**University of Mumbai**

**“FACTORS INFLUENCING INVESTORS IN EQUITY SHARE MARKET”**

A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Accounting and finance)

Under the Faculty of Commerce

By


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JNAN VIKAS MANDAL’S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

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# CERTIFICATE

This is to certify that **MS.Varsha Uttam Kamble** has worked and duly completed her project work for the degree of Bachelor in Commerce (Accounting and Finance) under the faculty of Commerce in the subject of Management Control and her project is entitled," **FACTORS INFLUENCING INVESTORS IN EQUITY SHARE MARKET"** under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is her own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

**Date of submission:**

# DECLARATION

I the undersigned MS **Varsha Uttam Kamble** here by, declare that the work embodied in this project work titled,” **FACTORS INFLUENCING INVESTORS IN EQUITY SHARE MARKET”** forms my own contribution to the research work carried out by me under the guidance of ASST. PROF. DR. KISHOR CHAUHAN is a result of my own research work and has been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct

**VARSHA UTTAM KAMBLE**

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**Certified by: ASST. PROF. DR. KISHOR CHAUHAN.**


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# **“FACTORS INFLUENCING INVESTORS IN EQUITY SHARE MARKET”**

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# Chapter-1


## 1.1: Meaning

**What Are Shares?**

In financial markets, a share (sometimes referred to as stock or equity) is a unit of equity ownership in the capital stock of a corporation, and can refer to units of mutual funds, limited partnerships, and real estate investment trusts.Share capital refers to all of the shares of an enterprise. The owner of shares in a company is a shareholder (or stockholder) of the corporation.

A share is an indivisible unit of capital, expressing the ownership relationship between the company and the shareholder. The denominated value of a share is its face value, and the total of the face value of issued shares represent the capital of a company, which may not reflect the market value of those shares

Shares are units of equity ownership interest in a corporation that exist as a financial asset providing for an equal distribution in any residual profits, if any are declared, in the form of dividends. Shareholders may also enjoy capital gains if the value of the company rises.

Shares represent equity stock in a firm, with the two main types of shares being common shares and preference shares As a result, "shares" and "stocks" are commonly used interchangeably.

**KEY TAKEAWAYS**

Shares represent equity ownership in a corporation or financial asset, owned by investors who exchange capital in return for these units.

Common shares enable voting rights and possible returns through price appreciation and dividends

Preferred shares do not offer price appreciation but can be redeemed at an attractive price and offer regular dividends.

Most companies have shares, but only the shares of publicly-traded companies are found on stock exchanges.

Shares are units of equity ownership interest in a corporation that exist as a financial asset providing for an equal distribution in any residual profits, if any are declared, in the form of dividends. Shares represent equity stock in a firm, with the two main types of shares being common shares and preferred Shares. A company's capital is divided into small equal units of a finite number. Each unit is known as a share. In simple terms, a share is a percentage of ownership in a company or a financial asset. Investors who hold shares of any company are known as shareholders.

A share, sometimes called a stock or security, is a unit of ownership in a company. If you buy shares in a company, you own part or a 'share' of that company. This part ownership is sometimes referred to as having equity in that company.

What are the different types of shares? Broadly, there are two-equity shares and preference shares. Equity shares: Equity shares are also referred to as ordinary shares. They are one of the most common kinds of shares.

Investing in shares means buying and keeping them for a while in order to make money.... If the company grows and becomes more valuable, the share is worth more so your investment is worth more too. Some shares pay you part of the company's profits each year, called a dividend.

**What Is Equity Share?**

Equity shares are long-term financing sources for any company.... Investors in such shares hold the right to vote, share profits and claim assets of a company. The value in case of equity shares can be expressed in various terms like par value, face value, book value and so on.

Equity, typically referred to as shareholders' equity (or owners equity for privately held companies), represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off in the case of liquidation. In the case of acquisition, it is the value of company sale minus any liabilities owed by the company not transferred with the sale

In addition, shareholder equity can represent the book value of a company. Equity can sometimes be offered as payment-in-kind. It also represents the pro-rata ownership of a company's shares.

Equity can be found on a company's balance sheet and is one of the most common pieces of data employed by analysts to assess the financial health of a company.

## KEY TAKEAWAYS

Equity represents the value that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debts were paid off.

We can also think of equity as a degree of residual ownership in a firm or asset after subtracting all debts associated with that asset.

Equity represents the shareholders' stake in the company, identified on a company's balance sheet.

The calculation of equity is a company's total assets minus its total liabilities, and is used in several key financial ratios such as ROE.

Formula and Calculation for Shareholder Equity

The following formula and calculation can be used to determine the equity of a firm, which is derived from the accounting equation:

Shareholders Equity-Total Assets-Total Liabilities

This information can be found on the balance sheet, where these four steps should be followed:

1. Locate the company's total assets on the balance sheet for the period.
2. Locate total liabilities, which should be listed separately on the balance sheet.
3. Subtract total liabilities from total assets to arrive at shareholder equity.
4. Note that total assets will equal the sum of liabilities and total equity.

Shareholder equity can also be expressed as a company's share capital and retained earnings less the value of treasury shares. This method, however, is less common. Though both methods yield the same figure, the use of total assets and total liabilities is more illustrative of a company's financial health.

Equity sharing sounds like a simple form of shared ownership. Investor and occupier each contribute to the down payment, occupier lives in the home, keeps it up, and makes the monthly payments, and the parties share the home appreciation.

Equity is anything that is invested in the company by its owner or the sum of the total assets minus the sum of the total liabilities of the company. E.g., Common stock, additional paid-in capital, preferred stock, retained earnings and the accumulated other comprehensive income

## Understanding Shareholder Equity

By comparing concrete numbers reflecting everything the company owns and everything it owes, the "assets-minus-liabilities" shareholder equity equation paints a clear picture of a company's finances, which can be easily interpreted by investors and analysts. Equity is used as capital raised by a company, which is then used to purchase assets, invest in projects, and fund operations.

A firm typically can raise capital by issuing debt (in the form of a loan or via bonds). or equity (by selling stock). Investors typically seek out equity investments as it provides greater opportunity to share in the profits and growth of a firm.

Equity is important because it represents the value of an investor's stake in a company. represented by their proportion of the company's shares. Owning stock in a company gives shareholders the potential for capital gains as well as dividends. Owning equity will also give shareholders the right to vote on corporate actions and in any elections for the board of directors. These equity ownership benefits promote shareholders' ongoing interest in the company.

Shareholder equity can be either negative or positive. If positive, the company has enough assets to cover its liabilities. If negative, the company's liabilities exceed its assets; if prolonged, this is considered balance sheet insolvency.

Typically, investors view companies with negative shareholder equity as risky or unsafe investments. Shareholder equity alone is not a definitive indicator of a company's financial health, used in conjunction with other tools and metrics, the investor can accurately analyze the health of an organization.

## Components of Shareholder Equity

Retained earnings are part of shareholder equity and are the percentage of net earnings that were not paid to shareholders as dividends. Think of retained earnings as savings since it represents a cumulative total of profits that have been saved and put aside or retained for future use. Retained earnings grow larger over time as the company continues to reinvest a portion of its income.

At some point, the amount of accumulated retained earnings can exceed the amount of equity capital contributed by stockholders. Retained earnings are usually the largest component of stockholders equity for companies that have been operating for many years.

Treasury shares or stock (not to be confused with U.S. Treasury bills) represent stock that the company has bought back from existing shareholders. Companies may do a repurchase when management cannot deploy all the available equity capital in ways that might deliver the best returns. Shares bought back by companies become treasury shares, and their dollar value is noted in an account called treasury stock, a contra account to the accounts of investor capital and retained earnings. Companies can reissue treasury shares back to stockholders when companies need to raise money.

Many view stockholders' equity as representing a company's net assets its net value, so to speak, would be the amount shareholders would receive if the company liquidated all its assets and repaid all its debts.

Example of Shareholder Equity

Using a historical example, below is a portion of Exxon Mobil Corporation's (XOM) balance sheet as of September 30, 2018:

Total assets were $354,628 (highlighted in green).

Total liabilities were $157,797 (1$^{st}$ highlighted red area).

Total equity was $196,831 (2nd highlighted red area).

The accounting equation whereby assets liabilities shareholder equity is calculated as follows:

Shareholder equity $354,628, (total assets) - $157,797 (total liabilities) = $196,831.

## 1.2 History

A stock exchange is "a body of individuals, whether incorporated or not, constituted for the purpose of regulating or controlling the business of buying, selling or dealing in securities."

"Securities refers to shares, bonds, scrip, stocks, debentures stock, and other marketable securities of incorporated companies or similar, government securities, and rights or interest in securities."

In India, the share market is a term used to refer to the two major stock exchanges in the country Bombay Stock Exchange (BSE), and the National Stock Exchange of India (NSE). There are also 22 regional stock exchanges.

History of Indian Share Market

The Indian stock market traces its history back to the late 18th century when the trading floor was under the shade of a sprawling banyan tree opposite the Town Hall in Mumbai. A few people would meet under this tree to informally trade in cotton. This was mainly due to the fact that Mumbai was a busy trading port and essential commodities were traded here often.

The Companies Act was introduced in 1850 following which investors started showing an interest in corporate securities. The concept of limited liability also put in an appearance around this time.

By 1875, an organization known as 'The Native Share and Stock Broker's Association came into being. This was the predecessor of the BSE

In 1894, the Ahmedabad Stock Exchange came into being primarily with the objective of enabling dealing in the shares of textile mills in the city.

The Calcutta Stock Exchange was formed in 1908 with the intention of facilitating a market for shares of plantations and jute mills

It was in 1920 that the Madras Stock Exchange took shape.

In 1957, the BSE was the first stock exchange to be recognized by the Government of India under the Securities Contracts Regulation Act.

The SENSEX was launched in 1986 followed by the BSE National Index in 1989.

The Securities and Exchange Board of India (SEBI) was constituted in 1988 to monitor and regulate the securities industry and stock exchanges. In 1992 it became an autonomous body with completely independent powers.

In 1992, the NSE was formed as the first demutualised electronic exchange in the country with the intention of ensuring transparency in the markets.

NSE began operations in the Wholesale Debt Market (WDM) segment in 1994, the equities segment in 1994, and the derivatives segment in 2000.

It was in 1995 that the BSE made the switch to an electronic system of trading from the open- floor system.

In 2015, SEBI was merged with the Forward Markets Commission (FMC) with the aim of strengthening regulation of the commodities market, facilitating domestic and foreign institutional participation, and launch of new products.

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Current Day State Of Affairs:

Today, the BSE is measured as the world's 11th largest stock exchange and the market capitalization is likely to be around $1.7 trillion. The market capitalization of the NSE is estimated to be over $1.65 trillion.

Over 5,000 companies are listed on the BSE and 1,500 figure on the NSE. In terms of share trading volumes, still, both the exchanges are on parity. Nowadays people are able to conduct online trading sitting in the comfort of their home. Facilities such as zero brokerage demat and live updates are all available with the help of internet.

## 1.3: Importance of Equity Share Market

Equity markets play an important role in a market-based economy. They provide capital raising. liquidity, and investment options.

These important functions allow our economy to grow continuously, and they are the hallmark of capitalism.

### 1. Capital Raising

Equity markets facilitate the raising of equity capital. This is important for entrepreneurs who

have a business idea but do not have the capital on-hand to start the business themselves, Banks are debt investors who are unlikely to provide a loan to these businesses without collateral or an abnormally high return. Therefore, it is effective for these entrepreneurs to give up a stake in their business in exchange for the capital provided.

Equity markets allow these businesses to access the deepest pools of capital since they do not have to seek out individual investors the investors are brought to them through the network of investment banks and financial exchanges.

### 2. Liquidity

Equity markets also provide liquidity for the markets. Liquidity refers to the ease of which an. asset can be turned into cash. For example, checking accounts are the most liquid, and a painting will be illiquid.

Since equity markets are a centralized hub for buyers and sellers, it is easy to find someone who is willing to buy or sell your equity securities, and you can readily convert your securities to cash

Equity markets are powerful pricing mechanisms since they reflect the immediate underlying supply and demand from millions of buyers and sellers across the globe. High demand and increased buying activity for stocks cause prices to rise, while low demand and increased selling activity for stocks cause prices to decline.

## 3. Investment Options

Equity markets provide a slew of investment options for investors. Investors can customize their risk profile and get exposure to different companies and industries by having the option to pick different equity securities.

Equity markets also provide the main alternative to debt investments, which is beneficial for investors with higher risk tolerance.

## 1.4: Features

1. Redeeming Capital: Those who have purchased equity shares from a company can only make a claim on the company's value in case of a liquidation event, and that too only after all liabilities have been paid off. The only other way to get a return on investment on equities is to receive dividends, and trade the share when it's value moves above your purchase price.

2. Voting rights: When an individual purchases equity shares from a company, they become a partial owner with the right to vote at company meetings. Given that most people are buying equities of publicly listed companies with a highly fragmented shareholder base, it is usually left to the Board of Directors to handle as they are the appointed representatives of the shareholders of a company.

3. Limited liability: Ordinary shareholders of a company are not impacted directly by the losses of a company in that they are not responsible for debt obligations and other financial troubles brought by a period of losses. The only impact they will feel is in the depreciation of the value of the shares they hold, which would impact their net worth and their profit-turning prospects

4. No Maturity Period: Equity shares are irredeemable in nature, which means they have no maturity period. They cannot be redeemed during the lifetime of the business.

5. Right to control: Since equity shareholders are the real owner of the company they have control over management and have a right to make decisions regarding business operations.

6. Transferable: Equity shares are transferable in nature they can be transferred from one person. to another person with or without consideration.

7. Claim on Assets: In case of winding up of a company, equity shareholders have the right to claim on assets. This right is only available to equity shareholders.

8. Claim on Income: After paying a fixed rate of dividend to preference shareholders, equity shareholders have the right over company profits.

9. Pre-emptive right: Equity investor pre-emptive rights. The pre-emptive right is that the right of the prevailing shareholders, it's each by the corporate within the initial chance to buy extra equity shares in proportion to their current holding capability.

**1.5. Types & Prices**


Equity share is a main source of finance for any company giving investors rights to vote, share profits and claim on assets. Various types of equity share capital are authorized, issued, subscribed, paid up, rights, bonus, sweat equity etc. The expression of the value of equity shares are in terms of face value or par value, issue price, book value, market value, intrinsic value, stock market value etc.

Based on the definition, types of equity shares are

**Bonus shares**

As the name might suggest, bonus shares are those stocks that companies issue to the existing shareholders sans any additional charge. Through the issuance of bonus shares, companies can convert their retained earnings into stocks. Usually, companies provide these bonus shares to

shareholders instead of paying out dividends. Furthermore, organisations issue bonus shares on a pro-rata basis. So, if Mr. Amit holds 200 shares of Hindustan Unilever Ltd and the company announces its decision to issue 1:4 as a bonus, then he will receive 50 additional shares for free.

**Authorised share capital**

Every public limited company needs to mention an authorised share capital amount in its Memorandum of Association. Such amount is the extent of capital that a company can raise by issuing equity shares. However, companies can increase the authorised share capital amount through a host of legalities.

**Issued share capital**

It denotes the nominal value of all shares that a company has issued. For instance, if the nominal value of one stock is RS. 100 and a company has issued 20,000 such shares, then its issued share capital will be Rs. 20 lakh.

**Subscribed share capital**

It refers to that part of issued capital to which investors have subscribed. Referring to the above example, in case investors have purchased 15,000 shares of that company, then its subscribed capital would be Rs. 15 lakh. If investors buy all the stocks that a company has issued, then issued and subscribed equity shall be the same.

**Paid-up capital**

The amount of money investors pay against its holdings of a company's stock is its paid-up capital. Usually, shareholders pay the entire amount at one go, and therefore, subscribed and paid-up equity refer to a single amount. Furthermore, if a stock is trading at a premium, then that excess amount is accounted as shares premium.

Based on returns, equity shares and its types can be classified as-

**Dividend stocks**

It typically refers to stocks of those companies that pay dividends regularly. These organisations are usually well-established with steady net incomes. Therefore, dividend stocks are an ideal investment avenue for risk-averse investors

**Growth stocks**

Growth stocks are associated with those organisations that will most likely grow at an exceptional rate, trumping the average pace. These companies do not pay dividends usually, but instead, their equity shares provide staggering capital gains to investors. These types of equity shares are suitable for investors with a high-risk aptitude.

**Value stocks**

These are shares that trade at a price lower than its intrinsic value. Thence, these types of shares are primarily suitable for value investors who anticipate the market to quickly catch up, resulting in a share price appreciation of such stocks.

Various Prices of Equity Shares

Par or Face Value

**Par or face value is the value of shares which we record in the books of accounts.**

**Issue Price**

This price is the price which a company actually offers to the investors. Normally, the issue price and face value of a share are the same in the case of new companies.

Share/Security Premium and Share at Discount

When issuance of shares is at a price higher than face value, we shall call this excess amount to be premium. Contrary to it, when the issuance of shares is at a price lower than face value, we shall call this deficit amount to be discount.

**Book Value**

The calculation of the book value will be:

Paid up Capital + Reserves and Surplus-Any Loss/The total number of equity shares of the company

This is the balance sheet value of shares. This is an important value in the case of Mergers and Acquisition.

Market Value

In the case of companies listed on stock exchanges, the market value of the share is the price at which they are currently sold in the market. It is also called stock market value. It may happen that stock market value and value as per fundamental principles differ. Because there are a number of sentiments that affect the stock market value.

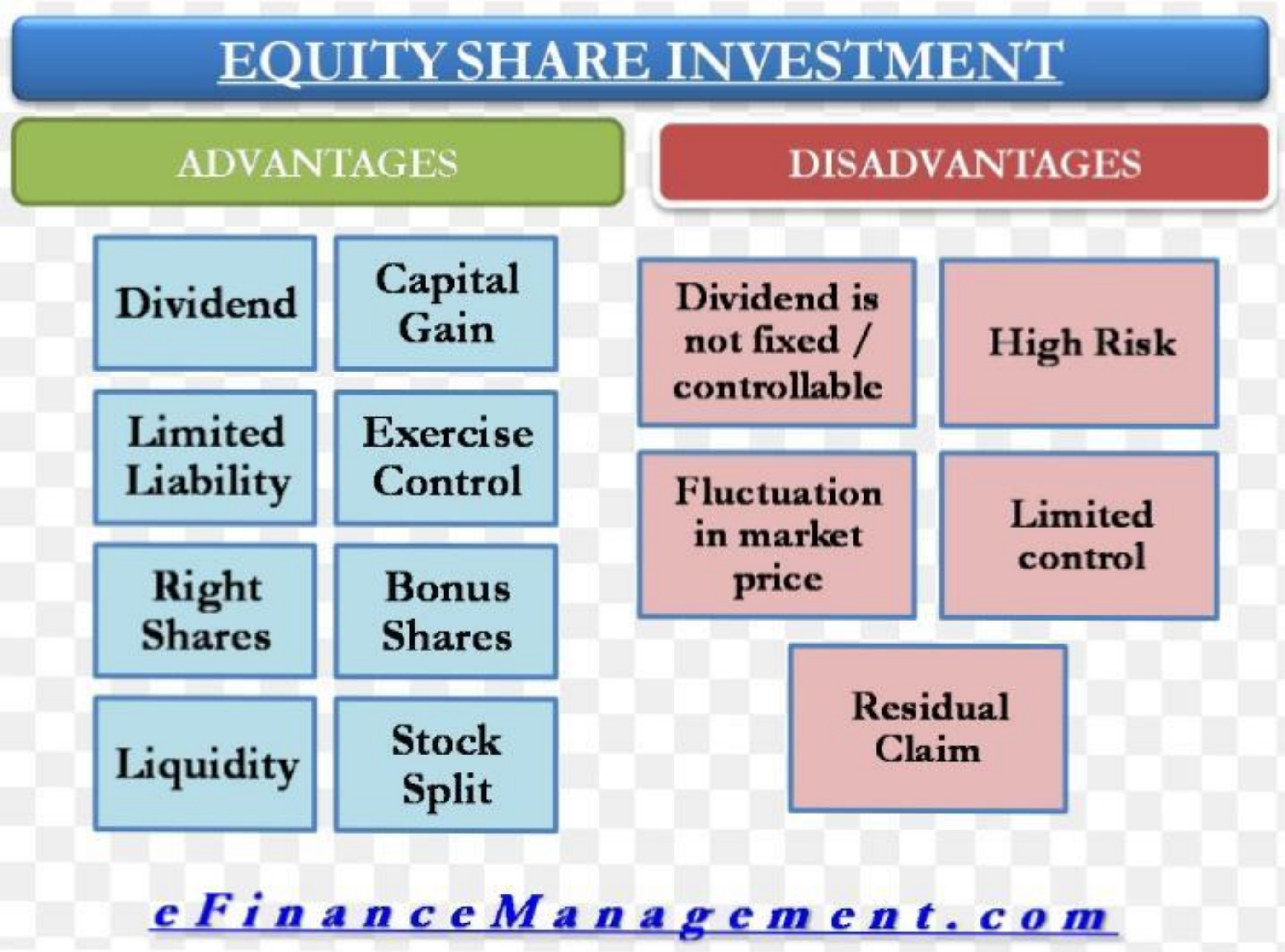
**Fundamental Value**

The number of times the fundamental value of the security is calculated for the purpose of the Merger or valuation. Its calculation is as per (1) Dividend Discount Model (ii) Price Earning Ratio Method (iii) Earning Capitalization Method (iii) Chop Shop method.

Investing and Financing Angle of Equity Shares

When talking about equity shares, there are two angles. One investor angle wherein the investor invests in equity shares and second financing angle where a company accepts the finance in the form of equity. There are pros and cons of both of these as described below.

## 1.6. Advantages & Disadvantages in Investment in Equity Share capital




### Advantages

#### Dividend

An investor is entitled to receive a dividend from the company. It is one of the two main sources of return on his investment.

#### Capital Gain

The other source of return on investment apart from dividend is the capital gains, Gains which arise due to rise in market price of the share.

#### Limited liability

Liability of shareholder or investor is limited to the extent of the investment made. If the company goes into losses, the share of loss over and above the capital investment would not be borne by the investor.

**Exercise control**

By investing in the company, the shareholder gets ownership in the company and thereby he can exercise control. In official terms, he gets voting rights in the company.

**Claim over Assets and Income**

An investor of equity share is the owner of the company and so is the owner of the assets of that. company. He enjoys a share of the incomes of the company. He will receive some part of that income in cash in the form of dividend and remaining capital is reinvested in the company.

**Rights Shares**

Whenever companies require further capital for expansion etc, they tend to issue 'rights shares". By issuing such shares, ownership and control of existing shareholder are preserved and the investor receives investment priority over other general investors. Right Shares are issued at a price lower than current market price of the equity share. So, existing investor can take that advantage or otherwise can renounce right in some one's favour to get value of right.

**Bonus Shares**

At times, companies decide to issue bonus shares to its shareholders. It is also a type of dividend. Bonus shares are free shares given to existing shareholders and many times they are given in lieu of dividends.

**Liquidity**

The shares of the company which is listed on stock exchanges have the benefit of any time liquidity. The shares can very easily transfer ownership.

**Stock Split**

Stock spilt means splitting a share into parts. How should an investor be benefited by this? By splitting of share, the per-share price reduces in the market which eventually increases the readability of share. At the end, stock split results in higher volumes with a number of investors leading to high liquidity of the share

.

**Tax Benefits**

It is one of the major advantages of Equity Shares. If there's a larger yield on equity shares from an increase in capital gains then the taxes are charged at a lower rate than the incomes.

**Disadvantages**

**Dividend**

The dividend which a shareholder receives is neither fixed nor controllable by investor. The management of the company decides how much dividend should be given. If there is a loss, there is no question of dividend. If there is a profit, unless Board of Directors propose dividend, investors will not receive dividend.

**High Risk**

Equity share investment is a risky investment as compared to any other investment like debts etc. The money is invested based on the faith an investor has in the company. There is no collateral security attached with it.

**Fluctuation in Market Price**

The market price of any equity share has a wide variation. It is always very difficult to book profits from the market. On the contrary, there are equal chances of losses.

**Limited Control**

An equity investor is a small investor in the company, therefore, it is hardly possible to impact the decision of the company using the voting rights.

Residual Claim

An equity shareholder has a residual claim over both the assets and the income. Income which is available to equity shareholders is after the payment of all other stakeholders' viz. debenture holders etc.

## 1.7. Factors Affecting Investors in Investing in Equity Shares

Factors affecting investment

Investment is expenditure on capital goods for example, new machines, offices, new technology. Investment is a component of Aggregate Demand (AD) and also influences the capital stock and productive capacity of the economy (long-run aggregate supply)

Summary-Investment levels are influenced by:

1. Interest rates (the cost of borrowing)

2. Economic growth (changes in demand)

3. Confidence/expectations

4. Technological developments (productivity of capital)

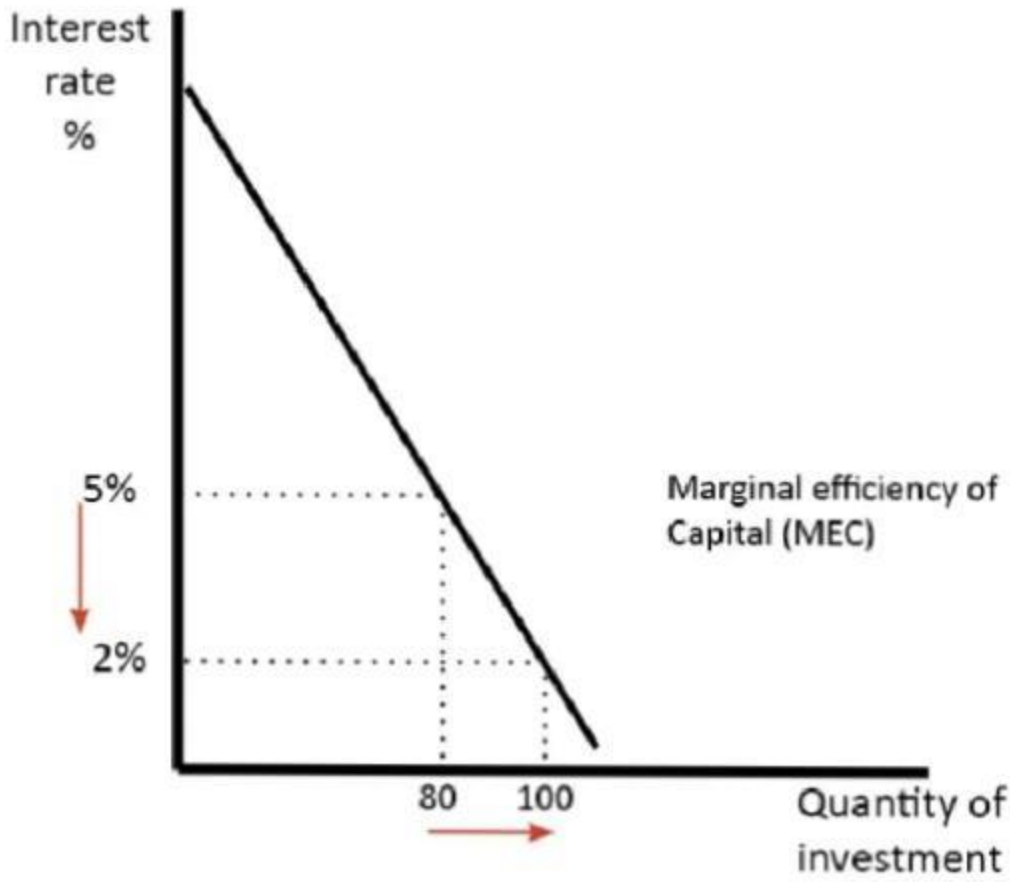
5. Availability of finance from banks.

6. Others (depreciation, wage costs, inflation, government policy

Main factors influencing investment by firms

**1. Interest rates:**

Investment is financed either out of current savings or by borrowing. Therefore investment is strongly influenced by interest rates. High interest rates make it more expensive to borrow. High interest rates also give a better rate of return from keeping money in the bank. With higher interest rates, investment has a higher opportunity cost because you lose out the interest payments.



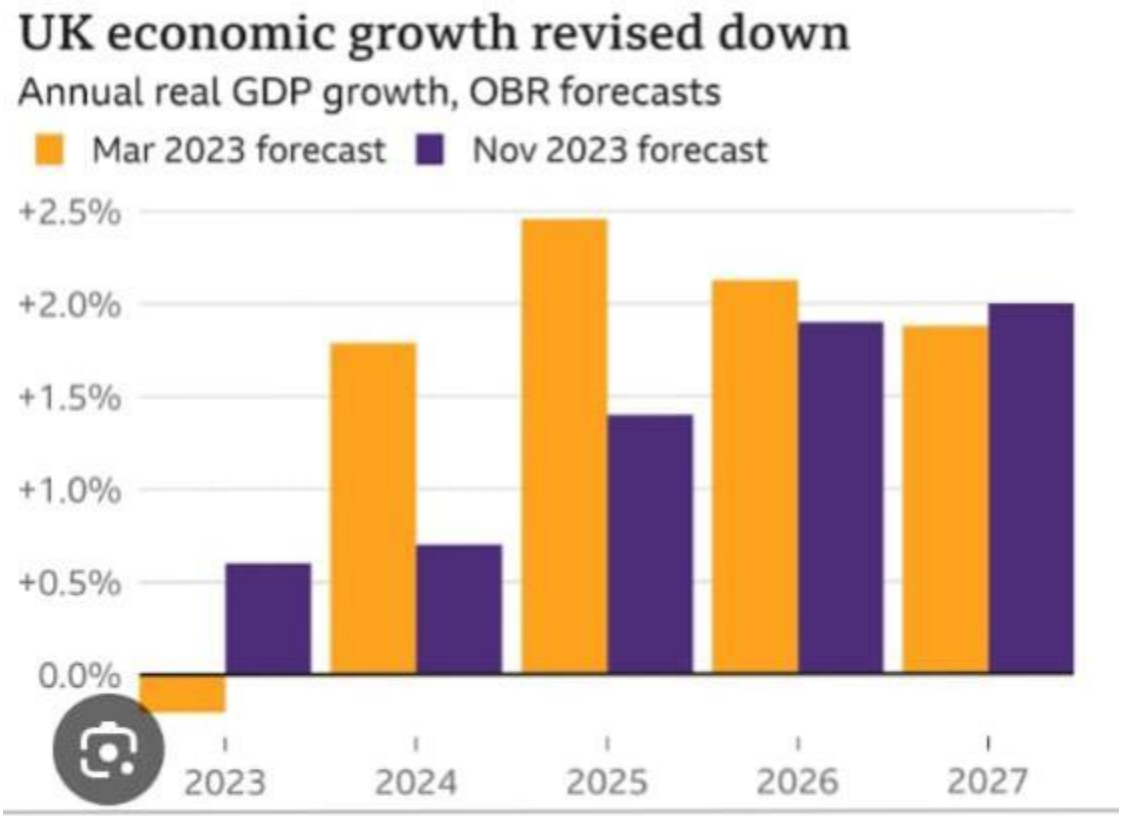

The marginal efficiency of capital states that for investment to be worthwhile, it needs to give a higher rate of return than the interest rate. If interest rates are 5%, an investment project needs to give a rate of return of at least 5% or more. As interest rates rise, fewer investment projects will be profitable. If interest rates are cut, then more investment projects will be worthwhile.

Evaluation

Time lags. If a firm has started an investment project, a rise in interest rates will be unlikely to change the decision. The firm will continue to finish the investment. However, it will make them think twice about future investment projects. Therefore changes in interest rates can take time to have an effect,

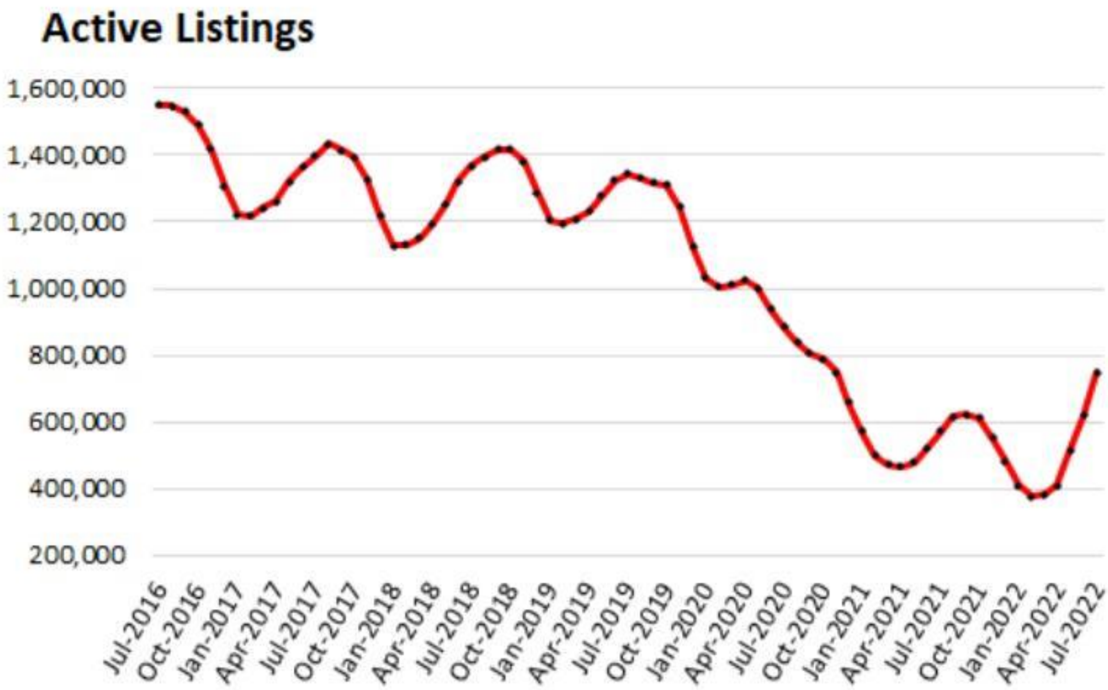
Other factors. Interest rates can be outweighed by economic conditions. For example, in 2009, interest rates were cut from 5% to 0.5%- but investment fell because of the deep recession and the unwillingness of the banks to lend. It was cheap to borrow, but in these circumstances, this wasn't enough to encourage investment.

**2. Economic growth.**




Firms invest to meet future demand. If demand is falling, then firms will cut back on investment. If economic prospects improve, then firms will increase investment as they expect future demand to rise.

There is strong empirical evidence that investment is cyclical. In a recession, investment falls, and recover with economic growth.




Accelerator theory the accelerator theory states that investment depends on the rate of change of economic growth. In other words, if the rate of economic growth increases from 1.5% a year to 2.5% a year, then this increase in the growth rate will cause an increase in investment spending as the economy is on an up-turn. The accelerator theory states that investment is highly dependent on the economic cycle.

**3. Confidence**

Investment is riskier than saving. Firms will only invest if they are confident about future costs, demand and economic prospects. Keynes referred to the "animal spirits of businessmen as a key determinant of investment. Keynes noted that confidence wasn't always rational. Confidence will be affected by economic growth and interest rates, but also the general economic and political climate. If there is uncertainty (e.g. political turmoil) then firms may cut back on investment decisions as they wait to see how event unfold. Evaluation Confidence is often driven by economic growth and changes in the rate of economic growth. It is another factor that makes investment cyclical in nature.

**4. Inflation**.

In the long-term, inflation rates can have an influence on investment. High and variable inflation tends to create more uncertainty and confusion, with uncertainties over the future cost of investment. If inflation is high and volatile, firms will be uncertain at the final cost of the investment, they may also fear high inflation could lead to economic uncertainty and future downturn. Countries with a prolonged period of low and stable inflation have often experienced higher rates of investment.

Evaluation if low inflation is caused by a fall in demand and economic growth-then this low inflation will not, of itself, be sufficient to boost investment. The ideal is low inflationary and sustainable growth.

**5. Productivity of capital**

Long-term changes in technology can influence the attractiveness of investment. In the late nineteenth century, new technology such as Bessemer steel and improved steam engines meant firms had a strong incentive to invest in this new technology because it was much more efficient than previous technology. If there is a slowdown in the rate of technological progress, firms will cut back investment as there are lower returns on the investment.

**6. Availability of finance**

In the credit crunch of 2008, many banks were short of liquidity so had to cut back lending. Banks were very reluctant to lend to firms for investment. Therefore despite record low-interest

rates, firms were unable to borrow for investment-despite firms wishing to do that.

Another factor that can influence investment in the long-term is the level of savings. A high level of savings enables more resources to be used for investment. With high deposits banks are able

to lend more out. If the level of savings in the economy falls, then it limits the amounts of funds that can be channelled into investment..

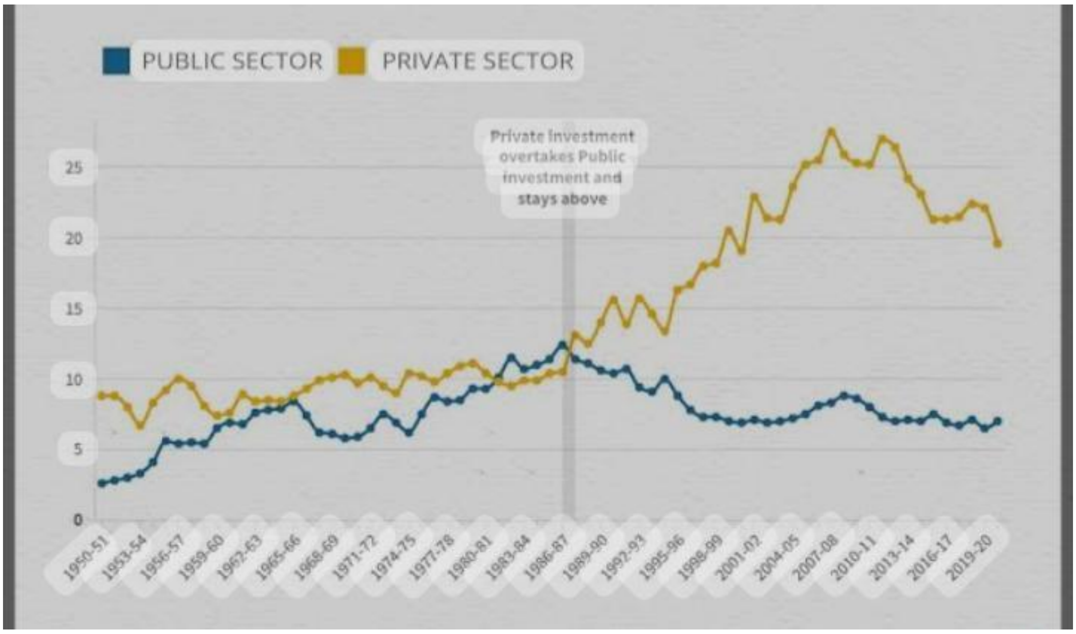
**7. Wage costs**

If wage costs are rising rapidly, it may create an incentive for a firm to try and boost labour productivity, through investing in capital stock. In a period of low wage growth, firms may be more inclined to use more labour-intensive production methods.

**8. Depreciation**

Not all investment is driven by the economic cycle. Some investment is necessary to replace worn out or outdated equipment. Also, investment may be required for the standard growth of a firm. In a recession, investment will fall sharply, but not completely firms may continue with projects already started, and after a time, they may have to invest in less ambitious projects. Also, even in recessions, some firms may wish to invest or start-up

**9. Public sector investment**




The majority of investment is driven by the private sector. But, investment also includes public sector investment government spending on infrastructure, schools, hospitals and transport.

**10. Government policies**

Some government regulations can make investment more difficult. For example, strict planning legislation can discourage investment. On the other hand, government subsidies/tax breaks can encourage investment. In China and Korea, the government has often implicitly guaranteed supported the cost of investment. This has led to greater investment though it can also affect the quality of investment as there is less incentive to make sure the investment has a strong rate of return.

**11. Earnings Per Share**

This is the company's net profit for any fiscal year after it has paid all of its taxes, interest and preference dividend. The higher the Earnings Per Share the more the dividend that will be paid. It is calculated from literatures as: Earnings Per Share Net profit after Tax - Preference Dividend The previous studies revealed a positive linear relationship between earning per share and market stock price. The higher the earning per share, higher will the market price.

**12. Price Earnings Ratio**

It is the ratio of current share price to the current earnings per share. Price-earnings ratio indicates the extent to which the earnings of each share are covered by its price. Campbell and Shiller (1988) found that price-earnings ratio contributes significantly to the explanation of long- term stock price variation. Literatures depict a significant relationship between equity share price and price-earnings ratio.

**13. Dividend**

Dividend is the portion of the profit after tax, which is distributed to the shareholders for their investment bearing risk in the company. Dividend pay out policy is the firm's decision of whether, how and when to distribute cash to the stockholders. Dividend provides cash flows to the shareholders as well as information about the firm's current and future financial performance. The dividends generally influence the share price in a positive direction as shown by earlier empirical works.

**14. Dividend Per Share**

It is calculated from literatures as: total amount of dividend paid to the shareholders/ Number of outstanding shares

Prior literatures depicted a positive signification relationship between dividend per share and market stock discovered a negative significant relationship between dividend per share and market stock price of Manufacturing. Pharmaceutical, Energy, and Infrastructure Company.

## 1.8. Technical Analysis of Stocks

Technical analysis of stocks is the study of the historical data of stocks, including volume and price. The aim of technical analysis is to use past behaviour of the stock to predict the future price.

In a volatile equity market, every investor wants to use the best method to analyze the stocks. Technical analysis is generally used to capture the markets up and downs in coming one or two weeks. It is the analysis of short-period price prediction.

### TECHNICAL ANALYSIS OF STOCKS INDIA

Method of analysis is mainly associated with equity but can be used for some different types of securities also.

In other words, Technical analysis means predicting the behaviour of the stock price by looking at the previous trends of price and volumes by using their charts and other technical indicators. It is generally used by short-term traders who want to make quick money by observing patterns in stock prices.

They do not concern themselves with the overall health of a company and are not interested in knowing the fundamentals of the company before investing in it.

Historically, technical analysis evolved from the theories of Charles Henry Dow, who is known as the Father of Technical Analysis.

Behind this whole concept, there are three Dow's theories which serve as the basic assumptions behind technical analysis.

## TECHNICAL ANALYSIS VIS FUNDAMENTAL AMNALYSIS

Fundamental analysis of stocks focuses on a company's financials, management, economic policies etc. to do an analysis. With a change in numbers of financial, future stock price prediction changes. It is the most common method used by market participants to analyze a stock.

On the other hand, the Technical analysis of stocks focuses on past price chart patterns and predicts the future price of the stock.

Both fundamental and technical analysis is used for future price prediction of stocks but takes different data into account for analysis.

## TECHNICAL ANALYSIS OF STOCKS ASSUMPTIONS

While you delve into the depths of stock market analysis, there is a set of few assumptions that you need to consider, otherwise, you may just end up getting confused and placing loss-making trades.

Here is a quick look of such assumptions using in technical analysis of stocks:

### 1.Stocks price already reflects all known and unknown in public domain:

As per this theory, all the factors that can have an impact on the stock prices have already been. discounted in the current stock price. Therefore, it is safe to assume that the current stock price is of fair value. It is neither under-priced nor overpriced.

### 2. Prediction of Price Movement is Possible:

This underlying assumption means that the price movements of any stock can be charted and predicted. Although there are some random movements, however, the stock market is also full of identifiable tends which, if spotted, can make huge gains for the traders. The whole theory of technical analysis revolves around "Trends".

**3. History Repeats Itself:**

This one seems quite obvious after reading the first two assumptions. Technical analysts believe that people react to price movements in remarkably similar ways.

For example: In bull markets India, traders want to earn more and more and thus, keep on buying despite high prices.

Now you must be wondering about what a Bull Market is? No worries, click here to read in detail about the Bull Market.

Similarly, in bearish markets, people have negative sentiments and focus on selling even though. the prices at that time are quite low..

Now, let us discuss the ways in which the activity of prices is captured on a daily basis to observe trends. There are four prices that are recorded during the day:

**Open**: This is the first price at which a trade gets executed when markets open in the morning.

**High**: This is the highest price at which a trade could be executed during the trading day.

**Low:** This is the lowest price at which a trade could be executed during the trading day.

Close: This is the last price at which the markets got closed. This is an important indicator of whether the day had been bullish or bearish. If the open price is lower than the close price, the day is considered to be a positive day and if the close price is lower than the open price, the day is considered to be a negative one.

## How to do Technical Analysis of Stocks

Following are twelve important steps of technical analysis of stocks to understand Dow's theories of technical analysis 3. History Repeats Itself:

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How to do Technical **Analysis of Stocks**

**Following are twelve important steps of technical analysis of stocks to understand Dow's theories of technical analysis.**

Dow's theory is Charles Henry Dow's theory, who is the founder and co-founder of the wall street Journal and Dow Jones and company respectively. Three of Dow's investment theories are a good guide to technical analysts.

This might look a bit repetitive with the above section but there is a little change in the overall drift. Following are the theories which explain how technical analysts use them:

**1. THE STOCK MARKET REFLECTS ALL KNOWNINFORMATION**

According to the first theory; the stock market reflects all known information. Known information refers to all those information which are available by any means publicly. Technical analysts don't take any financial information into account for analysis.

They don't relate themselves to the price-to-earnings ratio (P/E), Return on equity ratio, shareholder equity or any other ratio like fundamental analysts.

**2. PRICE MOVEMENT CAN BE PREDICTED:**

According to this theory, the price movement of stocks can be predicted and charted. Everyone knows Price moves randomly and there is not a fixed pattern. But as per theory, this case is not always, price movement repeats itself sometimes or moves in a known trend.

Once you understand the trend, it's quite possible to make money, You can go with the strategy of buying at a low price and selling at a high price. Also, you can make good positions for future trading.

**3. HISTORY REPEATS ITSELF**

This theory tells that the history of stock market repeats itself. Means investors and market players react in the same way as they reacted in the past because of the same situation, news or company announcements.

So, Technical analysts use their knowledge of how trader reacted in the past and what was the effect on the stock.

**4. FOCUS ON A SHORT PERIOD**

Technical analysis of stock focuses on short period of time like as long as one month and shortest of one minute also. As the purpose of the fundamental analysis is an investment for long-term, but in technical analysis, the focus is for a short period.

If you want to make money in a short period or buying and selling repetitively then this method of analysis best suits you.

**5. USE CHARTS AND GRAPHS FOR STOCK PRICETRENDS:**

Technical analysis of stocks uses charts and graphs to read spot price trends. A chart tells you a lot about the trend of price movement.

Where the current price of a stock is heading can be easily predictable through charts. Trends can be classified on the basis of duration and types.

**6.UPTREND**

The upward movement is known as an uptrend. Everyday stock price moves towards a new high and then falls to low as they did previously. You must know that this upward movement at its high is not life time high, but it could be high of last day, week or month.

This steady high and low price reflects that the market is positive about the stock. It is an indication that one can buy this stock as this is on an upward trend. So, every time when a stock falls, investors take it as a chance to buy. They don't wait for the price to fall further.

**7. DOWNTRENDS**

Downtrend refers to a pattern, where stock price falls continuously. You can notice not only peaks are lower but troughs are also lower.

It means market players are convinced that the stock price will fall further. So, investors wait to a little rise in the price to sell their existing positions. At this point in fall, investors never prefer to buy further because of its downward trend.

If you are short term investor then it will be a loss-making position for you, but if you are a long- term investor you may wait for a little more price fall.

**8. HORIZONTAL TRENDS/SIDEWAYS**

A horizontal trend is a trend in which there is no fixed trend. Only peak sand troughs are constant. But, you can't decide where to buy or sell a stock.

**9. SUPPORT AND RESISTANCE**

Support and resistance are two concepts of price movement in technical analysis of stocks. Price. of stock stops and reverses at a certain predetermined price level.

Support is a price level where a downward trend of price movement is expected to stop. At this point, the price of the stock falls and demand of the stock increases which forms a support line.

Resistance refers to the highest price of a stock where it reaches before traders start selling and stock price to fall again.

Once the area of support and resistance is identified, trading will be easier for you. As if the price reaches any of these points, there are two possibilities. First, it may beak that level and go upward or downward. And, second bounce back away from any of two levels.

## 10. ATTENTION TO THE TRADE VOLUME

While performing technical analysis of stocks, if you want to be confident about the trend of the stock price, volume of trades must be watched. You can get much information about what is actually happing in the market through trading volume. If the volume increases with the increase in the price of the stock, the trend is probably valid. And, if the volume of trade increases slightly, probably it is due to the reverse trend.

## 11. USE OF MOVING AVERAGE TECHNIQUE FORREMOVING MINOR PRICE FLUCTUATION

Moving average is a technique to get an idea of a set of a trend. It is useful for forecasting of long-term investment. This method remove sun necessary highs and lows to make overall trend visible clearly. There are many methods for moving average.

Such as Simple moving average, weighted average and exponential moving average.

## 12. USE OF INDICATORS AND OSCILLATORS

Indicator is a calculation of technical analysis which supports the trend of information of price movement. It helps you to come to your decision to buy and sell. Leading indicator is useful during a horizontal trend when the movement of the stock is not fixed.

## 1.9. Types of Equity Investment. Advantages & Disadvantages of Equity Investment:

### What are Equity Investments?

Equity investments are nothing but buying into the stocks and shares of companies. Retail, as well as institutional investors, invest into equity for a number of reasons. The most common among them is to harness the sharp price rise in a short period of time categorizing such investments. Equity represents the own funds of the company. Therefore, the investor becomes a direct party to all profits and losses of the company proportionately. Another reason, why equity investments are so popular, is because of the magnitude of return it provides. The next best alternative an investor has is to count on the interest generated by the savings account or invest into bonds and similar instruments. These are a highly passive form of investments. It is almost impossible to accumulate wealth with such options.

In such a scenario, equity investments provide the necessary aggression required to fast-track the process of income generation. The icing on the cake is also the fact that equity investments can be tailored to suit the risk appetite of investors individually.

### Types

#### Individual Stocks

Investors can park their funds into one or more stocks depending on their preference. This form of equity investment can be ventured into independently and complete control over own funds is retained. No involvement from any fund managers or analysts is required.

The trade can be executed by the investor himself. The decision regarding the stocks to pick may be at the investor's own discretion. Alternatively, guidance can also be sought from various sources such as trade shows and expert recommendations.

**Equity Funds**

Equity funds are a variation of mutual funds whereby the majority of the funds are invested into stocks and shares of companies. These funds are basically a pool of several equity stocks. They are aggregated and units of the fund are then sold to the investors. Consequently, an investor is able to enjoy the benefits of diversification and cover a wider base of equity investments. This would not be possible in an individual capacity by the investor. An equity fund can further be classified into numerous branches. Some of them are elaborated here below

**Active & Passive Funds**

Passive funds seek to replicate the index while active funds are very aggressive. The fund manager has to actively keep on altering the contents of the portfolio to ensure a return higher than the benchmark.

**Growth, Income & Hybrid Funds**

Growth funds invest into stocks with high capital appreciation potential. Income funds generally invest into large cap companies which are relatively stable and pay dividends on a regular basis. However, investors who prefer the best of both worlds can also opt for a hybrid fund. The fund managers here strive to provide reasonable appreciation while maintaining a constant stream of income.

**Market Capitalization**

These equity funds segregate their holdings on the basis of sectors. However, the market cap is carefully accounted for. They generally hold a couple of large-cap stocks as their core holding. This provides a firm footing to the fund. The balance is invested into small to mid-cap stocks promising attractive prospects. Therefore the volatility of the latter is offset by the stability of former.

**Private Equity Investments**

They represent investing in stocks of companies not listed on the exchange. They are generally not liquid and involve a huge ticket size. For this reason, only high net worth individuals and institutional investors can afford to invest in them. Private equity investments are resorted to at the inception or expansionary phase of a venture and entail high return on investment. A snapshot of popular private equity investment means is given below.

**Venture Capital**

The investors step in at the cradle stage of the company. These private equity investors charge a hefty premium and take away a considerable portion of ownership. They expect to be compensated handsomely for the risk they take with such baby companies. The risk involved is so huge that company may skyrocket or even never take off.

**Growth Capital**

Growth capital is similar to venture capital funds except that they invest in mature companies. They provide funds to established companies seeking expansion, diversification and exploring new avenues. They come to rescue when the company is not in a position to raise more debt.

**Real Estate Funds**

These are private equity funds with real estate and properties as the main underlying. They are involved in acquisition, development, and maintenance of real assets. Rental income constitutes the mainstream of cash flow. The property is also sold away at opportune times to take the advantage of a bullish property market. The main advantage of this fund is that it enables small investors to reap the benefits of changes in property prices without actually buying one.

**Advantages of Equity Investments**

**Diversification**

The equity investments can be diversified across various sectors, cap, geographies and even the phase of business cycles. The investor is thus protected against the consequences of "putting all eggs in one basket". Turbulence in any specific stocks or sectors is unable to adversely impact the value of the portfolio as a whole.

**Risk Adjusted**

A wide arena of mutual and equity funds have emerged lately. The sheer abundance of these funds enables the investor to choose a fund which exactly caters to his investment preferences. There is something for everyone in today's market. Conservative to aggressive equity investment funds are available rampantly. Equity investments were earlier synonymous with risk and uncertainty. With the advent of portfolio funds that is no longer the case. Funds offset risky equity investments with cash and bond positions to offer a relatively secure product to the investor.

**Liquidity**

Though not always true for private equity investments, liquidity is a sure shot benefit for listed and public stocks. There is a ready market available for shares of listed companies. The volume and number of transactions are always large enough to assure the investor of a ready sell whenever he intends to. Cashing out and squaring position at any time is possible. Therefore, equity investments serve as a lucrative means of investment for investors with a not so long horizon.

**Disadvantages of Equity Investments**

**Volatility**

The prices of equity investments are determined by the forces of demand and supply. The perception of investors also plays a key role. A negative sentiment or false information about a stock can spread like wildfire. This inadvertently impacts its prices. Investor perception is a highly random variable which cannot be controlled. Moreover, the companies operate in an ecosystem and are subject to business cycles, adverse government policies, and sector-specific disturbances, Equity investments display movement than its counterpart index or bonds. Risk- averse investors may, therefore, be uncomfortable parking their funds into such investments.

**Manager Bias**

The investors do not have direct control over the equity funds they invest in. It is run by a fund manager who makes allocations into various stocks on their behalf. It will not be wrong to say that the investors are left at the mercy of the wisdom of their fund manager. Most managers are accustomed to a particular type of investing and follow similar patterns. Also, to an extent, the allocations are influenced by the manager's personal preferences and beliefs. The investors have no option but to rely on their manager. Therefore, one must invest in more than one equity fund to do away with the impact of manager biases.

**Over Diversification**

While diversification helps in eliminating unsystematic risks, there also exists the possibility of over-diversification. Where on one hand diversification helps in capping the downside, over- diversification may also limit one's upside. A fund which may be diversified to an extent that it no longer reaps additional returns but only averages out the results. In such cases, the investor ends up merely replicating the index. An efficient diversification strategy is one in which stocks are carefully handpicked to harness its growth potential. Blindly adding stocks to the basket defeats the purpose.

### 1.10. Investing Principles for Investors

An investor is any person or other entity (such as a firm or mutual fund) who commits capital with the expectation of receiving financial returns. Investors rely on different financial instruments to earn a rate of return and accomplish important financial objectives like building retirement savings, funding a college education, or merely accumulating additional wealth over time

A wide variety of investment vehicles exist to accomplish goals, including (but not limited to) stocks, bonds, commodities, mutual funds, exchange-traded fund (ETFs), options, futures, foreign exchange, gold, silver, retirement plans, and real estate. Investors can analyze opportunities from different angles, and generally prefer to minimize risk while maximizing returns.

**KEY TAKEAWAYS**

Investors use different financial instruments to earn a rate of return to accomplish financial goals and objectives.

- Investment securities include stocks, bonds, mutual funds, derivatives, commodities, and real estate.
- Investors can be distinguished from traders in that investors take long-term strategic
- positions in companies or projects.. Investors build portfolios either with an active orientation that tries to beat the benchmark
- index or a passive strategy that attempts to track an index.
- Investors may also be oriented toward either growth or value strategies.

An investor is typically distinct from a trader. An investor puts capital to use for long-term gain, while a trader seeks to generate short-term profits by buying and selling securities over and over again.

Investors typically generate returns by deploying capital as either equity or debt investments. Equity investments entail ownership stakes in the form of company stock that may pay dividends in addition to generating capital gains. Debt investment may be as loans extended to other individuals or firms, or in the form of purchasing bonds issued by governments or corporations which pay interest in the form of coupons.

**Principle 1: Remember the trade-off between risk and return**

Understanding risk and return is crucial to sound, sensible investing. That doesn't mean you should take a low or high risk and return strategy; it's all about settling on the level of risk you're comfortable with.

Different types of investments tend to have different levels of risk associated with them. Stocks can be more high risk than bonds, for example. Emerging market stocks tend to be riskier than developed market stocks. The higher the risk, the greater potential there is for higher return on your investment, though you must also understand that the value of your investment may go down as well as up.

Either way, investment portfolios, unlike savings accounts, are designed to experience volatility. When it comes to investments, volatility is your friend.

**Principle 2: Be diversified**

By not putting all your eggs in one basket, and by investing in a diverse range of asset types, you can help spread your investment risk and improve your chances of benefiting from potential. investment returns.

Diversification is frequently called "the only free lunch in investing and for good reason. The concept is simple: if you want to invest in the stock market, for example, then spread your risk across multiple companies, thus reducing your exposure to a concentrated bet that might wipe out your returns.

In a diversified investment portfolio, the less correlated the assets, the better. Again, the principle is quite simple. If you put all your eggs in one basket-let's say the pharmaceuticals market- and that market suddenly bottoms out, all your eggs go with it.

**Principle 3: Invest for the long-term**

Jumping in and out of the market can lead to missed opportunities.

Investing is widely considered to be a long-term game. We recommend three years at a minimum. Sudden losses can stir your emotional impulse to withdraw or suddenly change tack-no-one likes to see their portfolio go down in value-but staying put and resisting the temptation to tinker can pay off in the end.

Data on global developed market stocks going back over the last 50 years demonstrates that the probability of losing money on your investment goes down the longer you invested. The green line on the chart below, based on data from 1970 to 2020, shows the power of long-term investing in drastically reducing your chance of losses.

**Principle 4: Rebalance, re-invest**

Rebalancing is an investment management practice that ensures a portfolio stays aligned to its objectives.

Over time, as the value of each holding in a portfolio rises or falls (because of market performance), that holding will come to represent a larger or smaller proportion of a portfolio. As a portfolio deviates from its original weightings, the risk of the portfolio changes too. And because higher-returning assets tend to be higher risk, over long periods your holdings in higher risk investments are likely to become an ever-greater part of your portfolio, raising your risk level above where you started from.

Rebalancing involves buying and selling assets within a portfolio to retain the right proportion, or weighting", of different assets in the portfolio, to match your objectives.

**Principle 5: Keep costs in line with your investment approach**

Investment can be active or passive. Active funds try to beat the market while passive funds (such as exchanged-traded funds) aim to deliver the market return. You're much less likely to find an active manager that outperforms the market than one who underperforms it

The typical charges for an active fund is around 1% a year, while passive funds charge an average fee of 0.6%. For comparison, the Total Expense Ratio (TER) in the European ETF industry is between 0.1 and 0.25%, as of March 2020.

**Principle 6: Use your tax-free allowances-ISAs, pensions and much more**

To help you get your finances in order and not pay more tax than necessary, make sure you're making the most of the tax breaks provided by the government. From maxing out your ISA allowance to reviewing your pension contribution, you can build up a significant portfolio of tax- efficient

**Chapter-2**


This chapter presents the review of the related literature for the present study. Research work cannot be completed without the in-depth study of the earlier researches. Prior research work not only provides guidance but also throws light on the direction in which any new research must proceed. The researcher has tried to scan the all literature available to him form various sources so as to determine the objectives and methodology of the current research work. A number of studies have been reviewed with intent to understand the research methodology, research findings and to find out the gaps that exist in literature in this area.

**Rakesh H.M (2014), A Study On Individual Investors Behaviour In Stock Markets Of India, IJMSS (Vol.02, Issue-02), ISSN:2321-1784:** The paper proposes to study the behaviour of individual investors in the stock markets and the factors that influence their investment decisions. which include awareness level, investment duration etc. The research was based on the primary data collected from the city of Mysore of 150 respondents, being stock market investors. The research paper observes that only 10% of the respondents intended to stay invested into the stock market for a period of more than 5 years. In other words, the research paper observed that people do not want to stay committed for longer period of time into the stock market despite it giving better returns. The paper analyses that annual income and annual savings are given importance by investors, but the level of savings are decided by their level of income. He states that "investors are fully aware about the stock market and they feel that market movements also affect the investment pattern of investors in the stock market." The paper however remains silent on its observation about the uneducated investors who are not aware of the market conditions, with market trends and the stock price movements. It focuses on the factors influencing savings and sources of information for decision making. The income level of an individual, also decide the investment pattern of the investor. The investor's income level does determine the type of investment avenues the investor prefers.

**Reena Rai (2014), Factors Affecting Investors' Decision Making Behaviour In The Stock Market: An Analytical Review, Indian Journal of Applied Research (Vol.4, Issue-9), ISSN- 2249-555X:** The paper under study aims to study the factors influencing an investors decision making behaviour on basis of related studies. It states that the various factors that influence include various demographic factors such as gender, age, education. It is known that men are more overconfident than women. Age plays a role on the mind-set of the individual and the propensity to take risk. It also explains sometimes, the precautious attitude and conservatism. On the firm level the decision of the investors depend on capital structure average pricing, political and media exposure, trend analysis, past performance of company's stocks, expected dividend and EPS etc. Finally, it concludes that out of the various factors affecting behaviour of investors some factors have a slight role while some majorly impact investor behaviour. The general factors being gender, age, confidence levels, cognitive bias, risk factors, company's performance.

**Kaushal A. Bhatt (2013), Investment and Trading Pattern of Individuals Dealing in Stock Market, The SIJ Transactions on Industrial, Financial & Business Management (IFBM) (VoLI, Issue-02).ISSN: 2321-242X:** The paper aims at studying the literacy and awarenss of capital markets among investors regarding various investment avenues. To find and identify segments preferred more by the people and the influencing force behind the decision making, while investing in currently available options including stock markets. It concludes that investors are moving to new investment avenues such as equity market, mutual funds, bonds, and others like gold, land etc. This is due to the decreasing trend of bank rates. This also increases the scope of business for the investment companies. The investors are also risk sensitive. They want more safety and security. The stock markets have become very popular due to high rate of return but due to uncertainty and risk many people do not invest in equity markets. This stands true due to the lack of stability in the current market scenarios. The risk related to investment also defines the amount invested by people in the particular stock. The factors like age, occupation and income level are key factors in investment decision making of people. The other major factors being considered were market scenario, risk involved and other investment opportunities

**Sanjeet Sharma (2011). Determinants Of Equity Share Prices In India, Journal of Arts, Selence & Commerce (Vol. I, Issue-4). ISSN 2231-4172**: This study aims at studying the relation between the equity share prices and related variables such as book value of shares, earnings per share (EPS), dividend per share (DPS) and dividend pay-out etc. The study reveals that EPS and DPS are the strongest determinants of market price, and therefore the study suggests a liberal dividend policy as a good measure of attracting the investors, gaining their confidence and thereby, increasing the valuations of the company. These factors possess a strong explanation to provide future forecasts of stock prices. They also have suggested that the company data and indices be taken care of. The conclusion is statistically explained but in the current scenario, where prices are volatile EPS does not stand to be a major indicator. Moreover, this analysis is possible on the basis of past data as the data for current years are received at the end. The dividend payout shall still be a relevant factor. But in cases where there are sudden crisis and price shocks, this analysis fails to be accurate. The paper also observes that in the case of a strong book value per share and a good dividend declaration policy the investors perceive lesser risk and are more comfortably placed in investing into the equity shares of those companies.

**Kajal Gandhi (2015), Retail Investors Participation in Indian Stock Market- A Survey, GJRA- Global Journal For Research Analysis (Vol.4, Issue-02), ISSN No 2277-8160:** paper findings were based on the survey which has been carried out among five cities-Mumbai, Delhi, Kolkata, Chennai and Ahmedabad. The respondents of the metro cities are more inclined towards investing in stock market as they consider it as financial tool but they don't have expertise knowledge or don't prefer to hire a professional to manage their portfolio due to which they fall prey of losses. However, people at Tier-II cities like Ahmedabad still consider the traditional investment like gold, property, gold and bank deposits are their favourite option this is due to narrow minded as their is low saving habits, low awareness of investment opportunities.

Anju Bala (2013), Indian Stock Market - Review Of Literature, TRANS Asian Journal of

**Marketing & Management Research (VoL.2, Issue-7), ISSN 2279-0667:** The paper has explained the logistics involved into the working of the stock market and the investors preferences of selecting stock market as a tool of investment. The paper studies the different asset class and other financial alternative available to investors covering all age groups depending on their requirements such as:- NON MARKETABLE FINANCIAL ASSETS (Bank Deposits, Company Deposits)- EQUITY SHARES (Blue) Chips shares, Growth shares)-BONDS (Government Securities, PSU Bonds)- MONEY MARKET INSTRUMENTS (Treasury Bills, Certificates of Deposit)-MUTUAL FUNDS (Balanced Schemes, Debt Schemes)-LIFE INSURANCE (Money back policy, Whole Back policy)-REAL ESTATE (Agricultural Land, Commercial Property) PRECIOUS OBJECT (Gold & Silver) - FINANCIAL DERIVATIVES (Future & Option warrants) It has recommended a list of measures for the improvement of investor participation into the stock market. It has recommended the listing of stock prices on multiple stock exchanges to improve liquidity and gain investor confidence. It has also observed that speculation is widespread into the Indian stock market system and thereby it cause volatility into the prices of shares. This volatility creates insecurity. It has further observed that investors use technical analysis and fundamental analysis for selecting their investment into the stock market and the low cost of operations into the derivatives market has made it a preferred choice of investment

**Sikidar, S. and Singh, A., (1996), Financial services: Investment in equity and mutual funds- Behavioral study, In: Bhatia, B. and Batra, G., (Eds), Management of Financial Services, ISSN: 1741-8062 carried out a survey with an objective to understand the behavioral aspects of the investors of the north eastern region towards mutual funds investment portfolio. The survey revealed that the salaried self -employed formed the major investors in mutual fund primarily due to tax concessions**

**Kabra et al. (2010), Patidar (2010), "Factors influencing investment decision of generations in India: An** econometric study", Asian Journal of Management Research ISSN 2229-3795 concluded that investors' age and gender predominantly decides the risk taking capacity of investors. This factor decides the amount of risk an investor is ready to take. Men are more risk averse whereas, age affects the propensity to take risk, of an individual investor. But there is variety of good reasons to belief the ratio of future labor income to other assets is large when investors are young, and eventually it decreases as they approach retirement.

**Khanifar et al (2012). Studying Affecting Factors on Analysts' Decisions Regarding Share Analysis. in Tehran Stock Exchange:** A Fundamental Analysis Approach, European Journal of Economics, Finance & Administrative Sciences (Issue 44), ISSN 1450-2887: This paper studies affecting factors on analysts' decisions in Tehran Stock Exchange. Principally, analysts use two types of fundamental and technical analyses in their decisions. In present research, we study affecting factors on analysts' decisions in the format of fundamental analysis. Such analysis is studied in three sectors: (1) economy/market, (2) industry, (3) firm. This paper uses analytical approach to study affecting factors on analysts' decisions. Its statistical population contains analysts in brokering companies at Tehran Stock Exchange. The tool to collect data was questionnaire and SPSS software was used to analyze data. Based on the results, it was determined that firm-related factors such as actual EPS, estimated EPS, profit margin, P/E ratio and sale rate have the highest importance in analysts' decisions followed by economy/market related factors and industry-related factors.

**Rajeev Jain (2012), Investor's Attitude towards Secondary Market Equity Investments and Influence of Behavioral Finance, International Journal on Emerging Technologies (Vol.3, Issue 2) ISSN (Online);** 2249-3255 It's a fact that only few investors create immense wealth from a stock market and also manage to keep it for decades. These investors take the right decisions and for doing this one needs experience. But experience comes from bad decisions too. Investors who create wealth from equity markets and keep it for decades, at times for generations, do not panic when a market falls.

**Tamimi. H. A. H.. Factors influencing individual investor behaviour:** an empirical study of the UAE financial markets, The Business Review (Vol.5, Issue-02), ISSN 1553-5827 indentified the factors influencing the UAE investor Behaviour. Using questionnaire found six factors were most

influencing factors on the UAE investor behaviour namely expected corporate earnings, get rich quick, stock marketability past performance of the firm's stock, government holdings and the creation of the organized financial markets.

**Ajmily. A., (2008), "Risk Tolerance of Individual Investors in an Emerging Markets", International Research Journal of Finance and Economics, (Issue 17). ISSN, 1450-2887**: used a questionnaire to know determinants of risk tolerance of individual investors and collected responses from 1500 respondents. He concluded that the men are less risk averse than women, less educated investors are less likely to take risk and age factor is also important in risk tolerance and also investors are more risk tolerance than the less wealthy investors.

**K Ravichandran, A Study on Investors preferences towards various investment avenues in capital market with special reference to derivatives, Journal of Contemporary Research in Management (Vol.3, Issue-03), ISSN :2348-4764.** The research study was intended to find preference level of investors on various capital market instruments and type of risk considered by investors. The sample was collected from 100 investors in derivative markets from Chennai from a structured questionnaire. Descriptive research type is used and convenience sampling method was adopted to gather data. Various parametric and non-parametric techniques have been used. for analyzing data. The findings reveal that friends and relatives followed by brokers who pull the investors into capital market. Respondents preferred short term investments. It has been suggested by the author to develop more number of products which it can attract more number of investors.

**Petter Roger Eiving (1970) carried out a study to identify those factors which motivate or guide the investment decisions of the common stock investors. The study identified the factors:** (1) income from dividends; (2) rapid growth; (3) purposeful investment as a protective outlet of savings, (4) professional investment management

Kannadhasan,. M (2006) examined the factors that influence the retail investors decision in investing. The decision of the retail investors are based on various dependent variables viz., Gender, age, marital status, educational level, income level, awareness, preference and risk bearing capacity.

**Sachithanantham et al. (2007)** studied the relationship between capital market reforms and amount of money invested by the investors. It was found that educative reforms and attractive reforms were statistically significant but they had negative influence over money invested by investors at the Capital Market.

**Glaser, Schmitz, and Weber (2009)** tested whether individual investor sentiment was related to daily stock returns by using vector auto regressive models and Granger causality tests. They found out that there exists a mutual influence between sentiment and stock market returns, but only in the very short-run (one and two trading days). The returns have a negative influence on sentiment, while the influence of sentiment on returns is positive for the next trading day. The influence of stock market returns on sentiment is stronger than vice versa.

**Sushant Nagpal and B. S. Bodla june 2009 on impact of investors' lifestyle on their**. investment pattern: an empirical study states that the modern investor is a mature and adequately groomed person. Occasions of blind investments are scarce, as a majority of investors are found to be using some source and reference groups for taking decisions.

**Ramprasath.S and Dr. B. Karthikeyan, December 2013,** on individual investors' behavior towards select investments, states that the majority of the investors are giving much importance for the factor "safety". Similarly investment avenues such as Bank deposits, LIC polices and Bullion has been preferred by the individual investors. Similarly the majority of the investors are periodically evaluating the performance of their investment avenues.

**Hossain et al. (2012) conducted a study on 'Factors Affecting Selection of Equity Shares**: The Case of Retail Investors in Bangladesh. The study reveal that the most important principal factors influencing retail investors are company specific attributes/reputation, net asset value, accounting information, trading opportunity. publicity, ownership structure, influence of people, and personal financial needs respectively. Findings also suggest that extent of importance given to each of the factors excluding ownership structure significantly differs with at least one demographic characteristics of sample respondents like gender, age, occupation, income, education, and experience.

**Awais M.et.al (2016)**22 explored the factors which influence the decision making process of investors. According to the research, the decisions of the investors depend upon the degree of the risk factors. Finally, it was found that the increased level of knowledge about financial information and the increased level of knowledge about financial information and the increased ability of analyzing that information, investor could improve the capacity jump into risky investments for earning high returns by managing investment efficiency.

**Jagongo and Mutswenje (2014)** indicated that the most important factors that influence investment decisions were: reputation of the firm, firm's status in industry, expected corporate earnings, profit and condition of statement, past performance firms stock, price per share, feeling on the economy and expected divided by investors

**Ndiege** (2012) studied the factors influencing investment decision in equity stocks at the Nairobi securities exchange among teachers in Kisumu municipality. The study established that investors were subject to optimism and pessimism that caused prices to deviate systematically from their fundamental values and later exhibited mean reversion. This was consistent with behavioral decision theory where investors are systematically over confident in their ability to forecast either future stock prices or future corporate earnings. Further, the study isolated subjective factors including perceived firm ethics, feelings towards firm products and services, community participation and employee as well as unbiased information through media coverage and political statements played a role in the relative neglect of the consideration of

**List of 10 Best Shares to Buy For Long Term**

1. Reliance Industries Limited (RIL)
2. HDFC Bank Limited
3. Infosys Limited
4. Titan Company Limited
5. Larsen and Toubro Limited
6. Asian Paints Limited
7. TCS (Tata Consultancy Services) Limited
8. Bajaj Finance Limited
9. Hindustan Unilever Limited (HUL)
10. Maruti Suzuki India Limited

significant traditional variables in Kisumu municipality. A negative significant relationship was found to exist between the sub

**Chapter-3**


This chapter present the study methodology followed towards attainment of the objectives. Specifically, it outlines the research design, population, data collection, research validity and reliability, and the data analyses. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying now research is done systematically. In that various steps, those are generally adopted by a researcher in studying his problem along with the logic behind them. It is important for research to know not only the research method but also know methodology. "The procedure by which researcher go about their work of describing, explaining and predicting phenomenon are called convenience sampling. The research sampling method that will be used in this study in non probability selected randomly until the required sample size has been met, Due to lack of information and time constraints other sampling method such as random sampling are not feasible for the study. The questionnaire requires information about the earnings and savings pattern of the student. Questionnaires will be given out to respondent for the statistical representation of the findings in the study. This study is based on primary data.

**Scope of the study**

It is observed that investors are more devoted and fond of finicky type of investment choice and preferences. So, it is imperative to study the factors in light of socio-economic factors that force them for selecting these investment options. It plays a crucial role in determining the behavior of investors and their disposition effect, as a result, proper use of money can be seen. This research will help not only the investors but also the different financial institutions, banks, organizations and advisors/consultants in studying and understanding the main factors that motivates/induces investors to invest in different alternatives/avenues and their decision making practice. A better consideration of behavioral procedures and results is important for financial planners because a thoughtful consideration of investor's perception towards various investment alternatives should help financial advisors in devising suitable asset distribution strategies for their clients/investors.

**Objectives of the study**

The present study aims at the following objectives:

1. To identify factors influencing the investor while investing in equity market.

2. To identify certain factors that motivates the investors to invest in shares..

3. To suggest strategies so that investors can optimize their return on investment.

4. To identify the ranking of the factors influencing investment decision making process and choosing company shares

5. To determine if the identified factors influence individual investors decision in the equity share market.

6. To investigate the relationship between general, company, political and economic, financial, market, psychological factors and intention to invest in stock market.

**Data collection**

Data collection is the process of gathering and measuring information on targeted variables in an established system, which then enables one to answer relevant questions and evaluate outcomes. Data collection is a research component in all study fields, including physical and social sciences, humanities, and business. While methods vary by discipline, the emphasis on ensuring accurate and honest collection remains the same. The goal. for all data collection is to capture quality evidence that allows analysis to lead to the formulation. of convincing and credible answers to the questions that have been posed. Data collection and validation consists of four steps when it involves taking a census and seven steps when it involves sampling

**Primary data**

Primary data is the kind of data that is collected directly from the data source without going through any existing sources. It is mostly collected specially for a research project and may be shared publicly to be used for other research

Primary data is often reliable, authentic, and objective in as much as it was collected with the purpose of addressing a particular research problem. It is noteworthy that primary data is not commonly collected because of the high cost of implementation.

**Sample Size**

Sample size determination is the act of choosing the number of observations or replicates to include in a statistical sample. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. Sample was decided in socio demographic factors such as income and age group. The number of respondents was restricted to due to lack of time. Sampling unit was geographical unit where the research was carried in Mumbai. They will be considered adequate to represent the characteristics of the population.

**Questionnaire design.**

The questionnaire considered of 18 questions which was checked by the guide. The first four questions include general information of the respondent, which is then followed by fourteen important questions. The first part covers the respondent's awareness about Equity Share Market along with their concern, choices, etc. whereas the second part is to test their clarity about Equity Share Market, how it works and how to stay in the market. There are two types of questions open ended and close ended questions. For this study I have prepared closed ended questionnaire as it will be easier to study and analyze the responses when compared to the open ended questions. With utmost efforts and care multiple choices questions were framed and posted on Google forms. The participants were sent link of the questionnaire to be filled online through various social media platforms. The questionnaire was designed in such a way that people can fill out the questionnaire honestly.

**Data Analysis and Interpretation**

Data refers to the symbols that represent people, events, things, and ideas. Data can be a name, a number, the colours in a photograph, or the notes in a musical composition.

Data interpretation is the process of reviewing data through some predefined processes which will help assign some meaning to the data and arrive at a relevant conclusion. It involves taking the result of data analysis, making inferences on the relations studied, and using them to conclude.

Therefore, before one can talk about interpreting data, they need to be analyzed first. What then, is data analysis?

Data analysis is the process of ordering, categorizing, manipulating, and summarizing data to obtain answers to research questions. It is usually the first step taken towards data interpretation.//

It is evident that the interpretation of data is very important, and as such needs to be done properly. Therefore, researchers have identified some data interpretation methods to aid this process

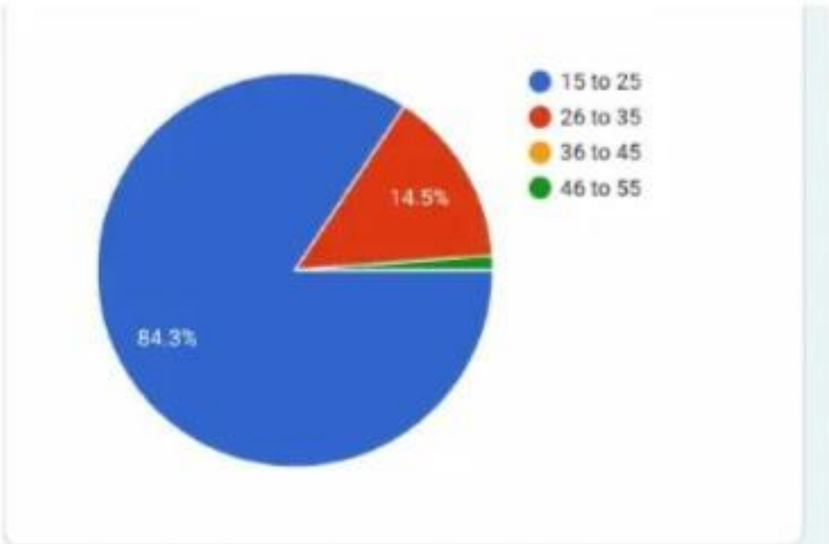
Data Representation refers to the form in which data is stored, processed, and transmitted. For this study I am going to show you responses which I got from the respondents in the form of

Pie charts.

**1. What is your Age"**

- Table is showing the age of respondents.

| Age | Number of Respondents | Percentage |
|---|---|---|
| 15 - 25 | 70 | 84.3% |
| 26 - 35 | 12 | 14.5% |
| 36 - 45 | - | - |
| 46 - 55 | 1 | 1.12% |

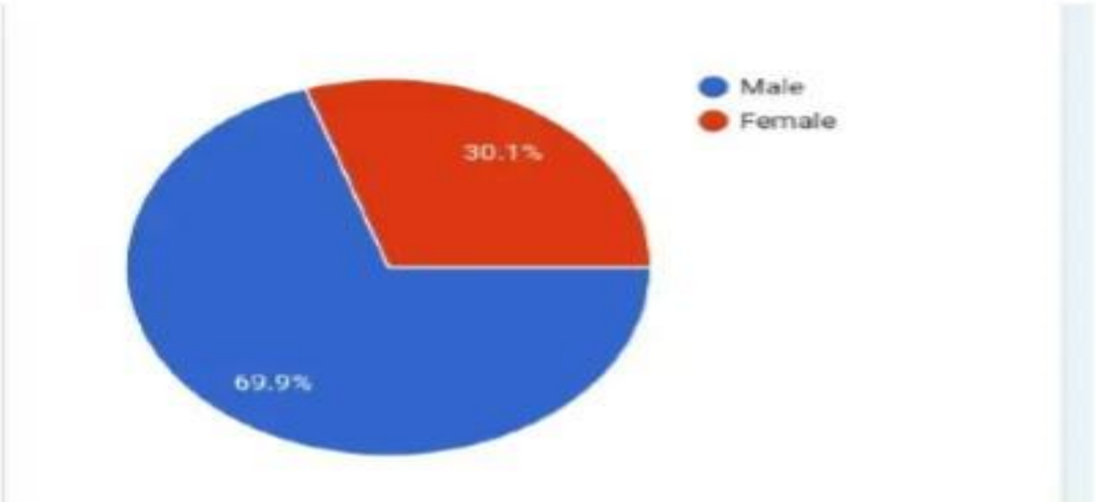



In the above pie chart we can see that more than 84.3% of respondents' age groups are between 15 to 25. 14.5% of respondents are between age groups of 26 to 35. 1.12% of respondents are between age groups of 46 to 55.

**2. What is your Gender ?**

- Table is showing the Gender of respondents.

| Gender | Number of Respondents | Percentage |
|---|---|---|
| Male | 58 | 69.9% |
| Female | 25 | 30.1% |

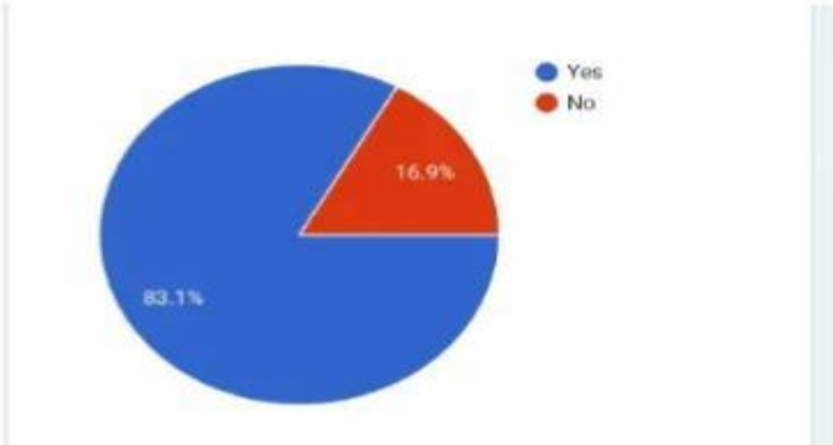



In the above pie chart we can see that 58 i.e. 69.9% of respondents are male and 25 i.e. 30.1% of respondents are female.

### 3. Do you know about Equity Share Market?

- Table is showing that how many do know about Equity Share Market.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Yes | 69 | 83.1% |
| No | 14 | 16.9% |

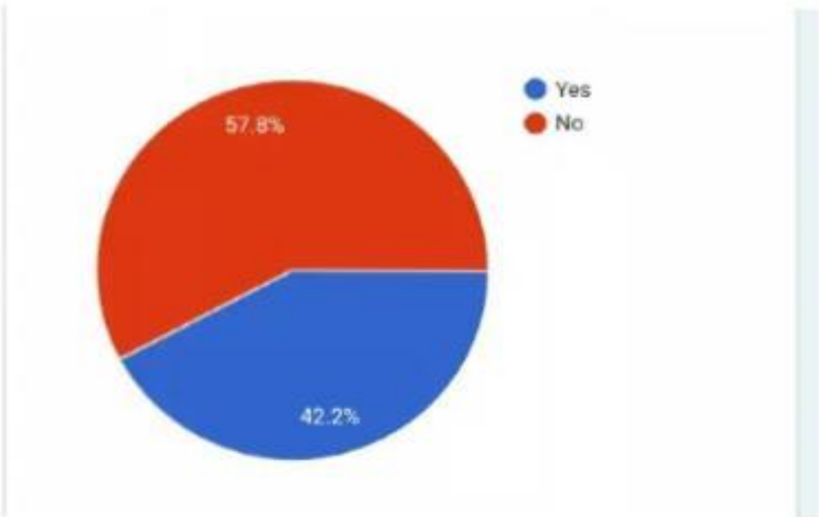



In the above pie chart shows that 69 i.e. 83.1% of respondents knows about Equity Share Market or stock and they know how it works and how to stay in the market. On the other side 14 i.c. 16.9% of the respondents doesn't know about Equity Share Market it means that they don't have much knowledge about it.

**4. Have ever been invested in Equity Share Market?**

- Table is showing that how many people have invested in Equity Share Market.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Yes | 48 | 57.8% |
| No | 35 | 42.2% |

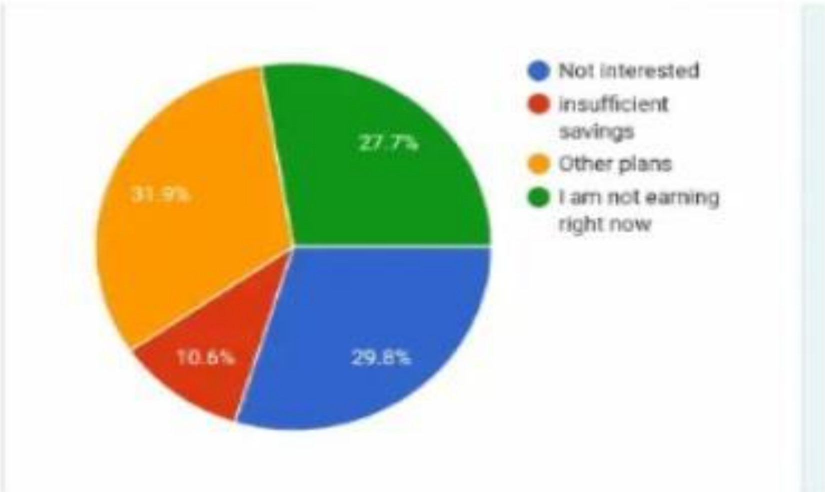



The above pie chart shows that 48 i.e. 57.8% of the respondents has invested in Equity Share market or stock market as second source of income or maybe they want stay for longer period of time. 35 ie. 42.2% of the respondents haven't invested in Equity Share Market maybe they don't have interest or have other plan.

**5. If your answer is No, why you are not investing in Equity Share Market?**

- Table is showing that why aren't people invested in Equity Share Market.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Not interested | 14 | 29.8% |
| Insufficient savings | 5 | 10.6% |
| Other plans | 15 | 31.9% |
| I am not earning right now | 13 | 27.7% |




In this pie chart we clearly see that this chart or the question is made for those people who don't invest in stock or Equity Share Market. It shows that 14 i.e. 27.7% don't have interest in Equity

Share Market. 5 i.e. 10.6% of the respondents doesn't have sufficient saving. 15 i.e. 31.9% of the respondents have other plan or other scheme. 13 i.e. 27.7% of the respondents says that they are not earning right now.

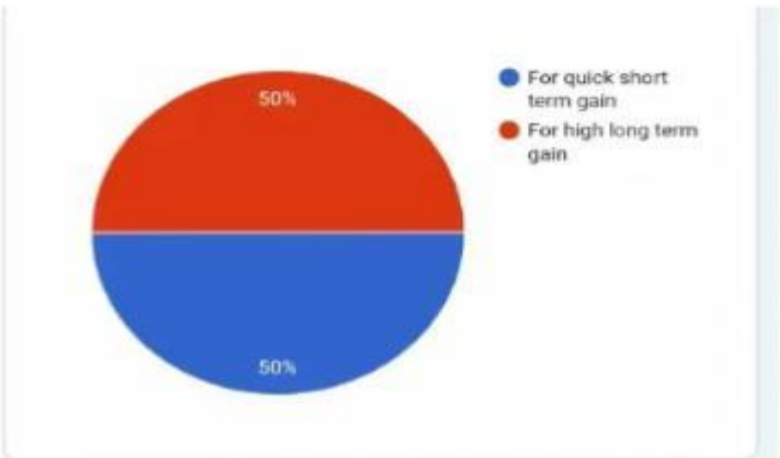
## 6. Why do you invest in Equity Share Market?

- Table is showing that why people are investing in Equity Share Market

6. **Why do you invest in Equity Share Market?**

- Table is showing that why people are investing in Equity Share Market

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Yes | 20 | 50% |
| No | 20 | 50% |

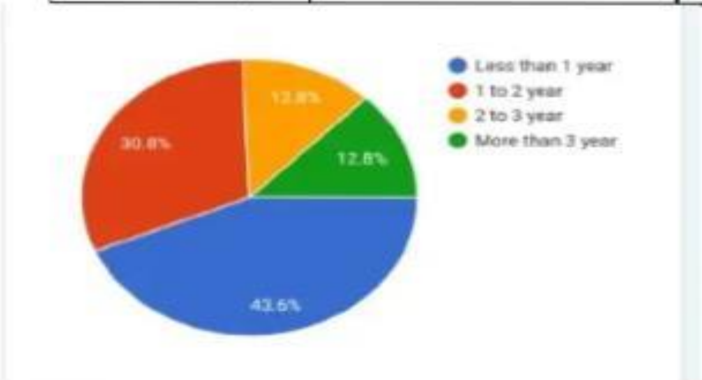



In the above pie chart we can see that why people are investing in Equity Share Market for. It means that 50% of the respondents are invest for quick short gain on the other side 50% of the respondents are invest for high long term gain.

### 7. From how long you are investing in Equity Share Market?

- Table is showing that how long people can invest in Equity Share Market.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Less than 1 year | 17 | 43.6% |
| 1 to 2 year | 12 | 30.8% |
| 2 to 3 year | 5 | 12.8% |
| More than 3 year | 5 | 12.8% |

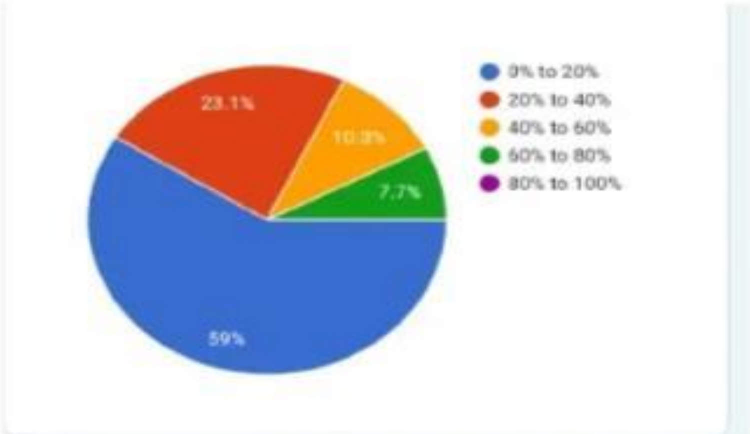



In the above pie chart we got see that how long people can invest in Equity Share Market. We see that 17 ie. 43.6% of the respondents are invest for less than 1 year. 12 i.e. 30,8% of the respondents are invest for 1 to 2 year. 5 i.e. 12.8% of the respondents are invest for 2 to 3 year. And 5 i.e. 12.8% of the respondents are invest for more than 3 year.

**8. How much percentage of savings invested in equities (equity mutual fund, stocks, portfolio management schemes) annually?**

- Table is showing that how much percentage of savings, people can invest in Equities Annually,

| Choices | Number of Respondents | Percentage |
|---|---|---|
| 0% to 20% | 23 | 59% |
| 20% to 40% | 9 | 23.1% |
| 40% to 60% | 4 | 10.3% |
| 60% to 80% | 3 | 7.7% |
| 80% to 100% | - | - |



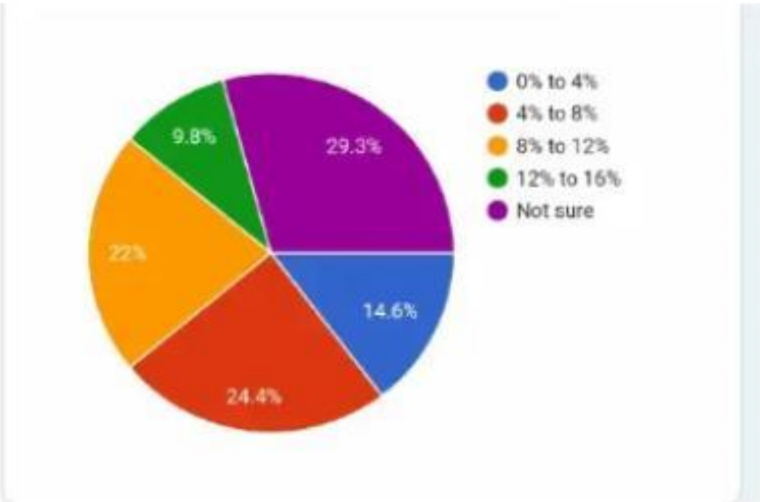

The above pie chart shows that how much people can invest in Equities form their savings. 59% i.e. 23 of the respondents are invested in 0% to 20%. 23.1% i.e. 9 of the respondents are invested in 20% to 40%, 10.3% i.e. 9 of the respondents are invested in 40% to 60%, 7.7% ie. 3 of the respondents are invested in 60% to 80%. For the 80% to 100% of savings none of the

respondents give response. It means that people may invest more from their savings or may invest less of from their savings.

### 9. Expected annual returns from Equity Investment over the next five year is?

- Table is showing that how much annual returns from Equity Investment over the next five year, people can get.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| 0% to 4% | 6 | 14.6% |
| 4% to 8% | 10 | 24.4% |
| 8% to 12% | 9 | 22% |
| 12% to 16% | 4 | 9.8% |
| Not sure | 12 | 29.3% |



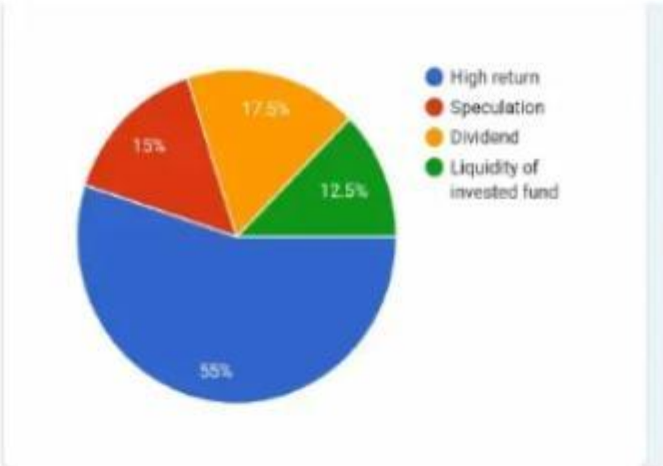

The above pie chart shows that how much percentage of annual returns form Equity Investment people can get in the future.

14.6% of the respondents wants to get 0% to 4% of annual returns. 24.4% of the respondents wants to get 4% to 8% of annual returns. 22% of the respondents wants to get 8% to 12% of annual returns, 9.8% of the respondents wants to get 12% to 16% of annual returns. 29.3% of the respondents are not sure because they don't know what would be the annual return after next five year.

## 10. What attracts you towards Equity Share Market?

- Table is showing that what attracts people towards Equity Share Market,

| Choices | Number of Respondents | Percentage |
|---|---|---|
| High return | 22 | 55% |
| Speculation | 6 | 15% |
| Dividend | 7 | 17.5% |
| Liquidity of invested fund | 5 | 12.5% |

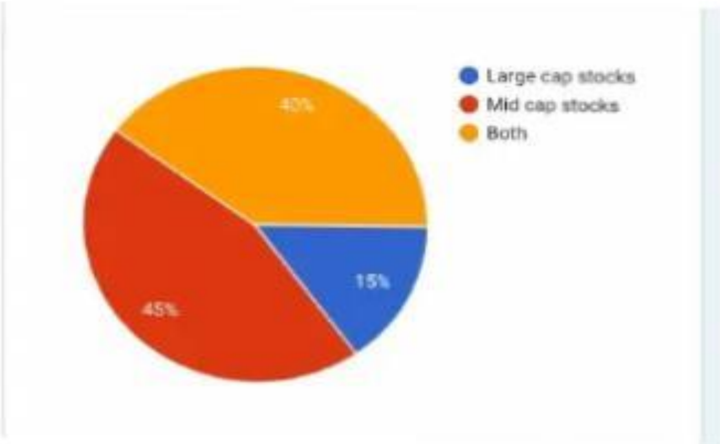



The above pie chart shows that why do people invest in Equity Share Market or what attracts people towards Equity Share Market, 55% of the respondents attract for High return. 15% of the respondents attract for Speculation. 17.5% of the respondents attract for Dividend. 12.5% of the respondents attract for Liquidity of invest fund. As we can see that all the respondents have different attraction towards Equity Share Market

. **11. Your investment in Equity are largely in?**

- Table is showing that the peoples investment in Equity are largely in which stocks.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Large cap stocks | 6 | 15% |
| Mid cap stocks | 18 | 45% |
| Both | 16 | 40% |



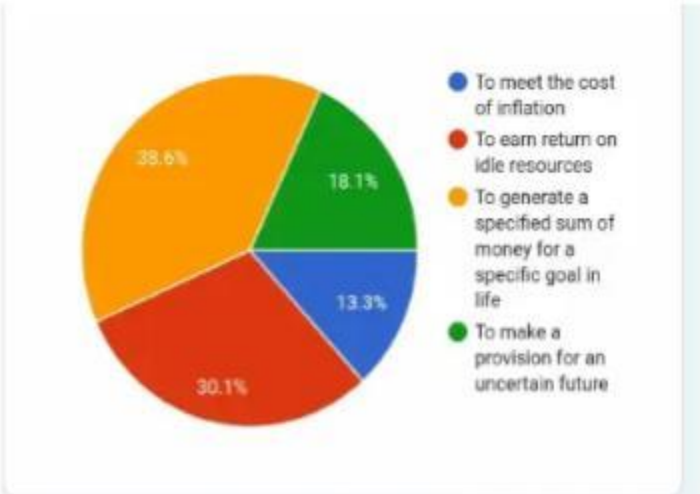

In the above pie chart 6 i.e. 15% of the respondents has said that their investment in Equity are largely Large cap stocks. 18 i.e. 45% of the respondents investment in Equity are largely in Mid

cap stocks. 40% of the respondents they do investment in Both i.e. Large cap stocks and Mid cap stocks

## 12. What is purpose of your investment?

- Table is showing that people invest for what purpose or motive

| Choices | Number of Respondents | Percentage |
|---|---|---|
| To meet the cost of inflation | 11 | 13.3% |
| To earn return on idle resources | 25 | 30.1% |
| To generate specified sum of money for specific goal in life | 32 | 38.6% |
| To make provision for an uncertain future | 15 | 18.1% |




The above pie chart shows that why do people invest or what purpose of people investment. 13.3% of the respondents say that they want to meet the cost of inflation. 30.1% of the respondents want to earn return on idle resources. 38.6% of the respondents want to generate

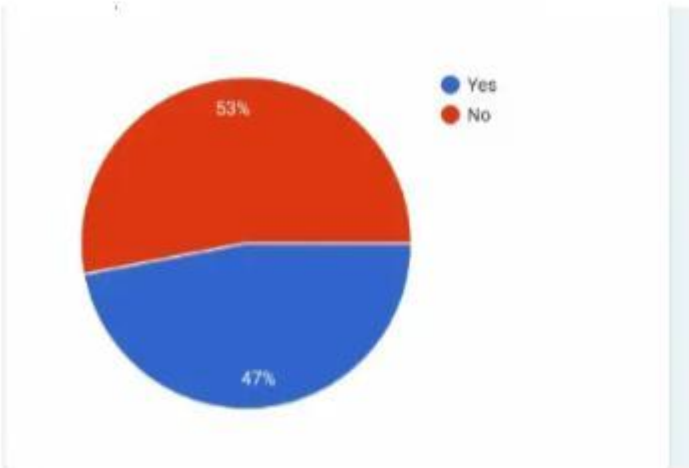
specified sum of money for a specific goal to achieve in life. 18.1% of the respondents want to make a provision for an uncertain future

We can clearly see that all the respondents have their own purpose of investment.

## 13. Would you invest in stocks at the current levels?

- Table is showing that would people can invest in stocks at the current levels.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Yes | 39 | 47% |
| No | 44 | 53% |

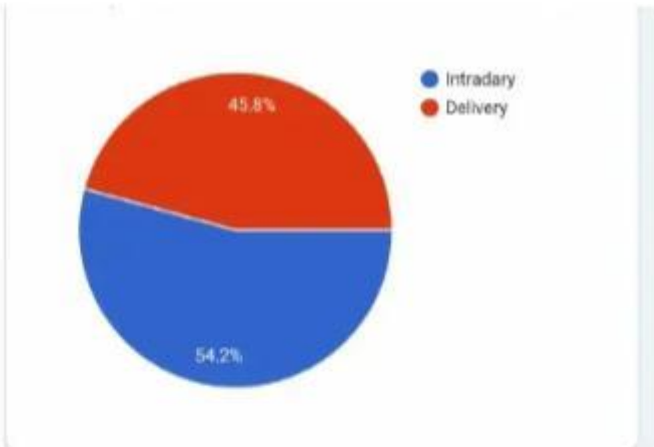



The above pie chart shows that would people can invest in stocks at the current levels. 39 i.e. 37% of the respondents want to invest in stocks at the current levels. On the other side 44 i.e. 53% of the respondents wouldn't invest in stocks at the current levels.

## 14. Generally which is the holding period of Equity?

- Table is showing that the holding period of Equity.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Intraday | 45 | 54.2% |
| Delivery | 38 | 45.8% |

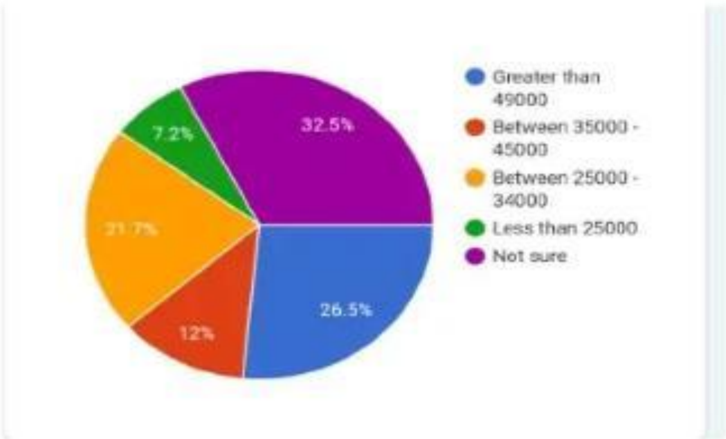



The above pie chart Explain about holding period of Equity. 54.2% of the respondents said that the holding period of the Equity is Intraday. And 45.8% of the respondents think that Delivery is the holding period of the Equity.

**15 At what level do you see the SENSEX in next 6 months?**

- Table is showing that level of SENSEX in next 6 months.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Greater than 49000 | 22 | 26.5% |
| Between 35000 – 45000 | 10 | 12% |
| Between 25000 – 34000 | 18 | 21.7% |
| Less than 25000 | 6 | 7.25 |
| Not sure | 27 | 32.5% |



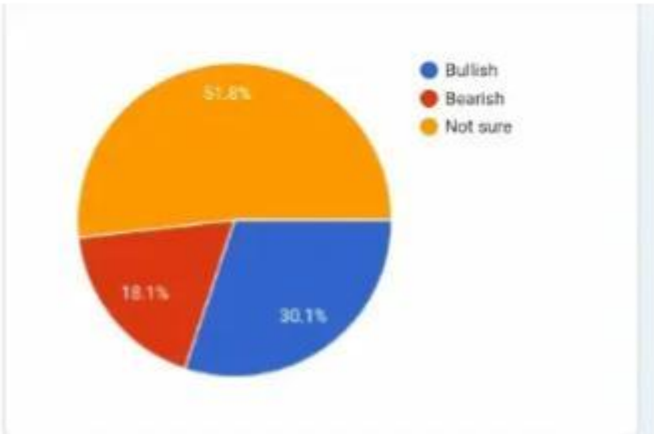

The above pie chart Explain about SENSEX. SENSEX and NIFTY are the weighted stock market index. 26.5% of the respondents said that SENSEX in next five years will be greater than 49000, 12% of the respondents believe that SENSEX in next five years will go Between 35000-

45000, 21.7% of the respondents think that SENSEX in next five years will go Between 25000- 34000, 7.2% of the respondents think that SENSEX in next five years will be less than 25000. 32.5% of the respondents were not sure about SENSEX in next five years.

## 16. What is your view on Equity Share Market?

- Table is showing that How people see Equity Share Market form their point of view.

| Choices | Number of Respondents | Percentage |
|---|---|---|
| Bullish | 25 | 30.1% |
| Bearish | 15 | 18.1% |
| Not sure | 43 | 51.8% |




The above pie chart is made for the people to know about their view or opinion on Equity Share Market. 25 of the respondents had given their view on Equity Share Market that this is Bullish. 15 of the respondents believe that Equity Share Market is Bearish. 43 of the respondent were said that they are not sure about Equity

## Chapter 4


After the entire analysis of survey and questionnaires, we find that most of the respondents have said that they know about Equity Share Market and they invest in it. Some of the respondents don't know about and they do not invest in Equity Share Market.

According to survey people prefer not to invest in Equity Share Market but they do invest in others like savings, gold, fixed deposits etc..

59% of the respondents said that they invest at least 0% to 20% from their saving in Equity Share Market. 29.1% of the respondents said that they invest 20% to 40% from their saving in Equity

Share Market. It seems like people is crazy to invest their savings in Equity Share Market

Some respondents said that they do invest to get high return. Some respondents said they do invest for Speculation. Some of them think that they have invested for getting good dividend.. Some of them invested for Liquidity of invested fund.

25 respondents had given their view on the Equity Share Market they think it is Bullish. 15 respondents said that the Equity Share Market is Bearish. 43 of the respondents didn't given their view because they don't know about Equity Share Market.

From the review of above studies, it can be concluded that there are various factors that influence the individual investor's behavior in equity share market. Some factors affect majorly while other have slight role in influencing the behavior of an individual investor. The factors can be classified into demographic, economie, social, and psychological in nature. The most general factors that have a significant impact on the investors' behavior are herding, over-reaction, cognitive bias, confidence (over or under), gender, age, income, education, risk factor, dividends

influence of people's opinion (friends or family), past performance of the company, accounting information, ownership structure, expected corporate earnings.

The study of the determinants of equity share prices has been a subject of great interest these days. Moreover, it is a subject of immense curiosity especially a banking sector to identify the factors that influence share prices. The shares of commercial banks offer the investment opportunities to investors because these shares are more frequently traded in the market than as compared to others in context. Specifically, this study examined the effects of dividend payout ratio, dividend yield, earning per share, price- earnings ratio and size on the share price of banks listed on Bombay stock exchange Limited.

The findings of the study over the period 2006-2014 revealed that earning per share and price- earnings ratio have the significant positive association with share price while dividend yield showed the significant inverse association with the share price of the banks. The study concludes that dividend yield, earnings per share and price-earnings ratio are the major determinants of share price of commercial banks.

. The results of this study uncovered new evidence in perspective, which considered to be valuable to the market participants. Thus, findings of the this study seems to be particularly useful for equity investors and fund managers as they can watch out for these significant factors while estimating stock returns and predicting share prices.

If people want to invest in stock market they need to first learn about and gain knowledge about stock market it means that they need to know how to invest in market and how to stay longer in the market. Need to know about which factors influence in share market and to know what exactly is.

There are lot more factors that goes into making investment decisions and it depends on your personal profile, family history, number of dependants, loans, etc. Considering the various factors while making investment decisions can help you build a solid investment portfolio that best suits your needs and temperament.

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