

STUDY ON INVESTORS ATTITUDE AND PREFERENCE TOWARDS MUTUAL FUND

Submitted in partial fulfilment of the requirements for the award of

Master of Business Administration

by

ABHISHEK KUMAR PASWAN

Register No: 40410004



SCHOOL OF BUSINESS ADMINISTRATION

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE
Jeppiaar Nagar, RAJIV GANDHI SALAI, CHENNAI - 600 119**

APRIL - 2022



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of Mr. Abhishek Kumar Paswan (40410004) who have done the Project work entitled, "**Study on Investors Attitude and Preference Towards Mutual Fund**" under my supervision from January 2022 to March 2022.

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Submitted for Viva voce Examination held on_____.

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DECLARATION

I, **Abhishek Kumar Paswan, (40410004)** hereby declare that the Project Report entitled “**Study on Investors Attitude and Preference Towards Mutual Fund**” done by me under the guidance of Dr. John Britto, MBA., M.Phil., Ph.D is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

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ABSTRACT

A Mutual Fund is an investment that drives the funds from different investors and invests the funds in stocks, bonds, short-term money-market instruments. Mutual fund is an investment instrument which assembles the savings of millions of small and retail investors into large capital formation. The main intention behind investment in mutual fund is to earn better return with assumable low risk.

The fundamental goal of the study of the research is to find out Investor preference and attitude towards mutual fund in India. This study analyses the impact of different demographic variables on the attitude of investors towards mutual funds. The main purpose of doing this research is to analyse the investors attitude and preference towards mutual fund. By the help of questionnaire, Descriptive statistical tools like chi-square test have been utilized for analysing the data. The primary data is the first-hand data collected with the help of questionnaires that contains both open-ended and close-ended questions. Structured questionnaire is framed for the purpose of collecting primary data from the respondents. The statistical technique used here is Percentage analysis. Various tables and charts are the tools used as a means for easy representation of data analysed through Percentage Analysis. The sample of the study is limited to 50.

There can be misunderstanding on the part of respondents which may or may not lead to discrepancies. The fluctuations that happen in stock market due to various other reasons that are not taken into account, can also be a serious factor influencing the decisions of an investor. For example: Chinese stock market fall. Mutual funds require little research, but detach you from the day to day mechanics. With a mutual fund, it's easy to get in, but it's hard to really have a pulse on what's going on with investment. With an individual stock, a person can just obsessively follow a certain company; with a mutual fund, it's too broad to follow, so an investor just have to trust the fund manager.

However, if a person plans his moves carefully and have some strong money to invest, the fees become quite tiny in comparison. . Again, some careful planning can minimize this drain – get into an index fund that has a very low expense ratio. Mutual funds generally have lower risk and don't require as much homework, but they won't get you rich in a few years. I would like to conclude that Mutual funds are the foundation; individual stocks are things to play with.

Keywords: Mutual Fund, Preference and attitude, Investment option.

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CHAPTER 1

INTRODUCTION

Investing and trading are two very different methods of attempting to profit in the financial markets. The goal of investing is to gradually build wealth over an extended period of time through the buying and holding of a portfolio of stocks, baskets of stocks, mutual funds, bonds and other investment instruments. Investors often enhance their profits through compounding, or reinvesting any profits and dividends into additional shares of stock. Investments are often held for a period of years, or even decades, taking advantage of perks like interest, dividends and stock splits along the way. While markets inevitably fluctuate, investors will "ride out" the downtrends with the expectation that prices will rebound and any losses will eventually be recovered. Investors are typically more concerned with market fundamentals, such as price/earnings ratios and management forecasts.

Trading, on the other hand, involves the more frequent buying and selling of stock, commodities, currency pairs or other instruments, with the goal of generating returns that outperform buy-and-hold investing. While investors may be content with a 10 to 15% annual return, traders might seek a 10% return each month. Trading profits are generated through buying at a lower price and selling at a higher price within a relatively short period of time. The reverse is also true: trading profits are made by selling at a higher price and buying to cover at a lower price (known as "selling short") to profit in falling markets. Where buy-and-hold investors wait out less profitable positions, traders must make profits (or take losses) within a specified period of time, and often use a protective stop loss order to automatically close out losing positions at a predetermined price level. In general, investors seek larger returns over an extended period through buying and holding. Traders, by contrast, take advantage of both rising and falling markets to enter and exit positions over a shorter time-frame, taking smaller, more frequent profits.

1.1 INVESTMENT

An Investment is a sacrifice of current money or other resources for future benefits. Investment is a purchase of a financial product or other item of value with an

expectation of favourable future returns. An Investment for a person may be a Disinvestment for the other as in the case of Stock market trading. Investing is a serious subject that can have a major impact on investor's future well-being.

All Investors are Savers but all Savers cannot be good Investors, as Investment is both science and an art. Savings are autonomous and sometimes induced by the incentives like fiscal concessions or income or capital appreciation. Investors have a lot of investment avenues to park their savings. The risk and returns available from various investment avenues differ from one avenue to another. An investment is confronted with an array of investment avenues. Selection of these investment avenues depends on the attitude and preference of the investors and that depends on their perception of risk and return.

1.1.1 DEFINITION OF INVESTMENT

1. DONALD E.FISCHER AND RONALD J.JORDAN defined investment as
“An investment is a commitment of funds made in the expectation of some positive rate of returns. If the investment is properly undertaken, the returns will commensurate with the risk the investor assumes”.
2. F. AMLING defined investment as “The purchase by an individual or institutional investor of a financial or real asset that produces a return in proportion to the risk assumed over some future investment period”.

1.1.2 CATEGORIES OF INVESTMENT

There are two basic categories of investments:

- Owner ship and
- Loaner ship.

1.1.3 EQUITY OR OWNERSHIP INVESTING

It means becoming a partial owner of a company or piece of property through the purchase of investments such as stock, growth mutual funds, and real estate. When the value of an investment goes up, you share that increase with other owners; when it goes down, you share the loss. When there are earnings, you share them. There are no guarantees about what the price of the investment will be should you want to sell it in the future. The price may be higher than it was

when you bought the investment but it could be lower. Likewise, there are no guarantees that there will be earnings (such as dividends) or of how much they will be. Price and earnings may be affected by the management of a company or by outside factors such as political changes, weather, and the national or world economy.

1.1.4 DEBT OR LOANER SHIP INVESTING

On the other hand, when you have a loaner ship investment, you simply loan your money to someone (e.g. a bank or state government) and get an agreed upon return. Generally, when you invest larger sums of money and invest for longer periods of time, you earn more. Fixed-income investments are "loaner ship" assets; investors loan their money to a government entity (e.g., state), corporation, or financial institution (e.g., bank, credit union) and receive interest on a regular basis (e.g., monthly, semi-annually). The rate of interest paid can either be fixed for the life of an investment (e.g., Treasury securities) or can fluctuate with the general movement of interest rates (e.g., Series EE savings bonds). The principal (amount of original investment) is returned at maturity (the date on which principal must be repaid), although its value can fluctuate (if sold beforehand) according to changes in interest rates. For many fixed-income securities (e.g., bonds), as interest rates rise, asset prices decline and, as interest rates decline, asset prices rise. This inverse relationship of interest rates and asset value, called interest rate risk, affects the value of fixed-income securities if you have to sell them prior to maturity. In other words, you could lose principal if interest rates rise and you have to sell early.

These ownership and loaner ship instruments can be invested directly by an investor through his or her demat account. Whereas there is yet another way to invest in stock market – Mutual Funds.

1.1.5 MUTUAL FUNDS

Most beginner investors start with mutual funds, since they are automatically diversified, and present investors with a large variety of flavors - from sector based funds such as tech, financial, retail or energy to commodities to foreign indexes. Mutual funds hold large number of stocks of sound companies and it is an easiest

way for an investor to hold big shares with small or reasonable amount of investment. Diversification and professional management are key elements of mutual funds. Although the growth of mutual funds may be limited, the downside is limited as well.

When purchasing mutual funds, investors usually don't define the exact number of shares to purchase; rather, they will order a set dollar amount from a brokerage, and the brokerage will calculate the shares to be bought based on the day's closing price. It is also important to remember that the share price of a mutual fund does not fluctuate during the day - it is only reported after the market close based on the closing prices of all of its underlying securities. Mutual fund investors should allow a longer time frame, in terms of years, to observe slow and steady growth. They should also make regularly scheduled investments. In addition, investors who do not intend to use the fund's dividends as income should use an automatic dividend reinvestment plan - which automatically uses the dividends to purchase more shares (or fractional shares) of the same fund. This not only allows investors to sidestep the capital gains tax on cash dividends, but also to reduce the brokerage commission charged for purchasing additional shares in mutual funds.

Each mutual fund has its own set of fees and expenses. These can include, but are not limited to - the fund manager's fee, a front-end load upon initial purchase, a back-end load upon sale, as well as early redemption charges. It is important to understand the complex fees of mutual funds in the prospectus before purchasing any shares, as the purchase equals a binding agreement to pay these extra charges. For investors who favor mutual funds but want to avoid the fees, index funds, which are passively managed mutual funds which simply mirror a set market index, such as the S&P 500, may be a better lower-cost alternative.

1.1.6 FINANCIAL DERIVATIVES

The term "derivative" indicates that it has no independent value i.e. its value is entirely derived from the value of underlying asset. The underlying asset can be securities, commodities, currency etc. Any of the above stated instrument could be made as the underlying asset of a financial derivative. Some important financial derivatives are:

- Forwards

- Futures
- Options

1.2 MUTUAL FUNDS

A Mutual Fund is a type of Investment Fund that is professionally managed. Mutual Funds are Investment vehicles that pool money from different investors and diversify their holdings. Qualified Professionals (Asset Management Companies) invest the money collected in different types of Securities like Shares, Debentures, Bonds etc. and the profit or loss is shared among the investors in proportion of the amount invested. Each shareholder participates in the gain or loss of the fund. Units are issued and can be redeemed as needed. The fund's Net Asset value (NAV) is determined each day. Net Asset Value is the market value of the securities held by the scheme. Since market value of securities changes every day, NAV of a scheme also varies on day to day basis. The NAV per unit is the market value of securities of a scheme divided by the total number of units of the scheme on any particular date. NAV is required to be disclosed by the mutual funds on a regular basis - daily or weekly - depending on the type of scheme.

Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

1.2.1 DEFINITION

Mutual funds are defined by different authors in different ways and are as follows:

JAMES L. PIERCE defined Mutual Funds as "It is a non-depository or non-banking financial intermediary which acts as an important vehicle for bringing wealth holders and deficit units together indirectly"

.

FRANK REILY defined Mutual Funds as "Mutual funds are financial intermediaries which bring a wide variety of securities within the reach of the most modest of investors".

JOEL ROSS defined Mutual Funds as “Mutual fund means, 'taking the pool' of money and investing it in the securities of a wide range of companies. Managers of mutual funds decide when to buy, sell or hold in order to achieve the objective of the fund. Such policy removes the risk associated with putting all the eggs in one basket, as the typical small investors tend to do”.

1.2.3 ADVANTAGES

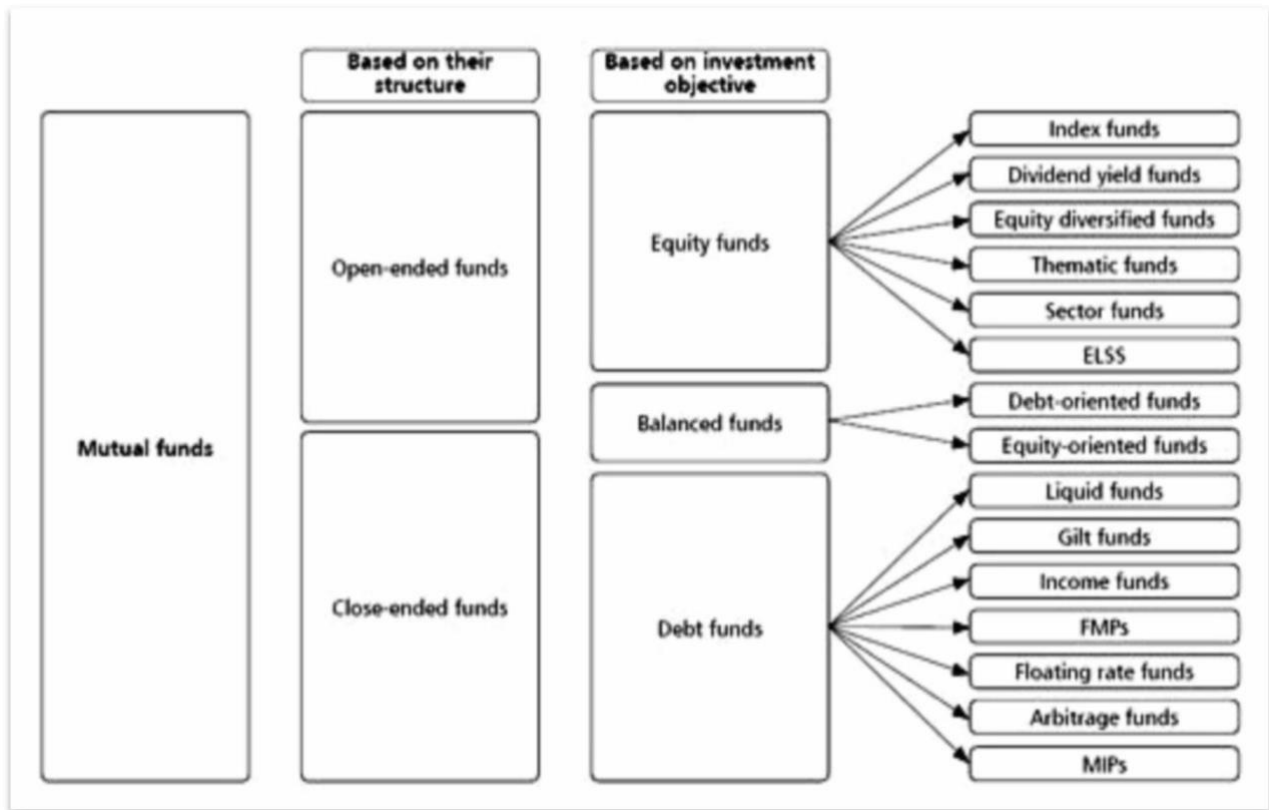
- **Diversification:** Mutual funds help the investors to diversify their portfolio across a large number of securities so as to minimize the risk. This allows the investors to add a substantial number of securities to their portfolio for a much lower price than purchasing each security individually.
- **Liquidity:** Investors can sell their holdings back to the fund at the price equal to the closing net asset value of the fund's holdings.
- **Professional Management:** Each fund's investment are carefully chosen and closely monitored by qualified professionals. Hence mutual funds are ideal for those investors who lack financial know-how to manage their own portfolio.
- **Convenience:** Mutual fund investments are much convenient to that of individual investments. Choosing a mutual fund is ideal for those people who don't have time to micro manage their portfolios.
- **Reinvestment of Income:** Mutual funds allow to reinvest dividends and interest in additional fund shares. This has the advantage of the opportunity to grow portfolio without paying regular transaction fees for purchasing additional mutual fund shares.
- **Range of Investment Options and Objectives:** There are various funds for the investors customized according to their risk taking level like emerging market funds, investment grade bond funds and balanced funds etc. there are different funds to suit varied investment style of the investors.
- **Affordability:** Mutual funds are designed in such a way so as to pool money from various investors thereby making it accessible for even the middle income and lower income group.

1.2.4 DISADVANTAGES

No control over Portfolio: The investors cannot exercise any independent control over their portfolio. It is controlled by mutual funds money managers only.

- **Capital Gains:** Whenever the fund distributes gains it made from selling individual holdings, it is taxable even if the investors retain the shares.
- **Fees and Expenses:** Mutual funds assess a sales charge on all purchases which includes annual expenses of the funds also. It is called as “Load”. The average expense ratio for managed funds is always greater than index funds.
- **Over diversification:** Over diversification reduces not only the risk but also the returns. Too much diversification can negate the reason of market exposure in first place.
- **Cash Drag:** Mutual Funds need to maintain assets in cash to satisfy investor redemptions and to maintain liquidity for purchases and annual expenses are paid on all fund assets regardless whether they are invested or not. This causes liquidity costs for the investor.

1.3 TYPES OF MUTUAL FUNDS



Chart/Fig 1.1: Classification Of Mutual Funds

1.3.1 Based on their structure

- **Open End Funds:** Open End Fund is one that is available for subscription all through the year. Investor have the flexibility to buy or sell any part of their investment at any time at a price linked to the fund's net asset value. They are the most common type of mutual funds and are not listed in stock exchange.
- **Closed End Funds:** Closed End Funds issue shares to the public only once, when they are cheated through an Initial Public Offering. This shares are then listed for trading on a stock exchange. Investors who no longer wish to invest in the fund cannot sell their shares back to the fund unlike Open End Fund instead they must sell it to another investor in the market at a price higher or lower than NAV.

1.3.2 Based on their investment objective

- **Equity funds:** These funds invest in equities and equity related instruments. With fluctuating share prices, such funds show volatile performance, even losses. However, short term fluctuations in the market, generally smoothens out in the long term, thereby offering higher returns at relatively lower volatility. At the same time, such funds can yield great capital appreciation as, historically, equities have outperformed all asset classes in the long term. Hence, investment in equity funds should be considered for a period of at least 3-5 years. It can be further classified as:
 - **Index funds-** In this case a key stock market index, like BSE Sensex or Nifty is tracked. Their portfolio mirrors the benchmark index both in terms of composition and individual stock weightages.
 - **Equity diversified funds-** 100% of the capital is invested in equities spreading across different sectors and stocks.
 - **Dividend yield funds-** It is similar to the equity diversified funds except that they invest in companies offering high dividend yields.
 - **Thematic funds-** Invests 100% of the capital in sectors which are related through some theme. e.g. -An infrastructure fund invests in power, construction, cements sectors etc.
 - **Sector funds-** Invests 100% of the capital in a specific sector. E.g. A banking sector fund will invest in banking stocks.
 - **ELSS-** Equity Linked Saving Scheme provides tax benefit to the investors.
- **Balanced fund:** Their investment portfolio includes both debt and equity. As a result, on the risk-return ladder, they fall between equity and debt funds. Balanced funds are the ideal mutual funds vehicle for investors who prefer spreading their risk across various instruments. Following are balanced funds classes:
 - **Debt-oriented funds** -Investment below 65% in equities.
 - **Equity-oriented funds** -Invest at least 65% in equities, remaining in debt.

- **Debt fund:** They invest only in debt instruments, and are a good option for investors averse to idea of taking risk associated with equities. Therefore, they invest exclusively in fixed income instruments like bonds, debentures, Government of India securities; and money market instruments such as certificates of deposit (CD), commercial paper (CP) and call money. A person can invest in these depending on his needs and time horizon.
- **Liquid funds-** These funds invest 100% in money market instruments, a large portion being invested in call money market.
- **Gilt funds ST-** They invest 100% of their portfolio in government securities of and T-bills.
- **Floating rate funds** - Invest in short-term debt papers. Floaters invest in debt instruments which have variable coupon rate.
- **Arbitrage fund-** They generate income through arbitrage opportunities due to mis-pricing between cash market and derivatives market. Funds are allocated to equities, derivatives and money markets. Higher proportion (around 75%) is put in money markets, in the absence of arbitrage opportunities.
- **Gilt funds LT-** They invest 100% of their portfolio in long-term government securities.
- **Income funds LT-** Typically, such funds invest a major portion of the portfolio in long-term debt papers.
- **MIPs-** Monthly Income Plans have an exposure of 70%-90% to debt and an exposure of 10%-30% to equities.
- **FMPs-** fixed monthly plans invests in debt papers whose maturity is in line with that of the fund

1.4 STOCK MARKET INSTRUMENTS

As pointed out earlier, the stock market instruments are those that are traded in stock market or otherwise called as capital market, because of its aid in capital formation and resource mobilization in the economy. The stock market can be further divided into equity, debt and derivatives. In addition to that equity and debt market can also be divided into primary and secondary market. The former being

the place where first-hand issue called as Initial Public Offer is made and the latter is where the further trading of stocks issued in primary market are carried on.

1.5 EQUITY MARKET

Equity or stock is the share in the ownership of a company. It represents a claim on assets and earning of the company. . Equity shares are the main source of finance of a firm. It is issued to the general public. Shares usually represent a portion of capital or a unit of capital of a company. Those who hold the shares of a company are called as the Shareholders or the rightful owners of a company. They enjoy ownership rights and voting rights in the company. Only fully paid equity shares can be converted into stocks. Shareholders earn a lot if their company proves to be successful and they would also lose if the company doesn't. Hence, being a shareholder they are not only conferred with rights but they also assume considerable liability and bears greater risk by parting their money into a possibly unknown company.

1.5.1 DIFFERENT TYPES OF EQUITY SHARES

Equity shares are the main source of long-term finance of a joint stock company. It is issued by the company to the general public. Equity shares may be issued by a company in different ways but in all cases the actual cash inflow may not arise (like bonus issue).

1. **New Issue:** A company issues a prospectus inviting the general public to subscribe its shares. Generally, in case of new issues, money is collected by the company in more than one instalment— known as allotment and calls. The prospectus contains details regarding the date of payment and amount of money payable on such allotment and calls. A company can offer to the public up to its authorized capital. Right issue requires the filing of prospectus with the Registrar of Companies and with the Securities and Exchange Board of India (SEBI) through eligible registered merchant bankers.

2. **Bonus Issue:** Bonus in the general sense means getting something extra in addition to normal. In business, bonus shares are the shares issued free of cost, by a company to its existing shareholders. As per SEBI guidelines, if a company has sufficient profits/reserves it can issue bonus shares to its existing

shareholders in proportion to the number of equity shares held out of accumulated profits/ reserves in order to capitalize the profit/reserves. Bonus shares can be issued only if the Articles of Association of the company permits it to do so.

3. **Rights Issue:** According to Section 81 of The Company's Act, 1956, rights issue is the subsequent issue of shares by an existing company to its existing shareholders in proportion to their holding. Right shares can be issued by a company only if the Articles of Association of the company permits. Rights shares are generally offered to the existing shareholders at a price below the current market price, i.e. at a concessional rate, and they have the options either to exercise the right or to sell the right to another person. Issue of rights shares is governed by the guidelines of SEBI and the central government.

4. **Sweat Issue:** According to Section 79A of The Company's Act, 1956, shares issued by a company to its employees or directors at a discount or for consideration other than cash are known as sweat issue. The purpose of sweat issue is to retain the intellectual property and know how of the company. Sweat issue can be made if it is authorized in a general meeting by special resolution. It is also governed by Issue of Sweet Equity Regulations, 2002, of the SEBI.

1.5.2 CLASSIFICATION OF EQUITY SHARES IN STOCK MARKET

In the stock market, equity shares are classified into the following categories:

1. **Blue chip shares:** These are shares of large, well-established and financially sound companies, e.g. Reliance, Larson & Toubro, Asian paints, and Infosys, which have an impressive record of earnings and dividend payments. Such shares yield a low-to-moderate current yield and moderate-to-high capital gains yield. Moreover, the price fluctuations also will be moderate.

2. **Growth shares:** These are shares of those companies which have a secured position in the market and enjoy an above average rate of growth and profitability. Growth shares generally provide a very low current yield and a very high capital gain yield. Very often growth shares are also blue-chip shares.

3. Income share: The shares of companies that have fairly stable operations with relatively limited growth opportunities are income shares. Such shares provide a very high current yield and a very low capital gains yield. Such shares are fairly stable in the market. E.g. shares of power supply companies and tea companies.

4. Defensive shares: These are shares of companies that are relatively unaffected by the ups and downs in general business conditions. Generally, such shares provide moderate current yield and moderate capital gain yield. The price of these shares is relatively stable, e.g. shares of food and beverage companies.

5. Speculative shares: Those shares which tend to fluctuate mainly because of speculative trading in them are speculative shares.

1.6 SCOPE OF THIS STUDY

Direct stock investment means investing in stocks and debts of individual companies. Stocks are available across a wide array of sectors, sizes, business types and in many other complex variables. A proper evaluation of a company's stock requires expertise in financial analysis and ability to understand the business very deeply. For this very reason, direct stock investing is most suited for those who have the skill, time and the dedication to carry out extensive evaluation of the companies in which they plan to invest. Another important aspect related to direct equity investment is the volatility of stock prices. When an investment is made in a single stock or in a bunch of 4 to 5 stocks, the change in share prices can be quite high on a given day. It is possible that a stock may go up 20 per cent or down 15 per cent, which is quite volatile. Consequently, one needs to keep a close watch on stock prices.

On the other hand, Mutual Fund investment works by pooling in investments of a number of investors and investing the corpus in an array of stocks that are chosen according to the fund's investment objective. The mutual fund company operating the fund tends to have experienced fund managers, who will be responsible for all investment related decisions of the corpus of funds. Depending on the type of mutual fund, the fund manager invests in equity and debt instruments. The common investor therefore does not have to worry about the day-to-day sale or

purchase of shares which are handled by the fund manager. The mutual fund document clearly lists the track record and experience of the fund manager, as well as the rating of the fund as per various rating agencies. These ratings help investors to choose the best suited mutual fund for their investment needs. Unlike individual investors where the investment can be limited to 2 or 3 companies, mutual fund investors have a diverse investment perspective. In case one sector is not giving positive returns, other sectors will make up for it, allowing the investor to attain good returns. Mutual funds also allow investors to invest using a Systematic Investment Plan (SIP). This makes it possible for people with low liquid cash to invest in the financial markets.

Thus, it becomes essential to judge the attitude and perception of a common investor so as to know his or her preference for mutual funds or other stock market investment options like equity, debt and derivatives. An attempt is made through this project so as to research on this aspect of investment

1.7 OBJECTIVES OF THE STUDY

1.7.1 Primary Objectives

- To Study the investors attitude and preference towards mutual fund.

1.7.2 Secondary Objectives

- To compare mutual funds with other stock market investment options on the basis of the risk associated with them.
- To find whether mutual funds or stock market instruments is more beneficial in terms of factors influencing the investment decisions of an investor.
- To understand the dependence or independence of demographic factors on investment decisions.
- To draw an insight into the duration of investment, risk associated with it and the factors that influence the decisions of a rational investor.

1.8 PROBLEM STATEMENT

Indian market is full of ups and downs. Mutual funds offer safety of the capital invested unlike equity which is comparatively too riskier. Even then there are

equity based mutual funds that are doing relatively well. Likewise debt assures safety of the capital with relatively low rate of risk. Whereas equity is wide known for its risk and the attractive returns it could offer. So a rational investor is presented with too many choices for him to choose. Hence the project aims at analyzing what an investor prefers the most to invest his resources. Even though there are many projects analyzing the investors' behaviour towards stock market, this project aims at understanding the investors' preference and attitude towards moderate risk bearing mutual funds and high risk bearing stock market investment options. In short the stock market instruments are classified on the basis of the risk associated with them and the investors risk bearing capacity is analysed through the decisions made by them.

1.9 IMPORTANCE OF THE STUDY

- The study helps to know the individual investing behaviour of the respondents and it throws light into their attitude towards decision making.
- It also helps to understand the preferences of investor i.e., whether they opt for mutual funds or other stock market instruments.
- It also identifies what the investors recommend to others for investment.
- It helps to know the agents that causes a shift in decisions made by investors and those factors that influence investors to take particular investment into their portfolio.
- It helps to judge whether investors are prudential or risk-bearing from their decision making attitude.
- To make out whether investment decisions and demographics are related or not.
- To understand the risk bearing capability of a rational investor on the basis of their decisions.
- It also identifies the association between risk and return elements of an investment.
- It throws light on the duration of investment made by investors. The duration refers to the time for which the investors can part with their investments for a given return.

- It helps to understand whether doing a course on financial markets could probably enhance the knowledge of an investor so as to make profitable decisions.
- It helps to study the level of importance of each factors that a common investor would consider for decision making purpose.
- It helps to understand the benefits of re-investing profits in stock market which enables an investor to side-step tax and commissions.
- On the whole it helps to study if there is any change in the attitude and preference of a common investor.

1.10 LIMITATIONS TO THE STUDY

- The sample of the study is limited to 50.
- There can be misunderstanding on the part of respondents which may or may not lead to discrepancies.
- The day to day fluctuations that happen in stock market due to various other reasons that are not taken into account, can also be a serious factor influencing the decisions of an investor. For example: Chinese stock market fall.

CHAPTER 2

REVIEW OF LITERATURE

2.1 REVIEW OF LITERATURE

Review refers to the process of referring to or re-visiting the body of knowledge already propounded and well-defined by renowned authors and scholars. Facts and figures propounded changes as the time passes. Hence, it becomes necessary to put these theories of knowledge into constant tests so as to modify, change or alter the existing knowledge and update them according to the period. In this project, an attempt is made to review the studies and theses already made by people pertaining to the field.

Puneet Bhushan & Yajulu Medury (2013) concluded that women are more conservative and takes less risk and significant gender differences occur in investment preferences for health insurance, fixed deposits and market investments among employees.

V.R.Palanivelu & K.Chandrakumar (2013) highlights that certain factors of salaried employees like education level, awareness about the current financial system, age of investors etc. make significant impact while deciding the investment avenues.

Vyas (2012) evaluated the forms of investment, mode of investment preferred by investors. He has also examined the investor's knowledge of risk and preference over switching of funds by using Chi-Square test, Pearson's correlation, mean and median. He has taken 363 investors for the analysis of the data. He found that investors preferred investment in gold followed by bank deposits, Life insurance schemes and post office schemes. Investors preferred lump sum investment as compare to that of SIP. There has a significant relationship between occupation of investors and mode of investment. Majority of the investors have the knowledge of risk factors in mutual funds. Investors switched the investment only for the sake of profitability and investors preferred existing schemes for investment and they preferred to invest in equity schemes.

D. Harikanth & B. Pragathi (2012) indicated that there is a significant role of income and occupation in investment avenue selection by the male and female investors. Geographical horizon of the investors, risks bearing capacity,

educational level, age, gender and risk tolerance capacity etc., also impacts their selection.

Sharma (2012) analyzed the Investor's Perspectives towards Investment in Mutual Funds. She has also examined the factors that may affect the selection of mutual funds schemes. She has conducted a survey on 250 investors. She has analyzed the data through mean, SD, correlation and factor analysis. The study has found the benefits which emerge out from investment and it has grouped into three categories on the basis of factor analysis. The first category has related to fund related attributes. Second has related to monetary benefits provided by the funds and the last category has related to sponsor related attributes.

Singh (2012) conducted a study to analyze The Impact of Various Demographic Factors on Investor's Attitude towards Mutual Funds and to find out the factors which leads for selection of mutual funds by using Chi Square test. He has conducted this study on 250 investors. He has found that there is no association between age, occupation and attitude towards mutual funds. But there is an association between sex, income, educational qualifications and attitude towards mutual funds. As far as the benefits of the mutual funds are concerned, return potential and liquidity have been perceived to be most attractive by investors, followed by flexibility, transparency and affordability.

Saini, Anjum and Saini (2011) evaluated the Investor's Awareness and Perception Regarding Mutual Funds in India and to know the growth and major deficiencies in the working of mutual funds in India. They have taken the sample of 200 investors by using stratified sampling. They have analyzed the data through Chi-Square test. The major findings of the study revealed that investors invested in the mutual funds for tax benefits followed by high return and safety. Age has significant relation with the factors that can win back the investors' confidence. They found that investors choose a scheme for investment on the basis of past performance, stability of returns and past dividends.

Gupta and et. al, (2011) examined the Investor's Perception Regarding Mutual Funds and Fixed Deposits and they have also evaluated the relation between

mutual funds and occupation of the investors. Sample size of the study has taken 100 investors and the data has been analyzed with Z test and Chi-square test. The findings of the study revealed that 88 % of investors are willing to invest in mutual funds. Z test showed that mutual funds are not more significant than fixed deposits and the investment done in near future in mutual fund is not statistically significant.

Saha and Dey (2011) examined the saving objectives of the investors, preferred investment option, features preferably by investors and conceptual understanding of mutual funds. Beside these objectives the study has analyzed the schemes preferred by investors, qualities of the scheme which affect the investors, information source and fund related attributes. The study is based on primary data. 100 investors have taken and the enumerator has been appointed to fill the questionnaire from the investors by personal interview. Those investors have taken who has the knowledge of conceptual terminology of mutual funds. Pie charts, Chi Square test and factor analysis has been used to analysis the data. They find that investors save their money for purchase of assets and want to invest their money in bank. Among the financial instruments mutual funds are preferred by investors. Investors prefer to invest in growth plans and open ended schemes. They prefer mutual funds for safety and liquidity. Chi Square values have shown that there is significant relation between age and income and conceptual awareness levels of individual investors but occupation has shown insignificant relation. Among the fund related attributes investor want intrinsic fund qualities, Flexibility of investment facility and credibility of Image. They concluded that success of the mutual funds is dependent on the psychology of the investors.

Parihar, Shrama and Parihar (2009) analyzed the Association between Demographic Factors and Investment in Mutual Funds and also examined the factors responsible for investment in mutual funds. Primary data has been used in this study. 200 investors have been taken from Agra region by using judgmental sampling. The analysis of the data has been done with Chi square test. The findings of the study have revealed that out of 200 investors, 57 investors have positive attitude towards mutual funds, 95 investors have neutral attitude and remaining have negative attitude. On the basis of Chi- square values the study concluded that there is significant relationship between mutual funds with age,

gender, income, education and occupation. As far as factors responsible for investment in mutual fund are concerned they have ranked at number one high return potential followed by liquidity and flexibility of investment.

Lewellen et.al identified the systematic patterns of investment behaviour exhibited by individuals found that age and risk taking propensities were inversely related with major shifts taking place at age 55 and beyond.

Giridhari Mohanta & Sathya Swaroop Debasish (2011) states that people were ready to invest for meeting their financial, social and psychological need. But the investor always had a mindset of safety and security, higher capital gain, secured future, tax benefit, getting periodic return or dividends, easy purchase and meeting future contingency.

Syed Tabassum Sultana (2010) concluded that individual investor still prefer to invest in financial products which give risk free returns. The study confirmed that Indian investors even if they are of high income, well-educated, salaried, and independent are conservative investors who prefer to play safe in the market.

Goal and Jain (2010) pointed out that investment has two attributes namely time and risk. Present consumption is sacrificed to get a return in future. The sacrifice that has to be born is certain but the return in the future may be uncertain. This attribute of investment indicate the risk factor. The risk is undertaken with a view to reap some return from the investment. The main investment objective is increasing the rate of return and reducing risk. At present, a wide variety of investment avenues are open to the investors to suit their need and nature. The required level of return and risk tolerance level decide the choice of investor.

Sunil Gupta (2008) had studied the Investment Pattern of Individual Investors which was both complex and clear. The complex picture stated that the people were not aware about the different investment avenues and they did not respond positively, probably it was difficult for them to understand the different avenues. The study showed that the more investors in the city prefer to deposit their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. The attitude of the investors towards the securities in general was bleak, though service and professional class were going in for investment in shares, debentures and in different mutual fund schemes. As far as the investments were concerned, people put their surplus in banks, post offices and other government agencies. Most of the cities though being rich had a tendency of investing their surpluses in fixed deposits of banks, provident funds, Post Office savings, real estates, etc. for want of safety and suitability of returns.

Das et. al (2008) identified the preferences of investors look for in investment products. They have taken 100 investors from two metros of Orissa state. Chi-Square, Two way Anova, Rank correlation, t test, Z-test and Kendall's Concordance test used for the analysis of data. On the basis of Anova the study find that investors have significant differences in the pattern of investment with respect to their age and there has no difference in the investment pattern on the basis of level of education. They concluded that majority of investors like to invest in insurance followed by mutual funds. And 68% investors like to invest in LIC as compared to ICICI.

Avinash Kumar Singh (2006) studied the Investment Pattern of People with the objective to analyze the investment pattern of people in diversified cities. The study found that people belonging to all the age group below 50 prefer equity and people who are above 50 prefer insurance, fixed deposits and tax saving benefits. It was also said that people investing in equity were following stock market frequently whereas those people investing in mutual funds were watching stock market weekly or fortnightly. The study concluded that many investors were more conservative in nature and they preferred to invest in those avenues where risk was less like bank deposits, small savings, post office savings etc.

Ranganathan (2006) noted that financial markets are affected by the financial behavior of investors and consumer behavior from the marketing world and financial economics had brought together a need to study an exciting area of 'behavioral finance' and thus studying the behaviour of investors holds importance.

Venkataramani (1994) disclosed the uses and dangers of derivatives. The derivative products can lead us to a dangerous position if its full implications are not clearly understood. Being off balance sheet in nature, more and more derivative products are traded than the cash market products and they suffer heavily due to their sensitive nature. He brought to the notice of the investors the 'Over the counter product' (OTC) which are traded across the counters of a bank. OTC products (e.g. Options and futures) are tailor made for the particular need of a customer and serve as a perfect hedge. He emphasized the use of futures as an instrument of hedge, for it is of low cost.

Sukhwinder Singh studied the Investor's Perception towards Selection of Mutual Funds Rather than Stock Market (International Research Journal of Business and Management) which concluded that investors prefer mutual funds rather than stock market. They consider mutual funds as flexible mode for investment. Moreover they think that Asset Management Companies (AMCs) acts very efficient to track the market. Investment in stock market is complex and risky. As far as suggestions to investors are concerned investors should, consider not only the returns but also the risks associated with these returns. Investors should

consider size of the fund, charges charged by funds, change in the corpus of funds and comparison with peer schemes as well as with benchmark. Investors can make the investment decision by using Sharpe measure, Treynor Measure and Jensen Alpha and Fama's Measure. So the study concluded that investors under the study prefer mutual funds over the stock market. To maintain these preferences mutual fund companies should offer innovative schemes in the market to lure the investors.

Hassan Qamar, and Sanjay Singh (2016), Mutual fund was first introduced in India in 1963, when government of India launched Unit Trust of India (UTI). Until 1982, UTI was the only company in the Indian mutual fund market. Although mutual funds is available for so many years still only 10 percent of Indian household have invested in mutual funds. A recent survey by Boston Analytics on Mutual Fund Investment in India shows that investors are reluctant to invest their money into mutual funds due to lack of information as how mutual fund works and high risk factor. Topic: Mutual Fund Performance Prediction

Santit Narabin (2018), In general, all investors, especially small investors, will feel not good if the net asset value (NAV) of mutual funds that they are hold are changing dramatically in negative because it may bring big loss to the investor. Therefore, this research proposes a new diversified Net asset value change ratio (NAVCR) portfolio. Both the NAVCR and value of each mutual fund will be used for clustering. After clustering, the mutual funds could be selected from the

different groups for building a portfolio. Topic: A Cluster Analysis of Mutual Funds Data

Rajeswari and Ramamoorthy (2001), have conducted a study to understand the factors influencing the fund selection behavior of 350 MF investors in order to provide some meaningful inferences for Asset Management Companies (AMC) to innovatively design the products.

Swati Narula (2015) in her research paper titled : „Financial Literacy and personal investment decisions of retail investors in Delhi“ has expressed that dominant part of the respondents had not just indicated better abilities in dealing with their monetary spending plan yet were likewise sure of confronting any money related obstacles in future. He has prescribed that money related training ought to be given at auxiliary and senior optional level of instruction as it was discovered budgetary proficiency and instructive level was connected. Crusade for spreading mindfulness about money related incorporation and budgetary education should

betrengthened. Partners, including the Regulators and Policy creators may dispatch huge scale mindfulness programs.

Nair R K (2014) in the article “Indian Mutual Fund Market – A tool to stabilize Indian Economy” from International Journal of Scientific and Research Publications has emphasized that a Mutual store is an effective device to settle Indian economy. The results of mutual funds are assuming an indispensable part in preparing scattered reserve funds among investors and channelize these funds to infrastructural advancement of the country. The banks and Financial Institutions are likewise playing a vital part by advancing mutual reserve business in the country

Nikhil Ranjan Agarwal (2014) in his research paper titled : “To study on Investor's preference of Mutual Fund as an Investment option against Stock Market' writes that the investors should be clear about all factors which influence the decision for investment before arriving at the conclusion as to whether to invest in Mutual International Journal of Pure and Applied Mathematics Special Issue 658 Funds or in shares. The investment decision also relates to the und

Sauiffudin Ahmad, et. al. (2014) in their research paper titled - „The role of Alternative Investments in Portfolio Management' has expressed that dominant part of the respondents had not just indicated better abilities in dealing with their monetary spending plan yet were likewise sure of confronting any money related obstacles in future. He has prescribed that money related training ought to be given at auxiliary and senior optional level of instruction as it was discovered budgetary proficiency and instructive level was connected .spread s about money related incorporation and budgetary education should be strengthened.

Maheswari P.(2015) „An analytical study of the composition of personal portfolio' has concluded in his research that investors in the age group of 20 – 30 years, do not prepare or estimate or have enough knowledge about total expenses and savings. They neither record what is invested nor assess for their emergencies. They do not know the amount of money to be saved. Proper planning is not done by this age group as they are inexperienced. They are in a confused state whether to make investments for long term or for speculation and monitor investments. (ii) Investors in the age group of 30-40 years, are interested in making savings and

investments, prepare estimates, make records of their investments, compare planned with actual investments, assess amount of money needed in emergencies and they start enjoying financial planning.

Manjunath S.A. (2015) in his research paper titled: „A study on investment patterns and awareness of salaried class investors' this class of people always went through different avenues of investment and decided their savings pattern. As far as the socio-economic variables are concerned, age, gender, income, education and occupation had been found to have persuade on the investors towards investment. The effect created by these factors on the investors was found to be significant.

Priyanka Sharma and Payal Agrawal (2015) in their study made an attempt to understand the effect of demographic factors in mutual fund investment decisions. The study reveals that the investors' perception is dependent on their demographic profile. Investor's age, marital status and occupation has a direct impact on investors' choice of investment. The study further reveals that the female segment is not fully tapped. The research also reveals that the liquidity and transparency are some factors which have a high impact on investment decisions.

Parihar B B S, Sharma R and Parihar D.S (2009) also studied that respondent's age, gender and income are significantly associated with their attitude.

Desigan G, Lalaiselvi S and Anusuya L (2006) conducted a study on women investors' perception towards investment and found that women investors generally hesitate in investing in mutual funds due to lack of their knowledge and awareness

D. Rajasekar (2013) The study was conducted with a sample size of 150 respondent by using the statistical tools like percentage analysis, chi square, weighted average, with an objective to know about the investor's perception on their profile, income, savings pattern, investment patterns and their personality criteria. The study was concluded by taking into consideration various parameters involved in investors decision making keeping in mind investors perception towards mutual fund investment.

Vipin Kumar & Preeti Bansal (2014) this research paper has focused attention on various parameters that highlights investor's perception on mutual funds. It was studied that the scheme of mutual fund investment were not known to many of the investors as still the investors rely upon the traditional pattern of investments like investment in banks and investment in postal savings. As most of the mutual fund investors used to invest in mutual fund for not more than three years and used to quit from the fund as they were not giving desired result as stated in the objective during inception of mutual fund scheme. It was also found from the research that maximum number of mutual fund investor's has to depend upon their brokers and agent to invest in mutual fund.

Subramanya PR (2015) The research has been studied on socio economic factors like age, gender, education income and savings of investor's perception towards mutual fund is not encouraging but the age of investor's and saving habit of the respondent is closely correlated.

Preeti Khitoliya (2014) examined through her research that majority of the respondents in the age of 35-44 wish to invest in mutual fund having moderate risk which ensures wealth maximization followed by balanced fund and income funds.

D. Senthil and Dr. M. Syed Zefar (2005) had published an Article "Mutual Fund Investors Perceptions and realities". The main aim of the study is to find out the investors perception and realities in the current scenario and measure extent of satisfaction derived by customer towards the performance of mutual fund and willingness to invest in future despite the current prevailing condition of the market. The main purpose of the study is to identify the factors which make them invest and to retain in mutual fund. The study says that investors prefer mutual fund than share because high risk is associated with shares.

Sanjay.J.Bhayani and Vishal.G.Patidar (2006) during the period Mutual Fund can increase in domestic saving and improve the deployment of investment through market. The main scope of the study is performed top five schemes are balanced fund scheme, Gilt fund scheme, Liquid Money Market fund scheme, Income fund scheme, Equity diversified fund scheme, Tax planning fund scheme.

Madhumita Chakra Borty, P K Jain and VinayKallianpur (2007) evaluated the performance of mutual fund on the basis of rate of return as well as risk adjusted

methods. The performances of the mutual funds are compared with the risk-free returns as well as the benchmark index (BSE 100). The results have to be interpreted from the view that the study has been conducted for the period 2005-2007 when the economy was growing at a rapid rate (8% GDP growth). The findings of the study as monthly reruns have been computed for all 40 mutual funds in the sample, for BSE 100 index and for 364 day T-bills. The study concludes regarding the capability of mutual fund manager is still elusive.

CHAPTER 3

RESEARCH METHODOLOGY

Research methodology covers the details regarding the process of research. Research is the process of re-investigating the facts in order to find out any deviations and to correct them if present. The word 'methodology' is combined of two words: 'method' implies a particular way of doing something and 'logus', the Latin word, which implies a study. Hence research methodology is a 'systematic way of studying something' (Sarangi Prasad 2010). It is the blueprint of the research and includes all the tools and techniques used in the research process.

3.1 RESEARCH DESIGN

Descriptive Research design has been used which clearly indicates that the study is about the characteristics of individuals or investors towards their investments.

3.2 SAMPLING TECHNIQUE

The sampling technique used in the project is Stratified Random Sampling. Stratified random sampling is the procedure of dividing the population into different strata and choosing one among them for analysis.

3.3 SOURCES OF DATA

The study used both primary data and secondary data

3.3.1 Primary Data

The primary data was collected through 200 respondents.

3.3.2 Secondary Data

The secondary data was collected from reviewing various literature, internet and investment related books .

3.5 SAMPLE DESIGN

The sampling design is the definite plan for obtaining a sample from a given population. It consists of number of items such as sample size, sampling unit,

sampling technique, sampling area. Probability sampling design technique has been used in this study.

3.6 SAMPLE SIZE

The sample size of the study is 200. The respondents of the study are the Investors who have the knowledge and interest in stock market investments.

3.7 AREA OF STUDY

The selected area of study is Chennai.

3.8 PERIOD OF STUDY

The study was conducted for a period of three months from Dec 2020- Feb 2021.

3.9 ANALYTICAL TOOLS

Various tables and charts are used as a means for easy representation of data analyzed through Percentage Analysis.

3.9.1 SOFTWARE USED

Microsoft Excel

SPSS :Statistical Package for the Social Science

3.9.2 TEST USED

- **PERCENTAGE ANALYSIS**

Percentage analysis = No. of Respondents / Total No. of Respondents

In short this chapter entails to summarize the data collected and organize them in such a manner so as to infer a logical answer to the research questions. Different questions that are posed to the respondents are thereby sorted into various tables and each table is further represented using pie, bar or column charts in order to facilitate better understanding. The tables, charts and the inferences derived from them are placed in the following pages to come.

- **CHI-SQUARE ANALYSIS**

χ^2 test is based on the chi-square distribution and it both a parametric test and Non-Parametric. It is used for comparing a sample variance to a theoretical population variance. In a non-parametric test, mp assumption about the parameters of the population is made.

FORMULA:-

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

O= Observed Frequency; E= Expected Frequency; $\sum$ = THE “SUM OF”
 $(-^2)$

•KRUSKAL WALLIS TEST

The Kruskal–Wallis test by ranks, Kruskal–Wallis H test (named after William Kruskal and W. Allen Wallis), or one-way ANOVA on ranks is a non-parametric method for testing whether samples originate from the same distribution. It is used for comparing two or more independent samples of equal or different sample sizes. For the purpose of the test, all the observations in the K samples are combined and then they are ranked in ascending order. The lowest value is assigned as rank 1.

$$H = \frac{12}{n(n+1)} \sum \frac{R_i^2}{n_i} - 3(n+1)$$

n is the number of observations in group

R is the rank

•FRIEDMAN TEST

The **Friedman test** is a non-parametric statistical test developed by Milton Friedman. Similar to the parametric repeated measures ANOVA, it is used to detect differences in treatments across multiple test attempts. The procedure involves ranking each row (or *block*) together, then considering the values of ranks

by columns. Applicable to complete block designs, it is thus a special case of the Durbin test.

$$\mathbf{M} = \frac{12}{Nk(k+1)} \sum R_i^2 - 3N(k+1)$$

n is the number of rows

k is the number of columns

R is the sum of ranks

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 PERCENTAGE ANALYSIS

4.1.1 Gender Profile

Table 4.1 Table Showing The Gender Of Respondents

GENDER	NO OF RESPONDENTS	PERCENTAGE
MALE	120	60
FEMALE	80	40
TOTAL	200	100

(Source: Primary Data)

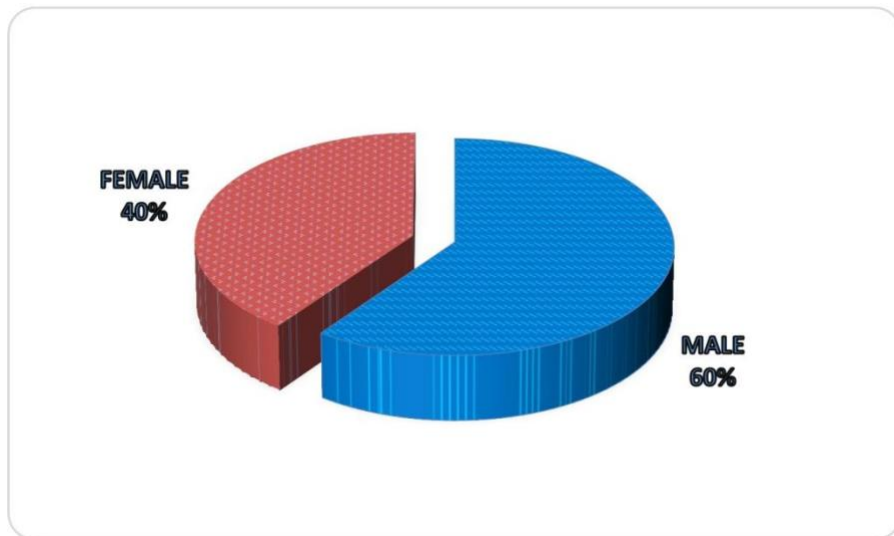


Chart 4.1 Chart Showing The Gender Of Respondents

INFERENCE: The above table shows that 60% of the respondents are Male and 40% of the respondents are Female. As more number of Male respondents are investing in stock exchange, they are presumed to be Risk-takers and Female respondents are presumed to be Prudential as they are less in number compared to the other. This interpretation seems to coincide with the conclusion made by Guiso, Jappelli et al and Puneet Bhushan & Yajulu Medury (2013). These

researchers said that the men are more risk-tolerant and women are more conservative.

4.1.2 Age Profile

Table 4.2 Table Showing The Age Of The Respondents

AGE	NO OF RESPONDENTS	PERCENTAGE
Below 25	104	52
26-35	36	18
36-45	28	14
46-55	16	8
OVER 55	16	8
TOTAL	200	100

(Source: Primary Data)

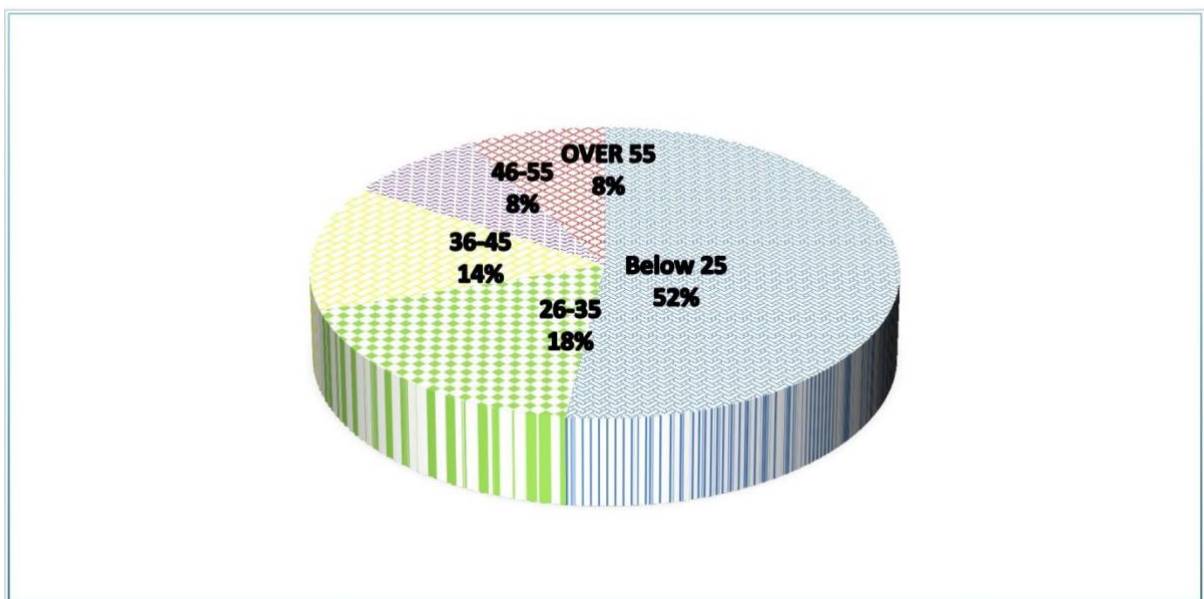


Chart 4.2 Chart Showing The Age Of Respondents

INFERENCE: The above table shows that majority of the respondents belong to the age group of below 25 (52%) and minority of the respondents belong to the age group of 46-55 (8%) and over 55 (8%). It means that youngsters are much interested in taking risks and investing in stock exchange compared to middle aged people who are more prudential and careful in investing. These results reveal that age and risk tolerance level are inversely related and therefore confirms the conclusion of Wallach and Kogan.

4.1.3 Educational Qualification Profile

Table 4.3 Table Showing The Educational Qualification Of The Respondents

EDUCATION	NO OF RESPONDENTS	PERCENTAGE
HSC	12	6
GRADUATE	156	78
OTHERS	32	16
TOTAL	200	100

(Source: Primary Data)

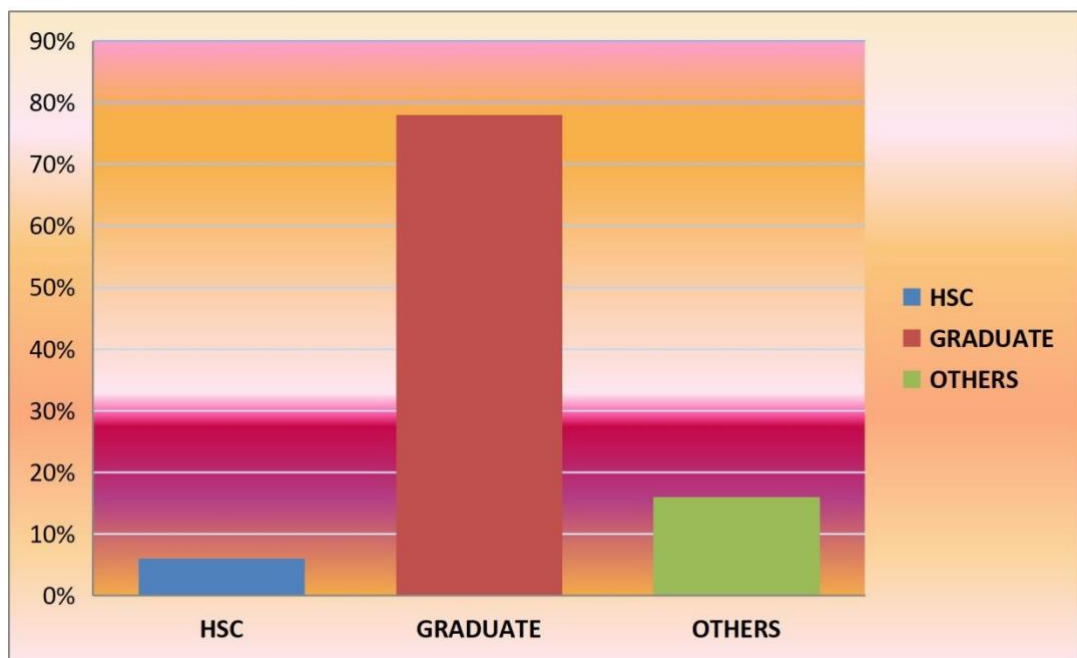


Chart 4. 3 Chart Showing Educational Qualification Of The Respondents

INFERENCE: The table states that majority of the respondents are Graduates (78%) and others (16%) such as those pursuing professional courses. This clearly emphasizes that only those who are educated can do well in stock market.

4.1.4 Occupation Profile

Table 4.4 Table Showing The Occupation Of The Respondents

OCCUPATION	NO OF RESPONDENTS	PERCENTAGE
PRIVATE	68	34
PUBLIC	20	10
SELF EMPLOYED	40	20
OTHERS	72	36
TOTAL	200	100

(Source: Primary Data)

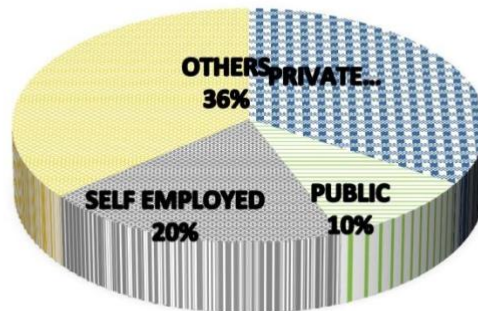


Chart 4.4 Chart Showing The Occupation Of The Respondents

INFERENCE: The above table shows that most of the respondents are Private employees (34%) and Others (36%) such as home makers and students. It also tells that 20% of the respondents are Self-employed and 10% of them are Public employees. Therefore it is evident that Others, Private employees and Self-employed who have Time and Money are more interested in investing in stock exchange and multiplying their money. Vyas (2012) said that there is a significant relationship between occupation of investors and mode of investment.

4.1.5 Annual Income Profile

Table 4.5 Table Showing The Yearly Income Of The Respondents

YEARLY INCOME	NO OF RESPONDENTS	PERCENTAGE
BELOW 150,000	52	26
150,000 – 300,000	72	36
300,000 – 450,000	32	16
450,000 – 600,000	24	12
ABOVE 600,000	20	10
TOTAL	200	100

(Source: Primary Data)

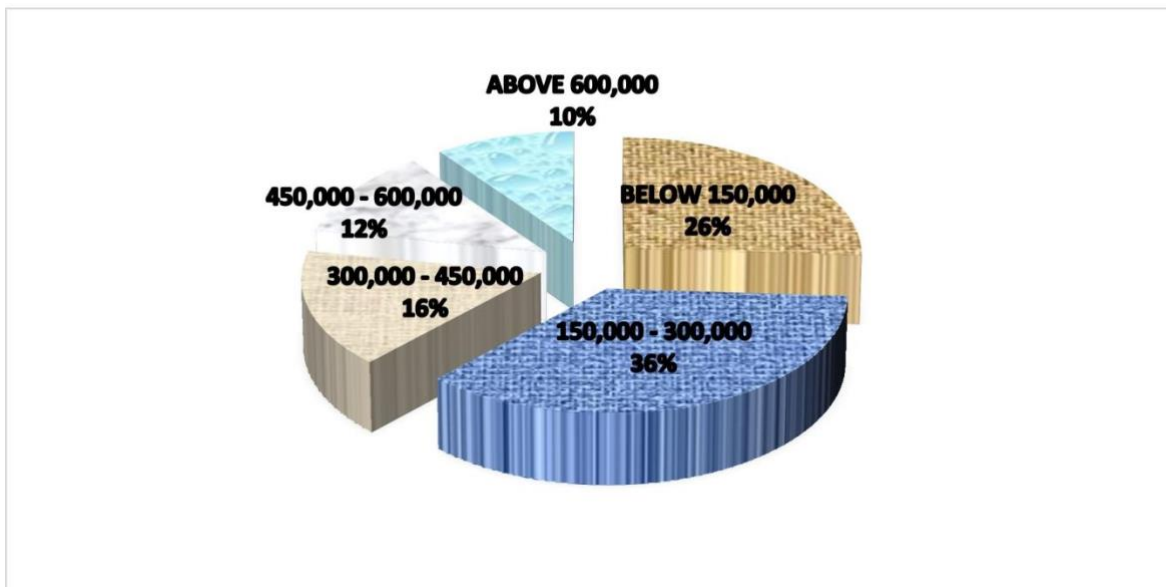


Chart 4.5 Chart Showing The Yearly Income Of The Respondents

INFERENCE: The table shows that middle-income group is largely interested to invest their money in stock exchange as 36% of the respondents fall under the income bracket of 150,000 – 300,000 and 26% of the respondents earn below 150,000. D. Harikanth & B. Pragathi (2012) also indicated that there is a significant role of income and occupation in investment avenue selection by the male and female investors.

4.1.6 Percentage Analysis Of The Years Of Association Of Respondents With Stock Market

Table 4.6 Table Showing The Years Of Association Of Respondents With Stock Market

ASSOCIATION	NO OF RESPONDENTS	PERCENTAGE
LESS THAN ONE YEAR	108	54
2 – 5 YEARS	76	38
6 – 10 YEARS	8	4
MORE THAN 10 YEARS	8	4
TOTAL	200	100

(Source: Primary Data)

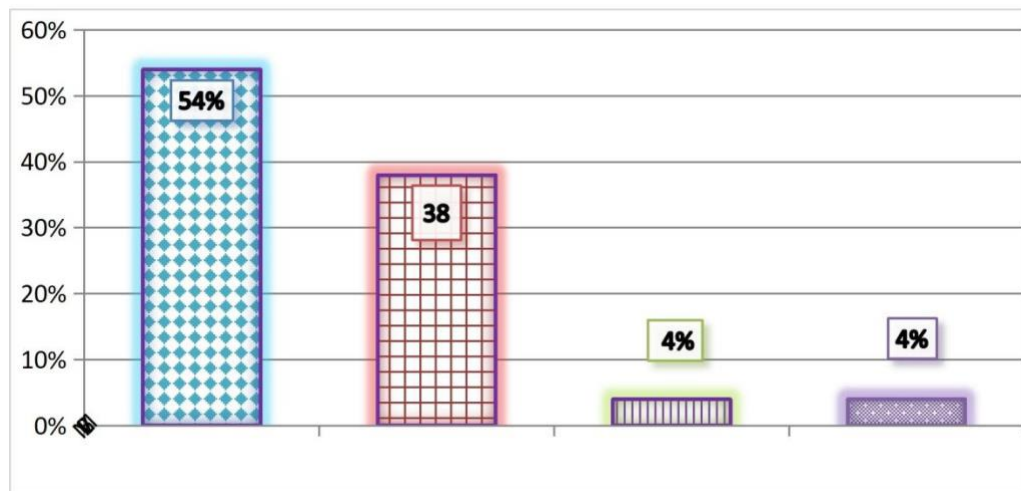


Chart 4.6 Chart Showing The Years Of Experience Of Respondents In Stock Market

INFERENCE: The table signifies that 54% of the investors have been associated with the stock market for less than one year and 38% of the investors have been with the stock market for 2 – 5 year. Only 4% of the investors have been with the stock market for 6-10 years and more than 10 years.

4.1.7 Percentage Analysis of Respondents having prior Knowledge of Stock Exchange

Table 4.7 Table Showing Respondents having prior Knowledge of Stock Exchange

COURSE ON STOCK EXCHANGE	NO OF RESPONDENTS	PERCENTAGE
ATTENDED	144	72
NOT ATTENDED	56	28

(Source: Primary Data)

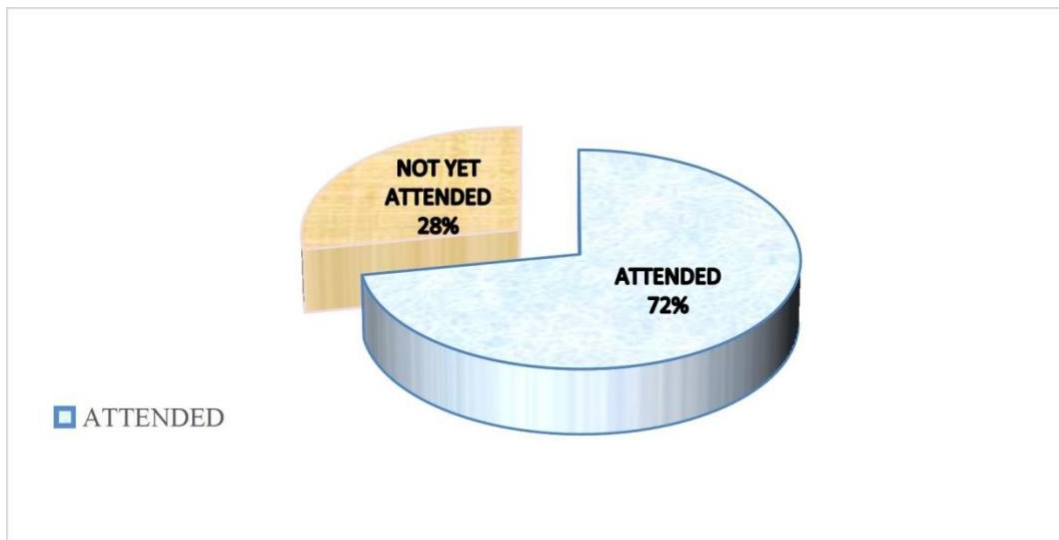


Chart 4.7 Chart Showing Whether Respondents Have Attended Course On Stock Exchange

INFERENCE: The table shows that 72% of the respondents have attended course on stock exchange to enhance their knowledge on course exchange. Only 28% of the respondents are yet to attend any courses on stock exchange. This shows that technical knowledge can be enhanced by attending courses offered by NSE and other financial institutions to have a better understanding of stock market trends. It is necessary that people trading in stock exchange should be knowledge-competent or experienced. V.R.Palanivelu & K.Chandrakumar (2013) also highlighted that certain factors of respondents like education level, awareness about the current financial system make significant impact while deciding the investment avenues.

4.1.8 Percentage Analysis of The Source Of Motivation Of Respondents For Trading On Stock Exchange

Table 4.8 Table Showing The Source Of Motivation Of Respondents For Trading On Stock Exchange

SOURCE OF MOTIVATON	NO OF RESPONDENTS	PERCENTAGE
ADVERTISEMENTS	36	18
FRIENDS	68	34
RELATIVES	16	8
SOCIAL MEDIA	28	14
OTHERS	52	26
TOTAL	200	100

(Source: Primary Data)

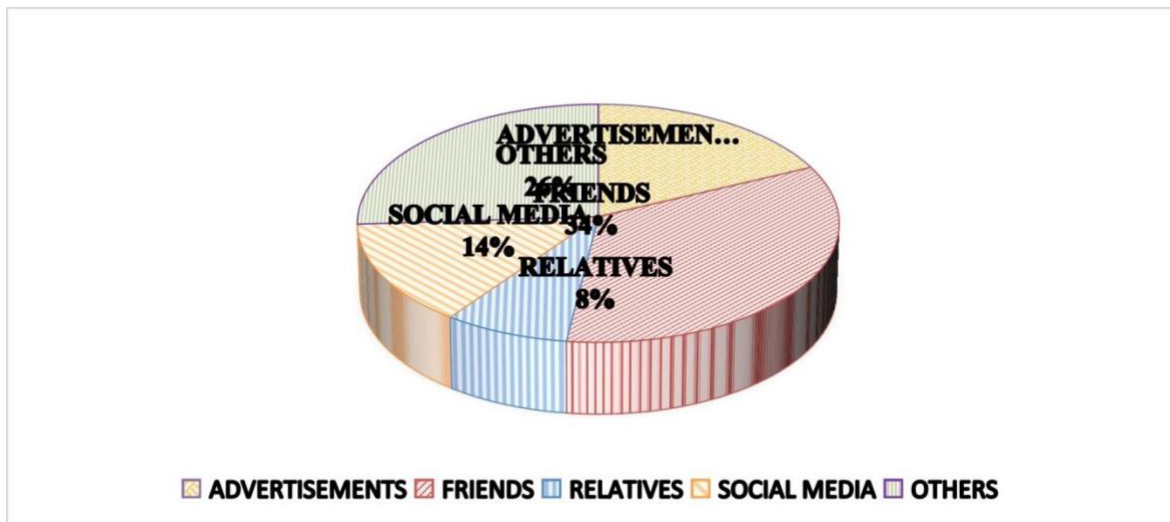


Chart 4.8 Chart Showing The Source Of Motivation Of Respondents For Trading On Stock Exchange

INFERENCE: It is clear from the table that majority of the respondents are motivated by friends (34%) and others (26%) to trade in stock exchange. Others include self-motivation and self-interest of the investor, traders and other intermediaries trading in stock exchange. 18% of the respondents are influenced by advertisements to trade in stock exchange and 14% are influenced by social

media like Facebook and twitter. Only 8% of the respondents are motivated by relatives.

4.1.9 Percentage Analysis of The Satisfaction Level Of Respondents In Holding Their Portfolio

Table 4.9 Table Showing The Satisfaction Level Of Respondents In Holding Their Portfolio

Response	No Of Respondents	Percentage
Yes	140	70
No	60	30
Total	200	100

(Source: Primary Data)

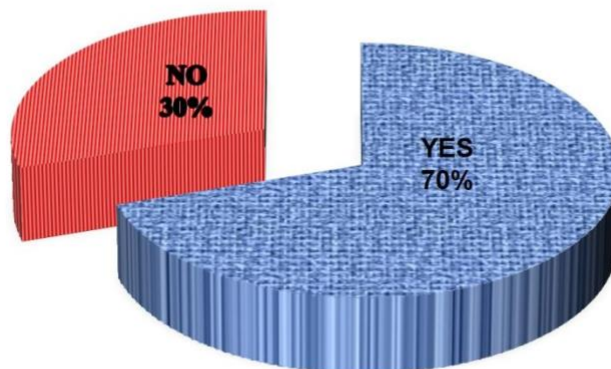


Chart 4.9 Chart Showing The Satisfaction Level Of Respondents In Holding Their Portfolio

INFERENCE: The table clearly represents that majority (70%) of the shareholders are happy and satisfied with their current portfolio holdings. Rest of the respondents (30%) who are not satisfied may be caused because of the fluctuations in the stock market or personal negligence.

4.1.10 Per centage Analysis of The Majority Holdings In Portfolio Of The Respondents

Table 4.10 Table Showing The Majority Holdings In Portfolio Of The Respondents

MAJORITY HOLDINGS	NO OF RESPONDENTS	PERCENTAGE
OPEN ENDED MUTUAL FUNDS	44	22
CLOSE ENDED MUTUAL FUNDS	20	10
EQUITY	116	58
DEBT	12	6
OTHERS	8	4
TOTAL	200	100

(Source: Primary Data)

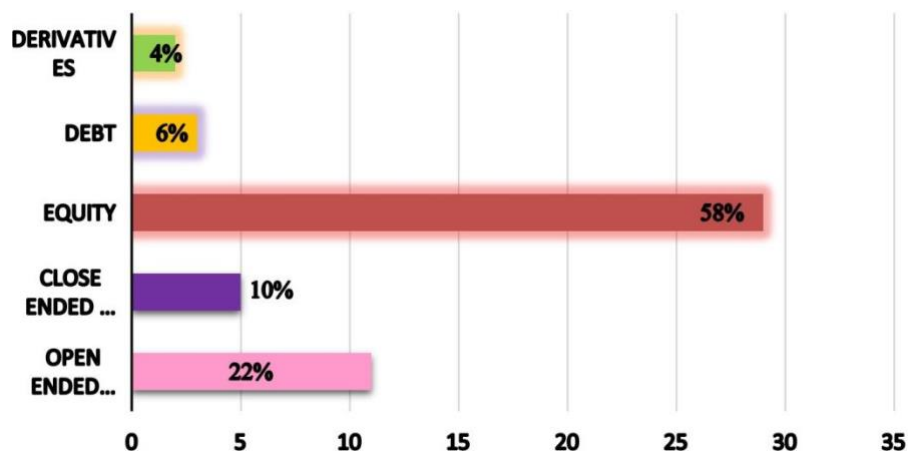


Chart 4.10 Chart Showing The Majority Holdings In Portfolio Of The Respondents

INFERENCE: The table above shows that maximum percentage of the respondents (58%) are having majority of equity shares in their portfolio which denotes that maximum percentage of the respondents are capable of bearing high risk associated with high returns. It is followed by mutual funds – open-ended (22%) and close-ended (10%). Least number of respondents are trading in debt (6%) and others (4%). Similar to this, **Mrs. Nutan Vijay Pasalkar** observed that investors have started shifting from low-risk avenues to modern high risk investment avenues such as equity and mutual funds.

4.1.12 Percentage Analysis of The Means Of Carrying Out The Stock Market Trade By The Respondents

Table 4.11 Table Showing The Means Of Carrying Out The Stock Market Trade By The Respondents

TRADE CARRIED OUT	NO OF RESPONDENTS	PERCENTAGE
DIRECTLY	108	54
INTERMEDIARIES	92	46
TOTAL	200	100

(Source: Primary Data)

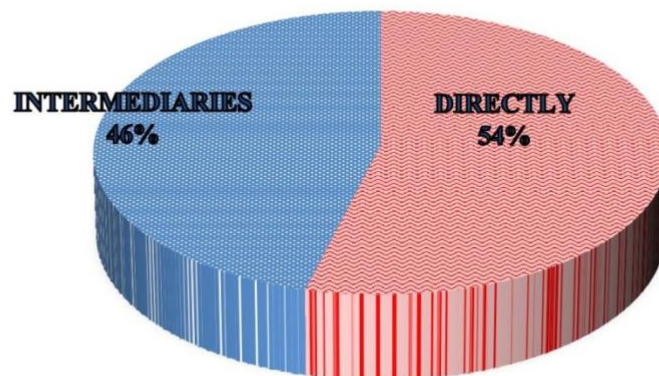


Chart 4.11 Chart Showing The Means Of Carrying Out The Stock Market Trade By The Respondents

INFERENCE: The table denotes that maximum percentage (54%) of the respondents trade in stock market directly which signifies that they are well-equipped to carry out trade by themselves. Even then the percentage of respondents trading through intermediaries (46%) is not significantly less which means that people are either not equipped with talent to trade in stock market or they do not have time to spare for stock market.

4.1.12 Percentage Analysis of The Respondents' Rating Of Their Current Investment Plan

Table 4.12 Table Showing The Respondents' Rating Of Their Current Investment Plan

RATING OF CURRENT PLAN	NO OF RESPONDENTS	PERCENTAGE
HIGHLY SATISFIED- 1	32	16
SATISFIED -2	76	38
NEUTRAL- 3	80	40
DISSATISFIED- 4	12	6
HIGHLY DISSATISFIED- 5	0	0
TOTAL	200	100

(Source: Primary Data)

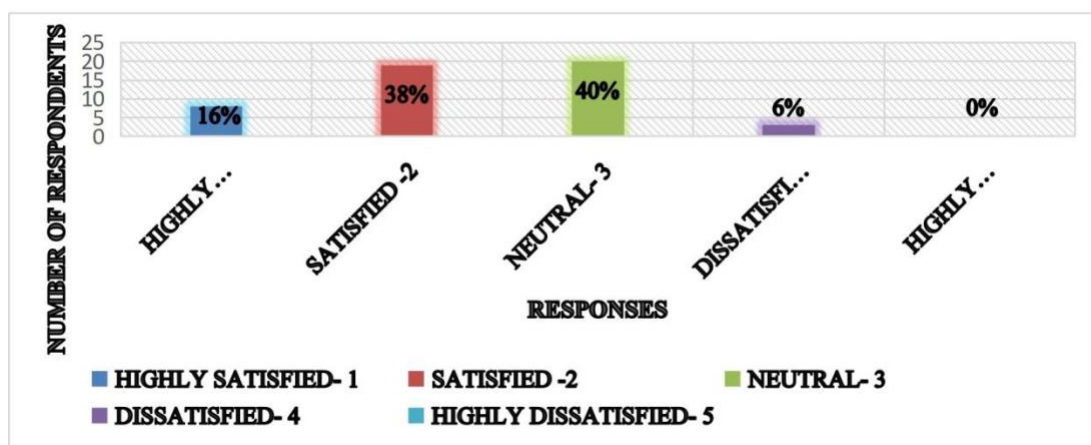


Chart 4.12 Chart Showing The Respondents' Rating Of Their Current Investment Plan

INFERENCE: The table shows that almost 40% of the respondents are feeling neutral about their current investment plan as they are not sure of its profitability because of ever-changing market scenario and 38% of the respondents are satisfied with their current investment plan. It is encouraging that 16% of the respondents are highly satisfied with their investment plan. It is happy to note there is no respondent who is highly dissatisfied with his investment plan and even the dissatisfaction level of the respondents remain low to 6% only.

4.1.13 Percentage Analysis of The Preferable Period Of Investment Of The Respondents

Table 4.13 Table Showing The Preferable Period Of Investment Of The Respondents

PREFERABLE PERIOD OF INVESMENT	NO OF RESPONDENTS	PERCENTAGE
SHORT TERM	100	50
MEDIUM TERM	64	32
LONG TERM	36	18
TOTAL	200	100

(Source: Primary Data)

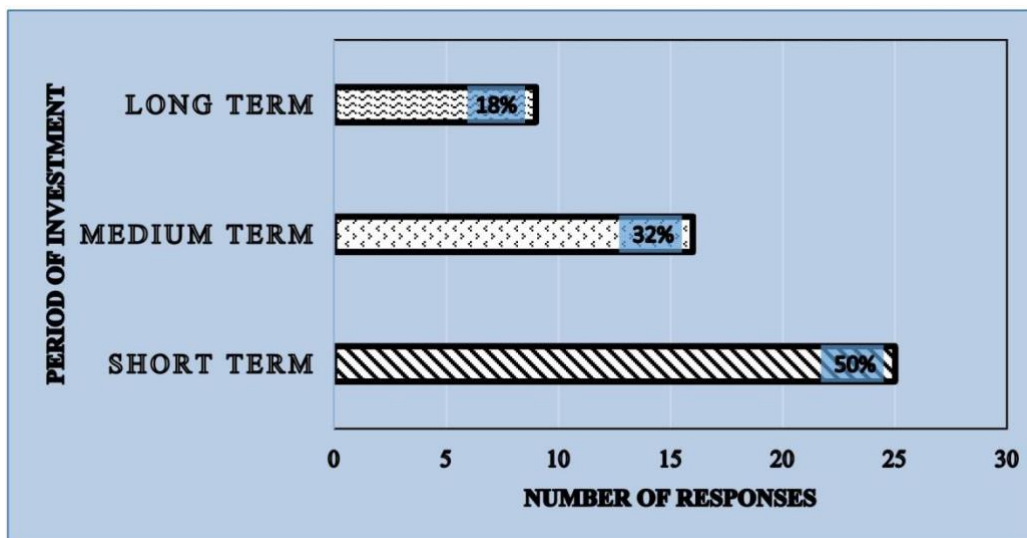


Chart 4.13 Chart Showing The Preferable Period Of Investment Of The Respondents

INFERENCE: 50% of the respondents prefer to trade in stock market for short term duration with a view to earn profit on the go. Only 18% of the respondents prefer long term investments and 32% prefer medium term investment. This shows that investors are not ready to go for long term investments due to the risk of bearing the instruments for longer duration and they are keen to make short term investments as they are attractive venue for short term profits.

4.1.14 Percentage Analysis of The Respondents Need For Investment

Table 4.14 Table Showing The Respondents Need For Investment

FACTORS	NO OF RESPONDENTS	PERCENTAGE
LIQUIDITY	44	22
CAPITAL APPRECIATION	68	34
HEDGE AGAINST INFLATION	40	20
OTHERS	8	4
EDUCATION /MARRIAGE	32	16
RETIREMENT BENEFIT	64	32
PROFIT MAKING	156	78
FLEXIBILITY	48	24
SOURCE OF CONSTANT INCOME	48	24
TAX PLANNING	64	32

(Source: Primary Data)

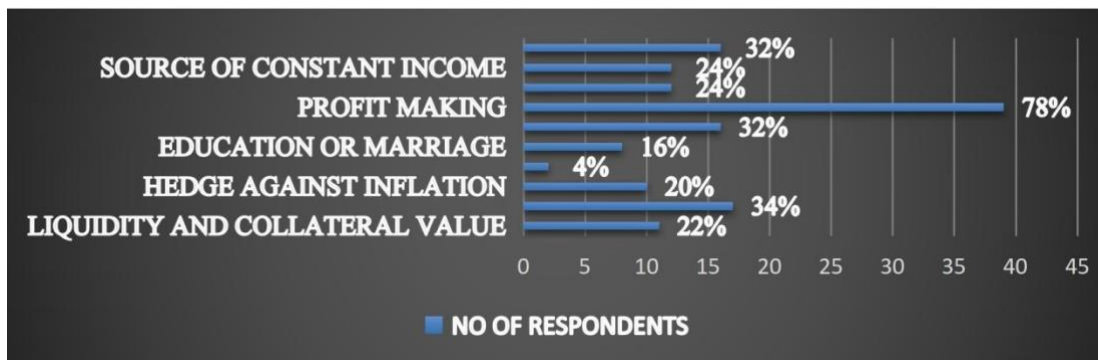


Chart 4.14 Chart Showing The Respondents Need For Investment

INFERENCE: The table represents that 78% of the respondents consider that their need is to make profits through their investments. 34% of the respondents are in favor of capital appreciation and 32% are in favor of tax planning and retirement benefit. It is followed by source of constant income (24%), flexibility (24%), liquidity

and collateral value (22%), hedge against inflation (20%), education or marriage (16%) and others (4%). Others include speculation and economic conditions.

4.1.15 Percentage Analysis of The Returns Expected By The Respondents From Their Investments

Table 4.15 Table Showing The Returns Expected By The Respondents From Their Investments

RETURNS EXPECTED	NO OF RESPONDENTS	PERCENTAGE
LESS THAN 10%	52	26
10-15%	124	62
15-20%	24	12
ABOVE 20%	0	0
TOTAL	200	100

(Source: Primary Data)

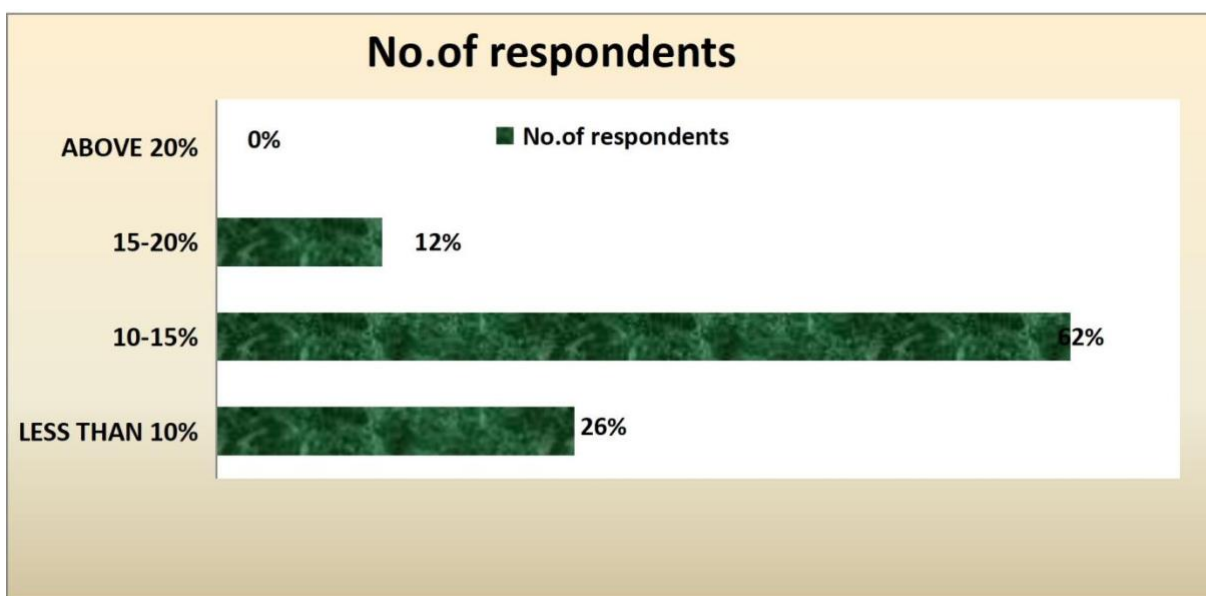


Chart 4.15 Chart Showing The Returns Expected By The Respondents From Their Investments

INFERENCE: The table tells that about 62% of the respondents expect moderate returns, 26% expect minimum returns and only 12% expect maximum returns. This is due the presence of factors such as risk and uncertainty in the market. It is relevant to mention here that Cohn, Lewellen et.al found risky asset fraction of the portfolio to be positively correlated with income and age and negatively correlated with marital status.

4.1.16 Percentage Analysis of The Factors That Influence The Decisions Taken By An Investor

Table 4.16 Table Showing The Factors That Influence The Decisions Taken By An Investor

INFLUENCING FACTORS	NOT AT ALL INFLUENTIAL	SLIGHTLY INFLUENTIAL	MODERATELY INFLUENTIAL	VERY INFLUENTIAL	EXTREMELY INFLUENTIAL	TOTAL
SAFETY OF THE INVESTMENT	20	64	36	32	48	200
LIQUIDITY	8	56	60	52	24	200
RISK RETURN TRADE OFF	8	52	72	36	32	200
GOODWILL OF THE ISSUER	4	52	60	56	28	200
PRICE EARNINGS RATIO	8	60	40	52	40	200
INFLATION AND ECONOMIC CONDITIONS	8	52	72	40	28	200
TAX PLANNING	24	80	44	28	24	200
PROFESSIONAL ADVISE	48	52	60	28	12	200
WORD OF MOUTH	68	56	32	32	12	200
CREDIT RATING OF THE ISSUER	36	36	80	24	24	200

EXTENT OF CAPITAL APPRECIATION	12	40	52	52	44	200
LOCK IN PERIOD	20	52	64	32	32	200
GRAND TOTAL	264	652	672	464	348	2400

(Source: Primary Data)

Table 4.16A Table Showing The Factors That Influence The Decisions Taken By An Investor (Percentage Analysis)

INFLUENCING FACTORS	NOT AT ALL INFLUENTIAL (5)	SLIGHTLY INFLUENTIAL (4)	MODERATELY INFLUENTIAL (3)	VERY INFLUENTIAL (2)	EXTREMELY INFLUENTIAL (1)	TOTAL
SAFETY OF THE INVESTMENT	10%	32%	18%	16%	24%	100 %
LIQUIDITY	4%	28%	30%	26%	12%	100 %
RISK RETURN TRADE OFF	4%	26%	36%	18%	16%	100 %
GOODWILL OF THE ISSUER	2%	26%	30%	28%	14%	100 %
PRICE EARNINGS RATIO	4%	30%	20%	26%	20%	100 %
INFLATION AND ECONOMIC CONDITIONS	4%	26%	36%	20%	14%	100 %
TAX PLANNING	12%	40%	22%	14%	12%	100 %
PROFESSIONAL ADVISE	24%	26%	30%	14%	6%	100 %
WORD OF MOUTH	34%	28%	16%	16%	6%	100 %
CREDIT RATING OF THE ISSUER	18%	18%	40%	12%	12%	100 %

EXTENT OF CAPITAL APPRECIATION	6%	20%	26%	26%	22%	100 %
LOCK IN PERIOD	10%	26%	32%	16%	16%	100 %
GRAND TOTAL	132%	326%	336%	232%	174%	120 0%

(Source: Primary Data)

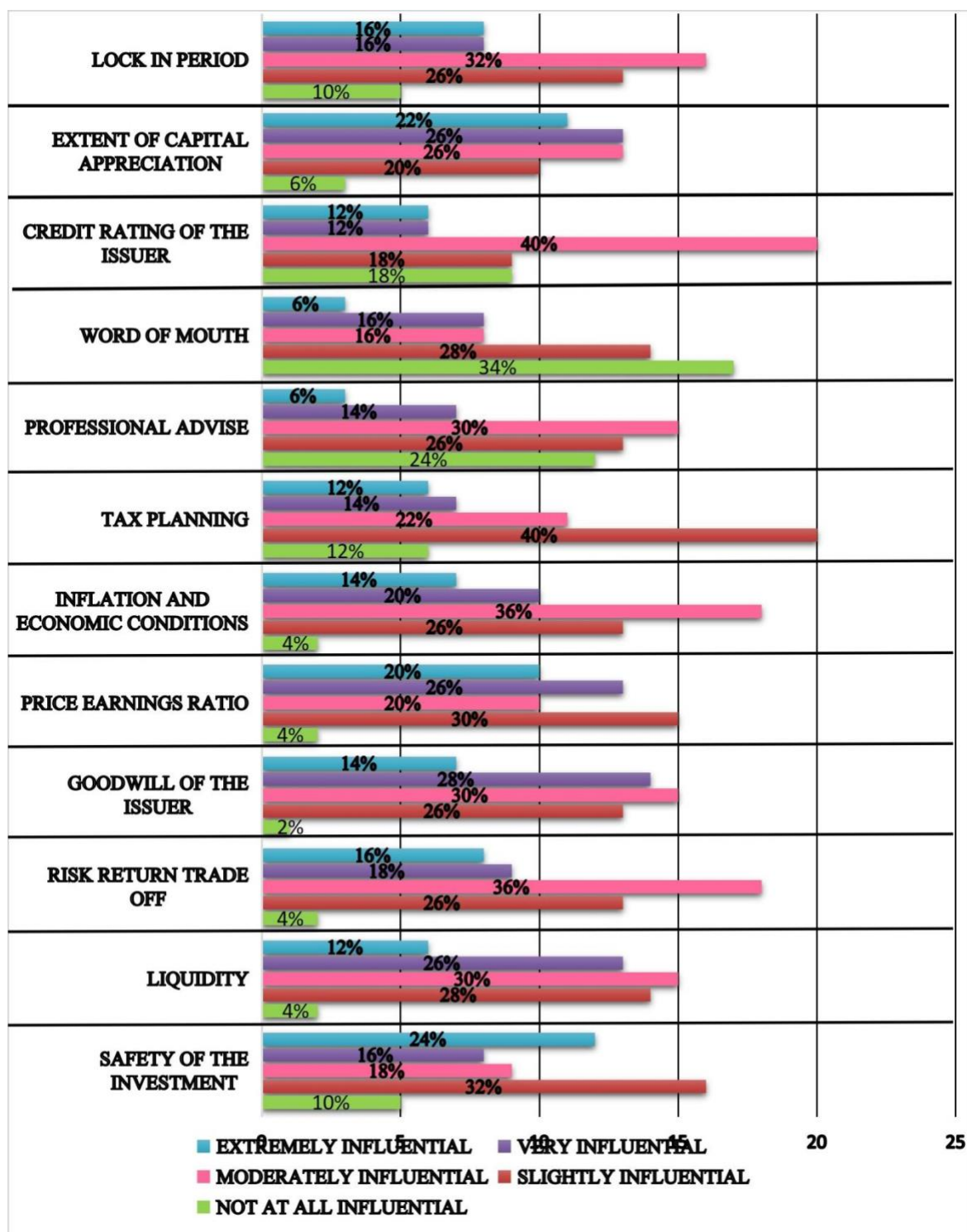


Chart 4.16 Chart Showing The Factors That Influence The Decisions Taken By An Investor

INFERENCE: The table explains that,

SAFETY OF THE INVESTMENT:

It is slightly influential for 32% of the respondents and extremely influential for 24% of the respondents for their decision making purpose.

LIQUIDITY OF THE INVESTMENT:

It is moderately influential for 30% of the respondents, slightly influential for 14% and very influential for 26% of the respondents.

RISK RETURN TRADE OFF:

It is said to be moderately influencing factor for 18% of the respondents and slightly influential for 26% of them.

GOODWILL OF THE ISSUER:

It is moderately influential for 30% of the respondents, very influential for 14% and slightly influential for 26% of the respondents.

PRICE EARNINGS RATIO:

It acts as slightly influencing factor for 30% of the respondents and as very influencing factor for 26% of them.

INFLATION AND ECONOMIC CONDITIONS:

36% of the respondents feel that inflation and economic conditions is moderately influential and 26% feel that it is slightly influential.

TAX PLANNING:

40% of the respondents feel that tax planning is slightly influential for decision making.

PROFESSIONAL ADVICE:

It is moderately influential for 30% of the respondents, slightly influential for 26% of the respondents and not at all influential for 24% of them

WORD OF MOUTH:

34% of the respondents feel that word of mouth is not at all influential for decision making.

CREDIT RATING OF THE ISSUER:

40% of the respondents feel that this factor is moderately influential for their investment decision making purpose.

EXTENT OF CAPITAL APPRECIATION:

It is very influential and moderately influential for 26% of the respondents respectively and extremely influential for 22% of them.

LOCK IN PERIOD:

32% of the respondents feel that this factor is moderately influential.

4.1.17 Percentage Analysis Of The Reasons For Lack Of Preference Of Stock Market Investments Among Investors In General

Table 4.17 Table Showing The Reasons For Lack Of Preference Of Stock Market Investments Among Investors In General

FACTORS	NO OF RESPONDENTS	PERCENTAGE
EXPERIENCE OF LOSSES	56	28
FEAR OF LOSING THE MONEY	156	78
LACK OF TECHNICAL SKILL OR EXPERTISE TO ANALYZE	64	32
LACK OF KNOWLEDGE ABOUT STOCK EXCHANGE	76	38
UNSTABLE RETURNS	96	48
LACK OF TRUST	36	18
PRUDENTIALITY	28	14

(Source: Primary Data)



Chart 4.17 Chart Showing The Reasons For Lack Of Preference Of Stock Market Investments Among Investors In General

INFERENCE: 78% of the respondents consider that fear of losing money is the major reason for lack of preference of stock market investments among investors in general. It is followed by unstable returns (48%), lack of knowledge about stock exchange (38%), lack of technical skill or expertise to analyze (32%), experience of losses (28%) and lack of trust (18%). Only 14% of them consider prudentiality as a reason for lack of preference.

4.2 COMPARATIVE ANALYSIS

4.2.1 Comparative Analysis Of The Respondents Trading In Both Stock Market Instruments And Mutual Funds

Table 4.18 Table Showing The Respondents Trading In Both Stock Market Instruments And Mutual Funds

RESPONSES TRADING IN BOTH	NO OF RESPONDENTS	PERCENTAGE
YES	76	38
NO	124	62
TOTAL	200	100

(Source: Primary Data)

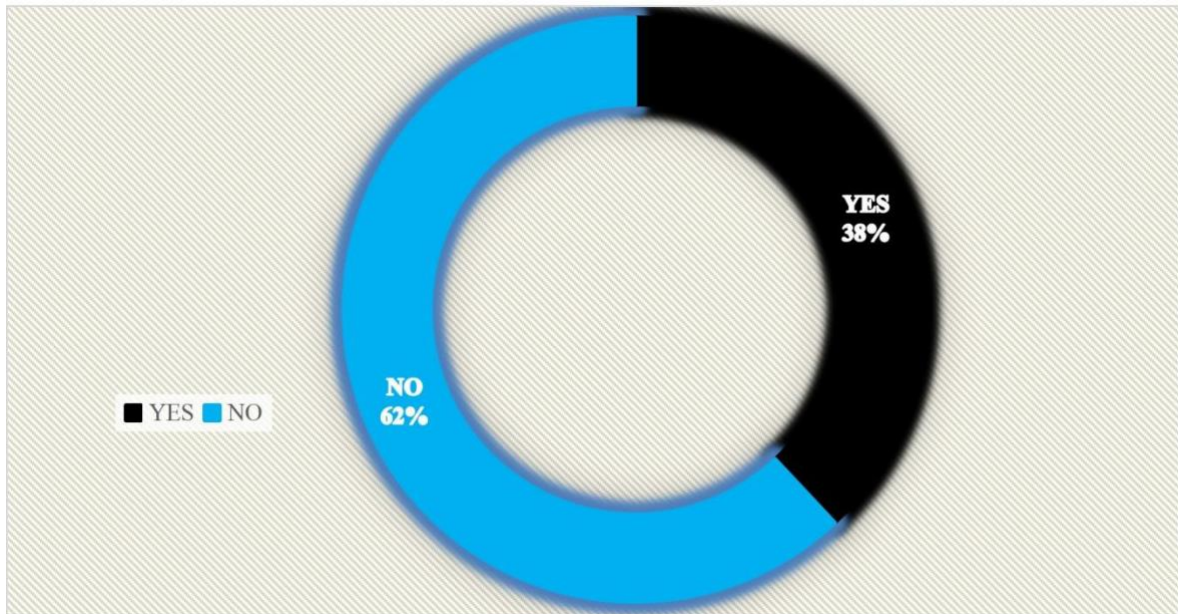


Chart 4.18 Chart Showing The Respondents Trading In Both Stock Market Instruments And Mutual Funds

INFERENCE: 62% of the investors do not trade in both mutual funds and other stock market instruments whereas 38% of them trade in both.

4.2.2 Comparative Analysis of The Instruments That Are Easy To Hold For The Respondents

Table 4.19 Table Showing The Instruments That Are Easy To Hold For The Respondents.

EASY TO HOLD	NO OF RESPONDENTS	PERCENTAGE
MUTUAL FUNDS	72	36
EQUITY	112	56
DEBT	4	2
DERIVATIVES	12	6
TOTAL	200	100

(Source: Primary Data)

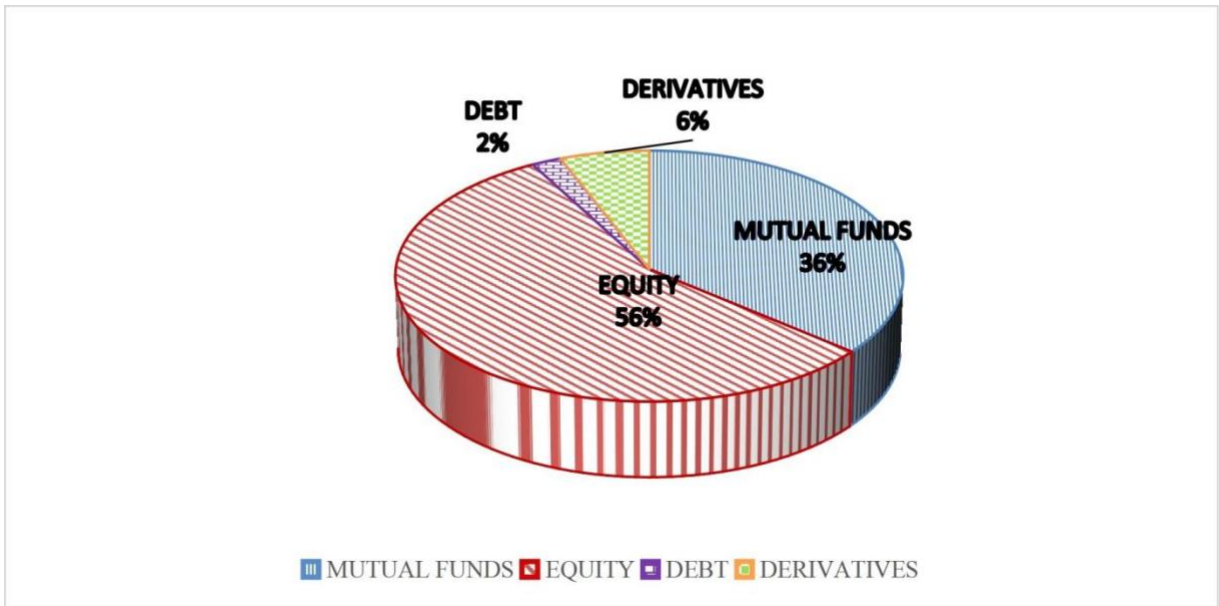


Chart 4.19 Chart Showing The Instruments That Are Easy To Hold For The Respondents.

INFERENCE: 56% of the respondents feel that Equity is easy to trade and hold while 36% of them feel that mutual funds are better. Only 2% and 6% of the respondents are in favor of debt and derivatives respectively. Manoj Kumar observed that mutual fund and equity share are also considered as good investment alternatives.

4.2.3 Comparative Analysis of The Profitability Of Investment Portfolio Held By The Respondents.

Table 4.20 Table Showing The Profitability Of Investment Portfolio Held By The Respondents

RESPONSES-PROFIT MAKING	NO OF RESPONDENTS	PERCENTAGE
YES	116	58
NO	84	42
TOTAL	200	100

(Source: Primary Data)

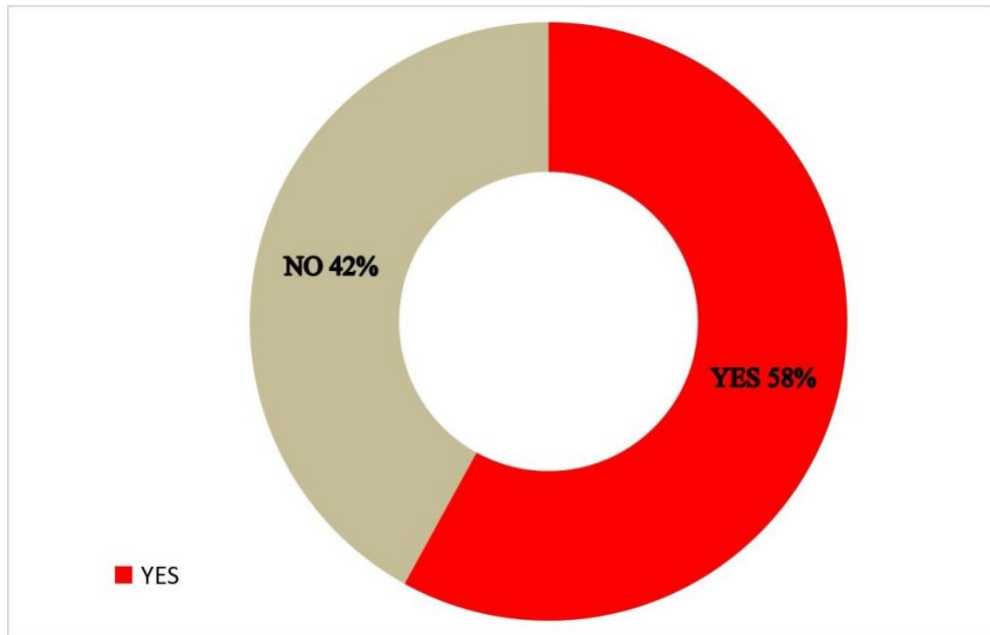


Chart 4.20 Chart Showing The Profitability Of Investment Portfolio Held By The Respondents

INFERENCE: The table shows that 58% of the investors consider that their portfolio investments are profitable whereas 42% of them consider that their portfolio is not profitable.

4.2.4 Comparative Analysis for recommendation of the respondents to invest in stock market

Table 4.21 Table Showing the recommendation of the respondents to invest in stock market

RESPONSES RECOMMENDATION	NO OF RESPONDENTS	NO OF RESPONDENTS	PERCENTAGE
YES	MUTUAL FUNDS	68	34
	EQUITY	84	42
	DEBT	8	4
	DERIVATIVES	0	0
NO		40	20
GRAND TOTAL		200	100

(Source: Primary Data)

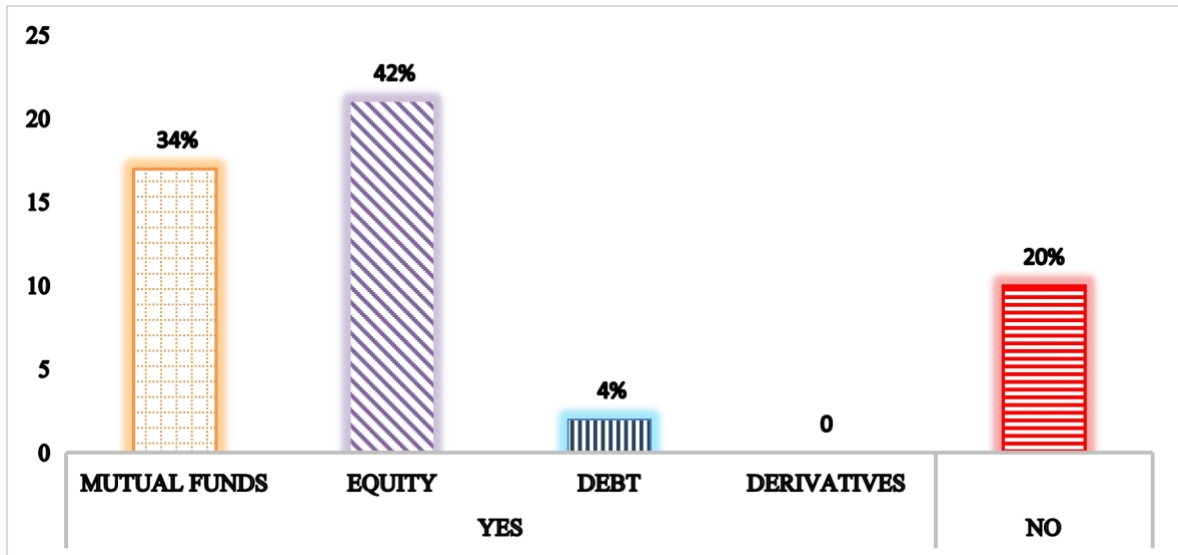


Chart 4.21 Chart Showing the recommendation of the respondents to invest in stock market

INFERENCE: The table represents that 80% of the respondents recommend stock market investments to others, of which 42% favor equity, 34% favor mutual funds and only 4% favor debt. 20% of the respondents do not recommend stock market investments to others.

4.2.5 Comparative Analysis for respondents plan to reinvest their profits.

Table 4.22 Table Showing the respondents plan to reinvest their profits.

RESPONSES REINVESTING PROFITS	NO OF RESPONDENTS	PERCENTAGE
YES	140	70
NO	60	30
TOTAL	200	100

(Source: Primary Data)

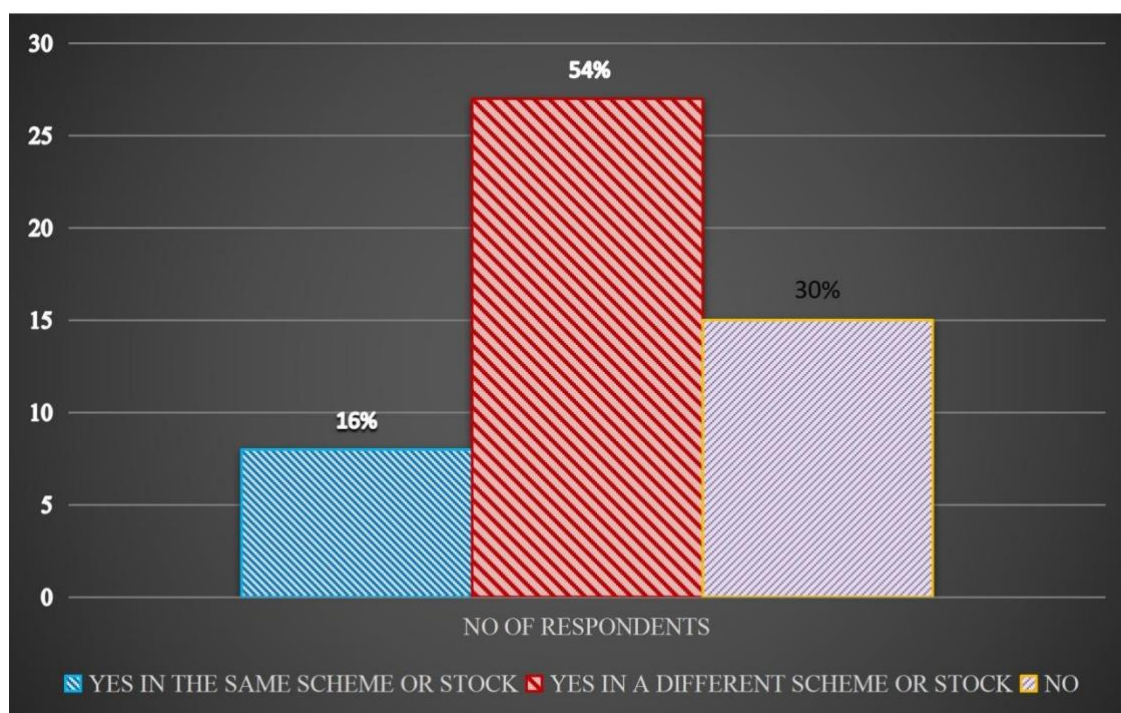


Chart 4.22 Chart Showing Whether The Respondents Would Reinvest Their Profits.

INFERENCE: The table shows that 70% of the respondents re-invest their profits out and 30% of the respondents do not re-invest their profits.

4.2.6 Comparative Analysis Of The Most Beneficial Mode Of Investment

Table 4.23 Table Showing The Most Beneficial Mode Of Investment.

BENEFICIALITY	MUTUAL FUNDS	STOCK MARKET INSTRUMENTS	TOTAL
RETURN OF THE INVESTMENT	68	132	200
SAFETY OF THE INVESTMENT	152	48	200
GROWTH AND APPRECIATION OF CAPITAL	76	124	200
PROFITABILITY AND FLEXIBILITY	56	144	200
LIQUIDITY	64	136	200
EASY ENTRY AND EXIT	556	144	200
TAX DEDUCTIONS AND TAX PLANNING	105	96	200
GRAND TOTAL	576	824	1400

(Source: Primary Data)

Table 4.23 A table Showing The Most Beneficial Mode Of Investment - Percentage Analysis

BENEFICIALITY	MUTUAL FUNDS	STOCK MARKET INSTRUMENTS	TOTAL
RETURN OF THE INVESTMENT	34%	66%	100%
SAFETY OF THE INVESTMENT	76%	24%	100%
GROWTH AND APPRECIATION OF CAPITAL	38%	62%	100%
PROFITABILITY AND FLEXIBILITY	28%	72%	100%
LIQUIDITY	32%	68%	100%
EASY ENTRY AND EXIT	28%	72%	100%
TAX DEDUCTIONS AND TAX PLANNING	52%	48%	100%
GRAND TOTAL	288%	412%	700%

(Source: Primary Data)

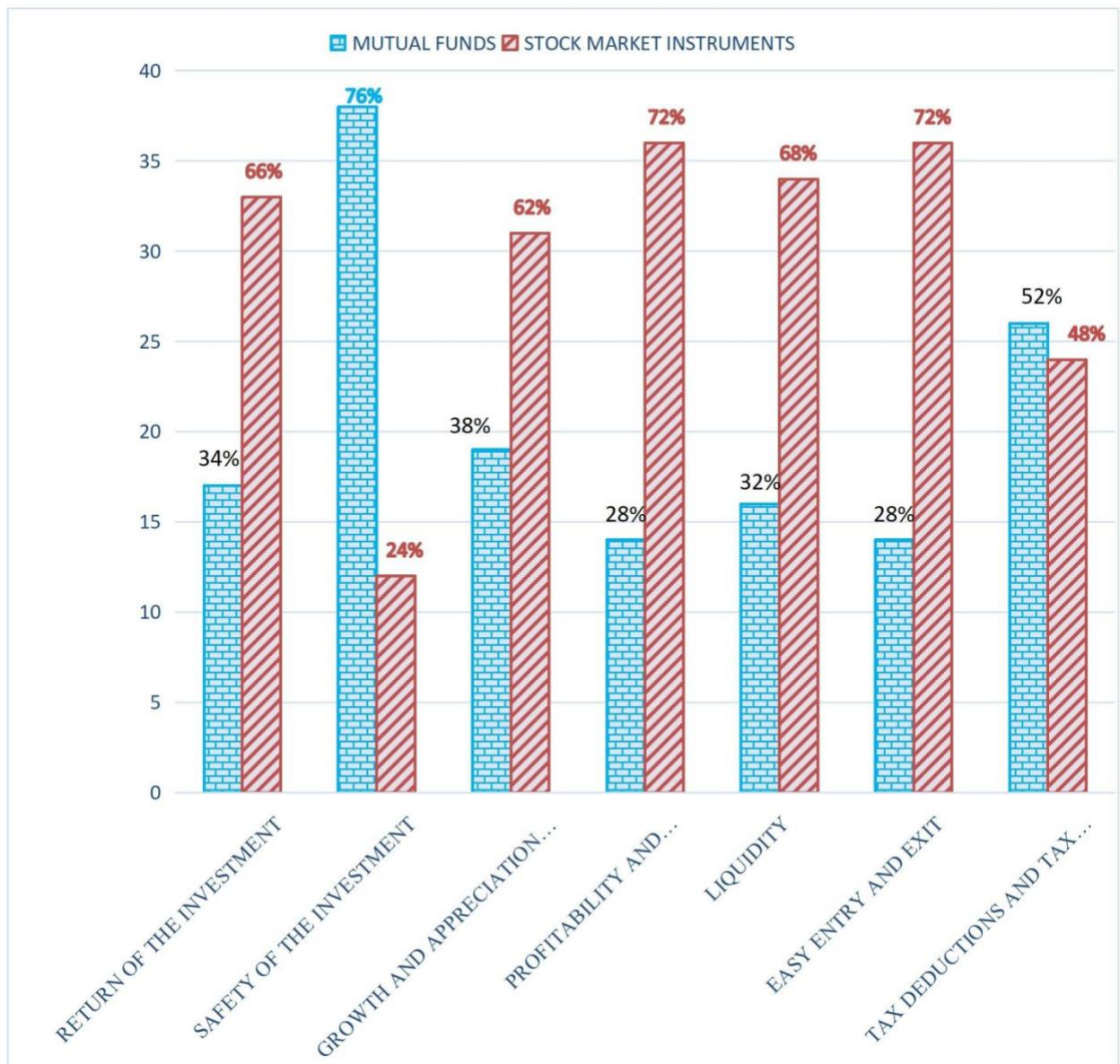


Chart 4.23 Chart Showing The Most Beneficial Mode Of Investment.

INFERENCE: The above table indicates the following,

RETURN OF THE INVESTMENT:

66% of the respondents consider that stock market instruments are more beneficial than mutual funds when return of the investment is concerned.

SAFETY OF THE INVESTMENT:

76% of the investors consider that mutual funds are safer than stock market investments.

GROWTH AND CAPITAL APPRECIATION:

62% of the respondents feel that stock market instruments are more beneficial in terms of growth and capital appreciation. Only 38% feel that mutual funds are better in this aspect.

PROFITABILITY AND FLEXIBILITY:

72% of the investors feel that stock market instruments are more profitable and flexible than mutual funds (28%).

LIQUIDITY :

68% of the respondents feel that stock market instruments are easily liquid than mutual funds (32%).

EASY ENTRY AND EXIT:

Stock market instruments (72%) have easy entry and exit barriers than mutual funds (28%).

TAX DEDUCTIONS AND TAX PLANNING:

52% of the respondents are in favor of mutual funds and 48% of the respondents are in favor of stock market instruments when tax deductions and tax planning are concerned.

4.3 CHI-SQUARE ANALYSIS

4.3.1 Chi-Square Analysis Between Occupation And No. Of Years Of Association With Stock Market

HYPOTHESIS:

H₀: There is no significant association between the occupation and number of years of association with stock market

H₁: There is a significant association between the occupation and number of years of association with stock market

Chi-Square test

Table 4.24 Chi-Square analysis Between Occupation And No. Of Years Of Association With Stock Market

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	83.431 ^a	9	.000
Likelihood Ratio	114.631	9	.000
Linear-by-Linear Association	55.958	1	.000
N of Valid Cases	200		

a. 9 cells (56.3%) have expected count less than 5. The minimum expected count is .40.

(Source: Primary Data)

INFERENCE: Since the asymptotic value is less than 0.05, H₀ is rejected and H₁ is accepted. Hence, there is a significant association between the occupation and number of years of association with stock market.

4.3.2 Chi-Square Analysis Between Income And Expected Rate Of Return

HYPOTHESIS

H₀: There is no significant association between the income and expected rate of return.

H₁: There is a significant association between the income and expected rate of return.

Chi-Square test

Table 4.25 Chi-Square Between Income And Expected Rate Of Return

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	183.423 ^a	8	.000
Likelihood Ratio	169.397	8	.000
Linear-by-Linear Association	74.849	1	.000
N of Valid Cases	200		

a. 8 cells (53.3%) have expected count less than 5. The minimum expected count is 1.20.

(Source: Primary Data)

INFERENCE: Since the asymptotic value is less than 0.05, H_0 is rejected and H_1 is accepted. Hence, there is a significant association between the income and expected rate of return.

4.4 KRUSKAL WALLIS TEST [H TEST]

4.4.1 Kruskal Wallis Test Between Gender And Period Of Investment Preferred

HYPOTHESIS

H_0 : There is no difference between the gender and the period of investment preferred.

H_1 : There is a difference between the gender and the period of investment preferred.

Table 4.26 Kruskal Wallis Test Between Gender And Period Of Investment Preferred

Test Statistics ^{a,b}	
	VAR00001
Chi-Square	35.661
df	2
Asymp. Sig.	.000

a. Kruskal Wallis Test

b. Grouping Variable: VAR00002

(Source: Primary Data)

INFERENCE: Since the asymptotic value is less than 0.05, H_0 is rejected and H_1 is accepted. Hence, there is a difference between the gender and the period of investment preferred.

4.5 FRIEDMAN TEST

4.5.1 Level Of Influence Of Various Factors In Decision Making

Table 4.27 Level Of Influence Of Various Factors In Decision Making

Factors	Mean	Rank
SAFETY OF THE INVESTMENT	7.28	6
LIQUIDITY	7.37	8
RISK RETURN TRADE OFF	7.48	9
GOODWILL OF THE ISSUER	8.05	10
PRICE EARNINGS RATIO	8.18	11
INFLATION AND ECONOMIC CONDITIONS	7.36	7
TAX PLANNING	4.98	3
PROFESSIONAL ADVISE	3.75	2
WORD OF MOUTH	2.71	1
CREDIT RATING OF THE ISSUER	5.46	4
EXTENT OF CAPITAL APPRECIATION	8.72	12
LOCK IN PERIOD	6.66	5

(Source: Primary Data)

INFERENCE: The level of influence of various factors in decision making process has been ranked based on mean value. The word of mouth has the lesser mean value hence it is ranked as one. The word of mouth plays a vital role in investment decisions. Next to that, professional advise of the experts has high level of influence hence it is ranked as two.

CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

Findings and conclusions are the purpose of any research project. Findings list out the points that are discovered from the research process thereby it draws meaning to the research conducted. Conclusions are the final results that are fetched by a research process. These are the end points that signifies whether the objectives fixed at the initial stage of the research process are achieved or not and the results could be effectively identified.

5.1 FINDINGS

- It is found that 60% of the respondents are Male and 40% of the respondents are Female.
- It is found that majority of the respondents belong to the age group of 18-25 (52%) and minority of the respondents belong to the age group of 46-55 (8%) and over 55 (8%).
- It is found that majority of the respondents are Graduates (78%) and others (16%) such as those pursuing professional courses. This clearly emphasizes that only those who are educated can do well in stock market.
- It is found that most of the respondents are private employees (34%) and others (36%) such as home makers and students. It also tells that 20% of the respondents are Self-employed and 10% of them are Public employees.
- It is found that middle-income group is largely interested to invest their money in stock exchange as 36% of the respondents fall under the income bracket of 150,000 – 300,000 and 26% of the respondents earn below 150,000.
- It signifies that 54% of the investors have attended the stock market for less than one year and 38% of the investors have attended the stock market for 2 – 5 year. Only 4% of the investors have attended the stock market for 6-10 years and more than 10 years.
- It is found that 72% of the respondents have attended course on stock exchange to enhance their knowledge on course exchange. Only 28% of the respondents are yet to attend any courses on stock exchange.

- It is clear that majority of the respondents are motivated by friends (34%) and others (26%) to trade in stock exchange. Others include self-motivation and self-interest of the investor, traders and other intermediaries trading in stock exchange. 18% of the respondents are influenced by advertisements to trade in stock exchange and 14% are influenced by social media like Facebook and twitter. Only 8% of the respondents are motivated by relatives.
- It is found clearly that majority (70%) of the shareholders are happy and satisfied with their current portfolio holdings. Rest of the respondents (30%) who are not satisfied may be caused because of the fluctuations in the stock market or personal negligence.
- It is found that maximum percentage of the respondents (58%) are having majority of equity shares in their portfolio which denotes that maximum percentage of the respondents are capable of bearing high risk associated with high returns. It is followed by mutual funds – open-ended (22%) and close-ended (10%). Least number of respondents are trading in debt (6%) and derivatives (4%).
- It is found that maximum percentage (54%) of the respondents invest and trade in stock market directly which signifies that they are well-equipped to carry out trade by themselves. Even then the percentage of respondents trading through intermediaries (46%) is not significantly less which means that people are either not equipped with talent to trade in stock market or they do not have time to spare for stock market.
- It is found that almost 40% of the respondents are feeling neutral about their current investment plan as they are not sure of its profitability because of ever-changing market scenario and 38% of the respondents are satisfied with their current investment plan. It is encouraging that 16% of the respondents are highly satisfied with their investment plan. It is happy to note there is no respondent who is highly dissatisfied with his investment plan and even the dissatisfaction level of the respondents remain low to 6% only.
- 50% of the respondents prefer to trade in stock market for short term duration with a view to earn profit on the go. Only 18% of the respondents prefer long term investments and 32% prefer medium term investment. This shows that investors are not ready to go for long term investments due to the risk of

bearing the instruments for longer duration and they are keen to make short term investments as they are attractive venue for short term profits.

- It is found that 78% of the respondents consider that their need is to make profits through their investments. 34% of the respondents are in favor of capital appreciation and 32% are in favor of tax planning and retirement benefit. It is followed by source of constant income (24%), flexibility (24%), liquidity and collateral value (22%), hedge against inflation (20%), education or marriage (16%) and others (4%). Others include speculation and economic conditions.
- It is found that about 62% of the respondents expect moderate returns, 26% expect minimum returns and only 12% expect maximum returns. This is due the presence of factors such as risk and uncertainty in the market.
- Safety of the investment is slightly influential for 32% of the respondents and extremely influential for 24% of the respondents for their decision making purpose.
- Liquidity of the investment is moderately influential for 30% of the respondents, slightly influential for 14% and very influential for 26% of the respondents.
- Risk Return tradeoff is said to be moderately influencing factor for 18% of the respondents and slightly influential for 26% of them.
- Goodwill of the issuer is moderately influential for 30% of the respondents, very influential for 14% and slightly influential for 26% of the respondents.
- Price earnings ratio acts as slightly influencing factor for 30% of the respondents and as very influencing factor for 26% of them.
- Almost, 36% of the respondents feel that inflation and economic conditions is moderately influential and 26% feel that it is slightly influential.
- It is found that 40% of the respondents feel that tax planning is slightly influential for decision making.
- Professional advice is moderately influential for 30% of the respondents, slightly influential for 26% of the respondents and not at all influential for 24% of them
- It is found that 34% of the respondents feel that word of mouth is not at all influential for decision making.
- It is clear that 40% of the respondents feel that Credit rating of the issuer is moderately influential for their investment decision making purpose.

- Extent of capital appreciation is very influential and moderately influential for 26% of the respondents respectively and extremely influential for 22% of them.
- It could be inferred that 32% of the respondents feel that Lock in period of an investment is moderately influential.
- 78% of the respondents consider that fear of losing money is the major reason for lack of preference of stock market investments among investors in general. It is followed by unstable returns (48%), lack of knowledge about stock exchange (38%), lack of technical skill or expertise to analyze (32%), experience of losses (28%) and lack of trust (18%). Only 14% of them consider prudence as a reason for lack of preference.
- 62% of the investors do not trade in both mutual funds and other stock market instruments whereas 38% of them trade in both.
- 56% of the respondents feel that Equity is easy to trade and hold while 36% of them feel that mutual funds are better. Only 2% and 6% of the respondents are in favour of debt and derivatives respectively.
- It is found that 58% of the investors consider that their portfolio investments are profitable whereas 42% of them consider that their portfolio is not profitable.
- It is found that 80% of the respondents recommend stock market investments to others, of which 42% favor equity, 34% favor mutual funds and only 4% favor debt. 20% of the respondents do not recommend stock market investments to others.
- It is found that 70% of the respondents re-invest their profits out of which 54% invest in a different scheme or stock and 16% invest in the same scheme or stock. 30% of the respondents do not re-invest their profits.
- 66% of the respondents consider that stock market instruments are more beneficial than mutual funds when return of the investment is concerned.
- 76% of the investors consider that mutual funds are safer than stock market investments.
- 62% of the respondents feel that stock market instruments are more beneficial in terms of growth and capital appreciation. Only 38% feel that mutual funds are better in this aspect.
- 72% of the investors feel that stock market instruments are more profitable and flexible than mutual funds (28%).

- 68% of the respondents feel that stock market instruments are easily liquid than mutual funds (32%).
- Stock market instruments (72%) have easy entry and exit barriers than mutual funds (28%).
- 52% of the respondents are in favor of mutual funds and 48% of the respondents are in favor of stock market instruments when tax deductions and tax planning are concerned.
- It was found that there is a significant association between the occupation and number of years of association with stock market.
- It was found that there is a significant association between the income and expected rate of return.

5.2 SUGGESTIONS

5.2.1 SUGGESTIONS FOR INVESTORS

An investor in order to make an appropriate investment decision, he or she should analyze themselves at first place. In all fairness, stocks serve a different purpose and different types of investors than mutual funds and vice versa. Here's a 4-step litmus test to help an investor to discover which investment type is more appropriate for he or she.

5.2.2 FUNDS OR STOCKS

Which is right for you? There are four ways to find out.

1. Savings Phase – Where are you at in your savings phase? If you're just starting out diligently saving, (typically in your 20s – 30s) then mutual funds offer the right solution and access to help you begin to build your retirement savings. With minimum investments, mutual funds offer easy access for beginner investors and some basic level of diversification. Stocks, on the other hand, are for you if have more investment experience under your belt (typically in your 40s-70s) because you can fine tune your portfolio strategy in ways you simply can't with funds. This more sophisticated approach also comes with higher minimums than funds.

2. Tax Sensitivity – Do you want to have more control over your tax bill? Stocks offer superior tax efficiency because it's up to you or your portfolio manager on

when you take gains or losses (when your plan consists of a pro-active comprehensive tax & investment strategy). If you enlist and maintain the portfolio with the help of a portfolio manager then management fee may also be deductible on your tax return. If taxes aren't a concern for you then mutual funds may be a better fit. Their management fees are not tax-deductible and there's virtually no control on when and how much you pay in capital gains tax or when you should harvest your losses. The best example of this was in 2008 when your mutual funds lost money yet you had to pay a capital gains tax bill. How does this happen? During a negative year in the markets mutual fund managers have a greater propensity to sell off their winners so they lose less than their competition, which triggers a capital gains tax bill to you, all the while the value of your fund still plummets. Capital gain taxes on sale of both stocks and funds can be side-stepped by re-investing the returns into the same investment. This helps an investor to reduce the tax burden on his or her portfolio and maintain it effectively.

3. Hands Off or Control Freak – Do you tend to “set it and forget it” or do you like to have more understanding or involvement in your portfolio? Mutual funds offer you an “auto-pilot” approach to your investments because you can invest your money in a time capsule of sorts and come back years later to review the results. While this may not be the most responsible way to look after your life savings, some investors prefer this approach because they just don't want to feel burdened with any of the details. Mutual funds, however, do not offer you a “peek under the hood” to see what you're really invested in, the amount of risk that you're actually taking, or how much you're truly paying in fees. There's very little transparency in mutual funds. They are considered a black box investment. True transparency, if it's important to you, may be found in individually managed stock portfolios. This approach may be for you if you want more control and a better understanding of what's going on with your money.

4. Subway or Limo – Do you like taking city transport or a limo? Managed stock portfolios offer you the financial equivalent to limousine service because they offer professional navigation that can be custom-tailored to your unique situation and goals including tax mitigation, prudent risk management, tactical investment strategies, and income goals. In essence, you get to decide when you get on and

off. Mutual funds are fine for you if you prefer the subway because you get on and off with everyone else, in other words there generally isn't any ability to custom-tailor the fund(s) for you or your goals for income or tax savings. Some advisors try to overcome this financial mass transit approach by hand selecting a portfolio of mutual funds. Unfortunately, this approach is fraught with problems because of the additional layers of fees, which can easily run 3-5% per year and the lack of transparency of how the funds are actually investing your money.

In short, Mutual funds or Stocks - their effectiveness of investment varies to each investor depending on his or her type and nature of an investor. So analysis of their nature is very crucial for the success of the investment.

5.3 CONCLUSION

Findings reflect that,

- Most of the investors are interested in short term investments that enable them to make profits on the go and change decisions if they are wrong, without much losses.
- The investors expect moderate returns and therefore assume moderate risk. They tend to expect returns that commensurate with the risk borne by them.
- Extent of capital appreciation is the most influencing factor in making the investors to take their investment decisions. It is followed by factors like safety, liquidity, risk-return trade off, goodwill of the issuer, professional advice, inflation and economic conditions, credit rating, lock in period are moderately influencing. Other factors like tax planning and price earnings ratio are slightly influential and word of mouth is not at all influential for decision making.
- Investors think that mutual funds are beneficial in terms of safety of the investment alone whereas stock market instruments are more beneficial than mutual funds when it comes to liquidity, return, growth and capital appreciation, profitability and flexibility and easy entry and exit. However, both stock market

instruments and mutual funds are equally beneficial for tax deductions and tax planning.

Thus it may be inferred that direct stock market investments have not lost its popularity despite the safer mutual funds. It is very easy to get an investors' stock choices right in a rising (bull) market. But, as soon as the market falls during bearish phases, many investors tend to hide behind the averages, i.e. start going for mutual funds. However, this does not automatically make either of the two options better than the other. Mutual fund investment is suitable for people who do not have the time or expertise to track the financial markets in real time. First-time investors with limited or no knowledge of the financial markets can make the most of mutual funds to create wealth in a relatively safe and systematic way. Investing in financial markets directly may not be everyone's cup of tea. Even the most experienced investors have burnt their fingers at some point in time due to errors in judgement or due to bad timing. So, for an average investor, mutual funds are certainly a better bet. Skilled or veteran investors are much better placed to invest directly in equity, but need to do so with equal caution. Thus, there are both positives and negatives to each investments as follows:

Individual stock picking allows for massive and quick returns. If a person invest in individual stocks, he gives himself the opportunity to pick the next Starbucks and ride all the way to the top, doubling or tripling his investment annually. This is simply not going to happen in a mutual fund.

Mutual funds hedge against massive and quick failures :On the other hand, his individual pick might be the next Enron, which would mean bankruptcy. Investment in a mutual fund leverage's this risk because you're invested in a lot of companies.

Individual stock picking requires a lot of homework for success. Most financial planners recommend one hour of research per week per individual stock holding, and that's a pretty sound prescription if a person wants to see big success.

Mutual funds require little research, but detach you from the day to day mechanics. With a mutual fund, it's easy to get in, but it's hard to really have a pulse on what's going on with investment. With an individual stock, a person can just obsessively

follow a certain company; with a mutual fund, it's too broad to follow, so an investor just have to trust the fund manager.

Individual stock picking costs you on the buy-in and the sell with brokerage fees, investors alive just with the fees, let alone the capital gains taxes. However, if a person plans his moves carefully and have some strong money to invest, the fees become quite tiny in comparison.

Mutual funds generally cost nothing extra to get in, but slowly sip away expenses over time. Again, some careful planning can minimize this drain – get into an index fund that has a very low expense ratio.

So, which is better? Individual stocks are generally high-risk and high-reward but they require some serious footwork. Mutual funds generally have lower risk and don't require as much homework, but they won't get you rich in a few years. I would like to conclude that Mutual funds are the foundation; individual stocks are things to play with.

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APPENDIX- I QUESTIONNAIRE

STUDY ON INVESTORS ATTITUDE AND PREFERENCE TOWARDS MUTUAL FUNDS AND STOCK MARKET INVESTMENT OPTIONS

Demographic profile:

1. Name

2. Gender

- a) male
- b) female

3. Age

- a) 18-25
- b) 26-35
- c) 36-45
- d) 46-55
- e) over 55

4. Education

- a) SSLC
- b) HSC
- c) Graduate
- d) Illiterate
- e) Others

5. Occupation

- a) Private
- b) Public
- c) Self Employed
- d) Others

6. Yearly income

- a) Below 150,000
- b) 150,000-300,000
- c) 300,000-450,000
- d) 450,000-600,000
- e) Above 600,000

Investment perspective:

7. How long have you attended the stock market?

- a) Less Than One Year
- b) 2 To 5 Years
- c) 6 To 10 Years
- d) More Than 10 Years

8. Have you attended any course about investing in stock exchange?.

- a) Yes
- b) Not Yet

9. What is your source of motivation for investing in stock exchange?.

- a) Advertisements
- b) Social Media
- c) Friends
- d) Relatives
- e) Others

10. Are you satisfied with your current portfolio holdings?

- a) Yes
- b) No

11. What occupies majority of your portfolio holdings?

- a) Open Ended Mutual Funds
- b) Close Ended Mutual Funds
- c) Equity

- d) Debt
- e) Derivatives

12. Do you trade directly or through intermediaries like brokers and Agencies?

- a) Directly
- b) Intermediaries

13. How do you rate your current investment plan and their estimated returns?.

- a) Highly satisfied
- b) Satisfied
- c) Neutral
- d) Dissatisfied
- e) Highly dissatisfied

14. What is your preferable period of investment?

- a) Short Term
- b) Medium Term
- c) Long Term

15. Why do you invest?

- a) Education Or Marriage
- b) Retirement Benefit
- c) Profit Making
- d) Liquidity And Collateral Value
- e) Flexibility
- f) Source Of Constant Income
- g) Tax Planning
- h) Hedge Against Inflation
- i)
- j) Capital Appreciation
- k) Others

Risk and return:

16. What is the percentage of returns you usually receive from your Investment?

- a) Minimum
- b) Moderate
- c) Maximum

Influencing factors	Not at all influential	Slightly influential	Moderately influential	Very influential	Extremely influential
Safety of the investment					
Liquidity					
Risk return trade off					
Goodwill of the issuer					
Price earnings ratio					
Inflation and economic conditions					
Tax planning					
Professional advise					
Word of mouth					
Credit rating of the issuer					
Extent of capital appreciation					
Lock in period					

17. Rate the relevant options that influences your investment Decisions?

18. What do you consider as the major cause for lack of preference towards stock market investments in general?

- a) Unstable Returns
- b) Fear Of Losing The Money
- c) Lack Of Technical Skill Or Expertise To Analyze
- d) Experience Of Losses
- e) Lack Of Knowledge About Stock Exchange
- f) Prudentiality
- g) Lack Of Trust

Comparative analysis:

19. Have you traded in both stock market investments and mutual funds?

Stock market investments include equity, debt and derivatives

- a) Yes
- b) No

20. Which among the following you consider as easy to hold and trade?

- a) Mutual Funds
- b) Equity
- c) Debt
- d) Derivatives

21. Do you experience frequent profits from your holdings?

- a) Yes
- b) No

22. Will you advise your friends and relatives to trade in stock market?

- a) Yes
- b) No

23. If yes, state whether

- a) Mutual Funds

- b) Equity
- c) Debt
- d) Derivatives

24. Do you reinvest the profits earned from your portfolio holdings?

- e) Yes
- f) No

25. If yes, state whether

- a) In The Same Scheme Or Stock
- b) In A Different Scheme Or Stock

26. Which do you consider as more beneficial in terms of the following Parameters? Choose whichever you think as best. Stock market options include Equity, debt and derivatives.

Beneficiality	Mutual funds	Stock market instruments
Return of the investment		
Safety of the investment		
Growth and appreciation of capital		
Profitability and flexibility		
Liquidity		
Easy entry and exit		
Tax deductions and tax planning		

27. Any other comments

