

**Research Paper** 

Commerce

# Retail Investors Participation in Indian Stock Market- A Survey

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# **KEYWORDS:**-

# Introduction

The purpose of this study is to make an assessment of the incidence of retail participation in the stock market in India. To be more specific, the study seeks to ascertain the retail investors' attitude towards stock market investing and to assess their perceptions of the various aspects of the Indian stock market. Most of the retail investors do not have much investment expertise and most of them have but modest investment portfolios. The mode of making investment decisions and developing investment portfolios by retail investors are different in many respects from those by institutional and high-wealth investors. It is the latter category of investors who actually dominate the stock market. But retail investors are also important and they are also able to play a critical role in the growth of the stock market. Retail participation is particularly important for small cap companies. For some obvious reasons, institutional investors are not quite keen to invest in these companies. Retailers can be very important for the survival of small cap companies. Another important role of retail investors lies in providing a stable ownership base for companies. This is because most retail investors trade relatively infrequently. However, all this can happen only when retail participation in the stock market is sufficiently large. The present survey provides first-hand information on the contents of retail investors' investment, and their trading habits and decision making.

This paper is divided into five sections. **Section 1** explains the procedures used to conduct the retail investors survey. The section also describes the form and content of the questionnaire used for the purpose. **Section 2** describes the profile of the respondents. **Section 3** analyzes the responses received from the respondents. **Section 4** provides the concluding remarks.

# **1.10 The Survey Process**

The survey was conducted in five cities: Mumbai, Delhi, Kolkata, Chennai and Ahmadabad. It started in January 2010 and lasted till July 2011. The total number of respondents surveyed was 1000. The number of respondents from each city was 200. They consisted of persons of various gender, marital status, age groups, income groups, occupation and percentage of income they saved. Initially, a pilot survey was conducted in above five cities taking 50 people from each city at the survey of retail investors was random. The result of Chisquare test performed on above showed that qualification and marital status were important factors affecting one's propensity to invest in stock market. The results were crosschecked by an indirect oral interview which was conducted with an expert in this field who at that time was a key official of Mutual Fund-SKP Securities Ltd. It was finally observed that that gualification was the most significant factor affecting investment decisions of respondents in the market. Based on this outcome, final population was divided into above mentioned strata and the remaining samples were collected using stratified sampling method. Around 57% Graduates, 26% Higher Secondary, 56% Post-Graduates and above and remaining 10% Secondary and below secondary were selected.

# 1.20 Respondents' Profile

As has been mentioned earlier, we have surveyed 1000 retail investors. They come from 5 big cities. The profile of the respondents surveyed is explained below.

# **1.21Gender-wise Distribution**

The survey was conducted with total 1000 respondents. Among them 806 were male and 194 were female or 81% were male and 19% female. This shows that percentage of female participation in Indian

stock market is still poor.

# Table: 1.1 Gender Wise Distribution of Respondent

Gender	Frequency	Percent	Valid Percent
Male	806	80.6	80.6
Female	194	19.4	19.4
Total	1000	100.0	100.0

# 1.22 Marital Status

On the basis of marital status, it was found that out of total 1000 respondents, 638 were married and 362 were unmarried. Figure -2 showing distribution of respondents based on marital status.

Table: 1.2: Marital Status Wise Distribution of Respondent

Marital Status	Frequency	Percent	Valid Percent
Married	638	63.8	63.8
Unmarried	362	36.2	36.2
Total	1000	100.0	100.2

# 1.23 Age Groups

In terms of age group the survey took into consideration 6 age groups. Observed from Fig 7.3, the maximum number of respondents belongs to the age group of 26-35 years i.e. 471 whereas 229 below 25 years of age, 188 between 36-45 years, 84 between 46-55 years, 21 people were interviewed between 56-65 years and 7 above 65 years.

# Table 1.3: Distribution of Respondent Based on Age

Age	Frequency	Percent	Valid Percent
Under 25	229	22.9	22.9
26 to 35	471	47.1	47.1
36 to 45	188	18.8	18.8
46 to 55	84	8.4	8.4
56 to 65	21	2.1	2.1
65 & Above	7	0.7	0.7
Total	1000	100	100.09

# 1.24 Occupation- wise Distribution

Profession-wise, the survey took several different professionals into consideration. The following graph shows the different kind of professions which were taken into consideration. As the survey was carried in metropolitan cities; we got 437 salaried respondents against 336 business class followed by 73 professionals and 77 homemakers, 18 retired persons.

# Table 1.4: Distribution of Respondent Based on Occupation

Occupation	Frequency	Percent	Valid Percent
Business	336	33.6	33.6

Professional	73	7.3	7.3
Salaried	437	43.7	43.7
Student	59	5.9	5.9
Homemaker	77	7.7	7.7
Retired	18	1.8	1.8
Total	1000	100	100

#### **1.25 Distribution Based on Qualifications**

Among 1000 respondents, 568 were graduates, 68 were postgraduates and above, whereas only 74 and 36 people were secondary and below secondary respectively.

# Table 1.5: Distribution of Respondent Based on Qualification

Qualification	Frequency	Percent	Valid Percent
Below Secondary	36	3.6	3.6
Secondary	74	7.4	7.4
Higher Secondary	261	26.1	26.1
Graduates	568	56.8	56.8
Post Graduates	61	6.1	6.1
Total	1000	100	100

#### 1.26 Classification Based on Income Table 1.6: Distribution of Respondent Based on Income Groups

Income Group	Frequency	Percent	Valid percent
Under 3 Lacs	681	68.1	68.1
3 Lacs to 5 Lacs	260	26	26
5 Lacs to 10 Lacs	55	5.5	5.5
10 Lacs to 20 Lacs	2	0.2	0.2
Above 20 Lacs	2	0.2	0.2
Total	1000	100	100

It can be observed from the above graph that out of total 1000 people surveyed, 681 were among those whose income falls below Rs. 3 Lacs, 260 respondents have income between Rs. 3 Lacs- 5 Lacs, 55 respondents have income between Rs. 5 to 10 Lacs whereas only 2 were between 10-20 Lacs and also above 20 Lacs.

# 1.27 Saving Habits

Table 7.7 depicts that 778 people saves between 10% to 30% of their income. Around 188 people's saves in between 30% to 50% of their income, 28 respondents' saves in between 50% - 70% and only six have savings more than 70%.

#### Table 1.7: Distribution of Respondents Based on Percentage of Income Saved

% of Income Saved	Frequency	Percent	Valid Percent
Between 10% to 30%	778	77.8	77.8
Between 30% to 50%	188	18.8	18.8
Between 50% to 70%	28	2.8	2.8
More than 70%	6	0.6	0.6
Total	1000	100	100

A study by Kannadhasan (2006) also examined the factors that influence the retail investors' decision in investing. The decision of the retail investors are based on their various dependent variables viz., gender, age, marital status, educational level, income level, awareness, preference and risk bearing capacity.

# 1.28 Investors vs. Non-investors

The following table shows distribution of respondents as those invest and those who do not invest in stock market.

Table 1.8: Distribution Based on Investor / Non-Investor

Investor	Frequency	Percent	Valid Percent
Yes	384	38.4	38.4
No	616	61.6	61.6
Total	1000	100	100

Among the total respondents, as seen from above chart, 384(38%) respondents said they invest in stock market and rest 616 (62%) said they do not invest in stock market.

The above result throws light upon low participation of respondents in stock market. The retail participation in selected countries like Australia was 41% of population by end of 2008, 21% by end of 2008 in Hong Kong, 18% by end of 2008 in UK, 10.5% by 2007 in China, 39.5% by end of 2008 in Taiwan, 27.7% by 2009 in US whereas India has only 1.3% of retail participation by end of 2010 (Shah J., 2012).

#### 1.30 Response Analysis

In this section, we provide a detailed analysis of the responses we have received from the respondents.

# 1.31 Propensity to Invest in Stock Market across Different Groups of Demographics

In this section, we try to analyze the propensity to invest in stock market across different groups of demographics. To ascertain which demographic factor affects most on one's choice of investing or not in the stock market, i.e. on the basis of response of respondents (yes-no type), we performed Pearson's chi-square test<sup>1</sup>, the result of which can be summarized as follows:

Here, we want to test the Null Hypothesis (Ho): there is no significant difference in propensity to invest in stock market across different groups of demographic factor like sex, marital status, qualification, age group, income group etc.

Alternative Hypothesis  $(H_1)$ : there is significant difference in propensity to invest in stock market across different groups of demographic factor like sex, marital status, qualification, age group, income group etc.

If the level of significance i.e. p < 0.05, then we reject null hypothesis otherwise accept it.

Demographics Factor	P-Value	Null Hypothesis accepted or rejected	Comment
Gender	0.118	Accepted	N.S
Marital Status	0.684	Accepted	N.S
Age Group	0.0269	Rejected	S
Qualification	< 0.001	Rejected	H.S
Occupation	<0.001	Rejected	H.S
% of income saved	<0.001	Rejected	H.S

Table1.9: Summarized Result of Pearson's Chi-squareTest across Various Demographic Factors.

N.S -Non-Significant, S- Significant, H.S – Highly Significant

Thus from the above analysis it can be concluded that qualification, occupation, % of income saved and lastly age group has a significant statistical difference affecting one's choice of investing in stock market.

This result is in line with previous studies which showed that demographic factors play an important role in one's choice of investing in stock market which is a high risk investment avenue. Investor's risk tolerance positively correlates with the investor's demographic factors, such as age, level of education, income, marital status, and wealth (Lease, Lewellen, and Schlarbaum, 1974, 1977; Riley and Chow 1992).Investor's risk tolerance tends to increase with the age. Investors tend to be risk averters when they are approaching retirement. Besides that, the level of investor's education influences positively investor's risk behavior (Schooley and Worden, 1999). More specifically, investors with specific jobs, namely corporate executive, lawyer, doctor, tend to be more risk tolerant (Barnewall, 1987).

Again, Warren *et al.* (1990) and Rajarajan (2000) predict individual investment choices (e.g., stocks, bonds, real estate) based on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behavior (Rajarajan, 2002).

As pointed out by Evans (2004) those investors less than 30 years old tend to take more risk than do the older ones.

#### 1.32 Purpose of Making Investment

Different people invest for different reasons though the basic objective remains same for all i.e. obtaining maximum return out of one's investment.

From the response of the survey, purpose for making investment by respondents was analyzed. The analysis was based on the mean of ranks obtained in order of preference.

 Table 1.10: Mean of Ranks Obtained According to Their

 Preference for Investing and Corresponding P-Value

 (obtained from ANOVA table)

Options	Response of Investors	Response of non- investors	Total	P Value
1. As a business/ profession	2.44	1.88	2.1	<0.001
2. Retirement planning	2.46	2.2	2.3	0.004
3. Unforeseen events	2.32	2.13	2.21	0.065
4. As an investor	2.72	2.42	2.54	0.007
5. For children's education	2.86	2.26	2.49	< 0.001

From the above results, following conclusion can be drawn:

 Respondents who invests in stock market their first priority for making investment is retirement planning followed by unforeseen events, then as a business/ profession, as an investor and lastly for children's education. Again, for respondents who were not investors in stock market for them too first preference was retirement planning then unforeseen events, as a business or profession, children's education and lastly as an investor.

2. It was further observed that respondents who invest in stock market attach significantly lower importance to invest as a business/ profession as compared to people who do not invest in stock market (p value < .001) same was the case with retirement planning, as an investor and for children's education where the respondents who invest in stock market attached lower importance (since p value< .05) to invest as compared to people who do not invest in stock market. There was seen to be no statistical difference between those who invest and those who do not invest in stock market with respect to the reason of meeting any unforeseen event for making investment.

Again, it was important to understand the purposes of making investment among active/ passive investors, for which the following analysis was done using mean of ranks obtained in order of preference and results of ANOVA table.

#### 1.33 Segregation of Respondents Investment in Various Investment Avenues

When the respondents were asked to give an approximate percentage allocation in different investment avenues out of the given seven options, the response was as follows:

#### Fig. 7.10: Percentage Allocation of Savings of Respondents in Different Investment



From the above it can be concluded that insurance endowment policy was the most preferred investment avenue among the respondents and then followed by property, gold, bank deposits and others. It is clear from the above that people still like to invest in traditional forms of investment avenues though they do not provide them with high returns as compared to investment in stock market.

Again the variation in choosing a particular investment avenue among investors/ non investor respondents of stock market can be analyzed on the basis of mean of ranks and p value obtained from ANOVA table as follows:

Table 1.11: Comparison of Mean of Percentage Allocated Among Investor and Non-Investor across each Investment Avenue and its Corresponding P Value (ANOVA table).

Investment Avenues	Investors	Non Investors	Total	P- Value
Gold	13.15	13.93	13.63	0.483
Government	5.72	5.83	5.79	0.879
Insurance	18.36	34.16	28.09	< 0.001
Bank FD	15.12	12.36	13.42	0.004
Post Office	4.29	5.08	4.77	0.227
Share	23.72	0.93	9.68	< 0 .001
Property	15.94	18.13	9.49	0.086
Others	3.76	9.49	7.29	< 0 .001

 $\rm H_{\rm o}^{} :$  there is no significant difference in mean spending for a particular investment avenue among investors/ non investors

 ${\rm H_{1}}$ : there is significant difference in mean spending for a particular investment avenue among investors/ non investors

If P value < 0.05 we reject Ho to conclude that there is a significant difference in mean spending of that investment avenues.

The result of ANNOVA test showed that there is a significant difference in mean spending of Insurance, Bank FD, shares and others among investor/ non investor respondents across various investment avenues or in other words we can conclude that people who are not investing in stock market are spending more on investment avenues like Bank FD, insurance etc.

Table1. 12: Comparison of Mean of % Allocated among
Active Investor and Passive Investor across Each Invest
ment Avenue and its Corresponding P- value (ANOVA
table).

	Active	Passive T		P value	Comment
Gold	9.72	14.83	13.38	< 0.001	H.S.
Government saving scheme	6.39	5.49	5.75	0.387	N.S.
Insurance	16.97 1		18.01	0.387	N.S.
Bank FD	14.02	15.48	15.06	0.305	N.S.
P.O. schemes	3.46	4.61	4.29	0.232	N.S.
Shares	35.25	19.15	23.72	< 0.001	H.S.
Property	11.93	17.8	16.13	0.001	H.S.
Others	2.43	4.22	3.71	0.055	N.S.

\*H.S.-Highly Significant, N.S. - Not Significant

From the above result it could be concluded that there is high significant statistical difference between mean spending of gold and property among active and passive investors. Further it can be concluded that passive investors spends more on gold and property. For rest of investment avenues like government saving scheme, insurance, Bank FD, P.O. savings and others, there is no significant statistical difference between mean spending among active/ passive investors across investment avenues.

#### **1.34 Expectations from One's Investment**

Expectation from investment varied from person to person. The graph below depicts the total number of respondents opting for a particular expectation.

# Figure 7.13: Bar Chart Showing Respondents Expectation from Investment



It could be observed from above chart that maximum number of respondents (i.e. 456) expected high returns in short term followed by almost similar number i.e. 453 respondents expected fixed return over long term. Around 287 respondents expected regular returns in form of interest/ dividend. 248 respondents expected capital appreciation from their investment and only 59 respondents voted for inflation adjusted return.

From the above results it could be concluded that most of the respondents are not aware of inflation adjusted return. Again, many respondents want high return in short term. But, the fact is that to earn good return from stock market investments, people should stay invested in stock market for long.

# 1.35 Propensity to Invest in Stock Market across Different Groups of Various Expectations from Investment

Considering each such expectation, Chi-Square test was performed among investors/ non investors (i.e. based on yes-no type question).

Here we want to test Null Hypothesis (Ho): there is no significant difference in propensity to invest among respondents across expectations from investment.

Alternative Hypothesis  $(H_{\eta})$ : there is significant difference in propensity to invest among respondents across expectations from investment.

If p value< 0.05 then we reject the null hypothesis otherwise accept it.

#### Table 1.15: Summarization Result of Pearson's Chi-Square Test on Various Expectations among Investors/ Non Investor Respondents in Stock Market

Expectations	P-Value	Null Hypothesis accepted or rejected	Comment
Fixed Return over Long Term	0.737	accepted	N.S.
High Returns in Short Term	0.001	rejected	H.S
Regular Return in Form of Interest/Dividend	0.013	rejected	S.
Capital Appreciation from Their Investment	0.473	accepted	N.S.
Inflation Adjusted Return	0.08	accepted	N.S.
N.C. Net Claud Group C. Clau	C	I limbly Cinutes	a

N.S.-Not Significant, S. – Significant, H.S. – Highly Significant

From the above chi-square results, it can be inferred upon that expectation of high returns in short term is highly significant among investor and non- investor respondents of stock market. Again, the result showed that the expectation of regular return played a significant difference among investor/ non investor respondents of stock market.

# 1.36 An Assessment of Non-Investors and Passive Investors

To fulfill one of the objectives of the study, it was necessary to find out the reasons for which investors did not invest or invested very less in stock market. The result of responses obtained from Q.18-21 is discussed as follows:

#### a. Factors considered by Passive investor respondents/ Non- Investors for making normal investment Table 1.13: Distribution of Passive Investors/ Non Investors regarding Factors they Consider while making Normal Investment

Factors considered	No. of responses in favors of
Return on Investment	464
Time Frame of Investment	305
Capital Requirement for Investment	222
Knowledge of Investment	276
To Earn More Than Inflation Rate	211
Market Sentiments/ Security	266
Ease of Investing	332
Terms of Investment	1
Do Not Consider Any of the Above Mentioned Factors	18

From the above it can be concluded that people considers three factors most i.e. return on investment, ease of investing and time frame for investment while making normal investment.

# b. Knowledge of Equity Oriented Investment giving Higher Returns than Other Investment Fig. 7.14: Awareness of Respondents over Equity yielding Higher Returns.



Among passive investors or those not investing in the stock market, about 57.7% said that they knew about in long term equity oriented investment gave higher returns than other investment but on the contrary 42.3% said they didn't know about it. So, it can be concluded that many people are still not aware of equity yielding higher returns in long term.

# c. Reasons for not Investing in Market

In response to question no. 20, when respondents were asked about why they don't or invest less in stock market they ranked the following options in order of their preference. Mean of ranks calculated on the above gave following results.

Table	1.14:	Mean	of Ran	ks Based	on the	Reasons	Why
Respo	onden	ts did r	not Or Ir	vested L	ess in S	tock Marl	(et

Preferences	Mean of Ranks
Fear of losing the money/ capital or previous experience of loss	1.7
Lack of knowledge of the investment	1.76
Time constraint to monitor investment	1.74
Difficulty in documentation & operation in stock market	1.71
Lack of good advisors to advise on stock market	1.74
Lack of stability or absence of fixed returns or security of capital	2.02
Any other reasons	0.26

From the above table, it could be concluded that the main reason for the respondents of not investing or not investing much in stock market is fear of losing the money/ capital or previous experience of loss. Secondly, difficulty in documentation and operation in stock market acts against investor's participation in stock market. Thirdly, time constraint to monitor investment, fourthly, lack of good advisors to advice on stock market, fifthly, lack of knowledge of the investment and lastly lack of stability or absence of fixed returns or security of capital.

# d. Changes Necessary to Make Stock Market Investment More User Friendly Table 1.15: Factors or Changes Necessary to make Stock

Market Investment More User Friendly

Factors/ Changes	Frequency	Valid percent
Ease of Trading	323	32.3
Good Advisor	440	44
Stability of the market	389	38.9
More Knowledge of Products	290	29

On the basis of above results, it can be said that around 440 respondents thought it is good advisor that can make stock market user friendly. Around 389 opted for stability of the market. About 323 people wants ease of trading and 290 thought they should have more knowledge of the products in stock market.

Table 1.16: Frequency of Respondents Who Considers Following Factors While Making Normal Investment

Factors	Mumbai	Kolkata	Ahmedabad	Delhi	Chennai
Return on investment	157	142	31	98	36
Time frame of Investment	77	29	26	115	58
Capital Requirement	73	6	13	77	53
Knowledge of investment	89	20	14	88	65
To earn more than inflation rate	99	6	11	46	49
Market Sentiments/ security	104	30	10	74	48
Ease of Investing	108	123	10	49	42
Terms of investment	200	200	200	200	199
Don't consider any of the above	3	1	1	3	10

Table 1:17 Distribution of Respondents about Their Awareness on Equity Yielding Higher Returns than Other Investment in Long Run

	-			
Center			Frequency	Percent
		YES	113	56.5
MUMBAI	Valid	NO	87	43.5
		Total	200	100.0
		YES	180	90.0
	Valid	NO	4	2.0
KOLKATA		Total	184	92.0
	Missing	Missing System		8.0
	Total	Total		100.0
	Valid	YES	44	22.0
AHMEDABAD	Missing	System	156	78.0
	Total		200	100.0
		YES	80	40.0
DELHI	Valid	NO	120	60.0
		Total	200	100.0
		YES	60	30.0
	Valid	NO	139	69.5
CHENNAI		Total	199	99.5
	Missing	System	1	0.5
	Total		200	100.0

As observed from table 7.52, almost 90% people of Kolkata are aware of higher return on equity than other investment in compare to other

cities. More than a half of the populations of Mumbai are aware of higher returns on equity than other investment. Majority of Delhi and Chennai people are unaware of higher return on equity than other investment in compare to other cities. Significant proportions of Ahmedabad people have no saying on this matter as 78% people didn't answer anything regarding this.

Table	1.18:	Distribution	of	Respondents	about	Their
Aware	ness o	on Equity Yiel	ding	g Higher Retur	ns thar	Oth-
er Inve	estmer	nt in Long Rur	ו			

Center			Frequency	Percent
		YES	113	56.5
MUMBAI	Valid	NO	87	43.5
		Total	200	100.0
		YES	180	90.0
	Valid	NO	4	2.0
KOLKATA		Total	184	92.0
	Missing	System	16	8.0
	Total		200	100.0
	Valid	YES	44	22.0
AHMEDABAD	Missing	System	156	78.0
	Total		200	100.0
		YES	80	40.0
DELHI	Valid	NO	120	60.0
		Total	200	100.0
		YES	60	30.0
	Valid	NO	139	69.5
CHENNAI		Total	199	99.5
	Missing	System	1	0.5
	Total		200	100.0

As observed from table 7.53 Mumbai, Delhi and Chennai respondent's feel they don't invest in stock market because they are afraid of losing money, they have lack of knowledge regarding investment, they have time constraint to monitor investment, there is difficulty in documentation & operation in stock market, they feel there is lack of good advisor who guide them to earn higher return even they feel there is lack of stability as an absence of fixed returns on capital.

 Table 1.19: Factors/Changes Necessary to make Stock

 Market Investment more User Friendly

Factor to make Stock Market User Friendly	Mumbai	Kolkata	Ahmedabad	Delhi	Chennai
Ease of Trading	112	11	37	115	48
Good Advisor	97	28	40	160	115
Stability of the Market	103	48	18	108	112
More knowledge of Products in stock market	69	112	10	55	44

As observed from 7.54 that in Mumbai, respondents gave more weight age to ease of trading and stability of the market followed by good advisor and more knowledge of products in stock market. In Kolkata, respondents stressed more on more knowledge of products in stock market and cities like Delhi and Chennai, voted more for good advisor, stability of the market and ease of trading.

#### 1.40 Concluding Remarks

In India, participation of retail investors in stock market is comparatively low. India has one of the highest savings rates in the world. But only a small percentage of household savings in India is invested in the stock market. The primary destinations of savings across household categories in India are banks, post offices, insurance products, and metals. Investment experts and capital market researchers have tried to find out the major reasons for Indian household investors' not choosing the stock market as the primary investment destination. It has been observed that the reasons are many and varied. There is doubt about the safety of stock market investments. Most retail investors find the stock market activities too complex and difficult to comprehend. The continued volatility of the market is considered by many to be a great demotivating factor. The frequent occurrence of scams and frauds is also cited to be an important reason why ordinary household investors try to avoid the stock market route. The results from our survey of retail investors reveal that the fear of losing money is the primary reason why the respondents try to avoid stock market investing. Other reasons that are cited include procedural complexity, inability to monitor investments and absence of stable returns.

Our survey of retail investors was conducted across five large Indian cities-Mumbai, Delhi, Kolkata, Chennai, and Ahmadabad. The results show that only 38 percent of the respondents have invested in the stock market. The investors we surveyed all belong to the middle class community; about 95 of the respondents have income under Rs 6.00 lakh. In our survey, we have tried to ascertain the investment-related behavior of the respondents. The questionnaire required respondents to tell about their saving habits, awareness of investment opportunities, objectives of making investments, and investment preferences. One of the key findings of the survey is that insurance endowment policies are the most preferred investment instruments among the respondents. This is followed by property, gold and bank deposits. Our questionnaire required respondents to give their views as to the changes that should be effected in order to make stock market investments more user-friendly. About 44 percent of the respondents believe that stock market investing can be made more attractive if the quality of investment advisory services is improved. Bringing about stability in market is considered by many (about 39 percent) to be an important way in which improvements can be brought about. About 32 percent of the respondents opine in favour of easing the trading procedures.

Retail participation in stock market in India is of paramount importance. The development of the capital market is not possible without increasing the base of investors. It is through enhanced retail participation that the investor base can be widened. The current low retail participation is due to many complex issues. The matter should be pursued seriously. Since the problems are very complex, it is not possible to solve them simply by making some policy changes. There are issues like price manipulation, corrupt accounting practices, overpricing and incorrect grading of IPOs which need concerted efforts to resolve. Regulators should take stern action against all sorts of malpractices in the Indian stock market. They should seriously pursue investor protection.

# Notes

Pearson's Chi-square test or Chi- square test is a non-parametric statistical test to determine if the two or more classifications of the sample are independent or not. Chi-square can be used as a 'test for goodness of fit' which is generally used to determine how well the assumed theoretical distribution like Binomial, Poisson or Normal distribution fit to the observed data. Secondly, 'test for independence of attributes' shows whether two or more attributes are interrelated and thirdly, a 'test of homogeneity' to ascertain whether there is a homogeneity among several population in terms of its characteristics and evaluates the equality of several population of categorical data.

The formula for obtaining Chi-square value is as follows:

 $\sum_{z_{i}} \sum \frac{(O_{i} - E_{i})^{2}}{E_{i}} \sum \frac{(O_{i} - E_{i})^{2}}{E_{i}}$ 

Where n is the number of cells in the table. The obtained test statistic is compared against a critical value from the chi-square distribution with (r - 1)(c - 1) degrees of freedom( Frank et.al., 2012).

- Analysis of Variance or ANOVA is a statistical technique to analyze variation in a response (continuous random variable) measured under conditions defined by discrete factors (classification variables, often with nominal values). ANOVA is used frequently to test equality among several means by comparing variance among groups relative to variance within groups.
- 2. Active investors are those who are continuously involved in buying and selling actions in the stock market (www.investopedia. com). They want to overrule market average returns by picking attractive stocks, bonds, mutual funds, time when to move in and out of markets or market sectors and place leveraged bets on the future direction of securities and markets with options, futures and other derivatives. In their bid to outperform market they often take help of various methods like fundamental analysis, technical analysis, and macro-economic analysis to determine profitable future investment trends.

Whereas Passive investors on the other hand are those who are not frequently transacting in stock market activity and are risk averse. They make no attempt to distinguish between attractive and unattractive securities or forecast securities prices, or time markets and market sectors. Though they want to make profit in long term, but accept the average returns. Passive investors will purchase investments with the intention of long-term appreciation and limited maintenance.

For the purpose of our analysis, in context of retail individual investors, passive investors are taken as those investors who participate very less in stock market in comparison to active investors.

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