A Study on Stock Market Awareness of Investors for Efficient Investment Decision-Making

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ARTICLE INFO	ABSTRACT
	Investment in the stock market is quite often looked upon as a risky aspect by the common public. It is also important to be considered that the investors also gain by way of capital gain or earning profits through speculation. This is one among the best ways of wealth accumulation for the investors. There is difference of opinion among the investors regarding the risk of investing, the anxiety that they experience in speculation and trading. Such a myth is to be addressed to as it is a huge hindrance to the country's economy. Hence the need for creating an awareness on the various aspects that play a key role in the stock market is essential. The Information technology sector is believed to be a high-paying sector to its employees. Hence with an intention that the employees in this sector may be able to save or invest for safeguarding their future, an effort was taken to study the awareness on stock trading among IT employees in investment decision-making. The study explains the significance of the selected variables correlating with a strong and positive direction towards investment decision-making for top-down approach, bottom-up approach, and fundamental analysis whereas a moderate correlation is seen for the variables stock index number and bonus issue. **Keywords:** Investment, speculation, investor, stock, employee.

INTRODUCTION

The structure of Indian Financial system is of great importance because of its pervasiveness. Every part of the country is integrated in such a way that the financial market is linked in one or more aspects that contribute to the growth of the nation. This can be well understood as the funding transactions is of high importance throughout the economic system of India. For example, industries that are as start-ups or well-established look for financial support by way of capital formation through the financial market. This is followed by issuing of equity shares, arrangement of term loans by financial institutions, debentures, speculation and deposit of money. Hence it is right in stating that the financial markets are all pervasive in nature. They act as pivot centres for facilitating financial transactions as well as capital formation for purchasing assets and utilities.

Investment in the stock market is quite often looked upon as a risky aspect by the common public. It is also essential to be considered that the investors also gain by way of capital gain or earning profits through speculation. This is one among the best ways of wealth accumulation for the investors. There is difference of opinion among the investors regarding the risk of investing, the anxiety that they experience in speculation and trading. This cannot be ignored, but at the same time, there are ways to overcome such an anxiety or anticipate the risk and act wisely. The awareness on financial literacy pertaining to the stock market supports the investors to earn profit through trading in the stock markets. Hence this is an essential aspect for every common public to gain and enhance financial literacy regarding the stock markets at least to some extent. This will help the investor to follow a strategy to face the turbulent stock markets.

REVIEW OF LITERATURE

(Asalatha & Rjumohan, 2019) examined that the investor possesses on the macroeconomic scenario of the environment before investment decision is mandatory. The economic conditions that prevail in the country should be understood to know about the growth potential of a sector, or a particular industry or a firm. As such an information has a direct impact on the stock price of the share or the commodity in trade, the potential investors

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must have a better understanding on the economic conditions prevailing in the environment, external to the company. The top-down approach helps investors in choosing the stocks of a particular company that has growth potential.

(Zurek et. al., 2021) investigated in certain scenarios even when the external environment is not so favourable, the position of the company in terms of its brand image, goodwill, and business ethics builds in confidence in the potential investors. When a company has strong fundamentals, then it is to be understood that the stock price of the company would rise irrespective of the external crisis. It is very important to understand that the choosing of the stocks includes a thorough analysis of the various metrics of the company such as the growth potential, the earning potential, the price to earnings ratio, the return on equity and the cost factor. When a potential investor looks upon a company from a bottom-up approach it is mandatory to understand the attributes of the company in terms of its management, sound financial health, the products and the performance of stocks.

(Nti et. al., 2020) studied the attributes of the company aids in a detailed estimation of the fundamental analysis of the Enterprise value. It provides a clear picture on the overall well-being of the company instead of tracking the price movements only. Such an analysis includes both quantitative analysis and qualitative analysis. The factors included in the quantitative analysis are the revenue, profits and the assets that the company realises and holds whereas the factors that includes in the qualitative analysis are the quality of the top management, the position of the company in terms of its brand image and the intellectual property that it owns. Such an assumption provides a clear insight on the competitive advantage, the business model, the growth potential of the company in the industry, the large number of customers that it has directing the potential investors to the investment decision-making, thus, boosting up the confidence of the investors that the price of the shares might rise.

(Praveen & Manoj, 2020) examined that a potential investor should have a knowledge on the market capitalisation of the company. It refers to the total net enterprise value taking the flash price of each share and the floating stock of the company in the secondary market. Based on the market capitalisation the types of stocks are divided in to three categories. The value of the market capitalisation being greater than ten crores, between two crores and ten crores and less than two crores is categorised as Large-Cap Stocks, Mid-Cap Stocks and Small-cap Stocks respectively. Such an understanding would help a potential investor to choose the right stock based on their risk appetite.

(Singh et. al., 2012) determined an awareness on the stock index number is essential for every potential investor. Index being a mere number that quantifies a specific aspect based on variables, the stock index number represents an aggregate value quantifying the group of stocks and their value based on a base value on a particular date. Such an aggregate value is subject to changes based on the change in the value of its underlying shares. It is easy to interpret and understand that usually the large-cap companies have a greater influence on the aggregate values as they hold large number of outstanding shares as compared to small-cap companies. This value can be considered as a benchmark for the investors to assess the performance level of the stocks of a particular sector, industry or company

(Bora et. al., 2021) examined the historical data of the bonus issue provides a better insight to the investors about the trading aspects of the company's stocks. If the company announces a bonus share that means an additional share as a bonus to the investor is a way of wealth accumulation. The impact of the bonus share is very crucial on the part of the stock price of a company. When the company realises that the stock price is more than a reasonable price, then it announces the issue of bonus shares. Such issues lead to a fall in the market price of a share and increases the supply of the shares in the market. This in turn makes the stocks of the company to be affordable for the small investors as well as it increases the liquidity of the shares in the market

STATEMENT OF THE PROBLEM

The country is at a fast-developing pace on one hand. On the other hand, there is a large group of potential investors. The myth that the stock market trading and speculation is risky in nature is the block that every individual has. The risk-taking attitude among people is not so high. The income of an average individual is thought to be so precious that many of them are pre-occupied in mind that investing in stock market is risky and not so rewarding.

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OBJECTIVES OF THE STUDY

- To analysis the investors efficiency towards stock market
- To test the relationship between investors efficiency and investment decision
- To examine the factors influence the investors efficiency and investment decision

NEED FOR THE STUDY

Such a myth is to be addressed to as it is a huge hindrance to the country's economy. Hence the need for creating an awareness on the various aspects that play a key role in the stock market is essential.

RESEARCH METHODOLOGY

The top-down approach, bottom-up approach, fundamental analysis, market capitalisation, stock index number and bonus issue are considered as the variables in the study to understand the awareness on stock trading and investment decision-making in the potential investors.

The Information technology sector is believed to be a high-paying sector to its employees. Hence with an intention that the employees in this sector may be able to save or invest for safeguarding their future, an effort was taken to study the awareness on stock trading among IT employees in investment decision-making. The district of Chennai was chosen for ease of collection of information for the study purpose. A well-structured questionnaire consisting of 18 items to study the variables was administered to IT employees through known persons adopting a convenience sampling method. The questionnaires received were checked for completeness and correctness. There were 120 respondents whose responses had been taken up for the study. The information thus collected was analysed by both descriptive statistics and inferential statistics. The results are discussed in the later part of the article.

DATA ANALYSIS

The below table explains the demographic profile of the respondents.

Table 1

Demographics	Category	Frequency	Percentage
Gender	Male	54	45.0
	Female	66	55.0
Age	Less than 30	55	46.0
	31 to 40	25	21.0
	41 to 50	20	16.7
	Above 50	10	8.3
Marital Status	Married	78	65.0
	Unmarried	42	35.0
Cadre of employment	Staff	63	53.0
	Executive	33	28.0
	Manager	24	20.0
Monthly Income	Less than 30,000	12	10.0
	30.001 to 40,000	25	21.0
	40,001 to 50,000	30	25.0
	Above 50,000	53	44.0
Years of experience	Less than 5	48	40.0
	5 to 10	25	21.0
	More than 10	47	39.0

Source: Primary Data

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From the above table it is seen that the respondents who had contributed to the study are greater in number in the female category (55.0%); age group of less than 30 years (46.0%); married respondents (65.0%); staff cadre (53.0%); above Rs. 50,000 as monthly income (44.0%); less than 5 years of experience (48.0%).

It is inferred that female in a family take part in an important role in the financial decision-making such as savings and investment to safeguard for the future of the family. The younger generation less than thirty years of age in the initial part of their work career would like to invest for the future as the commitments may be less. The earning of the persons in the staff cadre is comparatively less than those in the executive and the managerial cadre. Hence the savings intention may be to a moderately higher extent in them. The greater the monthly income there are chances for persons to decide on future savings and investment. The number of years of experience is an indicating factor that whenever the persons switch over to other companies the financial settlement may be an avenue for them to save or invest.

Table 2

Particular	Category	Frequency	Percentage
Motive for trading	Monthly Income	20	16.0
	Savings	68	57.0
	Investment	32	27.0
Type of trading	Day trading	77	64.0
	Speculation	43	36.0
Term of investment	Short term	88	73.0
	Long term	32	27.0

Source: Primary Data

The above table values indicate that most of the respondents are interested to trade with a motive of savings, day trading and short term of nature.

The below table explains the investment intention of the respondents.

Table 3

(Assessed by a five-point Likert Scale)

Statements	Mean	S. D.
Investing in the stock market is very risk	3.6	1.002
I would not like to develop my investing skills	2.3	.809
I am aware of the market environment	3.7	1.142
It is important to know the macroeconomic scenario	4.0	1.013
If the economic conditions are favourable, I would prefer stock trading	4.5	1.208
I prefer to invest in the company that has a potential to grow	4.0	1.110
Before investing, I compare the performance of various companies	2.4	.706
Before investing, I would prefer to know about the management	1.8	.003
I would like to understand the attributes of the company	2.5	1.101
The goodwill of the company is very important to be considered	4.3	.876
The business model is a vital aspect to know about, before investing	3.3	.703
I would prefer to know the market capitalisation rate of the company	2.4	1.204
The stock market index is a benchmark to know the company's status	1.8	1.000
The two major indices in India are BSE Sensex and NSE Nifty	3.0	.608
A company issues bonus shares is a sign of growth potential	2.8	1.100
Bonus issues leads to a fall in the company's market price of the share	2.6	.654
Bonus issue increases the supply of shares of the company	1.8	1.002
The investing skills helps to trade even in the turbulent market	3.5	1.002

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Computed Data

The mean value in the above table explains the response of the respondents. The mean value of 3 indicates an average opinion and above 3 or less than 3 indicates above average and less than average respectively. It is seen that the mean average of the respondents is average and more than average in understanding the market scenario, favourable conditions in the company. The mean value is less in the respondents regarding the financial aspects such as stock market index and market capitalisation rate.

It is understood that the awareness on stock trading and its associated aspects is less in the respondents regarding financial literacy.

The below table explains the awareness on stock trading among the categories of the demographics of the respondents (Independent Samples t-test)

Table 4

Demographics	Category	Mean value	t-value
Gender	Male	3.23	12.008**
	Female	4.01	1.006**
Marital Status	Married	4.75	13.801**
	Unmarried	4.23	10.008**

Computed Data   **Indicates significant @1% level

The above table explains the significance in the difference of opinion among the categories of the demographic group. The above table values explain that there is significant difference in opinion among the male and female respondents. In the same way there is significant difference in opinion among the married respondents and the unmarried category of respondents.

The below table explains the awareness on stock trading among the categories of the demographics of the respondents (ANOVA)

Table 5

Demographics	Category	Mean value	F-value
Age	Less than 30	4.00	11.003**
	31 to 40	3.12	8.666**
	41 to 50	3.88	15.005**
	Above 50	3.68	4.776**
Cadre of employment	Staff		16.223**
	Executive		1.885**
	Manager		13.010**
Monthly Income	Less than 30,000		8.113**
	30.001 to 40,000		22.007**
	40,001 to 50,000		3.880**
	Above 50,000		2.003**
Years of experience	Less than 5		5.668**
	5 to 10		12.000**
	More than 10		13.222**

Computed Data   **Significant @1% level

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The above table explains the significance in the difference of opinion among the categories of the demographic group. The values explain that there is significant difference in opinion among the different categories of the demographic profile of the respondents.

The below table explains the correlation between the selected variables and the investment decision-making

Table 6

Variables	Investment decision-making r-value
Top-down approach	.402**
Bottom-up approach	.440**
Fundamental analysis	.401**
Market Capitalisation rate	.320**
Stock Index number	.268**
Bonus issue	.300**

Computed Data   **Significant at 1% level

The above table values explain the significance of the selected variables correlating with a strong and positive direction towards investment decision-making for top-down approach, bottom-up approach, fundamental analysis whereas a moderate correlation is seen for the variables stock index number and bonus issue.

CONCLUSION

The truth is that though the trading aspects are risky to an extent it is on how we enhance our knowledge and analytical skills to trade in an efficient manner. An understanding of financial literacy helps an individual to save and invest in a wise manner. SEBI also takes up periodical initiative to create an awareness on trading and enhance the financial literacy among potential investors. Stock market is the mitigation of risk through the spreading of investments across multiple entities, which is achieved by the pooling number of small investments into a large bucket. Stock Market is the suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost.

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