PROJECT REPORT
ON

INVESTORS PERCEPTION REGARDING VARIOUS INVESTMENT AVENUES AVAILABLE AT THE STOCK MARKET

In partial fulfillment for the award of degree of

Master of Business Administration (MBA)
PREFACE

This project report pertains to the making of a PROJECT of M.B.A. curriculum.

The PURPOSE of this project is to make the students to have thorough knowledge of the topics given to them. I learned a lot from the hard work I put in to collect information regarding the same, which would be of great use in my near future as a professional.

Justification cannot be done to whatever I have learnt within a few pages but I have still tried my best to cover as much as possible about “Investors Perception Regarding Various Investment Avenues Available at the Stock Market” in this report.

Being students of Masters in Business Administration, we need to be aware of the organizational internal environment.
ACKNOWLEDGEMENT

Starting with expression of immense pleasure and joy to back and white the words of sincere and loyal gratitude, to the honorable fellows who have provided helpful towards the tasks of accomplishment of the project work under the heading of “Investors Perception Regarding Various Investment Avenues Available at the Stock Market”. No work in this world can completed successfully if it is not provided guidance in the right direction. In this regard I owe sincere thanks to my research supervisor Mr. Rajesh Kumar, Fortune Head, Karvy Stock Broking Limited, Chandigarh who contributed his valuable aptitude to a practical shape in characterizing and building the features of the project. Without his help and guidance I would not have been able to complete this strenuous task.

He and other faculty members guided me throughout the project, never accepted less than my best efforts. There are special acknowledgements to my friends because they have helped me in report writing that it left to me alone, would never have been done. Of course, like any other author, I am indebted always to those people that do their best to improve on my best.
THE EXECUTIVE SUMMARY

PROJECT UNDERTAKEN BY ME

The project studied by me in Karvy Stock Broking, Chandigarh, was “Investors Perception Regarding Various Investment Avenues Available at the Stock Market”.

Karvy Stock broking Limited is India’s leading capital markets company with All-India Presence and an extensive client base. Karvy Stock Broking possesses state of the art trading platform, best broking practices and is the pioneer in trading product innovations.

HOW IT WAS UNDERTAKEN

A survey was conducted by me among the investors. Many-a-times, stock market investors take their investment calls based on certain prejudiced views which are often erroneous in nature. However, such investors are reluctant to stop following the myths they traditionally believe in, unless they’re explained as to why their views are illogically supported. It is important that investors keep a realistic view of the market terminologies.

An appointment was fixed with the investors of the respected areas in which their view point was studied, certain questions were asked regarding the Investment Avenues Available at the Stock Market; activities are to be included by the company products in regard to these benefits; to what extent it effects the level of satisfaction and how far it is beneficial for the investors. There views helped me a lot to practically understand my project.
Chapter 1

Introduction
1. INDIAN STOCK MARKET

1.1 Introduction

Indian Stock Markets is one of the oldest in Asia. Its history dates back to nearly 200 years ago. The earliest records of security dealings in India are meager and obscure. The East India Company was the dominant institution in those days and business in its loan securities used to be transacted towards the close of the eighteenth century.

By 1830's business on corporate stocks and shares in Bank and Cotton presses took place in Bombay. Though the trading list was broader in 1839, there were only half a dozen brokers recognized by banks and merchants during 1840 and 1850. The 1850's witnessed a rapid development of commercial enterprise and brokerage business attracted many men into the field and by 1860 the number of brokers increased into 60. In 1860-61 the American Civil War broke out and cotton supply from United States to Europe was stopped; thus, the 'Share Mania' in India began. The number of brokers increased to about 200 to 250.

At the end of the American Civil War, the brokers who thrived out of Civil War in 1874, found a place in a street (now appropriately called as Dalal Street) where they would conveniently assemble and transact business. In 1887, they formally established in Bombay, the "Native Share and Stock Brokers' Association", which is alternatively known as “The Stock Exchange". In 1895, the Stock Exchange acquired a premise in the same street and it was inaugurated in 1899. Thus, the Stock Exchange at Bombay was consolidated.

The Indian stock market has been assigned an important place in financing the Indian corporate sector. The principal functions of the stock markets are:

- enabling mobilizing resources for investment directly from the investors
- providing liquidity for the investors and monitoring.
- Disciplining company management.
The two major stock exchanges in India are:

- National Stock Exchange (NSE)
- Bombay Stock Exchange (BSE).

1.2 National Stock Exchange

With the liberalization of the Indian economy, it was found inevitable to lift the Indian stock market trading system on par with the international standards. On the basis of the recommendations of high powered Pherwani Committee.

The National Stock Exchange was incorporated in 1992 by Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Industrial Finance Corporation of India, all Insurance Corporations, selected commercial banks and others.

The National Stock Exchange (NSE) is India's leading stock exchange covering various cities and towns across the country. NSE was set up by leading institutions to provide a modern, fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. It has set up facilities that serve as a model for the securities industry in terms of systems, practices and procedures.

Trading at NSE can be classified under two broad categories:

- Wholesale debt market
- Capital market

Wholesale debt market operations are similar to money market operations - institutions and corporate bodies enter into high value transactions in financial instruments such as government securities, treasury bills, public sector unit bonds, commercial paper, certificate of deposit, etc.

Capital market: A market where debt or equity securities are traded.
There are two kinds of players in NSE:

- Trading members
- Participants

Recognized members of NSE are called trading members who trade on behalf of themselves and their clients. Participants include trading members and large players like banks who take direct settlement responsibility.

Trading at NSE takes place through a fully automated screen-based trading mechanism which adopts the principle of an order-driven market. Trading members can stay at their offices and execute the trading, since they are linked through a communication network.

The prices at which the buyer and seller are willing to transact will appear on the screen. When the prices match the transaction will be completed and a confirmation slip will be printed at the office of the trading member.

NSE has several advantages over the traditional trading exchanges. They are as follows:

- NSE brings an integrated stock market trading network across the nation.
- Investors can trade at the same price from anywhere in the country since inter-market operations are streamlined coupled with the countrywide access to the securities.
- Delays in communication, late payments and the malpractice’s prevailing in the traditional trading mechanism can be done away with greater operational efficiency and informational transparency in the stock market operations, with the support of total computerized network.

**NSE Nifty**

S&P CNX Nifty is a well-diversified 50 stock index accounting for 22 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds.

NSE came to be owned and managed by India Index Services and Products Ltd. (IISL), which is a joint venture between NSE and CRISIL. IISL is India's first specialized company focused upon
the index as a core product. IISL have a consulting and licensing agreement with Standard & Poor's (S&P), who are world leaders in index services. CNX stands for CRISIL NSE Indices. CNX ensures common branding of indices, to reflect the identities of both the promoters, i.e. NSE and CRISIL. Thus, 'C' Stands for CRISIL, 'N' stands for NSE and X stands for Exchange or Index. The S&P prefix belongs to the US-based Standard & Poor's Financial Information Services.

1.3 Bombay Stock Exchange

The Bombay Stock Exchange is one of the oldest stock exchanges in Asia. It was established as "The Native Share & Stock Brokers Association" in 1875. It is the first stock exchange in the country to obtain permanent recognition in 1956 from the Government of India under the Securities Contracts (Regulation) Act, 1956. The Exchange's pivotal and pre-eminent role in the development of the Indian capital market is widely recognized and its index, SENSEX, is tracked worldwide.

SENSEX

The Stock Exchange, Mumbai (BSE) in 1986 came out with a stock index that subsequently became the barometer of the Indian stock market.

SENSEX is not only scientifically designed but also based on globally accepted construction and review methodology. First compiled in 1986, SENSEX is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. The base year of SENSEX is 1978-79 and the base value is 100. The index is widely reported in both domestic and international markets through print as well as electronic media.

Due to is wide acceptance amongst the Indian investors; SENSEX is regarded to be the pulse of the Indian stock market. As the oldest index in the country, it provides the time series data over a fairly long period of time. Small wonder, the SENSEX has over the years become one of the most prominent brands in the country.
The SENSEX captured all these events in the most judicial manner. One can identify the booms and busts of the Indian stock market through SENSEX.

The launch of SENSEX in 1986 was later followed up in January 1989 by introduction of BSE National Index (Base: 1983-84 = 100). It comprised of 100 stocks listed at five major stock exchanges.

The values of all BSE indices are updated every 15 seconds during the market hours and displayed through the BOLT system, BSE website and news wire agencies.

All BSE-indices are reviewed periodically by the “index committee” of the exchange.

2. OVERVIEW OF THE REGULATORY FRAMEWORK OF THE CAPITAL MARKET IN INDIA

India has a financial system that is regulated by independent regulators in the sectors of banking, insurance, capital markets and various service sectors. The Indian Financial system is regulated by two governing agencies under the Ministry of Finance. They are

1. **Reserve Bank of India**

   The RBI was set up in 1935 and is the central bank of India. It regulates the financial and banking system. It formulates monetary policies and prescribes exchange control norms.

2. **The Securities Exchange Board of India**

   The Government of India constituted SEBI on April 12, 1988, as a non-statutory body to promote orderly and healthy development of the securities market and to provide investor protection.

**Department Economic Affairs**

The capital markets division of the Department of Economic Affairs regulates capital markets and securities transactions.
The capital markets division has been entrusted with the responsibility of assisting the Government in framing suitable policies for the orderly growth and development of the securities markets with the SEBI, RBI and other agencies. It is also responsible for the functioning of the Unit Trust of India (UTI) and Securities and Exchange Board of India (SEBI).

The principal aspects that are dealt with the capital market division are:

- Policy matters relating to the securities market
- Policy matters relating to the regulation and development and investor protection of the securities market and the debt market.
- Organizational and operational matters relating to SEBI

**The Capital Market is governed by:**

- Securities Contract (Regulation) Act, 1956
- Securities Contract (Regulation) Rules, 1957
- SEBI Act, 1992
- Companies Act 1956
- SEBI (Stock Brokers and Sub Brokers) Rules, 1992
- Exchange Bye-Laws Rules & Regulations

**Self-regulating Role of the Exchange**

The exchange functions as a Self Regulatory Organization with the parameters laid down by the SCRA, SEBI Act, SEBI Guidelines and Rules, Bye-laws and Regulations of the Exchange. The Governing Board discharges these functions. The Executive Director has all the powers of the governing board except discharging a member indefinitely or declaring him a defaulter or expelling him. The Executive Director takes decisions in the areas like surveillance, inspection, investigation, etc. in an objective manner as per the parameters laid down by the governing board or the statutory committees like the Disciplinary Action Committee.
3. TRADING WITH STOCK MARKET

This section will introduce us about the process and instruments used to help a customer or a client to trade with arcadia securities. This process is almost similar to any other trading firm but there will be some difference in the cost of brokerage commission.

Trading: It is a process by which a customer is given facility to buy and sell share this buying and selling can only be done through some broker and this is where Arcadia helps its customer. A customer willing to trade with any brokerage house need to have a demat account, trading account and saving account with a brokerage firm. Any one having following document can open all the above mentioned account and can start trading.

Document Required

- 3 photographs (signed across)
- Photo Identification Proof - any of the following - Voter ID/Driving License/Passport.
- Address Proof any of the following - Voter ID/Driving License/Passport/ Bank statement or pass book sealed and attestation by bank official/ BSNL landline bill.
- A crossed Cheque favouring “Karvy Stock Broking”. Of the required amount. The amount for Demat as well as trading will be Rs. 900/- (free Demat +900 Trading Account) the minimum amount being Rs. 900 a cheque can be given for a larger amount.
- Copy of PAN Card is mandatory.
- Registration Kit
- CDSL Demat Kit
- Bank and address proof declaration.
- PAN name discrepancy form.

These documents may not be consumer friendly but it is to avoid illegal transaction and to prevent black money this ensures that money invested is accounted.

3.1 Techniques and Instruments for Trading

The various techniques that are available in the hands of a client are:-
Basic Requirement for doing Trading

Trading requires Opening a Demat account. Demat refers to a dematerialized account.

You need to open a Demat account if you want to buy or sell stocks. So it is just like a bank account where actual money is replaced by shares. We need to approach the Depository Participants (DP, they are like bank branches), to open Demat account.

A **depository** is a place where the stocks of investors are held in electronic form. The depository has agents who are called **depository participants** (DPs).

Think of it like a bank. The head office where all the technology rests and details of all accounts held is like the depository. And the DPs are the branches that cater to individuals.

There are only two depositories in India –

- The National Securities Depository Ltd (NSDL) and the
- Central Depository Services Ltd (CDSL).
Capital Market Participants

- Banks
- Exchanges
- Clearing Corporations
- Brokers
- Custodians
- Depositories
- Investors
- Merchant Bankers

Types of Investors

- Institutional Investors- MFs / FI / FIIs / Banks
- Retail Investors
- Arbitrageurs / Speculators
- Hedgers
- Day traders/Jobbers
Combination of Futures and Option

Hedging means, minimizing the risk, i.e., minimizing the losses. Under index futures and index options investor can minimize his losses. Hedging does not remove losses but removes unwanted exposure, i.e. unnecessary risk. One should not enter into a hedging strategy hoping to make excess profits; all it can do is reduce the risk.

5. PARAMETERS OF INVESTMENT

The nature of investment differs from individual to individual and is unique to each one because it depends on various parameters like future financial goals, the present & the future income model, capacity to bear the risk, the present requirements and lot more. As an investor progresses on his/her life stage and as his/her financial goals change, so does the unique investor profile. Economic development of a country depends upon its investment. The emerging economic environment of competitive markets signifying customer’s sovereignty has profound implications for their savings and investment. Investment means person’s commitments towards his future.

5.1 INVESTMENT

The word "investment" can be defined in many ways according to different theories and principles. It is a term that can be used in a number of contexts. However, the different meanings of "investment" are more alike than dissimilar.

Generally, investment is the application of money for earning more money. Investment also means savings or savings made through delayed consumption.

According to economics, investment is the utilization of resources in order to increase income or production output in the future.

An amount deposited into a bank or machinery that is purchased in anticipation of earning income in the long run are both examples of investments. Although there is a general broad
definition to the term investment, it carries slightly different meanings to different industrial sectors.

According to economists, investment refers to any physical or tangible asset, for example, a building or machinery and equipment.

On the other hand, finance professionals define an investment as money utilized for buying financial assets, for example stocks, bonds, bullion, real properties, and precious items.

According to finance, the practice of investment refers to the buying of a financial product or any valued item with an anticipation that positive returns will be received in the future.

The most important feature of financial investments is that they carry high market liquidity. The method used for evaluating the value of a financial investment is known as valuation.

According to business theories, investment is that activity in which a manufacturer buys a physical asset, for example, stock or production equipment, in expectation that this will help the business to prosper in the long run.

5.1.1 **Characteristics of an investment decision:**

1. It involves the commitment of funds available with you or that you would be getting in the future.
2. The investment leads to acquisition of a plot, house, or shares and debentures.
3. The physical or financial assets you have acquired are expected to give certain benefits in the future periods. The benefits may be in the form of regular revenue over a period of time like interest or dividend or sales or appreciation after some point of time as normally happens in the case of investment in land or precious metals.

5.1.2 **Essentials of Investment**

Essentials of investment refer to why investment, or the need for investment, is required. The investment strategy is a plan, which is created to guide an investor to choose the most appropriate investment portfolio that will help him achieve his financial goals within a particular period of time.
An investment strategy usually involves a set of methods, rules, and regulations, and is designed according to the exchange or compromise of the investor's risks and returns. A number of investors like to increase their earnings through high-risk investments, whilst others prefer investing in assets with minimum risk involved. However, the majority of investors choose an investment strategy that lies in the middle.

Investment strategies can be broadly categorized into the following types:

- **Active strategies**: One of the principal active strategies is market timing (an investor is able to move into the market when it is on the low and sell the stocks when the market is on the high), which is applied for maximizing yields.
- **Passive strategies**: Frequently implemented for reducing transaction costs.

One of the most popular strategies is the buy and hold, which is basically a long term investment plan. The idea behind this is that stock markets yield a commendable rate of return in spite of stages of fluctuation or downfall. Indexing is a strictly passive variable of the buy and hold strategy and, in this case, an investor purchases a limited number of every share existing in the stock market index, for example the Standard and Poor 500 Index, or more probably in an index fund, which is a form of a mutual fund.

Additionally, as the market timing strategy is not applicable for small-scale investors, it is advisable to apply the buy and hold strategy. In case of real estate investment the retail and small-scale investors apply the buy and hold strategy, because the holding period is normally equal to the total span of the mortgage loan.

### 5.2 PRINCIPLES OF INVESTMENT

*Five basic principles* serve as the foundation for the investment approach. They are as follows:

- **Focus on the long term**
There is substantive empirical evidence to suggest that equities provide the maximum risk adjusted returns over the long term. In an attempt to take full advantage of this phenomenon, investments would be made with a long term perspective.

- **Investments confer proportionate ownership**

  The approach to valuing a company is similar to making an investment in a business. Therefore, there is a need to have a comprehensive understanding of how the business operates.

- **Maintain a margin of safety**

  The benchmark for determining relative attractiveness of stocks would be the intrinsic value of the business. The Investment Manager would endeavor to purchase stocks that represent a discount to this value, in an effort to preserve capital and generate superior growth.

- **Maintain a balanced outlook on the market**

  The investment portfolio would be regularly monitored to understand the impact of changes in business and economic trend as well as investor sentiment. While short-term market volatility would affect valuations of the portfolio, this is not expected to influence the decision to own fundamentally strong companies.

- **Disciplined approach to selling**

  The decision to sell a holding would be based on either the anticipated price appreciation being achieved or being no longer possible due to a change in fundamental factors affecting the company or the market in which it competes, or due to the availability of an alternative that, in the view of the Investment Manager, offers superior returns.

  In order to implement the investment approach effectively, it would be important to periodically meet the management face to face. This would provide an understanding of their broad vision and commitment to the long-term business objectives. These meetings would also
be useful in assessing key determinants of management quality such as orientation to minority shareholders, ability to cope with adversity and approach to allocating surplus cash flows.

5.3 INVESTMENT PROCESS

Figure no. 5.3. Investment Process

5.4 INVESTMENT TYPES

A particular investor normally determines the investment types after having formulated the investment decision, which is termed as capital budgeting in financial lexicon. With the proliferation of financial markets there are more options for investment types.
According to the financial terminology investment means the following:

- Purchasing Securities in Money or Capital Markets
- Buying Monetary or Paper Financial Assets in Money or Capital Markets
- Investing in Liquid Assets like Gold, Real Estate and Collectibles

Investors assume that these forms of investment would furnish them with some revenue by way of positive cash flow.

These assets can also affect the particular investor positively or negatively depending on the alterations in their respective values.

Investments are often made through the intermediaries who use money taken from individuals to invest. Consequently the individuals are regarded as having claims on the particular intermediary.

It is common practice for the particular intermediaries to have separate legal procedures of their own. Following are some intermediaries:

- Banks
- Mutual Funds
- Pension Funds
- Insurance Companies
- Collective Investment Schemes
- Investment Clubs

Investment in the domain of personal finance signifies funds employed in the purchasing of shares, investing in collective investment plans or even purchasing an asset with an element of
capital risk. In the field of real estate, investments imply buying of property with the sole purpose of generating income.

Investment in residential real estate could be made in the form of buying housing property, while investments in commercial real estate is made by owning commercial property for corporate purposes that are geared to generate some amount of revenue.

**Investment**

The money you earn is partly spent and the rest saved for meeting future expenses. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future. This is called Investment.

**Why should one invest?**

One needs to invest to:

- earn return on your idle resources
- generate a specified sum of money for a specific goal in life
- make a provision for an uncertain future

**5.5 VARIOUS OPTIONS AVAILABLE FOR INVESTMENT**

**One may invest in**

- **Physical assets** like real estate, gold/jewellery, commodities etc. or
- **Financial assets** such as fixed deposits with banks, small saving instruments with post offices, insurance/ provident/
- **Pension fund etc.** or securities market related instruments like shares, bonds, debentures etc.

**Various Short-term financial options available for investment.**

Broadly speaking, savings bank account, money market/liquid funds and fixed deposits with banks may be considered as short-term financial investment options.
**Savings Bank Account** is often the first banking product people use, which offers low interest (4%-5% p.a.), making them only marginally better than fixed deposits.

**Fixed Deposits with Banks** are also referred to as term deposits and minimum investment period for bank FDs is 30 days. Fixed Deposits with banks are for investors with low risk appetite, and may be considered for 6-12 months investment period as normally interest on less than 6 months bank FDs is likely to be lower than money market fund returns.

**Various Long-term financial options available for investment.**

**Post Office Savings:** Post Office Monthly Income Scheme is a low risk saving instrument, which can be availed through any post office. It provides an interest rate of 8% per annum, which is paid monthly.

Minimum amount, which can be invested, is Rs. 1,000/- and additional investment in multiples of 1,000/-. Maximum amount is Rs. 3, 00,000/- (if Single) or Rs. 6, 00,000/- (if held jointly) during a year. It has a maturity period of 6 years.

A bonus of 10% is paid at the time of maturity. Premature withdrawal is permitted if deposit is more than one year old. A deduction of 5% is levied from the principal amount if withdrawn prematurely; the 10% bonus is also denied.

**Public Provident Fund:** A long term savings instrument with a maturity of 15 years and interest payable at 8% per annum compounded annually. A PPF account can be opened through a nationalized bank at anytime during the year and is open all through the year for depositing money. Tax benefits can be availed for the amount invested and interest accrued is tax-free. A withdrawal is permissible every year from the seventh financial year of the date of opening of the account and the amount of withdrawal will be limited to 50% of the balance at credit at the end of the 4th year immediately preceding the year in which the amount is withdrawn or at the end of the preceding year whichever is lower the amount of loan if any.

**Company Fixed Deposits:** These are short-term (six months) to medium-term (three to five years) borrowings by companies at a fixed rate of interest which is payable monthly, quarterly, semi-annually or annually.
They can also be cumulative fixed deposits where the entire principal along with the interest is paid at the end of the loan period. The rate of interest varies between 6-9% per annum for company FDs. The interest received is after deduction of taxes

**Bonds:** It is a fixed income (debt) instrument issued for a period of more than one year with the purpose of raising capital.

The central or state government, corporations and similar institutions sell bonds. A bond is generally a promise to repay the principal along with a fixed rate of interest on a specified date, called the *Maturity Date*.

**Mutual Funds:** These are funds operated by an investment company which raises money from the public and invests in a group of assets (shares, debentures etc.), in accordance with a stated set of objectives. It is a substitute for those who are unable to invest directly in equities or debt because of resource, time or knowledge constraints. Benefits include professional money management, buying in small amounts and diversification. Mutual fund units are issued and redeemed by the *Fund Management Company* based on the fund’s net asset value (NAV), which is determined at the end of each trading session. NAV is calculated as the value of all the shares held by the fund, minus expenses, divided by the number of units issued.

### 5.5.1 Equity Investment :-

Equity investment refers to the trading of stocks and bonds in the share market. It is also referred to as the acquisition of equity or ownership participation in the company. An equity investment is typically an ownership investment, where the investor owns an asset of the company. In this kind of investment there is always a risk of the investor not earning a specific amount of money. Equity investment can also be termed as payment to a firm in return for partial ownership of that firm. An equity investor, in some cases, may assume some management control of the firm and may also share in future profits.

In order to understand equity investment properly, it is necessary to see the technical and fundamental analysis. The technical analysis of equity investment is primarily the study of price history of the shares and stock market. A fundamental analysis of equity investment involves the
study of all available information that is relevant to the share market in order to predict the future trends of the stock market. The annual reports, industry data and study of the economic and financial environment are also included in the fundamental information of equity investment.

5.5.2 Mutual Funds and Segregated Funds

Mutual funds or other forms of pooled investment measures are equities held by private individuals but managed and governed by prominent management firms. These types of financial holdings allow individual investors to diversify their holdings and avoid potential loss. Segregated funds, on the other hand, are used by large private investors who wish to hold their shares directly rather than in a mutual fund.

The prime advantage in investing in a pooled fund is that it gives the individual access to professional advice through the fund manager. The major disadvantages involved are that the investors must pay a fee to the fund managers and that the diversification of the fund may not be appropriate for all investors. In those cases, the investors may over-diversify by holding several funds, thus reducing the risk.

**Mutual funds** are supposed to be the best mode of investment in the capital market since they are very cost beneficial and simple, and do not require an investor to figure out which securities to invest into. A mutual fund could simply be described as a financial medium used by a group of investors to increase their money with a predetermined investment. The responsibility for investing the pooled money into specific investment channels lies with the fund manager of said mutual fund.

Therefore investment in a mutual fund means that the investor has bought the shares of the mutual fund and has become a shareholder of that fund. Diversification of investment Investors are able to purchase securities with much lower trading costs by pooling money together in a mutual fund rather than try to do it on their own. However the biggest advantage that mutual funds offer is diversification which allows the investor to spread out his money across a wide spectrum of investments. Therefore when one investment is not doing well, another may be
doing taking off, thereby balancing the risk to profit ratio and considerably covering the overall investment.

The best form of diversification is to invest in multiple securities rather than in just one security. Mutual funds are set up with the precise objective of investing in multiple securities that can run into hundreds. It could take weeks for an investor to investigate on this kind of scale, but with investment in mutual funds all this could be done in a matter of hours.

**Types of Mutual Funds (Mode of Investment)**

- Mutual Fund Types
- American Mutual Funds
- BMO Mutual Funds
- Canadian Mutual Funds
- Fidelity Mutual Funds
- Hartford Mutual Funds
- Investing in Mutual Funds
- Investment Funds
- Top Mutual Funds
- Dynamic Mutual Fund
- Janus Mutual Funds
- Vanguard Mutual Funds
- Mutual Funds Performance

**5.5.3 DEBENTURES:** - In financial context, Debentures are Debt Instruments issued for a long term by governments and big institutions for rising funds. The Debenture has some resemblances to bonds but the securitization terms and conditions are different for Debentures compared to a bond.

A Debenture is commonly considered as insecure because there is no pledge or lien on particular assets. Nevertheless, a Debenture is secured by all the assets which are otherwise not pledged.

If there is a bankruptcy, Debenture holders will be counted as general creditors. The benefit that the issuer enjoys from issuing a debenture is that they keep particular assets free of encumbrances so the option is open to issue them for future financing.
Usually, Debentures are freely negotiable debt instruments. The Debenture holder works as a lender to the Debenture issuer.

In return, the Debenture issuer pays interest to the Debenture holders as it is paid in case of a loan. In practical application, the difference between a Bond and a Debenture is not always kept. In some instances, Debentures are also referred to as Bonds and vice-versa.

**TYPES OF DEBENTURES**

- Convertible Debenture
- Non-Convertible Debenture
- Participative Debenture
- Non- Participative Debenture
- Redeemable Debenture
- Irredeemable Debenture

**5.5.4 BOND MARKET:** - The bond market is a financial market that acts as a platform for the buying and selling of debt securities. The bond market is a part of the capital market serving platform to collect fund for the public sector companies, governments, and corporations. There are a number of bond indices that reflect the performance of a bond market.

The bond market can also called the debt market, credit market, or fixed income market. The size of the current international bond market is estimated to be $45 trillion. The major bond market participants are: governments, institutional investors, traders, and individual investors. According to the specifications given by the Bond Market Association, there are five types of bond markets.

They are:

- Corporate Bond Market
- Municipal Bond Market
- Government and Agency Bond Market
- Funding Bond Market
- Mortgage Backed and Collateralized Debt Obligation Bond Market
5.5.5 Share Market Investment

Shares are purchased and sold on the primary and secondary share markets. To invest in the share market, investors acquire a call option, which is the right to buy a share, or a put option, which is the right to sell a share. In general, investors buy put options if they expect prices to rise, and call options if they expect prices to fall. The value of a derivative depends on the value of the underlying asset. The various classifications of derivatives relevant to share market investment are:

- Swap
- Futures Contract
- Forward Contract
- Option Contract

A forward contract is agreements between two parties purchase or sell a product in the future, at a price determined now. This mutual agreement satisfies the profit motive of both the buyer and seller, and the uncertainties and risks of price fluctuations in the future are aborted. A future contract is different from a forward contract in the sense that the former requires the presence of a third party and the commitment for trade is simply notional.

Before a share is chosen for investment, a technical analysis of the share is performed. The price and volume of a share over a period of time are tracked and then a business plan is constructed. A fundamental analysis involves a close study of the company associated with the share, and its performance over time. The fundamental analysis is important for the share market investor.

The price levels of a traded share are as follows:

- Opening Price: This is the price at which the market opens. In other words, it is the price of the first transaction.
- Closing Price: This is the price at the time of closing of the market or the price of the last trade.
- Intra-Day High: This denotes the maximum price at which the share was traded in the day.
• **Intra-Day Low:** This is the minimum price at which the share traded in the day.

### 5.5.6 Debt Investments:

Debt securities (in the form of non-convertible debentures, bonds, secured premium notes, zero interest bonds, deep discount bonds, floating rate bond / notes, securitised debt, pass through certificates, asset backed securities, mortgage backed securities and any other domestic fixed income securities including structured obligations etc.) include, but are not limited to:

- Debt obligations of the Government of India, State and local Governments, Government Agencies and statutory bodies (which may or may not carry a state / central government guarantee),
- Securities that have been guaranteed by Government of India and State Governments,
- Securities issued by Corporate Entities (Public / Private sector undertakings),
- Securities issued by Public / Private sector banks and development financial institutions.

• **Money Market Instruments Include**

  - Commercial Papers
  - Commercial bills
  - Treasury bills
  - Government securities having an unexpired maturity upto one year
  - Call or notice money
  - Certificate of deposit
  - Usance bills
  - Permitted securities under a repo / reverse repo agreement
  - Any other like instruments as may be permitted by RBI / SEBI from time to time

Investments will be made through secondary market purchases, initial public
offers, other public offers, placements and right offers (including renunciation) and negotiated deals. The securities could be listed, unlisted, privately placed, secured / unsecured, rated / unrated of any maturity.

The AMC retains the flexibility to invest across all the securities / instruments in debt and money market.

Investment in debt securities will usually be in instruments which have been assessed as "high investment grade" by at least one credit rating agency authorised to carry out such activity under the applicable regulations. In case a debt instrument is not rated, prior approval of the Board of Directors of Trustee and AMC will be obtained for such an investment. Investment in debt instruments shall generally have a low risk profile and those in money market instruments shall have an even lower risk profile. The maturity profile of debt instruments will be selected in accordance with the AMC's view regarding current market conditions, interest rate outlook.

Pursuant to the SEBI Regulations, the Scheme shall not make any investment in:

- any unlisted security of an associate or group company of the Sponsor; or
- any security issued by way of private placement by an associate or group company of the Sponsor; or
- the listed securities of group companies of the Sponsor which is in excess of 25% of the net assets.

The Scheme may invest in other schemes managed by the AMC or in the schemes of any other mutual funds, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing SEBI Regulations. As per the SEBI Regulations, no investment management fees will be charged for such investments and the aggregate inter Scheme investment made by all the schemes of HDFC Mutual Fund or in the schemes of other mutual funds shall not exceed 5% of the net asset value of the HDFC Mutual Fund.
Chapter 2

Review of Literature
REVIEW OF LITERATURE

Various studies on Investment pattern & Investment behavior of investors had been conducted in foreign countries. However, in Indian context, the number is quite few. Depending on the various issues of investment, the review has been discussed in brief as follows:

Charles (1999) has analysed that the astonishing growth in Americans’ stock portfolios in the 1990s has been a major force behind the growth of consumer spending. This article reviews the relationship between stock market movements and consumption. Using various econometric techniques and specifications, the authors find that the propensity to consume out of aggregate household wealth has exhibited instability over the postwar period. They also show that the dynamic response of consumption growth to an unexpected change in wealth is extremely short-lived, implying that forecasts of consumption growth one or more quarters ahead are not typically improved by accounting for changes in existing wealth.

Bhardwaj (2003) has stated the literature on globalization, He found the pervasiveness of the west’s perception of the world affect on Indian investors that affects the trends in investor’s choice. They are hugely affected by the west’s views and so changes in Indian trends occur.

Ranganathan (2003), has stated the investor behavior from the marketing world and financial economics has brought together to the surface an exciting area for study and research: behavioral finance. The realization that this is a serious subject is, however, barely dawning. Analysts seem to treat financial markets as an aggregate of statistical observations, technical and fundamental analysis. A rich view of research waits this sophisticated understanding of how financial markets are also affected by the ‘financial behavior’ of investors. With the reforms of industrial policy, public sector, financial sector and the many developments in the Indian money market and capital market, mutual funds that has become an important portal for the small investors, is also influenced by their financial behavior. Hence, this study has made an attempt to examine the related aspects of the fund selection behavior of individual investors towards Mutual funds, in the city of Mumbai. From the researchers and academicians point of view, such a study will help in developing and expanding knowledge in this field.
Shrotriya (2003) conducted a survey on investor preferences in which he depicted the linkage of investment with the factor so considered while making investment. He says “There are various factors and their linkage also. These factors help us how to ensure safety, liquidity, capital appreciation and tax benefits along with returns.”

Dijk (2007) has conducted 25 years of research on the size effect in international equity returns. Since Banz’s (1981) original study, numerous papers have appeared on the empirical regularity that small firms have higher risk-adjusted stock returns than large firms. A quarter of a century after its discovery, the outlook for the size effect seems bleak. Yet, empirical asset pricing models that incorporate a factor portfolio mimicking underlying economic risks proxied by firm size are increasingly used by both academics and practitioners. Applications range from event studies and mutual fund performance measurement to computing the cost of equity capital. The aim of this paper is to review the literature on the size effect and synthesize the extensive debate on the validity and persistence of the size effect as an empirical phenomenon as well as the theoretical explanations for the effect. We discuss the implications for academic research and corporate finance and suggest a number of avenues for further research.

Vasudev (2007) analysed the developments in the capital markets and corporate governance in India since the early 1990s when the government of India adopted the economic liberalization programme. The legislative changes significantly altered the theme of Indian Companies Act 1956, which is based on the Companies Act 1948 (UK). The amendments, such as the permission for nonvoting shares and buybacks, carried the statute away from the earlier “business model” and towards the 'financial model' of the Delaware variety. Simultaneously, the government established the Securities Exchange Board of India (SEBI), patterned on the Securities and Exchange Commission of US. Through a number of other policy measures, the government steered greater investments in the stock market and promoted the stock market as a central institution in the society. The article points out that the reform effort was inspired, at least in part, by the government’s reliance on foreign portfolio inflows into the Indian stock market to fund the country’s trade and current account deficits.
Johnson (2008) has stated that Product quality is probably under-valued by firms because there is little consensus about appropriate measures and methods to research quality. The authors suggest that published ratings of a product's quality are a valid source of quality information with important strategic and financial impact. The authors test this thesis by an event analysis of abnormal returns to stock prices of firms whose new products are evaluated in the Wall Street Journal. Quality has a strong immediate effect on abnormal returns, which is substantially higher than that for other marketing events assessed in prior studies. In dollar terms, these returns translate into an average gain of $500 million for firms that got good reviews and an average loss of $200 million for firms that got bad reviews. Moreover, there are some important asymmetries. Rewards to small firms with good reviews of quality are greater than those to large firms with good reviews. On the other hand, large firms are penalized more by poor reviews of quality than they are rewarded for good reviews. The authors discuss the research, managerial, investing, and policy implications.

Patnaik and shah (2008) has analysed on the preferences of foreign and domestic institutional investors in Indian stock markets. Foreign and domestic institutional investors both prefer larger, widely dispersed firms and do not chase returns. However, we and evidence of strong differences in the behavior of foreign and domestic institutional investors.

Bhatnagar (2009) has analysed of Corporate Governance and external finance in transition economies like India. The problem in the Indian corporate sector is that of disciplining the dominant shareholder and protecting the minority shareholders. Clearly, the problem of corporate governance abuses by the dominant shareholder can be solved only by forces outside the company itself particularly that of multilateral financial institutions in the economic development. India has relied heavily on external finance as their domestic saving rates have been much lower than their investment rates. The less promising prospects for the global supply of external finance the need for an increase in the multilateral financial institutions. India being a transition economy is changing from a centrally planned economy to a free market. It is undergoing economic liberalization, macroeconomic stabilization where immediate high inflation is brought under control, and restructuring and privatization in order to create a

33
financial sector and move from public to private ownership of resources. These changes often may lead to increased inequality of incomes and wealth, dramatic inflation and a fall of GDP.

**Mayank (2009)** has analysed the role of two important forces - the regulator and the capital market as determinant of external finance in transition economies analyses the changing pattern and future prospectus of external finance to India and reviews the role of external finance. Under this framework, the study evaluates current Indian corporate governance practices in light of external finance.

**Rajeshwari and Moorthy (---)** has conducted the study and analysed that Mutual Fund is a retail product designed to target small investors, salaried people and others who are intimidated by the mysteries of stock market but, nevertheless, like to reap the benefits of stock market investing. At the retail level, investors are unique and are a highly heterogeneous group. Hence, their fund/scheme selection also widely differs. Investors demand inter-temporal wealth shifting as he or she progresses through the life cycle. This necessitates the Asset Management Companies (AMCs) to understand the fund/scheme selection/switching behaviour of the investors to design suitable products to meet the changing financial needs of the investors. With this background a survey was conducted among 350 Mutual Fund Investors in 10 Urban and Semi Urban centers to study the factors influencing the fund/scheme selection behaviour of Retail Investors. This paper discusses the survey findings. It is hoped that it will have some useful managerial implication for the AMCs in their product designing and marketing.

From the above reviews it can be concluded that many researches had been conducted before relating to the investment patterns and the few researchers studied the literature only on the basis of returns. Analysts treated financial markets as an aggregate of statistical observations, technical and fundamental analysis but no researches had been conducted on Impact of global factors on Indian Economy. This gap had been identified so that in this respect present study had been conducte
Chapter 3

Company Profile
Background

Karvy Consultants Limited was established in 1982 at Hyderabad. It was established by a group of Hyderabad-based practicing Chartered Accountants. At initial stage it was very small in size. It was started with a capital of Rs. 1,50,000.

In starting it was only offering auditing and taxation services. Later, it acts into the Registrar and Share transfer activities and subsequently into financial services and other services like Financial Product Distribution, Investment Advisory Services, Demat Services, Corporate Finance, Insurance etc.

All along, Karvy’s strong work ethics and professional background leveraged with Information Technology enabled it to deliver quality to the individual. A decade of commitment, professional integrity and vision helped Karvy achieving a leadership position in its field when it handled largest number of corporate and retail that proved to be a sound business synergy.

Today, Karvy has access to millions of Indian shareholders, besides companies, banks, financial institutions and regulatory agencies. Over the past one and half decades, Karvy has evolved as a veritable link between industry, finance and people.


Today, company has 230 branch offices in 164 cities all over the India. The company adds 5 new offices every month to the company’s ever growing national network in every nook and corner of the country. The company service over 16 million individual investors, 180 corporate and handle corporate disbursements that exceed Rs.2500 Crores.
WHERE KARVY STAND IN THE MARKET?

KARVY is a legendary name in financial services, Karvy’s credit is defined by its mission to succeed, passion for professionalism, excellent work ethics and customer centric values.

Today KARVY is well known as a premier financial services enterprise, offering a broad spectrum of customized services to its clients, both corporate and retail. Services that KARVY constantly upgrade and improve are because of company’s skill in leveraging technology. Being one of the most techno-savvy organizations around helps company to deliver even more cost effective financial solutions in the shortest possible time.

What bears ample testimony to Karvy’s success is the faith reposed in company by valued investors and customers, all across the country. Indeed, with Karvy’s wide network touching every corner of the country, even the most remote investor can easily access Karvy’s services and benefit from company’s expert advice.

KARVY GROUP

Karvy Consultants Limited

Karvy Securities Limited

Karvy Investor Services Limited

Karvy Stock broking Limited

Karvy Computer Shares Pvt. Ltd.
### Board of Directors

**Karvy Consultants Limited**

<table>
<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Parthasarathy C</td>
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<td>Yugandhar M</td>
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<td>Ramakrishna M S</td>
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<tr>
<td>Prasad V Potluri</td>
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<tr>
<td>Robert Gibson</td>
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<tr>
<td>Sanjay Kumar Dhir</td>
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<tr>
<td>R Shyamsunder</td>
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[Table1: BODs of Karvy Consultants Limited]

**Karvy Investor Services Limited**

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<th>Name</th>
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<tr>
<td>Parthasarathy C</td>
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<td>Yugandhar M</td>
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<td>Ramakrishna M S</td>
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[Table2: BODs of Karvy Investor Services Limited]
### Karvy Securities Limited

<table>
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<th>Name</th>
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<tr>
<td>Parthasarathy C</td>
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<td>Ramakrishna M S</td>
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<td>Ajay Kumar K</td>
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<tr>
<td>William Samuel</td>
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<td>Nicholas Tully</td>
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</table>

[Table3: BODs of Karvy Securities Limited]

### Karvy Stock Broking Limited

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<tr>
<th>Name</th>
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<tr>
<td>Parthasarathy C</td>
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<td>Yugandhar M</td>
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<tr>
<td>Ramakrishna M S</td>
</tr>
<tr>
<td>Ajay Kumar K</td>
</tr>
<tr>
<td>Kutumba Rao V</td>
</tr>
<tr>
<td>William Samuel</td>
</tr>
<tr>
<td>Nicholas Tully</td>
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</tbody>
</table>

[Table4: BODs of Karvy Stock Broking Limited]


**Mission Statement of ‘Karvy’**

An organization exists to accomplish something or achieve something. The mission statement indicates what an organization wants to achieve. The mission statement may be changed periodically to take advantage of new opportunities or respond to new market conditions.

Karvy’s mission statement is “To Bring Industry, Finance and People together.”

Karvy is work as intermediary between industry and people. Karvy work as investment advisor and helps people to invest their money same way Karvy helps industry in achieving finance from people by issuing shares, debentures, bonds, mutual funds, fixed deposits etc.

Company’s mission statement is clear and thoughtful which guide geographically dispersed employees to work independently yet collectively towards achieving the organization’s goals.

**Vision of Karvy**

Company’s vision is crystal clear and mind frame very directed. “To be pioneering financial services company. And continue to grow at a healthy pace, year after year, decade after decade.” Company’s foray into IT-enabled services and internet business has provided an opportunity to explore new frontiers and business solutions. To build a corporate that sets benchmarks for others to follow.
Behind the Picture: What Customers matter for KARVY?

The underlying picture forming answer for above question is given below.

![Fig.1 Competitive Advantage of Karvy]

Every year with this picture keeping in mind ‘Karvy accelerate with Recovery, Revival and Reappearance.’

Karvy has started 2004 on a strong note with the realization to signal some of the challenges it faced previous year. In a competitive market and a branded business, Karvy need to carefully manage itself to avoid down trading or brand shifts by consumers.

For Karvy, Jamnagar branch 2003 was truly exhilarating because of:
- Successful implementation of a carefully crafted strategy.
- Excellence in execution.
- Immense learning enabling to set up a launch pad for revitalizing itself.

Some competitive advantages are long lasting. These are intangible, difficult to replicate and thus more sustainable. Karvy has focused on some of these to gain competitive advantages. There are:
- Winning culture and a desire to excel in everything Karvy do.
- Strong meaningful relationships with Customers along with Strategic Partners in which Karvy operate and above all, its own staff.
Karvy value and carefully nurture relationships with customers. Karvy truly believe that more than technological prowess and business process innovations, it is the ‘focus on relationships’ which has been the corner stone of satisfying and successful presence in India over many years.

This has been possible with deep insight of consumer behavior as well as market demand drivers, understanding of the arena where to operate and quality execution – all thanks to a ‘greater team’ that makes this happen.

Karvy’s customers consider themselves part of Karvy family and share their experiences and dreams with other customers and thus Karvy becomes successful not only in relating customers but also gains new customers from satisfied prevailing customers.

Karvy want to create a strong emotional bond with new customers promoted by prevailing customers.

**Karvy Values:**

Integrity
Responsibility
Reliability
Unity
Understanding
Excellence
Confidentiality

Karvy has adequate internal control systems and procedures commensurate with the size nature of its business. These system and procedures provide reasonable assurance of maintenance of proper accounting records, reliability of financial information, protection of resources and safeguarding of assets against unauthorized use.
KARVY SERVICES – AN OVERVIEW

1. Stock broking
2. Demat services
3. Investment product distribution
4. Investment advisory services
5. Corporate finance & Merchant banking
6. Insurance
7. Mutual fund services
8. IT enabled services
9. Registrars & Transfer agents
10. Loans

1. **Stock Broking:**

KARVY is working as Capital Market Intermediaries. Stockbrokers are regulated by SEBI [Stock-brokers and Sub-brokers] Regulations, 1992. The stockbroker is a member of the stock exchange. Stockbrokers are the intermediaries who are allowed to trade in securities on the exchange of which they are members. They buy and sell on their own behalf as well as on behalf of their clients.

Stockbrokers expand their business by engaging sub-broker. Sub-brokers mean “any person not being a member of a stock exchange who acts on behalf of a stock broker as an agent or otherwise for assisting the investors in buying, selling or dealing in securities through such stock-brokers.”
2. Demat Services:

Karvy is a depository participant with the National Securities Depository Limited (NSDL) for trading and settlement of dematerialized shares.

Depository Participants (DPs) are described as an agent of the depository. They are intermediaries between the depository and the investors. The relationship between the DPs and the depository is governed by an agreement made between the two under Depositories Act.

A DP can offer depository-related services only after obtaining a certificate of registration from SEBI.

Since Karvy is also in the broking business, investors who use Karvy’s depository services get a dual benefit. They can use Karvy’s brokerage services to execute transactions and Karvy’s depository services to settle them.

3. Investment Products Distribution:

Company is also concerned with the distribution of investment products like

(a). Fixed Deposit

(b). Bonds

(c). IPO

(a). Fixed Deposit:

KARVY is dealer of 34 fixed deposits of various types which includes fixed deposits of Public Sector, Non Banking Finance Companies, Housing Finance Companies and Manufacturing Companies.

Company is dealer of following Fixed Deposits
### PUBLIC SECTOR

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HUDCO</td>
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<tr>
<td>2</td>
<td>Sardar Sarovar Narmada Nigam Ltd.</td>
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<tr>
<td>3</td>
<td>Tamilnadu Power Finance Corporation Ltd.</td>
</tr>
<tr>
<td>4</td>
<td>NTPC</td>
</tr>
</tbody>
</table>

[Table5: Public Sector FD with which Karvy deals]

### NON BANKING FINANCE COMPANIES

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Company Name</th>
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<tbody>
<tr>
<td>1</td>
<td>Ashok Leyland Finance Ltd.</td>
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<tr>
<td>2</td>
<td>Bajaj Auto Finance Ltd.</td>
</tr>
<tr>
<td>3</td>
<td>Birla Home Finance Ltd.</td>
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<tr>
<td>4</td>
<td>Cholamandalam Investment &amp; Finance Co. Ltd.</td>
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<tr>
<td>5</td>
<td>Escorts Finance Ltd.</td>
</tr>
<tr>
<td>6</td>
<td>First Leasing Company of India Ltd.</td>
</tr>
<tr>
<td>7</td>
<td>IDBI Suvidha</td>
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<tr>
<td>8</td>
<td>Nicco Uco Alliance Credit Ltd.</td>
</tr>
</tbody>
</table>

[Table6: FD of Non Banking Finance Companies with which Karvy deals]
### HOUSING FINANCE COMPANIES

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Company Name</th>
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<tbody>
<tr>
<td>1</td>
<td>Can Fin Homes Ltd.</td>
</tr>
<tr>
<td>2</td>
<td>Dewan Housing Finance Corporation Ltd.</td>
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<tr>
<td>3</td>
<td>Gruh Finance Ltd.</td>
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<tr>
<td>4</td>
<td>HDFC Ltd.</td>
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<td>5</td>
<td>PNB Housing Finance Ltd.</td>
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<tr>
<td>6</td>
<td>Sundaram Home Finance Ltd.</td>
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</table>

[Table7: FD of Housing Finance Companies with which Karvy deals]

### MANUFACTURING COMPANIES

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Company Name</th>
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<tbody>
<tr>
<td>1</td>
<td>A P Paper Mills Ltd.</td>
</tr>
<tr>
<td>2</td>
<td>Amtek India Ltd.</td>
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<tr>
<td>3</td>
<td>Atul Ltd.</td>
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<tr>
<td>4</td>
<td>Ballarpur Industries Ltd.</td>
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<tr>
<td>5</td>
<td>Chambal Fertilizers &amp; Chemicals Ltd.</td>
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<tr>
<td>6</td>
<td>Escort Ltd.</td>
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<tr>
<td>7</td>
<td>Greaves Ltd.</td>
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<tr>
<td>8</td>
<td>Gujarat Alkalies &amp; Chemicals Ltd.</td>
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<tr>
<td>9</td>
<td>Indian Express</td>
</tr>
<tr>
<td>10</td>
<td>Ind-Swift Ltd.</td>
</tr>
</tbody>
</table>
(b). Bonds:

Karvy is dealer of following bonds

- RBI Saving Bonds
- NHB
- REC

(c). IPO:

Company is also provides services related to Initial Public Offer of company. Company provides stationary at the time of IPO as well as provides information to investors regarding IPO and solves their queries.

4. Investment Advisory Services:

This division provides portfolio management services to high net-worth individuals and corporate. The expertise of Karvy in research and stock broking gives it the right perspective to provide investment advisory services. Company provides advisory services to its clients.

Financial goal of each individual investor varies according to his dream, ambition and family size and future financial planning for the children & old age pension for self and
wife so does the pathway to achieve it. Karvy apply the principles of Financial Planning as both science & art, it understands the time horizon, risk bearing capacity and investment goals of investors keeping in mind their psyche and financial needs. Based upon this Karvy helps individual investors to plan their entire life up to retirement, Taxes, Insurance needs and other important personal financial goals. It designs portfolio for investor to invest their saving in various financial products like shares, bonds, debentures, mutual funds, fixed deposits, insurance etc., Company design portfolio by considering following factors.

- Investor’s requirement of getting money back,
- Investor’s willingness to take risk,
- Investor’s tax planning etc.

5. **Corporate finance & Merchant banking:**

Corporate finance is the financial activity of corporation. It deals with the firm’s operations with regard to investing and financing. It concerned with how firms raise capital and the consequences of alternative methods of raising capital. Firm’s capital can be raised by raising loans, issuing shares, and acquiring or merging with other businesses by public or private companies.

Merchant banking is a financial intermediation that matches entities that need capital and those that have capital. Hence they facilitate the flow of capital in the market.

Karvy enjoys SEBI category (I) authorization for Merchant Banking. Karvy offers the full spectrum of Merchant Banking Services, beginning from identifying the best time for an issue to final stage of marketing it, to harvest unparalleled success.

As a merchant banker Karvy offer following services:
6. **Insurance:**

Karvy is also dealer of many private life insurance companies. At Jamnagar branch, company is associated with dealing of following companies.

- ICICI Prudential Life Insurance
- HDFC Life Insurance
- TATA AIG Life Insurance

7. **Mutual Fund Services:**

Since its inception in 1982, Karvy has demonstrated a dedication coupled with dynamism that has inspired trust from various segments – corporate, government bodies and individuals. Karvy has since been performing a pivotal role as the intermediary – the interface – between these players.
With Mutual Funds emerging as a distinct asset class, Karvy has made a strategic choice to leverage the power of latest technology to provide a cutting edge to its services. Karvy, today, service nearly 80% of the asset management companies (AMCs) across an extensive network of service centers with assets under service in excess of Rs.10,000 crores.

Karvy's ability to mass customize and offer a diverse range of products for a diverse range of customers has helped mutual fund companies to uniquely position themselves in the market place. These diverse range of services cut across multiple delivery channels – service centers, web, mobile phones, call center – has brought home the benefits of technology to investors, distributors, and the mutual funds.

Going forward, Karvy shall strive to create new products and services, which would address the needs of the end customer. Company’s single minded focus in delivering products for customers has given it the distinguished position of being the preferred provider of financial services in the country.

**List of Mutual Fund Clients of KARVY:**

<table>
<thead>
<tr>
<th></th>
<th>Alliance Mutual Fund</th>
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<tbody>
<tr>
<td>2</td>
<td>Birla Mutual Fund</td>
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<td>3</td>
<td>Bank of Baroda Mutual Fund</td>
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<td>4</td>
<td>Can Bank Mutual Fund</td>
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<td>5</td>
<td>Chola Mutual Fund</td>
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<td>6</td>
<td>Deutsche Mutual Fund</td>
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<td>7</td>
<td>DSP Merrill Lynch Mutual Fund</td>
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<td>8</td>
<td>Franklin Templeton Investments</td>
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<td>9</td>
<td>GIC Mutual Fund</td>
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<td>10</td>
<td>HDFC Mutual Fund</td>
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<td>11</td>
<td>HSBC Mutual Fund</td>
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<td>12</td>
<td>IL &amp; FS Mutual Fund</td>
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<td>13</td>
<td>JM Mutual Fund</td>
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<td>14</td>
<td>Kotak Mutual Fund</td>
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<td>15</td>
<td>LIC Mutual Fund</td>
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<td>16</td>
<td>Punjab National Bank Mutual Fund</td>
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<td>17</td>
<td>Prudential ICICI Mutual Fund</td>
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<td>18</td>
<td>Principal Mutual Fund</td>
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<td>19</td>
<td>Reliance Mutual Fund</td>
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<td>State Bank of India Mutual Fund</td>
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<td>Standard Chartered Mutual Fund</td>
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<td>22</td>
<td>Sundaram Mutual Fund</td>
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<tr>
<td>23</td>
<td><strong>SUN F&amp;C Mutual Fund</strong></td>
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<tr>
<td>24</td>
<td>Tata Mutual Fund</td>
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</tbody>
</table>

[Table9: List of MF Companies with which Karvy deals]

### 8. Income Tax enabled services:

Karvy has been started this service since March, 2004. Karvy is work as TIN Facilitation Centre it provides following IT enabled services.
a. Distribution of PAN Card.
b. Distribution of TAN Card.
c. Services related to e-TDS.

Karvy work as an intermediary between NSDL and IT payers. Karvy provides various form for different IT enabled services and guide people to fill that forms. It also solves queries of the tax payers. It also distributes PAN and TAN card to the tax payers.

**TIN Overview**

National Securities Depository Ltd. (NSDL) has established a nationwide Tax Information Network (TIN) on behalf of the Income Tax Department (ITD). This is designed to make the tax administration more effective, furnishing of returns convenient, reduce compliance cost and bring greater transparency.

While NSDL will be the primary agency responsible for the design, implementation and maintenance of TIN as per the requirements of ITD, other agencies will also play key roles in the TIN system.

Karvy has established infrastructure required to provide IT enabled services so, Karvy provides TIN facilitation centers all over India on behalf of NSDL. Besides Karvy following companies can also work as intermediary between NSDL and customers.

9. **Registrars & Transfer agents:**

In 1985, Karvy entered the Registrar and Share Transfer Business to create a market niche in the competitive field of financial services. In 1994-95, it reached a milestone when it processed 104 Public Issues constituting 46 per cent market share. Now in its second decade of existence, Karvy is the leader in the industry: In an opinion
poll conducted by an independent market research agency - MARG, Karvy has been rated as India’s Most Admired Registrar on various parameters: -

- Overall Excellence.
- Handling of Volumes
- Timely Dispatch
- Quality Management and Technological Up gradation.

A SEBI Category 1 Registrar, So far, Karvy has handled over 675 ISSUES as Registrars to public issues processed over 52 million applications and is servicing over 16 million investors from various locations spread over 205 clients.

**10. Loan:**

Karvy has recently started this service at selected branches of metro cities. This service has not been started in Saurashtra-Kucch region. Karvy provides loans for following.

- Vehicle Loan
- Home Loan
- Personal Loan
MARKETING STRATEGY OF KARVY

Market Positioning:

Market positioning statements of Karvy are “At Karvy we give you single window service” and “We also ensure your comfort”.

So, Karvy focus on the consumers who prefer almost all investment activities at same place by providing number of various financial services. At Karvy a person can purchase or sell shares, debentures etc. and at the same place also demat it. Karvy also provides other investment option to the same person at same place like Mutual Fund, Insurance, Fixed Deposit, and Bonds etc. and help the person in designing his portfolio. By this way Karvy provides comfort to its customers.

Karvy is also positioned according to Ries and Trout. Karvy is promoted as a no. 1 investment product distributor and R & T agent of India.

Target Market:

Karvy uses demographic segmentation strategy and segment people based on their occupation. Karvy uses selective specialization strategy for market targeting. Target person for the Karvy Stock Broking and Karvy Investment Service are persons who can work as sub-broker for the companies. Companies focus on Advisors of Insurance and post office, Tax consultants and CAs for making sub-broker.
**Marketing channel System:**
Karvy uses *one level* marketing channel for investment product distribution. Sub-brokers work as intermediary between consumer and company. Company has both forward and backward flow of activity through channel. Company distributes stationery, brokerage, and information forward to its sub-broker. The sub-brokers send filled forms, queries, amount of investment etc. back to the company.

**PROJECT Channel Members:**
Karvy provides PROJECT to the sub-brokers because they will be viewed as the company by the investors. The executives of Karvy explain various new schemes of investment to the sub-brokers with its objective, risk factors and expected return. Company also periodically arrange seminar to guide sub-brokers.

**Advertising and Promotion:**
The objective of advertising of Karvy is to create awareness about services of Karvy among investors and sub-brokers and increase sub-brokers of Karvy. Company doesn’t give advertisement in media like TV, Newspapers, and Magazines etc. Karvy’s advertisement is made indirectly by the companies associate with it. Karvy is R & T agent of around 700 companies. They publish name, address and logo of Karvy on their annual report.
Karvy also publish its weekly Stock Market Newsletter ‘Karvy Bazaar Baatein’ and monthly magazine ‘The Finapolis’ to guide investors and sub-brokers about market.

**HR POLICY OF KARVY**
Karvy’s HR Department is located at Hyderabad.
**Recruitment and Selection Policy:**
The upper level members like zonal managers, regional managers, branch managers and senior executives are recruited by publishing recruitment advertisement in leading national level newspaper. The qualified applicant are then called for interview and selected.
The regional manager has authority to select lower level employee like peon, marketing executives, accountant etc. by approval of zonal manager.

**PROJECT and Development:**
Continuous PROJECT and upgrading technical, behavioral and managerial skills is a way of life in Karvy. Karvy encourages employees to hone their skills regularly to enable them to face the challenges of the changing requirements of customers that fit market up and down.
PROJECT needs analysis is done on a regular basis and systematic methodologies are ensured that skills and capabilities of all employees are constantly upgraded to enable them to perform in the challenging work environment.
New employee has given PROJECT under experienced employee. The new employee work under experience employee and observe his all activities. When company employs new technology or there is any change in the working of company the PROJECT program is arranged.

**Employee Motivation:**
Karvy’s employees are highly empowered. They don’t have to report any person of the same branch but they report upper level branch. E.e. Marketing executive of Jamnagar branch directly reports Senior Marketing executive of Baroda zonal office.
If particular branch earn certain profit then Karvy gives them special incentives. E.g. last year Karvy had arranged two days tour of Div for their employees of Rajkot, Jamnagar, Junagadh and Bhavnagar branch which was totally free of cost. This also helps in maintaining co-operation between employees.
**Quality Policy Of Karvy:**

To achieve and retain leadership, Karvy shall aim for complete customer satisfaction, by combining its human and technological resources, to provide superior quality financial services. In the process, Karvy will strive to exceed Customer’s expectations.

**Quality Objectives of Karvy**

- Build in-house processes that will ensure transparent and harmonious relationships with its clients and investors to provide high quality of services.
- Establish a partner relationship with its investor service agents and vendors that will help in keeping up its commitments to the customers.
- Provide high quality of work life for all its employees and equip them with adequate knowledge & skills so as to respond to customer's needs.
- Continue to uphold the values of honesty & integrity and strive to establish unparalleled standards in business ethics.
- Use state-of-the art information technology in developing new and innovative financial products and services to meet the changing needs of investors and clients.
- Strive to be a reliable source of value-added financial products and services and constantly guide the individuals and institutions in making a judicious choice of same.
- Strive to keep all stake-holders (shareholders, clients, investors, employees, suppliers and regulatory authorities) proud and satisfied.
Achievements of Karvy:

- Largest mobilizer of funds as per PRIME DATABASE
- First ISO - 9002 Certified Registrar in India
- A Category- I Merchant banker
- A Category- I Registrar to Public Issues
- Ranked as "The Most Admired Registrar” by MARG
- Handled the largest- ever Public Issue - IDBI
- Strategic tie-up with Jardine Fleming India Securities Ltd
- Handled over 500 Public issues as Registrars
- Handling the Reliance Account which accounts for nearly 10 million account holders
- First Depository Participant from Andhra Pradesh

SWOT ANALYSIS OF KARVY

Strengths:

- Employees are highly empowered.
- Strong Communication Network.
- Good co-operation between employees.
- Number 1 Registrar and Transfer agent in India.
- Number 1 dealer of Investment Products in India.

Weaknesses:

- High Employee Turnover.

Opportunity:

- Growth rate of mutual fund industry is 40 to 50% during last year and it expected that this rate will be maintained in future also.
- Marketing at rural and semi-urban areas.
**Threats:**

- Increasing number of local players.
- Past image of Mutual Fund.
Chapter 4

Need, Scope & Objectives of the Study
NEED, SCOPE AND OBJECTIVES OF THE STUDY

4.1 NEED OF THE STUDY
The need of the study was to fill the gap that was identified in the previous researches. The researchers conducted earlier lay emphasis on the working of Indian Stock Market. Considering the ample importance of this aspect, the present study was conducted to know the Indian Stock Market & various options available in the Stock Market to invest & study the behavior of investors and determine their awareness level regarding various investment avenues available in stock market.

4.2 SCOPE OF THE STUDY
The scope of the study was limited to Chandigarh city.

4.3 OBJECTIVES OF THE STUDY
The study has been undertaken in order to achieve the following objectives:
- To take an overview of the Indian Stock Market and encapsulate the various investment avenues available.
- To know various options available in the Capital Market to invest.
- To know investor’s perception regarding investment in stock market
- To study the investment behavior of investors and the factors that affects their investment decision.
- To study the problems of investors and the reasons for not investing in financial instruments.
- To know the satisfaction level of investors regarding return of different investment avenues.
Chapter 5

Research Methodology
RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problem. The Research Methodology includes the various methods and techniques for conducting a research. Research is an art of scientific investigation. In other word research is a scientific and systematic search for pertinent information on a specific topic. The logic behind taking research methodology into consideration is that one can have knowledge about the method and procedure adopted for achievement of objective of the project.

4.1 RESEARCH DESIGN:

Research design is the conceptual structure within which research is conducted. It constitutes the blueprint for collection, measurement and analysis of data was a descriptive research. Descriptive research involves collecting numerical through self-reports collected, through questionnaires or interviews (person or phone), or through observation. For present study, the research was descriptive and conclusion oriented.

4.2 SAMPLING DESIGN:

4.2.1 Universe: The Universe is most commonly defined as everything that physically exists: the entirety of space and time, all forms of matter, energy and momentum, and the physical laws and constants that govern them. All those persons who make investment.

Theoretical Universe: It included investors make investment in all over world.

Accessible Universe: It included investors make investment in Indian Stock Market.

4.2.2 Sampling unit – The target population must be defined that has to be sampled. The sampling unit of research included students and professionals residing in Chandigarh city.
4.2.3 **Sample size** – This refers to number of respondents to be selected from the universe to constitute a sample. The sample size of 50 Investors was taken.

4.2.4 **Sampling Technique** – Convenience Sampling was used to select the sample. Convenient sampling is a non probability sampling technique that attempts to obtain a sample of convenient elements. In case of convenience sampling, the selection of sample depends upon the discretion of the interviewer. In this project, Questionnaire Method was used for the collecting the data. With the help of this method of collecting data, a sample survey was conducted.

4.3 **DATA COLLECTION AND ANALYSIS:**

4.3.1 **Data Collection**

Information has been collected from both Primary and Secondary Data.

- **Secondary sources** - Secondary data are those which have already been collected by someone else and which already had been passed through the statistical process. The secondary data was collected through web sites, books and magazines.

- **Primary sources** - Primary data are those which are fresh and are collected for the first time, and thus happen to be original in character. The primary data was collected through direct personal interviews (open ended and close ended questionnaires)

4.3.2 **Tools of Presentation & Analysis:**

To analyze the data obtained with the help of questionnaire, following tools were used.

1. **Likert scale**: These consist of a number of statements which express either a favourable or unfavourable attitude towards the given object to which the respondents are asked to react. The respondent responds to in terms of several degrees of satisfaction or dissatisfaction.

2. **Percentage, Bar Graphs and Pie Charts**: These tools were used for analysis of data
4.4 LIMITATIONS OF STUDY

It is said, “What is worth doing is worth doing best”. In other words a person should aim at perfection. However in real life this is not always possible. Human have to work within the limitation set by the nature and society. That is to say even though every possible effort has been made to make this project report authentic and comprehensive however many constraints were also at play. The major limitations of the study are:

- Due to paucity of time and resources a countrywide survey was not possible. Hence only Chandigarh city has been taken for the study.
- Since a smaller sample was chosen so it may not be a true representative of the population under study.
- The possibility of the respondent’s responses being biased cannot be ruled out.
- Most of the study was restricted to Internet and published data because of the non availability of primary data.
- The information given by the respondents might be biased because some of them might not be interested to given correct information..
- Some of the respondents could not answer the questions due to lack of knowledge.
- Some of the respondents of the survey were unwilling to share information.
Chapter 6

Data Interpretation & Analysis
DATA ANALYSIS AND INTERPRETATION

6.0 Demographic Profile of investors

Table 6.0: Demographic Profile of investors

<table>
<thead>
<tr>
<th>Demographics</th>
<th>No. of respondents</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 20 years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20-40</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Greater than 40</td>
<td>30</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total 50</strong></td>
<td><strong>Total 50</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Qualification</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matric</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Under Graduate</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total 50</strong></td>
<td><strong>Total 100</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>19</td>
<td>38</td>
</tr>
<tr>
<td>Profession</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Business</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>Student</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total 50</strong></td>
<td><strong>Total 100</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Income (per month)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than Rs.20000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rs.20000-40000</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Greater than 40000</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total 100</strong></td>
<td><strong>Total 100</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Analysis & Interpretation:** It was found that the major population of investors was greater than 40yrs and 60% was of 20-40 yrs. And 50% respondents were under graduate and 50% were post graduate. 35% of respondents were doing service. And majority of respondents i.e. 50% earn income between Rs.20000-40000 per month. It means majority of investors was greater than 40 years having income in between Rs 20000-40000.
Statement 1. To know whether respondents invest.

Table No. 6.1 To know whether respondents invest.

<table>
<thead>
<tr>
<th>Investment Decision</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
<td>90</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

Figure No. 6.1 To know whether respondents invest.

Analysis & Interpretation:
From the survey it was found that 90% respondents invest in the stock market and 10% who were non-investors.
Statement 2. Awareness regarding types of Investment Instruments

Table No. 6.2 Type of investment option the person is aware of

<table>
<thead>
<tr>
<th>Types of Instruments</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>15</td>
<td>30%</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>23</td>
<td>46%</td>
</tr>
<tr>
<td>Debentures</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>Bonds</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>Derivatives</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure No.6.2 Type of investment option the person is aware of

Analysis & Interpretation Above pie-chart shows that 45% investors were aware of the mutual fund, 25% investors were aware of shares, 15% investors were aware of debentures, 10% investors were bonds. It means majority of persons aware about mutual fund whereas shares and debentures were of second importance.
Statement 3. To know the type of investment option the person has been investing

Table No. 6.3 Type of investment option the person has been investing

<table>
<thead>
<tr>
<th>Investment alternative</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>15</td>
<td>30%</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>15</td>
<td>30%</td>
</tr>
<tr>
<td>Debentures</td>
<td>10</td>
<td>20%</td>
</tr>
<tr>
<td>Bonds</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>Derivatives</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure No. 6.3 Type of investment option the person has been investing

Analysis & Interpretation:

From the survey it was found that 30% respondents invest in Mutual funds, 25% invest in Shares and 20% invest in Debentures. Thus, it can be stated that maximum people invest in Mutual Funds whereas shares are having 2nd importance.
Statement 4. To know the rates at which the investment grow

Table No.6.4 The rates at which the investment grow

<table>
<thead>
<tr>
<th>Investment Growth Rate</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steadily</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>At an average rate</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>At fast rate</td>
<td>45</td>
<td>90%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Analysis & Interpretation:
From the survey it was found that 90% respondents want their investment grow at fast rate whereas only 10% respondents were in the favour of investment growth at average rate.
Statement 5. To know the frequency of investment by the Respondents.

Table No. 6.5 Frequency of investment

<table>
<thead>
<tr>
<th>Frequency of Investment</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Weekly</td>
<td>10</td>
<td>20%</td>
</tr>
<tr>
<td>Monthly</td>
<td>24</td>
<td>48%</td>
</tr>
<tr>
<td>Yearly</td>
<td>16</td>
<td>32%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure No.6.5 Frequency of Investment

Analysis & Interpretation:
From the above table & chart it was found that 45 respondents invest monthly, 35 invest yearly and there were 20 respondents who invest daily. Thus, it can be stated that majority of the investors invest monthly in stock market.
Statement 6. To know the percentage of income that respondent invest annually

Table No. 6.6 The percentage of income that respondent invest annually

<table>
<thead>
<tr>
<th>Annual Income Invested</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 10%</td>
<td>7</td>
<td>14%</td>
</tr>
<tr>
<td>10-15%</td>
<td>11</td>
<td>22%</td>
</tr>
<tr>
<td>15-20%</td>
<td>20</td>
<td>40%</td>
</tr>
<tr>
<td>More than 20%</td>
<td>12</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure No. 6.6 The percentage of income that respondent invest annually

Analysis & Interpretation:
From the above table & chart, it was found that 40 respondents invest 15-20% of their annual income, 24 respondents invest more than 20% of their annual income, 22 respondents invest up to 10-15% of their income and 14 respondents invest up to 10% of their income in different investment avenues. Thus, it can be concluded that majority of investors invest 10% to 20% of their monthly income.
Statement 7. To know the respondent’s influence on Investment decision.

Table No.6.7 The respondent’s influence on Investment decision

<table>
<thead>
<tr>
<th>Sources</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self</td>
<td>24</td>
<td>48%</td>
</tr>
<tr>
<td>Friends &amp; Relatives</td>
<td>10</td>
<td>20%</td>
</tr>
<tr>
<td>Service providers &amp; consultants</td>
<td>6</td>
<td>12%</td>
</tr>
<tr>
<td>Newspapers &amp; Advertisement</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>Agents</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Workshops &amp; Seminars</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Analysis & Interpretation:

From the above table & chart, it was found that multiple aspects for investing influenced respondents. 48% respondents take investment decision on the basis of their personal evaluation where as 20% respondents invest because of influence of friends & relatives, the consultants influences 12% respondent and the advertisement influences 10% respondents. It can be stated that majority of the persons are influenced by their own while opting for investment tool.
Statement 8. To Know The Factors That Were Considered While Investing.

Table No. 6.8 The Factors That Were Considered While Investing

<table>
<thead>
<tr>
<th>Investment Factors</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on investment</td>
<td>15</td>
<td>30%</td>
</tr>
<tr>
<td>Tax benefits</td>
<td>9</td>
<td>18%</td>
</tr>
<tr>
<td>Capital appreciation</td>
<td>7</td>
<td>15%</td>
</tr>
<tr>
<td>Maturity period</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Risk</td>
<td>6</td>
<td>12%</td>
</tr>
<tr>
<td>Safety of principal</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>7</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure No. 6.8 The Factors That Were Considered While Investing

Analysis & Interpretation:

From the survey it was found that the maximum respondents considered return on investment was most important factor, 18% respondents considered tax benefits as an important factor and 14% respondents considered capital appreciation as an important factor. It can be stated that majority of investors were consider return as an important factor while investing.
Statement 9. To Know Investor’s Action In Case Of Stock Market drop.

Table No. 6.9 The Investor’s Action In Case Of Stock Market drop

<table>
<thead>
<tr>
<th>Investor’s preference in case of losses</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer funds into secure investment</td>
<td>15</td>
<td>25%</td>
</tr>
<tr>
<td>Wait to see if investment improves</td>
<td>20</td>
<td>40%</td>
</tr>
<tr>
<td>Invest more funds</td>
<td>13</td>
<td>30%</td>
</tr>
<tr>
<td>Withdraw funds &amp; stop investing</td>
<td>2</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure No. 6.9 The Investor’s Action In Case Of Stock Market Drop

Analysis & Interpretation:
From the survey it was found that maximum respondents would wait to see if their investment improves and start generating funds, 30% respondents would invest more funds, 25% respondents would transfer funds into secure investment and 5% respondents would stop investing. It can be stated that majority of investors would like to wait to see whether investment improves or they can invest more funds.
Statement 10. To Know The Decision Regarding Other Investment Policy

Table no. 6.11 The Other Investment Policy

<table>
<thead>
<tr>
<th>Investment Decision</th>
<th>No. of Respondents</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>49</td>
<td>98%</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure 6.10 The Other Investment Policy

Analysis & Interpretation:
From the survey it was found that 98% respondents have the other investment policy where as 2% respondents do not have the other investment policy.
Statement 11. To Know the Satisfaction Level Of Respondents With Their Investment Option

Table no. 6.11 Important Factors for Choosing The Investment Option

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Highly Dissatisfied</th>
<th>Dissatisfied</th>
<th>Neutral</th>
<th>Satisfied</th>
<th>Highly Satisfied</th>
<th>Summated Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td></td>
</tr>
<tr>
<td>Shares</td>
<td>10</td>
<td>6</td>
<td>14</td>
<td>30</td>
<td>40</td>
<td>384</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>12</td>
<td>15</td>
<td>20</td>
<td>35</td>
<td>18</td>
<td>332</td>
</tr>
<tr>
<td>Bonds</td>
<td>20</td>
<td>18</td>
<td>35</td>
<td>19</td>
<td>8</td>
<td>277</td>
</tr>
<tr>
<td>Debentures</td>
<td>15</td>
<td>10</td>
<td>15</td>
<td>40</td>
<td>20</td>
<td>340</td>
</tr>
<tr>
<td>Derivatives</td>
<td>30</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>10</td>
<td>280</td>
</tr>
</tbody>
</table>

Range
Max. Score=100*5=500 (Highly Satisfied)
Avg. Score=100*3=300 (Neutral)
Min. Score=100*1=100 (Highly Dissatisfied)

Analysis & Interpretation:

Most of the respondents have given the highest summated score to shares. And the second most important investment option is debentures which influenced the decision regarding investment. Other important factor is mutual fund coverage which has the 332 summated score. Return on derivatives get the 280 summated score.
Statement 12. Important Factors That Was Considered While Investing

Table No. 6.12 Important Factors That Was Considered While Investing

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Highly Dissatisfied</th>
<th>Dissatisfied</th>
<th>Neutral</th>
<th>Satisfied</th>
<th>Highly Satisfied</th>
<th>Summated Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td></td>
</tr>
<tr>
<td>Return on investment</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>30</td>
<td>66</td>
<td>462</td>
</tr>
<tr>
<td>Tax benefits</td>
<td>0</td>
<td>0</td>
<td>18</td>
<td>48</td>
<td>34</td>
<td>416</td>
</tr>
<tr>
<td>Capital appreciation</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>40</td>
<td>40</td>
<td>420</td>
</tr>
<tr>
<td>Maturity period</td>
<td>5</td>
<td>5</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>355</td>
</tr>
<tr>
<td>Risk</td>
<td>5</td>
<td>10</td>
<td>20</td>
<td>35</td>
<td>30</td>
<td>375</td>
</tr>
<tr>
<td>Safety of principal</td>
<td>10</td>
<td>20</td>
<td>40</td>
<td>20</td>
<td>10</td>
<td>300</td>
</tr>
<tr>
<td>Liquidity</td>
<td>15</td>
<td>15</td>
<td>20</td>
<td>30</td>
<td>20</td>
<td>325</td>
</tr>
</tbody>
</table>

**Range:**

Max. Score=100*5=500 (Highly Satisfied)
Avg. Score=100*3=300 (Neutral)
Min. Score=100*1=100 (Highly Dissatisfied)

**Analysis & Interpretation:**

Most of the respondents have given the highest summated score to Return on investment. And the second most important factor is Capital appreciation which influenced the decision regarding investment. Other important factor is Tax benefit which has the 416 summated score.
Chapter 7

Findings of the Study
FINDINGS OF THE STUDY

Following findings were generated from the study:-

1. Maximum investors are aware of all the investment options.
2. Investors do not invest in a single avenue. They prefer different avenues and maximum investors prefer to invest in shares, mutual funds & debentures.
3. Maximum investors wants their investment grow at fast rate.
4. The investment decision of investors is influenced by their own decision and through friends & relatives.
5. Different factors considered by investors while investing are return, risk, tax benefits, capital appreciation and the most prominent factor is the return on any investment avenue.
6. Majority of investors invest 15-20% of their annual income.
7. Maximum investors invest on monthly basis.
8. The investors investing in different avenues are highly satisfied with the return generated by their investment option.
9. Maximum investors have other investment policies.
10. The most important factor is Return which influenced the decision regarding investment.
Chapter 8

Conclusion and Recommendations
8.1 CONCLUSION

Indian Stock Markets is one of the oldest in Asia. Its history dates back to nearly 200 years ago. The earliest records of security dealings in India are meager and obscure. The East India Company was the dominant institution in those days and business in its loan securities used to be transacted towards the close of the eighteenth century. The nature of investment differs from individual to individual and is unique to each one because it depends on various parameters like future financial goals, the present & the future income model, capacity to bear the risk, the present requirements and lot more. As an investor progresses on his/her life stage and as his/her financial goals change, so does the unique investor profile. Maximum investors are aware of all the investment options. Investors do not invest in a single avenue. They prefer different avenues and maximum investors prefer to invest in shares, mutual funds & debentures. The investment decision of investors is influenced by their own decision and through friends & relatives. Majority of investors invest 15-20% of their annual income. The most important factor is Return which influenced the decision regarding investment.

In today’s scenario when all services are going to be online or in electronic form Karvy Stock Broking is creating awareness of online trading that client can trade from anywhere from the World.

Risk management team of Karvy Stock Broking taking care of client portfolio and whenever the value of his portfolio will go decrease by 30% client always informed by his Relationship Manager.

In Karvy Stock Broking possibility of auction is very less because of large client base, so he can sell shares anytime.
8.2 RECOMMENDATIONS

Following were the recommendations of the study:

- The various investment tools which were mostly preferred by the investors were shares, mutual funds etc. So there should be various other means to create awareness regarding the potential of other instruments and the tools which can be more beneficial to the investors.

- The investors consider various factors while making investment like risk, return, liquidity etc. There should be rational thinking so that the investor is able to know that at what point of time they need capital appreciation instead of reducing the risk and when they need return instead of liquidity.

- The preferred time span of investment by the investors depends upon the need of the investor that whether they wants to have early and high returns or wants to have stable returns, most probably the long time span is suitable because the returns are high and safety is also there.

- The satisfaction levels of various investors are different due to different investment alternatives they opt for. If they will be aware of each type of alternatives and the worth of the alternatives then investing as per that there satisfaction level will also be high.

- Investors should have the complete knowledge of stock market.
Suggestions
SUGGESTIONS

• Karvy Stock Brokingshould have to give special preferences to trading via branch network, telephones and Internet account.

• Karvy Stock Brokingshould have improve customized products for lending against shares.

• Integrated Trading and Depositary Account should have to modify according to the need of the investors.

• Technology transforming desktop should have to be NEAT like terminal for Internet trading.

• One Screen for both Cash and Derivatives Trading system have to be revised and modified..

• Equity Research Department at Karvy Stock Brokingshould have to study the market and provides information.

• Karvy Stock Brokingshould have to customized Insurance services.
References
REFERENCES


Annexure
QUESTIONNAIRE

Dear respondent,

I am a student of MBA, is conducting a research on “Investors perception regarding various Investment avenues available at the Stock Market”. I would be extremely thankful if you spare some time to answer the following questions. All the facts disclosed by you will be used for academic purpose only.

PERSONAL PROFILE

(A) Name:
(B) Age:
Less than 20 years
20 – 40 years
Greater than 40 years
(C) Gender:
a) Male
b) Female
(D) Occupation:
a) Service
b) Profession
c) Business
d) Student
(E) Income: Less than Rs 20000
Rs 20000 – Rs 40000
Greater than Rs 40000
(F) Qualification:
a) Matric
b) Under Graduate
c) Post Graduate

Q1. Do you invest in share market?
   i) Yes  ii) No

Q2. Out of the following, which type of instrument are you aware of?
   a) Shares
   b) Mutual Funds
   c) Debentures
   d) Bonds
   e) Derivatives
Q3. Where have you been investing?

a) Shares
b) Mutual Funds
c) Debentures
d) Bonds
e) Derivatives

Q4. At which rates do you want your investment to grow?

a) Steadily
b) At an average rate
c) At fast rate

Q5. How frequently do you invest?

a) Daily
b) Weekly
c) Monthly
d) Yearly

Q6. What percentage of your annual income do you invest in share market?

a) Up to 10%
b) 10-15%
c) 15-20%
d) More than 20%

Q7. By which source of information you came to know about particular option?

a) Self
b) Friends and Relatives
c) Service providers and Consultants
d) Newspapers, Magazines and Advertisements
e) Agents
f) Workshops & Seminars

Q8. Which factor do you consider before investing in share market?

a) Capital Appreciation
b) Maturity Period
c) Safety of Principal
d) Risk
e) Return on investment
f) Tax benefits
g) Liquidity
Q9. In your opinion, what would be the optimum strategy if stock market drops immediately after you invest in it?

- a) Cut your losses and transfer funds into secure investments
- b) Wait to see if investment improves
- c) Invest more funds to lower your losses expecting future growth
- d) Withdraw your funds and stop investing

Q10. Do you have any other investment policy?

- a) Yes □
- b) No □

Q11. Rate the satisfaction with the return generated by your investment option?

<table>
<thead>
<tr>
<th>Highly Satisfied</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Dissatisfied</th>
<th>Highly Dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5)</td>
<td>(4)</td>
<td>(3)</td>
<td>(2)</td>
<td>(1)</td>
</tr>
</tbody>
</table>

- a) Shares
- b) Mutual funds
- c) Bonds
- d) Debentures
- e) Derivatives

Q12. Rate the satisfaction with the factors that was considered while investing?

<table>
<thead>
<tr>
<th>Highly Satisfied</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Dissatisfied</th>
<th>Highly Dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5)</td>
<td>(4)</td>
<td>(3)</td>
<td>(2)</td>
<td>(1)</td>
</tr>
</tbody>
</table>

- a) Return on Investment
- b) Tax Benefits
- c) Capital Appreciation
- d) Maturity Period
- e) Risk
- f) Safety of principal
- g) Liquidity