A study on the perception of stock market investments among government employees in Calicut city

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ABSTRACT

The capital market is a medium through which savings of the community are made available for industrial and commercial enterprises. It facilitates sustainable development of the economy by providing long term funds in exchange of financial assets to investors. It is considered indispensable for economic growth and helps to improve productivity. Indian stock market plays a major role in the economic development of the nation, so it is necessary to mobilize all segments of the population towards stock market investments. Indian middle class is a major segment of our population and government employees constitutes a prominent part of it. Because of their misconception regarding stock market investments, their investments are not directed towards the prosperity of our nation by providing funds to more productive purposes. The project is very relevant in this present scenario because it examines the perception of the government employees.

Key words: Stock market, stocks, investment portfolio.

1. Introduction

The economic growth of a nation depends upon the existence of a well developed financial system. The financial inputs are made available in the form of capital, cash, and credit. The easy availability of financial inputs promotes the growth process through the proper coordination of human resources and material inputs. It will help to enhance the production of goods and services. The efficiency of the financial system is determined on the basis of the flow of funds in the economy and channelization of these funds into productive activity for the development of the nation. India after the United States hosts the largest number of listed companies. Global investors ardently seek India as their preferred location for investment. Once viewed with skepticism, stock market now appeals to middle class Indians also. Many Indians working in foreign countries now divert their savings to stocks. In this present context many of the Indian middle class people perceive stock market investment as one of the best means of investment when compared to traditional investment options such as banks, real estate and gold etc.

Despite the above facts, majority of Indians still do not have much awareness about the stock market. They do not even aware about the basic functioning of the stock exchanges and securities market. A recent study reveals that only two percentage of the Indian population are related with stock market investments. The rest of the people still having the
misconception that stock market investment are just like gambling rather than a secured investment option

The project throws light in to the investment habits of government employees in Calicut. Generally government employees are well known for their conservative attitude towards their investment decisions. The study is an earnest attempt to find out the perception of government employees regarding stock market investments.

1.1 Research problem

After the new economic reforms in 1991, Indian stock market becomes highly competitive due to policy relaxations and entry of new players. Now the players in the Indian securities market are looking for developing new markets and it is found that the Indian middle class offers an immense opportunity to them. A significant portion of Indian middle class is constituted by Government employees, approximately 60 percentages of them are not exploited yet. So the company wants to know the investment potential among Government employees and to know the reasons for hesitation in holding investment in stock market

2. Objectives of the study

2.1 Primary objective: To find out the perception of the government employees relating to investment in stock market.

2.1.1 Secondary objectives

1. To know the risk perception of the government employees regarding investments
2. To examine the awareness level of government employees about stock market
3. To examine the awareness level of government employees in relation with credit rating
4. Research Methodology
5. Type of research: The type of research adopted in the present study is the descriptive research.
6. Type of population: The population taken for this study is the government employees in Calicut district.

2.1.2 Sample Size: The sampling size will be small in the case of the descriptive study where less than 1 percent is sufficient to provide reliable results. The sample size that is taken here for the study is 50, which covers some part of Calicut city.

2.1.3 Sampling technique: The researcher has adopted the Convenience sampling which is a type of non-probability sampling, which does not provide every item in the universe with a known chance of being included in the sample.

2.1.4 Methods of data collection: The present study consists of primary as well as secondary data. A well-structured questionnaire was used to collect the primary data from the respondents. The respondents were given multiple choices to select their particular answers. Secondary data for the study is obtained from text books, internet and brochures.

2.2 Tools of analysis
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Percentage method: The number of respondents in each category is summarized to percentage for the convenience.
Graphical Analyzing: The responses are converted to pictorial representations

3. Theoretical perspective and literature review (concepts)

3.1 Investment

Investment, in layman’s terms, is sacrificing present consumption for future gain. It is a planned decision to put money in financial assets with a risk return trade off. Rationally speaking all personal investments are designed to satisfy a goal like buying a house, car, or for social status tax saving etc. Hence investors need to identify the objectives of their investments as well as their constraints. Is it a long term or short term one, a high priority or low priority one, is it for tax planning, for insurance what are the liquidity constraints, what are future liabilities, so on and so forth, accordingly make proper investment.

3.2 Credit rating

Credit rating means a relative ranking of credit quality of debts or financial instruments. It is an act of grading a concern according to investment qualities. Credit rating provides independent objectives assessment of credit worthiness of companies and countries. A credit rating company helps investors to decide how risky it is to invest money in a certain company, or certain security or certain country. According to CRISIL Credit rating is an unbiased and independent opinion as to issuer’s capacity to meet financial obligations. It does not constitute a recommendation to buy or sell or hold a particular security

3.3 Perception

Perception is the process by which individuals’ select, organize and interpret stimuli into a meaningful and coherent picture of the world. Perception has strategy implications for marketers because consumers make decisions based on what they perceive rather than on the basis of objective reality

3.4 Stock market

A stock market is a market for the trading of shares, debentures, derivatives and other instruments of different companies listed on different Stock Exchanges.

3.5 Literature review

B.B.S. Parihar and K.K.Sharma (2012), revealed that salaried employees prefer safe investment like PPF, LIC, BANK and Post Office Deposit etc but they still do not have developed positive attitude towards the Equity shares and Mutual Funds. Gunjan Batra used Cluster Analysis to study investor’s perception about different Investment Options. In his study it was revealed that all category of investors prefer Fixed Deposit over the other Investment options because of its features of being risk free and fixed rate of interest. He observed that many of the respondents have fear of Mutual Fund. They think their money will not be secure in Mutual fund. Anandaraj. V, in his Academic Project, he analysed that most of the investors expects 10–25% return from their investment. His study reveals that
most of the investors are trading in equity market. They prefer online trading with the help of stock brokers.

3.6 Data analysis

The following table shows whether the government employees have investment habits other than bank deposits.

**Table 1: Investment habits other than bank deposits**

<table>
<thead>
<tr>
<th>Options</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Gold</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Chit fund</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>Share</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

**Figure 1:** Graphical representation showing investment habits other than in banks

Source: Primary data

3.7 Inference

From the above table and graph it is clear that most of the respondents prefer Real estate investments than other investments whereas only 10% people are interested in investing share market. The following table shows the respondents level of taking risk.

**Table 2: Respondents level of taking risk**

<table>
<thead>
<tr>
<th>Degree of risk preferred</th>
<th>Number of respondent</th>
<th>Percentage of respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Low</td>
<td>45</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>
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Figure 2: Respondents level of taking risk (Source: Primary data)

3.8 Inference

From the above table and chart it is clear that 90% of the government employees are fear of taking risk in their investment decision. The following table shows the comparison in between banks and stock market with respect to some criteria’s.

Table 3: Comparison in between banks and stock market with respect to different criterions

<table>
<thead>
<tr>
<th>Options</th>
<th>Bank</th>
<th>Stock market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Returns</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Risk</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Investment option</td>
<td>10%</td>
<td>70%</td>
</tr>
</tbody>
</table>

Figure 3: Comparison in between banks and stock market with respect to different criteria
Source: Primary data
3.9 Inference

From the above table and chart it shows that risk and return are high in stock market comparing to that of bank, and investment options are reasonable in bank comparing to the stock exchange in the opinion of government employees. The following table shows the respondents interest in investing in share market after getting a good knowledge.

**Table 4:** Respondents interest in investing in share market after getting a good knowledge

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number of respondent</th>
<th>Percentage of respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interested</td>
<td>47</td>
<td>94%</td>
</tr>
<tr>
<td>Not interested</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Figure 4:** Respondents interest in investing in share market after getting a good knowledge

Source: Primary data

3.10 Inference

From the above table and graph it is clear that most of the government employees are interested in investing in share market after getting a good knowledge.

4. Findings

The study reveals that majority of the respondents have savings in banks. So it can be inferred that Government employees have a good savings habit.

1. Real estate investments are the most preferred investments of government employees other than bank investment
2. Future safety is the most important purpose of making investment. The government employees are risk averse in this regard.
3. The study reveals that, now a day’s government employees are keenly observing business news. So it is clear that an enthusiasm towards stock market investments is generating among them.
4. Most of the government employees are not yet invested in stock market. Because of fear of risk and lack of confidence.
5. Majority of the government employees are risk averse.
6. Regular returns are the major concern of government employees while making an investment.
7. Government employees have perception that share market investment offers high returns with high risk whereas bank investment offers reasonable returns with low risk.
8. As an investment option, government employees prefer bank investment over stock market investment.
9. Most of the employees prefer portfolio investment rather than investing in individual security.
10. Most of the government employees would like to consider credit rating before they make investments.

4.1 Suggestions

Removing misconception of Govt. employee regarding stock market investment will be a laborious task before the authorities. Even though majority of the Govt. employee do not have much idea about stock market and its operation, they are keenly interested in acquiring knowledge about the same. In this study it was revealed that most of the Govt. employees are willing to invest in stock market if they are provided with necessary information about the pros and cons of stock market investment. So by conducting seminars, discussion and awareness programme we can remove their misconception up to a great extent. Providing credit rating information, expert opinion etc also will helps to improve their risk perception and stimulate them to invest in stock market.

5. Conclusions

In this work consisting of fifty samples conveniently selected from Calicut area revealed some interesting facts about the investment perception of government employee. Majority of the government employee have investment habits in bank. In addition to bank investment they have strong investment preference towards real estate, gold, chit funds and other tax saving schemes. Regular returns, future safety, tax savings etc are major concern of Govt. employee while making investment. In the present scenario of increasing inflation most of the government employees are neither satisfied nor dissatisfied with respect to return on their current investment. It is found that they are seeking for the best investment opportunity.

Government employees have the perception that share market investments offer high returns with high risk where as bank investments offer reasonable return with low risk. Since they are highly risk averse as an investment option government employees prefer bank investment over stock market investment. Most of the government employees perceive stock market somehow similar to gambling or betting. Hence lion share of them are yet to make investment in stock market. In India different classes of the population perceive government. employees as their reference group. As a result an increase in the participation of government employees in the stock market investment may bring about a possibility of behavioural change among different section of the society. Increased investment participation from different sectors of the economy will facilitate increased momentum to financial intermediation process which will in turn facilitate rapid economic development. Thus by actively participating in the stock market government employees can directly and indirectly promote the destiny of Indian financial system.
6. References


