

A Study on the Awareness of Stock Market and Instruments Among the General Public

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Abstract: - *The financial market in India is divided into two sectors; (i) Money Market and (ii) Capital market. The money market is a market for short-term instruments, whose period of maturity is less than one year. The capital market deals with medium- and long-term instruments. It facilitates the trading of such instruments. It includes shares, debentures, bonds, etc. The securities market consists of both the primary market and the stock market. The primary market deals with the arrangements made for raising new funds by corporates. Companies raise funds in the primary market through IPOs, private placement, rights issue, offer through prospectus, etc. the secondary market provides a forum for trading existing shares and debentures. A study on awareness of the stock market and instruments among the public” is an attempt at gaining a better understanding about the instruments being traded in the stock exchange, the investors in the stock exchange, the awareness of the general public about the stock exchange and also to understand the diversity of instruments in the Indian stock market. From the study, it was found that the majority of the respondents are aware of stock markets and instruments but some of them are not ready to invest in these instruments due to fear of losing money and lack of proper knowledge about safe investment avenues. Through proper awareness programs and by providing tax exemptions we can attract more people to the stock market*

I. INTRODUCTION

In India, there are two types of financial markets: (i) money market and (ii) the capital market. The money market is a market for short-term financial products with maturities of less than a year. Medium and long-term instruments are traded on the capital market. It makes it easier to trade such instruments. It includes shares, debentures, bonds, etc. The securities market consists of both the primary market and the stock market. The primary market deals with the arrangements made for raising new funds by corporates. Companies raise funds in the primary market through IPOs, private placement, rights issue, offer through prospectus, etc. the secondary market provides a forum for trading existing shares and debentures. A stock market is a place where people can buy and sell stocks. It's a market where you can cash in your existing stock. Stock markets are essential for mobilizing long-term funds and ensuring share and debenture liquidity. A share is a unit that indicates a company's ownership. The stock market is often referred to as the equity or share market. It is a trading platform where publicly traded corporations, privately held companies, and other financial actor's trade. The stock exchange is a component of the stock market. The trading of securities between investors takes place inside a stock exchange. It is a place where stock brokers and traders can buy and sell securities. It is an organized market. The transactions in the stock exchange are regulated by the laws and rules established by the concerned authorities of the stock exchange. In India, the stock exchange is regulated by SEBI. Stock exchanges are barometers for measuring the economic efficiency of a nation. It provides a ready and continuous market for shares and other securities. It is necessary to regulate the stock exchange to ensure that fraudulent activities are prevented and small investors are protected. Stock exchanges include different types of securities like bonds, debentures, derivatives, etc. Financial innovation has brought in a lot of new and flexible financial instruments. The project “A study on stock market instruments and awareness about the stock market” is an attempt to gain a better understanding of the instruments being traded in the stock exchange, the investors in the stock exchange, the awareness of the general public about the stock exchange and also to understand the diversity of instruments in the Indian stock market.

II. OBJECTIVES OF THE STUDY

- To study the awareness of the stock market and its instruments among the general public.
- To find out the types of investors in the stock market.
- To find out the factors affecting investment decisions among individual investors.
- To find out more about the Indian stock market instruments.

III. METHODOLOGY OF THE STUDY

Both primary and secondary sources of data were used to conduct this study. The primary source of data was collected from the participants using a questionnaire. The secondary source of data includes information collected from the internet, journals, and textbooks which were used to support the primary data. The sampling method used for data collection from a sample size of 100 participants, is convenience sampling. The data collected was then converted into tables and charts to enable analysis. The Percentage method was used to analyze the data.

IV. SIGNIFICANCE OF THE STUDY

People wish to earn profits from their savings rather than depositing them in banks and other financial institutions. The stock market provides the perfect opportunity for this. The stock market is an institution that is constantly changing and since more and more people are coming forward to invest in stocks, it is necessary to be financially aware of the market. Lack of knowledge about the stock market and the market conditions could result in small investors being tricked and would result in large losses. This study is conducted to ascertain the level of awareness among the public about the stock market, its functioning, and the various instruments used for trading.

V. LITERATURE REVIEW

1. In their study, "Evaluation of investor awareness on techniques used in stock trading before the investment", B. Vidya and S. Magesh found out that even though investors are ready to invest in the stock market their lack of awareness about different techniques to be used while trading proves as a problem. While investors gain their knowledge through various sources like media, mouth to mouth communication and online they are not aware of the methods to calculate the time, risk, and profit involved in making investments. The study also found that this lack of knowledge also restricts the volume of trade done by investors.
2. In his study, "Impact of the investor awareness program on prospective investors in the Indian stock market" Dr. Shivasamy Periyasamy, the author finds out the changes in investor behavior after finding out that the Government of India and stock market regulators invested 40 crores for investor education for almost 16000 participants. The study concludes that investor education should not be the responsibility of the Government only but other sectors involved must also take active participation. After the program, nearly 42.1% of the participants are willing to invest in the stock market however it requires more attention from the market participants and regulators to convert them into real investors.
3. An investor study by Sebi- Neilson revealed that nearly 90% of households prefer bank deposits and only 10% invest their holdings in the stock market. In rural areas, this is further reduced to 2%. The study revealed that people believe trading in derivatives is much safer than trading in bonds and other instruments. This indicates a lack of financial knowledge.
4. In their study, "Awareness about equity investment among retail investors: a kaleidoscopic view" Jayashree Bhattacharjee and Ranjith Singh the authors found out that the important factors that affect investor behavior are demographic, socio-economic, and psychological. An increase in financial knowledge can lead to a potential increase in equity trading and financial well-being. Equity awareness can increase the investor's education about their rights and responsibilities and the risk involved in the market.
5. In their study, "Financial literacy among the youth" by Neha Garg and Shveta Singh the authors were trying to find out the impact of financial education among the youth. Since youth have a long life ahead of them their decisions have long-term impacts making financial knowledge more important. The study found out that the financial literacy among the youth is very low and demographic factors like age, sex, marital status, and education influence their financial attitude, behavior, and knowledge.

VI. DATA ANALYSIS AND INTERPRETATION

TABLE 4.1: AWARENESS ABOUT EQUITY, DEBENTURES AND MUTUAL FUNDS

CHOICES	NO. OF RESPONDENTS	PERCENTAGE
YES	77	77%
NO	23	23%
TOTAL	100	100%

Source: Primary data

The above table reveals that 77% of the respondents are aware of equity, debentures and mutual funds and 23% are not aware of the same. The majority of the respondents are aware of equity, debentures, and mutual funds.

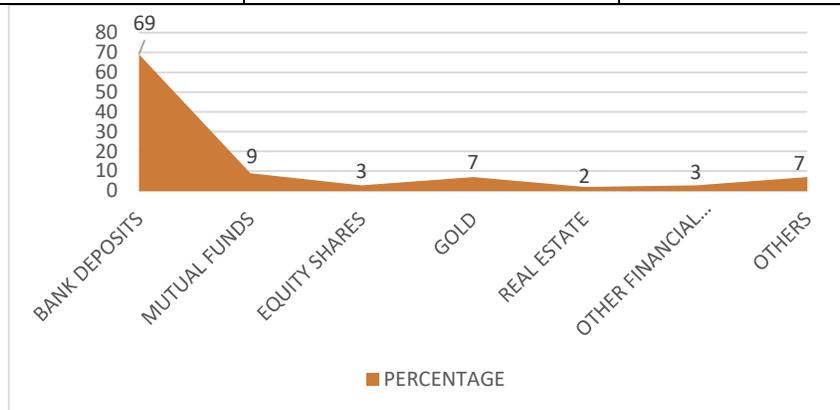
TABLE 4.2: OBJECTIVES OF INVESTMENT

CHOICES	NO. OF RESPONDENT'S	PERCENTAGE
FOR EARNING INCOME	48	48%
FOR LONG-TERM BENEFITS	52	52%
TOTAL	100	100%

From the above table it is evident that the majority of the respondents are investing for long term benefits.

TABLE 4.3: RESPONDENTS CLASSIFICATION ON THE BASIS OF WHERE THEY INVEST THEIR SAVINGS

CHOICES	NO. OF RESPONDENTS	PERCENTAGE
BANK DEPOSIT	69	69%
MUTUAL FUNDS	9	9%
EQUITY SHARES	3	3%
GOLD	7	7%
REAL ESTATE	2	2%
OTHER FINANCIAL INSTRUMENTS	3	3%
OTHERS	7	7%
TOTAL	100	100%



Source: Primary data

FIGURE 1: RESPONDENTS CLASSIFICATION ON THE BASIS OF WHERE THEY INVEST THEIR SAVINGS

Table 4.2 reveals that 69% of the respondents invest their savings in bank deposits, 9% in mutual funds, 7% in gold, 7% in other areas, 3% in equity shares, 3% in other financial instruments and 2% in real estate.

TABLE 4.4: RESPONDENTS CLASSIFICATION ON THE BASIS OF PROPORTION OF SAVINGS INVESTED IN THE STOCK MARKET

CHOICES	NO. OF RESPONDENTS	PERCENTAGE
BELOW 20%	71	71%
20-50%	17	17%
50-75%	6	6%
ABOVE 75%	6	6%
TOTAL	100	100%

INTERPRETATION

Table 4.4 reveals that 71% of the respondents invest less than 20% in the stock exchange, 17% of the respondents invest 20-50% of their savings in the stock market, 6% invest 50-75% of their saving in the stock market and 6% invest more than 70% of their savings in the stock market.

TABLE 4.5: FACTORS INFLUENCING INVESTMENT DECISION OF RESPONDENTS

CHOICES	NO. OF RESPONDENTS	PERCENTAGE
SECTOR OF THE COMPANY	23	23%
REPUTATION OF THE COMPANY	39	39%
ADVERTISEMENT	6	6%
PREVIOUS EXPERIENCE	23	23%
PERFORMANCE OF COMPANY	9	9%
TOTAL	100	100%

Source: Primary data

INTERPRETATION

Table 4.5 reveals that 39% of the respondents invest after considering the reputation of the particular company, 23% considers the sector of the company before investment, 23% of the respondents takes previous experience into consideration 6% considers advertisement and 9% performance of the company.

TABLE 4.6: RESPONDENTS CLASSIFICATION ON THE BASIS OF THEIR PERCEPTION TOWARDS THE STOCK MARKET

CHOICES	NO. OF RESPONDENTS	PERCENTAGE
OPPORTUNITY	45	45%
RISK	55	55%
TOTAL	100	100%

Source: Primary data

INTERPRETATION

Table 4.6 reveals that 55% of the respondents consider investing in stock market as a risk and 45% considers it as an opportunity.

VII. FINDINGS

1. Majority of the respondents are aware of equity shares, mutual funds and debentures.
2. Most of the respondents invest their savings in bank deposits.
3. Majority of the respondents only invest less than 20% of their savings in the stock market.
4. The major factor that influences investment decision is the reputation of the company.
5. Most of the respondents consider investing in stock market as a risk.

VIII. SUGGESTIONS

1. Government should conduct classes relating to the stock market, highlighting the benefits and techniques of trading in the stock exchange. For this adequate advertisement has to be done. Notices about such classes must be circulated in newspapers and electronic media.
2. Companies should conduct IPOs as a two-tier affair with one tier being completely reserved for the public. This can increase public participation.
3. The authorities have to revise the existing guidelines and rules set up by the government and SEBI to ensure that there are no loopholes and make sure that the rights of individual and small investors are protected.
4. The Government should implement more tax concessions to attract more retail investors to the market.
5. Should ensure that the guidelines set up by SEBI are actually followed in board meetings so that the interests of the investors are protected and the small investors are aware of the steps taken by the company for their benefit.
6. The brokerage fee and other charges are quite high. By reducing this more people can be induced to invest in the stock market.

IX. CONCLUSION

The stock market today is one of the most attractive avenues for investment. The study "A study on awareness of stock market and instruments among the general public" revealed that while the general public is aware of the stock market and the instruments used in it, they are not ready to invest in it. This reluctance is mainly due to the fear of losing money and the also due to the concern about the associated risk with investing in the stock market. If proper education about the benefits of investing is given, we can reduce the lack of awareness among the public. While public participation has somewhat increased than earlier, individual investors still continue to remain at the fringes of the markets. And even though people are aware the level of awareness is low.

It is necessary to educate people about the stock market, the instruments used and the benefits of making investments in the capital market. In addition to this it is also important that the Indian stock exchanges bring forward new and innovative instruments so that more players are induced to invest in the market. At present the securities that are offered by our stock exchanges are not up to the ones offered by other foreign exchanges. The government and SEBI must reassess the existing guidelines and rules to truly increase public participation and also to further develop the exchanges. This can be done by conducting proper training classes to the brokers, implementing new and innovative schemes and by taking effort to educate the public about the scope of investing in stock market.

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