

A STUDY ON INVESTORS OPINION ABOUT WORRYING ISSUES OF INDIAN STOCK MARKETS

¹ C. Sathish Kumar, ² Dr. G. Madan Mohan

¹ Research Scholar, ² Assistant Professor

¹ Department of Management Studies,
¹ Pondicherry University

Abstract : This descriptive study has explored investors' opinion about the most worrying issues of Indian stock markets by administering a well designed questionnaire to 307 share investors in Chennai and Puducherry, selected using Convenience sampling method. Results of the study reveal that investors are considering unfair trade practices of brokers, excessive price manipulations, excessive Volatility and unpredictable Stock Prices as important issues of concern in Indian stock markets. However, investors are lesser apprehensive about its effectiveness in regulating the stock markets and presence of insider trading and fraudulent promoters of companies. Investors with middle income are more apprehensive about excessive volatility, price manipulations and unpredictable stock prices in Indian stock market. Investors possessing professional above post-graduation as educational qualifications have stronger apprehension towards unpredictable stock prices, excessive volatility and insider trading while investors with no formal education and those with professional qualifications have stronger apprehension of unfair trade practices of stock brokers.

It is highly disheartening to note that only 42 of the 307 investors surveyed are not all that concerned about the worrying issues while almost half of the investors have expressed high level of concern about the issues. This implies that confidence level among investors about the Indian stock markets is quite low which has to be addressed immediately, failing which Indian primary market will be at stake.

IndexTerms - Apprehensive, Experience in Stock Market, Investors, Stock Market, Time spent on stock markets.

I. INTRODUCTION

The Indian stock markets are displaying mixed trends in the recent past with the markets witnessing massive gains as well as losses time and again. Investors in India have started looking at capital market as an acceptable avenue of investment. Investors have started considering investment in shares as more remunerative than other modes of investment.

Initially, Indian investors considered investing in shares as highly risky and speculative. However, this opinion is fast changing with more and more small and professional investors starting to focus on share investment as their option for investment. However, the underlying fact is that not much Indian investors are actually aware about the process of or pros associated with investing in shares. Securities and Exchange Board of India (SEBI) is trying its best to inculcate awareness among Indian investors about the positives associated with savings and investment in stock market. Sabarinathan 2010, unearthed that Indian stock markets are subject to high volatility which can be minimized through effective stock market regulations and ensuring effective compliance to such regulations. Despite the best efforts of SEBI, investors have not still gained adequate awareness and confidence in investing in stock markets. Important criticisms about Indian stock markets are lack of transparency and inadequate infrastructure and adding the risk adverse attitude of Indian investors, the picture is not all that rosy for stock markets.

II OBJECTIVES OF THE STUDY

1. To assess the opinion of investors about worrying factors of Indian Stock Market;
2. To assess the relationship between opinion of investors about worrying factors of Indian Stock Market and their profile.

2.1 METHODOLOGY

The proposed research is Descriptive in nature, based purely on Primary Data, collected by administering a well-designed questionnaire to 307 equity Investors in Chennai and Pondicherry, selected using Convenience Sampling. The data collected was subjected to Reliability and Normality Tests and then analysed using SPSS, applying the Statistical Tools of Frequency, Percentage, Mean, ANOVA, Chi Square Analysis, Cluster Analysis and Correspondence Analysis.

III DATA ANALYSIS

Demographic Profile of Investors

Of the 307 Investors selected for the Study, 65.5% are Males and 34.5% are Females; 47.6% are aged less than 30 years, 46.3% are aged 30 to 50 and 6.2% are aged more than 50; 3.6% are retired, 23.8% are Government Employees, 24.4% are Private Employees, 10.7% are Businessmen, 2.6% are Housewives, 2.3% are Unemployed, 15.0% are Professionals and 17.6% are Students; 21.5% have monthly family income of less than Rs. 20,000 while 62.2% have income of Rs. 20000-50,000 and 16.3% have an income of more than Rs. 50,000; 5.9% are under-graduates, 15.6% are Diploma-holders, 24.4% are post-graduates, 30.3% are educated beyond post-graduation, 19.9% possess professional education and 3.9% do not possess any formal education; 33.6% are married, 61.2% are Unmarried and 5.2% are Separated/Divorced; 36.2% of the respondents have less than 2

years' Experience in stock market, 37.5% have 2-5 years' Experience, 17.6% have 5-10 years' experience while 8.8% have more than 10 years' Experience; 33.6% of the respondents spend less than 10 hours per month on Analysis of stock market, 31.9% spend 10-20 hours, 20.8% spend 20-30 hours, 7.2% spend 30-40 hours and 6.5% spend more than 40 hours per month on Analysis of stock market.

Investors Opinion about Worrying Issues of Indian Stock Market

Opinion of investors about the worrying issues of Indian Stock Market has been obtained in Likert's Five Point Scale and the results are displayed in table 1.

Table 1: Investors Opinion about Worrying Issues of Indian Stock Market

Worrying Issue	Mean	Skewness	Kurtosis	Cronbach's Alpha (Reliability)
Too much of volatility	3.7166	-0.431	-0.143	0.871
Too much price manipulation	3.7427	-0.569	-0.120	
Fraudulent company promoters/ management	3.4984	-0.260	0.058	
Unfair trade practices of brokers	3.8567	-0.747	0.303	
Too much of insider trading	3.6059	-0.525	0.201	
Unpredictable stock prices	3.7166	-0.362	-0.569	
Ineffectiveness of Stock Exchange Regulators	3.6450	-0.225	-0.346	

Table 1 establishes the reliability and normality of data collected using Likert's five point scale as the coefficient of Cronbach Alpha is more than 0.6 and values of Skewness and Kurtosis in respect of all the seven statements ranges between +1 and -1.

It can further be noted from table 1 that the Mean value for the statement that unfair trade practices of brokers is the most worrying factor as it has the highest mean value (3.85) followed by too much price manipulation (3.74), Too Much Volatility (3.71), Unpredictable Stock Prices (3.71), Ineffectiveness of Stock Exchange Regulators (3.64), Too Much Insider Trading (3.60) while fraudulent company promoters/management of Indian Companies is the least worrying factor as it has the least Mean Value of 3.49.

Relationship between Opinion of Investors About Worrying Issues of Indian Stock Market And Gender

The relationship between Investors opinion about worrying issues of Indian Stock Market and Gender has been assessed Using ANOVA and the results are displayed in table 2.

Table 2: Relationship between Opinion of Investors about Worrying Issues of Indian Stock Market And Gender

Issue	F	Sig.
Too much volatility	3.013	.084
Too much price manipulation	.075	.784
Fraudulent company promoters/ management	.001	.980
Unfair trade practices of brokers	.173	.678
Too much insider trading	.396	.530
Unpredictable stock prices	1.024	.312
Ineffectiveness of Stock Exchange Regulators	.033	.857

Table 2 suggests that there is no significant relationship between Investors opinion about worrying issues of Indian Stock Markets and their Gender.

Relationship between Opinion of Investors about Worrying Issues of Indian Stock Market And Age

The relationship between Investors opinion about worrying issues of Indian Stock Markets and Age is obtained by Using ANOVA and the results are displayed in table 3.

Table 3: Relationship between Opinion of Investors about Worrying Issues of Indian Stock Market and Age

Issue	F	Sig.
Too much volatility	1.463	.233
Too much price manipulation	.775	.461
Fraudulent company promoters/ management	.488	.615
Unfair trade practices of brokers	1.308	.272
Too much insider trading	1.343	.263
Unpredictable stock prices	.335	.716
Ineffectiveness of Stock Exchange Regulators	.059	.943

Table 3 highlights that there is no significant relationship between Investors opinion about worrying issues of Indian Stock Markets and their Age.

Relationship between Opinion of Investors about Worrying Issues of Indian Stock Market and Occupation

The relationship between Investors opinion about worrying issues of Indian Stock Markets and Occupation is obtained by Using ANOVA and the results are displayed in table 4.

Table 4: Relationship between Opinion of Investors about Worrying Issues of Indian Stock Market and Occupation

Issue	F	Sig.
Too much volatility	1.514	.162
Too much price manipulation	1.342	.230
Fraudulent company promoters/ management	.723	.653
Unfair trade practices of brokers	1.017	.419
Too much insider trading	.991	.438
Unpredictable stock prices	.710	.663
Ineffectiveness of Stock Exchange Regulators	.571	.779

Table 4 highlights that there is no significant relationship between Investors opinion about worrying issues of Indian Stock Markets and their Occupation.

Relationship between Opinion of Investors about Worrying Issues of Indian Stock Market and Income

The relationship between Investors opinion about worrying issues of Indian Stock Markets and Monthly Family Income is obtained by Using ANOVA and the results are displayed in table 5.

Table 5: Relationship between Opinion of Investors about Worrying Issues of Indian Stock Market and Income

Issue	F	Sig.
Too much volatility	4.751	.009
Too much price manipulation	9.152	.000
Fraudulent company promoters/ management	1.709	.183
Unfair trade practices of brokers	2.843	.060
Too much insider trading	.933	.395
Unpredictable stock prices	3.856	.022
Ineffectiveness of Stock Exchange Regulators	2.393	.093

Table 5 suggests that there is significant relationship between Investors opinion about too much volatility, Too much price manipulation and Unpredictable stock prices in Indian stock market and their monthly Family Income. The nature of such relationship is established in tables 5.1, 5.2 and 5.3.

Table 5.1: Relationship between Investors Opinion about too much of Volatility in Indian Stock Market and Income

Income	N	1	2
Less Than 20000	66	3.44	
More than 50000	50	3.60	
20000 to 50000	191		3.84

Table 5.1 suggests that investors with middle level income are more apprehensive about volatility of Indian stock markets when compared with those with low and high income.

Table 5.2: Relationship between Opinion of Investors about Price Manipulations in Indian Stock Market and Income

Income	N	1	2
More than 50000	50	3.34	
Less Than 20000	66	3.53	
20000 to 50000	191		3.92

Table 5.2 suggests that investors with middle income of Rs. 20,000-50,000 are more apprehensive about prevalence of price manipulations in Indian stock market as worrying issue when compared to those with low and high income level.

Table 5.3: Relationship between Opinion of Investors about Unpredictable Stock Prices as Worrying Issue of Indian Stock Market and Income

Income	N	1	2
Less Than 20000	66	3.50	
More than 50000	50	3.56	3.56
20000 to 50000	191		3.83

Table 5.3 suggests that investors with middle income of Rs. 20,000-50,000 are more apprehensive of prevalence of unpredictable stock prices as worrying issue of Indian stock market when compared to investors with low and high income.

Relationship between Opinion of Investors about Worrying Issues of Indian Stock Market and Education

The relationship between Investors opinion about worrying issues of Indian Stock Markets and Educational Qualification has been assessed using ANOVA and the results are displayed in table 6.

Table 6: Relationship between Opinion of Investors about Worrying Issues of Indian Stock Market and Education

Worrying Issue	F	Sig.
Too much volatility	3.264	0.007
Too much price manipulation	1.747	0.124
Fraudulent company promoters/ management	1.421	0.216
Unfair trade practices of brokers	4.277	0.001
Too much insider trading	2.208	0.054
Unpredictable stock prices	2.541	0.028
Ineffectiveness of Stock Exchange Regulators	1.665	0.143

Table 6 highlights the prevalence of significant relationship between investors' opinion about too much of volatility, Unfair trade practices of brokers, Unpredictable stock prices and Too much insider trading as worrying issues of Indian stock markets and their educational qualifications. The nature of such relationships is portrayed in tables 6.1, 6.2, 6.3 and 6.4.

Table 6.1: Relationship between Investors Opinion about Volatility in Indian Stock Markets and their Education

Education	N	1	2
UG	18	3.2222	
Diploma	48	3.4375	
No Formal Education	14	3.5714	
PG	75	3.6400	
Professional	59		3.8814
Above PG	93		3.9355

Table 6.1 highlights that investors possessing professional above post-graduation as educational qualifications have stronger apprehension towards large scale volatility in Indian stock markets while investors with other educational qualifications have relatively lesser apprehension towards the issue.

Table 6.2: Relationship between Investors Opinion about Unfair Trade Practices of Brokers and their Education

Education	N	1	2	3
UG	18	3.3333		
Diploma	48	3.5417		
PG	75		3.7867	
Above PG	93		3.9462	
No Formal Education	14			4.0714
Professional	59			4.1695

Table 6.2 highlights that investors with no formal education and those with professional qualifications have stronger apprehension of unfair trade practices of stock brokers as worrying issue of Indian stock markets followed by those with post-graduation and above post-graduation as educational qualifications while investors with under-graduation and diploma as educational qualifications possess average level of apprehension about the issue.

Table 6.3: Relationship between Investors Opinion about Insider Trading in Indian Stock Markets and their Education

Education	N	1	2
No Formal Education	14	3.2143	
UG	18	3.2778	
Diploma	48	3.4167	
PG	75	3.5467	
Above PG	93		3.7204
Professional	59		3.8475

Table 6.3 suggests that investors possessing more than post-graduation and professional educational qualifications have larger concerns about insider trading in Indian stock markets followed by under-graduates, diploma-holders, post-graduates and those with no formal education.

Table 6.4: Relationship between Investors Opinion about Unpredictable Stock Prices and their Education

Education	N	1	2
No Formal Education	14	3.2143	
UG	18	3.4444	
Diploma	48	3.5625	
PG	75	3.6267	
Above PG	93		3.8602
Professional	59		3.9322

Table 6.4 highlights that investors possessing professional qualifications and above post-graduation possess high concerns about unpredictable stock prices as worrying issue of Indian stock markets when compared with investors possessing other educational qualifications.

Relationship between Investors Opinion about Worrying Issues of Indian Stock Market and their Marital Status

The relationship between Investors opinion about worrying issues of Indian Stock Markets and Marital Status is obtained by Using ANOVA and the results are displayed in table 7.

Table 7: Relationship between Investors Opinion about Worrying Issues of Indian Stock Market and their Marital Status

Worrying Issue	F	Sig.
Too much of Volatility	.954	.387
Too much price manipulation	.827	.438
Fraudulent company promoters/ management	.005	.995
Unfair trade practices of brokers	3.107	.046
Too much insider trading	1.360	.258
Unpredictable stock prices	.707	.494
Ineffectiveness of Stock Exchange Regulators	1.374	.255

Table 7 portrays the prevalence of significant relationship between marital status of investors and their opinion about Unfair trade practices of brokers and this relationship is portrayed in table 7.1.

Table 7.1: Relationship Between Marital Status of Investors and their Opinion about Unfair trade practices of brokers

Marital Status	N	1	2
Separated/Divorced	16	3.5000	
Married	103	3.7379	3.7379
Unmarried	188		3.9521

Table 7.1 highlights that unmarried investors' show high level of concern of prevalence of unfair trade practices among brokers of Indian stock markets while married and separated investors display average level of concern about the issue.

Relationship between Investors Opinion about Worrying Issues of Indian Stock Market and Experience in Share Market

The relationship between Investors opinion about worrying issues of Indian Stock Markets and Experience of Investment in Share Market has been assessed using ANOVA and the results are portrayed in table 8.

Table 8: Relationship between Investors Opinion about Worrying Issues of Indian Stock Market and their Experience in Share Market

Issue	F	Sig.
Too much volatility	1.421	.166
Too much price manipulation	1.264	.287
Fraudulent company promoters/ management	1.156	.327
Unfair trade practices of brokers	.785	.503
Too much insider trading	1.304	.273
Unpredictable stock prices	.137	.938
Ineffectiveness of Stock Exchange Regulators	.461	.710

Table 8 portrays the absence of significant relationship between experience of investors in stock market and their concern about all the worrying issues of Indian stock markets.

Relationship between Investors Opinion about Worrying Issues of Indian Stock Market and Time Spent by them on Analyzing Stock Market

The relationship between Investors opinion about worrying issues of Indian Stock Markets and Time Spent by them on Analysis of Investment in Share Market has been assessed using ANOVA and the results are displayed in table 9.

Table 9: Relationship between Investors Opinion about Worrying Issues of Indian Stock Market and Time Spent by them on Analysing Stock Market

Issue	F	Sig.
Too Much Volatility	0.899	0.156
Too much price manipulation	3.924	.004
Fraudulent company promoters/ management	.816	.516
Unfair trade practices of brokers	.064	.992
Too much insider trading	.112	.978
Unpredictable stock prices	1.170	.324
Ineffectiveness of Stock Exchange Regulators	.845	.498

Table 9 portrays that there is significant relationship between time spent by investors on analyzing investments in stock markets and their opinion about too much of price manipulations as worrying issue of Indian stock market. The nature of this relationship is depicted in table 9.1.

Table 9.1: Relationship between Time Spent by Investors on Analyzing Stock Markets and their opinion about Price Manipulations in Indian Stock Market

Hours Spent Per Month	N	Subset for alpha = 0.05	
		1	2
Thirty to Forty Hours	22	3.05	
Twenty to Thirty Hours	64		3.66
Forty Hours and Above	20		3.70
Ten to Twenty Hours	98		3.77
Less than Ten Hours	103		3.93

Table 9.1 suggests that investors spending Thirty to Forty Hours a month on analysing stock markets have lesser concern about price manipulations in Indian stock markets as a worrying issue while other investors have higher apprehension about the issue.

Grouping Investors based on the Opinion about worrying Issues of Indian Stock Market

Proceeding further, the investors surveyed have been grouped into three clusters using Cluster Analysis based on their opinion about the worrying issues of Indian stock markets and the results are displayed in table 10.

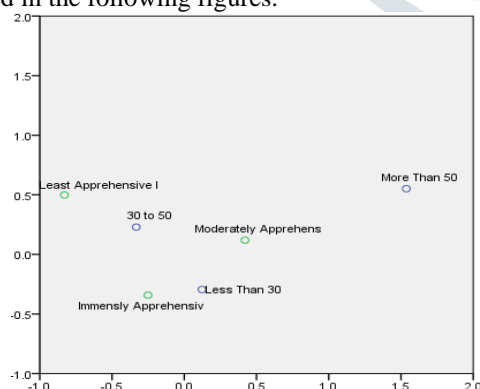
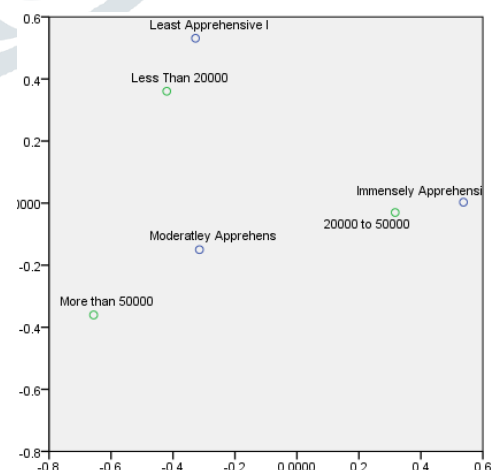
Table 10: Grouping Investors Based on their Opinion about Issues of Stock Markets

Issue	Least Apprehensive Investors	Moderately Apprehensive Investors	Immensely Apprehensive Investors	F	Sig.
Too much volatility	2.43	3.48	4.51	162.231	0.000
Too much price manipulation	2.36	3.67	4.35	104.943	0.000
Fraudulent company promoters/ management	2.50	3.26	4.18	136.001	0.000
Unfair trade practices of brokers	2.45	3.69	4.60	206.152	0.000
Too much insider trading	2.19	3.34	4.47	222.852	0.000
Unpredictable stock prices	2.45	3.46	4.53	182.995	0.000
Ineffectiveness of Stock Exchange Regulators	2.55	3.39	4.39	146.703	0.000
Number of Cases	42	151	114		

Table 10 suggests that all the seven worrying issues of Indian stock markets play a significant role in the clusterisation process as the F values in respect of all the 7 statements are highly significant at one percent level. Furthermore, based on the mean values on each cluster, the three clusters have been designated as "Least Apprehensive Investors", "Moderately Apprehensive Investors" and "Immensely Apprehensive Investors", each encompassing 42, 151 and 114 investors respectively.

Demographic Characteristics of the Clusters

The demographic characteristics of clusters formed have been assessed using Correspondence Analysis and the results are depicted in the following figures.

**Figure 1: Age and Type of Apprehensive Investor****Figure 2; Income and Type of Apprehensive Investor**

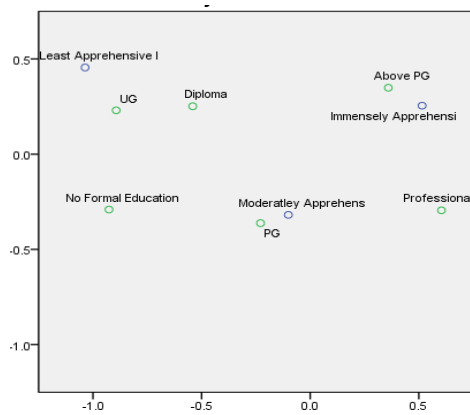


Figure 3: Educational Qualification and Type of Apprehensive Investor

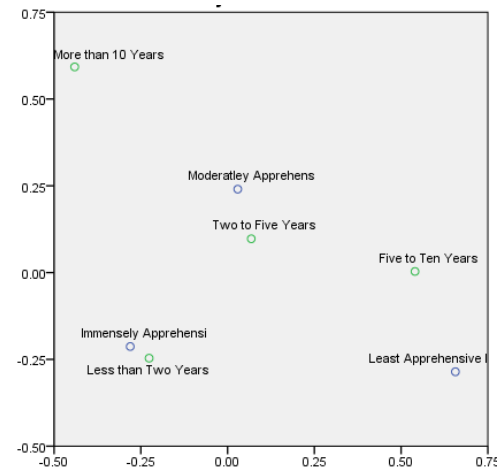


Figure 5: Duration of Investment in Share Market and Type of Apprehensive Investor

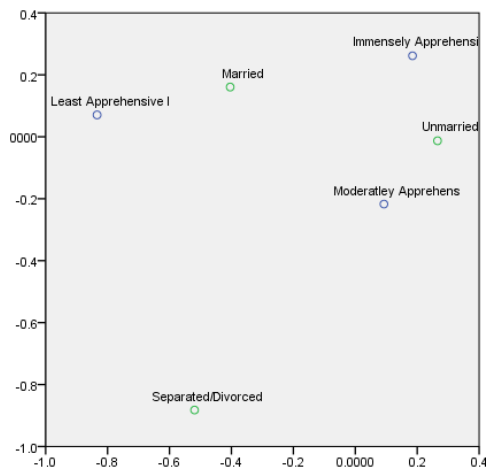


Figure 4: Marital Status and Type of Apprehensive Investor

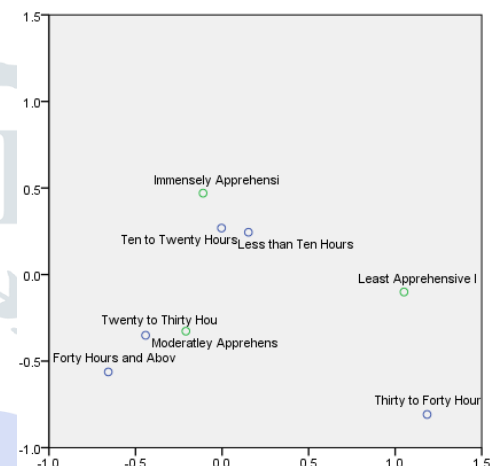


Figure 6: Average Time Spent on Analyzing the Stock Market and Type of Apprehensive Investor

It can be observed from the above figures that investors who spend Less than 10 Hours and 10-20 hours every month on stock markets, those with less than two years experience in stock market, those possessing more than post-graduation as educational qualifications, Government Employees and Professionals and Investors aged less than 30 years are Immensely Apprehensive Investors while investors spending 20-30 hours and 40 hours and more on stock markets every month, those with 2-5 years of experience in stock market, post-graduates, Private Employees and Investors aged 30-50 years are moderately Apprehensive Investors and investors with 5-10 years of experience in stock market and businessmen are least apprehensive Investors.

IV INFERENCES FROM THE STUDY

Investors have rated unfair trade practices of brokers, excessive price manipulations, excessive Volatility and unpredictable Stock Prices as important issues of concern in Indian stock markets. Hence, SEBI has to exercise much more caution in regulating the business of brokers. However, it is good news for SEBI that investors are lesser apprehensive about its effectiveness in regulating the stock markets and presence of insider trading and fraudulent promoters of companies.

Investors with middle income are more apprehensive about excessive volatility, price manipulations and unpredictable stock prices in Indian stock market which implies that SEBI has to arrange awareness programmes targeting these investors to remove their apprehension about these issues.

Investors possessing professional above post-graduation as educational qualifications have stronger apprehension towards unpredictable stock prices, excessive volatility and insider trading while investors with no formal education and those with professional qualifications have stronger apprehension of unfair trade practices of stock brokers. Hence, it becomes important for SEBI to remove the apprehension of educated investors about unpredictable stock prices, excessive volatility and insider trading by inculcating awareness among these classes of investors about its investment protection measures to remove element of fear among the educated class of people.

It is highly disheartening to note that only 42 of the 307 investors surveyed are not all that concerned about the worrying issues while almost half of the investors have expressed high level of concern about the issues. This implies that confidence level among investors about the Indian stock markets is quite low which has to be addressed immediately by the SEBI, failing which Indian primary market will be at stake.

V CONCLUSION

SEBI has been working hard to inculcate awareness among investors as well as to protect the interests of investors through its guidelines and regulations regarding the functioning of stock brokers, mutual funds, primary and secondary market intermediaries, etc. Despite these sincere efforts, this study has revealed that Indian investors are highly concerned about most of the worrying issues, which is not good news. This warrants SEBI to execute more effective measures to inculcate faith among investors about its efficiency in protecting the interests of investors. If this is not accomplished urgently, investors' positive sentiments in the stock exchanges will not be long lasting.

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