



# Study on Stock Exchange's Functions and Equity

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**Abstract:** The quantity of capital that a firm requires is divided into units of a predetermined amount that are of a size that is considered to be relatively small. In this context, each and every one of these units is referred to as a "equities," and the individual who is in possession of the equity is referred to as the equity holder. Through the issuing of stock, firms have the opportunity to acquire the capital that they need. Demat accounts, which are an electronic representation of equities, are the place where stocks are stored in today's world. Over the course of history, equity was often held in the form of physical assets. Regular transactions in securities provide investors with liquidity and price consistency for their investments in securities. These benefits are provided by the regular flow of transactions. Considering that the stock exchange is a well-established market, it makes it simpler for investors to transfer ownership of assets. This, in turn, reduces the amount of risk that investors are exposed to. These individuals who are interested in buying or selling shares may take advantage of the handy meeting location that it provides. Because investors prefer the securities of businesses that have shown greater performance, it helps in the rational allocation of available capital.

**Keywords:** Stock , exchange's , functions , equity

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## INTRODUCTION

Financial literacy refers to the ability to make judgements that are well-informed and to make choices that are sensible about the use and management of one's financial resources. This is what is meant by the phrase "financial literacy." A combination of awareness, knowledge, skills, attitude, and behaviour that is necessary in order to make prudent choices about one's money and ultimately achieve one's personal financial well-being.

When referring to the act of investing one's money into an enterprise that has the potential to offer considerable returns in the future, the word "investment" is used to describe the phenomenon. It is feasible to do nothing with funds; yet, doing so would result in nothing being accomplished. Alternatively, the funds might be invested in a wide range of investment vehicles, such as bank deposits, postal deposits, life insurance, shares, debentures, bonds, and other financial instruments. These are only some of the financial products that could be used. There is a broad range of risk associated with each of these assets, which in turn contributes to a large range of returns coming from those investments. The investment in stocks and shares is the sort of investment that has gained broad popularity among the many various types of investments that are available nowadays.

## Importance of Investor Perception in Stock Market Transactions

The relevance of investor perception is relevant when it comes to transactions that take place on the stock market. An example of what is known as investor perception is the attitudes, expectations, and levels of confidence that investors have in regard to the stock market. Investor perception may also be thought of as the perceptions of investors. The large influence that it has on market dynamics has a significant impact on a number of market characteristics, including trading volumes, stock prices, and the overall stability of the market. Having a positive outlook encourages investment, which in turn results in more liquidity and market expansion. On the other side, having a bad view may lead to volatility in the market as well as downturns.

### **Equity: Characteristics and Types**

Equity: The quantity of capital that a firm requires is divided into units of a predetermined amount that are of a size that is considered to be relatively small. In this context, each and every one of these units is referred to as a "equities," and the individual who is in possession of the equity is referred to as the equity holder. Through the issuing of stock, firms have the opportunity to acquire the capital that they need. Demat accounts, which are an electronic representation of equities, are the place where stocks are stored in today's world. Over the course of history, equity was often held in the form of physical assets. The first time that physical equity was shown to the public, it was in the form of paper and each individual had a distinct number. Upon completion of the dematerialisation process, the physical equities undergo a transformation into demat equities. These demat equities are then held by the depository in an electronic format. NSDL, which stands for the National Securities Depository Limited, and CDSL, which stands for the Central Depository Services (I) Limited, are the two depositories that are present in India. An investor is able to purchase, sell, and trade in shares in a way that is not only straightforward but also safe when they make use of a demat account. Whenever commercial transactions are carried out via the use of a demat account, hence reducing the need for extra paperwork and delays. There are a number of additional benefits that come along with demat accounts. These benefits include a reduction in broking fees, the ability to transfer securities immediately, the absence of stamp duty on the transfer of securities, and the elimination of risks that are associated with physical certificates. These risks include the possibility of a problem with delivery or the creation of fake securities.

### **Preference Shares with Cumulative Numbers:**

In the case that a business does not pay dividends during a particular year, shareholders who possess cumulative preference shares are entitled to receive the dividend payment that was not paid during that year when the company announces a dividend in the year that follows the year in which the company did not pay dividends. For another way of putting it, the dividends that are anticipated to be paid out to preference shareholders but have not yet been distributed are considered to have accrued until they are actually distributed. They are required to be paid in arrears in the years that follow, prior to any dividend being delivered to members of the equity shareholders when the dividend is finally distributed.

The non-cumulative preference shares are differentiated from the other forms of preference shares by the fact that the unpaid dividends are not accumulated. This is one of the primary characteristics of these preference shares. The unpaid dividend is said to have expired when a corporation fails to pay its dividend in a particular year. This means that the dividend will not be paid in later years, regardless of the

circumstances; it will not be paid.

### **Primary Market and Secondary Market:**

We have the choice to deal with either the primary market or the secondary market when it comes to acquiring stocks. Both of these markets are available to you.

**Primary Market:** Primary markets are the markets in which corporations obtain funds to meet their capital requirements and issue shares to the general public for the very first time. Primary markets are also known as primary markets. It is often referred to as the new issue market (NIM) since it is a channel through which corporations may sell fresh shares of stock to the general public. This is the reason why it is sometimes referred to as having this name. Through the primary market, a link is established between businesses that are in the process of raising funds and the general public when it comes to investing.

When referring to the price at which shares of stock are made available for purchase on the primary market, the phrase "issue price" is the word that is usually used. Companies that want to issue shares on the main market have the choice of doing so at the face value, at a discount or premium, or at any combination of these three scenarios. When discussing equity, the term "face value" of a share refers to the nominal value of the stock that is assigned by the issuer. This value is determined by the shareholders. In certain circles, this idea is also referred to as par value. The face value of a stock is often a little amount, and it is typically a very small number. For example, the face value of a stock may be 1, 2, 5, 10, etc. A kind of equity that is referred to as being given at premium is the form of equity that is offered at a price that is higher than the face value of the stocks.

When referring to the amount that is charged in addition to the face value, the phrase "premium" is used often. When a firm has solid fundamentals and great performance, it will be able to issue its stock at a higher price. This ability is dependant upon the company's capacity to issue its equity. On the other side, it is possible for people to acquire stocks at a price that is lower than the face value of the stock. This is something that may be happening. In this particular circumstance, the stock is regarded to have been issued at a discount for the purpose of investment. When referring to the difference between the price at which the products or services are being offered and their face value, the word "discount" is usually used.

### **Stock Exchange's Functions**

Investors are able to convert their money into securities and securities into money in a straightforward and speedy manner via the stock exchange, which results in the creation of a ready market that is both continuous and ready. Regular transactions in securities provide investors with liquidity and price consistency for their investments in securities. These benefits are provided by the regular flow of transactions. Considering that the stock exchange is a well-established market, it makes it simpler for investors to transfer ownership of assets. This, in turn, reduces the amount of risk that investors are exposed to. These individuals who are interested in buying or selling shares may take advantage of the handy meeting location that it provides

### ***Evaluation of assets:***

It is common knowledge that the stock market is able to provide assistance in the process of assessing the values of various assets in a manner that closely corresponds to their true worth. Through the use of the dynamic connection that exists between supply and demand, it is feasible to execute a correct evaluation of securities. Transactions are carried out on a consistent basis by investors and speculators, which contributes to the smoothing out of price volatility that is otherwise excessive. Keeping track of and making public the prices at which transactions take place is accomplished via the use of market quotations. The prices are documented and made available to the public.

**Protection of Investors:** The government has control over the operation of stock exchanges, which means that the stock exchange is responsible for ensuring that transactions are carried out in a fair manner and that money is kept safe. By establishing governmental regulations that control the amount of trading, speculating, and other activities, it is possible to avoid the exploitation of investors who are not educated about the market. Those who take part in a stock exchange are obligated to conduct themselves in a way that is in accordance with the rules and regulations that are set by the stock exchange. To put it another way, the stock market serves as a watchdog for the interests of investors.

Savings are put to use in this process. When individuals and organisations have surplus finances, the stock market may be able to aid in the mobilisation of those funds for the purpose of investing in securities. Due to the absence of a system that enables the expeditious and profitable liquidation of securities, there is a chance that such funds may remain inactive. When individuals are made aware of the activities that take place on the stock market, it motivates them to save money and consider investing it.

**Capital Formation:** they are encouraged to save money and invest it in industrial securities, which have higher returns, as a result of the stock market, which not only serves to mobilise the funds that are currently accessible but also gives them the opportunity to save money. This guarantees that the flow of savings is channelled into the routes that are most beneficial for the business operations. Because investors prefer the securities of businesses that have shown greater performance, it helps in the rational allocation of available capital. This is because investors prefer the securities of companies that have demonstrated stronger performance. It is for this reason that stock exchanges have the ability to support the production of capital inside the country and ensure that money is directed into productive ventures in an appropriate way.

## **OBJECTIVES OF THE STUDY**

1. To study on Importance of Investor Perception in Stock Market Transactions
2. To study on Equity: Characteristics and Types

## **RESEARCH METHOD**

The processes and tools used to gather and evaluate data pertaining to a particular study subject are defined by the research methodology. It is the method by which researchers plan their study to accomplish their goals with the help of the research tools they've chosen. It covers everything that matters for a research project, from the study design to the techniques of data collecting and analysis to the overall framework. Although these ideas might assist you in comprehending research technique, it is equally crucial to be aware of the reasons for selecting the appropriate approach.

## Source Of Data

### 1 Primary data

Primary data are first-hand observations made by the researcher or his representatives for the aim of a study and utilised in statistical analysis. Secondary data, on the other hand, are obtained and used by third parties. Primary data are used in statistical analysis. A combination of primary and secondary sources were used in the research project to study the general public's perceptions on the stock market in Haryana. A survey of four hundred persons in Haryana was the primary source of information that was gathered. A questionnaire was used in order to collect the primary data.

### 2 Secondary data

The stock market has been the subject of several articles that have been published in magazines, books, and research works authored by renowned personalities. A number of magazines, such as the South Economist Journal, the Indian Journal of Finance, Finance India Indian Institute of Finance, and the International Journal of Financial Management, amongst others, made reference to annual reports as a secondary source of information.

## Sample Design And Method

### Sample design

The endless group of individuals from whom a researcher has the ability to draw conclusions is referred to as a population. Samples are defined as subsets of a broader population at a given time. In essence, there are two distinct types of sample designs, etc. there are.

### 3 Sample Unit

Out of the six divisions that comprise the whole state of Haryana, the Karnal division is the one that gets awarded the honour. When it comes to the sample unit for this research, Karnal, Kaithal, and Panipat are the locations where data gathering takes place.

**Table 1 Sample unit of Haryana**

Division	Respondents	percentage
Karnal	100	50%
Kaithal	50	25%
Panipat	50	25%

### Sample Size

The perception that the general public has of the operations that take place on the stock market is the focus of this lengthy investigation. A total of two hundred individuals from the state of Haryana participated in the study.

People who were literate were the only ones who were included. One half of them were investors in the stock market, while the other half were just people who were interested in observing. There was a wide range of people from different parts of society included in the sample.

These tables provide a breakdown of the sample size according to investor and non-investor groups, as seen in the following:

**Table 2: Investors**

Gender	Male	Female	Total
Investors	160	40	200
Percentage	80%	20%	100%

Source: Primary Data

### **Tools of Analysis**

Several statistical procedures, such as statistical tables, averages, and percentiles of different numerical values according to their related data, have been used in order to conduct an analysis of the data that has been provided.

The tabulated form is applied to the data that will be obtained. In order to do data analysis, appropriate statistical approaches are used.

The investigation makes use of graphical representations of the data wherever it is deemed essential to do so. Either bar graphs or pie charts are two possible representations of the graphs.

In order to examine the raw data, a number of different statistical approaches were used. In order to examine the data, SPSS was used, and percentages, correlation, and chi-square tests were taken into consideration.

## **DATA ANALYSIS**

### **Gender wise classification of Respondents:**

When it comes to researching the perceptions of non-investors on the stock market, gender classification is of the utmost importance. Within the scope of this particular investigation, just one subgroup, namely gender, was considered. To put it simply, gender refers to the proportion of individuals who do not participate in the stock market that differs between males and females. The following statistics will highlight the non-investors according to gender, highlighting both male and female options.

**Table 3: Profile of respondents on the basis of Gender**

Serial No.	Gender	Number of Respondents	Percentage (%)
1	Male	120	60%
2	Female	80	40%
	Total	200	100%

The categorization of respondents according to their gender is shown in both Table No.3 total of 200 people participated in the survey, with 120 male respondents and 80 female respondents coming forward. The bulk of those who responded are guys. It has been shown that the number of male investors is much higher than the number of female investors.

#### **Age wise classification of Respondents:**

Specifically, the researcher was interested in determining the age distribution of the responders. According to the age of the respondents, they may be divided into four categories: those under the age of 20, those between the ages of 21 and 30, those between the ages of 31 and 50, and those who are 51 and over. Table 4 provide the age distribution of the respondents who participated in the survey.

**Table 4: Profile of respondents on the basis of Age**

Serial No.	Age Group	Number of Respondents	Percentage (%)
1	Below 20	15	7.50%
2	21 to 30	55	27.50%
3	31 to 50	105	52.50%
4	51 and above	25	12.50%
	Total	200	1000%

Both Table No. 4. present the age distribution of those who participated in the survey. There are a total of 200 respondents, with 15 of them being less than 20 years old, 55 belonging to the age group of 21 to 30 years old, another 105 belonging to the age group of 31 to 50 years old, and 25 belonging to the age group of 51 and above. Using the table that was just shown, we are able to comprehend the proportion of responses that fit the criteria of being of a certain age. After doing an analysis of the age distribution of the sample respondents, it was found that the respondents who fell into the age category of 31 to 50 years had the maximum number of respondents in comparison to the other three categories. On the other hand, the first group, which consisted of individuals who were less than 20 years old, had the lowest number of



respondents.

#### **Reasons of respondents for not invest in equity market:**

A question was posed to the respondents by the researcher, which was, "Why are you not investing in the stock market?" The researcher will find this data to be extremely helpful in determining the negative thoughts that are associated with the equities market.

**Table 5: Reasons for not invest in equity market**

Serial No.	Reasons	Number of Respondents	Percentage (%)
1	It is very risky	114	29.3%
2	My knowledge is very less in this	147	37.8%
3	Return on investment is not sure	53	13.6%
4	Highly uncertain returns	43	11.1%
5	All of the above	32	8.2%
<b>Total</b>		<b>389</b>	<b>100%</b>

Both the reasons why respondents are not investing in the stock market are shown in Table no. 5 respectively. There are several reasons, but the most crucial one is that the respondents do not have sufficient expertise on equity. A total of 29.3 percent of respondents deemed it to be very dangerous, while 13.6 percent and 11.1% of respondents, respectively, believe that the return on investment is not definite and highly uncertain. All of these issues are experienced by 8.2% of the respondents.

#### **Impact of luck factor on investment:**

These days, individuals also believe in things like luck, fate, and other such concepts. As a result, these factors also have an effect on the choice to invest. With the assistance of the accompanying table and chart, the researcher is able to determine the opinion that the respondents have about this matter.

**Table 6 Impact of luck factor on investment decision**

Serial No.	Impact of luck factor	Number of Respondents	Percentage (%)
1	Yes	54	27%
2	No	22	11%
3	Some times	118	59%



4	Can't Say	06	03%
	Total	200	100.0%

In Table No. 6, the opinions of two hundred respondents about the luck aspect are explained. The majority of respondents (54 out of a total of 22) feel that chance may lead to greater investing opportunities. Only six of the respondents were unable to provide an answer on this matter, whereas the highest number of respondents, 118 (59%) relied on fate on occasion. Therefore, the factors of chance might occasionally have an effect on investing decisions. 5.3.4 The preferences of the respondents about the choice to make an investment: For the purpose of making better decisions about investments, greater counsel and research are also crucial things to have. With that in mind, the researcher poses this inquiry to those who do not invest in equity.

#### Spearman Rank Correlation Analysis:

The third component of the questionnaire is analysed by the researcher with the assistance of the Spearman rank correlation analysis algorithm. The Likert scale analysis is used to produce the questionnaire, which has five aspects.

**Table 7: Spearman Rank Correlation Analysis**

	Q18	Q19	Q20	Q21	Q22	Q23	Q24	Q25
<b>Q18 R</b>	1.000							
P value								
<b>Q19 R</b>	0.111	1.000						
P value	0.118							
<b>Q20 R</b>	-0.013	0.043	1.000					
P value	0.851	0.542						
<b>Q21 R</b>	0.009	-0.130	0.016	1.000				
P value	0.899	0.066	0.820					
<b>Q22 R</b>	0.118	0.046	-0.027	-0.012	1.000			
P value	0.095	0.520	0.700	0.867				
<b>Q23 R</b>	0.105	0.082	-0.046	0.030	0.048	1.000		
P value	0.139	0.249	0.516	0.671	0.497			
<b>Q24 R</b>	-0.068	-0.004	0.027	<b>0.186</b>	-0.003	0.024	1.000	
P value	0.338	0.956	0.700	<b>0.008</b>	0.961	0.739		
<b>Q25 R</b>	0.008	0.047	0.035	-0.028	0.069	0.074	-0.112	1.000

P value	0.910	0.510	0.618	0.695	0.328	0.298	0.116	
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Using the data presented in Table 7, the researchers came to the conclusion that there is a positive and significant association between Question 21 and Question 24 "There is high risk in share market." A thorough understanding of the stock market is necessary for making profitable investments in this sector. The p value is 0.186.

## CONCLUSION

The purpose of this chapter is to make an effort to investigate the results and conclusions of the research that were derived from the chapters that came before it. During this period, researchers were also evaluating the general public's perception of the equities market in the city of Karnal. Both those who invest in equity and those who do not engage in equity may benefit from this research. Both primary and secondary sources of information were used in the process of carrying out the current research project. The tabular and graphical representations of the material that was supplied so far were both used for analysis. On the basis of the numerous analytical techniques, conclusions have been formed about the various segments of the population. These findings have served as the foundation upon which the researcher was able to accomplish the goals that were set for the study. The purpose of this research is to investigate the expansion of the stock market in Karnal city, to investigate the attitudes of investors and non-investors towards equity markets, and to provide strategies for increasing the number of individuals who participate in equity markets. When you participate in the stock market, you get knowledge about a variety of various elements of the economy, which is one of the attractive parts of this endeavour. It is a window that allows you to see a very wide world. Theresa Chernow - Equity markets are as vital for individual investments as they are for the social and economic growth of the nation as a whole. The number of shareholders has been sufficient to meet the capital requirement, and a significant percentage of them are members of the average income group

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