"AWARENESS LEVELS TOWARDS STOCK MARKET INVESTMENTS IN KURNOOL DISTRICT OF ANDHRA PRADESH"

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Abstract **:** Stock market is an important element of the economy of a country. The stock market plays a play a pivotal role in the growth of the industry and commerce of the country that eventually affects the economy of the country to a great extent. That is reason that the government, industry and even the central banks of the country keep a close watch on the happenings of the stock market. The stock market is important from both the industry's point of view as well as the investor's point of view. Investment in stock market is beneficial to the Government and to the banking sector also. When compared to the developed countries the investment in stock market is very less in India. One of the reasons for this low level of stock market investment is lack of awareness among the people in the developing countries like India. Hence an attempt has been made to know the level of awareness among the general public towards the stock market investment. This study may help in taking various measures for improving the awareness of stock market investment among the people. The study has been carried out in the district of Kurnool in the state of Andhra Pradesh.

Index Terms : Stock Market, Investor Awareness

I. Introduction : Capital formation process involves earning, saving and investment. A country to be developed economically should have high rate of capital formation. Capital formation depends on the level of investment in a Nation. The level of investment depends upon so many factors such as incomes, savings and returns. Higher returns attract higher investment. Stock market is the best investment avenue which yields higher rate of returns. Growth of Stock market investment is the barometer of the development of a country. Indian stock market marks to be one of the oldest stock market in Asia. It dates back to the close of 18th century when the East India Company used to transact loan securities. In the 1830s, trading on corporate stocks and shares in Bank and Cotton presses took place in Bombay. Even after the completion of nearly two centuries the investment by the people in stock market is not at a great extent all over the country. This is mainly due to the lack of awareness about the stock market and the securities among the general public. Even among educated also the awareness is not to a greater extent. More over there is an illusion among the general public that stock market investment is highly risky and not suitable to the common people. There is an urgent need to promote the knowledge about the stock market investment among the people. In this connection this study has been undertaken to know the level of awareness about the stock market investment.

1.1 Literature review

Marshall E.. Blume and Irwin Friend[1] in their article had concluded that investors' perceptions of their rate of return were not strongly related to any socioeconomic demographic characteristics except for age and income. The amount of diversification was positively related to educational level and age even after holding the income constant. Age was a lesser factor than education

Thomas A Durkin and Gregory F. Elliehausen [2] had found the stage in life cycle to have less influence on holdings, than income. The survey further confirmed that ownership of every type of assets by age, stage in life cycle education; occupation, housing status and racial and ethnic group were to follow the patterns related to income.

Preethi Singh [3] had disclosed the basic rules for selecting the company to invest in. she had viewed that understanding and measuring return and risk is fundamental to the investment process. According to her, most investors were ‘risk averse’. To have a higher return, the investor had to face greater risks. She had concluded that every investor should have an understanding of the various pitfalls of investments. Investors should carefully analyse the financial statements with special reference to solvency, profitability, EPS, and efficiency of the company.

Richard B. Roxs [4] , had defined risk as the chance that the investor will not achieve the terminal amount necessary at the time required. Risk, according to him is really not a question of objectivity for most people and it is an emotional question.

David. L. Scott and William Edward [5] reviewed the important risks of owning common stocks and the ways to minimise these risks. They commented that the severity of financial risk depends on how heavily a business relies on debt. Financial risk is relatively easy to minimise if an investor sticks to the common stocks of companies that employ small amounts of debt. They suggested that a relatively easy way to ensure some degree of liquidity is to restrict investment in stocks having a history of adequate trading volume. Investors concerned about business risk can reduce it by selecting common stocks of firms that are diversified in several unrelated industries.

Nabhi Kumar Jain [6] had specified certain tips for buying shares for holding and for selling shares. He had advised the investors to buy shares of a growing company of a growing industry, buy shares by diversifying in a number of growth companies operating in different but equally fast growing sectors of the company. He had suggested selling the shares; the moment company had or almost reached the peak of its growth. Also, he had suggested selling the shares the moment one realised that he had made a mistake in the initial selection of the shares. The only option to decide when to buy and sell high priced shares was to identify the individual merits or demerits of each of the shares in the portfolio and arrive at a decision.

Peter Lynch [7] had stated that the price-earnings ratio is often a useful measure of whether any stock is over the period, fairly priced or under priced relating to a company’s money making potential. Prasanna Chandra [8] , had stated that the price earnings ratio was a summary that primarily reflect growth prospectus, risk characteristics, share holder orientation, corporate image and degree of liquidity. The popular consideration of the price earnings multiple was because it provided a convenient measure for inter-firm and inter-industry and inter-market comparison.

Vinayakam and Charumathi [9] in their study observed that equity cult had spread to different parts of the country and millions of Indian investors invested their savings in the booming stock markets. What was once considered as the exclusive game of the rich and privileged class is now becoming a matter of day interest for millions of middle and low income groups of investing public in India. In spite of such widespread interest of Indian investors in shares, investment knowledge is very much lacking in them. This is evident from the fact that most of them usually get attracted towards the stock exchanges like moths to a candle in periods of boom and rising prices in a bid to become rich quickly. When the boom bursts and a depression sets in, most of such new entrants prove a menace to themselves and to the general public ultimately.

Elke U. Weber Richard A. Milliman [10], had stated that commuters changed their preferences for trains with risky arrival times when the alternative involved gains with changes in the perception of the riskiness of the choice of alternatives. This had left the perceived risk attitudes of majority of commuters unchanged. Similarly, they had investigated changes in risk perception, information acquisition and stock selection as a function of outcome viz., returns. Investors’ stock selection and their perception of the risk of the same stock were different in series of decisions in which they lost money than in series in which they made money.

1.2 Need for the Study : The growth of stock market investments and the indexes reaching new heights necessitated to conduct a study on awareness levels of stock market investors. After through literature review, it is found that the studies are very meager in backward regions and there is no single study on Kurnool District. It is at this juncture, a study on awareness levels of stock market investors has been taken up.

1.3 Objectives of the Study : The following are the objectives of the study:

1. To study the awareness levels of stock market investors towards shares.
2. To know the awareness levels of stock market investors towards mutual funds.
3. To understand the awareness levels of stock market investors towards Futures and Options.
4. To analyse the awareness levels of stock market investors towards Commodities.
5. To offer suitable suggestions for improvement of the stock market investments.

1.4 The Study : The present study has been done in the Kurnool District of Andhra Pradesh. The Kurnool District consists of three revenue divisions – Kurnool, Adoni and Nandyal. The study is descriptive in nature and based on primary and secondary data. The primary data was collected through a structured questionnaire. A sample of 300 respondents have been taken 100 respondents from each revenue division based on convenient sampling. The data has been analysed through the percentage method. After elimination of few partially unfilled questionnaires, the final resultant sample size is 288.

II. Investor Awareness: The concept of "investor awareness" refers to the stage wherein a prospective investor is conscious of and is having the knowledge of the existence of an investment product or avenue for his consideration to place the savings.

Awareness is a continuing process by which investors come to learn about the investment particulars. In certain cases they try to know about the modes clearly and eventually adopt it or reject it. Awareness is commonly described as the first step in the process of investment. When the investors are aware of the existence of numerous investment modes, his inquisitiveness stimulates him to seek more information about them. After becoming well versed of investment modes, the investor turns to evaluation of each channel by making comparison with each other. At last, the investor decides to make investment in an advantageous mode or modes. Thus, awareness creates attitude in investor towards investment channels. This sense of 'awareness' of investors towards investment is created, modified and shaped by various external sources of information such as dailies, weeklies, electronic media, friends and relatives, broker's advice etc. Awareness is an abstract concept and, hence, it is not possible to measure precisely and directly in quantitative terms, but can be measured and assessed indirectly.

2.1. Awareness towards Equity Shares: In accounting and finance, equity is the residual claim or interest of the most junior class of investors in assets, after all liabilities are paid. If liability exceeds assets, negative equity exists. In an accounting context, Shareholders' equity (or stockholders' equity, shareholders' funds, shareholders' capital or similar terms) represents the remaining interest in assets of a company, spread among individual shareholders of common or preferred stock. At the start of a business, owners put some funding into the business to finance operations. This creates a liability on the business in the shape of capital as the business is a separate entity from its owners. Businesses can be considered, for accounting purposes, sums of liabilities and assets; this is the accounting equation. After liabilities have been accounted for the positive remainder is deemed the owner's interest in the business.

Table No 1: Level of awareness towards equity shares

S.NO	PARTICULARS	SAMPLE SIZE	PERCENTAGE
1	KNOW VERY WELL	191	66.32%
2	KNOW SOME WHAT	86	29.86%
3	DON'T KNOW	11	3.82%
TOTAL		**288**	**100%**

Source: Field Survey

INFERENCE: It can be understood form the table no. 1 that, majority of 66.32% of respondents Know equity shares very well. 29.86% of respondents Know somewhat. 3.82% of respondents Don't know.

Table No 2: Level of awareness towards preferential shares

S.NO	PARTICULARS	SAMPLE SIZE	PERCENTAGE
1	KNOW VERY WELL	32	11.11%
2	KNOW SOME WHAT	141	48.96
3	DON'T KNOW	115	39.93%
TOTAL		**288**	**100%**

Source: Field Survey

INFERENCE: It can be inferred from the table no. 2 that 48.96% of respondents Know preferential shares somewhat. 39.93% of respondents Don't know. 11.11% of respondents Know very well.

2.2 Awareness towards debentures : A debenture is a document that either creates a debt or acknowledges it. In corporate finance, the term is used for a medium- to long-term debt instrument used by large companies to borrow money. In some countries the term is used interchangeably with bond, loan stock or note. A debenture is, thus, like a certificate of loan or a loan bond evidencing the fact that the company is liable to pay a specified amount with interest and although the money raised by the debentures becomes a part of the company's capital structure, it does not become share capital. Debentures are generally freely transferable by the debenture holder. Debenture holders have no rights to vote in the company's general meetings of shareholders, but they may have separate meetings or votes e.g. on changes to the rights attached to the debentures. The interest paid to them is a charge against profit in the company's financial statements.

Table No 3: Level of awareness towards Debentures

S.NO	PARTICULARS	SAMPLE SIZE	PERCENTAGE
1	KNOW VERY WELL	45	15.63%
2	KNOW SOME WHAT	146	50.69%
3	DON'T KNOW	97	33.68%
TOTAL		**288**	**100%**

Source: Field Survey

INFERENCE: It can be known form the above table no. 3 that majority of 50.69% of respondents Know Debentures somewhat. 33.68% of respondents Don't know. 15.63% of respondents Know very well.

2.3 Awareness towards mutual funds : A mutual fund is a professionally managed type of collective investment scheme that pools money from many investors to buy stocks, bonds, short-term money market instruments, and/or other securities. Mutual funds are not taxed on their income as long as they comply with certain requirements established in the Internal Revenue Code. Specifically, they must diversify their investments, limit ownership of voting securities, distribute most of their income to their investors annually, and earn most of the income by investing in securities and currencies. Mutual funds pass taxable income on to their investors. The type of income they earn is unchanged as it passes through to the shareholders.

Table No 4 : Level of awareness towards Mutual Funds

S.NO	PARTICULARS	SAMPLE SIZE	PERCENTAGE
1	KNOW VERY WELL	122	42.36%
2	KNOW SOME WHAT	136	47.22%
3	DON'T KNOW	30	10.42%
TOTAL		**288**	**100%**

Source: Field Survey

2.4 LEVEL OF AWARENESS TOWARDS UNIT LINKED PLANS

INFERENCE: It can be visualised from the above table no. 4 that 47.22% of respondents Know Mutual funds somewhat 42.36% of respondents Know very well.. 10.42% of respondents Don't know.

Table No 5: Level of awareness towards Unit linked plans

S.NO	PARTICULARS	SAMPLE SIZE	PERCENTAGE
1	KNOW VERY WELL	55	19.09%
2	KNOW SOME WHAT	151	52.43%
3	DON'T KNOW	82	28.42%
TOTAL		**288**	**100%**

Source: Field Survey

INFERENCE: It can be understood from the above table no. 5 that majority of 52.43% of respondents Know Unit linked plans somewhat. 28.42% of respondents Don't know 19.09% of respondents Know very well..

2.5 LEVEL OF AWARENESS TOWARDS GOLD TRADED FUNDS

Table No 6: Level of awareness towards Gold Traded Funds

S.NO	PARTICULARS	SAMPLE SIZE	PERCENTAGE
1	KNOW VERY WELL	40	13.89%
2	KNOW SOME WHAT	197	68.40%
3	DON'T KNOW	51	17.71%
TOTAL		**288**	**100%**

Source: Field Survey

INFERENCE: It can be inferred from the above table no. 6 that majority of 68.40% of respondents Know Gold traded funds somewhat 17.71% of respondents Don't know. 13.89% of respondents Know very well.

2.6 Awareness towards futures and options : A futures exchange or futures market is a central financial exchange where people can trade standardized futures contracts; that is, a contract to buy specific quantities of a commodity or financial instrument at a specified price with delivery set at a specified time in the future. These types of contracts fall into the category of derivatives. Such instruments are priced according to the movement of the underlying asset (stock, physical commodity, index, etc.). The aforementioned category is named "derivatives" because the value of these instruments is derived from another asset class.

In finance, an option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price. The buyer of the option gains the right, but not the obligation, to engage in that transaction, while the seller incurs the corresponding obligation to fulfill the transaction. The price of an option derives from the difference between the reference price and the value of the underlying asset (commonly a stock, a bond, a currency or a futures contract) plus a premium based on the time remaining until the expiration of the option. Other types of options exist, and options can in principle be created for any type of valuable asset. An option which conveys the right to buy something is called a call; an option which conveys the right to sell is called a put. The reference price at which the underlying may be traded is called the strike price or exercise price. The process of activating an option and thereby trading the underlying at the agreed-upon price is referred to as exercising it. Most options have an expiration date. If the option is not exercised by the expiration date, it becomes void and worthless.

In return for assuming the obligation, called writing the option, the originator of the option collects a payment, the premium, from the buyer. The writer of an option must make good on delivering (or receiving) the underlying asset or its cash equivalent, if the option is exercised.

An option can usually be sold by its original buyer to another party. Many options are created in standardized form and traded on an anonymous options exchange among the general public, while other over-the-counter options are customized ad hoc to the desires of the buyer, usually by an investment bank.

Table No 7: Level of awareness towards F&O'S

S.NO	PARTICULARS	SAMPLE SIZE	PERCENTAGE
1	KNOW VERY WELL	54	18.75%
2	KNOW SOME WHAT	165	57.29%
3	DON'T KNOW	69	23.96%
TOTAL		**288**	**100%**

Source: Field Survey

INFERENCE: It can be visualized from the above table no. 7 that majority of 57.29% of respondents Know F&O'S somewhat. 23.96% of respondents Don't know. 18.75% of respondents Know very well.

2.7 Awareness towards Commodities : A commodity is a good for which there is demand, but which is supplied without qualitative differentiation across a market. A commodity has full or partial fungibility; that is, the market treats it as equivalent or nearly so no matter who produces it. Examples are petroleum and copper. The price of copper is universal, and fluctuates daily based on global supply and demand. Stereo systems, on the other hand, have many aspects of product differentiation, such as the brand, the user interface, the perceived quality etc. And, the more valuable a stereo is perceived to be, the more it will cost. In contrast, one of the characteristics of a commodity good is that its price is determined as a function of its market as a whole. Well-established physical commodities have actively traded spot and derivative markets. Generally, these are basic resources and agricultural products such as iron ore, crude oil, coal, salt, sugar, coffee beans, soybeans, aluminium, copper, rice, wheat, gold, silver, palladium, and platinum. Soft commodities are goods that are grown, while hard commodities are the ones that are extracted through mining.

Table No 8: Level of awareness towards Commodities

S.NO	PARTICULARS	SAMPLE SIZE	PERCENTAGE
1	KNOW VERY WELL	100	34.72%
2	KNOW SOME WHAT	146	50.69%
3	DON'T KNOW	42	14.28%
TOTAL		**288**	**100%**

Source: Field Survey

INFERENCE: It can be understood from the above table no. 8 that majority of 50.69% of respondents Know commodities somewhat. 34.72% of respondents Know very well. 14.28% of respondents Don't know.

2.8 LEVEL OF AWARENESS TOWARDS SYSTEMATIC INVESTMENT PLANS

Table No 9: Details of level of awareness towards

S.NO	PARTICULARS	SAMPLE SIZE	PERCENTAGE
1	KNOW VERY WELL	175	60.76%
2	KNOW SOME WHAT	94	52.43%
3	DON'T KNOW	19	26.39%
TOTAL		**288**	**100%**

Source: Field Survey

INFERENCE: It can be known from the above table no. 9 that majority of 60.76% of respondents Know Systematic investment plans very well. 52.43% of respondents Know somewhat. 26.39% of respondents Don't know.

Findings

- Majority of 66.32% of respondents Know equity shares very well. 29.86% of respondents Know somewhat. 3.82% of respondents Don't know.
- Majority of 50.69% of respondents Know Debentures somewhat. 33.68% of respondents Don't know. 15.63% of respondents Know very well.
- Majority 47.22% of respondents Know Mutual funds somewhat 42.36% of respondents Know very well. 10.42% of respondents Don't know.
- Majority of 52.43% of respondents Know Unit linked plans somewhat. 28.42% of respondents Don't know 19.09% of respondents Know very well..
- Majority of 68.40% of respondents Know Gold traded funds somewhat. 17.71% of respondents Don't know. 13.89% of respondents Know very well.
- Majority of 57.29% of respondents Know F&O'S somewhat. 23.96% of respondents Don't know. 18.75% of respondents Know very well.
- Majority of 50.69% of respondents Know commodities somewhat. 34.72% of respondents Know very well. 14.28% of respondents Don't know.
- Majority of 60.76% of respondents Know Systematic investment plan stock market very well. 52.43% of respondents Know somewhat. 26.39% of respondents Don't know.

Conclusion : From this study it is evident that 50 % to 60 % of the respondents are very well aware of the different securities relating to investment in the stock market. The level of awareness on the investment in stock market is above the average among the respondents. This study has important implications regarding the levels of awareness of stock market investment. Still there is a greater need to improve the awareness among the people about the stock market investment. It can be done by conducting workshops on the feasibility of investment in the stock market.

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