



# A STUDY ON INVESTOR AWARENESS IN INDIAN CAPITAL MARKETS

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## ABSTRACT

The fast and efficient development of the financial systems in India. They are the best possible channels to fund the financial growth of the economy. The thesis is the first of its kind in India where the survey was conducted among 852 educated respondents among four major cities, Hyderabad, Delhi, Bangalore and Chennai who saves a good amount of their income but lacks the awareness in capital markets and hence most of their savings are directed towards the traditional financial instruments. The research has provided wide array information through descriptive analysis of the demographic profiles of these respondents around various parameters across the industry and statistical inferential analysis of the awareness and perception of the investors. This thesis also discusses the different factors and variables that influence the investors and help them in decision making. Various statistical tools have been used to study the data collected from the respondents and make the necessary inferences. The study has provided with conclusions that can help to create awareness among existing and potential investor thus streamlining the Indian capital markets.

**Keywords:** Capital Market, Awareness and Perception of Investors.

## INTRODUCTION

The growth of any economy is marked by the degree of investments helping the capital formation in the country one of the major sources of investment is savings by the residents of the country and in country like India, savings from household forms the major backbone of the economy which forms the largest segment of national savings. Every country encourages its citizens to save and invests in the growth story of the country. Household savings are the prima facie followed by the corporate, businesses with the government. For a sustainable growth in the economy, the central bank encourages domestic savings. According to RBI's report

the national savings in India as a percentage of gross national disposable income (GNDI) rose from 9.1% in 2019-20 to 11.1% in 2020-21, the highest in at least the last seven years. Every working individual earns money to take care of his needs first and then followed by wants. Money thus earned is spent on various aspects like household expenses, education, medical bills etc. followed by vacations, entertainment etc. Some part of the earnings is saved for future needs. Those who spend less than they earn are tend to save their earnings for future needs. These savings can be accumulated and invested to achieve future objectives like buying a house, retirement, children's education, etc. This saved money is encouraged to not held as cash but invest into different financial instruments. These instruments not only create a huge amount but also tender certain ROIs in form of appreciation. (Source RBI)

## OBJECTIVE

- To be aware of the many investment choices available inside the Capital Market.
- To learn how investors feel about investing in the CAPITAL market.
- Researching investor behaviour and the elements that influence their investment decisions.
- To gain a reasonable overview of such Indian stock market numerous investing options accessible.

## LITERATURE REVIEW

Indian financial sector developments and capital economic liberalisation have been the subject of a great deal of research since the mid-1980s. Several significant research on the issue are summarised in this section. The general public holds the view that big modifications are required to prepare stock markets for the expected expansion of India's financial sector.

Among the many subjects covered in Barua et al. (1994)'s comprehensive study of India's debt markets are bonds issued by private companies, finances in the public sector, government securities, mortgages, and many more. Along with a thorough analysis of the present state of the Indian bond market, this study proposes strategies for the potential expansion of the debt secondary market. It highlights the importance of integrating the regulated and uncontrolled debt markets, reworking taxes, and creating markets for financing and hedging options.

The causes and consequences of the stock market reforms in India are examined in detail by Cho (1998). According to Shah (1999), the goal of India's recent financial reforms is to use financial markets as a replacement mechanism for economic capital allocation. Changes in the Indian debt and stock markets during the 1990s are examined by Shah and Thomas (2003). Now we know that calamities can actually bring about changes. Much of Mohan's (2007) work is devoted to explaining why India's financial sector underwent reforms, how industry policy changed, and what impact the reforms had on public financial management.

Using India as an example, Shirai (2008) analyses how liberalisation of capital and financial markets has affected corporate finance in the country. Since the early 1990s, when India's economy and capital were liberalised, the banking industry and stock markets in the country have benefited. However, when contrasting low-quality companies with high-quality ones, the financial markets are shallow. Although many reputable companies, including large corporations, have begun to use bond financing, many others continue to depend on bank loans. The fact that issuers can avoid the onerous reporting and auditing requirements that apply to public offers since the vast majority of bond sales take place in private transactions is reflected in this. That being said, banks continue to play an essential role in providing capital to businesses of varying calibre. In order to entice investors, the study found that India needed to upgrade its capital market infrastructure and provide banks greater incentives to be visible.

### **METHODS OF STUDY Scientific Processes**

Primary data collection was prioritised because of its significance to attitude research, although secondary sources of information were also evaluated. An essential use of research approach is to assist in problem definition, data collection, analysis, and solution proposal. As an added bonus, it aids upper management in collecting vital data for improved critical and day-to-day decision-making.

### **Locations where the information was gathered:**

Primary sources are the only ones used in this study. Utilise secondary data solely for reference purposes. Interviews with actual people were the backbone of our primary data collection strategy for this study. We sourced the secondary data from a variety of academic journals and online resources.

### **Gathering data**

We used a random sampling technique that took into account all customers and visitors to the Alpha-1 Office of the State Bank of India. This included both investors and service users. Questionnaires, in-person and over-the-phone interviews, and site visits were also utilised to gather this data. Statistical and mathematical tools were used to examine the data.

Population: Under no circumstances will I include 200 individuals in my study. Only 120 people have put money into a mutual fund thus far. Only 80 people had not invested in a mutual fund.

Approach: A wide range of graphical tools have been utilised to depict the data, such as pie charts, line graphs, bar graphs, and others.

### **Limitation**

- ✓ It seemed like not everyone was open.
- ✓ There is a chance that I may have gotten incomplete answers from some investors, which could lead to inaccurate data collection.
- ✓ Just 120 out of 200 persons surveyed had ever put money into a mutual fund. The sample size might not be representative of the whole market.

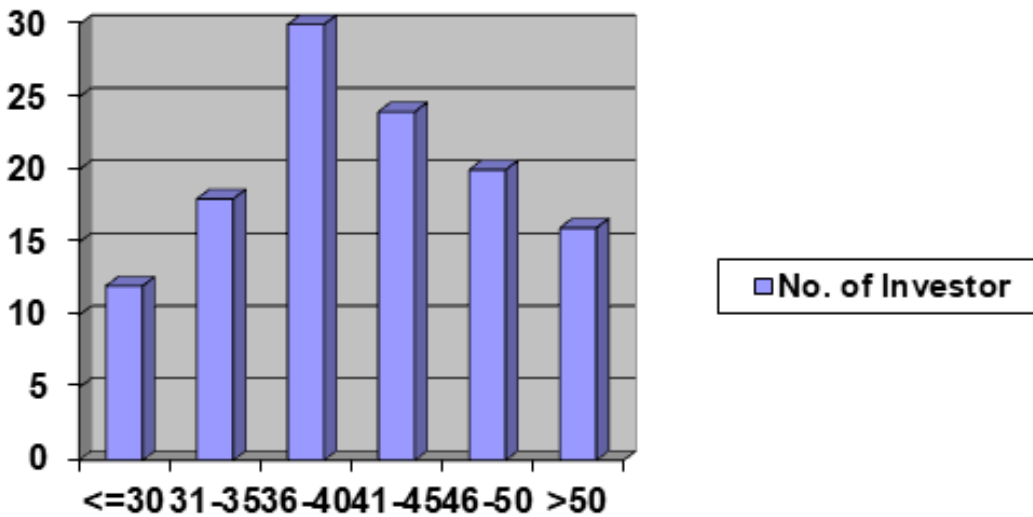
- ✓ The honesty of all comments may have been jeopardised because some respondents were reluctant to disclose personal information.
- ✓ This research only covers a small portion of Greater Noida.

**DATA ANALYSIS & INTERPRETATION**

**ANALYSIS & INTERPRETATION OF THE DATA**

**(A) Age distribution of the Investors of Greater Noida**

Age Group	<= 30	31-35	36-40	41-45	46-50	>50
No. of Investors	12	18	30	24	20	16

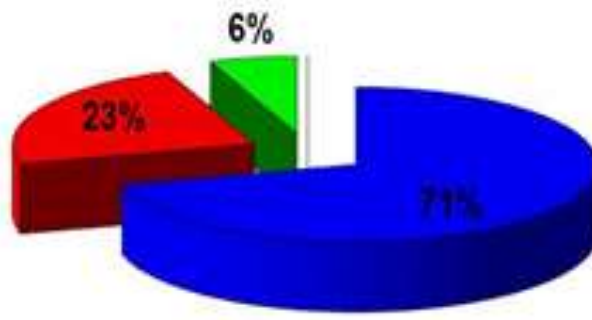


**Interpretation**

Investors in Greater Noida Mutual Funds tend to be in their mid- to late-thirties, according to this chart. The youngest age bracket consists of traders under 30, while the largest is investors aged 41–45, which accounts for 20% of the total.

**(b). Educational Qualification of investors of Greater Noida**

Educational Qualification	Number of Investors
Graduate/ Post Graduate	88
Under Graduate	25
Others	7
<b>Total</b>	<b>120</b>



#### Interpretation:

Out of 120 mutual fund investors in Greater Noida, 71% are Graduates/Post-Graduates, 23% are Undergraduates, and 6% are Others (under HSC). What Greater Noida investors do for a living

Occupation	No. of Investors
Govt. Service	35
Pvt. Service	45
Business	35
Agriculture	4
Others	6

#### FINDINGS

- ✓ The percentage of residents in Greater Noida between the ages of 36 and 40 was greater. Those under the age of 30 had the second-lowest number of investors, followed by those between the ages of 41 and 45.
- ✓ The great majority of Greater Noida investors have bachelor's degrees or above, while only a small percentage had an HSC.

- ✓ Private sector employees and agricultural workers were close behind the majority of Occupation group investors, who were government workers.
- ✓ From lowest to highest, the most common household income ranged from 20,001 to 30,000 rupees, with those earning more than 30,000 rupees and those earning less than 10,000 rupees taking the lead.
- ✓ Virtually everyone had a bank account, and although 62% of people invested in mutual funds, 76% used fixed deposits.
- ✓ The majority of respondents preferred a high return investment plan, whereas a small minority preferred minimal risk, liquidity, or trust.
- ✓ Of those who took the survey, 67% had some idea of what a mutual fund was and how it worked, while 33% were confused. The poll found that 60% of the 200 participants had invested in mutual funds, while 40% had not.
- ✓ The ability to understand individual investors' mindsets and the ins and outs of the Indian stock market is essential for managing a sizable mutual fund. The purpose of this research was to identify the variables that influence mutual fund investors' spending habits, such as their product, channel, and brand preferences (AMC). For many, the idea of investing in mutual funds is terrifying. Their concerns centre on the potential risk that a mutual fund poses to their funds. They need to be familiar with mutual funds and the terminology used to describe them. Even when people have the financial ability to invest, they might not know enough about mutual funds to make an informed decision. As people become more well-off and more informed, they are more likely to put their money into mutual funds.
- ✓ Without it, investing in the "brand" is impossible. Investors are more likely to back reputable companies with a good reputation. Although Punjab is home to numerous AMCs, only a handful have achieved significant success thanks to their widely recognised brands. Even though some of their schemes are successful, some AMCs are underperforming due to a lack of brand recognition.
- ✓ The distribution channels of mutual funds are another essential issue for investors. If you want to invest in mutual funds, you should consult a financial counsellor. Their ability to persuade others to transfer capital from one investment opportunity to another is a strength of theirs. Due to the lack of an entrance charge, many investors prefer to invest directly through AMC. Only those with the knowledge and time to study mutual funds thoroughly should consider direct investment.

### **Suggestions and Recommendations**

It has been determined that the biggest issue is lack of knowledge. Investors must be apprised of the advantages. Unless they know for sure, no one will put money into it. Investors should be reminded time and time again that not investing puts them at danger of losing money, and that ignorance is no longer a virtue. In comparison to other investment choices, mutual funds provide numerous advantages. A mutual fund, however, is unknown to the majority of the population. They see it as only another opportunity to enrich themselves. So, advisers should make an effort to shift their perspective. A younger demographic of investors has to be courted

by advisors. Consultants are a popular choice for investors in their twenties and thirties because they don't have the knowledge or experience to make good judgements alone. The Mutual Fund Company must ensure that their financial advisors are well-informed on the Fund or Scheme and its objectives. In order to meet the needs of their customers, businesses must consider these three aspects. On the flip hand, advisors will need to deliver stellar recommendations if they wish to thrive, as a large percentage of their prospective clients will be younger than 35. The Systematic Investment Plan (SIP) is one of the most innovative choices provided by asset management firms as of late. By enabling customers to invest through EMI, SIP simplifies investing for individuals who receive a monthly wage. Few potential investors or consumers are familiar with the SIP. There are a lot of companies that can easily find salaried staff.

## CONCLUSION

The significance of education, accessibility, and regulatory measures in encouraging market participants to make educated investment decisions is highlighted by the findings of this study on investor awareness in Indian capital markets. The present status of investor education and potential improvement areas are illuminated by a number of important findings that result from an exhaustive examination of investor awareness levels, factors affecting awareness, and the effect of awareness on investment behaviour. Investor knowledge among Indian capital market participants is moderate, according to the report. There is a lot of room for improvement in terms of investor knowledge, which varies across different types of investors (from retail to institutional). Investor education programmes and information dissemination by market intermediaries and regulatory bodies have not eliminated the fact that many investors are uninformed on the fundamentals of financial products, market dynamics, and risk management. This emphasises the significance of ongoing investor education programmes that are customised to meet the needs of various investor segments and levels of experience. The study reveals that demographics, education, income, and prior investing experiences are some of the elements impacting investor awareness. Investors who are younger and more educated are more likely to be knowledgeable about the stock market and other investing options. Furthermore, compared to self-directed investors, those who work with financial counsellors or wealth managers show a better level of knowledge. To meet the varied demands and preferences of investors, these results highlight the significance of tailored advisory services and focused outreach programmes. The study highlights the importance of investors being aware of how their awareness affects their investment behaviour and decision-making. In order to make wise investment decisions, deploy capital efficiently, and successfully navigate market volatility, investors should be knowledgeable about market fundamentals, investing techniques, and risk management principles. A more informed investing public helps people's personal finances and the economy as a whole by fostering honesty, openness, and stability in the market. When it comes to investor awareness, the report also shows a few problems and places to fix. There are still cases of mis-selling, fraudulent tactics, and misinformation in the financial markets, even while regulations have tried to make things more transparent and safeguard

investors. Investors on a smaller scale have it tough when it comes to figuring out how to assess the risks associated with complicated financial products and trading instruments. Regulatory agencies, market players, and investor advocacy groups must work together in a concerted effort to overcome these obstacles. This study highlights the significance of investors being aware of the need to create an inclusive, robust, and dynamic capital market ecosystem in India. Stakeholders can boost market efficiency, investor confidence, and wealth creation by equipping investors with knowledge, skills, and resources. In order to keep the Indian financial markets growing and thriving for everyone involved, it is crucial to keep working on educating investors, overseeing regulations, and making markets more transparent.

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