

# PROBLEMS AND CHALLENGES OF SHARE MARKET INVESTORS AT CHIDAMBARAM TALUK

**Dr. K.APSAR BASHA**, Assistant Professor  
PG Department of Commerce  
Government Thirumagal Mills College  
Gudiyattam, Tamil Nadu

## Abstract

The economic development of a nation depends upon the existence of a well developed financial system. Investment in the stock market instruments or securities become as one of the best choice of investors with the objective of return optimization. Stock markets securities which are being influenced by the various internal and external considerations. Stock market is a public entity for trading shares or stocks of a particular company at an agreed price. Supply and demand in the stock market is affected by various factors that in turn affect the price of the stocks. Investment decisions in equities are sometimes rational where the investors take decisions analyzing the information in the market. The socio-economic, demographic, and attitudinal factors act as key drivers for investment decisions in the share market. Hence, the present study is undertaken to examine the perception of the share market investors towards their problems and challenges in the share market investment in Chidambaram taluk. The sample size consists of 150 investors. The study is empirical in character based on survey method. The primary data were collected from 150 investors with the help of questionnaire. The present study looks at problems and challenges of the share market investors in Chidambaram taluk. The findings reveal that the respondents have higher acceptance towards results in emotional problems, followed by unaware of stock market operations. In case of time consuming exercise, the respondents have lower acceptance level.

**Key words:** Investment in primary market, investment, savings, stock market, share price, etc.

## 1. Introduction

The economic development of a nation depends upon the existence of a well developed financial system. The easy availability of financial inputs promotes the growth process through the proper coordination of human resources and material inputs. It will enhance the production of goods and services. The efficiency of the financial system is determined on the basis of the flow of funds in the economy and channelization of these funds into productive activity for the development of the nation. The rapid growth of economy and globalization of financial markets are the most significant developments at the international level in the financial market operations. Today, Indian financial system is considered to be sound and stable as compared to many other countries. With the reforms of the industrial policy, public sector and financial sector, new economic policies of liberalization, deregulation, and restructuring the Indian capital market has been growing tremendously and has become an important threshold for the small investors. As a result, the Indian economy has opened up and many developments have been taking place in the financial markets which foster savings and channels them to their most efficient use. Investment in the stock market instruments or securities become as one of the best choice of investors with the objective of return optimization. Stock markets securities which are being

influenced by the various internal and external considerations. Stock market is a public entity for trading shares or stocks of a particular company at an agreed price. Supply and demand in the stock market is affected by various factors that in turn affect the price of the stocks. Investment decisions in equities are sometimes rational where the investors take decisions analyzing the information in the market. The socio-economic, demographic, and attitudinal factors act as key drivers for investment decisions in the share market.

## 2. Factors affecting investment decisions

An investment is saving of current money and other resources for the future benefit. There are various investment avenues available for investors and depending upon ones' risk appetite, he/she can choose bank deposits, government/private bonds, shares and stocks, exchange traded funds, mutual funds, insurance, commodities, currencies, etc. Risk is to be considered while making an investment in the stock markets. Consumer behaviour is deeply influenced by cultural factors such as buyer culture, subculture, and social class. The influence of culture on investment varies from country to country therefore marketers have to be careful in analyzing the culture of different groups. There are important factors affecting the investment behaviour. Age and life-cycle have potential impact on the consumer buying behaviour. It is obvious that the consumers change the purchase of goods and services with the passage of time. The occupation of a person has significant impact on his investment behaviour. The important psychological factors affecting the investment are: perception, motivation, learning, beliefs and attitudes. The equity investment decisions are influenced by factors like good corporate earnings, stock marketability, stock affordability, dividend announcements, price earnings ratio, momentum effect, contrarian effect, firm's reputation, socially responsible investing, current economic indicators, opinion from family and relatives, brokers' recommendation, and other professional advice.

## 3. Statement of the problem

Indian stock market has strong witness of growth only after the implementation of New Economic Policy in the year 1991. This new economic policy facilitates the economy to grow in diversified fields. This new economic policy provides the benefits of liberalization, privatization and globalization. The New Economic Policy of 1991 has given more importance to investors. Investor behaviour also tend to move into savings to investment, short-term trading of capital market instruments. More number of brokers also entered into the capital market due to the liberalized regulation in capital market. Brokers are providing number of services under single umbrella to the investors based on their need. Despite the above facts, majority of Indians still do not have much awareness about the stock market. They do not even aware about the functioning of the stock exchanges. Only two percentage of the Indian population are related with stock market investments. The rest of the people still having the misconception that stock

market investment are just like gambling rather than a secured investment option. Most of the investors feel insecure in managing their investment on the stock market because it is difficult for an individual to identify companies which have growth prospects for investment. Even after identifying the growth oriented companies and their securities, the trading practices are also complicated, making it a difficult task for investors to trade in all the exchange and follow up on post trading formalities. The market still exhibits a low level of awareness and limited appreciation of the role of capital markets with varying investor risk attitudes which has affected the making of proper investment choices by individual investors. Trading of securities is frequently assumed to be majorly influenced by irrational behaviour which may affect the trading volumes and prices of stock in the market. Stock market is the key measure for measuring the growth of economy. Investor both foreign institutional investors and domestic investors play a vital role for its development. Hence, the present study is undertaken to examine the perception of the share market investors towards their problems and challenges in the share market investment in Chidambaram taluk.

#### 4. Objectives of the study

The study has the following objectives:

1. To find out the factors influencing the investors to prefer investment in shares in Chidambaram taluk.
2. To study the satisfaction level of the investors towards investment in shares in Chidambaram taluk.
3. To ascertain the problems and challenges of the share market investors in Chidambaram taluk.
4. To suggest suitable measures to overcome the problems and challenges of the share market investors in Chidambaram taluk based on findings of the study.

#### 5. Testing of hypothesis

The study is based on the formulation of the following null hypothesis:  $H_0$ : There is no significant relationship among the acceptance levels of the investors belonging to different demographic profile towards problems and challenges in the share market investment in Chidambaram taluk.

#### 6. Sampling design

As the universe of the study is entire Chidambaram taluk. Chidambaram taluk constitutes five town Panchayats: Parangipettai Town Panchayat, Bhuvanagiri Town Panchayat, Annamalainagar Town Panchayat, Sethiathoppu Town Panchayat, and Killai Town Panchayat. It has one municipality namely Chidambaram Municipality. In order to collect primary data for the

purpose of the study, the Town Panchayats and Municipality which are outnumbering in population i.e. more than 10000 were selected. Thus, Parangipettai Town Panchayat, Bhuvanagiri Town Panchayat, Annamalainagar Town Panchayat, Killai Town Panchayat, and Chidambaram Municipality were selected for this study. In the next stage, from each of the Municipality and Town Panchayat, modest samples of 30 investors were selected purposively. Therefore, the sample size consists of 150 investors. Table 1 shows the sampling distribution.

**TABLE 1**  
**Sampling Distribution**

S.No	Municipality/ Town Panchayat	Population	Samples
1	Chidambaram Municipality	62,153	30
2	Parangipettai Town Panchayat	25,541	30
3	Bhuvanagiri Town Panchayat	21,956	30
4	Annamalainagar Town Panchayat	16,289	30
5	Killai Town Panchayat	13,608	30
	Total	1,39,547	150

## 7. Data collection and analysis

The present study is empirical in character based on survey method. As an essential part of the study, the primary data were collected. Taking into consideration the objectives of the study, a questionnaire was prepared after a perusal of available literature and thorough consultation with the experts of related fields. The questionnaire was constructed based on Likert scaling technique. The secondary data were collected from journals, magazines, government reports, books and unpublished dissertations. The data so collected have been entered into a master table and tabulated to arrive at useful conclusions. In order to study the perception of the investors, analysis of one-way variance, student t-test, analysis of co-efficient of variation, multiple regression analysis, and percentage analysis have been employed

## 8. Findings

1. Out of 150 respondents, 40 per cent and 14.67 per cent of the respondents holding upto 100 and 101-200 shares in that order. 28.67 per cent and 16.67 per cent of the respondents holding 201-300 and above 300 shares respectively.
2. 18%, 21.33%, 37.33% and 23.33% of the respondents invest in shares with the amount less than Rs.25000, Rs.25001-50000, Rs.50001-75000, and above Rs.75000 respectively. 82.67% of the

respondents invested in primary market and 17.33% of the respondents invested in secondary market.

3. As regards place of residence, 20% of the respondents are residing at Chidambaram Municipality, 20% are residing at Parangipettai Town Panchayat and 20% are residing at Bhuvanagiri Town Panchayat. 20% and 20% of the respondents are residing at Annamalainagar Town Panchayat and Killai Town Panchayat respectively.
4. Out of 150 respondents, 40.67% of the respondents invest about 10% of their savings. 32% and 25.33% of the respondents invest about 11%-20% and 21%-30% of their savings respectively. About 14.67 per cent of the respondents invest above 30% of their savings. All the respondents are invested in shares. 32.67%, 48%, 15.33% and 4% of the respondents prefer NSE, BSE, MSE and other stock exchanges respectively.
5. Journals, friends and relatives, and internet are the sources for the awareness of the respondents about shares at 19.33%, 29.33% and 30% respectively. 40% and 44% of the respondents' sources for the awareness of investment in shares are advertisement and share brokers in that order.
6. Raging from 8 per cent to 30 per cent of the respondents' perception about investment in shares are family life, time consuming, competition, scams, brokerage, stress and daily watch. Raging from 32.67 per cent to 54 per cent of the respondents' perception about investment in shares are brokers, growth in value, fear in loss of money, risk and income.
7. Out of 150 respondents, 28 per cent and 26 per cent of the respondents reveal that they disagree and strongly disagree towards factors influencing them to invest in shares. 24 per cent, 11.33 per cent and 10.67 per cent of the respondents strongly agree, agree, and neither agree nor disagree in that order towards factors influencing them to invest in shares. The mean acceptance score reveals that the respondents have higher acceptance level towards constructing one's own portfolio with shares is inexpensive and shares are under the direct control of SEBI (3.28), followed by share gives better combination of risk, return and leisure (3.06). The respondents have lower acceptance score (2.35) towards investment in shares gives the status of shareholder of a company.
8. Majority of the respondents are dissatisfied (36%) towards investment in shares, followed closely by neither satisfied nor dissatisfied (20.67%) and highly satisfied (18.67%). 16% and 8.67% of the respondents satisfied and highly dissatisfied respectively towards investment in shares.
9. There is no significant relationship among the acceptance level of the respondents belonging to different genders, age groups, educational status groups, occupations, sizes of share holding,

investment groups, markets and locations towards problems and challenges in the investment of shares in Chidambaram taluk.

10. Female respondents, respondents in the age group above 55 years, respondents having H.Sc qualification, agriculturists, respondents who have 101-200 shares, respondents with investment above Rs.75000, respondents invested in secondary market and respondents belonging to Killai Town Panchayat have higher acceptance level towards problems and challenges in the investment of shares.
11. There exists consistency in the acceptance level of female respondents, respondents belonging to above 55 years, respondents who have SSLC education, businessmen, respondents who have 101-200 shares, respondents who have an investment above Rs.75000, respondents who have invested in primary market and respondents of Chidambaram Municipality towards problems and challenges in the investment of shares.
12. There has been a low degree of correlation (0.245) between the selected independent variables and acceptance towards the problems and challenges in the investment of shares. The R square indicates that 6 per cent of variation in acceptance towards problems and challenges in the investment of shares is explained by all independent variables taken together. The F value indicates that the multiple correlation coefficients are not significant. Gender, age, educational status, occupation, market, number of shares holding and amount of investment have no significant effect on the respondents' acceptance towards problems and challenges in the investment of shares.
13. The majority of respondents indicate that they disagree (22%) with the problems and challenges in the investment of shares, followed by neither agree nor disagree (21.33%) and strongly agree (20.67%). 19.33% and 16.67 per cent of the respondents agree and strongly disagree respectively towards problems and challenges in the investment of shares.
14. The respondents have higher level of favourable attitude towards investment in shares (3.48) followed by investment in bonds (3.15), and bank deposits (3.06). However, the respondents have low level of favourable attitude towards investment in postal savings (2.96). Therefore, the respondents prefer investment in shares in the present market situation.
15. Respondents ranging from 18.67 per cent to 40.67 per cent suggest that confidence on brokers, aware of stock market operations, adequate services of the share brokers and investors' education will mitigate the problems and challenges of the share market investors. 45.33%, 48% and 64.67% of the respondents suggest stability in share prices, tailor made investments and existence of efficient portfolio respectively to overcome their problems and challenges in share market investment.

## 9. Suggestions

1. Investment schemes tailored to the senior citizens need to be developed by stock market and stock market must educate and encourage senior citizens particularly. Further, stock market and intermediaries must generate awareness among the investors about stock market trading, stock market instruments and also about the new technological developments adopted in the stock market.
2. Brokers should develop a confidence among the clients to make online trade themselves through seminars, technical sessions, etc. This in turn helps to improve the standard of stock market. Brokers should make critical assessment of various types of risk based on full information collected through various sources and advise the clients in their best interest, not their interest only.
3. There is need to create the environment to instill confidence on investing public with regard to the liquidity and safety of their investment schemes, particularly, in investment in shares.
4. Efforts to improve the after sale services by the stock broking firms, so as to satisfy the needs of customers. Further, it is recommended that stock broking firms should be careful enough in resolving the grievance of the investors.
5. As there is change in the income levels of the investors most of the investors are interested to divert their savings to profitable investment opportunities. However, prior to that there is a dire need to initiate steps to inculcate a habit of savings among the growing middle class families. The savings are to be pooled and canalized into productive investment, there by returns to investors may enhance.
6. There should be improvement in the awareness of stock market activities. Individuals should be made financially aware and taught about the stock market activities and its role. In order to make trading on the stock market unbiased, investors should be enlightened on the various listed companies and the products they are trading. This calls for better financial awareness through having more credible financial intermediaries hence reducing on the predictive skills of investors leading to a more rational market.
7. There is need for financial intermediaries like brokers to incorporate both technical and fundamental analysis when analyzing stock performance, that is, both past and future market movements should be incorporated in stock prices. And this will help them provide a more realistic judgment.

## 10. Conclusion

Stock market is an important part of any economy. The stock market plays 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 the central bank of the country keep a close watch on the happenings of the stock market. Whenever a company wants to raise funds for further expansion or settling up a new business venture, they have to either take a loan from a financial organization or they have to issue shares through the stock market. In fact the stock market is the primary source for any company to raise funds for business expansions. The present study looks at problems and challenges of the share market investors in Chidambaram taluk. The findings reveal that the respondents have higher acceptance towards results in emotional problems, followed by unaware of stock market operations. In case of time consuming exercise, the respondents have lower acceptance level.

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