

Abstract of Doctoral Dissertation

Indian Capital Market Spread of Equity Culture : A study with special reference to Andhra Pradesh¹

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THE TERM 'CAPITAL Market' refers to all the facilities and the institutional arrangements for borrowing and lending long-term capital. In other words "it is the centre or arrangement that provides facilities for buying and selling of long-term financial instruments such as shares and debentures". Capital market may be defined as the mechanism which co-ordinates the demand and supply forces of long-term capital. It deals in shares, debentures and bonds of corporations and securities of the government. The term "Equity Culture" refers to the practice of buying equity shares either in primary market or in secondary market.

I. Need for Study

The need for the study arises from the following observations

- the capital market plays a very crucial role in the economic development of a country by pooling the savings of the people and making them available to the enterprising investors.
- sixty percent of the household savings in India are invested in financial assets out of this, only 10% are channeled towards investment industrial securities including equity as against 25% in USA and Japan.
- the equity market is an important segment of capital market in India accounting for nearly half of the capital issues.
- the equity market is considered to be a barometer of the health of the economy and as such, the development of equity culture is crucial for industrial development of the country.

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- the investor base in India is a fraction of its potential even after the introduction of capital market reforms. With a middle class of around 250 millions, India has only about 15 million equity investors.
- many loopholes in the working of Indian Stock Exchanges have been reported which are likely to dampen the enthusiasm of investors.
- some of the guidelines issued by SEBI are reported to be working against the interests of small investors.
- the development of equity culture is very much essential from the point of view of investors, companies and the economy as a whole.
- the equity culture, right now is most prevalent in western region and in metropolitan areas. It is high time to enquire into the reasons for non-spread of equity culture in other parts of the country and steps to be taken there for.
- the research studies on this topic are very few and their scope is very much limited. Further no study of this nature has been conducted in Andhra Pradesh.

II. Objectives of the Study

The focus of the study will be on developing equity culture in India. The specific objectives of the study are as follows

- i. to enquire into the growth of domestic savings and investment pattern with special reference to industrial securities;
- ii. to assess the growth of Indian Capital Market with special reference to equity market;
- iii. to examine the socio-economic back ground of respondent investors;
- iv. to know the existing investment pattern of respondents and their satisfaction with it;
- v. to elicit the opinion of respondents on equity investment and factor encouraging or discouraging it;
- vi. to make appropriate suggestions to promote equity culture in India in general and Andhra Pradesh in particular;

III. Methodology and Sampling

The Study is based on both primary and secondary data. Selected cities, towns and villages of Andhra Pradesh are taken up for making a field study to elicit the opinions and observations of investors with different backgrounds. The selection of paces are made from all the three regions of the state namely, Coastal Andhra Pradesh, Rayalaseema and Telengana. Fifteen centres and thousand respondents have been selected from all three regions. The sample is taken from people with different backgrounds viz., (i) business people (ii) professionals (iii) salaried people (iv) retired persons and (v) agriculturists. While choosing the sample, people who are already investing in equity shares are covered. A questionnaire is prepared to enquire into different aspects like (i) socio-economic background; (ii) investible savings and investment pattern; (iii) awareness and attitude towards equity shares; (iv) measures to induce equity investment etc.

In addition to the above primary data, the secondary data are collected from books, journals, reports and other documents. The data collected from the above sources are subjected to further statistical treatment by using different statistical techniques.

IV. Limitations

While every care has been taken to make the study fool proof and broadly applicable there are certain limitations. They are as follows :

- i. only thousand respondents have been chosen for the study from out of a few lakhs of investors.
- ii. the number of respondents of each centre is very small and it may not exactly present the characteristics features of investors of that Centre.
- iii. the questionnaire is confined to examine only certain issues of investors and it is not a comprehensive questionnaire.
- iv. the responses furnished by the respondents may not exactly tally with the realities.
- v. the statistical treatment of responses is restricted only to percentages and averages.
- vi. the findings of the study are by and large applicable to Andhra Pradesh and they may not be applicable in Toto to the entire country.

V. Chapter Scheme

The present study is organised into eight chapters. Chapter I deals with the meaning, importance and role of capital market in economic development. Chapter II deals with the evolution and growth of Indian Capital market and domestic savings and investment pattern. Chapter III highlights the advantages of equity shares and beneficial effects of the equity markets. Chapter IV deals with the introductory aspects of the study such as need, review of earlier studies, objectives, methodology, sampling, sources of data, limitations of study and presentation of the study. Chapter V is titled "Socio-Economic Profiles of investors". It deals with the education, occupation and experience of investors. Chapter VI deals with the pattern of investment, period of investment, factors influencing investment, satisfaction with present investment pattern. Chapter VII provides conclusions of the entire study and recommendations emanating there from.

VI. Major Finding of the Study

- i. A large majority of investors expressed that capital appreciation was the major objective to choose a particular line of investment.
- ii. In connection with the investment return choices, it was observed that the majority of investors followed the mixed approach i.e. safe, reasonable return combined with speculative benefits.
- iii. The composition of investments in terms of the amount held in different security alternatives is characterised by major proportion of investments in fixed deposits followed by equity shares.
- iv. A majority of respondent investors considered, the information furnished though prospectus, adequate enough to make decisions.

- v. With regards to overall experience as investors, it was noticed that as many as 81% of the investors expressed satisfaction and 11 % of investors rated excellent.
- vi. About safety of investment, equity shares were preferred as safe option by the majority. However from the angle of investment being very safe, fixed deposits were considered the best followed by mutual funds.

VIII. Conclusion

It may also help India to emerge as a force to reckon with in the global financial system.

- a number of public issues failed to procure the proposed amount of equity through the capital market. In respect of all such cases of failed public issues, a review should be undertaken.
- SEBI should take upon itself the responsibility of project appraisal and evolve norms in regard to life of various types of projects, especially for those projects, which are launched in primary market for equity.
- a liberal approach in financing the projects launched through primary market will go a long way in promoting equity culture.
- during the course of the study it was found that there is an absolute poor level of awareness among the small investors. There is much scope for raising investor's awareness.
- efforts are to be made to sustain the confidence of investors in companies issuing equity shares. This will make them to buy the shares.
- more and more new investors are to be encouraged to enter equity market.
- various growth-permitting factors-including regulatory measures, progressive spread of literacy and dissemination of investment information all tend to contribute to a healthy growth of the stock market.

Promotion of equity culture is a must and it will be an enabling factor to raise superior type of capital for industrial sector, which will not only add to capital stock of the companies but will also enhance their borrowing capacity from banks and financial institutions.

The measures outlined above are expected to serve as a real push to markets, which will ensure the exponential growth of equity markets in India for many years to come.