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A study on various avenues available in Indian capital market to potential investors with special reference to Bangalore

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Abstract
Capital market refers to the institutional arrangements for facilitating the borrowing and lending of long term funds. An efficient capital market is an indispensible pre-requisite to economic development. Financial markets comprise of capital market and money market. Capital market acts as a link between those who have funds and those who need funds and channels the savings in the former to meet the needs of the latter. In the emerging scenario of capital market, the retail investors are playing a vital role in deciding the nature and extent of business in the market. Under these circumstances the study on various avenues available in Indian capital market to potential investors with special reference to Bangalore goes to focus its attention towards concepts like change in Indian capital market, variety of investment option, global level of economic changes and the impact on investment behavior of investors. The main objective of the study is to understand the risk appetite and attitude about retail investors in capital market scenario, awareness of the potential retail investors about various avenues available in the Indian capital market and the preference given by the retail investors. It is concluded that the investors financial decision making is not always driven by due consideration. The investors have revealed more human trials in investment decision making such as fear, greed, risk taking and aversion, peer group pressure rather than going in a systematic manner. Psychological and Behavioral factors play a vital role in investment decision rather than analysis of facts and figures.

Keywords: Capital Market, Financial Market, Potential Investors, Economic Development, Capital Formation, Retail Investors.
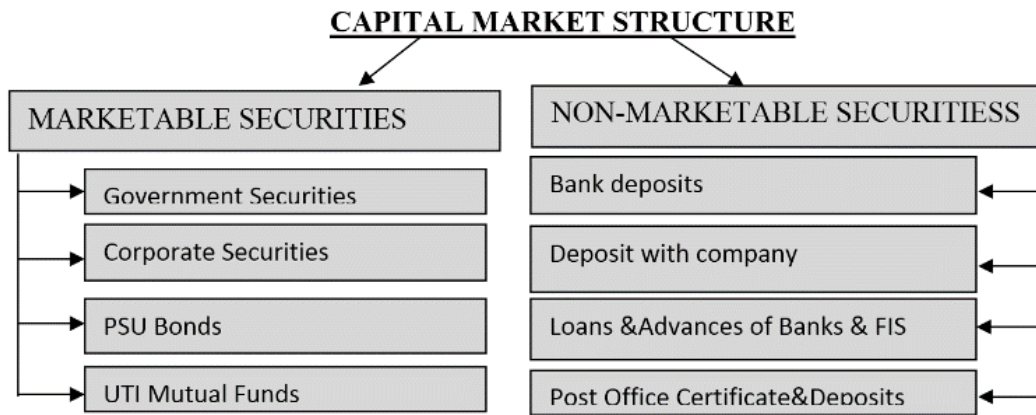
1. Introduction
The term capital market refers to the institutional arrangements for facilitating the borrowing and lending of long term funds. An efficient capital market is an indispensable pre-requisite to economic development. Financial Markets comprise of Capital Market and Money Market. Capital markets acts as a connecting link between those who have funds and those who need funds and channelize the savings in the former to meet the needs of the latter. A well organized capital markets is of great importance to a country. It is almost indispensable for the proper functioning of corporate enterprises. It provides ready and continuous markets for securities. It integrates the demand and supply of security in an effective manner and determines the prices for the security every now and then. It plays an active role in the capital formation of the country. It creates the habit of savings, investing and risk bearing amongst the public. This mobilization of funds towards corporate securities results in fostering the industrial growth and economic development of the country.

1.1 Structure of the Indian Capital Market
The capital market in India may be classified into two categories viz. organized and unorganized. The structure of any capital markets is composed of the sources of demand for and supply of long term capital. In the organized sector of capital market demand for long term capital comes from corporate enterprise, public sector enterprise, Govt. and semi Govt. institutions. The sources of supply of funds comprise individual investors, corporate and institutional investors, investment intermediaries, financial institutions, commercial banks and Government.

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CAPITAL MARKET STRUCTURE

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        MARKETABLE SECURITIES          NON-MARKETABLE SECURITIESS

        → Government Securities          Bank deposits ←

        → Corporate Securities           Deposit with company ←

        → PSU Bonds                      Loans &Advances of Banks & FIS ←

        → UTI Mutual Funds               Post Office Certificate&Deposits ←
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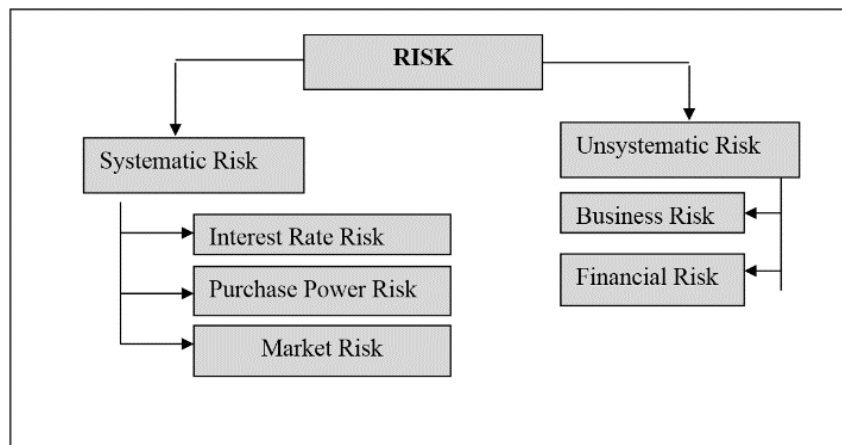
1.2. Investment - A Theoretical Issue

Investing has been an activity restricted to the rich and business class earlier due to the fact that availability of investable funds is a prerequisite to the application of funds. Today, because of the increase in working population, larger family incomes and consequent higher savings, availability of large and attractive investment alternatives, investment has become a household word and is very popular with people from all walks of life. In choosing specific investments, investors need definite ideas regarding features of investment which should be consistent with the investors' objectives. The main objective of investment is to get the maximum return. Investment planning is necessary for the investors 'to achieve their financial goals. Thus, investment planning is the most important part of financial planning. Choice of investments and how best one's savings are allocated can make a big difference in achieving the financial objectives. According to victor Hallman in his book personal Financial Planning. 'Financial planning is the development and implementation of total coordinated plans for the achievement of one's overall financial objectives.'

1.3. Choosing Best Investment Option

Choosing the best investment depends on individual requirements as well as general marketing conditions. For example, a good investment for a long – term retirement plan may not necessarily be a good investment for higher education expenses. In each case, the right investment is a balance of three important features of investment viz, liquidity, safety and return.

1.4. Investment Risk

There is no reward without risk. The conduct of any business demands the acceptance of risk while the main risk are taken with the exception of appropriate rewards, often there are a host of hidden or implicit risk that vitiate the risk reward equation. Financial business particularly those involving managing other person's money face a host of risk. Predominant among them are market and credit risks, but these are quite well understood and there are accepted procedures to measure and mitigate them.

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                              RISK

        Systematic Risk                    Unsystematic Risk

        → Interest Rate Risk               Business Risk ←

        → Purchase Power Risk              Financial Risk ←

        → Market Risk
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2. Review of Literature

Dr. Ravichandran. K (2008) [1], in his article " A Study on Investors Preference towards Various Investment Avenues in Capital Market with special reference to Derivatives" tried to find out the awareness level of various capital market instruments and their risk preferences in various segments. He has concluded that investing in stock market is a major challenge. Derivatives act as a major tool for reducing the risk involved in investing in stock market for getting the best result out of it. The investors should be aware of the various hedging and speculation strategies, which can be used for reducing their risk.

"Major Challenges of Investors in Indian Equity Market – A Study on Retail Investors in Visakhapatanam City" was conducted by Dr. Phani Kumar. T.V.V. (2014) [2]. The main objective of the study was to analyse the major challenges of retail investors in Indian Equity Market. He has found out that majority of the investors are concerned about the volatility of the stock market and the price manipulation. He has concluded that as investors are the backbone of the capital market, a developing economy like India needs a growing amount of investor savings to flow to corporate enterprises. Sibi Abraham. C and Ravi Gurjar (2015) [3] in their research paper titled "To study the awareness of investment avenues

available for middle class families in PCMC Area" attempted to study the awareness among the middle class the various options such as real estate, small savings, life insurance schemes bullions, commercial deposits, corporate bonds, mutual fund and equity.

The main objective of the study goes to analyse the investment preferences of middle class family and the risk awareness of the investment avenues. They have concluded that, the people are aware of various investment avenues available in the market. "Investors Attitude towards Stock Market Investment", Kavitha. C (2015) [4] tried to find out investors attitudes and perceptions towards stock market investments and to analyse how investors level of awareness influences their intention to invest in the stock market. The major findings were there is significance relationship between the investors' attitude and stock market investment.

"A study pertaining to investment behavior of individual investors in Coimbatore City" was conducted by Parimalakanthi. K and Dr. Ashok Kumar. M (2015) [5]. The focus of the study is to determine the factors individual investor behaviour in Indian financial market. The study concludes that average level of investment behavior was found among the respondents of Coimbatore and the investment behavior was found to be better at the time of investment than prior to investment and post investment.

3. Statement of the Problem
The economic development of a country is directly influenced by its capital market and financial services. Its contribution towards the national growth is high and inseparable one. It consists of so many players in its segments say primary and secondary market. Each acts differently with varying needs. Investors also approach capital market with varying objectives. They differ in their risk perception also. The price of securities varies depending upon the activities and

behaviors' of all these persons. In recent days, the awareness of the investors and risk appetite leads to more attention and involvement in the capital market. In the emerging scenario of capital market, the retail investors are playing a vital role in deciding the nature and extent of business in the market and they are integral part of the capital market. In this view the present study examines the various avenues available in Indian capital market to the potential investors. In this context the following research questions arise. How important is the investment in capital market for economic development? What is the role of investment awareness among the potential investors?

4. Objectives of the Study
1. To assess the awareness of the potential retail investors about various avenues available in India capital market
2. To know the preferences given by the retail investor among the various avenues.
3. To analyze risk faced by retail investors in particular and to identify the problem faced by them in general.

5. Data Base & Methodology
The present study is based on primary data as well as secondary data. The methodology is both descriptive and analytical in nature. Primary data is collected by questionnaire method from 200 respondents in Bangalore city and secondary data is collected from the various articles, journals, Books and websites.

6. Analysis & Findings
This table shows the awareness of people about capital market avenues, like mutual fund, fixed income securities or variable income securities.

Table 1: Awareness about Capital Market Avenues

Parti- Culars	VIS	FIS	MF	VIS & FIS	VIS&MF	FIS &MF	FIS, VIS & MF	Total
Yes	20 (10%)	20 (10%)	40 (20%)	45 (22.5%)	25 (12.5%)	- (0 %)	50 (25%)	200
No	-	-	-	-	-	-	-	-

Inference
Almost all the respondents are aware of capital market avenues through one or more sources. Amongst 200 respondents, 50 respondents know about all the investment options.

This table relates to the sources of information. It also shows the investors accessibility of the various sources.

Table 2: Sources of Informations and Investors Access ability.

Particulars	Number of Respondents	%
Personal Sources	62	31
Mass Media	40	20
Retail outlet	80	40
Auditor's suggestion	18	9
Total	200	100

Inference
Retail outlet is the major source of information about investment avenues. Most of the respondents acquired the information through retail outlet, personal sources and mass media. Very few have gone according to the suggestions of their auditors.

This table shows the opinion of the investors about the information collected and whether it was useful for their investment decision.

Table 3: Opinion about Information and Its Relevance.

Particulars	No. of Respondents	%
Yes	189	94.5%
No	11	5.5%
Total	200	100 %

Inference
It is found that that almost all the respondents feel that the information collected regarding investment option were really useful for their investment decisions.

It deals with the investment option of the retail investors.

Table 4: Investment Plan of Retail Investors

Particulars	No. of Respondents	%
Equiry Shares	5	32.50%
Preference Shares	8	4%
Debentures	80	40%
Mutual Fund	47	23.5%
Total	200	100

Inference

It reveals that the majority of the respondents are interested to choose the Fixed Income Securities to get regular return. Among 200 respondents, 80 respondents were willing to choose fixed income securities like Debentures followed by 65 interested in Equity Shares.

This table shows the various reasons for investment strategy of retail investors whether it is for tax planning or saving or regular income.

Table 5: Reasons for Investment Strategy

Particulars	No. of Respondents	%
Tax Planning	51	25.5
Savings	91	45.50
Income	58	29
Total	200	100

Inferences

It shows that majority of the respondents are interested to save money and protect their future. Among 200 respondents - 91 respondents like to save money, 58 respondents like to have income and 51 respondents invest for tax planning.

This table shows the various factors influencing the choice of investment option.

Table 6: Factors Influencing Investment Plan

Particulars	No. of Respondents	%
Rate of return	6	3
Company performance	30	15
Safety & Security	78	39
Tax Planning	60	30
Liquidity	26	13
Total	200	100

Inferences

It is found that safety and security is an important factor to influence the investors' behaviour than tax planning.

It shows whether the investors faced any risk after their investment or not.

Table 7: Problems in Investment

Particulars	No. of Respondents	%
Yes	40	20
No	160	80
Total	200	100

Inferences

The above table shows that 80% of the respondents were not faced any kind of risk. The remaining respondents had faced some kind of risk.

It shows the type of risk faced by the retail investors whether it is return on investment or return of investment

Table 8: Type of Risk Faced By Retail Investors

Particulars	No. of Respondents	%
Return On Investment	38	95
Return Of Investment	2	5
Total	40	100

Regarding the type of risk faced by the retail investors out of the 40 respondents who has faced the risk 95 % was return on investment and 5% lost their investment.

7. Findings & Suggestions

1. Most of the people are not aware of all the investment avenues available in the Indian Capital markets. However, all of them are aware of at least one avenue. Very few respondents are really invested in the securities.
2. Regarding the investment option majority of the retail investors are interested to invest in debentures and equity shares.
3. A large section of the retail investors are not aware of the measures taken by the Government to protect the interest of the investors. Very few of them really benefited as a retail investor by the measures taken by the Government.
4. The investment strategy of the investors is influenced by the income level of the investors. Income level played a vital role to decide their investment behavior. Majority of the retail investors prefer short-term mode as their investment strategy and they invest in capital market to have considerable savings and for their tax planning.
5. The awareness about the various avenues helps the investors to know more investment options to invest their money and it leads to increase with safety and security.
6. The retail Investors are not getting the good response from the stock exchange people and they are unable to understand the terminology used by them as well.

7.1 Suggestions

To create awareness among the retail investors about investment avenues, their pros and cons, government measures, risk analysis, analyzing the company performance, computation of rate of return, to analyze about safety and security etc. the following measures are suggested to SEBI and agencies concerned.

1. The details should be furnished in the newspapers, magazines, periodicals etc. on regular basis with special column.
2. The information should be in simple language avoiding complicated terminologies so that the ordinary retail investor can also understand.
3. The information could be published in the regional as well as local languages frequently.
4. To avoid the risk it is suggested to the retail investors to go for diversification in investments.
5. Many of the retail investors feel that proper attention is not given to them by the SEBI and concerned agencies. Immediate steps to be taken to avoid the dissatisfaction among the retail investors while they approach for transactions.

8. Conclusion

Research by Behavioral finance experts has shown that investors financial decision making is not always driven by due considerations. The investors have revealed more human trails in investment decision making such as fear, greed, risk seeking and aversion, peer group pressures and pleasure rather than going in a systematic manner. Psychological and behavioral factors play a vital role in investment decision rather than analysis of facts and figures. It is well known fact that the human abilities to make complex decisions are limited and emotionally and psychological biased. The retail investors have to keep in mind their own risk appetite and time horizon, which may be vastly different from the institutional investors' risk profile. Therefore, retail investors have to do a self-discovery. They have to understand the risk profile of the investment, which they are investing in.

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