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## A STUDY ON INDIVIDUALS AWARENESS AND INVESTMENT HABIT TOWARDS STOCKMARKET

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### ABSTRACT

*Stock market is an essential pre-requisite for industrial & commercial development of a country. The stock market is one of the most vital areas of a market economy because it provides companies with access to capital and allows investors to own companies and participate in economic growth. The study is attempted to identify the awareness level of people about stock market and also identify the restricting factors for making investment decision of investors. From the result of the study, it is concluded that most of the individuals are unaware about various investment opportunities provided by stock market and Return related factors (risk, return and minimum deposit) are the most powerful restricting factor which prevents people to invest in stock market.*

**KEY WORDS**-stock market, awareness level, socio-economic variables for investment decision. etc

### INTRODUCTION

Stock market is one of the most profitable investment avenues. The term for the overall market in which shares are issued and traded on exchanges or in over-the-counter markets. Also known as the equity market, it is one of the most vital areas of a market economy because it provides companies with access to capital and allow investors to own companies and participate in economic growth. Stock market is an essential pre-requisite for industrial & commercial development of a country. Capital market is an institutional arrangement for facilitating the borrowing & lending of long term fund. Stock market helps people, business enterprises etc to meet their long term financial needs. Lots of profitable, innovative instruments are there in the capital market. People have sufficient fund, even though they are not ready to invest in this sector. At the same time they invest in alternative investment opportunities. So it is essential to find out the most powerful factor which prevents people to invest in this sector.

Large numbers of innovative financial instruments are there in the capital market. They

are variable income instruments, fixed income instruments, derivatives & add on product. Variable income instruments are equity shares, preference shares, no voting right shares, cumulative convertible preference shares. Fixed instruments are divided into two they are convertible & non convertible debentures. Convertible debentures are again divided into partly convertible, fully convertible debentures, zero coupon bonds, zero coupon convertible debentures. Non convertible debentures are tax free bond, floating rate bond, cumulative, non cumulative debenture, secured premium note. Capital market in India is controlled by SEBI.

### REVIEW OF LITERATURE

- ❖ Mittal M. and A. Dhade (2007), Observed that risk-taking involves the selection of options that might result in negative outcomes. While present is certain, future is uncertain. Hence, all investment involves risk.
- ❖ Decourt (2007) indicated that the process of making investment decisions is based on the 'behavioural economics' theory which

uses the fundamental aspects of the ‘Prospect Theory’ developed by Kahneman and Tversky (1979).

- ❖ Dhananjay Rakshit,(2008)concluded that Indian Market is being continuously preferred by the foreign investors and the only cause of concern is its high analyzed volatility
- ❖ Milan Iovnic, et.al(May 2008), this paper has presented a descriptive model of individual investor behaviour. It is being concluded that investment process is driven by cognitive and affective process and interplay contributes to rational behaviour and also investor behaviour is influenced by social interactions.
- ❖ Rajarajen Vanjeko (2010), showed that the use of these characteristics for a better understanding of individual investors and their financial product needs. It also shows that investor’s future preferences. The study reveals the increasing popularity of equity as an investment option among individual investors.
- ❖ K. Lashmana Rao (2011) made analysis of perception of Investor towards mutual fund schemes, he made conclusion SEBI, AMFI, and IRDA should take appropriate steps to enhance Investors knowledge for making more prudent decisions.

**SIGNIFICANCES OF THIS STUDY**

In the present scenario people have more income we know money itself is a non earning asset. This income after consumption (savings) will be profitable only if it is channelized in to productive ventures like stock market, because stock market is able to satisfy the attitude of different investors by providing securities or investment opportunities according to their needs and wants. Financial system is a pillar of economic development of the country. Capital market plays a major role in financial system. So it is necessary to

improve the investment habit of people in stock market. So it is essential to find out the relationship between various socio-economic factors& to know the awareness level of people towards stock market products in order to improve the investment habit of people in stock market.

**OBJECTIVES**

- ⊙ To study the relationship between gender and awareness level of people about stock market.
- ⊙ To identify the restricting factors in investment in share market.

**HYPHOTHESIS**

H0: Awareness level regarding stock market product and gender are independent.

**RESEARCH METHODOLOGY**

The study is descriptive in nature and based on both primary and secondary data. Primary data is collected from 100 individuals from different parts of Malappuram District by using quota sampling method and secondary data are collected from various books, journals, articles...etc. Under this study, Chi- square test and multi- variate analysis tool (Factor analysis) are used for testing hypotheses

**RESULTS AND DISCUSSION**

**PART –A**

Relationship between gender and awareness level of people regarding stock market products, an attempt has been made to understand the relationship between gender and awareness level. For measuring the relationship, a hypothesis has been formulated i.e.

H0: Gender and awareness regarding innovative products in stock market are independent.

H1: Gender and awareness regarding innovative products in stock market are dependent

In order to test the above given hypothesis, chi-square test has been applied. The result of analysis is given in table1

**Table1**

**CONTINGENCY TABLE**

| Gender    | Male | Female | Total |
|-----------|------|--------|-------|
| Aware     | 25   | 13     | 38    |
| Not aware | 42   | 20     | 62    |
| Total     | 67   | 33     | 100   |

**Table1.1**

**COMPUTATION OF VALUE OF CHI-SQUARE**

| Observed value(O) | Expected value(E) | O-E   | (O-E) <sup>2</sup> | (O-E) <sup>2</sup> /E |
|-------------------|-------------------|-------|--------------------|-----------------------|
| 25                | 25.46             | -0.46 | 0.2116             | 0.01                  |
| 13                | 12.54             | -0.46 | 0.2116             | 0.02                  |
| 42                | 41.54             | -0.46 | 0.2116             | 0.01                  |
| 20                | 20.46             | -0.46 | 0.2116             | 0.01                  |
| Total             |                   |       |                    | 0.05                  |

$X^2=0.05$

Degree of freedom=(r-1) (c-1) = (2-1) (2-1) =1

r=No of rows

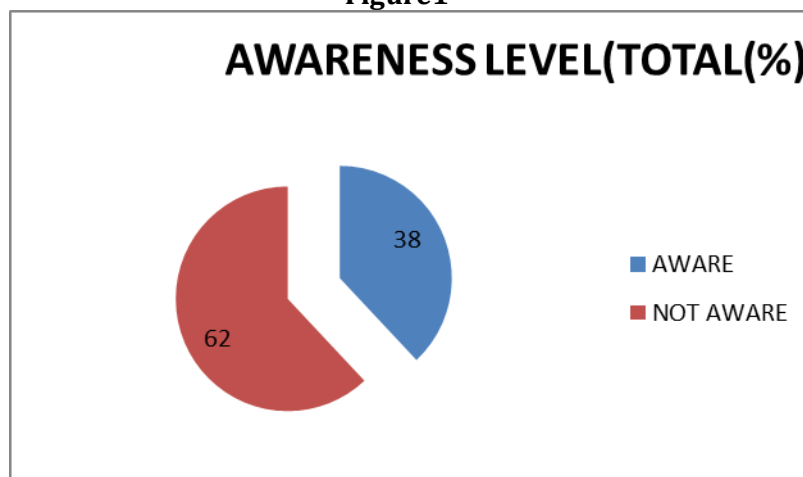
c=No of columns

Level of significant=0.05

Table value=3.841

Here calculated value is less than (0.05) the table value (3.841), so we accept the null hypothesis. So gender and awareness regarding stock market are independent.

**Figure1**



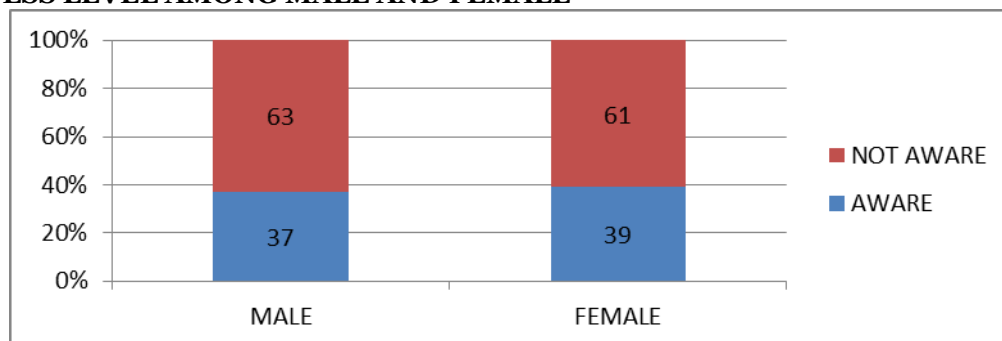
**Interpretations;-**

The above figure shows that around 62% of the respondents (total) are unaware about new

investment avenues in stock market. And only 38%of them are aware about the same.

**Figure2**

**AWRENESS LEVEL AMONG MALE AND FEMALE**



**Interpretations;-**

The above figure shows that around 63% of the male respondents are unaware about new investment avenues in stock market. And only 37%of them are aware about the same, i.e. Majority of are not aware about new opportunities and their utilities in the market. And around 61% of the female respondents are unaware about new investment avenues in stock market. And only the remaining39%of them are aware about the opportunities and their utilities in the market.

**PART-B: KMO and Bartlett’s Test**

KMO is a measure of model adequacy usually done before factor analysis. Before doing factor analysis, the factor adequacy, and the correlation between various factors identified should be measured. It shows the result after checking the simple and partial correlation between

the factors. If the KMO measure is one (1) or close to one (1) and the minimum value is .6, the factor analysis can be done by using the factors used in KMO test. Moreover the Bartlett’s test of sphericity is less than .05; we can conclude that there is a high correlation between the factors.

**Table No. 2 KMO and Bartlett’s Test**

|                                                  |      |         |
|--------------------------------------------------|------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |      | .760    |
| Approx. Chi-Square                               |      | 310.823 |
| Bartlett's Test of Sphericity                    | df   | 78      |
|                                                  | Sig. | .000    |

The Table No.2 Shows the KMO value is .760. So we can go for factor analysis. More over the Bartlett’s test of sphericity is less than .05. So the model is highly significant. I.e. there is a high correlation between selected factors.

The factor analysis is made use thirteen perceptual variables restricting the investment in stock market. The response to these variables and the factors on which the loaded heavily are provided in table no 3. The table shows Eigen values corresponding to each factor and the percentage of variation explained by these factors. The (+) or (-) sign indicates whether the factors contributes positively or negatively to that factor.

**Factor Analysis for Identifying the Restricting factors from Stock Market Investment:-**

**Table No: 3. Total Variance Explained by each factor**

| Component | Initial Eigen values |               |              | Extraction Sums of Squared Loadings |               |              |
|-----------|----------------------|---------------|--------------|-------------------------------------|---------------|--------------|
|           | Total                | % of Variance | Cumulative % | Total                               | % of Variance | Cumulative % |
| 1         | 2.584                | 19.874        | 19.874       | 2.584                               | 19.874        | 19.874       |
| 2         | 1.633                | 12.558        | 32.432       | 1.633                               | 12.558        | 32.432       |
| 3         | 1.526                | 11.739        | 44.171       | 1.526                               | 11.739        | 44.171       |
| 4         | 1.390                | 10.693        | 54.864       | 1.390                               | 10.693        | 54.864       |
| 5         | 1.255                | 9.650         | 64.514       | 1.255                               | 9.650         | 64.514       |
| 6         | 1.055                | 8.119         | 72.634       | 1.055                               | 8.119         | 72.634       |
| 7         | .891                 | 6.850         | 79.484       |                                     |               |              |
| 8         | .663                 | 5.101         | 84.585       |                                     |               |              |
| 9         | .635                 | 4.885         | 89.470       |                                     |               |              |
| 10        | .569                 | 4.376         | 93.846       |                                     |               |              |
| 11        | .435                 | 3.350         | 97.195       |                                     |               |              |
| 12        | .355                 | 2.729         | 99.925       |                                     |               |              |
| 13        | .010                 | .075          | 100.000      |                                     |               |              |

Extraction Method: Principal Component Analysis.

The Eigen value should be more than one (1) for selection as a factor. From the above table, it is clear that there are 6 variables whose Eigen value is more than 1. So the remaining 7 variables can be

reduced or does not have much influence in restricting the individuals in investing the stock market.

**Table No.4 Rotated Component Matrix**

|                                | Component     |               |               |               |              |              |
|--------------------------------|---------------|---------------|---------------|---------------|--------------|--------------|
|                                | 1             | 2             | 3             | 4             | 5            | 6            |
| Risk                           | .652          | .300          | .190          | -.045         | .083         | .207         |
| Return                         | .802          | -.013         | .097          | .069          | -.125        | .022         |
| security                       | .395          | .647          | -.070         | -.327         | .307         | .069         |
| liquidity                      | .144          | -.162         | .025          | .241          | .022         | -.223        |
| awareness                      | -.043         | .051          | -.041         | -.157         | -.910        | -.128        |
| Lackof trust                   | -.013         | .344          | .725          | .237          | -.192        | -.370        |
| Lackof income                  | -.192         | .149          | -.237         | .693          | .166         | .084         |
| Bad experience                 | .028          | -.130         | -.836         | .203          | -.004        | -.117        |
| Flexibility of return          | .008          | .112          | .052          | .276          | -.007        | .747         |
| availabilityoflowrisky         | .016          | -.878         | -.005         | -.123         | .253         | .092         |
| Timeconsuming                  | -.313         | .063          | .178          | -.020         | -.099        | .385         |
| minimumdeposit                 | -.513         | -.398         | -.019         | -.116         | .349         | -.192        |
| lackofconsultancy              | -.315         | .127          | -.216         | -.744         | .012         | -.063        |
| <b>Eigen Value</b>             | <b>2.584</b>  | <b>1.633</b>  | <b>1.526</b>  | <b>1.390</b>  | <b>1.255</b> | <b>1.055</b> |
| <b>Percentage of Variation</b> | <b>19.874</b> | <b>12.558</b> | <b>11.739</b> | <b>10.693</b> | <b>9.650</b> | <b>8.119</b> |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

The factor loading are estimated by principal component analysis. From the rotated component matrix, it is clear that in case of first factor, the 1<sup>st</sup>, 2<sup>nd</sup> and 12<sup>th</sup> variable have heavy loading with an Eigen value of 2.584 which explains 19.874% of variance. This factor may be labelled as **return related factors**

In factor 2, 3<sup>rd</sup> and 10<sup>th</sup> variables have heavy loadings with a variance of 12.558 percent. This factor may be labelled as **security related factor**.

In factor 3, 6<sup>th</sup> and 8<sup>th</sup> variables have heavy loading with a variation of 11.739 percent. This factor may be labelled as **negative experience**.

In factor 4, 7<sup>th</sup> and 13<sup>th</sup> variables have heavy loading with a variation of 10.693 percent. This factor may be labelled as **Lack of income and consultancy**

In factor 5, 5<sup>th</sup> variables have heavy factor loadings with a variation of 9.65%. It may be labelled as **awareness**

In factor 6, 9<sup>th</sup> variables have heavy factor loadings with a variation of 8.119%. It may be labelled as **flexibility in return**.

The total variance explained by 6 factors together is 72.634 percent.

## FINDINGS

Analysis and interpretation of the data given by the respondents or individuals are given in the result and discussion area. The following are the important findings generated by the analysis and interpretations.

- ✧ Gender and awareness level regarding innovative products in stock market are not related.

- ✧ Most of the male respondents are unaware about new investment opportunities in the stock market.
- ✧ Majority of the female respondents are unaware about stock market.
- ✧ Majority of the respondents are unaware about new investment avenues in the stock market.
- ✧ Six variables have much influence in restricting the individual's investment in stock market. They are return related factors, security related factors, negative experience, lack of income and consultancy, awareness, flexibility in return.
- ✧ Return related factors (risk, return and minimum deposit) are the most powerful restricting factor. This prevents people to invest in stock market.
- ✧ Flexibility in return factors (lack of trust & flexibility in return) are the least powerful factors which restrict people to invest in the stock market.

## RECOMMENDATIONS

- ✧ SEBI (regulator of stock market) should conduct investor education programmes.
- ✧ SEBI should liberalise the minimum deposit requirements.
- ✧ SEBI should take adequate steps to provide expert's advice to individual investors at cheapest cost.
- ✧ SEBI should take immediate measure to give publicity to innovative products in stock market. Otherwise they will be useless.

## CONCLUSION

An investment is always made with certain specific objectives in mind. An investor with or without investment knowledge is always subconsciously alert and clear with his or her investment objectives. The stock market is one of

the most interested and inquisitive area for investors who always want to create massive wealth in the shortest time phase since stocks are the most wonderful category of financial instruments and one of the greatest tools ever invented for building financial wealth. Investors are the key stakeholders in the stock market operations. On the basis of analysis of this study, it is concluded that most of the individuals are unaware about various investment opportunities provided by stock market and Return related factors (risk, return and minimum deposit) are the most powerful restricting factor for investment decision. This prevents people to invest in stock market. Flexibility in return factors (lack of trust & flexibility in return) are the least powerful factors which restrict people to invest in the stock market. Hence for the growth of stock market in India, measures should be taken to remove the fear from the mind of the people related with return and security of stock market instruments.

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