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# STOCK MARKET: DOUBTS, PROBLEMS AND THEIR RECOMMENDATIONS

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**ABSTRACT**

*Stock exchange is intricately inter woven in the fabric of a nation's economic life .Stock exchange render the service of stimulating the private savings and channelizing such savings into productive investment exists on a vastly great scale .as our country moves towards liberalization ,our exchange is to reach down to the masses ,to draw savings from the man in the street into productive investment ,to create conditions in which many millions of investors in cities ,towns and villages will find it possible to make use of facilities ,which have so far been limited to the privileged few. This calls for far reaching changes in institutional as well as operational. Although the stock market has increased substantially during the period yet investors have some doubts and face some problems to understand it .Reason behind this is not provide complete knowledge about stock market .Investors do not access the level of risk and analyzing the portfolio. In this paper we present the review of the basic problems and their recommendations to the investors to achieve investment success in the stock market including derivative market. However, our main objective is to examine the problem of low level participation of the investors in the stock market. Now the market and the today's scenario is totally changed ,so it is highly required to make more aware to the society with the stock market and their operations.*

***KEYWORDS**: Stock Exchange, Nation's Economic Life, Productive Investment, Stock Market.*

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## Introduction

The financial services industry offers a vast array of investment products across a wide number of financial markets. Accordingly, investors are faced with a nearly overwhelming selection of potential investments. It is important for investors to review the landscape and evaluate the opportunities to identify the market most suitable to their abilities, personality and investment goals. Money and capital markets provide a necessary business function, maintaining adequate levels of funding. Capital Market is the part of Financial Market. It provides Financial Services throughout the world. Financial Market is the place where investors and borrowers of money came together and interact. Fresh issue of shares and other securities are affected through the primary market and the securities which have already passed through the new issue market are traded in the secondary market. Primary Market is also called Capital Market, whereas Secondary Market also known as, Stock Exchange. Indian Capital Markets are regulated and monitored by the central government, Ministry of Finance, The Securities and Exchange Board of India and The Reserve Bank of India. By their very nature, the financial markets are marked by a very high degree of volatility.

## Objective of the Study

The following are the main objectives of this paper relevant to the current market:

- To study the Stock Market in India
- To examine the problem face by the investors in Stock Market
- To provide recommendations based on stock analysts

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**Methodology of the Study**

The study is based on the secondary sources of data. The main sources of data are various journals, articles, newspapers, online database etc.

**Stock Market in India**

In the stock market, nobody gets rich quickly. Sometimes investors invest blindly in the shares of the company and they get exceptional profit by luck. But, it is not a process to become a rich .Stock market is not a place where investor became a rich .It takes time to grow the money. In stock market, it is not an easy task for the beginners to make money. It takes genuine efforts to spot profitable investments. Not only had this there are too many stock analysts in the market who gave out fee based recommendations on stocks. It's easy to get tempted by all these people around investors. It's important for the investors to stay off from these temptations and trust on their independent thought. Most of the investors are a bit too casual with stock markets. They 'play' in stock markets. Stock exchange is a wrong place to have fun, speculate and try luck. The Stock market is actually a place dominated by big investment houses and financial experts. This is a place where the world's brightest finance professionals put their best efforts to make right investment decisions. Nobody is playing around. So, to be successful, investors need to be serious. Investors, view it, as a business. When investors buy shares, are buying a company to that extent. Derivative instruments like futures and options also an important segment of the stock market. Instruments like options and futures are not for beginners with limited resources. They are highly technical, involve the potential to lose all of the investment quickly and need constant monitoring. Playing Futures and options without adequate working knowledge is like gambling .Investors always in a doubt for increase and decrease in the stock market .Not only this they are in doubt full situation that in what time, how much and in which stock they invest their amount .In what time they purchase and sell the shares in the stock market. Investors must keep in mind the important points while investing in Derivative market so that they reduce their risk. Investors make sure that broker is registered with SEBI (Securities and Exchange Board of India) and the exchanges and do not deal with unregistered intermediaries. Ensure that Investors receive contract notes for all the transactions from the broker within one working day of execution of the trades. Even All investments carry risk of some kind. Investors should always know the risk that they are taking and invest in a manner that matches their risk tolerance. Do not be misled by market rumors, luring advertisement or 'hot tips' of the day given on the television or on the websites. Investors make self confidence and take informed decisions by studying the fundamentals of the company and find out the business the company is into, its future prospects, quality of management, past track record etc .There are various sources of knowing about a company are through annual reports, economic magazines, databases available with vendors or the financial advisor. If the financial advisor or broker advises to invest in a company investors have never heard of, be cautious. Spend some time to checking out about the company before investing. Investors do not be attracted by announcements of fantastic results or news reports, about a company. Investors also keep in mind that they invest in very low priced stocks or what are known as penny stocks does not guarantee high returns. Be cautious about stocks which show a sudden spurt in price or trading activity. Any advice or tip that claims that there are huge returns expected, especially for acting quickly, may be risky and may to lead to losing some, most, or all of your money. Hence do not give your money as deposit against assurances of returns. 'Portfolio Management Services' could be offered only by intermediaries having specific approval of SEBI(Securities and Exchange Board of India) for PMS(Portfolio Management Services). Hence, do not part the funds to unauthorized persons for Portfolio Management. Delivery Instruction Slip is a very valuable document. Do not leave signed blank delivery instruction slip with anyone. While meeting pay in obligation make sure that correct ID of authorized intermediary is filled in the Delivery Instruction Form. Be cautious while taking funding form authorized intermediaries as these transactions are not covered under Settlement Guarantee mechanisms of the exchange. Insist on execution of all orders under unique client code allotted to you. Do not accept trades executed under some other client code to investor account. When investor are authorizing someone through 'Power of Attorney' for operation of DP account, make sure that, authorization is in favour of registered intermediary only. Authorization is only for limited purpose of debits and credits arising out of valid transactions executed through that intermediary only verify DP statement periodically say every month/ fortnight to ensure that no unauthorized transactions have taken place in the account. Authorization given by investor has been properly used for the purpose for which authorization has been given. In case investor fined wrong entries, report in writing to the authorized intermediary. Don't accept unsigned or duplicate contract note. Don't accept contract note signed by any unauthorized person. Don't delay payment or deliveries of securities to broker. In the event of any discrepancies/disputes, please bring them to the notice of the broker immediately in writing (acknowledged by the broker) and ensure their prompt rectification. In case of sub-broker disputes, inform the main broker in writing about the dispute at the earliest and in any case not later than 6 months, if broker or sub-broker does not resolve the complaints within a reasonable period (say within 15 days), please bring it to the attention of the 'Investor Grievances Cell' of the NSE (National Stock Exchange). While lodging a complaint with the 'Investor Grievances Cell' of the NSE (National Stock Exchange), it is very important that investor must submit copies of all relevant documents like contract notes, proof of payments delivery of shares etc. along with the complaint. Remember, in the absence of sufficient documents, resolution of complaints becomes difficult. Familiarize investor with the rules, regulations and circulars issued by stock exchanges and SEBI (Securities and Exchange Board of India) before carrying out any transaction. Along with this, Investors must take the following points in the mind before doing investment in the derivatives market.

- Investigate their options in this market thoroughly
- Ensure that you are fully aware of the risks you will be taking
- What level of risk you are comfortable withy
- Continue review the risk level and modify it if and when necessary
- Don't take unnecessary risk
- Don't invest loanable amount in the market
- Don't invest for short term ,minimum maturity period is 12 months for investment
- Make policy on the basis of quarterly to quarterly for investment
- If investors wants to take more profit from the market ,go for investment not for trading
- Invest in minimum 10 stocks
- Investment must be diversified, not invest whole amount in single stock or single sector . Diversify across 10 to 20 major economic/industry sectors. Allocate equal amounts to each sector
- Reinvest dividends ,don't spend them
- Must update their portfolio from time to time
- Keep their eyes on average return of the investment
- Don't sell their shares in panic situation ,if company have more assets and have opportunity to growth in the market ,it never came down
- Investors must have confidence on the market
- Invest only on A grade shares
- Keep their eyes on domestic and worldwide market, even on policies of the country.
- Do not fall prey to market rumours and tips
- Do not act based on bull or bear run of market sentiment in the market
- Do not go by any explicit/implicit promise made by analysts/advisors/experts/market intermediary until convinced
- Do not trade in any shares without knowing the risk and rewards associated with it
- Study the historical price movements of the shares and sectors
- Be aware of the risks associated your positions in the market and your ability to respond to margin calls on them since unfavorable price movements result into higher margin requirement
- Collect /pay mark to market margins on your futures position on a daily basis from /to your Trading member as per the exchange rules and regulations
- Understand the Delivery and Settlement Procedure.
- Apply your own prudent judgment while trading in shares.
- Participate in the financial Derivatives markets after analyzing the facts and doing due digilence.Reflect own price views while participating in these markets and not of the others.
- Do not forget to check regularly that investors are not exceeding the risk level at which investors are comfortable.

- Don't approach the Derivatives market with a careless attitude .Make sure that investors are always aware of trends and speculations in the market.
- Don't invest if investors are not completely comfortable with participating in a speculative market.

Common investors in the stock market routinely rely on tipsters and manipulators, little realizing that most 'experts' are sadly innocent of sound investment knowledge. Our view of stock market investments is that in a boom, investors do not need the advice of experts to make money. Any trash investors buy will appreciate. In a recession, the advice of the best experts cannot prevent investors from losing money. Should then, a self-respecting investor keep away from the Derivatives market. The answer is an emphatic NO! The stock market is a legitimate avenue of investment. Equity and real estate are the only two avenues of investments that have consistently beaten inflation and genuinely enhanced wealth of investors in the long run. It would be difficult to find another avenue of investment that offers better returns, to a sensible, patient and disciplined investor, than the Derivatives market. The problem is, Derivatives markets also provide facilities for speculation. Often, we pervert this genuine investment avenue into a purely speculative avenue. Most investors fall prey to the temptation of quick riches via speculation. In the process, they almost always encounter quick poverty. Today, day traders, margin traders and punters in the derivatives markets embody the essence of what a genuine stock market investor should not be, No. one can predict the Derivatives market in the short term. In the long run, predicting the market is absurdly easy .In the long run, the market always goes up, and the rate of growth beats inflation by a comfortable margin. Therefore, for long term investors, the Derivatives market is a genuine avenue of wealth enhancement. Derivatives markets have become the most important markets in the world. Today, derivatives have become part and parcel of the day-to-day life for ordinary people in major parts of the world. While this is true for many countries, there are still apprehensions about the introduction of derivatives. There are many myths about derivatives but the realities that are different especially for exchange traded derivatives, which are well regulated with all the safety mechanisms in place. But this is not true both in the private and public sectors, derivatives provide numerous and substantial benefits to the users. Derivatives are low-cost, effective methods for users to hedge and manage their exposures to interest rates, commodity prices, or exchange rates. Derivatives allow corporations and institutional investors to effectively manage their portfolios of assets and liabilities through instruments like stock index futures and options. By providing investors and issuers with a wider array of tools for managing risks and raising capital, derivatives improve the allocation of credit and the sharing of risk in the global economy, lowering the cost of capital formation and stimulating economic growth. Now that world markets for trade and finance have become more integrated, derivatives have strengthened these important linkages between global markets, increasing market liquidity and efficiency and facilitating the flow of trade and finance.

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