Effect of Economic Turmoil on Equity Investors: A Study of Market Index

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Abstract—The financial turmoil is complex and began with the deceitful mortgages. It is further triggered by panic buying and selling, decreasing security prices and falling markets. Equity Market is adversely affected by the Economic Turmoil due to back out foreign investors. Credit Growth has gone down. Financial Crisis has affected the financial market rigorously. Trading of equity on BSE and NSE has also been affected. Due to current economic turmoil, investment in equity market reduces to a greater extent. Liquidity in the market, Foreign Direct Investment has affected this market badly. Beta (Systematic Risk) of most of the equity scrips is greater than 1. It shows that the security returns are highly volatile leading to less investment.

Equity Market has been hit by this turmoil because of lack of Foreign Direct Investment and Foreign Institutional Investors. Severe Credit Crunch is under pressure. Credit growth has gone down. Market Index is also variated to a large extent. The present research is an attempt to study the Economic Turmoil position in Indian Economy and analyze the impact of economic turmoil on equity investors and market Index. Moreover the volatility of the return on equity has also been studied through the Beta calculation of some companies. It also emphasizes the relationship between economic turmoil and Investor Behavior using test of Independence.

The present study is an attempt to achieve the following objectives:

- To analyze the impact of economic turmoil on equity investors
- To analyze the impact of economic turmoil on market index
- To study the volatility of return on equity based on beta
- To analyze the volatility between economic turmoil and investor behavior using test of independence
- To suggest measures for equity investors based on the findings of the study

Methodology

- Primary Data: Primary data has been collected by conducting the survey of equity Investors in U.P
- Secondary Data: Secondary data has been collected from various reputed Journals and Magazines.
- Nature of Research: Descriptive Research
- Sampling Technique: Non-Probability Sampling (Convenience Sampling)
- Sample Size: 200
- Scope of Research: U.P. State

Analysis of the questionnaire would be done with the help of statistical tools like bar diagrams, pie charts, line graphs etc. and also using other econometric tools such as factor analysis through SPSS. Risk and Return are the most important factor an investor considers while investing in any security it will comprise of 80% & other factors only constitute 20%. Most of the factors are affecting the investing behavior while investing in equity market.. Thus this is a positive and good result for the growth of investing opportunities in equity market. Performance of the equity market has been better than before which would be definitely beneficial for the investors and equity market in the future. Some factors should be considered on priority like International market, Liquidity in market, GDP of Country and Budget. All Rest all the factors have been quite good in creating the growth opportunity for equity market.

Keywords: Volatility, Risk and Return, Liquidity, Economic Turmoil, Systematic Risk, Beta