



A Study of Drivers of Timeless Wisdom in Investment Market

Dr. Rajesh Kumar

Assistant Professor of Commerce

Sat Jinda Kalyana College, Kalanaur (Rohtak)

E-mail: balhara24@gmail.com

Contact: 9992323431

This paper is an attempt to gain knowledge about the drivers of Timeless Wisdom. In this present research work, the researcher studied the relevance of the drivers of Timeless Wisdom for the Indian investors. To study the relevance of drivers of Timeless Wisdom data were collected from 1000 respondents of NCR India. The collected data were analysed with the help of Rank method and Kruskal Wallis H-test.

Key words: Timeless Wisdom, Investment, Great Masters, Decision

Introduction

Timeless wisdom in investment refers to any kind of rationality in any situation without considering the time for investment decision-making. Timeless principles force investors to invest their money on the basis of continuous analysis, evaluations and according to the market patterns. It leads the investors to invest in systematic and disciplined way without focusing on a particular time.

Few authors, researchers and investors also have made some attempts to gain knowledge how Great Masters succeeded in the area of investment every time. They studied the strategies of the great masters and conducted many interviews with them. The findings of the various studies give good insight into the strategies and principles developed by the great masters of India as well as abroad. The Timeless Wisdom by the some great masters found in the literature is as:

Benyamin Graham (1949) published the intelligent investors in his book Mr. Graham gave some principles for stock selection as such

- ❖ Adequate size of the enterprise
- ❖ A sufficiently strong financial condition



- ❖ Earning stability
- ❖ Dividend record
- ❖ Earnings growth
- ❖ Moderate price/Earnings ratio
- ❖ Moderate ratio of price to assets

Benjamin Graham created value investing for stock selection. This emphasises buying the stock with market prices that are lower than their intrinsic value and selling them when their market prices are higher than intrinsic value.

Price and Kelly of Australia and Ireland respectively in their article warren Buffet : Investment genius or statistical anomaly ? have highlighted the positive aspects of buffet`s wisdom by fiving the Buffets background and his performance in the capital market. These authors have also delineated the buffets writings. The investing principles given by buffets are as

- ❖ Do not worry about the economy
- ❖ Buy a business not a stock
- ❖ Manage a portfolio of business.

Jack Bernstein wrote a book market masters: How successful traders think trade and invest & how you can too? In this book Mr. Bernstein described about some interviews with investors which were conducted by him to glean out some common characteristics for successful investing among the successful investors. These characteristics are:

- ❖ Patience
- ❖ Keep expectations to a minimum
- ❖ Play your own games
- ❖ End the day with profits
- ❖ Do not hesitate
- ❖ When in doubt stay out
- ❖ Do your home work
- ❖ Monitor your performance and etc.



The above discussion means that great masters follow the analysis research works and evaluation every time. But they do not consider the time thus they succeed in the investment market every time.

Drivers of Timeless Wisdom

Investors seek to take advantage by winning the investment market every time in number of ways.

First investors want to play in safe mode highest returns with limited risk. Safe mode is based on continuous analysis and evaluation of securities. Analyses are done to understand the basic phenomena of the security-fundamental and technical aspects. To understand the risk associated with a particular credit rating agency. Credit rating enables the investors to take independent investment decisions because it presents the picture of the credibility of the issuer. Therefore, investors need not act upon advice of share brokers, experts, portfolio managers and etc. after studying the risk associated with the security and after understanding the basic phenomena of the security there is no need to consider time aspect for the purpose of investment decision making.

Second many investors focus on low cost investment to take advantage of maximum returns on investment. A security selected long run after proper analysis generates low cost and high returns because there is no need to change the mix of securities in a span. It saves the pre cost and transaction costs for the investors. Therefore, an investor invests in systematic way and avoids from speculation and gambling, so, he looks for timeless principles.

Third availability of accounting data timely makes analysis process simple. Analysis and evaluation depends upon information. Various accounting designs play a very important role in transmission of information to the users of accounting data. An accounting information system communicates to the users about the performance and financial position of the business. The effects of financial position and performance of operational activities during period may be seen in the price of securities of that company. In India, Company Act 1956 and Indian Accounting Standards require disclosures in financial statement about material information so that decision makes may take wise decisions.



Fourth, increasing investor education and awareness have vastly contributed to use of timeless wisdom in investment decision making. In India SEBI and Stock exchanges have launched many schemes and programmers to educate and aware the investors in India time to time regulatory bodies for share bazaar in India have provided various guidelines regarding issue of securities, transactions in secondary markets and on others so that interest of the investors may protect. The efforts made by various regulators for the protection of investors increase their level of education, awareness and intelligence. The investors who are educated and aware, engage themselves in investing activities and look for continue growth of their investment with limited risk.

Review of Literature

Roy, et al. (1995) focused on two key issue: (a) what is the average level of volatility and whether it has increased in the current period; (b) whether the present trend of share price movement is likely to impair the development process of our economy through study 'Stock Market Volatility: Roots and Results'. In this study, they examined that, several volatility measures based on different price indices had been used to evaluate the stock price movement in historical perspective. In such, instance, the conclusion was essentially the same, i.e., stock market volatility had increased in the that period if the changes in share prices had been response to fundamental economic factor or information and expectations about them, there was no social cost associated with such volatility. Ruddy, (1996) analyzed the volatility of securities traded on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). In this study, researcher employed stock market trading data relating about 3,000 securities traded on Bombay Stock Exchange (BSE) and over 1,000 securities traded on NSE. Volatility of individual securities was also analyzed in this study and it was found that the securities traded on BSE had more volatility than the securities traded on NSE. Researcher also showed through this study that Indian Capital Markets were highly volatile. Sykinakis and Bellas (2005) tried to provide a better understanding of the foreign direct investment (FDI) decision-making process, and to explore the roles of management accounting information to that. This study reported that the FDI decision making is cyclical in nature, with information continuously



received, processed and used as feedback for subsequent action. In 2010, Perera and Thrikawala made an attempt to address the relevance of accounting information on investor's stock market decisions in Commercial Bank registered under Colombo Stock Exchange in Sri Lanka. To study the relevance of accounting information Market Price per Share (MPS), Earning per Share (EPS), Return on Equity (ROE) and Earning Yield (EY) were collected from published financial statements and collected data were analyzed with correlation coefficient. The study found that there was a relationship between accounting information and MSP.

Roy, et al. (1995)² focused on two key issues: (a) what is the average level of volatility and whether it has increased in the current period; (b) whether the present trend of share price movement is likely to impair the development process of our economy through study 'Stock Market Volatility: Roots and Results'. In this study, they examined that, several volatility measures based on different price indices had been used to evaluate the stock price movement in historical perspective. In such, instance, the conclusion was essentially the same, i.e., stock market volatility had increased in that period if the changes in share prices had been response to fundamental economic factor or information and expectations about them, there was no social cost associated with such volatility. Ruddy, (1996)³ analyzed the volatility of securities traded on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). In this study, researcher employed stock market trading data relating about 3,000 securities traded on Bombay Stock Exchange (BSE) and over 1,000 securities traded on NSE. Volatility of individual securities was also analyzed in this study and it was found that the securities traded on BSE had more volatility than the securities traded on NSE. Researcher also showed through this study that Indian Capital Markets were highly volatile.

Objective of the study

The main objective of the present research work is to study the relevance of drivers of Timeless wisdom for the Indian investors.

Research Methodology

Research Design



The present study has been conducted to know the relevance drivers of Timeless Wisdom for the Indian investors. Thus, an Analytical research design has been used.

Sample: Eight districts (Panipat, Alwar, Jhajjar, Rewari, Faridabad, Gurgaon, Sonapat and Rohtak) were selected from NCR Indian by applying purposive sampling and 125 investors were selected from each district.

Statistical Method: the collected data were organized in statistical tables and analyzed with the help of Rank method and Kruskal Wallis H-test.

Analysis and Results

Table-1: Drivers of Timeless Wisdom and their relevance for Investors

Factors City	Analysis	Credit Rates	Time	Safety	Prices	Accounting Designs	R _i	Results of H-Test
Panipat	19	30.5	21	1	29	47	147.5	OV ¹ of H = 0.33 RV ² of H = 14.07 Df = k-1 = 7
Alwar	22	27	23	2.5	30.5	44	149	
Bahadurgarh	8	40	25	14	16	37	140	
Rewari	6	34	13	20	41	42	156	
Faridabad	32.5	39	7	2.5	4	48	133	
Gurgaon	24	28	11	17	18	46	144	
Sonapat	35	32.5	12	9	15	45	148.5	
Rohtak	43	36	26	5	10	38	158	

Note:

¹Observed value of H-test

²Reference value or Table value of H-test

k= number of samples

To test the H₀ (Drivers of Timeless Wisdom are relevant in equal manner for the investors of all selected eight cities), the data were collected about six drivers, e.i., Analysis, Credit Rates, Time, Safety, Prices and Accounting Designs from the respondent investors of eight cities. The analysis was run with the help of H-test developed by Kruskal Wallis. The ranks were assigned in ascending order. The results shown in Table-1 explicate that the top choice was of safety as compared to other drivers amongst the investors of cities Panipat (rank = 1), Alwar (rank= 2.5), Faridabad (rank = 2.5), Rohtak (rank = 5) and Sonapat (rank = 9). Driver 'Analysis' was the top



choice amongst the investors of city Bahadurgarh (rank = 8) and city Rewari (rank = 6). In city Gurgaon, the 'Time' was found the top choice of the investors as compared to other drivers of Timeless Wisdom. On the basis of finding, It may be said that the drivers of Timeless wisdom were found relevant for the Indian investment decision-makers.

Further, the results of H-test indicate that the observed value (0.334) was found less than the reference value (14.07) at $df = 7$. Thus, the H_0 is accepted against H_a (Drivers of Timeless Wisdom are not relevant in equal manner for the investors of all selected eight cities).

Conclusion

This paper investigates the relevance of drivers of Timeless Wisdom for the Indian investors. Relevance of the drivers of Timeless wisdom was studied by assigning rank to drivers of Timeless Wisdom. Results of this study show that the driver Safety was the first choice of the Indian investors. Besides this, Indian investors consider all rest of the drivers- Analysis, Credit Rates, Time, Price and Accounting Design at the time of decision making.

References:

Sykinakis, Nicos and Bellas, Athanassios (2005), "The Foreign Direct Investment Decision-making Process: Strategy, Politics and Uses of Management Accounting Information", *Managerial Auditing Journal*, Vol. 20, No. 1, pp. 954-969, Retrieved from <http://www.emeraldinsight.com>

Perera, R.A.A.S. and Thrikwala, S.S. (2010), "An Empirical Study of the Relevance of Accounting Information on Investor's Decisions", Retrieved from <http://www.kln.ac.lk/uokr/ICBI2010/19.pdf>

Malay k Roy and Madhusudan Karmakar (1995), "Stock Market Volatility: Roots and Results", *Vikalpa*, Vol. 20, No. 1, January –March 1995, p.p. 37-48.

Yarram Subha Reddy (1996), "Volatility of Securities Traded on the National Stock Exchange and Bombay Stock Exchange: A Comparison", *Decision*, Vol. 23, No. 1-4, Jan-Dec 1996, p.p. 1-24.

Chandra, Prasanna, "Investment Analysis and Portfolio Management" Tata Mc Graw Hill Education Limited, New Delhi, 2012, 4th Ed.