

A Study on Investors Attitude towards Primary Market at Thoothukudi

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Abstract

Investment has never seemed so scary and confusing. People losing their saving as corporate fixed deposits, plantation companies and chit funds go bust. Many experts say one must continue to invest in the stock market. After four years of rising share prices, the market indexes still seem likely to end the year higher than they began it. Shares are sure to show huge gains over the next one or two decades. Stock exchange is also called a stock market. For that purpose the present study assumes significance to understand the prevailing attitude of primary market investors and to rebuild the corporate values in the minds of the common investing public. It was found that 74 percent of the respondents invested in shares. 35 percent of the respondents gather information about instruments through Magazine / Journal / Newspaper. 27 percent of the respondents say that secondary market situation is the main factor affecting primary maker. 30 percent of the respondents considered inflated price band as the main reason for lack of investors' confidence in primary market.

Keywords: Primary market, Investors, Stock exchange.

Introduction

Investment has never seemed so scary and confusing. People losing their saving as corporate fixed deposits, plantation companies and chit funds go bust. Agents say insurance is the best investment or making you believe that their unit linked insurance plans (ULIP'S) are mutual funds.

It's bewildering yet we all need to save and invest more, especially to safeguard our days of retirement. Why, we live in a country with no social security plan, where provident funds can barely meet retirement needs. This leaves you with only one choice: making investments yourself as early as possible.

Many experts say one must continue to invest in the stock market. After four years of rising share prices, the market indexes still seem likely to end the year higher than they began it. Shares are sure to show huge gains over the next one or two decades. Stock exchange is also called a stock market.

Statement of Problem

Capital market is the backbone of a country's economy. It facilitates the conversion of savings into investments; basically capital market can be bifurcated into primary & secondary market. The fresh issue of securities takes place in primary market. Already issued securities are traded among investors in secondary market. Most of the equity investors first enter capital market through primary market.

In India small and marginal investors participating in the equity market is massive. The number of companies offering equity through primary market was increasing continuously in the post independence period till the year 1995. After 1995, there is a continuous setback experienced by the primary market.

The main reason for slow down is that of investors confidence in primary market. A felt need to have thorough study to restore the lost valor once again in the corporate map of India.

For that purpose the present study assumes significance to understand the prevailing attitude of primary market investors and to rebuild the corporate values in the minds of the common investing public.

Scope of the Study

This study is concerned with “Study on Investors Attitude towards Primary Market at Thoothukudi”. Globally there are increased evidences to suggest the investor’s confidence has assumed an important role in the economic development of a country.

Thus a detailed study is undertaken to come out with the main reasons for lack of investor’s confidence in primary market. This study is based on data collected from the respondents selected from Thoothukudi.

Objectives of the Study

The primary objective of the project is to “Study Investors Attitude towards Primary Market at Thoothukudi.

Secondary Objectives

- To analyse the socio – economic profile of the respondents.
- To know about the details of primary market.
- To study the investment decision of investors in primary market.
- To analyse the investors regarding amount of investment and their preference over various instruments.
- To suggest suitable measures for improving investor’s confidence in primary market.

Hypotheses to Be Tested

1. There exists no relationship between the size of the family and Investment decision.
2. There exists no relationship between the monthly income of the respondents and investment decision.
3. There exists no relationship between age of the respondents and factors affecting primary market.
4. There exists no relationship between occupation of the respondents and factors affecting primary market. The null hypotheses formulated were tested with the help of F-test.

Methodology

The study is complied with the help of both primary and secondary data. The primary data were collected from the sample respondents with the help of Questionnaire Secondary data were collected from journals and books.

Construction of Tools and Pre – Test

The questionnaire in this study has been structured by the researcher herself. The variables to be studied have been identified in the preliminary interview with some selected investors in instruments at Thoothukudi. The variables thus identified by the researcher have been converted into appropriate question. The questionnaire drafted was circulated among professors for a critical review with regard to wording, format, sequence and the like. A pretest was conducted. The questionnaire was suitably revised in the light of the experience gained. Table, percentage, chart, Garrett’s ranking, Semantic differential profile, F-Test and chi-square test are used in appropriate places to analyse the data.

Sampling Design

60 investors in primary market were selected by convenience sampling method. That is, the investors were selected according to the convenience of the researcher.

Field Work and Data Collection

The field work for this study was carried out by the researcher herself. The researcher have used questionnaire for collecting the data. Care was taken to ensure completeness and accuracy in the interviews.

Geographical Coverage

The present study covers Thoothukudi city of Tamil Nadu.

Limitations of the Study

Though the research was done in a systematic and planned manner, there were a few hurdles that could not be overcome. These constituted the limitations of the research. Care was taken that the below limitations did not affect the research results as much.

- Due to shortage of time this study was conducted with the responses of 60 investors only.
- Study area of this study is confined to Thoothukudi only.
- Deliberate and convenient sampling technique was used.

Summary of Findings

The findings of the study regarding attitude of investors towards primary market in Thoothukudi are listed below.

From the above analysis, it was found 80 percent of the respondents were male and 20 percent of the respondents were female.

It is identified that, 38 percent of the respondents lies between 25-40 years. Regarding Educational Qualification, it is interesting to note that 38 percent of the respondents had studied upto Graduation level.

Regarding occupation, 35 percent of the respondents were opted for business. 44 percent of respondents were belong to the family size of 5 members and more members.

As far as monthly income, 42 percent of the respondents earned monthly income between Rs.10,000 to Rs.15,000. It is important to note that 65 percent of respondent's family did not belong to double income group.

It was found that 74 percent of the respondents invested in shares. 35 percent of the respondents gather information about instruments through Magazine / Journal / Newspaper.

Most of the respondents (ie) 39 percent invested in shares. 48 percent of the respondents purchased the instrument at par.

27 percent of the respondents say that secondary market situation is the main factor affecting primary maker. 30 percent of the respondents considered inflated price brand as the main reason for lack of investor's confidence in primary market.

28 percent of the respondent opted for banking sector reforms as confidence rebuilding measures of investors.

It was found that 78 percent of the respondents agreed to the statement "Net Traders are better than Traditional Traders". 46 percent of the respondents say conveniences as the major reason for preference over Net Traders.

Most of the respondents say that 'More transparency in activities as main role of promoters.

Majority of the respondents have considered transparency as the main issue needs to be addressed to make primary market safer.

Majority of the respondents have opted for regulatory machines as the person contributing for good corporate governance which has been placed in 1st rank which is calculated by garret's ranking technique.

47 respondents (78.33%) generated for weight 3,4 and 5 indicate that the investors agreed that current market price is an important indicator before investing in new issues.

37 (61.66%) of investors depend on the investment advice from the broker for investing in primary market.

39 (65%) responses indicate that investors do personal analysis of the offer document before investing in the issue.

33 (55%) respondents use analyst's recommendations for the investment decision in the primary market investments.

A semantic differential profile of the investor decisions indicated that investors gave importance to current market price.

Out of 60 respondents, 35 respondents under medium level, 15 fall under high and 10 fall under low level of investment decision.

Chi-square test was applied to test the level of investment decision. It could be concluded that there is no significant association between Income, Family size and Level of investment decision.

Respondents gave ranks from 1 to 5 to various reform initiated by the govt. for regaining investors confidence. The ranks were tabulated based on Age and Gender of the respondents.

The age group 25-40 years gave importance for various reform initiated by the govt. for regaining investors confidence, Male respondents also gave importance for all the reform.

F – Test was applied to test the relationship between Age, Occupation and factors affecting primary market. It was concluded that there exists no relationship between Age, Occupation and Factors.

Suggestions

An expert panel of SEBI has favoured the following suggestions for better performance of New Issue Market.

- (1) The merchant banker or the lead manager should own full responsibility for disclosures and projections about the company. The certificate from them should not be taken at the last world at any stage.
- (2) Setting up of merchant banker's development on the pattern of issue houses in UK. Their main advantage would be skill and expertise which would have a statutory effect on the Quality of new issues as well as standards and efficiency of the market itself.
- (3) Listing Requirements of stock exchanges to be made more stringent and stock exchanges should be made more accountable to create greater investor confidence.
- (4) Creation of an effective institutional arrangement for protection of small investors.
- (5) Promoter's contribution for public issue made uniform at 20% irrespective of the issue size.
- (6) A listed company required to meet the entry norm only if the post-issue networth becomes more than five times the pre-issue.

- (7) Entry norms for companies to access the market should be made stringent.
- (8) Better corporate governance on the part of industry; accounting norms to be made uniform and international standards to be adopted.
- (9) Since inflated price band is the main reason for lack of investor's confidence in primary market, SEBI must take steps to rectify them.

Conclusion

Primary market merely alludes to the first purchase of a new share or debenture by the public directly from the issuing company.

Society for capital Research and Development (SCMRD) report indicates that the reforms made secondary market safer but primary market is still perceived riskier than before. Thus policy initiatives are required for reducing this perceived risk.

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