

**DO STOCK MARKET PARTICIPANT'S BACKGROUND RESEARCH TO STOCK  
RECOMMENDATIONS/TIPS GIVEN BY THEIR BROKERS – A STUDY OF TOP 5  
NATIONALISED BANK SCRIPS IN THE NATIONAL STOCK EXCHANGE**

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## **Abstract**

In the distinct area of marketing, numerous researches have been performed for justifying consumer satisfaction. Consumer satisfaction is considered as a quintessential ladder to the most cherished success for any industry. However, in terms of decision-making procedure, most of the stock investors are engaged in a noticeable portion of the process owing to the broad variety of goods and services available in contemporary financial markets. This study has aimed to analyse the participants' perspectives to do proper background research of the recommended stocks by the brokers. The objectives are formulated after thoroughly undergoing the research goals. For delving into the research aim in an unplumbed way, this study has tried to discover the most prevalent influencing factor of the decision-making process of the participants in stock investment. While moving along with the methodological choice, this paper has relied on the mixed method by taking into account both the qualitative and quantitative strategies to explore the issue more profoundly. An online survey has been conducted among 100 participants currently trading in the National Stock Exchange of India to make their standpoints the cornerstone of the study. Apart from that, an interview has also been organized with four top positioned sales and trading officers of the Indian respective banks. The findings of the study have been grounded in some of the essential factors that have either direct or indirect impact on the decision-making process of the participants, including trust between the clients and the brokers, cost, attractive portfolio, return amount, brokers' reputation, market perception, firms' perceived value, firms' image, etc. However, despite the unequivocal contribution of the brokers in influencing the participants' decision-making of investment, there is an indubitable need for the participants to research the background of the recommended stocks by the brokers before entering the stock market. Ultimately there are multiple empirical and theoretical reasons to perceive that participants' satisfaction impacts the stock prices to a great scale.

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Name: Shrinath Mirajkar

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## **Chapter 1: Introduction**

### **1.1 Research Rationale**

The Stock Market is defined as the share of the market or exchange of stocks worldwide. It is considered as the significant constituent of the capital market. The stock market is the organized market where purchasing and selling financial and industrial security occurs. The stock exchange is the most convenient place providing security for trading in a well-maintained systematic manner. It is defined as an intermediary of investment and facilitating the industrial and economic development of the countries in the world, such as India. The stock market of India, known as the National Stock exchange (NSE), is the leading exchange of stock across the country. The role of stock market investors is crucial in the trading business, and they contribute to the development of the economy of India (Fox, Glosten and Rauterberg, 2019). The investors are such participants of the business market who buys the company's share, such as banking institutions, manufacturing companies etc., for the long term when they believe that the institutions can earn high profits in future. The selling and purchasing of the company's security that is re-investment and dis-investment, can assist in the proposal of productive investment along with leading towards the formation of capital for the nation.

### **1.2 Problem Statement**

Many participants face major problems regarding the investment details of the stock exchanges, such as which they must buy shares or the profitable measures in trading the shares and many other essential factors. They eventually require a middleman to execute the process of trades, and these middlemen are called stock brokers. The participants can be any common man of the nation who wants to invest his/ her money in some stocks, but they do not possess adequate knowledge regarding the share market and also do not have enough time to gain sufficient

knowledge or look after the shares of the stocks in which they have invested. So the services of the stock brokers are preferred by most of the stock investors to achieve more profits. The services offered by the brokers are advisory services where the brokers provide expertise knowledge associated with the trading business of the stock market following their performance and trends of the market along with other essential factors. Apart from this, the participants also find difficulties finding the databases of the brokerage firms to which the investment process is related. The brokers possess access to such databases for an excellent investment (Vestman, 2019).

### **1.3 Research Scope**

The investors of the stock market must undergo certain factors before investing capital in stocks. The elements are security evaluation, risk-return measurement, dealing with irreversible decisions, and future performance prediction along with analysis of the requirement of participants such as expert knowledge, time and adequate capital. The scope of this study is that it provides the beneficiary aspects of investment analysis by ensuring the safety and security of the capital invested by the investors. The investment analysis is significant as it evaluates the risks associated with the stocks that may help mitigate such risks and exposures of income and capital. Stock brokers can guide the participants of the stock market in selecting the appropriate stock to establish a strong portfolio and guide them in enhancing the maximum return from the investment assets. They give an idea about various techniques and tools that can be utilized to earn profits. Therefore, the brokers' information can enable the participants to materialize certain beneficial decisions regarding the rotational investment to gain better returns and a very minimum amount of risk (Ahn et al., 2017).

## **1.4 Research Gap**

The research gap of this study is that the investment analysis of the participant's perspective is carried out only in accordance with India's top five banking sectors. Eventually, the other commercial Indian banks are left out and are not taken into consideration. Moreover, there are numerous other high-level banks in other countries that are also not considered in this research study. The research study is carried out from the customers' perspective as to how well they can earn benefits by investing in various stocks (Chetty, Sandor and Szeidl, 2017).

## **1.5 Research Structure**

In this section of the research study, the overall structure of the dissertation is provided that will assist the research scholar in undergoing the project work in a systematic manner. Therefore it is regarded as the significant part of the study work that possesses an aim for providing a brief description of the research study.

*Chapter 1:* This chapter is named Introduction. Here, the researcher introduces the main topic of research to the audience. The research rationale is included in this chapter, along with the problem statement addressing the issues and risks associated with the topic are mentioned along with the research scope for signifying the importance of the project work among the audience.

*Chapter 2:* The second chapter is termed as Literature review. It provides the elongated theoretical knowledge on the stock market investors and their relation with the stockbrokers by considering India's top 5 banking sectors. Moreover, a conceptual framework is also included in the literature review sector, which brings the structural; view of the important factors related to the study.

**Chapter 3:** The third chapter is named as research questions where the prime purpose and the appropriate objectives are formed by the research scholar on which the entire research study is dependent. The research question section is the most important part of the research study.

**Chapter 4:** The fourth chapter is the research methodology where the researcher had chosen appropriate methods for research such as research approach, strategy, design and ethics in order to conduct the research work.

**Chapter 5:** The fifth chapter is the results and findings where the research scholars have described the outcomes and findings generated from the overall study of the research work. It is the part where data collected from different sources are analysed and produces certain outcomes that justify the prime aim of the study.

**Chapter 6:** This chapter is called Discussion, where detailed information is discussed based on the relevant outcomes and findings

**Chapter 7:** It is the final chapter of the dissertation study termed Conclusion. It provides a strong and elongated conclusion depending on the entire parts of the dissertation project and recommends some beneficial strategies for productive and effective outcomes. In addition, this chapter also includes the future scope of the research work.

## **Chapter 2: Literature Review**

### **2.1 Overview**

This section of paper provides knowledge about the past related studies of the share market regarding participants' perspectives. The literature review of this paper shows the conceptual framework that elaborates the essential variables for the analysis section. This section of the paper also discusses the literature gap in detail.

### **2.2 Theoretical Framework**

#### **2.2.1 Background of Stock Market**

According to Fox, Glosten and Rauterberg, (2019), the stock market is the collection of the market where buying, issuing and selling of shares takes place. The financial activities can be done with the help of institutionalized formal exchanges which operates under the defined regulations. The stock market is an integral and indispensable component of the economy of a country. The stock market represents the aggregation of the buyers and sellers of the shares and not requires the physical location and the discrete entity.

Vestman (2019) stated that the stock market could be known by different names such as equity and share market. For the security which is traded to the stock exchange, the organization needs to be listed on the major stock exchange. The different stock exchanges and the interrelationship constitute the stock market system. Stock markets are also grown globally, which plays a significant role in developing and developed countries. *Ahn et al. (2017)* noted that the level at which individual participants is aware of available assets depends on the power of the supplier of an asset to spread information. The individual client can learn about the individual opportunities from the peers who have already learned about the equities. Chetty, Sandor, and Szeidl (2017)

stated that awareness has an influential factor on the participants because the probability of being informed is the incremental factor of the buying stock probability. Awareness is one of the strong factors of the investor's participation in the stock market. Trust, in the context of the stock market, has the subjective probability that an individual can be cheated during the transaction.



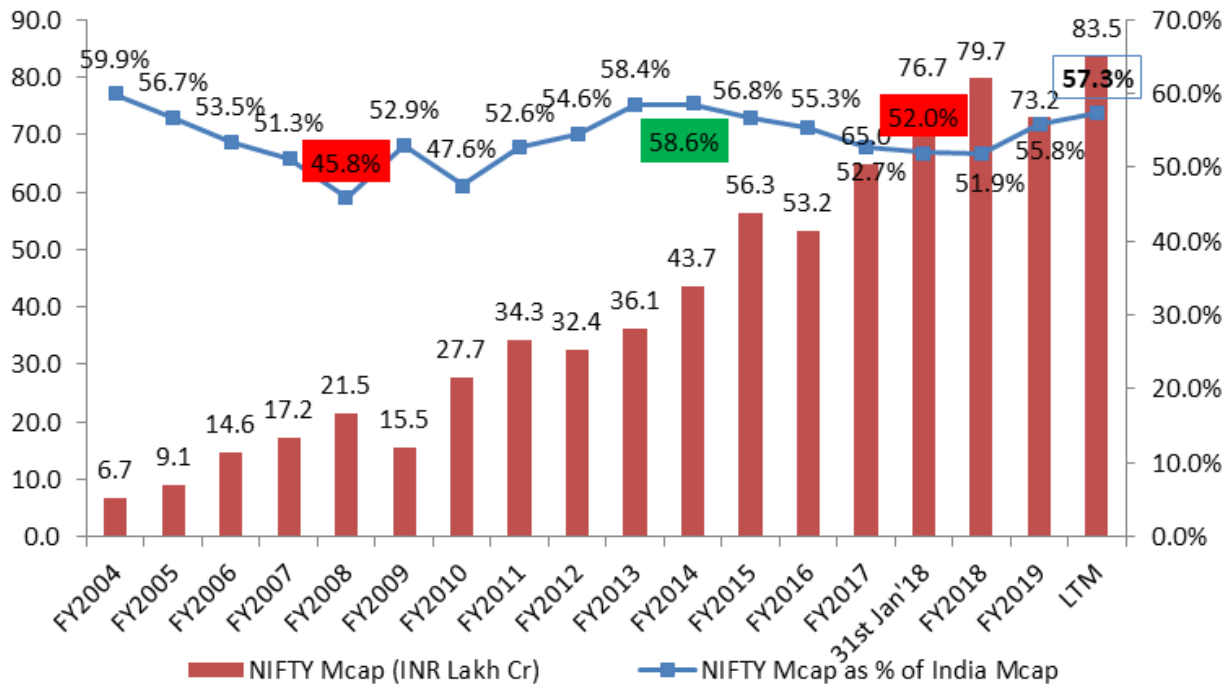
**Figure.1: Indian Stock Market**

(Source: Balaji, and Sivabalan, 2021)

According to Yamori and Ueyama (2021), trust encourages the client to invest in the stock market for the desired return amount. The high-level people stay out of the market even if they can afford the cost of the participation. Trust can be divided into two categories such as generalized trust and personalized trust. McDonald and Sandada (2018) noted that the participants could accept the vulnerabilities associated with the share market. Some of the trust

can be inherited in the relationship, and some of the participants' relationships with the stock market can be characterized with the help of complete contracting certainty.

Nadeem et al. (2020) stated that cost determines participants' entry into the stock market. The participation cost is the fixed entry amount, fixed and non-fixed transactions, as well as the trading cost per period. The transactional cost is associated with the participation of the share market that is the critical determinant of the present level of participation with the help of the individual. Gao, Meng, and Zhao (2019) stated that the transaction costs are not essential costs in the monetary value. This cost is necessary to determine the time spent by the participants for understanding the basic functions of the stock market such as price movement, trade, risk assessment and return relationship for the choice of the portfolio based on other activities.



**Figure.2: Stock Performance of Indian Stock Market**

(Source: Shah, 2020)



According to Niu et al. (2020), the individual participants have a direct negative relationship with the pattern of stock market participation. The wealthier and the educated people participate in the stock market, but information and the transaction cost are the two most important factors of the stock market. The reduction of the cost of participation enhances the rate of participation in the stock market. Briggs et al. (2015) stated that the investors with a high uncertainty level have not participated in the share market. The uncertainties occur from the negative perception. Participation in the stock is the import outcome for the financial status of the individual. There can be a substantial loss from not investing in the share market because the individual can get the equity premium which is an essential determinant of the long-term return to the savings amount of the participants. Investors are more sensitive in terms of losses compared to gains from the investment. The participants analyses gains and the losses over a short period of time, which is not, synchronized with the long-period investment goals.

Dominko and Verbič (2020) noted that making decisions about finance is a complex process because the participants need to manage the portfolio, which needs specific human investment in a specific time and the effort from the individual investors. Insufficient cognitive skill increases the cost of participation. The relationship among the reflection of cognitive affects the time and preferences of the risks. Rieger (2020) stated that handling the portfolio needs the specific investment of human capital regarding the effort and time to follow the development of the market, which helps to make financial decisions. The information cost is one of the crucial barriers in terms of entry into the stock market, and the low cognitive abilities increase the cost of the stock market.

According to Zhou (2020), the internet positively impacts participation in the share market. Young people are active traders with a high level of income who are traded online. The internet

provides a high flow of information which helps to make the financial decisions of the individual. The financial intermediation and exchanges are based on the information exchange with the help of electrical channels. Chu, Li and Zhang (2020) stated that most of the investors are switched to online because of high information flow. Online trading makes participate trade more actively, which is more profitable for the individual in terms of the return value.

### **2.2.2 Requirement of Trading**

According to Nadeem et al. (2020), the transaction network, electricity, and telecommunication need to be working correctly so that the payment can be transacted. The capital can be saved as well as channeled to the most portable investment options. The firms and the households can get help in managing the uncertainty in financial aspects, risks, and the spreading consumption over the time period. Share market is an essential aspect that provides the overall infrastructure for the society that contributes to the country's domestic economy.

Vaarmets, Liivamägi and Talpsepp, (2019) stated that the stock market allows the participants to enhance the expansion by selling the shares. Mobilizing savings for the participants' investment draw the savings and the share investment, which leads to the effective allocation of resources that is kept in the bank as-deposited fund. These savings amounts can be mobilized and redirected to the business operations by the benefits of various economic aspects for the significant growth of the economy and the practical productivity. D'Amico, Scocchera, and Storchi (2018) noted that the participants are shown the acquisition to develop a product line that increases the distribution channel, reduces volatility, and enhances the market share. The merger agreement with the help of the share market is the simple and common way to expanding the acquisition.



**Figure.3: Basic Requirement of Stock Trading**

(Source: Giannetti and Wang, 2016)

Based on the viewpoint of Mauricas, Darškuvienė and Marinicevaite, (2017), the stock market provides a comprehensive spectrum to the people to purchase the share, which is a significant part of the profit. The stock helps to decrease the considerable inequalities in income. With the help of the rise of stock price and the dividend, the casual and the professional stock investors get the chance to share in the profitability of the business, which other people create. According to Giannetti and Wang (2016), by providing the owners' significant scope, the participants can tend to enhance the management and the effectiveness for satisfying the demands of the return amount. The participant companies can improve explicit rules with the help of the public stock exchange and the administrator body of the respective country. Public companies have better management compared to public organizations with the use of the stock market. The investment in the share needs both large and small investments.

Therefore, the participants can invest in the shares for a better return amount. Thus, the share market provides an extra income source to the participants. Shin (2020) stated that the

government borrows money from the share market to invest in the infrastructure projects such as housing estate, water treatment, etc., by selling the bonds. These types of money can be increased with the help of the stock exchange so that the participants can buy these bonds. This process provides another source of income to the government, and the administrator does not need to increase the tax amount of people to invest in the development projects.

### **2.2.3 Role of Brokers**

In the opinion of Agliari, Naimzada and Pecora, (2018), the fund invested in the stock market is very remarkable among the operations of the business, and it is predicted to a certain degree on the recommendations provided by others. Most of the investors are non-professional, and they do not possess enough knowledge regarding the financial standards and also do not possess enough time. Therefore the investors depend on certain tips or recommended decisions for handling the investment of the investors. They require a middleman eventually with a high level of professional knowledge so that he/she can earn profits in the stock market. Such intermediaries are known as brokers of stocks whose main role relies upon the investment market, where they serve as an automated vehicle by which the investors can purchase and sell the stocks.

In most cases, it is seen that the brokers can execute the activities of investors on his/ her behalf to gain more benefits. Based on the viewpoints of Chen, and Ji (2017), there are some companies that work as brokers for the investors, such as Charles Schwab, E-TRADE, and other companies that can purchase the stocks on behalf of the non-professionals stock investors. There are many types of brokers, such as institutional stake-brokers, where they make capital from companies and other institutions by banking investment and charges of security placement like primary public offerings and secondary public offerings, services or advice, and professional knowledge and also other associated services.

On the other hand, Hong, Kubik and Stein (2004) stated that personal stock brokers generally offer services to personal investors or small-scale business firms. Many economists reported that the investors are majorly common people who are not professional with the financial standards of the stock exchange. In India, the investors can invest in the organization's stocks with the help of brokers, and they can execute the exchange of stocks. The stockbrokers of the institutional companies possess great companies and the institution as clients and conduct trade operations on behalf of the institution.

According to Epaphra and Kiwia (2021), the market participants depend on the knowledge and expertise of the brokers associated with the dynamics of the market for investing in all types of stocks along with options of investment. The share brokers can operate individually and can be regarded as a portion of the firm of brokerage. The brokers of the share market are considered as being dominated by discount brokers. These brokers have mustered wide popularity due to the lowest charges that make the investors interested in contacting them, and the brokers become accessible to the laymen. The main difference between regular stockbrokers and discount broker depends on the requirement of possessing profuse knowledge regarding the stock marketing operations, and also, the share brokers may undergo various examination schedules while all these terms are not necessary for a discount broker.

Bogan (2008) noted that an investor who is wishing for an avenue for investment should greatly be facilitated by taking help from a broker, as they usually tend to keep the related data updated with current happenings and trends in the business stock market. Also, according to the laws, the broker holds fiduciary responsibilities for advising the investor or market participants for the best interest of the individuals. Dominko and Verbič (2020) stated that every stock broker, also known as financial advisors of investors, had to obey the fiduciary duties towards their clients or

the investors. Fiduciary responsibility is referred to as a legal set of duties subjected to an entity or person so that a trustworthy relationship remains between the clients and the brokers. The duty of fiduciary varies significantly from a term known as suitability standard that is defined as lower accountability form. The investors must be well aware of these duties because there are many cases where the stock brokers had failed to follow these acts and had breach fiduciary duty. Some very common instances of breaching such responsibility by the brokers or the financial advisors are an act of failure in the best interest of clients or consumers, failure to disclose confidential data, working with the interest of conflict, outright negligence, etc.

According to Pan, Wu, and Zhang (2020), brokers must follow the sustainability obligations. They only have to produce some consistent recommendations with preferences and the needs of underlying consumers. The activities of brokers are maintained and regulated by Financial Industry Regulatory Authority (FINRA) under certain standards, which require creating appropriate recommendations to the existing investors. Many investors are new to the stock market industry and they have no idea whether to deal with a bounded person to the responsibilities associated with a fiduciary concern or the standards of sustainability.

In the views of Thomsett (2017), the brokers help the investors to build an attractive portfolio. They also help select the collection of the clients or the market participants regarding stocks of various commodities of mutual funds and stocks of blue chips, etc.; their concern depends on the financial institution providing a paycheck. Apart from this, the brokers hold specific roles other than a stock exchange in the life of the investors or the clients, such as mortgaging brokers, real-estate brokers, forex brokers, insurance brokers and many others. The mortgaging brokers can guide the investors via selecting appropriate packages of mortgages and competitive offers of packages. The broker also offers specific financial advice associated with the property that is

mortgaged. The brokers of real estate find those customers who want to trade with the land property.

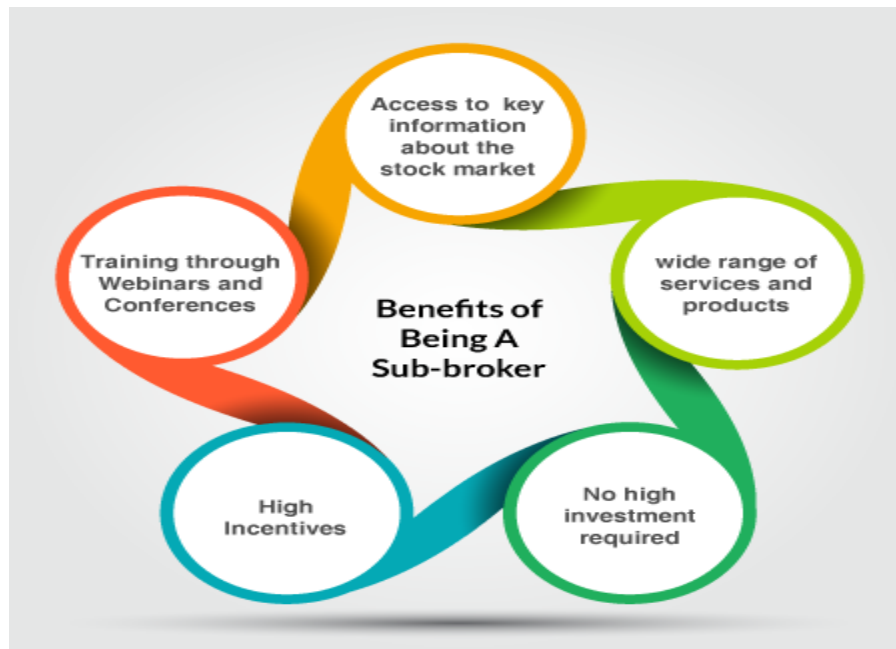
#### **2.2.4 Reputation of Brokers**

According to Beaubrun-Diant and Maury (2016), stockbrokers are also known as registered representatives or financial advisors, are considered regulated brokers or dealers associated with specific financial advice and investment management services by executing financial transactions like selling and purchasing of stocks. The broker guides the stock investments to the investors. Yuan (2018) stated that the broker's reputation predicts the prospect of the stock market and its participation. The importance can affect the capability of collecting the financial resources and the survival of the broker. Reputation is the central function of the financial market.

The stock's performance shows the assumption about the investors, the credibility of the economic forecast, and the capacity for delivering the return amount in the upcoming time. The rumors diffusion is the challenging aspect for the brokers in terms of quality offerings which negatively affect the value of the stock. Fox, Glosten and Rauterberg (2019) noted that the excellent reputation of the broker could help to become the investment choice for the participants. This factor enhances the ability to attract the participants, and the broker can offer the shares at a lower cost than the rivals. The market perception can influence the demand level of the shares.

Vestman (2019) stated that the brokers with a strong reputation could face market volatility compared to the weaker reputations. During the market crisis, the reputation acts as the reservoir of goodwill, which helps the broker recover the shares compared to the ineffective agents. The

well-reputed broker can enjoy a fast recovery and less suffers from the stock market crashes due to the corporate crisis. According to *Ahn et al. (2017)*, the highly reputed brokers can be beneficial in several ways based on the interaction with the participants and the buy-side analysis.



**Figure.4: Benefits of Being a Broker**

(Source: Fox, Glosten and Rauterberg, 2019)

The broker's primary role is to analyse the companies' financial figures and predict the future return amount of the shares. Chetty, Sandor, and Szeidl (2017) stated that the broker reputation is the key that helps to influence the participants' decisions of the share market. The participants need to consider the respected name of the broker and the regulator before consulting with the agent. The reputation of the broker is subjective, and the feedback of the stock market can be incorrect. The traders and other investors can provide input in terms of the broker's reputation to the stock market participants. Yamori and Ueyama (2021) noted that the participants could check



the importance and the news about the particular broker from the website in this technological era.

### **2.2.5 Nationalized Banks of India**

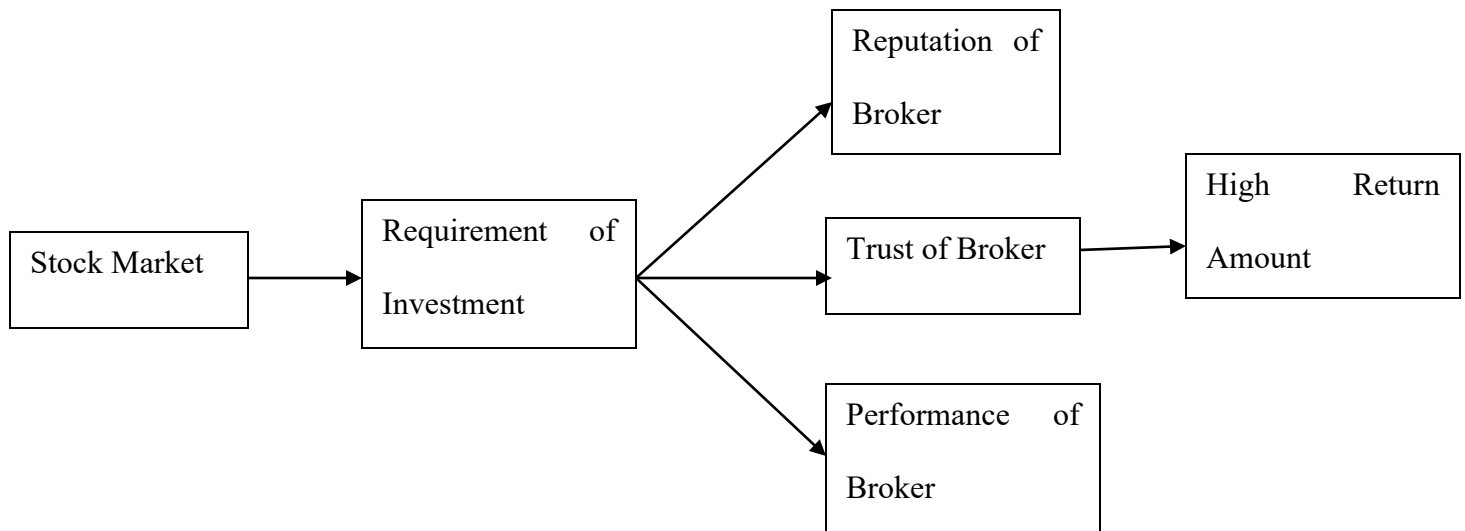
According to McDonald and Sandada (2018), many financial institutions have come to execute several economic activities over the last few years. Most financial institutions operate at the national level, and other institutions are working at the state level. All India financial institution contains the banks, financial institution and investment institution. The state-level financial institution controls the state finance corporation and state industrial development corporation. Nadeem et al. (2020) stated that all Indian development banks have an important position in finance, as the primary source is the long-term finance of the projects to the industry. IFCI, IDBI, and IRBI are established under several parliament acts. The ICICI was established as the limited public organization under the companies ACT.

Gao, Meng and Zhao, (2019) noted that the banking shares are the lifeline of the stock exchange market of India. This market invested more than 2 lacks crore in the banking sector of this country. Due to this reason, the Sensex of this country has increased up to 3,000 marks. The stock of the banking sector increases the competition of the participants. The RBI changes the policies of the banking sector constantly. These factors put pressure on the banks in terms of effective performance and mitigate the problems of bad loans. The RBI issues a new license for increasing financial inclusion. This enhancing inclusion drives the price of the stocks of the banking sector in India. This new financial institution offers better opportunities to the customers while the existing banks provide new opportunities. This healthy competition helps to improve the stock value of the banking sector.

Based on the viewpoint of Niu et al. (2020), under the PMJDY, the government allows the banks to open zero-balance accounts. In February 2018, more than 300 million new accounts were opened under this scheme with a deposited value of Rs 74,534.79 Cr. This factor increases the value of the banking stock. The government of this country identified financial inclusion, and the PMJDY schemes allow participants to buy more shares of the banking sector. Therefore, the banking sector plays a significant role in terms of contributing to the economy of India. Holding the banking shares during the inclusion, the participants can earn more return amounts compared to other shares. According to Briggs et al. (2015), the government of this country is merged the non-performing banks with high-capitalization banks, which offers a high amount of return to the participants of the share market. More than five banks have already integrated with the SBI. This factor has a positive impact on the economy of this country. On the other hand, Dominko and Verbič (2020) stated that the recent fraud in PNB has lower the valuation of most of the banks of India, but at the same time, this factor reduces the shares of the banks. PNB can cover the bad debts and increases the valuation in the upcoming time. The participants can determine the undervalued stocks of the financial institution, purchase the share at a lower price, and hold the shares for long-term for a high return amount.

Rieger (2020) noted that private banks and public sector banks are the top contributors to the stock market in value-based buying. The shares of the private banks increase by eight per cent in the intra-day trade before the ending price of seven per cent. HDFC, ICICI, and Axis Bank have the highest range from 2.5% to 4.5% as 1.74% rises in the benchmark. The ICICI Bank and the Federal Bank have gained 1% and 0.25%. The present buying in the sector is enormous because of the rotation of the industry, as this sector does not have any new triggers like credit growth, bad loans, and macro situations.

## 2.3 Conceptual Framework



**Figure.5: Conceptual Framework**

According to the above figure, the participants need to identify the investment required in the stock market. The recommendation and the broker's tips depend on the agent's trust, reputation, and performance. These factors help the participants to get the return amount from the investment in the stocks. The participants can invest in the share market. Still, the participants need to have sufficient information about the stocks and the time for continuously checking the stock price. These are crucial for the individual participants to get a significant amount of the return value from the stocks. The individual participants need to analyse the past performance of the organization before purchasing any shares. The brokers do these activities to recommend the most suitable options for the investment.

## 2.4 Literature Gap

The literature of this study focuses on the perspective of the participants of the stock market. This section does not provide any information about the company and the broker's perspective on the stock market's investment. Therefore, this point is considered as the literature gap of this study. Apart from this, the study provides information about the banking sector, and this sector

does not discuss the other industry of this country. Thus, this factor also considers as the literature gap. This paper takes India into account and does not provide any knowledge about other countries. Therefore, this factor is the literature gap of this paper (Zhou, 2020).

## **2.5 Summary**

The stock market is another investment option for the participants, and they can get a high amount of return value from investing in the potential shares. The broker plays a huge role in influencing the investment of the participants. The influencing factors of the broker are reputation, trust, and the prediction ability for future return. Under this standard, any individual or the operating institution or companies require to make successful suggestions that justify the investor's interest and assist them in gaining benefits. The government of India implements several policies that improve the performance of the banks, which enhances the shares price of the financial institution. Merging the non-performing to other banks is the most beneficial government initiative that helps the participants get the high return amount in future time.

## **Chapter 3: Aim, Objective and Research Question**

### **3.1 Research Aim and Objective**

The primary aim of this research paper is to analyse the participant's perspective for doing the background research to the stock recommendation by the broker. Based on the focal point of the study, the researcher constructs the objectives, which are showing below:

- To identify the participant's perspective for doing the background research to the stock recommendation by the broker
- To determine the factors that influence the participants while investing in the stock market
- To evaluate the importance of participants to do the background research of the stock recommendation provided by brokers with the help of five nationalized banks of India

### **3.2 Research Question**

**What is the importance and what are the implications of conducting background research of the broker's stock recommendations**

- What are the factors that influence the participants while investing in the stock market?
- What is the participants' importance to do the background research of stock recommendations provided by the broker with the help of five nationalized banks of India?

## **Chapter.4 Research Methodology**

### **4.1 Overview**

This research methodology chapter is the most crucial part of a research study. In this part, research scholars can select proper research methods for completing the research study adequately. Moreover, a scholar designs a plan on how to precede the current research to achieve the required outcome. The theories and factors implemented in this part provide an in-depth understanding of the chosen research topic. A scholar has successfully analysed the research topic using the appropriate research methods. Thus, it is essential for the research scholar to appropriately select research methods for completing the study and attaining the desired result. With the selected research methods, the research scholar of this particular study evaluated and analysed the background research on recommendations given by the broker on their stock market participants.

### **4.2 Research Philosophy**

Research philosophy in the research methodology chapter provides information to the scholars that help them to structure their research study. In simple words, research philosophy helps determine an adequate manner to gain information on the selected study topic. It is also supportive in clarifying the procedure of estimation, which the research scholar has undertaken. Apart from that, it gives a brief explanation about the nature and aspect of the information, i.e., whether the information is theoretical, numerical, or graphical. In addition, a discussion has been made; about the development of data and the manner in which it can be utilized in the research (Cazeaux, 2017).

The research philosophy is of four types; Realism, Interpretivism, pragmatism, and positivism. In realism, an adequate method can be used for the chosen research topic that can be either quantitative or qualitative. In Interpretivism, the samples taken are small in size but should have depth information present in it, and to do so, the data is scrutinized minutely. However, in pragmatism, the scholar can use more than one method simultaneously and a mixture of them (both qualitative and quantitative approaches). Lastly, in positivism philosophy, the scholar has to utilize a large sample size with the help of a quantitative approach as it depends on measurement. Based on the definition of all the research philosophies, pragmatism philosophy is chosen to analyse the chosen research topic with the help of both quantitative and qualitative approaches.

#### **4.3 Research Approach**

The manner that the research scholar conducts this particular research study is known as the research approach. The research scholar has to select an appropriate approach that determines the success of the given project. This part is also important in the research methodology chapter as it plays a key role in systematically running the research study, helping scholars answer the developed research questions (Alase, 2017). Thus, a scholar's meaningful duty is to choose a practical and adequate investigation method to positively carry out the exploration study. There are three kinds of research approach; they are deductive, inductive, and abductive research approaches. The deductive exploration method aims to develop and also analyse the theory with the help of present philosophies. In contrast, the inductive research method mainly emphasizes the development of new theories using reliable documents. Additionally, the abductive research method is a combination of both deductive and inductive approaches. Considering analyzing the

current investigation subject, the researcher of this study has selected an inductive approach to attain this study's fruitful outcome.

#### **4.4 Research Strategy**

This part helps the researcher structure their data gathering approaches; therefore, it is one of the crucial parts of this research methodology section. Therefore, the research scholar must select an applicable research tactic to execute in this study (Moeini, Rahrovani and Chan, 2019). Two types of strategies are available for the research scholar, such as qualitative and quantitative research strategies. From the above point, it is clear that the scholar has selected both these research strategies. Furthermore, to collect necessary evidence from reliable bases, the research scholar has organized an online assessment amongst the 100 participants who trade in National Stock Exchange to accumulate their viewpoints on whether a recommendation from their brokers is essential for the stock market participants. Moreover, the scholar has also conducted an interview session with four trading and sales officers of Indian respective banks, which helps collect and authenticate information for this research topic.

The survey questionnaire comprises some close-ended questions from which the research scholar can gain knowledge about likes and dislikes and other valuable information about the topic. On the other hand, secondary approaches were implemented by gathering information from the literature or research papers related to the topic and analyse them to find information regarding the research. This is why a quantitative approach is chosen. A survey and interview are conducted with traders to clarify exact factors valuable for the participants by the recommendation provided by their fund managers or consultants. Moreover, some pieces of literature are also gathered to get a clear idea of the subject matter.



#### **4.5 Data Collection Process**

It is already mentioned in the research strategy that primary and secondary approaches are taken. However, it can be precise that the quantitative approach is more valuable and practical in nature because the scholar is provided with the real thought process of individuals with the help of a survey questionnaire (Aguinis, Hill and Bailey, 2019). For this particular study, both male and female participants were selected as samples. Further, an online survey has been done among the participants who are regular traders in the NSE. It has made the procedure of collecting data simply due to the loyal behaviour of the participants. It made the research scholar better understand what they think about the recommendation given by their brokers; is it effective to them, or do they not prefer to consult with brokers before trading in the stock market. In addition, the research scholar has also conducted interview sessions between five sales and trading officers from several top banks in India, including PNB, SBI, and more. This process has been done by providing few open-ended questions for these interview sessions; therefore, the scholar has used the explanatory nature of research to meet the objectives significantly.

#### **4.6 Data Analysis Techniques**

With the implementation of effective data analysis techniques, the scholar analysed the gathered data to achieve the desired outcome. Therefore, the scholar of this study has utilized several information exploration methods to evaluate the assembled data. The research academic has been collecting essential data from primary and secondary sources (Kim and Wang, 2019). The use of the SPSS data analysis tool has been crucial to analyse the quantitative data. Moreover, the collected data has been successfully analysed in a descriptive way utilizing graphs, charts, tables, and bar diagrams. Apart from this tool, the scholar has also utilized the thematic analytical tool to effectively analyse the collected information that is attracted through an interview session.

Both these analysis tools have helped the research scholar to analyse the data for attaining research objectives adequately.

#### **4.7 Sampling Size and Method**

Sampling practices have been playing a crucial role while gathering information from the population sample. There are two types of methods that can be used for sampling; probability and non-probability sampling (Wilson et al., 2020). As 100 participants were selected for this online survey through ‘Survey Monkey,’ one of the sampling methods, probability or random sampling, is used to efficiently gather their opinions for analyzing the research topic. It means that a hundred participants are selected based on random from different parts of the country dealing or trading in the stock exchange market. Using the random sampling technique, each participant got an equal opportunity to take part in the online survey.

#### **4.8 Research Ethics**

While preparing a research study, a research scholar must conduct it honestly and ethically. Therefore, research ethics are essential factors throughout the research work. While collecting the data, the scholar has been impartial concerning the gender, age, background, occupation, or income level (Mertens, 2018). The practices of gender-biased have been avoided by the scholar while continuing the collection work. Moreover, the secondary data are gathered from authentic sources, from recent articles and journals on this particular topic, avoiding misinformation. The primary data collected for the research purpose was executed after consulting with the participants and interviewees about the reason for collecting those data. It is also vital for research scholars to destroy the data used in this particular study to prevent further data usage for any purpose.

#### **4.9 Research Limitation**

While conducting this research study, the research scholar faced several obstacles, which have impacted the result of this paper. The main limitations were the limited budget and the timeframe assigned for this research project. Moreover, the research study was done through a secondary data collection method, which required authentication and charges to access some sites.

#### **4.10 Summary**

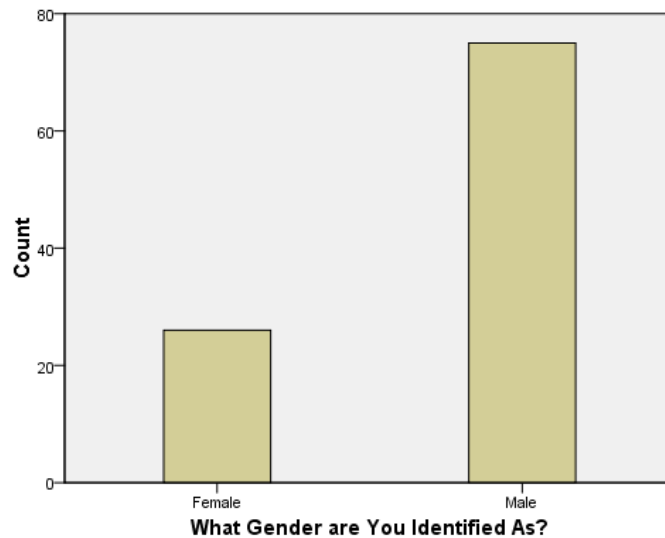
Quantitative and qualitative approaches were taken to gather the data from primary and secondary sources, which helped the scholar to complete the research study successfully. In addition, specific research methods like the inductive approach and pragmatism philosophy have been utilized to develop authentic knowledge about the views on the essentiality of broker's recommendations about the stock market to their clients or participants. The online survey questionnaire through survey monkey has been conducted to collect primary data considering the crucial factors for this particular research study. At the same time, the secondary and primary data have been analysed using the SPSS and thematic tools for accurate and effective evaluation required for this study.

## Chapter.5 Analysis and Findings

### 5.1 Overview

This research study aims to analyse the influence of broker's recommendations on stocks to the participants related to their background study. The scholar has chosen the primary data collection method to collect authentic information to analyse the research topic. In the qualitative primary data collection process, the scholar distributed an online close-ended questionnaire for 100 sample respondents to accumulate their responses to every question. After collecting the information, the scholar recorded the responses in the SPSS tool for analysis, and the scholar descriptively interpreted the gathered data using graphs.

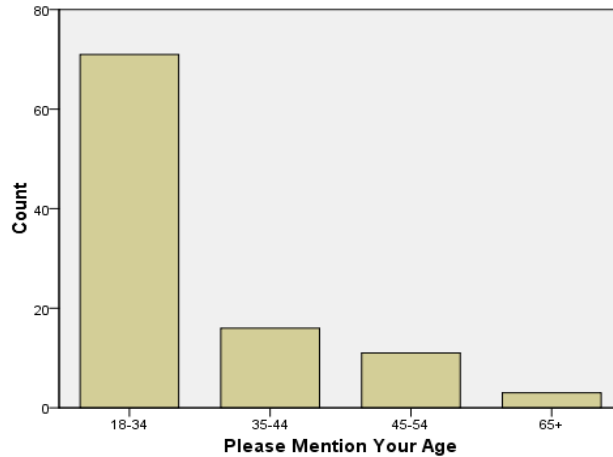
### 5.2 Quantitative Analysis



**Figure.6: Gender of the Respondents**

The scholar has organised and conducted an online survey among the participants trading in the stock from different geographic regions to analyse the quantitative collected data. Figure 2 shows the gender of respondents, which is included in the questionnaire. Based on the figure, it can be

asserted that the majority of the respondents for the purpose of this survey were male. Seventy-four percent of the respondents were male, and 24 percent were females in this survey.



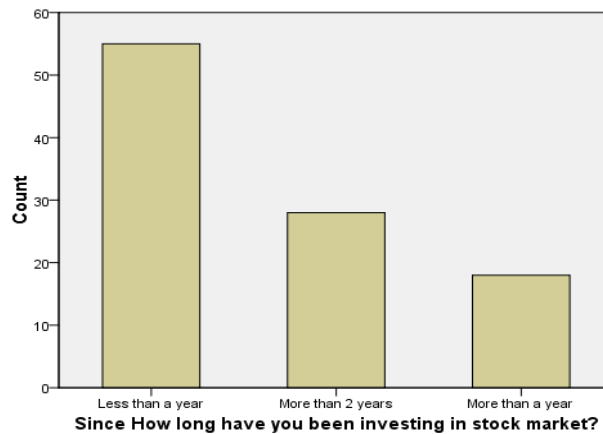
**Figure.7: Age of the Respondents**

The scholar has organised and conducted an online survey among the participants trading in the stock from different geographic regions to analyse the quantitative collected data. Figure 3 shows the age of respondents, which is included in the questionnaire. Based on the figure, it can be asserted that the majority of the respondents for the purpose of this survey were male. Seventy-four percent of the respondents were male, and 24 percent were females in this survey.



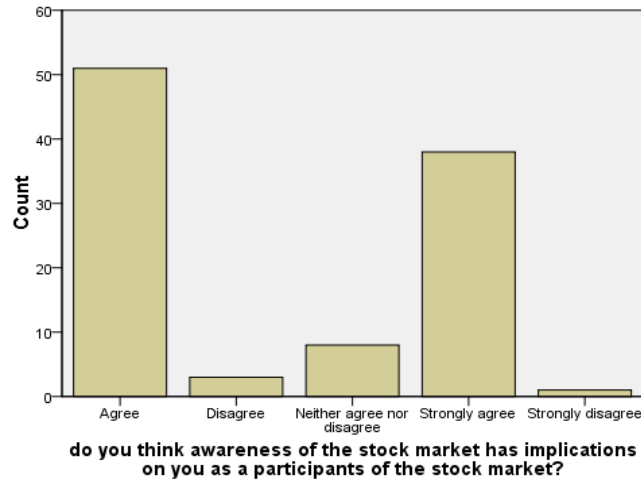
**Figure.8: Occupation of the Respondents**

The information about the participants' occupations involved in the survey questionnaire is shown in the above figure. According to figure 4, the highest qualification group from the sample respondents has been associated with full-time employment or self-employed. The respondent who has full-time employment was recorded to be 46 percent and 29 percent self-employed. However, only 10 percent and 15 percent of respondents were working part-time or were unemployed.



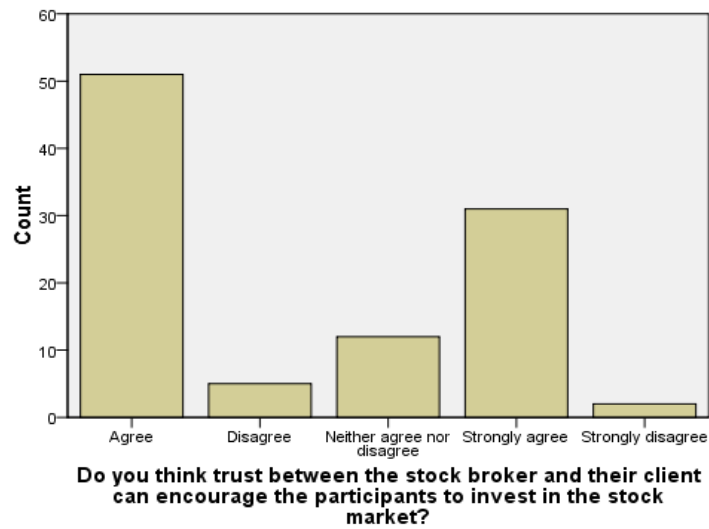
**Figure.9: Working in Stock Market Sector**

The questionnaire was set to know the duration of the participants in the stock market. The above figure represents that the participants selected for this questionnaire, who were trading in the stock market for less than one year. Fifty-six percent of the respondents were involved in trading for less than a year. Eighteen percent of participants have been trading for more than a year; similarly, 26 percent has started trading in stocks for more than two years.



**Figure.10: Awareness of the Stock Market**

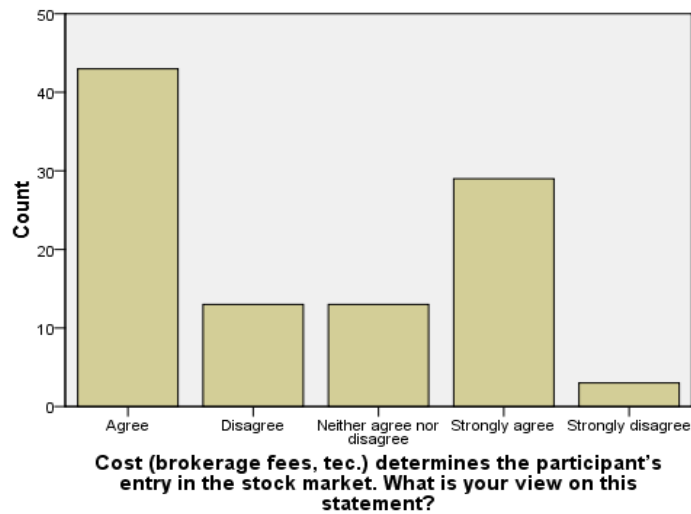
Stock market awareness has important implications for the participants to understand the stockholding puzzle and estimate costs. The majority of the sample respondents agree and strongly agree that stock participants should have awareness about the stock market and its opportunities and threats to the participants. Based on figure 6, 50 per cent agree with the questionnaire, and 38 per cent strongly agree. Eight per cent of the participants among 100 remained neutral, with 4 per cent of respondents disagreeing and strongly disagreeing that stock market awareness has implications on the participants of the stock market.



**Figure.11: Trust between Participants and Broker**

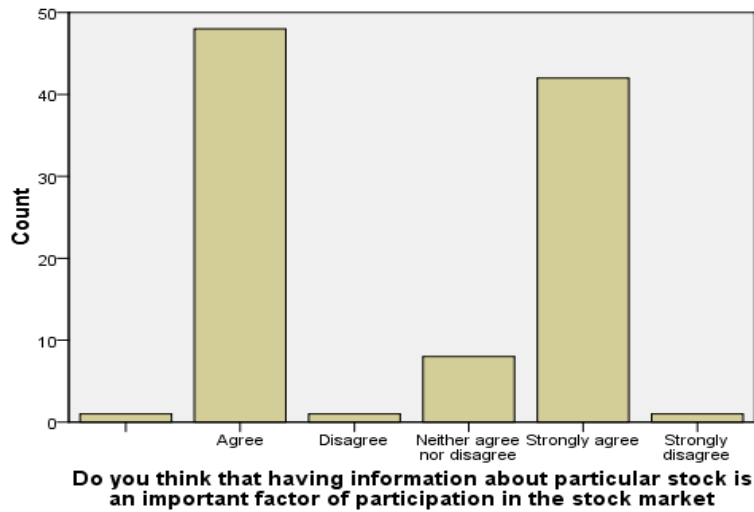
Every broker and participant must have faith in each other. The stock participants depend on the broker to get positive returns on their stock investment. It is due to the trust; participants are willing to invest in high-risk stocks, which can have a negative impact on the trust between broker and participant. Figure 7 shows that 51 per cent agree and 30 per cent strongly agree that encouragement is increased to make a stock investment with the growth of trust among the participants and the broker. Moreover, only 5 per cent and 2 per cent, out of 100 sample respondents, disagreed with the particular questionnaire.





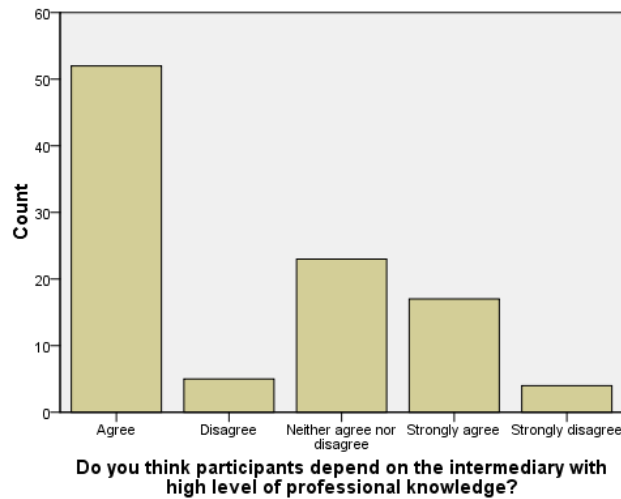
**Figure.12: Stock Market Entry Cost**

When stock participants purchase stocks, the cost has two components: the stock price and brokers' fee. Moreover, the brokerage charge for their services is not constant and differs from one broker to another. It can be seen in the figure that the majority of sample respondents agreed with the fact that brokerage fees can have an impact on the decision-making of the participants to enter or exit the stock market. The graph shows 43 per cent of participants agree with this particular questionnaire and 28 per cent strongly agreed with this statement. However, in total, only 16 per cent of participants disagreed with the specific statement that cost or broker's fee determines the participant's entry into the stock market.



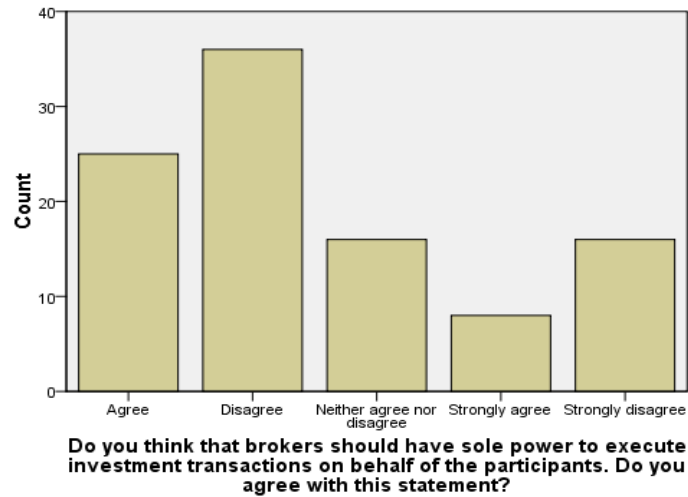
**Figure.13: Information about Particular Stock**

The stock market is a significant economic indicator for every nation’s economy. Gaining knowledge about the particular stock helps a participant determine how well all the listed companies perform. If participants are confident, they may buy stocks of a particular company, stock their mutual funds, or stock options. According to figure 9, 47 per cent agree with the questionnaire, and 42 per cent strongly agreed that gaining knowledge about a particular stock is vital for participants trading in the stock market. In addition, 8 per cent of respondents were neutral, and only 2 per cent of the participants disagree or strongly disagreed with the above statement.



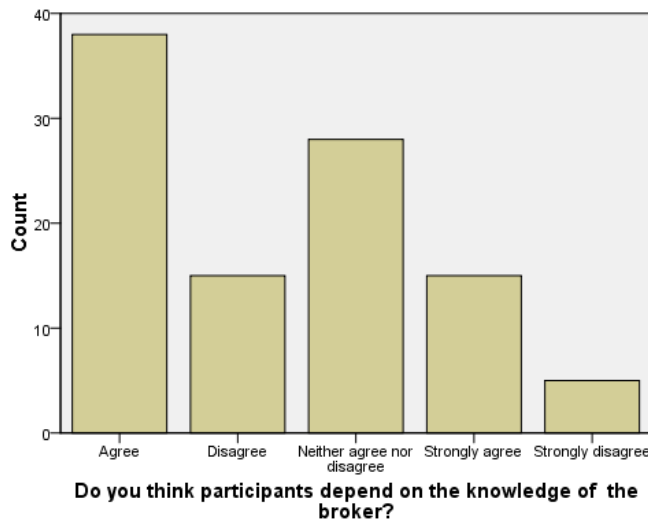
**Figure.14: Depending on Professional Knowledge**

Stock market intermediary often provides the participants with valuable advantages. They make it easier for participants to find the stock they require setting the standards and enabling comparison trading. Based on this particular open-ended question, the majority of participants, i.e., 52 per cent, claimed to be agreed with the fact that intermediaries should have adequate knowledge to provide high-quality services. Supporting this fact, 17 per cent of respondents strongly agreed with the agreed participants. It can be seen that only 5 per cent disagreed and 4 per cent strongly disagreed because there are some factors to be considered which can hurt the stock participants.



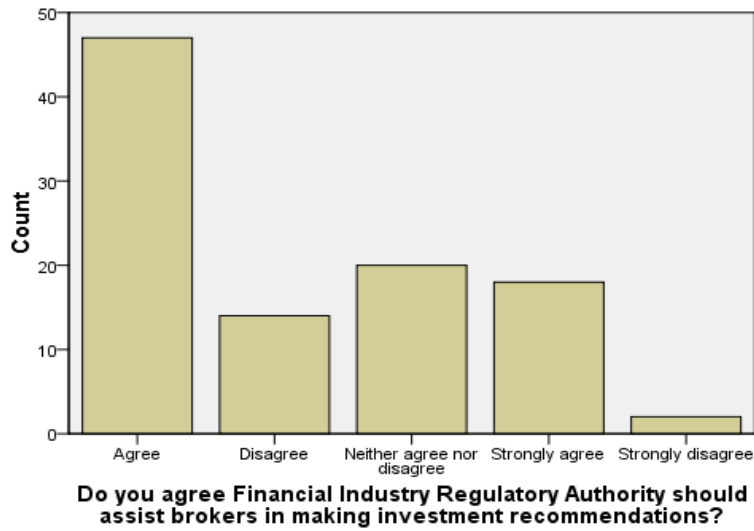
**Figure.15: Sole Power of Broker**

Brokers have the power to facilitate the buying and selling of stocks at the stock markets on behalf of the participants. However, it does not necessarily mean brokers must have the single power to transact the investment for their clients; participants with information and knowledge about the particular should execute transaction stock trading. Therefore, it can be seen in figure 11 that the majority of respondents, i.e., 35 per cent, have disagreed with this particular question. However, 24 per cent of the participants also agreed with the questionnaire; these participants can be the ones who have less knowledge about the stock market transactions.



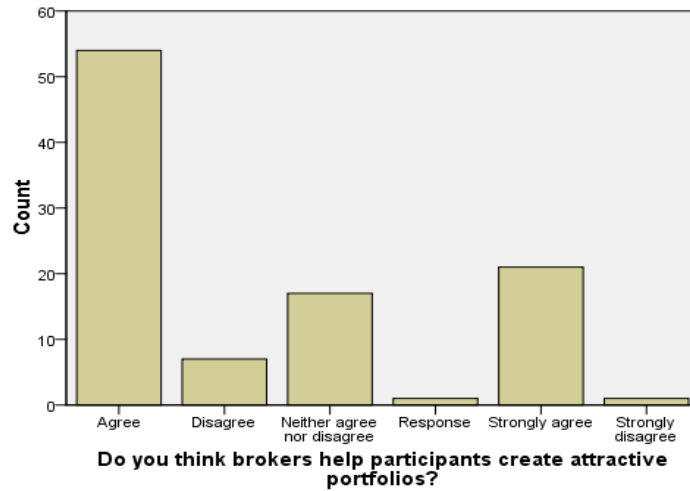
**Figure.16: Depending on Knowledge of the Broker**

Many stock market participants depend on the brokers' professional knowledge and experience, which allows them to know the market dynamics and invest in securities. 28 per cent of the respondents remained neutral while providing the answer to this particular question. Thirty-seven per cent believed that broker's knowledge is crucial for the participants to finalize their decision for stock market trading, with 15 per cent strongly agreeing to this statement. However, 15 people out of 100 have disagreed; this can be because some participants research and develop their own knowledge about the particular market and do not depend on the broker largely.



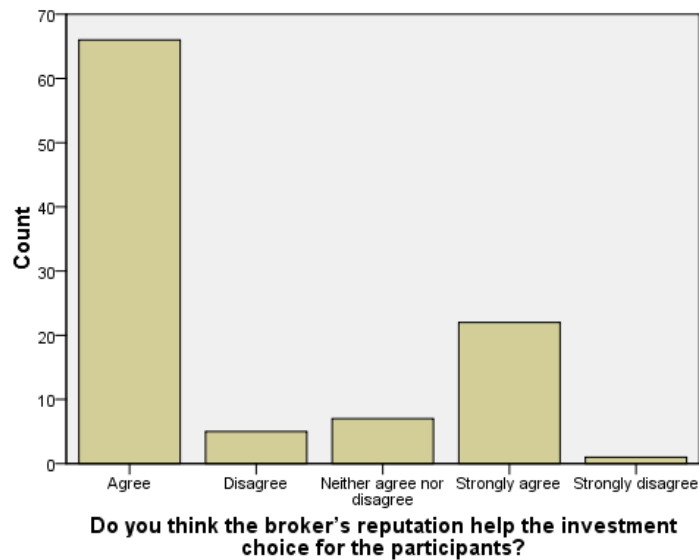
**Figure.17: Financial Industry Regulatory Authority**

Financial industry regulatory authority protects investors by ensuring the dealer-broker sector operates with integrity and honesty. FINRA helps brokers to analyse billions of market events daily. According to figure 13, 46 participants agree that FINRA should assist brokers in making investment recommendations which will be helpful for their clients as well. Moreover, 18 per cent of respondents also strongly agreed with the question. However, only a few participants, i.e. 14 and 2 per cent, disagreed and strongly disagreed, respectively, with this particular question.



**Figure.18: Creating Attractive Portfolio**

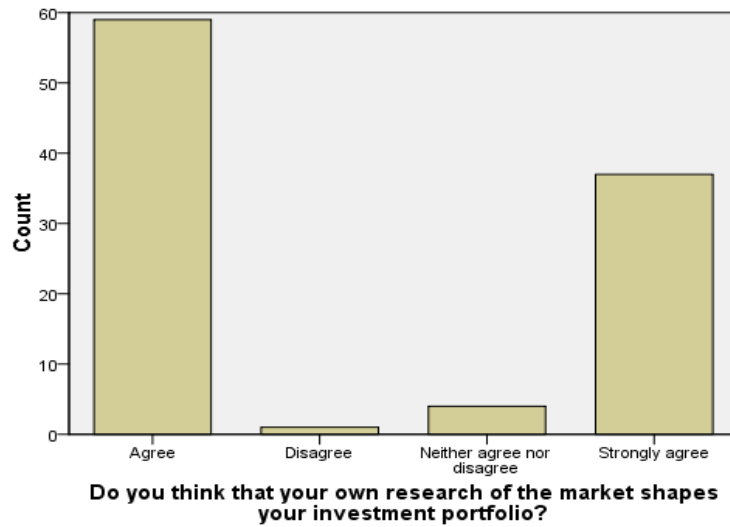
A brokerage firm provides many financial services; additionally, it allows participants to buy and sell stocks. Moreover, brokers create an attractive portfolio for their clients; they provide financial planning and consulting services with additional trust ad wealth management services. With this fact, it can be asserted that brokers do help participants create attractive portfolios, and 54 per cent of respondents agreed with this statement, along with 21 per cent who strongly agreed to it. Seventeen per cent neither agreed nor disagreed with the particular question. Only a few respondents, that is, 7 per cent and 1 per cent respondents, thought brokers do not create attractive portfolios for the participants.



**Figure.19: Reputation of the Broker**

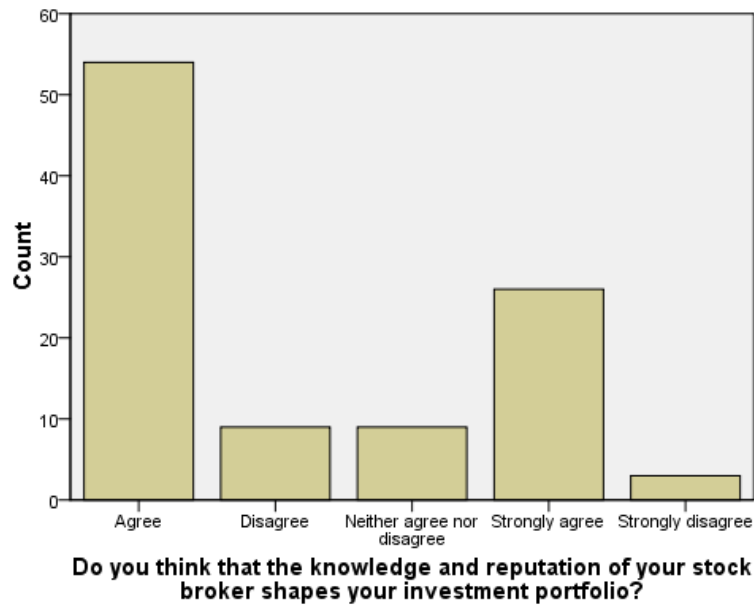
Participants must look after the reputation of brokers before making the investment choice. There have been recent cases about the brokers that brought trouble to the participants. Therefore, participants must consider whether the broker's name is respected in the particular market and what the feedback of customers and regulators about them are. Figure 15 shows 65 per cent of the sample respondents have agreed that the broker's reputation is helpful for the participants to improve their investment decision. Twenty-two per cent strongly agreed with the statement, and 7 per cent were neutral while providing the information. But 7 per cent and 1 per cent of respondents also have disagreed with the particular open-ended question.





**Figure.20: Own Research of the Market Shape**

There are participants that research and create their own structure on their investment portfolio. Participants can decide on the capacity of help they need from the intermediaries and choose an account that works towards their objectives. Participants also research the particular market to select the investment considering the risk tolerance. However, 58 per cent and 37 per cent of the sample respondents to this online survey agreed with the particular open-ended question. There was only 1 per cent of respondents, who disagreed with the statement, and no one from the 100 respondents claimed this statement to disagree.



**Figure.21: Knowledge and Reputation of Stock Broker**

Figure 17 shows that the majority of respondents, that is, 53 per cent thinks the knowledge and reputation of the broker do shape the participant's investment portfolio. Many stockbrokers can help participants determine which stocks have the better upside. Every participant follows Well-reputed and knowledgeable stockbrokers. Only 9 per cent disagreed, and 3 per cent of the respondents strongly disagreed with this particular statement in the questionnaire. These respondents have disagreed and think stockbroker reputation and knowledge do not shape the investment portfolio of the participants.

## **5.2.1 Statistical Analysis**

### **5.2.1.1 Descriptive Statistics Analysis**

The statistical analysis of this dissertation shows the pattern and trend of the survey and summarizes the respondents' points of view. For the descriptive statistics, the author transforms the non-numeric survey data into numeric values such as one shows the strongly agree whereas

two offers agreed on option. On the other hand, three indicates the no view, and four represents the disagree option. Finally, value five shows the strongly disagree option.

Descriptive Statistics							
	N	Range	Sum	Mean		Std.	Variance
	Statistic	Statistic	Statistic	Statistic	Std. Error	Deviation	Statistic
						Statistic	Statistic
Awareness	100	4	179	1.79	.080	.795	.632
Trust	100	4	198	1.98	.090	.899	.808
Cost	100	4	220	2.20	.108	1.082	1.172
Information Particular Stock	99	4	169	1.71	.075	.746	.556
Professional Knowledge	100	4	227	2.27	.094	.941	.886
Sole Power	99	4	324	3.27	.123	1.227	1.506
Knowledge of Broker	100	4	258	2.58	.107	1.075	1.155
Financial Industry Regulatory Authority	100	4	236	2.36	.100	1.000	1.000
Attractive Portfolio	100	4	213	2.13	.086	.861	.741
Broker Reputation	99	4	196	1.98	.077	.769	.591
Own Research	100	3	169	1.69	.060	.598	.357
Knowledge And Reputation	100	4	210	2.10	.099	.990	.980
Valid N (list wise)	97						

**Table.1: Descriptive Statistics**

The above table shows the mean value of 1.79 and the standard deviation of 0.795, whereas the variance amount is 0.632. In the case of a trust, the mean amount is 1.98, and the standard deviation is 0.899 with a variance of 0.808. For the cost variable, the mean amount is 2.20, and the standard deviation is 1.082 with the variance value of 1.172. The information about the particular stock provides the mean amount of 1.71 and the standard deviation of 0.746. The variance of this variable is 0.556. On the other hand, the professional knowledge shows a mean value of 2.27 and a standard deviation of 0.941. In the financial industry regulatory authority

case, the mean value is 2.36, and the value of standard deviation is 0.10. In the case of the attractive portfolio, the mean value is 2.13, and the standard deviation is 0.861. In the broker's reputation, the mean amount is 1.98, with a standard deviation amount of 0.769. From the participants' own research, the amount means is 1.69 with a standard deviation of 0.598. The broker's knowledge and reputation show a mean of 2.10 with a standard deviation of 0.99. Based on the above, most respondents agree that the awareness of the stock market implies the participants.

Most of the respondents think that trust between the broker and the participants can encourage the participants to invest in the stock market. The majority of the respondents show the optimistic view that the cost determines the participants' entry into the stock market. The majority of the respondents think that information about the specific share is critical for participation in the stock market. The majority of the respondents provide a positive perspective depending on the intermediary with the professional knowledge. Most of the respondents show a negative view of having the sole power of the broker for executing transactions related to the investment on behalf of the participants. The majority of the respondents agree on the depending on the knowledge of the broker. According to the survey result, the financial industry authority assists the broker in making suggestions to the participants regarding investment. Based on the respondents' viewpoint, the broker helps the share market participants create an attractive portfolio. Based on the respondents' view, the broker's reputation can help choose the investment for the participants. According to the survey, most respondents think own research of the participants shaping the investment portfolio. Lastly, the majority of the respondents provide a positive view of the broker's knowledge and reputation shaping the participants' investment portfolio.

### 5.2.1.2 Regression Analysis

For the regression analysis, the scholar of this study constructs a hypothesis to analyse the collected data from the survey. In addition, the author creates the null and the alternative hypothesis to investigate the variables of the stock market. The hypothesis can be accepted and rejected based on the level of significance of the regression model.

H0= Null Hypothesis = Attractive portfolios of the participants depend on the broker's reputation and knowledge

H1= Alternative Hypothesis = Attractive portfolios of the participants do not depend on the reputation and knowledge of the broker

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.347 <sup>a</sup>	.120	.102	.820	.120	6.566	2	96	.002

a. Predictors: (Constant), Knowledge And Reputation, Broker Reputation

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.819	2	4.410	6.566	.002 <sup>b</sup>
	Residual	64.474	96	.672		
	Total	73.293	98			

a. Dependent Variable: Attractive Portfolio

b. Predictors: (Constant), Knowledge And Reputation, Broker Reputation

**Coefficients<sup>a</sup>**

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.326	.261		5.074	.000

Broker Reputation	.130	.111	.115	1.168	.246
Knowledge And Reputation	.261	.086	.300	3.044	.003

a. Dependent Variable: Attractive Portfolio

### **Table.2: Regression Analysis**

According to table two, the R-value of the regression is 0.12, and the adjusted R square is 0.102, whereas the standard error is 0.82. The sum of the squares of this regression is 8.819, and the coefficient standard errors are 0.13 and 0.26. The significance value of this linear regression model is 0.003. The additional input variables do not add value to this regression model based on the adjusted R square value. The standard error shows the average distance of the observed values falling from the lines of this regression. The significance value of this analysis is significantly low compared to the level of significance, which is 0.05. This regression model rejects the alternative hypothesis and accepts the null hypothesis. Thus, it is seen that the participants' attractive portfolio depends on the broker's knowledge and reputation.

### **5.3 Analysis of Qualitative Data**

The interview session is conducted between the sales and trading officers of five different banks of India like State Bank of India, Punjab National Bank, Union Bank, and Bank of Boroda, and Central Bank of India for the investigation of the stock market participant's background research to the stock recommendation given by the broker.

#### **1. How does the trust of the broker encourage the participants to invest in the stock market?**

The first participant replied that "Trust is one of the primary elements for the participants to invest in the stock market. The participants can get a high amount of return if they trust their brokers. The representative of the stock market is professional, and they have adequate

knowledge about the present trend. So, the participants need to trust their broker for a greater return amount.”

The second sales and trading officer answered that “Trust is crucial for the participants of the stock markets. The brokers know the stock market in terms of trending stocks, return amount, etc. The participants need to provide trust to the brokers for making the decisions about the investment.”

The third and fifth participants stated that “Trust helps build a strong relationship between the broker and the participants. The broker provides information about investing in the stock market and the return value. This trust factor helps the participants to make decisions about investing in the stock market. ”

The last officer of the Indian bank replied that “Trust plays the primary role in building the communication between the participants and the broker. By the effective interaction, the participants can get sufficient knowledge and recommendation regarding the investment in the stock market.”

Based on the participants' responses, trust is one of the critical factors for the participants and the brokers of the stock market. The trust can encourage the participants to invest in the stock market.

## **2. How does cost determine the entry of the participants in the stock market?**

The second participant replied that "The cost is another primary factor for the stock market. The entry cost is essential because this Cost is related to several other costs. This factor determines

the present participation degree of the stock market, which identifies the spending time of the participants in the stock market."

The third and fifth participants argued that "Cost is another factor that determines the entry of the participants in the stock market. The entry cost is related to several other costs such as transactional cost, fixed costs, etc. The transactional costs identify the participants in the stock market. This cost includes the time and effort of the participants in the stock market."

The first respondent of the interview answered that "The entry cost in the stock market is always fixed. This cost includes the transactional, non-transactional amount and the trading cost. The transactional cost determines the participation level of the individual. These also measures the spending time of the participants on the stock market to gather knowledge about the basic function such as risk assessment, price movement, and choice of portfolio."

The fourth participant stated that "Cost plays one of the major roles for the participants in entering the stock market. This cost consists of transactional, non-transactional, fixed, and non-fixed costs that determine the participation degree in the stock market, which also defines the participants spending in the stock market."

Based on the participants' answers, the cost is critical for the participants to enter the stock market. This cost includes the transactional and non-transactional costs, which show the spending amount of the participants.

### **3. How does the portfolio help the participant's investment in the stock market?**

The first and fifth participants stated that "The portfolio management requires proper time and effort from the individual participants. The portfolio handling needs the specific investment of



the human capital, which helps to make the financial decisions for the participants of the stock market. They can take more risks with the help of an effective portfolio.”

The fourth participant answered that “The portfolio provides the overall strategy of the investment in the stock market. This factor helps the participants in making the decisions to purchase or sell the particular stock. This factor also helps them to take more risks associated with the investment.”

The second respondent replied that “The portfolio management needs the appropriate time and effort from the participants. This factor needs the specific investment of their capital to makes the decisions related to the investment in the stock market. The efficient portfolio helps the participants to take more risks.”

The third participant stated that “The portfolio helps the participants to invest in several stocks, which can increase the benefits. They can protect their capital amount by investing in various stocks if one of the segments is not performing effectively.”

According to the respondents' answers, the portfolio is essential for the participants to invest in the stock market because this aspect provides the opportunity to invest in different stocks. Moreover, with the help of a portfolio, the participants can take several financial decisions regarding the investment in the stock market.

#### **4. Why is the internet important for the participants?**

Respondent two replied that "In the present time, people spend most of their time online. Several applications and websites help to provide knowledge about the stock and investment in the new digital era. Apart from this, online payment plays a crucial role in investing in the stock market."

The third officer argued that "Internet is the most important element in the present era. The stock market implements a digital platform for online purchasing and selling stocks. In addition, information related to the current stock ratings and trends can be found online. Thus, the internet plays a critical role in the stock market participants."

The first and fifth officer stated that "Most of the young age people are now activated in the social media, and several trading websites are available for online trading in the present time. The internet gives these participants sufficient information about the trading stocks, which helps them make the appropriate investment."

The fourth officer answered that "The internet is one of the critical elements in the modern time era. The stock market becomes digital to provide efficiency in its operations. Due to digitalization, more participants are attracted to investing in the stock market. The transaction becomes simple and easy for the participants on the internet."

Based on the respondents' view, the internet is essential for the participants who help to provide the information and trend about the stocks, as well as the participants can make financial transactions with the help of online websites.

##### **5. What are the primary requirements of the participants for trading in stock market?**

The fourth and fifth officers answered that "Trading in stock provides an extra income level for the participants in the stock market. The middle-income level people invest in the stock because of extra income. With the help of the return amount, the household can pay their bills in due time. For the companies, the trading stock provides extra profit, which is beneficial for expanding the business."

The third officer argued that “The main trading requirement in the stock market is the return amount. Middle-class people can get an adequate return amount by investing a small amount of money in stock. Business companies can generate extra profit by investing in this market.”

The second officer replied that “The trading helps the participants to enhance several financial aspects in terms of productivity. The household can increase their income level from a decent amount of return. Business organizations can improve their profit level by the income from trading in the stock market.”

The first officer stated that “The investment in the stock market allows the participants to improve the expansion with the help of selling their shares. The investment in stock helps the participants to mobilize their savings amount, which improves the allocation of the resources.”

Based on the respondents' view, the internet is essential for the participants, which helps to provide the information and trend about the stocks. The participants can make financial transactions with the help of online websites.

## **6. What is the role of the brokers on the stock market participants?**

The first participant replied that “Most of the participants do not have professional knowledge about investing in the stock market. The participants need a certain recommendation from others. Thus, the investors are depended on the recommendation for making the decisions for the investment. They need a middle-man who has the professional knowledge and can earn benefits for the participants.”

The third and fifth officers answered that “The broker is the professionals who have information about the present condition of the stock market. The experience participants do not require any

middle man because of the broker's incentive amount. Still, the new participants need the knowledge and the procedure to make the investment in the stock market."

The fourth participant stated that "Broker plays an important role on the participants of the stock market. They are the middle man who helps provide information about the fruitful investment to the participants, which helps the participants make decisions about the investment. Apart from this, the broker can do official works on behalf of the participants."

The second officer stated that "The broker is considered the middle man of the stock market. They have professional knowledge of this sector. The participants who do not have sufficient knowledge and time for gathering stock information require this kind of middle man. On the other hand, the experience participants do not require a broker for investing in the stock. "

Based on the above conversation, brokers are the middle man of the stock market. They provide knowledge and information to the participants regarding the stock. Thus, they play a critical role in the stock market participants.

## **7. How does the reputation of the broker affect the participant's investment in stock market?**

The second officer answered that "The broker's reputation is essential for the participants who do not know the stock market. The brokers can only forecast the return amount, but they cannot provide the exact amount of return in advance. The reputation can be changed based on the forecasting ability of the broker."

The third participant replied that "The broker's reputation is the critical element for attracting the participants. The reputations are built based on the performance, knowledge and forecasting

ability of the return value. A well-reputed broker can provide sufficient information and precisely estimate the future return amount. Reputation can positively affect the participants in terms of attracting them.”

The first officer stated that “The brokers are the registered representative of the stock market. They advise the participants of the stock market. The reputation of the brokers shows the assumption of the future return and the economic forecast credibility. Therefore, a broker’s reputation is one of the critical factors for the stock market participants.”

The fourth and fifth officer answered that “The reputation of the broker is essential for the participants who do not know the stock market. The brokers can only forecast the return amount, but they cannot provide the exact amount of return in advance. The reputation can be changed based on the forecasting ability of the broker.”

Based on the participants' views, reputation is the critical aspect for the broker, which provides knowledge about the forecasting ability of the return amount of the broker. The reputation of the broker can affect the investment of the participants in the stock market.

### **8. How do the brokers help to build the portfolio of the participants?**

The first officer answered that “The broker helps the stock market participants select the several commodities of this market based on the pay check of the financial institutions. An effective portfolio requires a strategy of the investment and research of the fundamental data that the brokers can easily do.”

The second participant replied that “The portfolio is the strategy for investing in the stock market. An effective portfolio requires the analysis of the data of the stocks. Therefore the

experience participants can analyse the data by themselves. Therefore, for the new participants' broker can help to build the portfolio.”

The third officer stated that “Brokers are the most experienced people in the stock market. They can build the most effective strategy for making any investment in the stock market. They also have sufficient capabilities to analyse the current data to forecast future value. ”

The fourth and fifth respondents stated that “Brokers are the professional individuals of the stock market, who can implement several strategies of the investment based current market scenario. For implementing the strategies, it needs proper knowledge and research about the market.”

Based on the conversation, brokers are the stock market's professional actors who assist the participants in implementing several strategies based on the present trend of the market. The strategy regarding investment is the primary factor of the portfolio.

#### **5.4 Findings**

The stock market is a substantial constituent of the capital market organized for selling and procuring industrial and financial security. The stock market is one of the most paramount components of a free market economy that provides the companies with proper access to capital exchange to give the investors a part of ownership in the company. In the domain of marketing, innumerable researches have been conducted on consumer satisfaction (Yamori and Ueyama, 2021). Considering the decision-making process, stock investors have been engaged in a prominent portion of the procedure given the wide variety of goods available in the contemporary financial market. Consumer or investor behaviour is crucial in facilitating the better positioning of the brokerage firms as this aspect provides them with the ability to satisfy the consumers with the best quality financial services (Ahn et al., 2017).

However, with the advent of the internet as a flourished tool for the delivery of various services, reliability and credibility have gained much prominence over the last decade. Most brokerage firms are offering services through the internet. Reliability and credibility are two critical determinants of investor satisfaction that evaluate quality in the online context (Gao, Meng, and Zhao, 2019). Apart from that, the investors should make a timely entry into the stock market for ensuring a successful stock environment, make the proper investment decision, perform the proper information processing and eventually take a proper measure of investment. The problem with a developing country like India is that the investors are usually deprived of insightful analysis. Henceforth, the availability of performance investment analysis is a critical tool that leads towards investor satisfaction (Dominko and Verbič, 2020).

Prospective investors lack proper information on stock trading. For a retail investor, changes and norms of brokerage houses can turn to be quite complex. This complexity imposes various challenges, including the changes in transaction cost and imposition of margin rules that in turn hinder the entire flow of operations of a stock exchange. Henceforth, investors look for proper information analysis while relying on brokerage firms for several decisions. Accomplished brokers are more likely to adopt multiple initiatives to make it easier for the investors, facilitate transactions, provide satisfaction, and enhance investor participation (Shin, 2020). The brokers are in charge of providing information to the customers regarding all stocks. Well-managed information is likely to minimize behavioural irrationality. However, the brokers are in charge of guiding the stock investors regarding the investment. In this regard, the reputation of the brokers predicts the prospect of the entire stock market and participation (Epaphra and Kiwia, 2021). The significance can impact the capacity of gathering financial resources and the capacity of the brokers to thrive in the stock market. Diffusion of rumours is also challenging for the brokers to

offer quality services that positively or negatively impact the stock value. An excellent reputation of the brokers can assist in facilitating the investment choice of the customers as a reputed broker is more likely to handle the volatility of the stock market (Beaubrun-Diant, and Maury, 2016).

Stock market awareness is crucial for the customers to perceive the estimated costs and stockholding puzzle. The customers must perceive the threats and opportunities of the stock market to avoid any risk of loss. In this regard, the growing trust between the clients and the stockbrokers is of the utmost importance to allure the participants in investing in the stock market. Customers are more prone to depend on the intermediary who possesses a higher level of professional knowledge regarding the stock market. For this purpose, the brokers must have holistic power to execute investment transactions for the customers. The reputation and knowledge of the stockbrokers assist the customers' investment portfolio (Gao, Meng, and Zhao, 2019).

## **5.5 Summary**

According to the analysis section, it can be asserted that knowledge of the stock market, cost, trust between stockbroker and client, and brokers' reputation are the essential factors that positively impact participation. In addition, many participants depend on intermediary and professional knowledge of brokers to make an effective decision for structuring their investment portfolio. The analysis section also reflects that brokers' and participants' market research helps to create attractive portfolios.



## **6.0 Discussion**

The role of the stock market investors is quite critical in the trading business while they have adequate capability to contribute to the development of the national economy. The investors are the valuable participants of the stock market who procure company's share including manufacturing companies, banking institutions etc. for long-term period (Thomsett, 2017). Considering the essentiality of the investors in the stock market, this chapter has discussed the findings extracted from literature review and the analysis segments of this study while focusing on the key objectives of this research.

### **Objective 1: Participant's Perspectives for Doing Background Research to the Stock Recommendation by the Broker**

The stock market is the collection of the market where selling, issuing, and buying of shares take place. The financial activities are usually done with the assistance of institutionalized formal exchanges operating under specific regulations. The participants need to research the stock market and the background of the brokers who assist them in being informed regarding the best stocks available in the market (Yuan, 2018). From the literature review, it can be noted that the extent of the participant's knowledge regarding the available assets relies on the aggressiveness of the asset suppliers for ordering to spread information. A lack of awareness impact negatively on the stock market participants. The investors or the individual customers are likely to learn about the stocks, including their threats and opportunities, from the people who are learned and knowledgeable of the equities. It is quite a substantial necessity of the investors to do the background research of the recommended stocks by the brokers as this approach encourages trust between the clients and the brokers (Chetty, Sandor, and Szeidl, 2017).

The findings from the online survey among some of the participants trading in the stock market indicate that stock participants must have proper awareness of the stock market. For more awareness regarding the same, there should be strengthened trust between the brokers and the participants, which encourages the participants to invest in the stock market (Dominko and Verbič, 2020). Most of the sample participants have agreed to the fact that the participants must have proper awareness of the recommended stocks by the brokers for determining how well the listed companies perform. Also, the participants must be aware and cautious before handing over the sole power of transaction to the brokers to avoid misleading (Thomsett, 2017).

### **Objective 2: Influencing Factors of the Participants during Stock Market Investment**

There are multiple factors that directly or indirectly influence the participants' decision of investing in the stock market. All these factors are associated with the socio-economic characteristics of the participants. The capital investment decision is significant at both the national and organizational levels. Individual participants must assess the factors influencing their decision to invest in the stocks (Zhou, 2020). From the literary standpoints, it is clear that the stock company's perceived value is the most critical factor that influences the equity investment. Also, brokers' recommendations, accounting information, and self or firm-image are the noticeable factors influencing the participants' stock selection. However, past performance of the stocks, dividend policies, capital increases, expected stock split, and expected corporate earnings are other critical factors influencing the participant's investment in the stock market (Rieger, 2020).

From the findings, it is evident that demographic factors like education, income level, investment experience, and investment knowledge are the most prevalent influencing factors that impact the extent of risk tolerance of the participants. In this regard, brokers' reputations and market

perception are two noteworthy influencers of the decision-making of the participants' decision-making. Market perception becomes stabilized once the participants are adequately aware of the stock market, including the threats and opportunities (McDonald and Sandada, 2018). Also, as the participants rely entirely on the brokers regarding the investment, there should be a steady development of trust between the participants and the brokers. Mutual trust is highly needed to influence the buying decision of the participants and the capability to take risks of investment. The brokers' fees also have a remarkable influence on the participants' decision-making of entering or exiting the stock market. Along with these, brokers also influence the participants' decision-making by assisting them in creating an alluring portfolio (Nadeem et al., 2020).

### **Objective 3: Importance of Participants to Do Background Research of the Stock Recommendation Provided by the Brokers**

From the literature review section of the research, it is evident that most of the researchers have found a majority of the financial institutions operating at the national level in India. Investment institutions, banks, and other financial institutions are the leading financial incumbents of India. The stock of the banking sector accelerates the competitiveness among the participants. The public and private banks are the foremost contributors to the stock market in terms of value-based buying (Ahn et al., 2017). The brokerage firms are working to collect, analyse and publish the stock market research and recommend the best stock options to the participants. However, the recommendations of most of the analysts are likely to produce normal returns. In this regard, to increase the investors' decision-making capability, the participants must research and analyse the recommended stocks by the brokers before entering the stock market (Vestman, 2019). From the findings from both qualitative and quantitative data, it is quite evident that brokers play a pivotal role in assisting the participants in making decisions about the investment. However,

after analysing the samples gathered from the five nationalized banks of India, it can be stated that the participants should necessarily research the background of the recommended stocks by the brokers for avoiding any further loss (Fox, Glosten, and Rauterberg, 2019).

## **7.0 Conclusion and Recommendations**

### **7.1 Conclusion**

Before investing money in the equity market, investors need to have precise market knowledge, but in the majority of cases, investors take assistance from middlemen, i.e., brokers, to help them in choosing the right stocks for investments. Brokers are basically provided advisory services to investors as they have knowledge of trading functions of equity. On the other hand, investors must engage in certain processes before investing in stocks. Those processes are risk-return measurement, the prediction of future performance of stocks, security evaluation, and others. For carrying out these activities, proper knowledge of the equity market is required, and for this reason, investors are looking for expert stock brokers to help in making the right decisions on stock investment. The current dissertation aims to critically examine investors' perspectives in taking help from stock brokers for conducting background research before investment. For fulfilling the research purpose, the study has three core research objectives. Firstly, the paper tries to understand the investors' perspective for doing basic research before investing in the equity market with the help of stock brokers. Secondly, this research work also finds out the influential factors that are considered by investors before investing in the stock market. Thirdly, the study also reveals the importance of stockbrokers' advisory services in helping investors invest money in five nationalized banks of India.

The paper can accumulate information from primary sources to understand the necessity of advisory services of stock brokers in selecting the right stocks for investment. Pragmatism philosophy is the best fit for this research as this study uses more than one research method. The inductive approach has been taken into consideration for presenting an innovative theory. An online survey has been done through Survey Money to determine the preferences of investors in

taking help from brokers for doing ground research. Along with this, the analyst has also extracted information from four sales and trading officers of five nationalized banks, such as Union Bank, State Bank of India, Bank of Boroda, Central Bank of India, and Punjab National Bank, for properly justifying the research purpose. SPSS tool has been utilized for analysing the quantitative data, whereas, for qualitative data analysis, the thematic tool has been utilized.

Based on the received data from the survey, it can be observed that the majority of the surveyed defendants were investing their money in the equity market for not more than one year. Proper knowledge about the stock market is one factor that directly influences the participants' future investing tendencies. Besides, brokers try to gain trust by providing adequate and quality advisory services to investors. The current study reveals that the trust between investors and stock brokers is a leading factor that encourages investors to make their investment-associated plans. On the other hand, brokerage fees are not always constant, and it is different from broker to broker. It is considered the most important factor because this factor is responsible for influencing investors' decisions to enter and exiting the stock market. Precise and adequate knowledge of stocks of four nationalized Indian banks among brokers is also recognized as the leading factor of developing positive perceptions among investors in entering the stock market. Due to having in-depth and sufficient knowledge among brokers, investors are looking forwards to get their assistance in choosing the right stocks for investment. Stock brokers have the power to influence the buying and selling functions of stocks, but it does not mean that they have the sole power to make investment transaction associated decisions on behalf of the participants. Without taking approvals from their clients, i.e., investors, brokers cannot take any drastic steps. In most cases, participants totally rely on brokers' knowledge and information. The Financial Industry Regulatory Authority guidelines should also be followed by the stock brokers while

making any advice to future investors. Moreover, the role of brokers in creating attractive portfolios for investors is significant. Based on the prepared portfolios, investors can select an adequate portfolio for investment to get a sufficient return on the investment. The reputation of the brokers in the equity market is a factor influencing the investment choice for investors. In-depth knowledge about the equity market and the reputation of brokers helps to recommend the correct investment portfolio to investors for gaining satisfying returns.

With the help of the regression analysis, the study statistically proves that brokers' knowledge of the trading of stocks and their reputation is the main factor of making attractive portfolios for participants. Based on the gathered responses of sales and trading executives of four Indian banks, it can be asserted that trust must be present between brokers and investors; otherwise, it is difficult for brokers to propose appropriate portfolios for investment. The cost of the advisory services of brokers is also influencing the decision-making process of participants' investments on the stock market. A proper investment portfolio helps investors to understand the future opportunities and threats of investing in different stocks. In making adequate decisions regarding equity share investment, there is a necessity of having portfolios. After analysing both quantitative and qualitative information, it can be concluded that there is a need for brokers from the end of investors in assisting them in selecting suitable stocks for gaining good returns.

## **7.2 Recommendations**

This portion of the study provides some precise recommendations to investors while investing money in the stock market.

### ***Recommendation 1: Collection of Information***

Before investing money in any company's stocks, investors need to gather information from authentic sites of those companies to determine their financial position. By using various tools, investors must understand the company's financial stability. If the investor is not satisfied with the financial stability of a company, they should not invest their money in that firm. Therefore, it can be recommended to the investors that they must gather information from companies' annual reports to understand the financial conditions of those companies, this is a very crucial part of investing as many of the participants are not aware of this type of analysis. It positively influences the investment-associated decision-making process (Chetty, Sandor and Szeidl, 2017).

### ***Recommendation 2: Selection of appropriate Companies for Investment***

After gathering information about companies, the investors can select appropriate companies for their investment. While selecting stocks, investors must develop portfolios. Based on the portfolio report, investors can select adequate companies for their investment to earn satisfactory returns. While choosing a company for investment, investors should not go for the brand name, but the investment should concentrate on the company's performance (McDonald and Sandada, 2018).

### ***Recommendations 3: Selection of Correct Brokers***

As investors do not have sufficient and in-depth knowledge about the stock market, they are looking forwards to skilled and knowledgeable brokers. While selecting stock brokers, investors must focus on their market reputation and knowledge about the stock market. Without these factors, brokers cannot provide the right portfolios and advice to their clients. Hence, investors



focus on these factors while choosing brokers for help in making investment decisions (Ahn et al., 2017).

#### ***Recommendation 4: Avoid Over activity Trading***

In order to get a stable income, investors should not engage over activity trading. By avoiding over activity trading, investors can meet their desired goals of investing money in the stock market.

### **7.3 Future Research Scopes**

This current study analyses the perception of investors about the role of investors in background research. As investors do not have sufficient knowledge about the stock market, they need proper assistance in making decisions about the investment. Future research studies can consider the brokers' perceptions in defining their contributions to helping investors make their decisions. On the other hand, the current research focuses on India's five nationalised banks in the stock market. Future research scholars' scope is to select the top five financial institutes of the London Stock Exchange to carry out the work in the same domain. Besides, future research scholars can also choose five stock list companies to understand brokers' role in pre-investment research on behalf of investors. These scopes are given to future research associates for completing their projects with quality and authenticity.

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