

An Analysis of Financial Investment in Share Market with Special Reference to Faridabad (India)



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Introduction

The share market is used as a main vehicle to mobilize funds for the economic growth of the country. It performs crucial functions like the conversion of savings of the households and institutions into investment, creation of financial assets and development of asset-related products. A well functioning securities market is conducive to the sustained economic growth of any country in the world. Indian Capital market is one of the fastest growing markets in the world. It has grown impressively during the recent years in tune with the global financial markets. The Indian Capital Market comprises of two segments, namely, the Primary and the Secondary market. The fresh issue of securities takes place in primary market and trading among investors takes place in secondary market. The primary market is the major channel through which the savings of the households are mobilized by the companies directly for investment purposes. It is the centre stage of the capital market that really boosts industrial and financial activities by providing long term funds to the corporate and the government. It infuses new securities, adding volume and wider base of securities in the secondary market. The secondary market affords liquidity to the investment in securities and reflects the general health of the economy.

Statement of the Problem

Indian economy is growing significantly and it offers a wide variety of financial products to the individuals. To choose wisely, the investors need to know the investment

options thoroughly. But there will be confusion among the people for the selection of best investment avenues and this is the major problem of the individual investors. The investors are having a lack of awareness about investment alternatives, while investing money. When takes investment decisions the investors have to pay more attention to various factors, in addition to the investments option and the individual investors should exercise their skill, knowledge and experience in choosing the investment opportunity (Pandian et al, 2013). The recent developments in information technologies have resulted in provision and accessibility of various financial products and it makes people to invest more. By adopting proper strategy to the investment plan the individuals can able to increase their personal wealth and it will proportionality contribute to higher economic growth. But the investor need to make the decision of how much to invest and where to invest.

The individuals with high earning and high disposable income wanted to experiment and try to invest in diversified portfolio. The recent developments in information technologies have resulted in provision and accessibility of various financial products and it make people to invest more. By increasing personal wealth, investing can contribute to higher overall economic growth and prosperity (Murithi, et al 2012). In this perspective, the present study becomes highly essential and against this back drop of the research, the researcher has

undertaken to study the determinants of financial investment in share market in Faridabad District.

Research Questions

Based on the research problem, the following research questions are put forth to study the investment behaviour:

- ✓ Why the individuals are investing their money?
- ✓ What objectives to be framed before investment?
- ✓ Where and how they get information to decide about investment?
- ✓ What factors they use to evaluate for making investment decisions?
- ✓ Who influence them to make investment?
- ✓ What type of behaviour the individuals are exhibiting, while making investment?

Objectives of the Study

To answer the research questions, the following objectives are framed:

1. To identify the preference of the investors about the various investment avenues.
2. To assess the level of awareness on investment.
3. To analyse the attitude towards investment and attitude towards risk.
4. To examine the factors that influence to make investment decisions.
5. To identify the determinants of investment behaviour.

Research Hypotheses

To support the research objectives, the following hypotheses are formulated:

- There is no significant difference between the socio-economic factors and preference of portfolio.
- There is no association between socio-economic factors, level of awareness and preference of portfolio.
- There is no association between

socio-economic factors and attitude towards investment.

- There is no association between socio-economic factors and attitude towards risk.
- The determinants of rational behaviour do not influence the intention to invest.
- The determinants of irrational behaviour do not influence the intention to invest.

Scope of the Study

Traditional Financial Theory assumes that people are guided by reasons and logical independent decision. But the field of behavioural finance recognizes and proves the influence of behavioural factors in the process of investment decisions. Individual investors are affected by various factors while making investment choices. To understand about the behaviour of individual investors, it is necessary to study about their preference towards various investment avenues, level of awareness, attitude towards investment and risk, factors influencing investment decisions, rational and irrational behaviours of investors.

Limitations of the Study

The study is prone to some limitations which are mentioned below

1. The study is restricted to the investors in Faridabad District.
2. The analysis was based on the data collected with the help of the interview schedule and this might have its own limitation.
3. The study is confined to the view point of the individual investors, which could be biased in nature.

Research Methodology

Methodology is the key aspect which governs the outcome of the research. It is the general research strategy that outlines the way in which research is to be undertaken and among other things, identifies the methods to be used. The methodology of the research study has been

explained in following heads:

- Nature of Research
- Selection of the Study Area
- Selection of the Sample Units
- Tools for Collection of Data
- Tools for Analysis of Data

Nature of Research

Descriptive research is chosen to attain the research objectives as descriptive research studies, which are concerned with describing the characteristics of a particular individual or group. Descriptive research also concerned with specific predictions, with narration of facts and characteristics concerning individual, group or situation (Kothari 2008). Most of the social research comes under this category.

Selection of the Study Area

Faridabad District has been selected as study area. Faridabad is a city in northern India, a major commercial and business hub in the state of Haryana. It is the highest revenue yielding district in the state even ahead of Gurugram thus making it one of the fastest-growing second-tier metro cities in India. Economy of Faridabad is heavily influenced by Information Technology, Engineering and Automobile Industries. Faridabad is called the Manchester of North India.

Selection of the Sample Units

The selection of sampling unit is also another important aspect before selecting the sample. Sampling unit may be a geographical one such as state, district, village, etc., or it may be a social unit such as family, club, school, etc., or it may be an individual. Hence, in the research study, professionals of all industries are selected as sampling unit, along with business persons of all types, be it individuals shop keepers, owners of SMEs and people from big industries were selected. Researchers have included housewives into the sample to bring in the factor of inclusion of all strata. As the sampling is carried out in different stages, the sampling considered for the study is multi stage sampling technique.

The sample respondents of 525 were resulted, 482 were validated and the remaining was rejected due to incomplete information. The final samples of 482 were processed with the

response rate of 91.85 per cent.

Tools for Collection of Data

The task of data collection begins after the research problem has been defined and research design chalked out. While deciding the method of data collection both primary and secondary sources are used.

Pilot Study

A preliminary investigation is undertaken by contacting 75 respondents to identify the important variables regarding characteristic features of instrument and the changes, preference of investments, investment decisions, awareness and determinants of investment. The purpose of the pilot study is to test the quality of the items in the interview schedule and to confirm the feasibility of the study. It is ascertained that the items in Likert's five point scale of the interview schedule are highly reliable and the samples satisfy the normal distribution rationally. So, the items in the interview schedule can be used further in the study.

Primary Data

The research focuses on individual investment behaviour. Hence the first hand information is important from the target group. The primary data was collected from 525 respondents through well structured interview schedule, personally administered and observed from surveying the locality and from personal interviews. A well structured interview schedule was prepared covering the socio-economic profile of the respondents, level of awareness of the respondents, objectives of investment and attitude towards investment and risk of the respondents and determinants under rational and irrational behaviour and 482 were validated.

Measurement of Variables

Likert scaling technique was adopted to measure the variables under awareness, attitude towards investment and risk, motivational factors for investment and the rational and irrational behavior

Secondary Data

The secondary data has been collected from different sources like journals, RBI bulletins, magazines and newspaper; various reports of

professional bodies etc., the data pertaining to the savings behaviour in India are collected from the annual reports of SEBI, reports from Ministry Finance and India Economic Survey.

Period of the Study

- The study was conducted from September 2018 to March 2021
- The data collection was done for a period of six months from January 2021 to June 2021.

Tools for Analysis of Data

The sources of data are primary as well as secondary. The data collected from the individuals' survey constitutes primary and information gathered through books, journals, magazines, reports, dairies are considered as the secondary source. The data collected from both the sources is scrutinized, edited and tabulated. The data is analyzed using Statistical Package for Social Sciences (SPSS) and AMOS 23. The following statistical tools are used in the study.

- Percentage Analysis
- Cross Tabulation
- F Test – ANOVA
- Chi-square Analysis
- Tukey HSD Post Hoc Test
- Garrett Ranking Techniques
- Factor Analysis

Findings of the Study

The findings of the study are given under following headings:

- Socio-economic Profile and Investment Behaviour
- Level of Awareness on Investment
- Attitude towards Investment and Risk
- Factors Influencing Investment Decision
- Determinants of Investment Behaviour

Conclusion

Investment aspiration of the individuals is actually a commitment to secure the consumption of all regular financial inflows with futuristic perspectives. The study exposed the fact that, the investment strategies of the

investors are largely influenced by the socio-economic factors and it further reveals that the behavioural bias plays a vital role in determining the investment process of individual investors. Different types of investment avenues are available and the investors have to become more alert and choosy in selecting profitable investment avenues with minimum risk. The selected investors in the study are not having adequate awareness about the investment and also not consulting the financial advisors, hence they prefer to invest in traditional and safe financial products.

It is further noted that salaried professionals are not willing to take much risk in investing emerging financial products. The investors have to consult the financial advisors and analyse the features before making any investment, this helps the individual investors to select best beneficial avenues and they could avoid behavioural bias in the investment decision making process. The individual investors should not be left behind the isolated batch in the investment market. The need of the hour is to promote financial literacy at a very early age in one's life and help the common man to make his financial plan profitable for himself.

Suggestions

On the basis of the findings of the study, the following suggestions have been made to improve the investment behaviour of individual investors.

- Today there are so many special investment schemes available for investment, so investors are suggested to diversify their portfolio towards profitable avenues.
- Investors should develop a habit of reading newspapers, magazines related to investments and other watching investment TV channels to make their investment as profitable one.
- Investors could avoid taking suggestions from commoners. It is recommended to approach professionals such as tax consultants,

chartered accountants and financial advisors to get dual benefits of investment as well tax reduction.

- Recognition of bias in oneself is the first step to avoid behavioural bias in the process of investment decisions.
- Specific and quantitative goals eliminate investors' narrow view and enable to make informed change in order to meet a long term goal.
- Tracking or reviewing of investment would help them to have a good knowledge about the present asset holding.
- Irrational decisions are to be best avoided as they result in situation those mostly unfavourable and detrimental whereas decisions which are well thought out and backed by solid data from reliable sources are recommended.
- The educational institutions should educate the students about the importance of investment at the younger age itself.

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