25

5-10 years	23
10-15 years	14
Above 15 years	9

This question is to know about the investment plans and number of years investors for which they are interested to invest in securities. Out of the sample size most of the investors are interested to invest for 3-5 years, i.e. 25%. It is because long term investment may influence by factors like, inflation, interest rate, currency change, etc. Very less number of the investors is interested for investing in securities to get the return above 15 years, which is accounted for 9%. It is because short term investment is less risky as compare to long term investment.

7. INVESTMENT OPTION AVAILABLE TO THE INVESTORS

TABLE 12

Investment Options	Responses in %
Post office	10
Stock	21
Gold	13
Mutual fund	20
Real estate	14
Bank Fixed Deposit	22

Investors should have knowledge about the investment plans and understanding about the securities and return of the investment.

Most of the investors i.e. 22% are opting for bank fixed deposit. Because it is inflation free and we get a fixed return even in adverse condition. 21% of the investors invest in stock market to diversify the risk of return and 20% investors invest in mutual fund, because here investors even can invest a very amount. This is a good option for the investors whose per capita income very less. Even a good number of investors opt for gold.

8. ABOUT DEMAT ACCOUNT

I. NUMBER OF INVESTORS KNOW ABOUT DEMAT ACCOUNT

TABLE 13

Options	Responses in %
Yes	81
No	19

II. NUMBERS OF INVESTORS HAVE DEMAT ACCOUNT

TABLE 14

Options	Responses in %
Yes	20
No	80

The investors who all are interested to invest in stock market are required to open a Demat Account for trading.

From the hundred respondent 81% of the investors are aware of Demat Account, and 19% of the respondents are not aware of the account. And out of these investors who are aware of the Demat Account, only 20% are having the account and 80% don't have Demat Account.

9. ABOUT PUBLIC ISSUES

I. NUMBER OF INVESTORS APPLIED FOR SHARES IN PUBLIC ISSUES MADE BY THE COMPANIES

TABLE 15

Do investors have applied	Responses in %
Yes	36
No	44

II. THE MODE OF RECEIPT OF SHARES IN CASE OF INVESTORS GETS ALLOTMENT

TABLE 16

Options	Responses in %
By way of physical certificate	70
By way of electronic credit to Demat account	30

Public issues are made by the companies to raise money for the day to day activities of the organization like to pay for new buildings and inventories, to provide for a merger or acquisition, to decrease debt, to give company owners greater flexibility, to place a value on the company, etc. It is very important for the investor's education before issuing stock.

Out of the sample of investors 44% people are not issuing stocks. The main reason behind this huge number is lack of investor awareness. While 36% investors are issuing stocks and out of these 70% people are getting the receipt of shares by way of physical certificate and 30% are getting by the way of electronic credit to demat account.

10. TRADING IN STOCK MARKET

I. NUMBERS OF INVESTORS DO TRADING IN STOCK MARKET

TABLE 17

Options	Responses in %
Yes	44
No	56

Table 17

II. NUMBER OF INVESTORS HAVE TRADING ACCOUNT WITH ANY STOCK BROKER

TABLE 18

Options	Responses in %
Yes	28
No	72

After opening the Demat Account, the investor has to open a trading account to do trade in stock market. It is like the bank account lets the investor to purchase stocks, mutual funds, bonds and other units by paying the broker to do the trading on behalf of the investor.

The above question is to find out the interest of investors for trading in stock market. From the sample of 100, 44% people are doing trading in stock market and out of these only 28% investors are having trading account with the stock broker.

11. POWER OF ATTORNEY FOR TRADING

I. NUMBERS OF INVESTORS GIVE POWER OF ATTORNEY (POA) TO THE STOCK BROKER

TABLE 19

PoA to brokers	Responses in %
Yes	3
No	97

II. INVESTOR'S KNOWLEDGE ABOUT POA TO STOCK BROKER AND/OR DP; IS MANDATORY OR OPTIONAL

TABLE 20

Options	Responses in %
Mandatory	19
Optional	81

The broker has the authority to trade through the investor's demat and bank accounts on his behalf for settlement of funds and easy delivery of shares. It also enables automatic collection of margin payments.

Out of the sample respondents only 3% investors have given power of attorney to the brokers and rest 97% investors have not allotted these rights to their brokers. It may be because investors are not confident about the broker. Out of these investors 81% respondents think that PoA is not mandatory for the stock market investors.

12. SATISFACTION LEVEL OF INVESTORS WITH THE SERVICE PROVIDED BY YOUR DP AND/OR STOCK BROKER

TABLE 21

Satisfaction Level	Responses in %
Highly satisfied	2
Satisfied	21
Merely satisfied	17
Not satisfied	60

A Depository Participant (DP) is an agent of the depository through which it interfaces with the investor and provides depository services. Stock broker are linked with buyers & seller through stock exchanges .He got broking charges for that tread which is called brokerage. Depository participant keeping the securities in safe electronic form. And for that they charge custodian. Annual maintenance charges, demat and transaction charges on transfer of securities.

The survey result show that 60% of the investors are not satisfied with DP or stock broker. And only 2% of the investors are satisfied with their services. This is because the brokers and depository participants don't inform about the updates and change in the prices and policies frequently to the investors, which is a problem for the investors to take any corrective action.

13. FREQUENCY OF BUYING AND SELLING OF STOCKS

TABLE 22

Frequency of trading	Responses in %
Daily	11
Weekly	32
Monthly	35
Quarterly	10
Occasionally	12

This questionnaire is to analyse the how frequently an investor trade in the stock market.

This result of the survey show that 35% the investors trade monthly. And only 10% of the investors buy and sell quarterly. Most of the people who all are full time employed, they trade occasionally and the people who are part time or self employed, they trade mostly daily or weekly basis.

14. RECEIPT OF SMS/E-MAIL ALERT

I. FROM STOCK EXCHANGE ABOUT ANY TRANSACTION OF BUYING OR SELLING OF SHARES

TABLE 23

Options	Responses in %
Yes	20
No	80

II. FROM DEPOSITORY ABOUT DEBIT OR CREDIT TO YOUR DEMAT ACCOUNT

TABLE 24

Options	Responses in %
Yes	59
No	41

This question is for the knowledge about the services of Depository Participants and stock brokers who facilitate the services of stock exchange.

The survey gives the results of 80% of the investors don't get messages or email from the stock brokers about any transaction of buying and selling of stocks. And 59% of the investors get messages and email about debit or credit to the Demat Account.

15. ABOUT BALANCE OF DEMAT ACCOUNT

I. INVESTORS DO CHECK THE BALANCE STATUS IN DEMAT ACCOUNT

TABLE 25

Options	Responses in %
Yes	62
No	38

II. FREQUENCY OF CHECKING THE BALANCE OF DEMAT ACCOUNT

TABLE 26

Frequency of checking	Responses in %
Rarely	45
Sometimes	31
Regularly	24

Demat Account is for investors who want to trade in the stock market. This is like the bank account. It should have enough balance for buying and selling of stocks.

The survey show that 62% of the respondents check their account balance and out of these 24% of the respondents check the balance regularly, while 45% of the investors check the balance rarely. From the result we can say that most of the respondents are not actively trading in the stock market.

16. THE OBJECTIVE OF INVESTMENT

TABLE 27

Objectives	Responses in %
Tax exemption	22
Growth of capital	27
Income	23
Safety or inflation protection	14
Marketability/ liquidity	14

The goal of investment is to diversify risk, by investing in various securities rather than investing all the capital in one form of investment.

Most of the survey respondents invest with the goal of growth of capital, which account for 27%. For 23% of respondent the investment is the main source of income and in this category most of the people are either retired or are in part time employment. While 14% of the respondents are interested for safety or inflation protection and marketability, by this motive they can easily liquidate their securities when there is any risk or fluctuation in the securities market.

17. FREQUENCY OF OBSERVATION OF RETURN ON INVESTMENT

TABLE 28

Frequency	Responses in %
Daily	3
Weekly	23
Monthly	20

Quarterly	12
Half yearly	11
Annually	31

Many investors are interested for long term investment, which is higher risk but also has high return. But other side many investors opt short term investment, though it gives a low return but has less risk.

From the survey we can see that many investors get their return annually which is 31% of the respondents. While only 3% of the investors observe return daily, these investors are interested for money market where they get the return in very period that may be vary from 1 day to 1 year.

18. TOLERABLE DROP IN VALUE OF INVESTMENT

TABLE 29

Range in drop of value	Responses in %
Less than 10%	30
10% -20%	34
20.01% - 30%	23
30.01% - 40%	12
More than 40%	1

When we invest in any securities the main motive is a good return out of it. But due to some micro and macroeconomic situation affects the money market and capital market. This cause a fluctuation is change in interest rate and change in return from the securities.

Out of the survey respondents 34% of the people can tolerate drop in return in securities of 10%-20% and beyond this they can withdraw the securities or may switch those to other less risk securities. While only 1% of the investors can tolerate drop in securities to more than 40%. For these investors the investments are not the primary source of their income.

19. ACTION FOR THE DROP IN VALUE OF INVESTMENT

TABLE 30

Actions by the investors	Responses in %
Redemption of the investment immediately	17
Investor switch over from risk free or less risk asset	24
Switch the investment to other less volatile asset	16
Investor would not react because that investment is for long term	26
Decide on the level on volatility amount of the investment	17

Due to volatility of securities market, investors have many options to diversify the risk. The survey covered many investors, there are many risk adverse investors who are not interested to take risk and when there is any fluctuation in the market they can redeem the investment immediately, which is accounted for 17% and many investors will switch the investment to other less volatile asset which is of 16% of the respondents. There are also many risk taker investors who don't react immediately for any market fluctuation. These investments are mainly for long term purpose. Many investors also observe the market condition when there is any vagary; they

decide accordingly and switch their investment to less risky assets, this account of 16% of the survey respondents.

20. NUMBERS OF INVESTORS DO STUDY OF A STOCK BEFORE INVESTING IN IT

TABLE 31

Do investors study	Responses in %
Yes	84
No	16

As per the current scenario of Indian economy, it is very important for the investor to get knowledge about the securities market and be aware of the securities and the return.

Out of the 100 respondents of the survey 84% of the respondents study the market before investing in stock market. While 16% of the investors don't study the market, they go for word of mouth. These investors don't have enough knowledge about the stock before investing in it.

21. GETTING DIVIDEND FROM THE COMPANIES

TABLE 32

Do investors are getting dividend	Responses in %
Yes	80
No	20

Shareholders invest in companies to get a few percentage of ownership of the company and to dividend. If the investor is a preference share holder then he will get the dividend before equity shares holder.

Out of the 100 respondents 80% of the investors get dividend on timely basis and if they don't get due to some financial condition of the company then the dividend gets accumulated and then paid to them. While 20% of the investors don't get dividend, some investors are ready to withdraw the stocks while some investors are continuing the stocks because of their own interest in a particular company.

22. RETURN ON INVESTMENT IN SHARE

I. GETTING RETURN ON INVESTMENT IN SHARES IN THE FORM OF CAPITAL APPRECIATION IN THE STOCK MARKET

TABLE 33

Do investors are getting return	Responses in %
Yes	78
No	22

II. SATISFACTION LEVEL OF THE RATE OF RETURN

TABLE 34

Level	Responses in %
Outstanding	12
Very good	27
Good	16
Average	34
No loss no profit	11

A good market condition gives a good return for the stock market investment. This capital appreciation in the stock market causes an adequate return.

Out of the 100 survey respondents 34% are not very satisfy with the return from the stock market rate of return. While only 12% are very much satisfied with the return of stock market and 11% of the investors are not gaining anything or loosing anything.

23. LOSS FROM INVESTMENT

I. NUMBER OF INVESTORS INCURRED ANY LOSS IN INVESTMENT IN STOCK MARKET

TABLE 35

Do investors incurred loss	Responses in %
Yes	51
No	49

II. THE SCALE OF LOSS IN YOUR INVESTMENT

TABLE 36

Range of loss	Responses in %
Upto 10%	18
10% - 20%	35
20% - 40%	27
40% - 60%	16
More than 60%	4

In stock market for good market condition stock price may rise upward while many times due to adverse effect of various factors stock price may fall drastically.

The respondents of the survey also have faced loss in stock market. 10% of the investors have faced loss up to 10%. Most of the investors i.e. 35% of the investors have faced 10%- 20% of loss. While only 4% of the investors have lost more than 60%. This high loss may be due to lack of awareness about the stock market and the investors are not active in trading.

24. SOURCE OF INFORMATION ABOUT THE CAPITAL MARKET

TABLE 37

Sources	Responses in %
Personal study	23
Newspaper	7
TV	10
Brochures or pamphlets	14
Brokers or dealers	14
Investment advisors	18
Internet	14

Information about the capital market is the most important part while investing in securities. Before investing in capital market investor should aware about the stock's performance and the growth of the sector. And the investor who has already invested in the market should be updated about the market condition and the predicted performance of stocks.

Majority of the survey respondents do personal study like technical analysis and fundamental analysis i.e. 23%. Only a few numbers of respondents get information from newspaper. It is wise to take advice of investment advisor.

LIMITATION OF THE PROJECT

1. Sample size of collection of data is limited to 105 only.
2. The assumption of the data is that, the information from the questionnaire does not influence by any external factor
3. The coverage area of questionnaire is limited to Bhubaneswar city only.
4. The survey segment it limited to corporate and retail investors.
5. The data collected for the fundamental analysis is based on BSE index and not on NSE index.
6. The data collected for the analysis are for maximum up to 4 years only.
7. Since it is a wide survey, it is difficult to provide financial education to all the investors.
8. There are only four sectors has been taken for fundamental analysis of last four years.
9. There are few indices have been taken for the analysis of the project.
10. Few respondents could not answer the questions due to lack of knowledge
11. Few respondents of the survey were unwilling to share the information.

FINDINGS

1. Most of the investors are aware of the investment options
2. Investors don't invest in single avenue, rather they prefer to invest in different avenues and maximum investors prefer a fixed rate of return.
3. Investment in securities decision is influenced by the investor's analysis and by relatives
4. Factors considered by the investors while investing are risk, return, capital appreciation, tax benefits, etc.
5. Maximum investors invest for 3-4 years of maturity period.
6. The returns from the investment are not highly satisfied by the investors.
7. Maximum investors are having different investment policies

RECOMMENDATIONS

1. Recommendations made by the study include stepping up the awareness campaigns.
2. Restructuring the curricular to have stock market studies and to make incomes on stock trading tax free.

3. For trading locals should be targeted first before any foreign investors are brought on board when it comes to selling local company shares.
4. No minimum opening balance
5. Access to diversified, commission-free stock, low-cost, and ETF bonds. (Here “Commission-free” means investor can buy and sell them without paying a fee.)
6. Investors prefer various investment tools, so there should be various other means to create awareness to create awareness regarding other financial instruments, which can be more beneficial to the investors
7. Investors consider various factors while investing like risk, return, liquidity, etc. So the investors should have rational thinking about the time of investment and capital appreciation.
8. The investment time span should be correctly decided. It may be early return and less risk or may be a fixed rate of return a long term investment.
9. Each of the investors is having different satisfaction level. If they understand various alternatives for investment and worth of it, then their satisfaction level may also move upward.
10. Investors should have proper knowledge about the securities; they should read the prospectus thoroughly and do fundamental and technical analysis before investing in any securities.
11. In stock market there should be customized products for lending against shares

CONCLUSION

The survey results presented in this project show that most of the investors use both fundamental as well as technical analysis while investing in stock market. The investors believe that various fundamentals of company influence stock prices in India. Majority of the respondents agree that factors such as size of the company, leverage and P/E ratio can better explain different variations in equity returns. Most of the respondents agree that arbitrage opportunities are available in stock market.

Most worthy investment strategies in Indian stock market (as perceived by respondents) are buying stocks for which some good news is expected, buying stocks which are expected of announcement of bonus issue, size strategy and following investment behaviour of FIIs.

Conclusions can be drawn that the trust affects stock market efficiency and that this is driven partly by lack of awareness among the investing public and also by low trust. Therefore in order to improve on the investor awareness to improve on the stock market a specialized unit should be adopted or strengthened responsible for handling investor awareness. There is also need for individual organizations to consider how they can form inter-company linkages, harness and use them to improve sharing of knowledge and best practices.

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