

A Study on Consciousness of Share Market Among With Society

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Abstract: *Developing a well-considered investment strategy is crucial for successful share trading, allowing traders to steer their trades toward profitability. This approach empowers traders to make informed decisions at the right moment and, when adhered to diligently, assists in mitigating potential losses. Demonstrating patience and discipline is imperative, especially during market downturns. The investment landscape sees an increasing number of educated individuals participating, while those with limited education often lack the necessary knowledge and awareness in this domain. Consequently, it becomes essential to raise awareness among the less educated or illiterate individuals, encouraging them to invest for their future financial well-being. The predictability of stock prices remains a significant point of contention in the realm of financial time-series analysis. The relevance of a stock's historical prices in forecasting its future value divides the academic and professional community. Some advocate the belief that stocks follow discernible patterns that can be leveraged for future price predictions. Conversely, another school of thought contends that stock prices are inherently unpredictable, with changes in price driven by new information about a company's earnings.*

Keywords: economic liberalization.

I. INTRODUCTION

Before the economic liberalization era in India, the nation's economy was tightly controlled and safeguarded through various measures such as licensing systems, high tariffs and tax rates, and limited investments in specific core sectors. During the 1980s, economic growth was largely unsustainable due to heavy reliance on borrowings to rectify the current account deficit. In response to these imbalances, the Indian government introduced economic reforms in 1991, aimed at implementing structural changes.

At that time, the financial sector was underdeveloped, primarily focusing on bonds, equities, insurance, commodity markets, mutual funds, and pension funds. To streamline the securities market, a regulatory authority known as SEBI (Securities and Exchange Board of India) was established, and the first electronic exchange, the National Stock Exchange, was founded. This initiative aimed to regulate investments, mobilize resources, and facilitate credit availability. Mark Twain once divided people into two categories: those who have witnessed the grand Indian monument, the Taj Mahal, and those who have not. Similarly, in the world of investing, there are two types of investors: those who are aware of the investment opportunities available in India and those who are not.

A stock market serves as a platform where buyers and sellers of stocks converge, either physically or virtually. Market participants can range from individual investors to large fund managers located anywhere in the world. Investors place their buy and sell orders with professionals at stock exchanges who execute these transactions. Stocks are listed and traded on stock exchanges, some of which operate through traditional open outcry systems on a trading floor, while others function virtually with a network of computers conducting electronic transactions. This order-driven system enhances transparency by displaying all buy and sell orders.

In India, the primary stock exchanges are the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Both BSE and NSE rank among the top five stock exchanges in developing economies in terms of market capitalization. As of June 2012, BSE held the fourth position with a market capitalization of \$1,101.87 billion, and NSE occupied the fifth position with a market capitalization of \$1,079.39 billion.

The sharp rise in stock prices during the 1990s and the subsequent market crash in the early 2000s underscore the strong interconnection between stock markets worldwide.

Recent research has highlighted the correlation between the stock markets in the United States and other nations. Integration of European financial markets is expected to further strengthen the correlation between equity prices in different European countries, potentially influencing real variables like investment and consumption. Shocks originating in one European country may affect other economies through the stock market, in addition to the traditional foreign trade channels.

Furthermore, stock market movements can play a pivotal role in influencing monetary policy, as evidenced by prior research on the relationship between share prices and the real economy, particularly in the United States. This paper aims to investigate the relationship between equity prices and aggregate investment in major European countries. Various econometric methods, including Granger causality tests and impulse-response functions derived from vector autoregressive models (VAR), are employed.

The results from the VAR models confirm a significant positive response of investment to changes in equity prices, with varying elasticities observed across different countries.

II. CONTEXTUAL BACKGROUND

First we will learn about Stock Market

The stock market encompasses a network of markets and exchanges where the regular trading, buying, selling, and issuance of shares in publicly-held companies occur. These financial activities are governed by established formal regulations. Typically, a country or region may have multiple stock trading venues that allow the trading of various forms of securities in addition to stocks.

While the terms "stock market" and "stock exchange" are often used interchangeably, the latter is generally a subset of the former. When someone mentions trading in the stock market, it implies that they are involved in buying and selling shares/equities on one or more of the stock exchanges that constitute the overall stock market. Prominent stock exchanges in the United States include the New York Stock Exchange (NYSE), NASDAQ, and the Chicago Board Options Exchange (CBOE). These major national exchanges, alongside various other exchanges operating within the country, collectively form the U.S. stock market.

Although the stock market is primarily associated with the trading of stocks and equities, it also serves as a platform for trading other financial securities such as exchange-traded funds (ETFs), corporate bonds, and derivatives based on stocks, commodities, currencies, and bonds.

The stock exchange plays a vital role in ensuring price transparency, liquidity, price discovery, and fair practices in these trading activities. With electronic trading systems prevalent in most major stock markets worldwide, the exchange manages the buy and sell orders efficiently from a range of market participants. It carries out the critical task of matching prices to facilitate fair trade executions for both buyers and sellers.

Listed companies may choose to issue additional shares through various means at a later stage, including rights issues or follow-on offerings. They might also decide to buy back or delist their shares. The stock exchange serves as the platform for facilitating these transactions and ensuring their smooth execution.

Understanding Trade in Stock Markets :-

Trade in stock markets involves the exchange of a stock or security from a seller to a buyer in return for money, contingent upon an agreed-upon price. Equities, often referred to as stocks or shares, represent ownership interests in specific companies.

Participants in the stock market span from individual investors to larger entities, which may be situated globally, including banks, insurance companies, pension funds, and hedge funds. These participants may execute their buy or sell orders through a stock exchange trader.

Stock exchanges come in two primary forms. Some are physical locations where transactions occur on a trading floor, typically utilizing a method known as "outcry," wherein traders audibly announce bid and offer prices. In contrast, the other type of stock exchange operates through a network of computers, enabling electronic trading. An example of the latter is the NASDAQ.

When a potential buyer bids a specific price for a stock, they may choose to buy or sell at the prevailing market price. This means they are willing to accept the current ask or bid price for the stock. When the bid and ask prices align, a sale is executed, often on a first-come, first-served basis if multiple bidders are present at the same price point.

The fundamental purpose of a stock exchange is to facilitate the exchange of securities between buyers and sellers, essentially creating a marketplace for these transactions. Stock exchanges provide real-time trading information regarding the securities listed, aiding in the process of price discovery.

Notable stock exchanges, such as the New York Stock Exchange (NYSE), embrace a hybrid model, combining electronic order placement with traditional floor trading. Orders executed on the trading floor are first received by exchange members, who then electronically submit them to the floor trading post. Here, a Designated Market Maker (DMM) for the specific stock oversees the order. The DMM's role is to maintain a two-sided market by facilitating buy and sell orders when no other buyers or sellers are present. In cases where a price spread exists, an immediate trade might not occur, and the DMM may use their own resources to bridge the difference. Following a trade, the transaction details are reported on the "tape" and conveyed back to the brokerage firm, which subsequently informs the investor who initiated the order. Computers play a pivotal role in these processes, particularly in program trading.

In contrast, the NASDAQ operates as a virtual exchange, conducting all trading via a computer network. The trading process bears similarities to that of the NYSE, with participants providing bid and ask prices at which they are willing to buy or sell their stocks.

III. MAJOR SHARE MARKET PARTICIPANTS

- 1) Stock exchange
- 2) listed companies
- 3) Stock brokers
- 4) Investors
- 5) clearing house
- 6) transfer agents
- 7) settlement banks
- 8) depository
- 9) stock investor

Early Stock and Commodity Markets:-

Genuine stock markets, as we recognize them today, did not emerge until the 1500s. Nevertheless, history reveals early instances of markets that bore similarities to stock markets.

In the 1100s, France established a system where courtiers de change managed agricultural debts across the country on behalf of banks. This can be regarded as an early example of brokerage, as these individuals effectively engaged in the trade of debts.

Subsequently, in the 13th century, merchants in Venice gained recognition for trading government securities, marking an early instance of such financial activities. In the following years, bankers in neighboring Italian cities, including Pisa, Verona, Genoa, and Florence, also ventured into the trading of government securities

The first stock exchange :-

Despite the ban on issuing shares, the London Stock Exchange was officially formed in 1801. Since companies were not allowed to issue shares until 1825, this was an extremely limited exchange. This prevented the London Stock Exchange from preventing a true global superpower.

That's why the creation of the New York Stock Exchange (NYSE) in 1817 was such important moment in history.

Significant Stock Market Crashes in History

Stock market crashes have been recurrent in the history of financial markets, often arising as a consequence of speculative bubbles and an imbalance between perceived and actual asset values.

One of the most notorious stock market crashes in history is the Black Thursday or Terrible Thursday of 1929, followed by Black Monday and Black Tuesday. During this catastrophic event, the Dow Jones Industrial Average plummeted by 50%, resulting in a severe economic depression in the United States and worldwide, causing the loss of vast sums of wealth.

Additional significant stock market crashes include:

Stock Market Crash of 1973-1974: This crash unfolded as a result of various factors, including the oil crisis and inflation. It marked a period of substantial economic uncertainty and severe market declines.

Black Monday of 1987: This event is remembered for being the first major crash in the era of electronic trading, catching many off guard. It occurred without significant prior indications, causing substantial global market losses.

Dot-com Bubble of 2000: The burst of the dot-com bubble led to significant losses in stock markets, particularly in the technology sector. It revealed the speculative excesses of the time.

Stock Market Crash of 2008: This crash was a pivotal moment in modern financial history, instigated by the subprime mortgage crisis and resulting in severe repercussions for the global economy.

While these crashes may not have matched the magnitude of the 1929 crash, they did entail double-digit percentage losses across the world. The evolution of electronic trading has raised questions about the fundamental principles of stock markets, including the theories of rational human behavior, market equilibrium, and the efficient-market hypothesis.

The 1987 crash, in particular, is significant because it marked the first major crash in the era of electronic trading. It took the financial world by surprise, as it lacked clear and immediate explanations or visible precursors. Beginning in Hong Kong, this crash saw global markets experiencing substantial declines, including a 42% drop in Australia and losses of approximately 23% in both the United States and Canada.

IV. REVIEW OF LITERATURE

A literature review on the subject of "Examining Public Awareness of the Stock Market" should offer a comprehensive summary of existing research and studies pertaining to how the general population perceives and comprehends the stock market. The following structure can be used as a framework for organizing such a review:

Introduction to Stock Market Awareness:

Begin by introducing the concept of stock market awareness and underscore its importance in the context of financial literacy and decision-making related to investments.

Historical Perspective:

Delve into the early research and studies that have historically investigated the levels of awareness and comprehension of the stock market within the general public.

Influential Factors on Stock Market Awareness:

Examine the multitude of factors that have an impact on an individual's awareness of the stock market. These factors may encompass educational background, socioeconomic status, and the extent of exposure to financial information.

The Role of Media and Information Sources:

Explore the influence of media, financial news outlets, and other information sources in shaping the perceptions and knowledge of the stock market among the public.

By structuring the review in this manner, you can provide a comprehensive understanding of the state of knowledge on this subject, drawing attention to potential gaps in research and paving the way for further investigation into how society perceives and engages with the stock market.

V. CONCLUSION

Summarize the key findings and insights from the reviewed literature, emphasizing the importance of enhancing stock market awareness for economic well-being and informed investment decisions.

This review of literature should provide a comprehensive overview of the state of knowledge on the topic, identifying gaps and opportunities for further research, and contributing to the understanding of how society perceives and engages with the stock market

VI. SUGGESTIONS

The investment strategy must be well decided for share trading and to transform the trades to profit. It will help to take the right trading decisions at the right time.

Following the strategy diligently will enable the traders to overcome the losses. Patience and discipline is must when the market is going through bad times

An investor can minimize the risk associated with the stock trading by holding diversified stocks in their portfolio. One can diversify their portfolio in many ways like holding stocks of companies operating in different sectors so that even if one industry is down performing, other sector stocks in the portfolio will pull it to profit.

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