EMBA 4th Semester Major Project

"INVESTORS PRECEPTION REGARDING VARIOUS INVESTMENT AVENUES AT STOCK MARKET"

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DECLARATION

I declare that this project **"Investors Perception Regarding Various Investment Avenues Available at the Stock Market"** is my original work, and that all sources that I have consulted have been duly acknowledged.

Date: Signature:

Place: Delhi Name: Himani

CERTIFICATE

This is to certify that the project entitled '**"Investors Perception Regarding Various Investment Avenues Available at the Stock Market"** has been successfully completed by Himani – 2K16/EMBA/511

This is further certified that this project work is a record of bonafide work done by him under my guidance. The matter embodied in this report has not been submitted for award of any degree.

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EXECUTIVE SUMMARY

The Indian Equity market is divided in to two parts Primary market - where the share is first issued in the form of IPO (Initial Public Offering) and after issuing the share it is listed on exchange and share is traded on exchange where shares can be bought and sold this is secondary market.

What is equity investment and how does the India Stock Market works? What are the various alternatives available to the investor in Indian Stock Market? How the investment is done in various instruments that are available?

Equity research is what an equity research analyst does. Well, to start with**,** equity research is a study of equities or stocks for the purpose of investments

A Derivative is a financial instrument whose value depends on other, more basic, underlying variables. The variables underlying could be prices of traded securities and stock, prices of gold or copper. Derivatives have become increasingly important in the field of finance, Options and Futures are traded actively on many exchanges, Forward contracts, Swap and different types of options are regularly traded outside exchanges by financial intuitions, banks and their corporate clients in what are termed as over-the-counter markets – in other words, there is no single market place or organized exchanges.

The various types of investments available for an investors like equity, debt, Mutual funds, public funds, derivatives include Forwards, Futures, Options and Currencies.

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Chapter 1 Introduction

1. INDIAN STOCK MARKET

1.1 Introduction

Indian Stock Markets is one of the oldest in Asia. Its history dates back to nearly 200 years ago. The earliest records of security dealings in India are meagre and obscure. **The East India Company** was the dominant institution in those days and business in its loan securities used to be transacted towards the close of the eighteenth century.

By 1830's business on corporate stocks and shares in Bank and Cotton presses took place in Bombay. Though the trading list was broader in 1839, there were only half a dozen brokers recognized by banks and merchants during 1840 and 1850. The 1850's witnessed a rapid development of commercial enterprise and brokerage business attracted many men into the field and by 1860 the number of brokers increased into 60. In 1860-61 the American Civil War broke out and cotton supply from United States to Europe was stopped; thus, the **'Share Mania'** in India began. The number of brokers increased to about 200 to 250.

At the end of the American Civil War, the brokers who thrived out of Civil War in 1874, found a place in a street (now appropriately called as Dalal Street) where they would conveniently assemble and transact business. In 1887, they formally established in Bombay, the **"Native Share and Stock Brokers' Association",** which is alternatively known as **"The Stock Exchange"**. In 1895, the Stock Exchange acquired a premise in the same street and itwas inaugurated in 1899. Thus, the Stock Exchange at Bombay was consolidated.

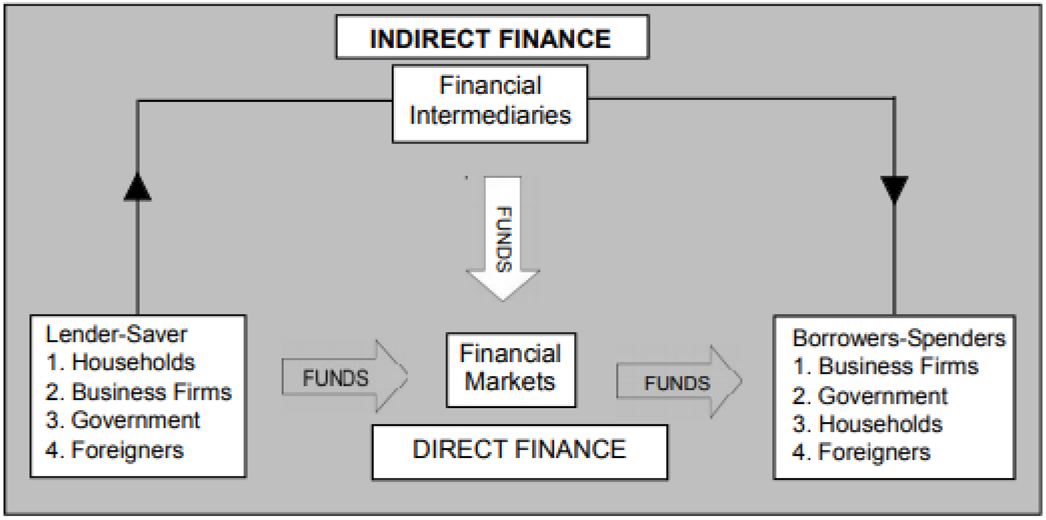
The Indian stock market has been assigned an important place in financing the Indian corporate sector. The principal functions of the stock markets are:

- Enabling mobilizing resources for investment directly from the investors
- Providing liquidity for the investors and monitoring
- Disciplining company management.

1.2 FINANCIAL MARKETS

A financial market is a market where financial assets and financial liabilities are bought and sold. Financial Markets perform the essential economic function of channeling funds from savers who have an excess of funds to spenders who have a shortage of funds. This function is shown schematically in the figure below:

Flow of funds through the financial system:-



Financial markets can perform this basic function either through direct finance in which borrowers borrow funds directly from lenders by selling them securities or through indirect finance, which involves a financial intermediary who stands between the lender-savers and borrower-spenders and helps transfer funds from one to the other.

This channelising of funds improves the economic welfare of everyone in the society because it allows funds to move from people who have no productive investment opportunities to those who have such opportunities, thereby contributing towards increased efficiency in the economy.

Classification Of Financial Markets

The financial markets in India can be classified as follows :

(a) Unorganized Markets: In unorganized markets, there are a number of money lenders, indigenous bankers, traders, etc. who lend money to the public. Indigenous bankers also collect deposits from the public. There are also private finance companies, chit funds etc. whose activities are not controlled by the RBI. The RBI has already taken some steps to bring this unorganized sector under the organized fold.

(b) Organized Markets: In the organized markets, there are standardized rules and regulations governing their financial dealings. There is also a high degree of institutionalization and instrumentalization. These markets are subject to strict supervision and control by the RBI and other regulatory bodies. These organized markets can be further classified into two types. They are:

(i) Capital Market and
(ii) Money Market.

I Capital Market

The capital market is a market for financial assets which have a long or indefinite maturity period. Generally, it deals with long term securities which have a maturity period of more than one year.

Capital market may be further classified into three categories, namely :
1. Industrial Securities Market
2. Government Securities Market and
3. Long-term Loans Market.

1. Industrial Securities Market

As the very name suggests, it is a market for industrial securities, namely : (i) equity shares (ii) Preference shares and (iii) Debentures or bonds. It is a market where industrial concerns raise their capital or debt by issuing appropriate instruments. It can be further classified into two categories.

These are :
(a) Primary market or New Issue Market,
(b) Secondary market or Stock Exchange.

2. Government Securities Market

It is otherwise called the Gilt-Edged Securities Market. It is a market where government securities are traded. In India there are many kinds of Government securities – short term and long term. Long-term securities are traded in this market while short term securities are traded in the money market. The secondary market for these securities is very narrow since most of the institutional investors tend to retain these securities until their maturity.

3. Long-term Loans Market

Development banks and commercial banks play a significant role in this market by supplying long term loans to corporate customers. Long term loans market may further be classified into – (i) Term loans, (ii) Mortgages and (iii) Financial Guarantees markets.

II Money Market

Money market is a very important segment of a financial system. It is a market for dealings in monetary assets of short-term nature. Short-term funds up to one year and financial assets that are close substitutes for money are dealt in the money market. Money market instruments have the characteristics of liquidity (quick conversion into money), minimum transaction cost and no loss in value. Excess funds are deployed in the money market, which in turn is availed of to meet temporary shortages of cash and other obligations. Money market provides access to providers and users of short-term funds to fulfill their investment and borrowing requirements respectively at an efficient market clearing price. It performs the crucial role of providing an equilibrating mechanism to even out short-term liquidity, surpluses and deficits and in the process, facilitates the conduct of monetary policy. The money market is one of the primary mechanism through which the Central Bank influences liquidity and the

1.3 TWO MAJOR STOCK EXCHANGES IN INDIA

With the liberalization of the Indian economy, it was found inevitable to lift the Indian stock market trading system on par with the international standards. On the basis of the recommendations of high powered Pherwani Committee.

1.3.1 National Stock Exchange

The National Stock Exchange was incorporated in 1992 by Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Industrial Finance Corporation of India, all Insurance Corporations, selected commercial banks and others.

NSE is India's leading stock exchange covering various cities and towns across the country. NSE was set up by leading institutions to provide a modern, fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. It has set up facilities that serve as a model for the securities industry in terms of **systems**, **practices** and **procedures.**

Trading at NSE can be classified under two broad categories:

1. **Wholesale debt market** operations are similar to money market operations - institutions and corporate bodies enter into high value transactions in financial instruments such as government securities, treasury bills, public sector unit bonds, commercial paper, certificate of deposit, etc.

2. **Capital market**: The capital market is a market for financial assets which have a long or indefinite maturity period. Generally, it deals with long term securities which have a maturity period of more than one year. Capital market may be further classified into three categories, namely :
   1. Industrial Securities Market

2. Government Securities Market and
3. Long-term Loans Market.

There are two kinds of players in NSE:

- Trading members
- Participants

Recognized members of NSE are called trading members who trade on behalf of themselves and their clients. Participants include trading members and large players like banks who take direct settlement responsibility.

Trading at NSE takes place through a fully automated screen-based trading mechanism which adopts the principle of an order-driven market. Trading members can stay at their offices and execute the trading, since they are linked through a communication network.

The prices at which the buyer and seller are willing to transact will appear on the screen. When the prices match the transaction will be completed and a confirmation slip will be printed at the office of the trading member.

NSE has several advantages over the traditional trading exchanges. They are as follows:

- NSE brings an integrated stock market trading network across the nation.
- Investors can trade at the same price from anywhere in the country since inter-market operations are streamlined coupled with the countrywide access to the securities.

- Delays in communication, late payments and the malpractice‟s prevailing in the traditional trading mechanism can be done away with greater operational efficiency and informational transparency in the stock market operations, with the support of total computerized network.

NSE Nifty

S&P CNX Nifty is a **well-diversified 50 stock index** accounting for 22 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds.

NSE came to be owned and managed by India Index Services and Products Ltd. (IISL), which is a joint venture between NSE and CRISIL. IISL is India's first specialized company focused upon the index as a core product. IISL have a consulting and licensing agreement with Standard &Poor's (S&P), who are world leaders in index services. CNX stands for CRISIL NSE Indices. CNX ensures common branding of indices, to reflect the identities of both the promoters, i.e. NSE and CRISIL. Thus, 'C' Stands for CRISIL, 'N' stands for NSE and X stands for Exchange or Index. The S&P prefix belongs to the US-based Standard & Poor's Financial Information Services.

1.3.2 Bombay Stock Exchange

The Bombay Stock Exchange is one of the oldest stock exchanges in Asia. It was establishedas **"The Native Share & Stock Brokers Association"** in 1875. It is the first stock exchange in the country to obtain permanent recognition in 1956 from the Government of India under the Securities Contracts (Regulation) Act, 1956. The Exchange's pivotal and pre-eminent role in the development of the Indian capital market is widely recognized and its index, **SENSEX,** is tracked worldwide.

1.4 SENSEX

The Stock Exchange, Mumbai (BSE) in 1986 came out with a stock index that subsequently became the barometer of the Indian stock market.

SENSEX is not only scientifically designed but also based on globally accepted construction and review methodology. First compiled in 1986, SENSEX is a **basket of 30 constituentstocks** representing a sample of large, liquid and representative companies. The base year ofSENSEX is 1978-79 and the base value is 100. The index is widely reported in both domestic and international markets through print as well as electronic media.

Due to is wide acceptance amongst the Indian investors; SENSEX is regarded to be the pulse of the Indian stock market. As the oldest index in the country, it provides the time series data over a fairly long period of time. Small wonder, the SENSEX has over the years become one of the most prominent brands in the country.

The SENSEX captured all these events in the most judicial manner. One can identify the booms and busts of the Indian stock market through SENSEX.

The launch of SENSEX in 1986 was later followed up in January 1989 by introduction of BSE National Index (Base: 1983-84 = 100). It comprised of 100 stocks listed at five major stock exchanges.

The values of all BSE indices are updated every 15 seconds during the market hours and displayed through the BOLT system, BSE website and news wire agencies.

All BSE-indices are reviewed periodically by the “index committee” of the exchange.

1.5 OVERVIEW OF THE REGULATORY FRAMEWORK OF THE CAPITAL MARKET IN INDIA

India has a financial system that is regulated by independent regulators in the sectors of banking, insurance, capital markets and various service sectors. The Indian Financial system is regulated by two governing agencies under the Ministry of Finance. They are

1. **Reserve Bank of India**

   The RBI was set up in 1935 and is the central bank of India. It regulates the financial and banking system. It formulates monetary policies and prescribes exchange control norms.

2. **The Securities Exchange Board of India**

   The Government of India constituted SEBI on April 12, 1988, as a non-statutory body to promote orderly and healthy development of the securities market and to provide investor protection.

3. **Department Economic Affairs**

   The capital markets division of the Department of Economic Affairs regulates capital markets and securities transactions.

   The capital markets division has been entrusted with the responsibility of assisting the Government in framing suitable policies for the orderly growth and development of the securities markets with the SEBI, RBI and other agencies. It is also responsible for the functioning of the Unit Trust of India (UTI) and Securities and Exchange Board of India (SEBI).

The principal aspects that are dealt with the capital market division are:

a) Policy matters relating to the securities market.
b) Policy matters relating to the regulation and development and investor protection of the securities market and the debt market.
c) Organizational and operational matters relating to SEBI

1.5.1 The Capital Market Division is governed by:

In India, the Capital Markets are regulated by the Capital Markets division of the DEA, Ministry of Finance. The Capital Markets Division of DEA comprises of various sections. The sections along with the respective works handled by them are:

(i) Primary Market (PM)

The Primary Market provides the channel for sale of new securities. Primary Market provides opportunity to issuers of securities, government as well as corporates, to raise resources to meet their requirements of investment and/or discharge some obligation.

They may issue the securities at its face value, or at a discount/premium and these securities may take a variety of form such as equity, debt, etc. They may issue the securities in domestic market as well as international market.

The Primary Market issuance is done either through public issues or private placement. A public issue does not limit any entity from investing, while in private placement, the issuance is done to some selected persons only.

There are two major types of issuers who issue securities. The corporate entities issue mainly debt and equity instruments (shares, debentures, etc.), while the government (central as well as state governments) issue debt securities only (dated securities, treasury bills). The price signals, which subsume all information about the issuer and his business including associated risk, generated in the secondary market, help the Primary Market in allocation of funds.

– Primary Market Related Intermediaries & Participants
– SEBI Board Meeting (primary responsibility)
– SEBI Act
– Related Rules and Regulations
– Corporate Debt Market Development

– Collective Investment Schemes (CIS) including Mutual Funds
– Sectoral Charge of Ministry of Corporate Affairs
– Budget related matters
– National Institute of Securities Market (NISM)

(ii) Secondary Market (SM)

Secondary Market refers to a market where securities are traded after being initially offered to the public in the Primary Market and/or listed on the Stock Exchange. Majority of the trading is done in the Secondary Market.

Secondary Market comprises of equity market as well as debt market. The Secondary Market enables the participants who hold securities to adjust their holdings in response to changes in their assessment of risk and return. They also sell securities for cash to meet their liquidity needs. The Secondary Market has further two components, namely the over-the-counter (OTC) market and the exchangetraded market. OTC is different from the market place provided by the Over The Counter Exchange of India Limited.

– Securities Contracts (Regulations) Act, 1956
– Depositories Act, 1996
– Related Rules and Regulations
– Taxes and Stamp Duties in Securities Markets
– Database relating to Securities Markets
– Monitoring of Stock Market Movements / Financial Markets
– Related Intermediaries & Participants like Depositories, Stock Exchanges, Clearing Corporations, Governance of such institutions
– Self Regulatory Organisations – SME Exchange
- SEBI Board Meeting (secondary responsibility)

(iii) External Markets (EM)

– International Financial Market
– Mumbai International Financial Center
– FEMA and Rules & Regulations
– FATF Cell (Financial Action Task Force)
– Liaison / Branch Offices – High Level Coordination Committee (HLCC) on Financial Markets – Sectoral (Legal Affairs, Legislative Department and Parliamentary Affairs) Charge
– Foreign Travels of State Govt/UT functionaries

(iv) External Commercial Borrowings (ECB)

– ECB/FCCB (Foreign Convertible Currency Bond)
– American Depository Receipts (ADR)/ Global Depository Receipts (GDR)
– Foreign Institutional investment (FII)

The principal subjects dealt with in the Capital Market Division are the following:

- Policy matters relating to the Securities Markets, related intermediaries and participants;
- Policy matters relating to the regulation and development of the Securities Markets and investor protection;
- The main Acts/Rules being administered by Capital Markets Division are:-
  - Depositories Act, 1996 and Rules made thereunder
  - Securities Contracts (Regulation) Act, 1956 and rules made thereunder
  - Securities and Exchange Board of India Act, 1992 and rules made thereunder

- Rules made under the above Acts
  - Securities and Exchange Board of India (Terms and Conditions of Services of Chairman and Members) Rules, 1992
  - Securities Appellate Tribunal (Services, Allowance and other Terms and Conditions of Presiding Officers and other Members) Rules, 2003
  - Foreign Exchange Management Act (FEMA), 1999
  - Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.

1.5.2 Self-regulating Role of the Exchange

The exchange functions as a Self Regulatory Organization with the parameters laid down by the SCRA, SEBI Act, SEBI Guidelines and Rules, Bye-laws and Regulations of the Exchange. The Governing Board discharges these functions. The Executive Director has all the powers of the governing board except discharging a member indefinitely or declaring him a defaulter or expelling him. The Executive Director takes decisions in the areas like surveillance, inspection, investigation, etc. in an objective manner as per the parameters laid down by the governing board or the statutory committees like the Disciplinary Action Committee.

1.6 LEGISLATIONS

The four main legislations governing the Securities Market are: (a) the SEBI Act, 1992 which establishes SEBI to protect the interest of investors and to develop and regulate Securities

Market; (b) the Companies Act, 2013, which sets out a code of conduct for the corporate sector in relation to issue, allotment and transfer of securities, and disclosures to be made in public issues; (c) the Securities Contracts (Regulation) Act, 1956, which provides for regulation of transactions in securities through control over stock exchanges; and (d) the Depositories Act, 1996 which provides for electronic maintenance and transfer of ownership of demat securities.

(a) SEBI Act, 1992: The provisions of the SEBI Act define its role in more specific terms. These broadly relate to (i) Regulating the business in stock exchanges and any other Securities Markets ; (ii) Registration and regulation of a range of financial intermediaries and trade participants ; (iii) Prohibiting practices that are considered to be unhealthy for development of the Securities Market, such as, insider trading and fraudulent and unfair trade practices, for promoting and regulating self regulatory organizations ; (iv) Promoting investors' education and training of intermediaries of Securities Markets; (v) Inspection and calling for information from various regulated entities referred to in (ii) above ; (vi) Conducting research ; (viii) Collecting fees or other charges for carrying out the purposes of this section and ; (ix) Performing such other functions as may be prescribed.

(b) Securities Contracts (Regulation) Act, 1956: It provides for direct and indirect control of virtually all aspects of securities trading and the running of stock exchanges and aims to prevent undesirable transactions in securities. It gives Central Government/SEBI regulatory jurisdiction over : (a) stock exchanges through a process of recognition and continued supervision; (b) contracts in securities; and (c) listing of securities on stock exchanges. As a condition of recognition, a stock exchange complies with prescribed conditions of Central Government. Organised trading activity in securities takes place on a specified recognised stock exchange. The stock exchanges determine their own listing regulations which have to conform to the minimum listing criteria set out in the Rules.

(c) Depositories Act, 1996: The Depositories Act, 1996 provides for the establishment of depositories in securities with the objective of ensuring free transferability of securities with speed, accuracy and security by (a) making securities of public limited companies freely transferable subject to certain exceptions; (b) dematerialising the securities in the depository mode; and (c) providing for maintenance of ownership records in a book entry form. In order to streamline the settlement process, the Act envisages transfer of ownership of securities electronically by book entry without making the securities move from person to person. The Act has made the securities of all public limited companies freely transferable, restricting the company's right to use discretion in effecting the transfer of securities, and the transfer deed and other procedural requirements under the Companies Act have been dispensed with.

(d) Companies Act, 2013: The Companies Act, 2013 has replaced the Companies Act, 1956. The new Companies Act, 2013 envisages to strengthen the existing regulatory framework on Corporate Governance. It deals with the issue, allotment and transfer of securities and various aspects relating to Corporate Management. It provides for standard of disclosure in public issue of capital, particularly in the field of company management and projects, information about other listed companies under the same management and management perception of risk factors. It also regulates underwriting, the use of premium and discounts on issues, right and bonus issues, payment of interest and dividends, supply of annual report and other information.

1.7 TRADING WITH STOCK MARKET

This section will introduce us about the process and instruments used to help a customer or a client to trade with arcadia securities. This process is almost similar to any other trading firm but there will be some difference in the cost of brokerage commission.

Trading: It is a process by which a customer is given facility to buy and sell share this buyingand selling can only be done through some broker and this is where Arcadia helps its customer. A customer willing to trade with any brokerage house need to have a demat account, trading account and saving account with a brokerage firm. Any one having following document can open all the above mentioned account and can start trading.

1.7.1 Document Required

a) 3 photographs (signed across)
b) Photo Identification Proof - any of the following – Voter ID/Driving License/Passport.
c) Address Proof any of the following - Voter ID/Driving License/ Passport/ Bank statement or pass book sealed and attestation by bank official/ BSNL landline bill.
d) A crossed Cheque favouring "Karvy Stock Broking". Of the required amount. The amount for Demat as well as trading will be Rs. 900/-(free Demat +900 Trading Account) the minimum amount being Rs. 900 a cheque can be given for a larger amount
e) Copy of PAN Card is mandatory
f) Registration Kit
g) CDSL Demat Kit
h) Bank and address proof declaration
i) PAN name discrepancy form

These documents may not be consumer friendly but it is to avoid illegal transaction and to prevent black money this ensures that money invested is accounted.

1.7.2 Techniques and instruments for trading

The various techniques that are available in the hands of client are;

1. Delivery
2. Intraday
3. Future
4. Forwards
5. Options
6. Swaps

1.7.3 Basic Requirement for doing Trading

Trading requires Opening a Demat account. Demat refers to a dematerialized account.

You need to open a Demat account if you want to buy or sell stocks. So it is just like a bank account where actual money is replaced by shares. We need to approach the Depository Participants (DP, they are like bank branches), to open Demat account.

A **depository** is a place where the stocks of investors are held in electronic form. The depository has agents who are called **depository participants** (DPs).

Think of it like a bank. The head office where all the technology rests and details of all accounts held is like the depository. And the DPs are the branches that cater to individuals.

1.7.4 There are only two depositories in India –

1. **The National Securities Depository Ltd (NSDL)**

NSDL, the first and largest depository in India, established in August 1996 and promoted by institutions of national stature has established a state-of-the-art infrastructure that handles most of the securities held and settled in dematerialized form in the Indian capital market. Although India had a vibrant capital market which is more than a century old, the paper-based settlement of trades caused substantial problems like bad delivery and delayed transfer of title, etc. The enactment of Depositories Act in August 1996 paved the way for establishment of NSDL.

Using innovative and flexible technology systems, NSDL works to support the investors and brokers in the capital market of the country. NSDL aims at ensuring the safety and soundness of Indian marketplaces by developing settlement solutions that increase efficiency, minimize risk and reduce costs. At NSDL, we play a central role in developing products and services that will continue to nurture the growing needs of the financial services industry. In the depository system, securities are held in depository accounts, which is more or less similar to holding funds in bank accounts. Transfer of ownership of securities is done through simple account transfers. This method does away with all the risks and hassles normally associated with paperwork. Consequently, the cost of transacting in a depository environment is considerably lower as compared to transacting in certificates.

NSDL provides bouquet of services to end investors, stock brokers, stock exchanges, custodians, issuer companies etc. through its network of more than 260 Depository Participants / Business Partners. NSDL has been able to win the trust of crores of investors and other intermediaries, thus standing true to its tag line −Technology, Trust and Reach. We at NSDL believe that 'Every Indian should not only become an 'Investor' but a 'Prudent Investor' indeed.

As a part of its on-going market reforms, the Government of India promulgated the Depositories Ordinance in September 1995. Based on this ordinance, Securities and Exchange Board of India (SEBI) notified it's Depositories and Participants Regulations in May 1996. The enactment of the Depositories Act the following August paved the way for the launch of National Securities Depository Ltd. (NSDL) in November 1996.The Depositories Act has provided dematerialisation route to book entry based transfer of securities and settlement of securities trade.

In exercise of the rights conferred by the Depositories Act, NSDL framed its Bye Laws and Business Rules. The Bye Laws are approved by SEBI. While the Bye Laws define the scope of the functioning of NSDL and its business partners; the Business Rules outline the operational procedures to be followed by NSDL and its "Business Partners".

In view of the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, NSDL has adopted Code of Conduct for its Directors and Code of Ethics for its Directors and Key Management Personnel as prescribed under Regulation 9D of the aforesaid regulations. The Code of Ethics for Directors and Key Management Personnel of NSDL, is aimed at improving the professional and ethical standards in the functioning of the company thereby creating better investor confidence in the integrity of the market.

NSDL Facts & Figures

As on April 30, 2018	
Number of certificates eliminated (Approx.) (in Crore)	3066
Number of companies in which more than 75% shares are dematted	8389
Average number of accounts opened per day since November 1996	3914
Presence of demat account holders in the country	88% of all pincodes in the country

2. **Central Depository Services Ltd (CDSL)**

A Depository facilitates holding of securities in the electronic form and enables securities transactions to be processed by book entry. The Depository Participant (DP), who as an agent of the depository, offers depository services to investors. According to SEBI guidelines, financial institutions, banks, custodians, stockbrokers, etc. are eligible to act as DPs. The investor who is known as beneficial owner (BO) has to open a demat account through any DP for dematerialisation of his holdings and transferring securities.

The balances in the investors account recorded and maintained with CDSL can be obtained through the DP. The DP is required to provide the investor, at regular intervals, a statement of account which gives the details of the securities holdings and transactions. The depository system has effectively eliminated paper-based certificates which were prone to be fake, forged, counterfeit resulting in bad deliveries. CDSL offers an efficient and instantaneous transfer of securities.

CDSL was initially promoted by BSE Ltd. which has thereafter divested its stake to leading banks as "Sponsors" of CDSL.

CDSL was set up with the objective of providing convenient, dependable and secure depository services at affordable cost to all market participants. Some of the important milestones of CDSL system are:

- CDSL received the certificate of commencement of business from SEBI in February, 1999.
- Honourable Union Finance Minister, Shri Yashwant Sinha flagged off the operations of CDSL on July 15, 1999.
- Settlement of trades in the demat mode through BOI Shareholding Limited, the clearing house of BSE Ltd., started in July 1999.
- All leading stock exchanges like the BSE Ltd, National Stock Exchange and Metropolitan Stock Exchange of India have established connectivity with CDSL

1.8 CAPITAL MARKET PARTICIPANTS

- **Banks** : Banker to an Issue means a scheduled bank carrying on all or any of the following activities : – Acceptance of application and application monies; – Acceptance of allotment or call monies; – Refund of application monies; – Payment of dividend or interest warrants
- **Exchanges :** These are Stock exchanges.

- Clearing Corporations
- **Brokers:** Stock broker means a member of a stock exchange. A stock-broker plays a very important role in the secondary market helping both the seller and the buyer of the securities to enter into a transaction. A sub-broker means any person not being a member of stock exchange who acts on behalf of the stock broker as an agent or otherwise for assisting the investors in buying, selling or dealing in securities through such stock brokers. No stock broker or sub-broker shall buy, sell or deal in securities unless he holds a certificate of registration granted by SEBI under the Regulations made by SEBI in relation to them.

- **Custodians:** Custodian of securities means any person who carries on or proposes to carry on the business of providing custodial services. The term "custodial services" in relation to securities of a client or gold or gold related instruments held by a mutual fund in accordance with the SEBI (Mutual Funds) Regulations, 1996 means safekeeping of securities or gold or gold related instruments or title deeds of real estate assets and providing services incidental thereto, and includes – (i) maintaining accounts of securities or gold or gold related instruments or title deeds of real estate assets of a client; (ii) undertaking activities as a Domestic Depository in terms of the Companies (Issue of Indian Depository Receipts) Rules, 2004. (iii) collecting the benefits or rights accruing to the client in respect of securities or gold or gold related instruments; or title deeds or real estate assets (iv) keeping the client informed of the actions taken or to be taken by the issuer of securities, having a bearing on the benefits or rights accruing to the client; and (v) maintaining and reconciling records of the services referred to in points (i) to (iii).
- Depositories
- Investors
- **Merchant Bankers** : 'Merchant Banker' means any person engaged in the business of issue management by making arrangements regarding selling, buying or subscribing to securities or acting as manager/consultant/advisor or rendering corporate advisory services in relation to such issue management.

Types of Investors

- Institutional Investors- MFs / FI / FIIs / Banks
- Retail Investors
- Arbitrageurs / Speculators
- Hedgers
- Day traders/Jobbers

Combination of Futures and Option

Hedging means, minimizing the risk, i.e., minimizing the losses. Under index futures and index options investor can minimize his losses. Hedging does not remove losses but removes unwanted exposure, i.e. unnecessary risk. One should not enter into a hedging strategy hoping to make excess profits; all it can do is reduce the risk.

1.9 PARAMETERS OF INVESTMENT

The nature of investment differs from individual to individual and is unique to each one because it depends on various parameters like future financial goals, the present & the future income model, capacity to bear the risk, the present requirements and lot more. As an investor progresses on his/her life stage and as his/her financial goals change, so does the unique investor profile.

Economic development of a country depends upon its investment. The emerging economic environment of competitive markets signifying customer‟s sovereignty has profound implications for their savings and investment. Investment means person‟s commitments towards his future.

1.9.1 Investment

The word "investment" can be defined in many ways according to different theories and principles. It is a term that can be used in a number of contexts. However, the different meanings of "investment" are more alike than dissimilar.

Generally, investment is the application of money for earning more money. Investment also means savings or savings made through delayed consumption.

According to economics, investment is the utilization of resources in order to increase income or production output in the future.

An amount deposited into a bank or machinery that is purchased in anticipation of earning income in the long run are both examples of investments. Although there is a general broad definition to the term investment, it carries slightly different meanings to different industrial sectors.

According to economists, investment refers to any physical or tangible asset, for example, a building or machinery and equipment.

On the other hand, finance professionals define an investment as money utilized for buying financial assets, for example stocks, bonds, bullion, real properties, and precious items.

According to finance, the practice of investment refers to the buying of a financial product or any valued item with an anticipation that positive returns will be received in the future.

The most important feature of financial investments is that they carry high market liquidity. The method used for evaluating the value of a financial investment is known as valuation. According to business theories, investment is that activity in which a manufacturer buys a physical asset, for example, stock or production equipment, in expectation that this will help the business to prosper in the long run.

1.9.2 Characteristics of an investment decision:

1. It involves the commitment of funds available with you or that you would be getting in the future.

2. The investment leads to acquisition of a plot, house, or shares and debentures.

3. The physical or financial assets you have acquired are expected to give certain benefits in the future periods. The benefits may be in the form of regular revenue over a period of time like interest or dividend or sales or appreciation after some point of time as normally happens in the case of investment in land or precious metals.

1.9.3 Essentials of Investment

Essentials of investment refer to why investment, or the need for investment, is required. The investment strategy is a plan, which is created to guide an investor to choose the most appropriate investment portfolio that will help him achieve his financial goals within a particular period of time.

An investment strategy usually involves a set of methods, rules, and regulations, and is designed according to the exchange or compromise of the investor's risks and returns. A number of investors like to increase their earnings through high-risk investments, whilst others prefer investing in assets with minimum risk involved. However, the majority of investors choose an investment strategy that lies in the middle.

Investment strategies can be broadly categorized into the following types:

- Active strategies: One of the principal active strategies is market timing (an investor is able to move into the market when it is on the low and sell the stocks when the market is on the high), which is applied for maximizing yields.

- Passive strategies: Frequently implemented for reducing transaction costs.

One of the most popular strategies is the buy and hold, which is basically a long term investment plan. The idea behind this is that stock markets yield a commendable rate of return in spite of stages of fluctuation or downfall. Indexing is a strictly passive variable of the buy and hold strategy and, in this case, an investor purchases a limited number of every share existing in the stock market index, for example the Standard and Poor 500 Index, or more probably in an index fund, which is a form of a mutual fund.

Additionally, as the market timing strategy is not applicable for small-scale investors, it is advisable to apply the buy and hold strategy. In case of real estate investment the retail and small-scale investors apply the buy and hold strategy, because the holding period is normally equal to the total span of the mortgage loan.

1.9.4 Principles Of Investment

Five basic principles serve as the foundation for the investment approach. They are as follows:

1. **Focus on the long term**

There is substantive empirical evidence to suggest that equities provide the maximum risk adjusted returns over the long term. In an attempt to take full advantage of this phenomenon, investments would be made with a long term perspective.

2. **Investments confer proportionate ownership**

The approach to valuing a company is similar to making an investment in a business. Therefore, there is a need to have a comprehensive understanding of how the business operates.

3. **Maintain a margin of safety**

The benchmark for determining relative attractiveness of stocks would be the intrinsic value of the business. The Investment Manager would endeavor to purchase stocks that represent a discount to this value, in an effort to preserve capital and generate superior growth.

4. **Maintain a balanced outlook on the market**

The investment portfolio would be regularly monitored to understand the impact of changes in business and economic trend as well as investor sentiment. While short-term market volatility would affect valuations of the portfolio, this is not expected to influence the decision to own fundamentally strong companies.

5. **Disciplined approach to selling**

The decision to sell a holding would be based on either the anticipated price appreciation being achieved or being no longer possible due to a change in fundamental factors affecting the company or the market in which it competes, or due to the availability of an alternative that, in the view of the Investment Manager, offers superior returns.

In order to implement the investment approach effectively, it would be important to periodically meet the management face to face. This would provide an understanding of their broad vision and commitment to the long-term business objectives. These meetings would also be useful in assessing key determinants of management quality such as orientation to minority shareholders, ability to cope with adversity and approach to allocating surplus cash flows..

1.9.5 Characteristics Of Investment

Certain features characterize all investments. The following are the main characteristics features if investments: -

1. **Return: -**

All investments are characterized by the expectation of a return. In fact, investments are made with the primary objective of deriving a return. The return may be received in the form of yield plus capital appreciation. The difference between the sale price & the purchase price is capital appreciation. The dividend or interest received from the investment is the yield. Different types of investments promise different rates of return. The return from an investment depends upon the nature of investment, the maturity period & a host of other factors.

2. **Risk: -**

Risk is inherent in any investment. The risk may relate to loss of capital, delay in repayment of capital, nonpayment of interest, or variability of returns. While some investments like government securities & bank deposits are almost risk less, others are more risky. The risk of an investment depends on the following factors.
The longer the maturity period, the longer is the risk. The lower the credit worthiness of the borrower, the higher is the risk. The risk varies with the nature of investment. Investments in

ownership securities like equity share carry higher risk compared to investments in debt instrument like debentures & bonds.

3. **Safety: -**

The safety of an investment implies the certainty of return of capital without loss of money or time. Safety is another features which an investors desire for his investments. Every investor expects to get back his capital on maturity without loss & without delay.

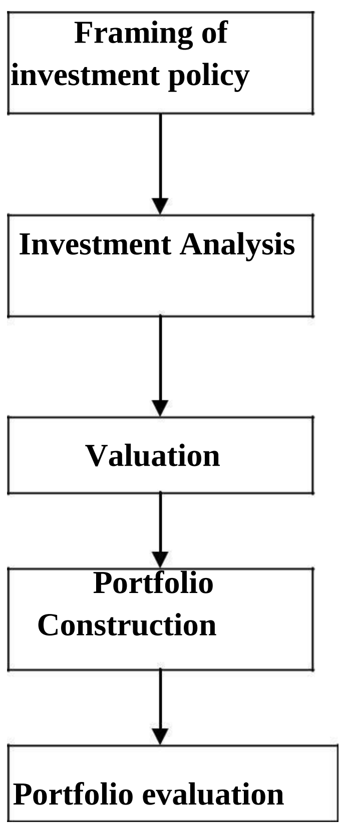
4. **Liquidity: -**

An investment, which is easily saleable, or marketable without loss of money & without loss of time is said to possess liquidity. Some investments like company deposits, bank deposits, P.O. deposits, NSC, NSS etc. are not marketable. Some investment instrument like preference shares & debentures are marketable, but there are no buyers in many cases & hence their liquidity is negligible. Equity shares of companies listed on stock exchanges are easily marketable through the stock exchanges.

An investor generally prefers liquidity for his investment, safety of his funds, a good return with minimum risk or minimization of risk & maximization of return.

1.9.6 Investment Process

Figure of Investment Process

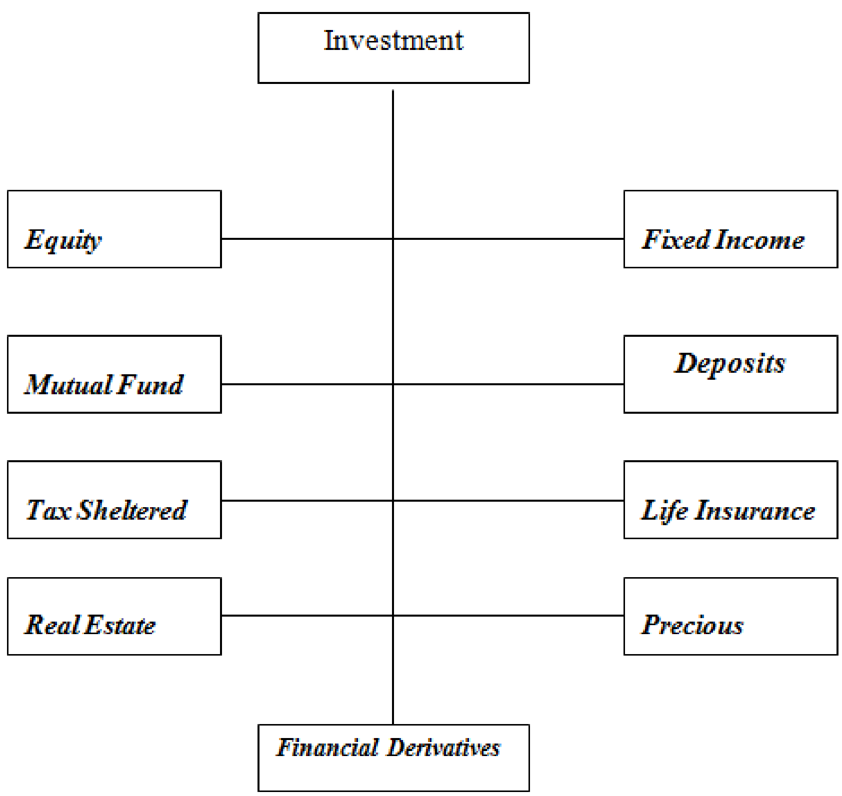


1.10 INVESTMENT TYPES OR INVESTMENT AVENUES

There are various investments avenues provided by a country to its people depending upon the development of the country itself. The developed countries like the USA and the Japan provide variety of investments as compared to our country. In India before the post liberalization era there were limited investments avenues available to the people in which they could invest. With the opening up of the economy the number of investments avenues have also increased and the quality of the investments have also improved due to the use of the professional activity of the players involved in this segment. Today investment is no longer a process of trial and error and it has become a systematized process, which involves the use of the professional investment solution provider to play a greater role in the investment process.

Earlier the investments were made without any analysis as the complexity involved the investment process were not there and also there was no availability of variety of instruments. But today as the number of investment options have increased and with the variety of investments options available the investor has to take decision according to his own risk and return analysis.

An investor has a wide array of Investment Avenue. They are as under:



A particular investor normally determines the **investment types** after having formulated the investment decision, which is termed as capital budgeting in financial lexicon. With the proliferation of financial markets there are more options for investment types.

According to the financial terminology investment means the following:

1. Purchasing Securities in Money or Capital market
2. Buying Monetary or Paper Financial Assets or capital Markets
3. Investing in Liquid Assets like Gold, Real Estates and Collectible

Investors assume that these forms of investment would furnish them with some revenue by way of positive cash flow.

These assets can also affect the particular investor positively or negatively depending on the alterations in their respective values.

Investments are often made through the intermediaries who use money taken from individuals to invest. Consequently the individuals are regarded as having claims on the particular intermediary.

It is common practice for the particular intermediaries to have separate legal procedures of their own. Following are some intermediaries:

- Banks
- Mutual Funds
- Pension Funds
- Insurance Companies
- Collective Investment Schemes
- Investment Clubs

Investment in the domain of personal finance signifies funds employed in the purchasing of shares, investing in collective investment plans or even purchasing an asset with an element of capital risk. In the field of real estate, investments imply buying of property with the sole purpose of generating income.

Investment in residential real estate could be made in the form of buying housing property, while investments in commercial real estate is made by owning commercial property for corporate purposes that are geared to generate some amount of revenue.

Investment

The money you earn is partly spent and the rest saved for meeting future expenses. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future. This is called Investment.

Why should one invest?

One needs to invest to:

- earn return on your idle resources
- generate a specified sum of money for a specific goal in life
- make a provision for an uncertain future

Various Options Available For Investment

One may invest in

- **Physical assets** like real estate, gold/jewellery, commodities etc.

- **Financial assets** such as fixed deposits with banks, small saving instruments with Post offices, insurance/ provident

- **Pension fund etc**.
- **Securities market related instruments** like shares, bonds, debentures etc.

Various Short-term financial options available for investment.

Broadly speaking, savings bank account, money market/liquid funds and fixed deposits with banks may be considered as short-term financial investment options.

Savings Bank Account is often the first banking product people use, which offers low interest(4%-5% p.a.), making them only marginally better than fixed deposits.

Fixed Deposits with Banks are also referred to as term deposits and minimum investment period for bank FDs is 30 days. Fixed Deposits with banks are for investors with low risk appetite, and may be considered for 6-12 months investment period as normally interest on less than 6 months bank FDs is likely to be lower than money market fund returns.

Various Long-term financial options available for investment.

Post Office Savings: Post Office Monthly Income Scheme is a low risk saving instrument,which can be availed through any post office. It provides an interest rate of 8% per annum, which is paid monthly.

Minimum amount, which can be invested, is Rs. 1,000/- and additional investment in multiples of 1,000/-. Maximum amount is Rs. 3, 00,000/- (if Single) or Rs. 6, 00,000/- (if held jointly) during a year. It has a maturity period of 6 years.

A bonus of 10% is paid at the time of maturity. Premature withdrawal is permitted if deposit is more than one year old. A deduction of 5% is levied from the principal amount if withdrawn prematurely; the 10% bonus is also denied.

Public Provident Fund: A long term savings instrument with a maturity of 15 years and interest payable at 8% per annum compounded annually. A PPF account can be opened through a nationalized bank at anytime during the year and is open all through the year for depositing money. Tax benefits can be availed for the amount invested and interest accrued is tax-free. A withdrawal is permissible every year from the seventh financial year of the date of opening of the account and the amount of withdrawal will be limited to 50% of the balance at credit at the end of the 4th year immediately preceding the year in which the amount is withdrawn or at the end of the preceding year whichever is lower the amount of loan if any.

Company Fixed Deposits: These are short-term (six months) to medium-term (three to fiveyears) borrowings by companies at a fixed rate of interest which is payable monthly, quarterly, semi-annually or annually.

They can also be cumulative fixed deposits where the entire principal along with the interest is paid at the end of the loan period. The rate of interest varies between 6-9% per annum for company FDs. The interest received is after deduction of taxes

Bonds: It is a fixed income (debt) instrument issued for a period of more than one year with thepurpose of raising capital.

The central or state government, corporations and similar institutions sell bonds. A bond is generally a promise to repay the principal along with a fixed rate of interest on a specified date, called *the* Maturity Date.

Mutual Funds: These are funds operated by an investment company which raises money from the public and invests in a group of assets (shares, debentures etc.), in accordance with a stated set of objectives. It is a substitute for those who are unable to invest directly in equities or debt because of resource, time or knowledge constraints. Benefits include professional money management, buying in small amounts and diversification. Mutual fund units are issued and redeemed by the **Fund Management Company** based on the fund's net asset value (NAV), which is determined at the end of each trading session. NAV is calculated as the value of all the shares held by the fund, minus expenses, divided by the number of units issued.

Equity Investment:-

Equity investment refers to the trading of stocks and bonds in the share market. It is also referred to as the acquisition of equity or ownership participation in the company. An equity investment is typically an ownership investment, where the investor owns an asset of the company. In this kind of investment there is always a risk of the investor not earning a specific amount of money. Equity investment can also be termed as payment to a firm in return for partial ownership of that firm. An equity investor, in some cases, may assume some management control of the firm and may also share in future profits.

In order to understand equity investment properly, it is necessary to see the technical and fundamental analysis. The technical analysis of equity investment is primarily the study of price history of the shares and stock market. A fundamental analysis of equity investment involves the study of all available information that is relevant to the share market in order to predict the future trends of the stock market. The annual reports, industry data and study of the economic and financial environment are also included in the fundamental information of equity investment.

Types of Equity Instruments:

1. Ordinary Shares

Ordinary shareholders are the owners of a company, and each share entitles the holder to ownership privileges such as dividends declared by the company and voting rights at meetings. Losses as well as profits are shared by the equity shareholders. Without any guaranteed income or security, equity shares are a risk investment, bringing with them the potential for capital appreciation in return for the additional risk that the investor undertakes in comparison to debt instruments with guaranteed income.

2. Preference Shares

Unlike equity shares, preference shares entitle the holder to dividends at fixed rates subject to availability of profits after tax. If preference shares are cumulative, unpaid dividends for years of inadequate profits are paid in subsequent years. Preference shares do not entitle the holder to ownership privileges such as voting rights at meetings.

3. Equity Warrants

These are long term rights that offer holders the right to purchase equity shares in a company at a fixed price (usually higher than the current market price) within a specified period. Warrants are in the nature of options on stocks.

Classification in terms of Market Capitalisation

Market capitalisation is equivalent to the current value of a company i.e. current market price per share times the number of outstanding shares. There are Large Capitalisation companies, Mid-Cap companies and Small-Cap companies. Different schemes of a fund may define their fund objective as a preference for Large or Mid or Small-Cap companies' shares. Large Cap shares are more liquid and hence easily tradable. Mid or Small Cap shares may be thought of as having greater growth potential. The stock markets generally have different indices available to track these different classes of shares.

Classification in terms of Anticipated Earnings

In terms of the anticipated earnings of the companies, shares are generally classified on the basis of their market price in relation to one of the following measures:

a) ***Price/Earnings Ratio*** is the price of a share divided by the earnings per share, and indicates what the investors are willing to pay for the company's earning potential. Young and/or fast growing companies usually have high P/E ratios. Established companies in mature industries may have lower P/E ratios. The P/E analysis is sometimes supplemented with ratios such as Market Price to Book Value and Market Price to Cash Flow per share.

b) **Dividend Yield** for a stock is the ratio of dividend paid per share to current market price. Low P/E stocks usually have high dividend yields. In India, at least in the past, investors have indicated a preference for the high dividend paying shares. What matters to fund managers is the potential dividend yields based on earnings prospects.

Based on companies' anticipated earnings and in the light of the investment management experience the world over, stocks are classified in the following groups:

1) **Cyclical Stock**s are shares of companies whose earnings are correlated with the state of the economy. Their earnings (and therefore, their share prices) tend to go up during upward economic cycles and vice versa. Cement or Aluminium producers fall into this category, just as an example. These companies may command relatively lower P/E ratios, and have higher dividend pay-outs.

2) **Growth Stocks** are shares of companies whose earnings are expected to increase at rates that exceed normal market levels. They tend to reinvest earnings and usually have high P/E ratios and low dividend yields. Software or information technology company shares are an example of this type. Fund managers try to identify the sectors or companies that have a high growth potential.

3) **Value Stocks** are shares of companies in mature industries and are expected to yield low growth in earnings. These companies may, however, have assets whose values have not been recognised by investors in general. Fund managers try to identify such currently under-valued stocks that in their opinion can yield superior returns later. A cement company with a lot of real estate and a company with good brand names are examples of potential value shares.

Mutual Funds and Segregated Funds

Mutual funds or other forms of pooled investment measures are equities held by private individuals but managed and governed by prominent management firms. These types of financial holdings allow individual investors to diversify their holdings and avoid potential loss. Segregated funds, on the other hand, are used by large private investors who wish to hold their shares directly rather than in a mutual fund.

The prime advantage in investing in a pooled fund is that it gives the individual access to professional advice through the fund manager. The major disadvantages involved are that the investors must pay a fee to the fund managers and that the diversification of the fund may not be appropriate for all investors. In those cases, the investors may over-diversify by holding several funds, thus reducing the risk.

Mutual funds are supposed to be the best mode of investment in the capital market since theyare very cost beneficial and simple, and do not require an investor to figure out which securities to invest into. A mutual fund could simply be described as a financial medium used by a group of investors to increase their money with a predetermined investment. The responsibility for investing the pooled money into specific investment channels lies with the fund manager of said mutual fund.

Therefore investment in a mutual fund means that the investor has bought the shares of the mutual fund and has become a shareholder of that fund. Diversification of investment Investors are able to purchase securities with much lower trading costs by pooling money together in a mutual fund rather than try to do it on their own. However the biggest advantage that mutual funds offer is diversification which allows the investor to spread out his money across a wide spectrum of investments. Therefore when one investment is not doing well, another may be doing taking off, thereby balancing the risk to profit ratio and considerably covering the overall investment.

The best form of diversification is to invest in multiple securities rather than in just one security. Mutual funds are set up with the precise objective of investing in multiple securities that can run into hundreds. It could take weeks for an investor to investigate on this kind of scale, but with investment in mutual funds all this could be done in a matter of hours.

Types of Mutual Funds (Mode of Investment)

- American Mutual Funds
- BMO Mutual Funds
- Canadian Mutual Funds
- Fidelity Mutual Funds
- Hartford Mutual Funds
- Dynamic Mutual Fund

***Fixed Income Securities*: -** Many instruments give regular income. Debt instruments may be secured by the assets of the borrowers as generally in case of Corporate Debentures, or be unsecured as is the case with Indian Financial Institution Bonds.

A debt security is issued by a borrower and is often known by the issuer category, thus giving us Government Securities and Corporate Securities or FI bonds. Debt instruments are also distinguished by their maturity profile. Thus, instruments issued with short-term maturities, typically under one year, are classified as Money Market Securities. Instruments carrying longer than one-year maturities are generally called Debt Securities.

Most debt securities are interest-bearing. However, there are securities that are discounted securities or zero-coupon bonds that do not pay regular interest at intervals but are bought at a discount to their face value. A large part of the interest-bearing securities are generally Fixed

Income-paying, while there are also securities that pay interest on a Floating Rate basis. In financial context, Debentures are Debt Instruments issued for a long term by governments and big institutions for rising funds. The Debenture has some resemblances to bonds but the securitization terms and conditions are different for Debentures compared to a bond.

A Debenture is commonly considered as insecure because there is no pledge or lien on particular assets. Nevertheless, a Debenture is secured by all the assets which are otherwise not pledged.

If there is a bankruptcy, Debenture holders will be counted as general creditors. The benefit that the issuer enjoys from issuing a debenture is that they keep particular assets free of encumbrances so the option is open to issue them for future financing.

Usually, Debentures are freely negotiable debt instruments. The Debenture holder works as a lender to the Debenture issuer.

In return, the Debenture issuer pays interest to the Debenture holders as it is paid in case of a loan. In practical application, the difference between a Bond and a Debenture is not always kept. In some instances, Debentures are also referred to as Bonds and vice-versa.

A Review of the Indian Debt Market

The Wholesale Debt Market segment deals in fixed income securities and is fast gaining ground in an environment that has largely focused on equities.

The Wholesale Debt Market (WDM) segment of the Exchange commenced operations on June 30, 1994. This provided the first formal screen-based trading facility for the debt market in the country.

This segment provides trading facilities for a variety of debt instruments including Government Securities, Treasury Bills and Bonds issued by Public Sector Undertakings/ Corporates/ Banks like Floating Rate Bonds, Zero Coupon Bonds, Commercial Papers, Certificate of Deposits, Corporate Debentures, State Government loans, SLR and Non-SLR Bonds issued by Financial Institutions, Units of Mutual Funds and Securitized debt by banks, financial institutions, corporate bodies, trusts and others.

Large investors and a high average trade value characterize this segment. Till recently, the market was purely an informal market with most of the trades directly negotiated and struck between various participants. The commencement of this segment by NSE has brought about transparency and efficiency to the debt market, along with effective monitoring and surveillance to the market.

Instruments in the Indian Debt Market

- *Certificate of Deposit*

Certificates of Deposit (CD) are issued by scheduled commercial banks excluding regional rural banks. These are unsecured negotiable promissory notes. Bank CDs have a maturity period of 91 days to one year, while those issued by FIs have maturities between one and three years.

- *Commercial Paper*

Commercial paper (CP) is a short term, unsecured instrument issued by corporate bodies (public & private) to meet short-term working capital requirements. Maturity varies between 3 months and 1 year. This instrument can be issued to individuals, banks, companies and other corporate bodies registered or incorporated in India. CPs can be issued to NRIs on non-repatriable and non-transferable basis.

- *Corporate Debentures*

The debentures are usually issued by manufacturing companies with physical assets, as secured instruments, in the form of certificates They are assigned a credit rating by rating agencies. Trading in debentures is generally based on the current yield and market values are based on yield-to-maturity. All publicly issued debentures are listed on exchanges.

- *Floating Rate Bonds (FRB)*

These are short to medium term interest bearing instruments issued by financial intermediaries and corporates. The typical maturity of these bonds is 3 to 5 years. FRBs issued by financial institutions are generally unsecured while those from private corporates are secured. The FRBs are pegged to different reference rates such as T-bills or bank deposit rates. The FRBs issued by the Government of India are in the form of Stock Certificates or issued by credit to SGL accounts maintained by the RBI.

- *Government Securities*

These are medium to long term interest-bearing obligations issued through the RBI by the Government of India and state governments. The RBI decides the cut-off coupon on the basis of bids received during auctions. There are issues where the rate is pre-specified and the investor only bids for the quantity. In most cases the coupon is paid semi-annually with bullet redemption features.

- *Treasury Bills*

T-bills are short-term obligations issued through the RBI by the Government of India at a discount. The RBI issues T-bills for different tenures: now 91 -days and 364-days. These treasury bills are issued through an auction procedure. The yield is determined on the basis of bids tendered and accepted.

- *Bank/FI Bonds*

Most of the institutional bonds are in the form of promissory notes transferable by endorsement and delivery. These are negotiable certificates, issued by the Financial Institutions such as the IDBI/ICICI/ IFCI or by commercial banks. These instruments have been issued both as regular income bonds and as discounted long-term instruments (deep discount bonds).

- *Public Sector Undertakings (PSU) Bonds*

PSU Bonds are medium and long term obligations issued by public sector companies in which the government share holding is generally greater than 51%. Some PSU bonds carry tax exemptions. The minimum maturity is 5 years for taxable bonds and 7 years for tax-free bonds. PSU bonds are generally not guaranteed by the government and are in the form of promissory notes transferable by endorsement and delivery. PSU bonds in electronic form (demat) are eligible for repo transactions.

Types Of Debentures

- Convertible Debenture
- Non-Convertible Debenture
- Participative Debenture
- Non- Participative Debenture
- Redeemable Debenture
- Irredeemable Debenture

Bond Market: - The **bond market** is a financial market that acts as a platform for the buying and selling of debt securities. The bond market is a part of the capital market serving platform to collect fund for the public sector companies, governments, and corporations. There are a number of bond indices that reflect the performance of a bond market.

The bond market can also called the debt market, credit market, or fixed income market. The size of the current international bond market is estimated to be $45 trillion. The major bond market participants are: governments, institutional investors, traders, and individual investors.

According to the specifications given by the Bond Market Association, there are five types of bond markets.

They are:

- Corporate Bond Market
- Municipal Bond Market
- Government and Agency Bond Market
- Funding Bond Market
- Mortgage Backed and Collateralized Debt Obligation Bond

Share Market Investment

Shares are purchased and sold on the primary and secondary share markets. To invest in the share market, investors acquire a call option, which is the right to buy a share, or a put option, which is the right to sell a share. In general, investors buy put options if they expect prices to rise, and call options if they expect prices to fall.. The value of a derivative depends on the value of the underlying asset. The various classifications of derivatives relevant to share market investment are:

- Swap
- Futures Contract
- Forward Contract
- Option Contract

A forward contract is agreements between two parties purchase or sell a product in the future, at a price determined now. This mutual agreement satisfies the profit motive of both the buyer and seller, and the uncertainties and risks of price fluctuations in the future are aborted. A future contract is different from a forward contract in the sense that the former requires the presence of a third party and the commitment for trade is simply notional.

Before a share is chosen for investment, a technical analysis of the share is performed. The price and volume of a share over a period of time are tracked and then a business plan is constructed. A fundamental analysis involves a close study of the company associated with the share, and its performance over time. The fundamental analysis is important for the share market investor.

The price levels of a traded share are as follows:

a) Opening Price: This is the price at which the market opens. In other words, it is the price of the first transaction.
b) Closing Price: This is the price at the time of closing of the market or the price of the last trade.
c) Intra-Day High: This denotes the maximum price at which the share was traded in the day.

d) Intra-Day Low: This is the minimum price at which the share traded in the day.

Debt Investments:

Debt securities (in the form of non-convertible debentures, bonds, secured premium notes, zero interest bonds, deep discount bonds, floating rate bond / notes, securitised debt, pass through certificates, asset backed securities, mortgage backed securities and any other domestic fixed income securities including structured obligations etc.) include, but are not limited to :

- Debt obligations of the Government of India, State and local Governments, Government Agencies and statutory bodies (which may or may not carry a state / central government guarantee),
- Securities that have been guaranteed by Government of India and State Governments,
- Securities issued by Corporate Entities (Public / Private sector undertakings),
- Securities issued by Public / Private sector banks and development financial institutions.

 Money Market Instruments Include

- Commercial Papers
- Commercial Bills Treasury bills
- Government securities having an unexpired maturity upto one year
- Call or notice money
- Permitted securities under a repo / reverse repo agreement
- Any other like instruments as may be permitted by RBI / SEBI from time to time Investments will be made through secondary market purchases, initial public offers, other public offers, placements and right offers (including renunciation) and negotiated deals. The securities could be listed, unlisted, privately placed, secured / unsecured, rated / unrated of any maturity.

The AMC retains the flexibility to invest across all the securities / instruments in debt and money market.

Investment in debt securities will usually be in instruments which have been assessed as "high investment grade" by at least one credit rating agency authorised to carry out such activity under the applicable regulations. In case a debt instrument is not rated, prior approval of the Board of Directors of Trustee and AMC will be obtained for such an investment. Investment in debt instruments shall generally have a low risk profile and those in money market instruments shall have an even lower risk profile. The maturity profile of debt instruments will be selected in accordance with the AMC's view regarding current market conditions, interest rate outlook.

Pursuant to the SEBI Regulations, the Scheme shall not make any investment in:

- any unlisted security of an associate or group company of the Sponsor; or
- any security issued by way of private placement by an associate or group company of the Sponsor; or
- the listed securities of group companies of the Sponsor which is in excess of 25% of the net assets.

The Scheme may invest in other schemes managed by the AMC or in the schemes of any other mutual funds, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing SEBI Regulations. As per the SEBI Regulations, no investment management fees will be charged for such investments and the aggregate inter Scheme investment made by all the schemes of HDFC Mutual Fund or in the schemes of other mutual funds shall not exceed 5% of the net asset value of the HDFC Mutual Fund.

Chapter2 Review of Literature

2.1 REVIEW OF LITERATURE

Various studies on Investment pattern & Investment behavior of investors had been conducted in foreign countries. However, in Indian context, the number is quite few. Depending on the various issues of investment, the review has been discussed in brief as follows:

Charles (1999) has analysed that the astonishing growth in Americans' stock portfolios in the1990s has been a major force behind the growth of consumer spending. This article reviews the relationship between stock market movements and consumption. Using various econometric techniques and specifications, the authors find that the propensity to consume out of aggregate household wealth has exhibited instability over the postwar period. They also show that the dynamic response of consumption growth to an unexpected change in wealth is extremely short - lived, implying that forecasts of consumption growth one or more quarters ahead are not typically improved by accounting for changes in existing wealth.

Bhardwaj (2003) has stated the literature on globalization, He found the pervasiveness of thewest‟s perception of the world affect on Indian investors that affects the trends in investor‟s choice. They are hugely affected by the west’s views and so changes in Indian trends occur.

Ranganathan (2003), has stated the investor behavior from the marketing world and financialeconomics has brought together to the surface an exciting area for study and research: behavioral finance. The realization that this is a serious subject is, however, barely dawning. Analysts seem to treat financial markets as an aggregate of statistical observations, technical and fundamental analysis. A rich view of research waits this sophisticated understanding of how financial markets are also affected by the „financial behavior‟ of investors. With the reforms of industrial policy, public sector, financial sector and the many developments in the Indian money market and capital market, mutual funds that has become an important portal for the small investors, is also influenced by their financial behavior. Hence, this study has made an attempt to examine the related aspects of the fund selection behavior of individual investors towards Mutual funds, in the city of Mumbai. From the researchers and academicians point of view, such a study will help in developing and expanding knowledge in this field.

Shrotriya (2003) conducted a survey on investor preferences in which he depicted the linkage ofinvestment with the factor so considered while making investment. He says “There are various factors and their linkage also. These factors help us how to ensure safety, liquidity, capital appreciation and tax benefits along with returns.”

Dijk (2007) has conducted 25 years of research on the size effect in international equity returns.Since Banz's (1981) original study, numerous papers have appeared on the empirical regularity that small firms have higher risk-adjusted stock returns than large firms. A quarter of a century after its discovery, the outlook for the size effect seems bleak. Yet, empirical asset pricing models that incorporate a factor portfolio mimicking underlying economic risks proxied by firm size are increasingly used by both academics and practitioners. Applications range from event studies and mutual fund performance measurement to computing the cost of equity capital. The aim of this paper is to review the literature on the size effect and synthesize the extensive debate on the validity and persistence of the size effect as an empirical phenomenon as well as the theoretical explanations for the effect. We discuss the implications for academic research and corporate finance and suggest a number of avenues for further research.

Vasudev (2007) analysed the developments in the capital markets and corporate governance inIndia since the early 1990s when the government of India adopted the economic liberalization programme. The legislative changes significantly altered the theme of Indian Companies Act 1956, which is based on the Companies Act 1948 (UK). The amendments, such as the permission for nonvoting shares and buybacks, carried the statute away from the earlier "business model" and towards the 'financial model' of the Delaware variety. Simultaneously, the government established the Securities Exchange Board of India (SEBI), patterned on the Securities and Exchange Commission of US. Through a number of other policy measures, the government steered greater investments in the stock market and promoted the stock market as a central institution in the society. The article points out that the reform effort was inspired, at least in part, by the government‟s reliance on foreign portfolio inflows into the Indian stock market to fund the country‟s trade and current account deficits.

Chapter 3 Need & Objectives of Study

NEED AND OBJECTIVES OF THE STUDY

3.1 NEED OF THE STUDY

The need of the study was to fill the gap that was identified in the previous researches. The researchers conducted earlier lay emphasis on the working of Indian Stock Market. Considering the ample importance of this aspect, the present study was conducted to know the Indian Stock Market & various options available in the Stock Market to invest & study the behavior of investors and determine their awareness level regarding various investment avenues available in stock market.

3.2 OBJECTIVES OF THE STUDY

The study has been undertaken in order to achieve the following objectives:

- To take an overview of the Indian Stock Market and encapsulate the various investment avenues available
- To know various options available in the Capital Market to invest
- To know investor’s perception regarding investment in stock market.
- To study the investment behavior of investors and the factors that affects their investment decision.
- To study the problems of investors and the reasons for not investing in financial instruments.
- To know the satisfaction level of investors regarding return of different investment avenues.

Chapter 4 Research Methodology

4.1 RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problem. The Research Methodology includes the various methods and techniques for conducting a research. Research is an art of scientific investigation. In other word research is a scientific and systematic search for pertinent information on a specific topic. The logic behind taking research methodology into consideration is that one can have knowledge about the method and procedure adopted for achievement of objective of the project.

4.2 RESEARCH DESIGN:

Research design is the conceptual structure within which research is conducted. It constitutes the blueprint for collection, measurement and analysis of data was a descriptive research. Descriptive research involves collecting numerical through self-reports collected, through questionnaires or interviews (person or phone), or through observation. For present study, the research was descriptive and conclusion oriented.

4.3 SAMPLING DESIGN:

4.3.1 Universe: The Universe is most commonly defined as everything that physically exists: the entirety of space and time, all forms of matter, energy and momentum, and the physical laws and constants that govern them. All those persons who make investment. **Theoretical Universe:** It included investors make investment in all over world. **Accessible Universe:** It included investors make investment in Indian Stock Market.

4.3.2 Sampling unit –The target population must be defined that has to be sampled. The sampling unit of research included students and professionals residing in Chandigarh city.

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4.3.3 Sample size – This refers to number of respondents to be selected from the universe to constitute a sample. The sample size of 50 Investors was taken.

4.3.4 Sampling Technique – Convenience Sampling was used to select the sample. Convenient sampling is a non probability sampling technique that attempts to obtain a sample of convenient elements .In case of convenience sampling, the selection of sample depends upon the discretion of the interviewer. In this project, Questionnaire Method was used for the collecting the data. With the help of this method of collecting data, a sample survey was conducted.

4.4 DATA COLLECTION AND ANALYSIS:

4.4.1 Data Collection

Information has been collected from both Primary and Secondary Data.

- **Secondary sources-** Secondary data are those which have already been collected bysomeone else and which already had been passed through the statistical process. The secondary data was collected through web sites, books and magazines.

- **Primary sources-** Primary data are those which are fresh and are collected for the first time, and thus happen to be original in character. The primary data was collected through direct personal interviews (open ended and close ended questionnaires)

4.4.2 Tools of Presentation & Analysis:

To analyze the data obtained with the help of questionnaire, following tools were used.

1. **Likert scale:** These consist of a number of statements which express either a favourable or unfavourable attitude towards the given object to which the respondents are asked to react. The respondent responds to in terms of several degrees of satisfaction or dissatisfaction.

2. **Percentage, Bar Graphs and Pie Charts:** These tools were used for analysis of data

4.5 LIMITATIONS OF STUDY

It is said, "What is worth doing is worth doing best". In other words a person should aim at perfection. However in real life this is not always possible. Human have to work within the limitation set by the nature and society. That is to say even though every possible effort has been made to make this project report authentic and comprehensive however many constraints were also at play. The major limitations of the study are:-

- Since a smaller sample was chosen so it may not be a true representative of the population under study.
- The possibility of the respondent's responses being biased cannot be ruled out.
- Most of the study was restricted to Internet and published data because of the no - availability of primary data.
- The information given by the respondents might be biased because some of them might not be interested to given correct information.
- Some of the respondents could not answer the questions due to lack of knowledge
- Some of the respondents of the survey were unwilling to share information.

Chapter 5 Data Analysis & Interpretation

DATA ANALYSIS AND INTERPREATATION

5.1 Demographic Profile of investors

Table 5.1: Demographic Profile of investors

Demographics	No. of respondents	Percentage of respondents
Age		
Less than 20 years	0	0
20-40	20	40
Greater than 40	30	60
	Total 50	Total 50
Qualification		
Matric	0	0
Under Graduate	25	50
Post Graduate	25	50
	Total 50	Total 100
Occupation		
Service	19	38
Profession	6	12
Business	15	30
Student	10	20
	Total 50	Total 100
Income (per month)		
Less than Rs.20000		
Rs.20000-40000	10	20
Greater than 40000	25	50
	15	30
	Total 100	Total 100

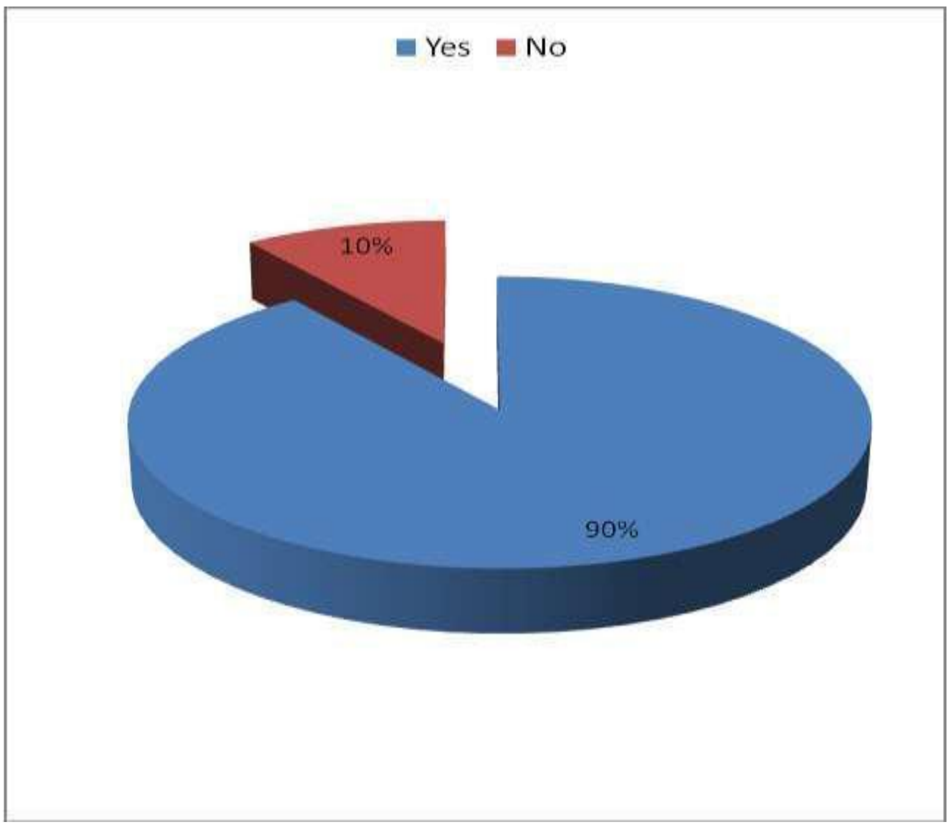
Analysis & Interpretation: It was found that the major population of investors was greater than40yrs and 60% was of 20-40 yrs. And 50% respondents were under graduate and 50% were post graduate. 35% of respondents were doing service. And majority of respondents i.e. 50% earn income between Rs.20000-40000 per month. It means majority of investors was greater than 40 years having income in between Rs 20000-40000.

Statement 1. To know whether respondents invest.

Table No. 5.2 To know whether respondents invest.

Investment Decision	No. of Respondents	Percentage of Respondents
Yes	45	90
No	5	10
Total	50	100

Figure No. 5.2 To know whether respondents invest.



Analysis & Interpretation:

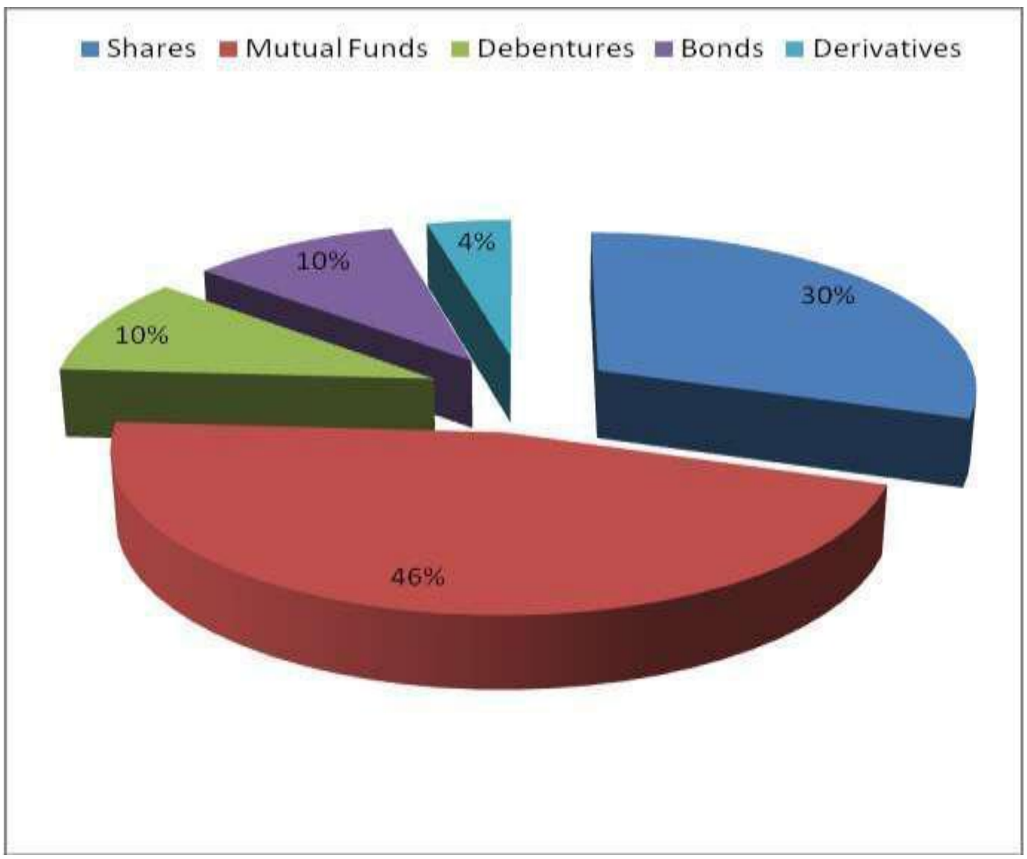
From the survey it was found that 90% respondents invest in the stock market and 10% who were non-investors.

Statement 2. Awareness regarding types of Investment Instruments

Table No. 5.3 Type of investment option the person is aware of

Types of Investment Instruments	No. of Respondents	Percentage of Respondents
Shares	15	30%
Mutual Funds	23	46%
Debentures	5	10%
Bonds	5	10%
Derivatives	2	4%
Total	50	100%

Figure No.5.3 Type of investment option the person is aware of



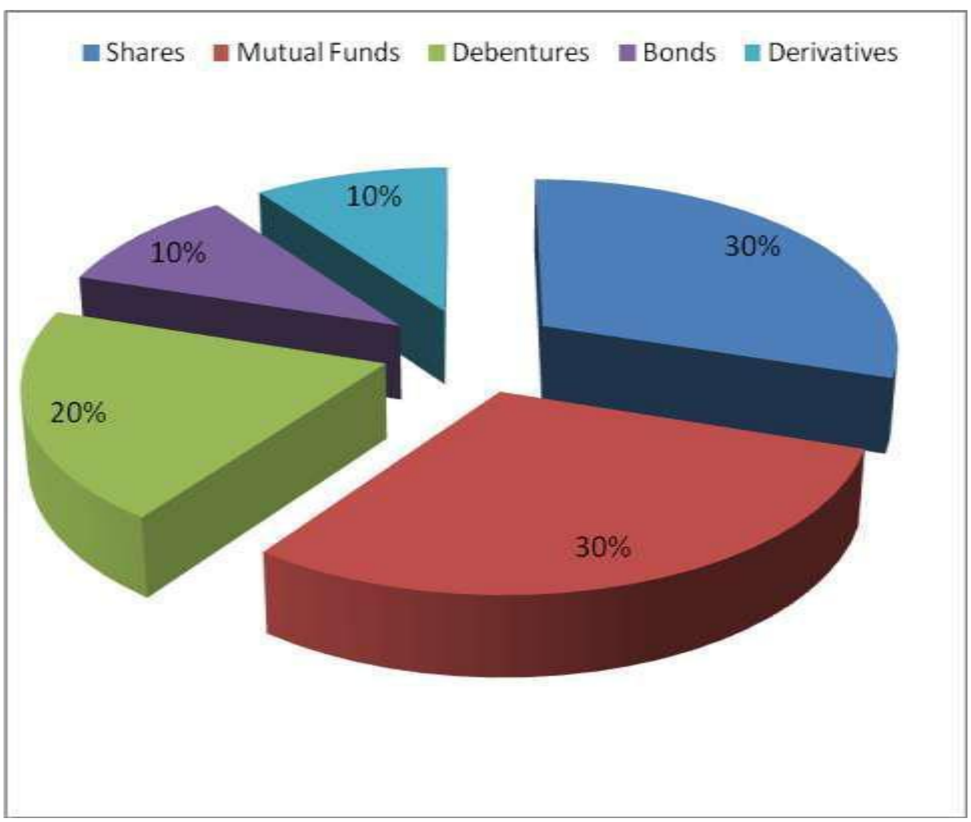
Analysis & Interpretation Above pie-chart shows that 45% investors were aware of the mutual fund, 25% investors were aware of shares, 15% investors were aware of debentures, 10% investors were bonds. It means majority of persons aware about mutual fund whereas shares and debentures were of second importance.

Statement 3.To know the type of investment option the person has been investing

Table No. 5.4 Type of investment option the person has been investing

Investment alternative	No. of Respondents	Percentage of Respondents
Shares	15	30%
Mutual Funds	15	30%
Debentures	10	20%
Bonds	5	10%
Derivatives	5	10%
Total	50	100%

Figure No.6.3 Type of investment option the person has been investing



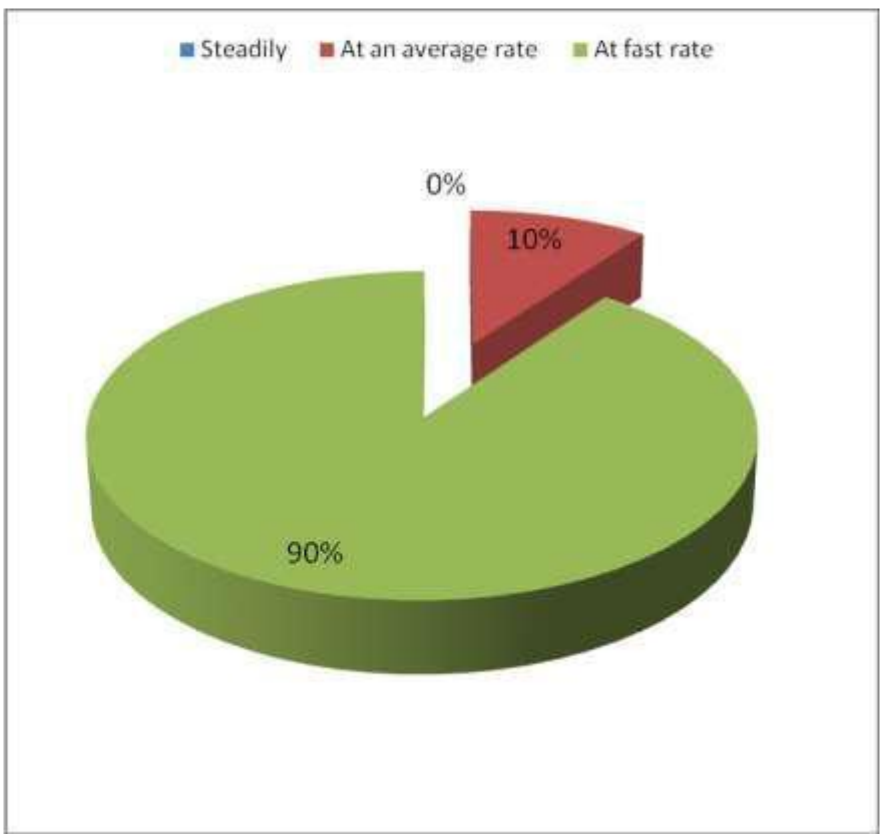
Analysis & Interpretation:

From the survey it was found that 30% respondents invest in Mutual funds, 25% invest in Shares and 20% invest in Debentures. Thus, it can be stated that maximum people invest in Mutual Funds whereas shares are having 2nd importance.

Statement 4 .To know the rates at which the investment grow

Table No. 5.5 The rates at which the investment grow

Investment Growth Rate	No. of Respondents	Percentage of Respondents
Steadily	0	0%
At an average rate	5	10%
At fast rate	45	90%
Total	50	100%



Analysis & Interpretation:

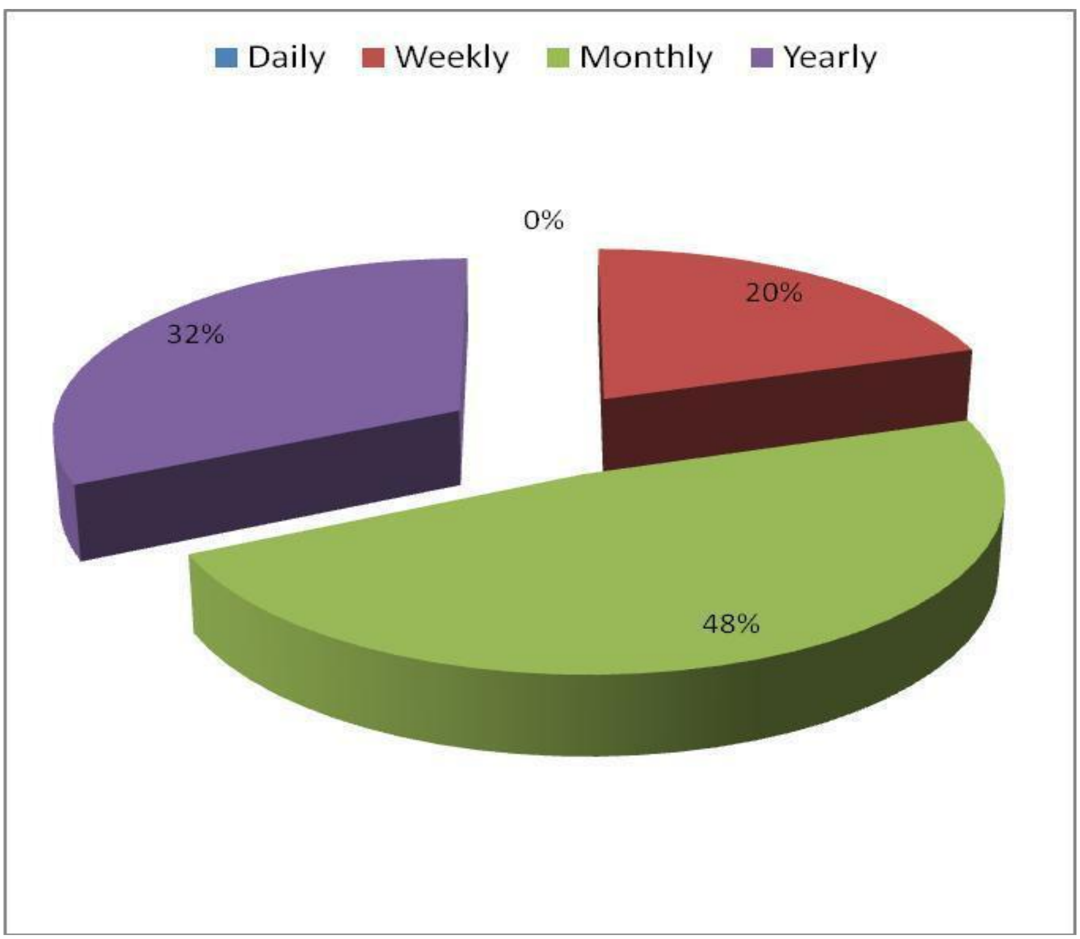
From the survey it was found that 90% respondents wants their investment grow at fast rate whereas only 10% respondents were in the favour of investment growth at average rate.

Statement 5. To know the frequency of investment by the Respondents.

Table No. 5.6 Frequency of investment

Frequency of Investment	No. of Respondents	Percentage of Respondents
Daily	0	0%
Weekly	10	20%
Monthly	24	48%
Yearly	16	32%
Total	50	100%

Figure No.5.6 Frequency of Investment



Analysis & Interpretation:

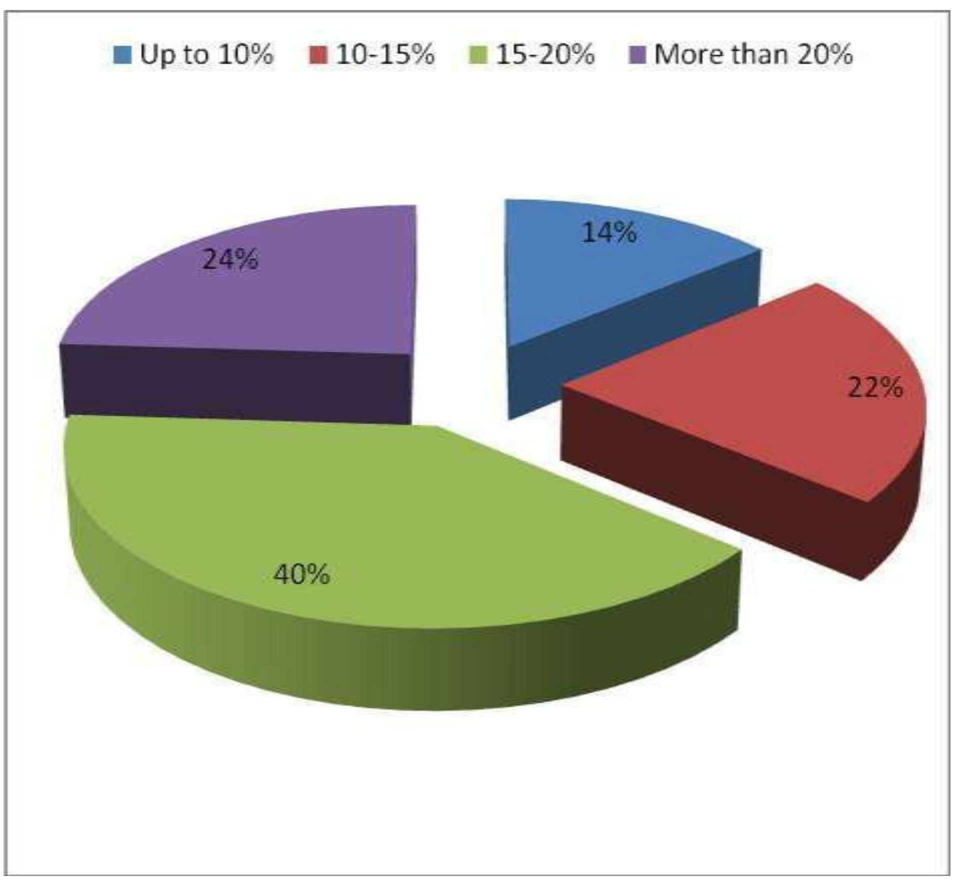
From the above table & chart it was found that 45 respondents invest monthly, 35 invest yearly and there were 20 respondents who invest daily. Thus, it can be stated that majority of the investors invest monthly in stock market.

Statement 6 .To know the percentage of income that respondent invest annually

Table No. 5.7 The percentage of income that respondent invest annually

Annual Income Invested	**No. of Respondents**	**Percentage of Respondents**
Up to 10%	7	14%
10-15%	11	22%
15-20%	20	40%
More than 20%	12	24%
Total	50	100%

Figure No. 5.7 The percentage of income that respondent invest annually



Analysis & Interpretation:

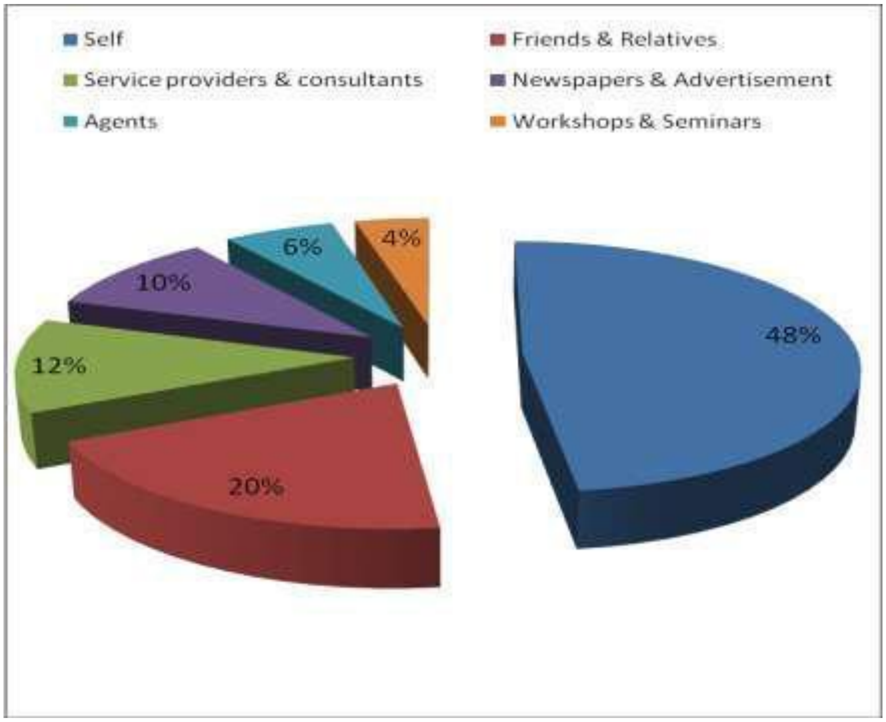
From the above table & chart, it was found that 40 respondents invest 15-20% of their annual income, 24 respondents invest more than 20% of their annual income, 22 respondents invest up to 10-15% of their income and 14 respondents invest up to 10% of their income in different investment avenues. Thus, it can be concluded that majority of investors invest 10% to 20% of their monthly income.

Statement 7. To know the respondent"s influence on Investment decision.

Table No. 5.8 The respondent"s influence on Investment decision

Sources	No. of Respondents	Percentage of Respondents
Self	24	48%
Friends & Relatives	10	20%
Service providers & consultants	6	12%
Newspapers & Advertisement	5	10%
Agents	3	6%
Workshops & Seminars	2	4%
Total	50	100%

Figure No. 5.8 The respondent"s influence on Investment decision



Analysis & Interpretation:

From the above table & chart, it was found that multiple aspects for investing influenced respondents.48% respondents take investment decision on the basis of their personal evaluation where as 20% respondents invest because of influence of friends & relatives, the consultants influences 12% respondent and the advertisement influences 10% respondents. It can be stated that majority of the persons are influenced by their own while opting for investment tool.

Statement 8. To Know The Factors That Were Considered While Investing.

Table No. 5.9 The Factors That Were Considered While Investing

Investment Factors	**No. of Respondents**	**Percentage of Respondents**
Return on investment	15	30%
Tax benefits	9	18%
Capital appreciation	7	15%
Maturity period	3	6%
Risk	6	12%
Safety of principal	3	6%
Liquidity	7	14%
Total	50	100%

Figure No. 5.9 The Factors That Were Considered While Investing

Analysis & Interpretation:

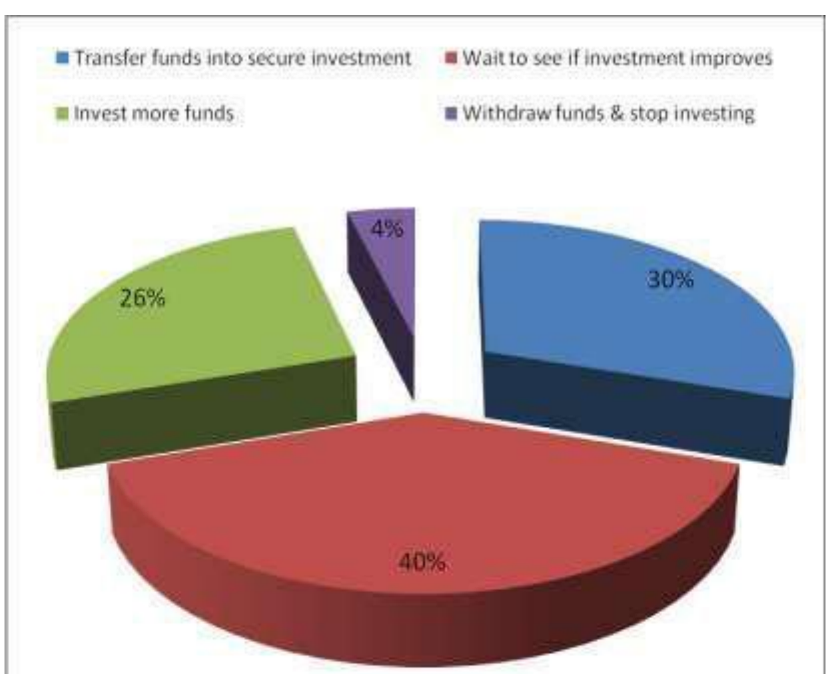
From the survey it was found that the maximum respondents considered return on investment was most important factor, 18% respondents considered tax benefits as an important factor and 14% respondents considered capital appreciation as an important factor. It can be stated that majority of investors were consider return as an important factor while investing.

Statement 9. To Know Investor's Action In Case Of Stock Market drop.

Table No. 5.10 The Investor's Action In Case Of Stock Market drop

Investor's preference in case of Losses	No. of Respondents	Percentage of Respondents
Transfer funds into secure investment	15	25%
Wait to see if investment improves	20	40%
Invest more funds	13	30%
Withdraw funds & stop investing	2	5%
Total	50	100%

Figure No. 5.10 The Investor's Action In Case Of Stock Market Drop



Analysis & Interpretation:

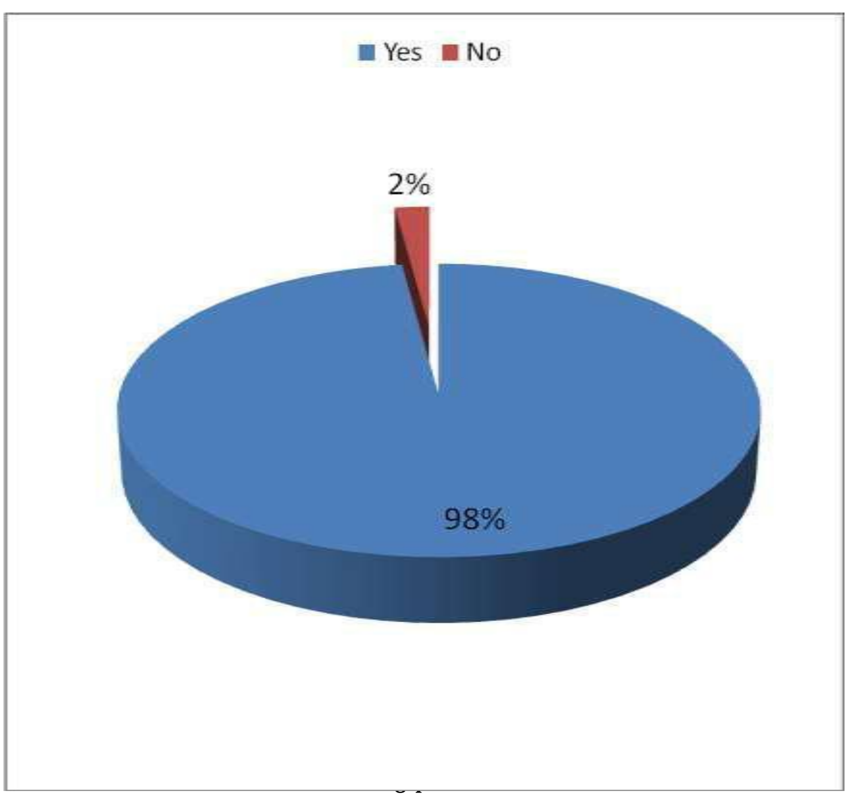
From the survey it was found that maximum respondents would wait to see if their investment improves and start generating funds, 30% respondents would invest more funds, 25% respondents would transfer funds into secure investment and 5% respondents would stop investing. It can be stated that majority of investors would like to wait to see whether investment.

Statement 10. To Know The Decision Regarding Other Investment Policy

Table no. 5.11 The Other Investment Policy

Investment Decision	No. of Respondents	Percentage of Respondents
Yes	49	98%
No	1	2%
Total	50	100%

Figure 5.11 The Other Investment Policy



Analysis & Interpretation:

From the survey it was found that 98% respondents have the other investment policy where as 2% respondents do not have the other investment policy.

Statement 11. To Know the Satisfaction Level Of Respondents With Their Investment Option

Table no. 5.12 Important Factors for Choosing The Investment Option

Particulars	Highly Dissatisfied	Dissatisfied	Neutral	Satisfied	Highly Satisfied	Summated Score
	(1)	(2)	(3)	(4)	(5)	
Shares	10	6	14	30	40	384
Mutual funds	12	15	20	35	18	332
Bonds	20	18	35	19	8	277
Debentures	15	10	15	40	20	340
Derivatives	30	10	20	30	10	280

Analysis & Interpretation:

Most of the respondents have given the highest summated score to shares. And the second most important investment option is debentures which influenced the decision regarding investment. Other important factor is mutual fund coverage which has the 332 summated score. Return on derivatives get the 280 summated score.

Statement 12. Important Factors That Was Considered While Investing

Table No.5.13 Important Factors That Was Considered While Investing

Particulars	Highly Dissatisfied	Dissatisfied	Neutral	Satisfied	Highly Satisfied	Summated Score
	(1)	(2)	(3)	(4)	(5)	
Return on investment	0	0	4	30	66	462
Tax benefits	0	0	18	48	34	416
Capital appreciation	0	0	20	40	40	420
Maturity period	5	5	40	30	20	355
Risk	5	10	20	35	30	375
Safety of principal	10	20	40	20	10	300
Liquidity	15	15	20	30	20	325

Range:

Max. Score=100*5=500 (Highly Satisfied)

Avg. Score=100*3=300 (Neutral)

Min. Score=100*1=100 (Highly Dissatisfied)

Analysis & Interpretation:

Most of the respondents have given the highest summated score to Return on investment. And the second most important factor is Capital appreciation which influenced the decision regarding investment. Other important factor is Tax benefit which has the 416 summated score.

Chapter 6 Findings of the Study

FINDINGS OF THE STUDY

Following findings were generated from the study:-

1. Maximum investors are aware of all the investment options.

2. Investors do not invest in a single avenue. They prefer different avenues and maximum investors prefer to invest in shares, mutual funds & debentures.

3. Maximum investors wants their investment grow at fast rate.

4. The investment decision of investors is influenced by their own decision and through friends & relatives.

5. Different factors considered by investors while investing are return, risk, tax benefits, capital appreciation and the most prominent factor is the return on any investment avenue.

6. Majority of investors invest 15-20% of their annual income.

7. Maximum investors invest on monthly basis.

8. The investors investing in different avenues are highly satisfied with the return generated by their investment option.

9. Maximum investors have other investment policies.

10. The most important factor is Return which influenced the decision regarding investment.

Chapter 7 Conclusion &Suggestion

7.1 CONCLUSION

Indian Stock Markets is one of the oldest in Asia. Its history dates back to nearly 200 years ago. The earliest records of security dealings in India are meager and obscure. **The East IndiaCompany** was the dominant institution in those days and business in its loan securities used tobe transacted towards the close of the eighteenth century. The nature of investment differs from individual to individual and is unique to each one because it depends on various parameters like future financial goals, the present & the future income model, capacity to bear the risk, the present requirements and lot more. As an investor progresses on his/her life stage and as his/her financial goals change, so does the unique investor profile. Maximum investors are aware of all the investment options. Investors do not invest in a single avenue. They prefer different avenues and maximum investors prefer to invest in shares, mutual funds & debentures. The investment decision of investors is influenced by their own decision and through friends & relatives. Majority of investors invest 15-20% of their annual income.. The most important factor is Return which influenced the decision regarding investment.

In today's scenario when all services are going to be online or in electronic form all Stock Broking is creating **awareness** of online trading that client can trade from anywhere from the World.

Risk management team of Broking agencies taking care of client portfolio and whenever the value of his portfolio will go decrease by 30% client always informed by his Relationship Manager.

7.2 RECOMMENDATIONS

Following were the recommendations of the study:

- The various investment tools which were mostly preferred by the investors were shares, mutual funds etc. So there should be various other means to create awareness regarding the potential of other instruments and the tools which can be more beneficial to the investors.

- The investors consider various factors while making investment like risk, return, liquidity etc. There should be rational thinking so that the investor is able to know that at what point of time they need capital appreciation instead of reducing the risk and when they need return instead of liquidity.

- The preferred time span of investment by the investors depends upon the need of the investor that whether they wants to have early and high returns or wants to have stable returns, most probably the long time span is suitable because the returns are high and safety is also there.

- The satisfaction levels of various investors are different due to different investment alternatives they opt for. If they will be aware of each type of alternatives and the worth of the alternatives then investing as per that there satisfaction level will also be high.

- Investors should have the complete knowledge of stock market.

- The Broking agencies should have to give special preferences to trading via branch network, telephones and Internet account.

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Chapter 8 Annexure

QUESTIONNAIRE

Dear respondent,

I am a student of EMBA, is conducting a research on "**Investors perception regarding various Investment avenues available at the Stock Market**". I would be extremely thankful if you spare some time to answer the following questions. All the facts disclosed by you will be used for academic purpose only.

PERSONAL PROFILE

(A) Name: ☐

(B) Age: ☐

a) Less than 20 years ☐
b) 20 – 40 years ☐
c) Greater than 40 years ☐

(C) Gender:

a) Male ☐
b) Female ☐

(D) Occupation:

a) Service ☐
b) Profession ☐
c) Business ☐
d) Student ☐

(E) Income:
(per month)

a) Less than Rs 20000 ☐

(F) Qualification:

a) Matric ☐
b) Under Graduate ☐
c) Post Graduate ☐

Q1. Do you invest in share market?

i) Yes ☐ ii) No ☐

Q2. Out of the following, which type of instrument are you aware of?

a) Shares ☐
b) Mutual Funds ☐
c) Debentures ☐
d) Bonds ☐
e) Derivatives ☐

Q3.Where have you been investing?

a) Shares ☐
b) Mutual Funds ☐
c) Debentures ☐
d) Bonds ☐
e) Derivatives ☐

Q4.At which rates do you want your investment to grow?

a) Steadily ☐
b) At an average rate ☐
c) At fast rate ☐

Q5. How frequently do you invest?

a) Daily ☐
b) Weekly ☐
c) Monthly ☐
d) Yearly ☐

Q6. What percentage of your annual income do you invest in share market? ☐

a) Up to 10% ☐
b) 10-15% ☐
c) 15-20% ☐
d) More than 20% ☐

Q7.Which factor do you consider before investing in share market?

a) Capital Appreciation ☐
b) Maturity Period ☐
c) Safety of Principal ☐
d) Risk ☐
e) Return on investment ☐
f) Tax benefits ☐
g) Liquidity ☐

Q8. In your opinion, what would be the optimum strategy if stock market drops immediately after you invest in it?

a) Cut your losses and transfer funds into secure investments ☐
b) Wait to see if investment improves ☐
c) Invest more funds to lower your losses expecting future growth ☐
d) Withdraw your funds and stop investing ☐

Q9. Do you have any other investment policy?

a) Yes ☐
b) No ☐

Q10. Rate the satisfaction with the return generated by your investment option?
Highly Satisfied Neutral Dissatisfied Highly

	Satisfied (5)	(4)	(3)	(2)	Dissatisfied (1)
a) Shares	______	______	______	_______	_________
b) Mutual funds	______	______	______	_______	_________
c) Bonds	______	______	______	_______	_________
d) Debentures	______	______	______	_______	_________
e) Derivatives	______	______	______	_______	_________

Q11. Rate the satisfaction with the factors that was considered while investing?

	Highly Satisfied (5)	Satisfied (4)	Neutral (3)	Dissatisfied (2)	Highly Dissatisfied (1)
a) Return on Investment	______	________	______	______	____________
b) Tax Benefits	______	______	______	_______	_________
c) Capital Appreciation	______	______	______	_______	_________
d) Maturity Period	______	______	______	_______	_________
e) Risk	______	______	______	_______	_________
f) Safety of principal	______	______	______	_______	_________
g) Liquidity	______	______	______	______	_________