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A Study on Share Market Strategies

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Abstract

In India, gradually all capital market investment avenues are perceived by the investors. But the younger generation investors are willing to invest in capital market instruments and that too very highly in the stock market segment. Even though the knowledge of the investors in the Stock market segment is not adequate, they tend to take decisions with the help of the brokers or through their friends and are trying to invest in this market. This study was undertaken to find out the awareness level of various stock market instruments and also to find out their risk preference in various segments. It requires a lot of patience, discipline and knowledge of this market. Before actually starting to invest and trading in the stock market, it is good to understand some practices of stock market operations by investment aspirants.

Keywords: Share Market, Capital Growth

Introduction

A stock market, also known as a stock exchange, is a venue to trade securities, such as bonds and shares. Sellers of securities are matched with their buyers in a stock market and they trade with each other using rules imposed by the market's governing authority.

Stock markets began as physical locations where traders gathered buy and sell shares but most trades are now conducted online. Some markets like the National Association of Securities Dealers Automated Quotations (NASDAQ) do not have physical trading floors at all and all transactions occur online.

On the other side, stock markets generate profits for buyers of securities by making informed bets on growth prospects for these companies. These tasks are accomplished with the help of extensive regulation that govern trades and enforce mandatory disclosure of details from both sides. Depending on trading volume and economic conditions, stock markets can be bellwethers of the broader economy.

Share market plays a vital role in aiding the companies to raise capital for expansion and growth. Through IPOs, companies issue shares to the public and in turn receive funds that are used for various purposes. The company gets listed on the stock exchange after IPO and this provides an opportunity to even a common man to invest in the company. The visibility of the company increases as well.

You can be a trader or investor in the share market. Traders hold stocks for a short period of time whereas investors hold stocks for a longer duration. As per your financial needs, you can choose the investment product.

The Investors in the company can use this investment to fulfill their life goals. It's one of the major platforms for investment as it provides liquidity. For instance, you can buy or sell share anytime based on the need. That is, financial assets can be converted to cash anytime. It offers ample opportunities for wealth creation.

You know well that you can earn money by investing in shares. The following are the ways through which your money grows.

1. Dividends
2. Capital Growth
3. Buyback

Dividends

1. These are the profits the company earns and it is distributed as cash among the shareholders.
2. It is distributed according to the number of shares you own.

Capital Growth

Investment in equities/ shares leads to capital appreciation. The longer is the duration of investment, the higher the returns. Investment in stocks is associated with risks as well. Your risk appetite is based on your age, dependants and need. If you are young and don't have any dependants, you can invest more in equities to get more yield. But if you have dependants and commitments, you can allocate more portion of money to bonds and less to equity.

Buyback

The company buys back its share from the investors by paying a higher value than the market value. It buys back shares when it has a huge cash pile or to consolidate its ownership.

Conclusion

The empirical results in our study lead to three conclusions. First, based on the Granger causality tests, we produce mixed evidence on whether share performance index Granger-causes investment. In our data sample, we find empirical support for the Granger causality from the share performance index to total investment for Germany and France, and from the share performance index to equipment investment for France and the Netherlands. For all other countries, we uncover no evidence of Granger causality. Second, based on the impulse-response analysis, we establish that the share performance index is a good predictor for equipment investment in all five countries, France, Germany, Italy, the Netherlands, and the United Kingdom, and for total investment in four of these countries: France, Germany, Italy, and the Netherlt.

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