



A Study on Problems of Investor's in Equity Market

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ABSTRACT

The stock market is witnessing heightened activities and is increasingly gaining importance for the economic development of a country. Well-developed stock markets mobilize savings and boost investments to the investors. Investor's perception towards investment is influenced by several factors during investment decision making. In spite of that, the investors exhibit a remarkable unwillingness and dissatisfaction in investing in the stock market. The reason behind is Equity securities are highly volatile than other securities in the market and subject to greater risks. The main study of this research paper is to identify the problems faced by the investor towards investment in equity market. Some of the problems related to no proper advice by broker; multiple opinions are giving by the different channels on the same market and too much volatility. The sample collected from 108 investors in Visakhapatnam city. The collected data analyzed by using Frequency analysis and various statistical tools with SPSS.

KEYWORDS

Equity Market, volatility, price manipulation and reliability.

Introduction

Capital markets are markets for trading long term financial securities, including ordinary shares, long term debt securities such as debentures, unsecured loan stock and convertible bonds. Government bonds and other public sector securities such as Treasury bills and gilt-edged stocks are also traded on capital markets. Investment in the stock market instruments or securities become as one of the best choice of investors with the objective of return optimization. Variations in the returns from the expectations of the investors lead for the risk and the subjective analysis of various attributes helps for the minimization or the avoidance of the risk. Return is the yield plus capital appreciation and risk is the variability of returns or loss, which is inherent in any investment.

There is a reason why government, industry and even the central bank of a country keep a close watch on the stock market, and that reason is the very pivotal role that this market plays in the growth of industry, commerce and eventually the economy of the country. Stock market is the primary source of finance for business and provides a platform for sale and purchase of listed securities. Therefore, the stock market is important from both the industry's as well as the investor's point of view.

Equity share is a share that gives equal right to share holders. Equity shareholders have to share the reward and risk associated with ownership of company. They have control over the working of the company. The equity shareholders take more risk than other instruments available in the capital market. Although the Indian stock market is booming and has a fast growth rate still there is very low participation by Indian investors. This paper attempts to explore the reasons for the problems faced by the Indian investors in investing in the equity market. An attempt has also been made to suggest remedies to the situation.

Objective of the Study

To investigate the problems faced by investors in the equity market in Visakhapatnam city.

Research methodology

The study is mainly based on two sources of data: Primary data and Secondary data. The Secondary data collect-

ed from articles and research papers from various journals, magazines and the official websites. Primary data collected through the structured questionnaire. The sampling technique used was convenience sampling and 108 usable questionnaires were obtained from Visakhapatnam city in Andhra Pradesh in India. The data reduction technique of Factor Analysis was employed to analyze the views of the respondents. The extraction method used was Principal Component Analysis and the rotation method used was Varimax with Kaiser Normalization (Kothari, 2007; Malhotra, 2007). The entire analysis was attempted with the help of SPSS 20.

Respondent profile

Table 1 shows the profile of respondents. 29.6 per cent the age groups below 30 years, between 31-40 years were 47.2, between 41-50 years were 13 and lastly above 51 years was 10.2 percent respectively. 72.2 percent were male and the other 27.8 percent were female. Among the total respondents 81.5 per cent are married and 17.6 per cent are unmarried.

Out of the respondents, 39.8 per cent had completed their Post Graduation, 23.1 per cent have finished their Graduation. 12.0 per cent have done their Professional degree. In the total respondents 36.1 per cent are Private employees and 29.6 per cent are Government employees. 15.7 per cent are doing business, whereas 13.0 per cent working as professional services, while the remaining 5.6 per cent are retired employees.

Out of the 108 respondents' 40.7 per cent monthly income between Rs.20, 001-Rs.40, 000, while 30.6 per cent belongs to the monthly income between Rs.40, 001-60,000. Further, 13.9 per cent belongs to the monthly income below Rs. 20,000, whereas 9.3 per cent respondents have a monthly income between Rs.60, 001-Rs.80, 000 followed by 2.8 per cent belongs to have monthly income Rs.80, 001-1, 00, 000 respectively and the remaining 2.8 per cent belongs to the monthly income above Rs.1,00,000.

Table 1: Profile of Respondents

Personal Characteristics		Frequency	Percentage
Age	Below 30 years	32	29.6
	31-40 years	51	47.2
	41-50 years	14	13.0
	Above 51 years	11	10.2
	Total	108	100.0
Gender	Male	78	72.2
	Female	30	27.8
	Total	108	100.0
Marital Status	Unmarried	19	17.6
	Married	88	81.5
	Others	1	.9
	Total	108	100.0
Education	SSC	14	13.0
	Inter	7	6.5
	Graduate	25	23.1
	Post Graduate	43	39.8
	Professional degree	13	12.0
	Others	6	5.6
Occupation	Government Employee	32	29.6
	Private Employee	39	36.1
	Retired Employee	6	5.6
	Business	17	15.7
	Professional Services	14	13.0
	Total	108	100.0
Monthly Income	Below Rs.20,000	15	13.9
	Rs.20,001-Rs.40,000	44	40.7
	Rs.40,001-60,000	33	30.6
	Rs.60,001-Rs.80,000	10	9.3
	Rs.80,001-1,00,000	3	2.8
	Above Rs.1,00,000	3	2.8
Total	108	100.0	

Factor Analysis:

Factor analysis was used to analyze the perceptions of the respondents. The factors, which were retained, had an Eigen value exceeding 1.0. Kaiser-Meyer-Olkin measure of sampling adequacy was 0.532. The seven factor solution that emerged had a total variance of 74.203 percent. The obtained chi-square value is significant at the 0.000 significance. The results of factor analysis are shown in tables 2 and 3.

Table2: KMO and Bartlett's Test – Problems

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.532
Bartlett's Test of Sphericity	Approx. Chi-Square	533.163
	Df	120
	Sig.	0.000

The results of the principal factor analysis using a Varimax rotation yielded seven factors from the 16 problem factors of investors with Eigen values for the seven factors are 3.559, 1.954, 1.625, 1.499, 1.109, 1.086 and 1.040.

Table 3: Results of Factor Analysis - Problems

Factor number and Name	Eigen value	% Variance explained	Factor loadings	Variables included in the factor
I Lack of Information	3.559	22.246	0.898	No proper advice by Brokers
			0.822	Multiple opinions are giving by the different channels on the same market
			0.544	Too much volatility
II Difficulty in trading	1.954	12.211	0.835	Difficult in operating online trading
			0.581	Change of transaction password frequently
			0.773	Unauthorized transaction by brokers

III Payment Procedure	1.625	10.158	0.434	Complicated IPO application procedure
			0.830	Need of prepayment of full amount
			0.841	Late refund on unsuccessful applications
IV Unfair Practices	1.499	9.369	0.894	Unfair practices of brokers
			0.618	Unfair method of share allotment
V Market Volatility	1.109	6.931	0.591	Trading pressure from brokers
			0.802	Lack of reliability of market institutions & infrastructure
VI Lack of Knowledge	1.086	6.789	0.768	Frequent change in the norms by regulatory bodies
			0.646	Delay in payments of dividends on shares
VII Price manipulation Manipulation	1.040	6.499	0.863	Too much price manipulation

Lack of Information: The first factor explained 22.246 per cent of the variance. Three items were included in this factor like No proper advice by Brokers, Multiple opinions are giving by the different channels on the same market and too much volatility. The Factor loading ranged from 0.898 to 0.544.

Difficulty in trading: The second factor explained 12.211 per cent of the variance. This factor is composed of three items including difficult in operating online trading, Change of transaction password frequently and unauthorized transaction by brokers. Factor loading ranged from 0.835 to 0.581.

Payment Procedure: The third factor explained 10.158 per cent of the variance. Three items were included in this factor like complicated IPO application procedure, need of prepayment of full amount and late refund on unsuccessful applications. The Factor loading ranged from 0.841 to 0.434.

Unfair Practices: These unfair practices have reduced the faith of the investors in the stock market as well as in the brokers who operate in this market. The fourth factor explained 9.369 per cent of the variance. Two factors included in this factor are unfair practices of brokers and unfair method of share allotment. Factor loading ranged from 0.894 to 0.618.

Market Volatility: The fifth factor explained 6.931 per cent of the variance. Two factors included in this factor are trading pressure from brokers and lack of reliability of market institutions & infrastructure. Factor loading ranged from 0.802 to 0.591.

Lack of Knowledge: The sixth factor explained 6.789 per cent of the variance. This factor is composed of two items including frequent change in the norms by regulatory bodies and Delay in payments of dividends on shares. Factor loading ranged from 0.786 to 0.646.

Price Manipulation: The seventh factor explained 6.499 per cent of the variance. One factor included in this factor is too much price manipulation. Factor loading range is 0.863.

Findings

- Regarding the age of the respondents 31- 40 years are 47.2 per cent. The investors belong to these group are very interested to invest in instruments.
- Majority of the respondents 72.2 percent are belongs to male. Compare to women, men used to take immense decisions in investment.
- Mostly the respondents are married; post graduate and private employees are 81.5, 39.8 and 36.1 percent. Education helps the investors to know the stock market fluctuation in the economy.
- Major problems faced by the investor are no proper advice by broker; multiple opinions are giving by the different channels on the same market and too much volatility.

ty. These factors are highly influenced by the investors to regret the investment in financial instruments.

Conclusion

A capital market significantly involves a study of problems which emerged in various phases of development of capital market in India. The study establishes that when it comes to investment in the stock market, the investors lack enthusiasm. Their lack of enthusiasm stems from numerous factors among them. These are in the form of lack of information, difficult in operating and trading, delay in payment procedures, unfair practices, market volatility, and lack of knowledge and price manipulations in the market.

To overcome these challenges and encourage investors to invest in the stock market, enhancing the level of financial literacy is recommended. It is suggested that basic financial knowledge be imparted even in schools. Awareness campaigns may also be run on television, radio and newspapers to increase the level of awareness of current and prospective investors.

Further, protection measures should also be safe guard the stock market investors. Knowledge of these policies shall make the investors feel safe and thereby encourage them to invest in the stock market. There is thus a need to educate the Indian investors so that they may understand and invest in the stock market in the right time and yield returns to fulfill their goals.

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