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**INVESTORS OR SPECULATORS - BEHAVIOR OF STOCK MARKET PLAYERS: A
CASE STUDY OF MANGAL KESHAV SECURITIES LTD JALGAON**

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ABSTRACT

The objective of this study is to analyze rationality in investment behavior of stock market players. This Rationality is measured on the basis of two parameter i.e. investment or speculation.

The study is based on the primary data. This is collected through a structured questionnaire comprising 21 closed ended questions. These questions are set to record the symptoms of investors based on two parameters i.e. speculation or investment. Responses are collected from 40 clients of Mangal Keshav Securities Ltd.

Based on analysis, it is concluded that "Majority of clients reflects the nature of Speculators.

Key words: Speculators, Investors, Stock Market Investment, Speculation and Investment..

INTRODUCTION

Stock Market is a highly risky investment avenue. In such a Scenario, investor needs to take extra care to earn return. If due care is not taken in Stock Market investment, it may incur loss to investor. Hence, the behavior of investor should be rational.

The rational behavior means investment done with careful evaluation and study. But in practice, most of the people do not use a scientific and rational approach in stock market investment. This rationality in behavior decides whether said person is investor or speculator.

INVESTMENT

"An investment operation is one which, upon thorough analysis promises safety of principal and an adequate return. Operations not meeting these requirements are speculative." - By Graham and Qadd's Security Analysis

SPECULATION

According to the Oxford Dictionary, definition of speculation includes the following meanings:

"A message expressing an opinion based on incomplete evidence." Speculation is the buying, holding and selling of stocks commodities, collectibles real estate or any valuable thing to profit from fluctuations in its price as opposed to buying it to use. (Investment Management)

INVESTMENT V/S SPECULATION

- Investment is rationally based on the knowledge of past share price behavior. From such knowledge, it is possible to compute the probability of future return. Speculation is purely based on the HOPE that the future price will be higher rather than on anything tangible.
- An investor has more than one year time horizon as compared to that of a speculator i.e. less than a year.
- An investor is generally risk averse whereas a speculator is generally risk prone.
- An investor expects moderate return & limited risk. And speculator looks for high rate of return & high risk. (Nguyen, 2009)

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- Investor generally invests in a well diversified portfolio whereas speculator generally puts his money only in one or few stocks.
- Investor looks to profit from per unit return whereas Speculator looks from bigger volumes of trade. (Investment Management)
- The volume of trade of an investor is generally smaller than that of a speculator. (Mladjenovic)
- Investor expects regular income in the form of dividend whereas Speculator looks for Capital appreciation. (V.A.Avadhani, 2011)
- "An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative. Ben Graham".

MANGAL KESHAV SECURITIES LTD AT A GLANCE

Mangal Keshav securities limited is one of the premier brokers in the equities and derivatives market for Retail and Institutional customers in India. The group is also engaged in distribution of Mutual Fund, products across all risk profiles. Company has the solutions for wealth management and wealth enhancement. Mangal Keshav is a one stop- shop for all your financial requirements.

OBJECTIVES OF STUDY

- To study the basic difference between investment and speculation.
- To analyze the behavior of clients based on the two parameter i.e. Investment and speculation.
- To find out strength and weaknesses in investment approach adopted by clients.
- To suggest measures to improve weaknesses in investment approach adopted by clients.

IMPORTANCE OF THE STUDY

- The study will be useful for stock market players to appraise their skills of investment management.
- To rationalize their investment management decision so that they can generate fair return on their stock market investment.
- Similarly, this will be useful for broker firm to develop level of satisfaction among its clients through the investor awareness campaign.

RESEARCH METHODOLOGY

- **Type of Research:** it is a case study method based on the feedback collected from clients of Mangal Keshav Securities Ltd.
- **Types of Data:**
- **Primary data:** Primary data includes actual facts about investment practices adopted by investors. It is collected through questionnaire.
- **Secondary data:** Secondary data is used to conceptualize the objective, nature and scope of the survey. It is collected through various sources such as Books, journals, Magazines, official’s reports, websites etc.
- **Sample Size:** Feedback is collected from 40 clients of Mangal Keshav Securities, Jalgaon.
- **Limitation of the Study:**
 - The study is limited to the client base of Mangal Keshav Securities Ltd.
 - The survey is concerned with Financial Transactions of client’s that is confidential for everyone. All due care has been taken to collect the error free feedback.

DATA ANALYSIS & INTERPRETATION: (SOURCES PRIMARY DATA)

1. Demographics of Clients:

Table 1: Education of Clients

Sr. No.	Education	Count	%
1	S.S.C.	00.00	00.00
2	H.S.C.	19.00	47.50
3	PG	07.00	17.50
4	Graduate	14.00	35.00

Table 2: Income of Clients

Sr. No.	Income Slab	Count	%
1	0 - 2 Lacs	00.00	00.00
2	2 - 5 Lacs	08.00	20.00
3	5 - 10 Lacs	17.00	42.50
4	> 10 Lacs	15.00	37.50

Table 3: Years of Experience in Stock Market

Sr. No.	Years	Count	%
1	0 - 1 Year	02.00	05.00
2	1 - 3 Year	08.00	20.00
3	3 - 5 Year	07.00	17.50
4	> 5 Year	23.00	57.50

Interpretation: All clients belongs to working age as well as they are involved in stock market for more than 3-4 years, their income level is also high, similarly, most of clients are well educated, this reflects good awareness of stock market investment in respondents.

How much return you expect from stock market?

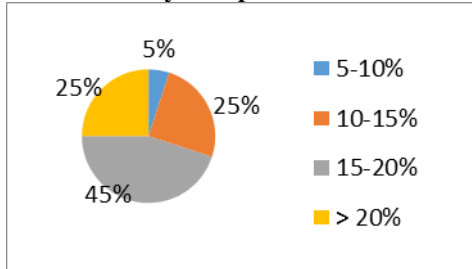


Figure 1: Return on Investment Expected

Interpretation: 45 % clients expect that stock market can provide more than 15 % return on investment. Expectancy of High return reflects risky and greedy nature of speculators, an irrational behavior.

Holding Period of Stock

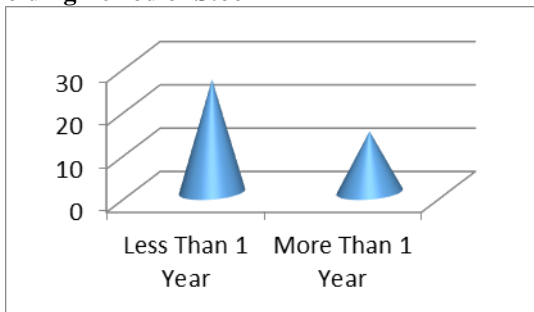


Figure 2: Stock Holding Period

Interpretation: 65 % clients are liquidating their investment to book profit within one year. Short term is associated with more fluctuation that reflects the nature of speculator. Long term holding of stock minimizes the risk on return.

Types of Stock:

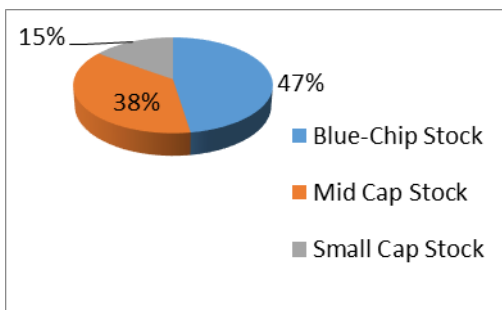


Figure 3: Types of Stock

Interpretation: 85 % clients have invested in Blue Chip or Mid Cap Equity shares. That is sound from investment point of view but it can be interpreted with short term investment, high volume, return expected in capital gain and other above mentioned behavior. These equity stocks are more prone to price fluctuation.

Base of Equity Selection:

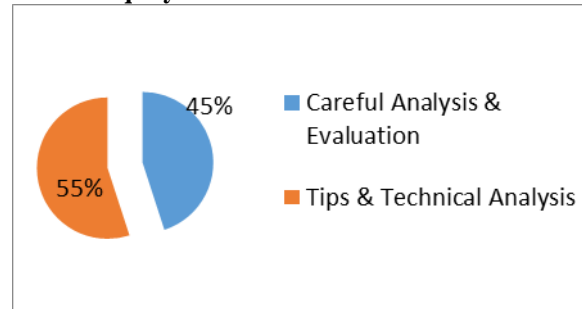


Figure 4: Base of Equity Selection (Source: Primary Data)

Interpretation: 55 % clients trade on the basis of tips generated by technical analysis i.e. analysis of future trend in the price fluctuation of equity. This reflects the basic definition of speculation. Fundamental analysis is analysis of potential of company to earn future profit without considering the historical performance of company.

Findings:

Strength:

- **Diversification of Portfolio:** 68 % clients have more than 11 equity shares in their portfolio that reflects the diversified portfolio. This is a rational behavior from investment point of view.

Weaknesses:

- **Rate of Return Expected:** it is found that majority of clients (70%) expect very high rate of return (15 to > 15 %) on stock market investment.
- **Holding Period of Stock:** it is found that most of the clients (65%) liquidate their investment within one year.
- **Base of Equity Selection:** 55 % clients trade on the basis of tips generated by technical.
- **Dividend or Capital Gain: which is most preferred?** 53 % clients prefer Capital Gain in Stock Market Investment. Capital Gain is not a regular income as Dividend. As regular

income is preferred by investor and Capital Gain is preferred by speculator.

- **Attitude towards F & O:** 53 % clients are using Derivative Segment to earn money through profit. As well as their exposure in F&O is more than Cash Segment. That is a speculative behavior as Derivatives are meant only for hedging purposes.
- **Volume per Transaction:** 52 % clients doing stock trading with high volume per transaction which can lead to huge loss in case. That reflects the nature of risky speculation.
- **Bulk Buying:** 65 % of clients generally buy more than 200 equity shares per transaction. This may lead to big profit on account of large multiplication of per unit profit with high quantity. This reflects the greedy nature of speculator.
- **Base of Profit Booking:** 58 % clients' book profit considering the total amount of profit. This reflects the greedy nature of speculator. Booking profit on the basis of percentage margin is result of calculated profit expectancy.
- **Short Term Trading:** 67 % clients are involved in intra-day or short term trading. Such trading is associated with fluctuation.

SUGGESTIONS

Based on the above drawbacks, following principles are very important for clients to earn return in stock market investment. Management of Mangal Keshav Securities can initiate the investment awareness campaign to educate them so as to benefit from opportunities in stock market.

- Investment should be always done with prior calculation of risk and return which involves careful analysis (Fundamental Analysis) of uncertainty associated with return from the stock investment.
- Research individual stocks by reading annual reports, quarterly reports and other documents.
- Investing for longer time minimizes the uncertainty associated with return.
- Always expect reasonable profit in any investment avenue, as investment is not the way of becoming rich in short time.
- Volume of trade should be small and total fund should be divided in various stocks to minimize the risk.

- Always aim at profit based on parentage margin on investment not on the total profit amount.
- Regular income is as well important in addition to capital gain. That means hold stock for long term to generate dividend as well as capital gain.
- Speculation is the symptoms of greed. It must be avoided at all. (DOS AND DON'TS IN THE SECONDARY MARKET, 2012)

CONCLUSION

Stock market is a risky investment avenue. To benefit from such risky investment avenue every investor needs to take extra care and do investment with patience. Such extra care involves extensive study of stock, industry and economy of the country. But reality is different from it.

Based on the above analysis, it is concluded that, majority of client are speculators rather than investors. They are doing stock market investment in very risky manner that does not guarantee the sure.

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