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A Study on Awareness of College Students for Investment in Stock Market in Gujarat

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Abstract: The present article emphasizes on the need for the stock market efficiency as it gives sufficient knowledge to the shareholders before investing the money in the share market in Gujarat. Shareholders come to understand the volatility of the market thereby investing in the best investment proposals. This should be made aware by college students of Gujarat. Moreover, it paves way for return on investment after the thorough analysis. The objectives of the study are to measure the association between age and financial instruments traded in stock market and to evaluate the importance of information technology facilities on spreading of stock market news in Gujarat. The data used for this study are accompanied by primary and secondary data. Primary data were obtained from Post graduate students from the selected sample list of educational institutions. The Chi-Square Analysis and Mann Whitney U Test was used to test the hypothesis.

Keywords: awareness, college, students, investment, stock, market, Gujarat, trade, test.

Introduction

A stock market, equity market, or share market is the aggregation of buyers and sellers of stocks (also called shares), which represent ownership claims on businesses; these may include securities listed on a public stock exchange, as well as stock that is only traded privately, such as shares of private companies which are sold to investors through equity crowdfunding platforms. Investment is usually made with an investment strategy in mind.

Stocks can be categorized by the country where the company is domiciled. For example, Nestlé and Novartis are domiciled in Switzerland and traded on the SIX Swiss Exchange, so they may be considered as part of the Swiss stock market, although the stocks may also be traded on exchanges in other countries, for example, as American depositary receipts (ADRs) on U.S. stock markets.[1]

Trade in stock markets means the transfer (in exchange for money) of a stock or security from a seller to a buyer. This requires these two parties to agree on a price. Equities (stocks or shares) confer an ownership interest in a particular company.

Participants in the stock market range from small individual stock investors to larger investors, vwho can be based anywhere in the world, and may include banks, insurance companies, pension

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funds and hedge funds. Their buy or sell orders may be executed on their behalf by a stock exchange trader.

Some exchanges are physical locations where transactions are carried out on a trading floor, by a method known as open outcry. This method is used in some stock exchanges and commodities exchanges, and involves traders shouting bid and offer prices. The other type of stock exchange has a network of computers where trades are made electronically.[2,3]

The racial composition of stock market ownership shows households headed by whites are nearly four and six times as likely to directly own stocks than households headed by blacks and Hispanics respectively. As of 2011 the national rate of direct participation was 19.6%, for white households the participation rate was 24.5%, for black households it was 6.4% and for Hispanic households it was 4.3%. Indirect participation in the form of 401k ownership shows a similar pattern with a national participation rate of 42.1%, a rate of 46.4% for white households, 31.7% for black households, and 25.8% for Hispanic households. Households headed by married couples participated at rates above the national averages with 25.6% participating directly and 53.4% participating indirectly through a retirement account. 14.7% of households headed by men participated in the market directly and 33.4% owned stock through a retirement account. 12.6% of female-headed households directly owned stock and 28.7% owned stock indirectly.

When money is put into the stock market, the goal is to generate a return on the capital invested. Many investors try not only to make a profitable return, but also to outperform, or beat, the market. However, market efficiency - championed in the efficient market hypothesis (EMH) formulated by Eugene Fama in 1970, suggests that at any given time, prices fully reflect all available information on a particular stock and/ or market. Fama was awarded the Nobel Memorial Prize in Economic Sciences jointly with Robert Shiller and Lars Peter Hansen in 2013. According to the EMH, no investor has an advantage in predicting a return on a stock price because no one has access to information not already available to everyone else. The nature of information does not have to be limited to financial news and research alone; indeed, information about political, economic and social events, combined with how investors perceive such information, whether true or rumored, will be reflected in the stock price. This should be made aware by college students of Gujarat.[4,5] According to the EMH, as prices respond only to information available in the market, in Gujarat, no one will have the ability to outprofit anyone else. In efficient markets of Gujarat, prices become not predictable but random, so no investment pattern can be discerned. A planned approach to investment, therefore, cannot be successful. This "random walk" of prices, commonly spoken about in the EMH school of thought, results in the failure of any investment strategy that aims to beat the market consistently. In fact, the EMH suggests that given the transaction costs involved in portfolio management, it would be more profitable for an investor to put his or her money into an index fund. Three identified EMH classifications aim to reflect the degree to which it can be applied to markets in Gujarat.[6,7]

- Strong efficiency – This is the strongest version, which states that all information in a market, whether public or private, is accounted for in a stock price. Not even insider information could give an investor an advantage.
- Semi-strong efficiency – This form of EMH implies that all public information is calculated into a stock's current share price. Neither fundamental nor technical analysis can be used to achieve superior gains.

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- Weak efficiency – This type of EMH claims that all past prices of a stock are reflected in today's stock price. Therefore, technical analysis cannot be used to predict and beat a market in Gujarat.

In Gujarat, it should be made aware to college students, that markets cannot be absolutely efficient or wholly inefficient. It might be reasonable to see markets as essentially a mixture of both, wherein daily decisions and events cannot always be reflected immediately into a market. If all participants were to believe that the market is efficient, no one would seek extraordinary profits, which is the force that keeps the wheels of the market turning.

It should be known to students that Market Capitalisation is probably the foremost vital criterion in assessing the scale of a capital market. market capitalization equals to price of listed shares divided by nominal GDP. The magnitude relation has been wide adopted within the literature as a stable live of exchange potency for varied reasons. First; it's a proxy of the sized of the exchange that is completely related with the flexibility mobilise capital and diversify risk. Secondly, it's likely to incorporate companies past preserved profits and future growth prospects in order that a better magnitude relation to GDP signification growth prospects and exchange development. The key weakness of this magnitude relation is that a high magnitude relation exclusively driven by appreciated price of few companies with very little or no modification within the quantity of funds raised, and no modification within the breadth of the exchange could also be understood as exchange potency. Growth within the market capitalization as a share of GDP is related to a rise within the range of listed companies.[8,9]

Despite having several awareness programmes by Gujarat Stock Exchanges, investors associations and SEBI, there's a heavy lack of awareness within the public and thus awareness to the knowledge has remained an enormous challenge to the potency of the Gujarat Stock Exchanges and to the investors themselves. However, the access to those programmes among students is incredibly low thanks to either existence of attending fees or temporal order or being by selection to some categories of audience particularly to investors solely. Several researchers are created in market potency by testing on either weak style of efficient market hypothesis (EMH) or stochastic process hypothesis of stock costs and returns. They need been mistreatment daily closing information for the indices like S&P, (NSE) and BSE SENSEX during a specific time period.

Discussion

The movements of the prices in global, regional or local markets are captured in price indices called stock market indices, of which there are many, e.g. the S&P, the FTSE ,the Euronext indices and the NIFTY & SENSEX of India. Such indices are usually market capitalization weighted, with the weights reflecting the contribution of the stock to the index. The constituents of the index are reviewed frequently to include/exclude stocks in order to reflect the changing business environment.[10,11]

Financial innovation has brought many new financial instruments whose pay-offs or values depend on the prices of stocks. Some examples are exchange-traded funds (ETFs), stock index and stock options, equity swaps, single-stock futures, and stock index futures. These last two may be traded on futures exchanges (which are distinct from stock exchanges—their history traces back to commodity futures exchanges), or traded over-the-counter. As all of these products are only derived from stocks, they are sometimes considered to be traded in a (hypothetical) derivatives market, rather than the (hypothetical) stock market.

In short selling, the trader borrows stock (usually from his brokerage which holds its clients shares or its own shares on account to lend to short sellers) then sells it on the market, betting that the price

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will fall. The trader eventually buys back the stock, making money if the price fell in the meantime and losing money if it rose. Exiting a short position by buying back the stock is called "covering". This strategy may also be used by unscrupulous traders in illiquid or thinly traded markets to artificially lower the price of a stock. Hence most markets either prevent short selling or place restrictions on when and how a short sale can occur. The practice of naked shorting is illegal in most (but not all) stock markets.

In margin buying, the trader borrows money (at interest) to buy a stock and hopes for it to rise. Most industrialized countries have regulations that require that if the borrowing is based on collateral from other stocks the trader owns outright, it can be a maximum of a certain percentage of those other stocks' value. In the United States, the margin requirements have been 50% for many years (that is, if you want to make a $1000 investment, you need to put up $500, and there is often a maintenance margin below the $500).[12,13]

A margin call is made if the total value of the investor's account cannot support the loss of the trade. (Upon a decline in the value of the margined securities additional funds may be required to maintain the account's equity, and with or without notice the margined security or any others within the account may be sold by the brokerage to protect its loan position. The investor is responsible for any shortfall following such forced sales.)

Regulation of margin requirements (by the Federal Reserve) was implemented after the Crash of 1929. Before that, speculators typically only needed to put up as little as 10 percent (or even less) of the total investment represented by the stocks purchased. Other rules may include the prohibition of free-riding: putting in an order to buy stocks without paying initially (there is normally a three-day grace period for delivery of the stock), but then selling them (before the three-days are up) and using part of the proceeds to make the original payment (assuming that the value of the stocks has not declined in the interim).

The data used for the present study are accompanied by primary and secondary data. Primary data were obtained from Post graduate students from the selected sample list of educational institutions in Gujarat. Whereas Secondary data were elicited through journals, SEBI, BSE, NSE annual reports, News Papers, Brokerage Firms Reports, and Reports from Federation of Exchanges. The respondents were selected using stratified sampling, simple random sampling. The sample size of 100 is divided equally to four colleges in Gujarat. [14,15]

Chi-Square test was applied to find the significant association between two variables by cross tabulating. H0: There is no association between age and awareness of instruments traded

H1: There is association between age and awareness of financial instruments traded.

The Mann–Whitney U-test is a non-parametric test that allows two groups or conditions or treatments to be compared without making the assumption that values are normally distributed. It measures distribution of two groups of independent variable across dependent variable

H0: There is no difference between levels of awareness across categories of gender.

H1: There is difference between levels of awareness across categories of gender.

So far as there is no significant association between variables such as age, gender and years of the study of the respondents against the knowledge and awareness on the ways to use to follow stock market news, knowledge of the common financial instruments traded, return on investment in the market in this study related to Gujarat state.[16,17]

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Results & Conclusions

Many strategies can be classified as either fundamental analysis or technical analysis. Fundamental analysis refers to analyzing companies by their financial statements found in SEC filings, business trends, and general economic conditions. Technical analysis studies price actions in markets through the use of charts and quantitative techniques to attempt to forecast price trends based on historical performance, regardless of the company's financial prospects. One example of a technical strategy is the Trend following method, used by John W. Henry and Ed Seykota, which uses price patterns and is also rooted in risk management and diversification.

Additionally, many choose to invest via passive index funds. In this method, one holds a portfolio of the entire stock market or some segment of the stock market (such as the S&P 500 Index or Wilshire 5000). The principal aim of this strategy is to maximize diversification, minimize taxes from realizing gains, and ride the general trend of the stock market to rise.

Responsible investment emphasizes and requires a long-term horizon on the basis of fundamental analysis only, avoiding hazards in the expected return of the investment. Socially responsible investing is another investment preference.[18]

Taxation is a consideration of all investment strategies; profit from owning stocks, including dividends received, is subject to different tax rates depending on the type of security and the holding period. Most profit from stock investing is taxed via a capital gains tax. In many countries, the corporations pay taxes to the government and the shareholders once again pay taxes when they profit from owning the stock, known as "double taxation".

The study suggests that Gujarat stock exchanges and SEBI as they have taken upon a mandate to promote financial literacy to use various methods and approaches of disseminating information in order to bring more people into the folds of the financial market. In reality, investors do not receive all information freely; they have to decide whether and which information to gather prior trading and investors end up staying afloat in a sea of uncertainty which in turn affects their level of awareness. This study reveals that the majority of management students of Gujarat are more selective on ways to follow stock market news as they prefer newspapers and the use of internet services rather than financial news on TV. Also, it has been revealed that they are aware of financial instruments traded, returns on the investment in the market and they realise that the stock market is one way among the easy way to mobilise funds for companies to operate although they are facing trouble to follow stock market news due to unaffordable expenses. On the other hand, the overall level of awareness is high though it has been contributed specifically by years of the study of the respondents, gender and respondent’s college or University meanwhile age was not significant determinant on it. Therefore, the study reveals that management students of Gujarat are aware on the stock market efficiency concept. This is the best indicator that Indian stock markets will continue to grow and more important to be efficiency. [19]

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