

ATTITUDE OF RETAIL INVESTORS TOWARDS SHARE MARKET AND SHARE BROKING COMPANIES- AN EMPIRICAL STUDY IN MADURAI CITY - TAMILNADU

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Abstract

This study is to make a probe into the attitude of the Investors towards share trading and share broking companies in Madurai city in Tamilnadu (India), It is undertaken on selected share broking companies investors, under four dimensions viz., Awareness on share market, Investment options, reasons for investing, Stimulating factors for choosing the brokers. The sample selected for the study is taken at random among the investors in Madurai city. To conduct the study, a tool is designed and canvassed. The dimensions taken for the study were confirmed soon after the conduct of a pilot study on investors attitude on share trading and on share broking companies. Results of the study discloses that majority of investors have been influenced by their relatives in entering in to the share market. In respect of the variables - businessmen and Professionals are relatively interested in share trading. Therefore, more attention needs to knock the door steps of employees and other people in the society to elevate the importance of opening of Demat account and share trading so as to enhance the scheme objectives.

Keywords: Demat account, derivatives, stimulating factors.

Introduction

Financial sector in an economy plays a crucial role. Growth in it in turn accelerates the economy as a whole, and it is imperative in the case of developing economies like India. The Indian financial sector had witnessed a lot of changes in the recent past specifically, a massive entry of Private funds with versatile business strategies into Indian financial services market. Economic success and sound financial system is intertwined in both literature and practice. Economic reform process of 1991 had a great impact on redefining the financial system of India leading to overall economic development of the country. Today, India's financial system is considered to be sound and stable as compared to many other Asian countries where the financial market is facing many crises. Positive vision, foresight, perseverance and drive are must for an investor to be successful in his investment decisions. Investors differ in characteristics due to demographic factors such as socio-economic background, educational level, age, gender, and alike. So, it is difficult for an investor to make an appropriate investment decision on the basis of the decisions made by someone else. It implies that an investment decision optimum for one investor may not be suitable for the other investor. Every investor has his own investment objectives, risk tolerance level, inflows and outflows of money, and other constraints subject to several

cognitive biases. People invest in financial markets where investment returns are highly uncertain and unpredictable as well as subject to a relatively high degree of market risk which could be affected by actions of others and their own emotional weaknesses. Studies have shown that various factors such as the investors' demographic factors, socio-economic relations, education level and income range an influence to their decision-making process. Investors have different mindset when they decide about investing in a particular avenue. Every individual wants his saving to be invested in most secure and liquid avenue. However, the decision varies for every individual and his risk taking ability. Investment behaviour is related to activities of individual investors regarding searching, evaluating, acquiring, reviewing the investment products and if necessary, disposing such investment products. Investment behaviour reveals how the individual investor allocates the surplus financial resources to various instruments available. The investment behaviour consists of why they invest, where and how they get information, what factors they use to evaluate, who influences them on choice of investment and how they act after investment. In this paper the researcher propose to study the factor influencing retail investor in Indian share market.

Objectives of the Study

The study was focused on the following objectives:

1. To understand the investors' perceptions on share trading and evaluate the key investment attributes and their effect on their investment.
2. To identify and evaluate the share brokers service from the point of view of investors

Methodology

The present study is focused on understanding investors perceptions. To attain these objectives a survey of 75 respondents had been carried out in Madurai city, Tamilnadu using convenience sampling method.

Limitations Of The Study

1. The present study is mainly focused only in Madurai city, Tamilnadu.
2. India is a land of diversity so the sample results may not be a representative of entire population.
3. The information collected is from the memory of the respondents.
4. Time and money are the major constraints of the study.

Table 1 Demographic Profile of Respondents

Demographic factor	Particulars	Frequency n(75)	Percentage %
Age	Below 30	11	14.66
	31-40	25	33.33
	41-60	15	20
	Above 60	24	32
Gender	Male	60	80
	Female	15	20
Education	Matriculation and below	5	6.6
	Higher secondary	12	16
	Graduate	38	50.66
	Post-Graduate	20	26.66
Marital status	Married	71	94.66
	Unmarried	4	5.3
Occupation	Student	2	2.6
	Business	26	34.66
	Professional	22	29.33
	Retired	18	24
	Government Job	8	10.66
Income per month	Less than 10,000	11	14.66
	20,000-40,000	23	30.66
	40,000-80,000	21	28
	Above 80,000	20	26.66

Source: Primary Data

From the above table, Out of 75 respondents, 80 % are male and 20% are females. Nearly 33% of the respondents are in the age group of 31-40 followed by above 60. Majority of the investors are doing business followed by professionals. Retired employees come next in share trading. Government employees are very few in share trading. Over 95% people are married and 5% are unmarried in the collected sample. In the poll 14 % people have a monthly income of less than Rs.10, 000. And 31% people have income between 20,000 and 40,000. Similarly, 28 % and 26 % people have an income range of 40,000 to 80,000 and above 80,000 rupees respectively.

Table 2 Awareness Of Share Trading

Awareness of Share Trading	Frequency	percentage
Relatives	35	46.66
Friends	18	24
Media	9	12
Office Colleagues	13	17.33
Total	75	100

Source: primary data

From the above table it is understand that most of the sample respondents have been influenced by their relatives in entering in to the market followed by friends and office colleagues. Media has least effect in motivating the respondents.

Table 3 Investment Options

Investment Options	Frequency	Percentage
Equity Shares	28	37.33
Commodity Market	24	32
Currency trading	8	10.66
Derivatives and Options	15	20
Total	75	100

Sources: primary data

From the table number: 3 it is understand that 37% of the sample respondents are trading in the equity market. 32% of the respondents are trading in commodity, 20% are in the derivatives and options. Only 11% of the investors are in the currency trading.

Reason For Investment On Sharemarket

The success of the investors depends upon how investors perceive about the investment. Therefore the retail investors need to identify the various influences that lead up to enter in to the share market. So considering these influences the study measured five variables under investment attributes namely, high return in a short period , future investment , tax avoidance, to gain some knowledge and entertainment. The respondents were asked to rate the various factors in order of their preference.

Table 4 Reason For Investment on Sharemarket

Investment reasons	No importance	Least important	Somewhat important	Very important	Extremely important	Positions weights	Rank
High return on short period	0	0	5	33	37	332	1
Investment for the future	0	3	9	29	34	319	2
Tax purpose	0	0	18	26	31	313	3
Gaining knowledge	2	3	20	26	24	292	5
Entertainment	1	4	18	24	28	299	4

Source: primary data

Analysis from the above table indicates that high return in a short period was given highest preference followed by future investment and tax purpose. So the above analysis indicates that Indian investors are more sensitive and give more preference to return.

Table 5 Factors Influencing Investors in Choosing the Share Brokers

S.No	Description	Strongly Disagree	Disagree	Agree nor disagree	Agree	Strongly agree	Position weights	Ranks
1	lower commission charges, AMC and account opening charges	5	1	8	31	30	305	1
2	good investment advice	6	15	12	25	17	257	5
3	Location and convenience of broking office	10	12	12	27	14	248	6
4	Facilities like commodity trading	2	5	23	29	16	277	3
5	maintains good investors relationship	2	4	19	26	24	291	2
6	High margin limit	5	15	13	26	16	258	4
7	provides good parking facilities	22	6	14	24	9	217	10
8	sending the contracts regularly	17	7	15	26	10	230	9
9	honesty in dealing with our funds	15	6	16	27	11	238	8
10	ON-LINE trading facilities at home	12	8	15	28	12	245	7

Source: primary data

So the study identified ten factors influencing the investors for choosing the share brokers. The Table 5 indicates that lower commission ,low annual maintains charges has been given highest preference for choosing the share broking followed by good investors relationship and providing all kind of trading facilities like commodity trading , derivate, foreign currencies etc. Now on line trading facilities at home has a moderate effect among

investors. Most of the investors do not have the knowledge about the computers and internet and broad band facility. Hence, most of the investors are not doing online trading. In the survey, it is also found that majority of young investors like to trade in futures and options (F&O)

Conclusion

In the advent of Information and computer Technology growth, online stock trading services have gained impetus. But in a vast country like India, there are many people below the poverty line and they do not have sufficient income to invest. Illiteracy, lack of computer education, lack of faith in online trading are some major problems causing slow growth in stock broking.