



To Study on Stock Selection Criteria and Investors Behaviour

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ABSTRACT

Stock selection criteria is a strategy in which an analyst or investor uses a systematic form of analysis to determine if a particular stock constitutes a good investment which should be added to their portfolio. The objective of stock selection criteria is maximizing total return on investment (appreciation plus any dividends received) for the target holding period, subject to limiting risk to acceptable levels, and maintaining a targeted degree of portfolio diversification. The position can be either long or short, depending on the analyst or investor's outlook for the particular stock's price. Investment behaviour is based on uncertainty about the future and is thus risky. News and rumours and speed and availability of information play important roles in investment markets. Risk propensity, risk preference, and attitude are the major concepts and explanations of investment behaviour. Investors employ biases and heuristics in their decisions to invest or not, and how much to invest. Herding is another factor: people tend to imitate and follow other investors, probably due to lack of relevant and reliable information and lack of courage to behave differently. Investors' behaviour and perception towards stock indices performances of the stock market was taken into account for this study. This research focuses on how the investors' perceptions regarding stock indices movements of stock markets are affected by their irrational behaviour, rational behaviour and decision-making behaviour.

Key words: - Herding, Investor behaviour, Stock market, Stock selection

INTRODUCTION

A stock selection criterion is one specific factor that an investor examines before they decide to trade a given stock. Investors generally consider multiple criteria before entering a trade, including factors regarding that specific stock, the sector in which the company trades, and the overall health of the economy. Any stock-picking advice that you read or watch in the media will back up their recommendations with stock selection criteria. You'll hear terms like 'price to earnings per share', 'debt to asset ratio' and 'price to book value.' These are criteria which investors factor in before they trade a stock.

REVIEW OF LITERATURE

E. Vijaya (2016) studied about an empirical analysis on behavioural pattern of Indian retail equity investors. The main aim of the study was to identify the broad behavioural factors that determines the retail investors' stock selection decision. The study was conducted by using a structured questionnaire from a sample of 182 prospective retail equity investors residing twin cities of Hyderabad and Secunderabad cities. Study has conducted Structural equation model (SEM) to portray relationships among variables. The results of the study revealed that behavioural factors such as Overconfidence, Disposition effect and Herd behaviour had significant and positive relationship with investment performance whereas market factors had negative relationship with investment performance.

Venkataramanaiah. M (2016) studied about a study on volatility in Indian stock market. The main aim of the study was to examined the movement of inter and intra-day volatility in BSE Sensex. The daily indices of Sensex for a period of 10 years from 1998 to 2008 have taken for the study. It was found that daily average returns and daily average volatility across the index was varying over time and space. This divergence was highly demonstrable. Sometimes provided as high as 0.04 per cent retune while sometimes it was negative.

Alok Kumar Mishra (2004) This case attempts to examine whether stock market and foreign exchange markets are related to each other or not. The study uses Granger's Causality test and Vector Auto Regression technique on monthly stock return, exchange rate, interest rate and demand for money for the period April 1992 to March 2002. The major findings of the study are there exists a unidirectional causality between the exchange rate and interest rate and between the exchange rate return and demand for money there is no Granger's causality between the exchange rate return and stock return.

Chavali, Kavita and Zaiby Zahid (2011) Analyzed the impact of stock splits on selected firms' stock price in India. This research analyzes 20 stock splits announcement event happened in BSE during April 2006 to September 2008 when global financial crisis were occurred, based on its sectors. They used Fama et al. (1969) market model event study as their method because it is powerful in detecting abnormal return compared to other methods. The results show that there are positive abnormal return activity around the event date thus it is confirms that stock splits have a favorable impact on

stock price performance. The study also reveals that information are absorbed quickly into share prices so it can be said that Indian stock market follows the semi-strong form of market efficiency and Indian market assumes that stock split announcement has information content.

Amanulla & Kamaiah (1995) A case of Indian stock Market conducted a study to examine the Indian stock market efficiency by using Ravallion co integration and error correction market integration approaches. The data used are the RBI monthly aggregate share indices relating five regional stock exchanges in India, viz Bombay, Calcutta, Madras, Delhi, Ahmedabad during 1980-1983. According to the authors, the co integration results exhibited a long-run equilibrium relation between the price indices of five stock exchanges and error correction models indicated short run deviation between the five regional stock exchanges. The study found that there is no evidence in favour of market efficiency of Bombay, Madras, and Calcutta stock exchanges while contrary evidence is found in case of Delhi and Ahmedabad.

RESEARCH METHODOLOGY

The objectives of the study (1) the various aspect of stock selection by investors, (2) to study the investor's behaviour towards the stock market, and (3) to study the investor's perceptions about the stock market. The study has been carried out by taking a survey of 150 respondents by non-probabilistic convenience sampling method from the Surat city by using structured questionnaire. The research is an exploratory followed by descriptive one because the entire project is based on questionnaire and analysis which is of exploratory nature followed by the detailed description and analysis so the project is of descriptive design also. Research have used primary data for the present study. Research have used Primary data were generated through questionnaire for this study. A well structured questionnaire was prepared and distributed to collect information. The sampling techniques used in this study is non-probability convenience sampling. In such technique research seeks his or her own convenience to reach the ultimate target group. Statistical techniques like simple percentage analysis, Frequency distribution table, crosstabulation between different variable, T- Test and correlation has use for data analysis.

DATA ANALYSIS

Table:1 Demographic Information

Gender		Marital status	
Male	130	Married	Married
Female	20	Unmarried	Unmarried
Occupation		Qualification	
Student	19	HSC	19
Business	65	Under graduate	48
Professional	21	Post graduate	47
Salaried	32	Professional	27
Other	13	Other	9
Age		Annual income	
20 to 25	71	<2,00,000	21
26 to 36	37	2,00,000 to 4,00,000	25
36 to 46	30	4,00,000 to 6,00,000	51
Above 46	12	>6,00,000	53
No. of Family Member			
<4	74		
4-6	53		
>6	23		

Table:2 Types of investor?

Particular	Frequency	Percent
Short term	74	49.3
Mid term	41	27.3
Long term	35	23.3
Total	150	100.0

According to the survey, 49% (74 respondents) are investment in short term, 27% (41 respondents) are investment in Mid term, 23% (35 respondents) are investment in Long term.

Table no:3 Types of Market operated?

Particular	Frequency	Percent
Primary market	75	49.3
Secondary market	27	17.8
Both	50	32.9
Total	152	100.0

According to the survey, majority 49% (75 respondents) are operated in primary market, 17% (27 respondents) are operated in secondary market, 32% (50 respondents) are operated in both the market.

Table no:4 which type of stock preferred by investor?

Particular	Frequency	Percent
Growth stock	89	59.3
New issues IPO	24	16.0
Defensive stock	12	8.0
Value stock	25	16.7
Total	150	100.0

According to the survey, 59% (89 respondents) are preferred in growth stock, 16% (24 respondents) are preferred in New issues ipo , 8% (12 respondents) are preferred in Defensive stock and 16% (25 respondents) are preferred in Value stock.

Table no: 5 Experience in the market?

Particular	Frequency	Percent
Less than 1 Month	61	40.1
1 to 1 Year	54	35.5
More than 1 Year	37	24.3
Total	152	100.0

According to the survey, majority 40% (61 respondents) are Experience in less than 1 month, 35% (54 respondents) are Experience in 1 to 1 year, 24% (37 respondents) Experience in More than 1 year.

Table no: 6 Types of market operated? Crosstabulation between Market operated*Qualification

H0: there is significant affection between Qualification and market operated

H1: there is no significant affection between Qualification and market operated

Qualification Crosstabulation		HSC	Under graduate	Post graduate	Professional	Other	Total
(6) Types of market operated?	Primary market	12	22	30	9	2	75
	Secondary market	4	10	4	7	2	27
	Both	4	16	13	12	5	50
Total		19	48	47	27	9	150

According to the survey 75 no of investor group is Qualification in investing Primary market .27 no of investor group is Qualification in investing secondary market. 50 no of investor group is Qualification in investing Both the market.

Table no: 7 stock selection criteria? Crosstabulation between Stock selection criteria* Gender

H0: there is significant affection between Gender and stock selection criteria

H1: there is no significant affection between Gender and stock selection criteria

Gender Crosstabulation		Male	Female	Total
(7) Stock selection criteria?	Growth stock	64	10	74
	Value stock	46	4	50
	Dividend stock	16	3	19
	P/E OR PB base stock	10	4	14
	Branded stock	37	3	40
Total		130	20	150

According to survey most of investor are investing in Growth stock no of 64 male and Lowest P/E OR P/B base stock no. is 10. And 10 females are investing in P/E OR P/B base stock and lowest Female are Dividend and Branded stock no is 3 or 3.

One sample T- Test

Table no: 8 Improvement of the following investment objective?

H0: there is significant affection between Investors and their investment objective

H1: there is no significant affection between Investor and their investment objective

One-Sample Test					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Divends	-3.445	149	.001	-.300	-.47	-.13
Capital Appreciation	-.166	149	.868	-.013	-.17	.15
Quick gain	-1.168	149	.245	-.093	-.25	.06
Safety	-1.219	149	.225	-.113	-.30	.07
Liquidity	-3.786	149	.000	-.280	-.43	-.13
Tax benefits	.000	149	1.000	.000	-.18	.18
Hedge Against inflation	-.661	149	.510	-.053	-.21	.11
Extra income for family	-5.029	149	.000	-.367	-.51	-.22
Future planning	-7.944	149	.000	-.540	-.67	-.41

Form the above table Hypothesis of T- Test indicates objectives of investment among investor for the Improvement of Capital Appreciation, Quick gain, Safety, Tax benefits, Hedge Against inflation the significant value of Test is respectively 0.001,0.0245,0.0225,0.000,0.000,0.000 it means rejected it means Four has not need to improvement and Alternative is Accepted.

Correlation

Table no: 9 Rank your sectoral preference for stock

Correlation	Q=14.1 IT sector	Q=14.2 Bank sector	Q=14.3 FMCG sector	Q=15.4 MNC sector	Q=15.5 service sector	Q=15.6 energy sector
IT sector	1	.279	.131	-.304	-.518	-.724
Bank sector	.279	1	.001	-.313	-.592	-.461
FMCG sector	.131	.001	1	-.330	-.308	-.386
MNC sector	-.304	-.313	-.330**	1	.140	.071
Service sector	-.518	-.592	-.308**	.140	1	.471
Energy sector	-.724	-.461	-.386	.071	.471	1

** . Correlation is significant at the 0.01 level (2-tailed).

It can be found that there is positive correlation in person and spearman correlation. Here correlation is significant. In person correlation, relation between various uses of IT sector and other purpose is more than 0.5. correlation between Bank sector and other purpose is more than 0.5. and correlation between FMCG sector and other purpose is more than 0.5.

Conclusion

This research presents a comprehensive literature which has mainly focused on studies on return and volatility of stock market using systematic review methods on various major indices of BSE in India. Stock market is a place where people buy/sell shares of publicly listed companies. It offers a platform to facilitate seamless exchange of shares. In simple terms, if A wants to sell shares of Reliance Industries, the stock market will help him to meet the seller who is willing to buy Reliance Industries. Stock market return and volatility analysis is a relatively important and emerging field of research. There has been plenty of research on financial market volatility and return because of easily increasing accessibility and availability of researchable data and computing capability.

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