



## A STUDY ON INVESTOR ATTITUDE OF THE CAPITAL MARKET IN VIRUDHUNAGAR DISTRICT

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**ABSTRACT** Today the field of investment is even more dynamic than it was a decade ago. World events are rapidly growing that alter the values of specific assets. The investors have many assets to choose from, and the amount of information available to the investors is staggering and continually growing. The key to a successful financial plan is to keep apart a larger amount of savings and invest it intelligently. These investments are not totally safe from risks, so one should try to understand what kind of risks are related to them before taking action. To understand the characteristics of each one of the different types of investment Investors must have enough financial knowledge. The study examines that the awareness of investors, attitude of capital market level by the investors on various investment objectives based on the demographic variables and selective factors. Research has been done in the selected areas of Virudhunagar District with the help of primary data collected using a questionnaire and analyzed by using percentage method, weighted average ranking method. Primary data is collected from 500 respondents using by applying multistage proportionate random sampling technique and reviewed the related research papers for conceptual understanding.

**KEYWORDS :** SEBI, Investor, Attitude, Capital Market

### Introduction

The growth of securities market, the number of malpractices also increased in both the primary market and secondary markets. The malpractices were notices in the case of companies, merchant bankers, brokers and the persons who are all operating in the market. Besides, the Indian market was said to be deficient in certain aspects like poor liquidity, preponderance of speculative trading, lack of control over brokers and the like. Under these circumstances, the Government felt the need for setting up of an apex body to develop and regulate stock market in India. Eventually, the Securities and Exchange Board of India (SEBI) was set up on April 12, 1988. The primary objective of SEBI is to promote healthy and orderly growth of the securities market and thus to secure the investor protection. For this purpose the SEBI Act specifies certain regulatory and developmental functions. The profile and socio economic background of the sample respondents in the study area is differing. Hence, an attempt has been made to identify the variations in the awareness about the various functions and regulations of SEBI on the basis of their sex, age, educational qualification, occupation, monthly income and place of residence.

- Protecting the interest of investors in securities
- Promoting the development of securities market and
- Regulating the securities market.

### Objectives of the Study

1. To identify the attitude of investors towards share market and to analyse the factors influencing the investors to invest in stock market.
2. To analyse the variations in the level of awareness on various functions and regulations of SEBI

### Review of literature

Wahida Farzana and others<sup>1</sup> (2012) in their article entitled "Behavioural Financing: Demographic Factors and Services of Brokerage House in Bangladesh" findings showed that though individual investors made investments in security market as an alternative source of income along with their fixed income; they tend to take risks by investing large amounts of capital. The reasons for taking high risks on investments were steady return on capital, knowledge of capital market situation through trading program arranged by Securities and Exchange Commission. Moreover, investors maintained their own portfolio. It was the responsibility of the brokers who do not provide them with a contract note after trading.

Ramprasad .S and Dr. B. Karthikeyan<sup>2</sup>(2013), in their article entitled "Individual Investors' Behavior Towards Select Investments", states that the majority of the investors are giving much importance for the factor "safety". Similarly investment avenues such as Bank deposits, LIC polices and Bullion has been preferred by the individual investors. Similarly the majority of the investors are periodically evaluating the performance of their investment avenues.

### Awareness of Investor

A major problem in the market is the volatility. This generated confusion and uncertainty in the minds of investors, thus lead to withdrawal of investors form the system either temporarily or permanently. SEBI took upon itself to provide an organized, well-regulated market place in which investors can repose their confidence and where their rights are fully protected and grievances quickly addressed.

This chapter attempts to understand the intricacies of awareness about the functions and regulations of SEBI.

### Awareness about the Functions and Regulations of SEBI

For the purpose of the analysis, ten important functions and regulations of the SEBI, have been identified by the researcher to know the extent of awareness of investors on these functions and regulations. They are:

- Comprehensive authority to regulate the business in stock exchanges
- Power to register and regulate the working of stock brokers and other intermediaries
- Power to register and regulate the working of collective investment schemes including mutual fund
- Promoting and regulating Self-regulatory organizations
- Power to prohibit fraudulent and unfair trade practices in the securities market
- Power to promote investors education and training of intermediaries in securities market
- Power to prohibit insiders trading in securities
- Power to regulate substantial acquisition of shares and take-over of companies
- Setup a division to monitor the unusual movements in stock prices
- Power to control debt markets segment

For each of the above mentioned services, the respondents have been asked to give their opinion. They are asked to give opinion in the following ways, 'Aware', 'Unaware' and 'No Opinion'.

The following scoring scheme has been adopted. They are:

Aware 3 points  
Unaware 2 points  
No Opinion 1 Point

The total awareness score for each functions and regulations is calculated and divided by the total number of respondents (500), to calculate the mean score. The overall mean score for each function and regulation is compared with the mean score calculated separately for the following classification of respondents.

- Male and female respondents
- Respondents 'upto 35 years' of age and those 'above 35 years' of age

- Respondents having school education and those above school education
- Salaried class of respondents and respondents other than Salaried class
- Respondent's family income upto Rs.50, 000 and those above Rs.50,000 per month.

- Rural respondents and urban respondents.

**Awareness on Various Functions and Regulations of SEBI**

The mean score for each of the ten functions and regulations have been calculated and are given in Table -1

**Table -1 Mean Score for Awareness about Functions and Regulations of SEBI**

S. No.	Regulations	Opinion of the respondents			Total Score	Mean Score	Rank
		Aware	Unaware	No Opinion			
1.	SEBI has been given comprehensive authority to regulate the business in stock exchanges	479	11	10	1469	2.94	I
2.	SEBI has the power to register and regulate the working of stock brokers and other intermediaries	440	45	15	1425	2.85	III
3.	SEBI has the power to register and regulate the working of collective investment schemes including mutual fund	330	147	23	1307	2.61	VI
4.	SEBI is promoting and regulating Self-regulatory organizations	450	30	20	1430	2.86	II
5.	SEBI has the power to prohibit fraudulent and unfair trade practices in the securities market	279	195	26	1253	2.51	X
6.	SEBI has the power to promote investors education and training of intermediaries in securities market	395	75	30	1365	2.73	V
7.	SEBI has the power to prohibit insiders trading in securities	342	118	40	1302	2.60	VII
8.	SEBI has the power to regulate substantial acquisition of shares and take-over of companies	334	116	50	1284	2.57	IX
9.	SEBI has setup a division to monitor the unusual movements in stock prices	342	108	50	1292	2.58	VIII
10.	SEBI has the power to control debt markets segment	418	35	47	1371	2.74	IV

Source: Primary Data

The overall mean score of each regulation or function of SEBI (Table 5.1) was compared with the weighted average score of different characters such as sex, age, educational qualification, occupation, monthly income and place of residence to identify the differences in their awareness on the functions and regulations of SEBI.

**Analysis of Variations in the Opinion about the Awareness on 'Comprehensive Authority to Regulate the Business in Stock Exchanges'**

Table -2 shows the variations in the awareness on the power of SEBI 'Comprehensive Authority to Regulate the Business in Stock Exchanges' on the basis of sex, age, educational qualification, occupation, monthly income and place of residence of the respondents.

**Table - 2 Variations in the Awareness on the Power of SEBI 'Comprehensive Authority to Regulate the Business in Stock Exchanges'**

S. No.	Demographic Factors	Investor Opinion			Total Score	Mean Score
		Aware	Unaware	No Opinion		
1.	Sex					
	Male	384	7	6	1172	2.95
	Female	95	4	4	297	2.88
2.	Age					
	Upto 35 years	231	3	4	703	2.95
	Above 35 years	248	8	6	766	2.92
3.	Educational Qualification					
	Upto School Level	8	3	2	32	2.46
	Above School Level	471	8	8	1437	2.95
4.	Occupation					
	Salaried Class	187	3	2	569	2.96
	Non Salaried Class	292	8	8	900	2.92
5.	Family's Monthly Income					
	Upto Rs.50,000	124	4	5	385	2.89
	Above Rs.50,000	355	7	5	1084	2.95
6.	Place of Residence					
	Rural	283	6	4	865	2.95
	Urban	196	5	6	604	2.92
	Total Mean Value					2.94

Source: Primary Data.

Note: Mean Score = Total Score / Number of Respondents

It is observed from Table 5.2 that the awareness on the power of SEBI 'Comprehensive Authority to Regulate the Business in Stock Exchanges' is more among the male respondents, who are up to 35

years of age, who have educational qualification more than school level, who are salaried respondents, whose monthly income is above Rs.50,000 and who are rural respondents. It shows that rural respondents are more aware than the urban investors regarding the SEBI's power 'Comprehensive Authority to Regulate the Business in Stock Exchanges'.

**Analysis of Variations in the Opinion about the Awareness on 'Register and Regulate the Working of Stock Brokers and Other Intermediaries'**

The overall mean score for the awareness on the function of SEBI 'Register and Regulate the Working of Stock Brokers and Other Intermediaries' have been compared with the mean score calculated for each of the classification of investors and the details are given in Table-3.

**Table - 3 Variations in the Awareness on the Power of SEBI 'Register and Regulate the Working of Stock Brokers and Other Intermediaries'**

S. NO.	Demographic Factors	Investor Opinion			Total Score	Mean Score
		Aware	Unaware	No Opinion		
1.	Sex					
	Male	368	20	9	1153	2.90
	Female	72	25	6	272	2.64
2.	Age					
	Upto 35 years	209	24	5	680	2.86
	Above 35 years	231	21	10	745	2.84
3.	Educational Qualification					
	Upto School Level	7	4	2	31	2.38
	Above School Level	433	41	13	1394	2.86
4.	Occupation					
	Salaried Class	181	9	2	563	2.93
	Non Salaried Class	259	36	13	862	2.80
5.	Family's Monthly Income					
	Upto Rs.50,000	103	21	9	360	2.71
	Above Rs.50,000	337	24	6	1065	2.90
6.	Place of Residence					
	Rural	260	27	6	840	2.87
	Urban	180	18	9	585	2.83
	Total Mean Value					2.85

Source: Primary Data.

Note: Mean Score = Total Score / Number of Respondents

Table - 3 reveals that male respondents are having higher awareness on SEBI's 'Power to register and regulate the working of stock brokers and other intermediaries' than the female respondents. The investors who are up to 35 years of age have higher awareness than the investors who

are above 35 years of age. The respondents who have educational qualification of above school level is more aware than those who have up to school level education. Salaried class of investors are highly aware of the power of SEBI than the non Salaried Class. Those investors whose monthly income is more than Rs.50,000 have more awareness than the investors whose monthly income is less than Rs.50,000. Interestingly, the rural investors are better with regard to the power of SEBI 'To Register and Regulate the Working of Stock Brokers and Other Intermediaries' than the urban investors.

**Analysis of Variations in the Awareness on the Power of SEBI 'Prohibit Fraudulent and Unfair Trade Practices'**

The overall mean score for the awareness on the power of SEBI 'Prohibit Fraudulent and Unfair Trade Practices in Stock Exchanges' is compared to the mean score calculated for each of the classification of investors and the details are given in Table -4.

**Table - 4 Variations in the Awareness on the Power of SEBI 'Prohibit Fraudulent and Unfair Trade Practices'**

S. No.	Demographic Factors	Investor Opinion			Total Score	Mean Score
		Aware	Unaware	No Opinion		
1.	Sex					
	Male	228	150	19	1003	2.53
	Female	51	45	7	250	2.43
2.	Age					
	Upto 35 years	118	107	13	581	2.44
	Above 35 years	161	88	13	672	2.56
3.	Educational Qualification					
	Upto School Level	6	5	2	30	2.31
	Above School Level	273	190	24	1223	2.51
4.	Occupation					
	Salaried Class	108	82	2	490	2.55
	Non Salaried Class	171	113	24	763	2.48
5.	Family's Monthly Income					
	Upto Rs.50,000	66	54	13	319	2.40
	Above Rs.50,000	213	141	13	934	2.54
6.	Place of Residence					
	Rural	165	119	9	742	2.53
	Urban	114	76	17	511	2.47
	Total Mean Value					2.51

Source: Primary Data.

Note: Mean Score = Total Score / Number of Respondents

Table 4 exposes that, the investors who are male respondents, who are upto 35 years of age, who have educational qualification of above school level, who are salaried respondents, whose monthly income is above Rs.50,000 and who are from rural place have higher awareness regarding the power of SEBI 'Prohibit Fraudulent and Unfair Trade Practices in Stock Exchanges'.

Their weighted scores are higher than the overall weighted average score of 2.51.

**Analysis of Variations in the Awareness on the Function of SEBI 'Promote Investor Education and Training of Intermediaries'**

The overall mean score for the awareness on the function of SEBI 'Promote Investor Education and Training of Intermediaries in Stock Exchanges' is compared to the mean score calculated for each of the classification of investors and the details are given in Table- 5.

**Table -5 Variations in the Awareness on the Function of SEBI 'Promote Investor Education and Training of Intermediaries'**

S. No.	Demographic Factors	Investor Opinion			Total Score	Mean Score
		Aware	Unaware	No Opinion		
1.	Sex					
	Male	340	39	18	1116	2.81
	Female	55	36	12	249	2.42
2.	Age					
	Upto 35 years	193	31	14	655	2.75
	Above 35 years	202	44	16	710	2.71
3.	Educational Qualification					

	Upto School Level	7	4	2	31	2.38
	Above School Level	388	71	28	1334	2.74
4.	Occupation					
	Salaried Class	162	28	2	544	2.83
	Non Salaried Class	233	47	28	821	2.67
5.	Family's Monthly Income					
	Upto Rs.50,000	74	40	19	321	2.41
	Above Rs.50,000	321	35	11	1044	2.84
6.	Place of Residence					
	Rural	239	42	12	813	2.77
	Urban	156	33	18	552	2.67
	Total Mean Value					2.73

Source: Primary Data.

Note: Mean Score = Total Score / Number of Respondents

Table – 5 reveals that, the investors who are male respondents, who are upto 35 years of age, who have educational qualification of above school level, who are salaried respondents, whose monthly income is above Rs.50,000 and who are from rural place have higher awareness regarding the function of SEBI 'Promotion of Investor Education and Training of Intermediaries'.

Their weighted scores are higher than the overall weighted average score of 2.73.

**Conclusion**

On this basis of the mean score calculated for the awareness of investors towards functions and regulations in SEBI, the authority to regulate the business got first rank followed by promoting and regulating self-regulatory organizations, power to register and regulate the working of stock brokers and other intermediaries, power to control debt markets segment, promoting investor education and training of intermediaries, to register and regulate the working of collective investment schemes, to prohibit insiders trading, to monitor the unusual movements, to regulate substantial acquisition of shares and take-over of companies and prohibit fraudulent and unfair trade practices.

Better investor protection can be obtained only when the information flow is free and regulated.

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