

Investors Attitudes towards Stock Market Investment

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ABSTRACT:

The researcher was inspired by the persistent lack of local investors participating on the National Stock Exchange (NSE), the wide spread ignorance about financial assets and the continuous purchase of stocks with no information known about them by most people in the country plus the wide gap between the rich who invest in stocks and the poor who continuously make losses in the real investment industry. The study was guided by objectives with a purpose of tracking investor's attitudes and perceptions towards stock market investments. A sample of 125 respondents was used and the findings analyzed using SPSS. The study used a cross-sectional survey design and with application of quantitative and qualitative data. The study may also use descriptive and correlation approaches to establish the relationships amongst the study variables. The study made several recommendations among which to increase investor awareness as a means of encouraging local investors to list on the stock exchange. The regulatory authorities should improve on their performance in order to increase the confidence of the local investor. Furthermore they should introduce investor incentives to boost the volumes traded on the exchange with a review of The stock market regulations with a view to make them stronger and more attractive to local investors.

Introduction

A stock market is a place in which long term capital is raised by industry and commerce, the government and local authorities and it is regarded as capital market. The money derives from private investors, insurance companies, pension funds and banks and is usually arranged by issuing houses and merchant banks. Stock exchanges are also part of the capital market which provides a market for the shares and loan that represent the capital once it has been raised. Stock market is a place where the securities can be sold and purchased at an agreed price. Indian stock market is the oldest stock market incorporated in 1875. The term investment refers to the commitment of funds at present in anticipate of some positive rate of return in future course of time. There are three types of investors namely conservative investors, moderate and aggressive investors. There are also different avenues available to invest for investor's namely corporate securities, equity shares, preference share, debentures/ bonds/ ADRs/ GDRs, mutual funds, etc. The investor can get education about their investment from financial institution, financial markets, media etc.

Statement of the problem

A study revealed that investors, can easily and quickly participate in, or withdraw from, the market depending on their confidence and perceptions towards the prevailing market conditions. Despite increase in trainings and involvement of the community in investment activities, little has been done to analyze investor attitudes towards investing in financial assets in NSE. This has evoked various questions in the researcher's mind there by considering it necessary that a study be undertaken to investigate the factors that influence investor attitudes towards stock market investments and suggest ways on how their trust and confidence in the Stock market can be regained or rather improved.

Objectives of the Study

- To find out investors attitudes and perceptions towards stock market investments. (Major issues facing the stock market in NSE).
- To analyze how investors' level of awareness influences their intention to invest in the stock market.

Literature Review

Attitude:

Selden (1912) in his research article "*Psychology of Stock Market*" mentioned that once the equity investor develops positive attitude towards investment, he remains committed towards it despite of resistance from any internal or external forces. Further, Weinstein, N. (1980) added that people who are having positive attitude would like to prove those who are injecting negativity wrong. As a result, positive attitude actually makes him ready to face challenges which the stock market will pose due to its fluctuations.

Level of Awareness:

Verma.P. (2012) found that awareness of various equity oriented securities among Indian investors is increasing due to various investor education programmes conducted by Securities and Exchange Board of India (SEBI) and Association of Mutual Funds in India (AMFI). He stated that, due to the increased awareness about equity oriented securities, the number of new investors is growing at a healthy rate in India. He further stated that, increased awareness is also motivating the equity investors to acquire knowledge on various investment strategies and risk minimisation techniques.

Environment

According to UNCTAD (1998), investors are motivated by the following factors; macro economic and political stability, high growth potential, ease of capital and income repatriation, legal transparency and adequate investor's protection; adequate information and reporting disclosures, exit mechanism (portfolio equity investors are interested in the financial returns on their investment and hence prefer to invest in more liquid instruments, In countries, which have stock market, investors look at such factors as market liquidity (as measured by ratios of market capitalisation to money supply) and the volatility of the stock market.

Stock Market Investment

Warren et al. (1990) and Rajarajan (2000) predict individual investment choices (e.g., stocks, bonds, real estate) based on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behaviour.

Research Design

The study was cross-sectional. It was also descriptive to the extent of measuring the level of awareness of the potential local investors and their attitudes towards Stock Market investments.

Source of data collection

The study used both primary and secondary data.

Primary data was obtained by the use of a semi structured questionnaire.

Secondary data was obtained from various newsletters, reports, journals, text books, newspapers and other form of electronically stored information like internet and other data accounts. All relevant literature was reviewed to provide a basis for interpretation of responses.

Survey population and sample size

The study population was made up of 125 respondents composed of 100 locally known investors, 10 visionary entrepreneurs, and 11 officials from the existing brokerage firms in the country. The elements covered in the study included Investor outlook, the stock market, market orientation, broker services, securities industry and attitudes towards financial investments.

Data analysis:

TABLE NO:1 PERCENTAGE ANALYSIS FOR DATA COLLECTED

	Percent	
Frequency	Gender	
Male	48	85.70%
Female	8	14.30%
	Age group	
25years and below	0	0.00%
6-35	7	12.50%
36-45	38	67.90%
46 and above	11	19.60%
	Marital Status	
Single	10	17.90%
Married	46	82.10%
	Education Level	
Certificate	5	8.90%

Diploma	2	3.60%
Masters	36	64.30%
PHD	10	17.90%
Degree	3	5.40%
Nationality:		
Indian	48	85.70%
other specify	8	14.30%
Region of origin		
East Chennai	11	19.60%
North Chennai	10	17.90%
South Chennai	27	48.20%
West Chennai	8	14.30%
Annual incomes		
5 lakhs to 10lakhs	3	5.40%
10lakhs to 15lakhs	30	53.60%
15lakhs to 20lakhs	16	28.60%
Above 20lakhs	7	12.50%

The results in the frequency table 1 above show that more than three quarters of the sample respondents were male (85.7%) and female who contributed 14.3% of the respondents. As regards to the age of the respondents, (12.5%) were in the 26-35 age, (67.9%) in the 36-45 age and (19.6%) in the 46 and above age. As regards to the level of education majority of the respondents were at Masters Level (64.30%) and a few were at degree level 5.40. With reference to the nationality, majority of the respondents were Indian (85.70%) and a few were not nationals (14.30%). Various constructs of the study show that majority of the respondents originated from the South Chennai (48.20%) and very few from the North Chennai (14.30%). As incomes are important in investments, majority of the respondents were earning 10lakhs to 15lakhs, (53.60%) and minority were earning 5 lakhs (5.40%).

Sex of respondents was considered as an important factor since gender balance is up-to-date. Stock market investment initiatives should optimally utilize the available capacity from both sexes. This indicated the need to bring more women on board to participate in the growing financial assets sector and more specifically the Stock Exchange Industry. Having majority of the respondents in the 36-45 age group implied that most of the respondents had experience in financial assets investments and were in position to provide a judgment of the future and status of the sector. Attainment of a Masters level of education by most respondents showed that they were knowledgeable enough about financial assets which implied that they

were well conversant with the available instruments, knowledgeable of the current economic trends policies and proceedings.

TABLE NO: 2 SHOWING THE CORRELATION RELATIONSHIP BETWEEN ATTITUDES, LEVEL OF AWARENESS/CONFIDENCE, ENVIRONMENT, AND INVESTMENT

			Investor Level of Awareness/ Investor		Stock Market
Attitude	Pearson Correlation	1			
	Sig. (1-tailed)				
	N	56			
Investor Level of Awareness/ Investor	Pearson Correlation	.416	1		
	Sig. (1-tailed)	.001			
	N	56	56		
Environment	Pearson Correlation	.261	.003	1	
	Sig. (1-tailed)	.432	.492		
	N	56	56	56	
Stock Market investments	Pearson Correlation	.344**	.410**	.504**	1
	Sig. (1-tailed)	.000	.000	.001	
	N	56	56	56	56

** . Correlation is significant at the 0.01 level (1-tailed).
* . Correlation is significant at the 0.05 level (1-tailed).

Source: primary data.

The results given in above represent the relationships between independent variable, intervening variable, moderating variable, extraneous variables and the dependent variable (stock market investments). The results are thus interpreted as under:

The relationship between investor attitudes and stock market investments

Results from the same table above revealed that there is a significant positive relationship between Investor’s attitudes of Stock Market and stock market investments ($r = 0.344$, $P < 0.01$). This means that if investor attitudes are made better local investors will be enticed to increase their participation on National stock market.

The relationship between Investor Level of Awareness/confidence and stock market investments

The results further show a positive and significant relationship between investor level of awareness/confidence and stock market investments ($r=0.410$, $P < 0.01$). This implies that increased investor’s level of awareness/confidence is associated with increased intent and ability to invest in the stock market.

The relationship between environment and stock market investments

Further results indicate a significant positive relationship between the environment and intention to invest in the stock market ($r = 0.504$, $P < 0.01$). This means that if investors perceive that the environment is conducive with availability of market incentives in stock market they will be more willing to invest in the stock market.

Limitations of the Study

- (i) The study is not conclusive as only a small part of the district was covered. On the same note since investor attitudes change with market trends no conclusions were derived from the study findings.
- (ii) Furthermore, the study did not consider other factors that affect stock market investments like culture, family back grounds and many more.
- (iii) It should also be noted that the study was dealing with a sensitive issue of financing often regarded as highly confidential. Therefore, some respondents concealed some of the vital information.

Conclusion

The findings clearly indicate that there is a significant relationship between the investors' attitudes and stock market investments. The more positive attitude enhancement strategies are introduced, the more it is easy for local investors to invest in the stock market. Further, there is a significant relationship between the local investor's perception of stock market regulations and their Intention to participate at NSE. To have more local investors participating on the NSE, efforts should be directed towards stronger Regulation and creation of more awareness.

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