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## **Stock Analysts' Perception of Current State of Emerging Countries Stock Markets - A Survey**

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### ***Abstract:***

*The purpose of the study is to investigate investors' perception of current state of emerging countries stock markets. Data gathered from 84 Chief Investment Officers, Mutual Fund Managers and Equity Research Analysts are analyzed using Mean Scores, Percentage Inclinations, Factor Analysis and Chi Square Test. Results indicate investors' opinion about arbitrage opportunities, significance of macroeconomic and market risk factors in influencing stock performance and relevance of investor behavior in investment decision making differ across investment analysis techniques. Also, emerging countries stock markets are believed to be semi strong efficient presenting arbitrage opportunities for investors. Lastly, investors' view regarding present stock market conditions in emerging economies differ across investment analysis techniques based on asset pricing, market efficiency, fundamental analysis.*

**Keywords:** *Emerging Markets, investor's perception, brics, factor analysis, chi square test.*

### **1. Introduction**

Growth in emerging markets is generally assumed to be driven by rapidly rising GDP, low external debt, young and productive population, low structural costs, etc. It has been witnessed in the recent past that global growth has been driven by emerging economies and such economies are expected to grow at a rate faster than advanced nations. Investors would be inclined to invest their capitals in such markets on account of diversification and the fact that such markets are uncorrelated with developed markets.

Emerging markets presents diversified but risky investment opportunities for investors because these economies are in transition mode. As per the estimates provided by International Monetary Fund, growth in emerging markets of Venezuela, Russia, Mexico, Indonesia, India, Ukraine, South Africa, Brazil, China, Argentina, etc. has declined to 4.4% in 2014. But India is an exception as the country is doing better than the other emerging markets may be on account of change in government which resulted in reform sentiments across sectors and the fact that slowdown in China, stagnation in euro zone, appreciation of dollar against other currencies are observed to be less harmful to India than to any other emerging economy.

Some studies suggest signs of some slowdown in emerging markets which presents good opportunities for investors to take buying positions in such stock markets. Whereas some researchers argue that the difference in the growth patterns of emerging and advanced economies is becoming narrow and number of developed markets has become more volatile as compared to emerging nations therefore investors may not allocate funds to diversify in such markets. Such mixed opinions regarding emerging markets encourage researchers to investigate the actual scenario existing in such economies from the view point of stock market experts and analysts trading in emerging countries stock markets.

Primary objective of the study is to understand investors' view regarding the current scenario of the stock markets in emerging economies of BRICS. Research considers analyzing the association of stock market experience, investment analysis techniques performed and emerging countries as investment destinations with investors' perception of current state of emerging countries stock markets.

The study has been classified into various sections. Section 2 discusses data collected, instruments used, methodology adopted to analyze the gathered information. Section 3 comprises limited literature on investors' perception about the present conditions of stock markets in emerging economies. Section 4 presents findings and discussions and the next sections convey the conclusions along with research implications, further scope and limitations.

### **2. Data and Methodology**

The objective of the study is to analyze the investors' view regarding current scenario in emerging countries stock markets. For which the research encompasses data collection using rating scale from stock market professionals trading in emerging countries stock

markets. Information gathered is examined with the help of Likert's mean score analysis, percentage preferences indicating opinion of respondents, factor analysis using principal component technique and Chi Square test. Data is secured during a period of six months.

### *2.1. Sample Construction*

Data is obtained with help of a structured questionnaire administered on 84 stock market experts and analysts trading in emerging markets of BRICS. Rating scale of 4 in which 1 denotes fully disagree and 4 indicates fully agree with the statement relating to investors' perception of current state of emerging countries stock markets. Respondents demonstrate experience of up to 35 years making significant use of economy-industry-company analyses, technical and market sentiment analyses to arrive at investment decisions in emerging markets.

### *2.2. Estimation Methodology*

Responses are analyzed using Likert scale analysis which involves mean score ranking, percentage inclinations demonstrating the proportion of respondents agreeing or disagreeing with the various statements, Factor analysis performed to identify principal factors indicating current state of emerging countries according to investors and Chi Square analysis which aims to test the existence of any significant association of stock market experience, investment analysis techniques and investment in emerging countries with investors' perception of current state of emerging countries stock markets.

## **3. Theoretical Framework**

Research seeks expert opinion of Investment Officers, Fund Managers and Market Analysts to understand their perception of current state of emerging countries stock markets. This research initiative fills up the important gap in the concerned area as there is very limited literature available around the topic. Growing significance of emerging markets across the globe encourages researchers to investigate the investment scenario of such economies.

Gaeta (2013) discusses the findings of Rechtsteiner and Weinert that whether the rise of emerging economies is a short term development? The study concludes that there exist stability in emerging countries on account of low public debt, high reserves, almost unlimited natural resources, increased investment in education and innovation and progressive increase in contribution to economic progress of developed economies. Also it has been observed that financial crises have presented equity to be the safest form of investment in emerging markets, there is no shortage of capital, there exist increased demand for IPOs, increased amount of private equity investments in attractive industries and companies in emerging markets and that personal relationships play significant role in businesses in emerging countries. The author believes that the term BRIC coined by Jim O'Neill in 2001 changed the negative perception regarding investment in emerging markets. In addition, the performances of these economies until the global financial crisis in 2008 also lured many investors to allocate their funds into such stock markets. As a result many large investors like pension funds, private banks, and family businesses are now thinking of allocating their funds to such economies. Similarly, The Next Eleven or N-11 marketed by Goldman Sachs created awareness among global investors regarding investment in South and South Asian markets.

Munday (2002) presents the outlook for emerging markets which has improved fundamentally. In comparison to developed markets, investors perceive that emerging markets demonstrate weak economic health and unfavorable political conditions, low accounting standards, and significantly volatile markets. The author highlights that investors' perception is avoiding investment in emerging markets, but a change has been observed in emerging markets which presents value addition opportunities for investors.

## **4. Results and Discussion**

Study highlights investors' perception regarding current state of emerging countries stock markets. The research observes the association of various investment characteristics of stock market experts, that is, stock market experience, investment analysis techniques and investment in emerging countries with investors' perception of the current scenario in emerging countries stock markets. Information secured from experienced stock market analysts have been evaluated in terms of Likert Scale analysis (i.e. mean scores and percentage inclinations), Factor analysis and Chi Square statistics.

### *4.1. Likert Scale Analysis*

First of all, to test the internal reliability and consistency of all the statements relating to investors' view regarding current state of the emerging countries stock markets, Cronbach's alpha was calculated. It increases with increase in inter-correlations among test items, and is known as an internal consistency estimate of reliability of test scores. Cronbach's alpha coefficient came out to be .524 (being less than .70) depicting that the items may not have internal consistency and reliability.

Results relating to investors' view regarding the current state of stock markets of emerging countries are presented in Table 1 which indicates the opinion of stock market experts. The mean score 3.298 illustrates that significant proportion of respondents somewhat agree with the statement that macroeconomic expectations are discounted in stock prices well in advance. The observation is substantiated by 45.24% respondents. In addition, respondents are also of the opinion that macroeconomic news, information, announcements, etc. significantly influences the aggregate stock returns evident from 52.38% respondents. It implies that macroeconomic developments often get adjusted in stock prices of emerging countries stock markets.

Respondents somewhat agree on the proposition that arbitrage opportunities are available in emerging countries stock markets evident from mean score 3.238. It depicts simultaneous buying in one and selling in another market is a possibility in emerging countries indicating that emerging countries stock markets are not perfectly efficient. This finding is supported by 42.86% respondents who fully agree with the statement. Stock market analysts support the argument that macroeconomic factors (such as GDP growth rate, unemployment rate, exchange rate, foreign exchange reserves, interest rate, inflation, money supply and oil prices) can better explain aggregate stock returns evident from mean score 3.179. It observes that any change in macroeconomic environment lead to fluctuations in stock returns in emerging countries stock markets. Significant percentage of stock market experts i.e. 52.38% supports the expected relationship of macroeconomic factors influencing stock returns.

Statements	Mean Score	Fully Agree (%)	Somewhat Agree (%)	Somewhat Disagree (%)	Fully Disagree (%)
1. Emerging countries stock markets have become semi strong efficient	2.774	9.52	64.29#	20.24	5.95
2. Emerging countries stock markets have become weak form efficient	2.214**	8.33	26.19	44.05#	21.43
3. Arbitrage opportunities are available in Emerging countries stock markets	3.238*	42.86*	40.48	14.29	2.38
4. Equity prices in stock markets fully reflect company fundamentals	2.536**	8.33	48.81#	30.95	11.90
5. Beta or market factor is still the most important factor in explaining cross sectional variations in equity returns in emerging markets	2.786	20.24	46.43#	25.00	8.33
6. Macroeconomic factors (such as GDP growth rate, unemployment rate, exchange rate, foreign exchange reserves, interest rate, inflation, money supply and oil prices) can better explain aggregate stock returns	3.179*	33.33	52.38#	13.09	1.19
7. Macroeconomic announcements significantly influence aggregate stock returns	3.131	30.95	52.38#	15.48	1.19
8. Macroeconomic factors do explain cross section variation in stock returns across emerging markets	3.155	29.76	58.33#	9.52	2.38
9. Stock markets follow economic movements rather than precede them	2.095**	8.33	26.19	32.14	33.33*
10. Macroeconomic expectations are discounted in stock prices well in advance	3.298*	44.05	45.24#	7.14	3.57
11. Arbitrage Pricing Theory (APT) is a better predictor of stock returns than Capital Asset Pricing Model (CAPM).	2.536	11.90	39.29#	39.29#	9.52
12. Only Large Institutional investors react on macroeconomic news and not small retail investors	2.690	22.62	35.71#	29.76	11.90
13. Small investors rely more on company related factors while investing rather than broad economic forces	2.952	28.57	41.67#	26.19	3.57

*Table 1: Investors' perception of current state of emerging countries stock markets*  
\*most significant; \*\*least significant; #somewhat significant

Results reveal that respondents somewhat disagree with the statement stock market follow economic movements rather than precede them apparent from mean score of 2.095 and 33.33% respondents who fully disagree with the statement. It depicts that price trends in stock markets reflect economic movements but they may not follow such fluctuations in case of emerging countries. Table 1 shows that respondents do not think that emerging countries stock markets have become weak form efficient evident from mean score of 2.214 and 44.05% respondents who somewhat disagree with the statement. It illustrates that though emerging countries stock markets are not perfectly efficient but they are not weak form efficient.

Also, 48.81% stock market analysts somewhat agree on the argument that equity prices in stock markets fully reflect company fundamentals supported by mean score 2.536. It observes that emerging countries stock markets are semi strong efficient as they reflect all the publicly available information in stock prices supported by 64.29% respondents.

Research has found that beta or market factor along with macroeconomic factors explain cross sectional variations in stock returns across emerging markets supported by 46.43% and 58.33% respondents respectively. It implies that market risk and macroeconomic variables have considerable influence on stock returns in emerging countries across industries at a particular point of time. It has been observed that small retail investors prefer company and/or industry analysis over economic analysis before taking any investment decision apparent from 41.67% respondents whereas 35.71% respondents agree that institutional investors prefer macroeconomic information while investing in stock markets.

Lastly, it can be observed that respondents have mixed views regarding Arbitrage Pricing Theory (APT) as a better predictor of stock returns than Capital Asset Pricing Model (CAPM) because 39.29% respondents somewhat agree and similar percentage of respondents disagree with the argument. This represents contradiction with respect to suitability of an asset pricing model in stock markets predicting stock returns in emerging countries. Further, the statistical significance of the proposed associations has been tested through factor analysis and Chi Square test in the next sections.

#### 4.2. Factor Analysis

Investors' perception of current state of emerging countries stock markets was examined through principal component extraction technique using Varimax rotation method. Each factor has been extracted from a group of three factors having loadings greater than the cut-off point .50. Factor analysis revealed five principal factors reported in Table 2 with their mean scores.

Kasier-Meyer-Olkin (KMO) index value of .556 indicates that the factor analysis is appropriate to determine principal components from the data set. It compares the magnitudes of the observed correlated coefficients to the magnitudes of partially correlated coefficients. Bartlett's test of sphericity examines the null hypothesis that all the observed variables are uncorrelated. Bartlett's test value of 186.776, being statistically significant at 5% level, rejects the null hypothesis that all variables are uncorrelated. The factor analysis is appropriate and total variance explained by the principal factors happens to be 64.470%.

Statements	Factor Loadings	Factors	Mean Scores
S6. Macroeconomic factors (such as GDP growth rate, unemployment rate, exchange rate, foreign exchange reserves, interest rate, inflation, money supply and oil prices) can better explain aggregate stock returns	.697	Factor 1: Macroeconomic Factors	3.155*
S7. Macroeconomic announcements significantly influence aggregate stock returns	.752		
S8. Macroeconomic factors do explain cross section variation in stock returns across emerging markets	.782		
S4. Equity prices in stock markets fully reflect company fundamentals	.681	Factor 2: Asset Pricing	2.619**
S5. Beta or market factor is still the most important factor in explaining cross sectional variations in equity returns in emerging markets	.634		
S11. Arbitrage Pricing Theory (APT) is a better predictor of stock returns than Capital Asset Pricing Model (CAPM).	.583		
S2. Emerging countries stock markets have become weak form efficient	.629	Factor 3: Market Efficiency	2.726
S3. Arbitrage opportunities are available in Emerging countries stock markets	.774		
S12. Only Large Institutional investors react on macroeconomic news and not small retail investors	.871	Factor 4: Investor Behavior	2.821
S13. Small investors rely more on company related factors while investing rather than broad economic forces	.859		
S9. Stock markets follow economic movements rather than precede them	.764	Factor 5: Fundamental Analysis	2.696
S10. Macroeconomic expectations are discounted in stock prices well in advance	-.793		

Table 2: Factor analysis of investors' perception of current state of emerging countries stock markets  
\*most significant; \*\*least significant

Stock markets in emerging countries reflect broad economic variations through security prices. Economic and financial aspects in emerging markets are integrated. That is why current and prospective investors rely on macroeconomic news which in turn influences company fundamentals, to seize any investment opportunity available in emerging countries stock markets. Surveyed stock market professionals somewhat agree that macroeconomic variables elucidate variations in stock returns in emerging markets evident from mean score 3.155. This factor explains variation of 15.001%. Security pricing in terms of risk and expected return is a significant factor in emerging countries stock markets. Stock prices are assumed to reflect market information and fluctuations on account of systematic risk factors supported by 2.619 mean score. This factor explains variation of 12.852%.

Market efficiency, being significant factor in emerging countries stock markets indicated by mean score 2.726, depicts whether stock prices discounts market information in emerging markets. Emerging markets are assumed to be semi strong efficient on account of possibility of arbitrage and equity prices reflecting company fundamentals. The factor explains variation of 12.736%. Retail investors are observed to rely more on company announcements as they undertake short term investments whereas institutional investors focus

more on macroeconomic news due to long run investment positions. Respondents somewhat agree with this notion evident from mean score 2.821. Therefore, investor behavior becomes a significant factor in explaining the current state of emerging countries stock markets. The factor explains variation of 12.338%. Lastly fundamental analysis which is performed to measure the intrinsic value of a stock, analyze various macroeconomic factors, in addition to company specific factors. Investors compare this value with the current price of the stock based on which investment decision is taken. Mean score 2.696 implies that investors are of the opinion that stock markets precede economic movements rather than follow them and macroeconomic expectations dictate stock price fluctuations in emerging markets. Stock market experts are of the opinion that fundamental analysis to some extent indicates the current state of emerging countries stock markets supported. This factor explains variation of 11.544%.

#### 4.3. Chi Square Test

Chi Square test has been performed on 13 statements relating to investors' perception of current state of emerging countries stock markets. The analysis aims to depict the presence of any significant relationship of stock market experience of experts and analysts, investment analysis techniques to undertake investment decisions and emerging countries in which trading activities are assumed with investors' view regarding current state of emerging countries stock markets. Survey findings are reported in Table 3 which illustrates the existence of statistical significant relationship investors' perception of current state of emerging countries stock markets and stock market experience. Results reveal that investors have similar opinion, across different stock market experience categories, about current state of emerging countries stock markets.

Null Hypotheses	Chi-Square (p value)	Result
There is no significant association between stock market experience and investors' perception that emerging countries stock markets have become semi strong efficient.	10.887 (.284)	Accept
There is no significant association between stock market experience and investors' perception that emerging countries stock markets have become weak form efficient	9.890 (.359)	Accept
There is no significant association between stock market experience and investors' perception that arbitrage opportunities are available in Emerging countries stock markets	2.507 (.981)	Accept
There is no significant association between stock market experience and investors' perception that equity prices in stock markets fully reflect company fundamentals	9.759 (.370)	Accept
There is no significant association between stock market experience and investors' perception that beta or market factor is still the most important factor in explaining cross sectional variations in equity returns in emerging markets	4.294 (.891)	Accept
There is no significant association between stock market experience and investors' perception that macroeconomic factors can better explain aggregate stock returns	5.708 (.769)	Accept
There is no significant association between stock market experience and investors' perception that macroeconomic announcements significantly influence aggregate stock returns	13.351 (.147)	Accept
There is no significant association between stock market experience and investors' perception that macroeconomic factors do explain cross section variation in stock returns across emerging markets	6.775 (.661)	Accept
There is no significant association between stock market experience and investors' perception that stock markets follow economic movements rather than precede them	8.350 (.499)	Accept
There is no significant association between stock market experience and investors' perception that macroeconomic expectations are discounted in stock prices well in advance	10.115 (.341)	Accept
There is no significant association between stock market experience and investors' perception that Arbitrage Pricing Theory (APT) is a better predictor of stock returns than Capital Asset Pricing Model (CAPM)	9.417 (.400)	Accept
There is no significant association between stock market experience and investors' perception that only large institutional investors react on macroeconomic news and not small retail investors	12.690 (.177)	Accept
There is no significant association between stock market experience and investors' perception that small investors rely more on company related factors while investing rather than broad economic forces	5.177 (.819)	Accept

Table 3: Chi Square analysis on investors' perception of current state of emerging countries stock markets and stock market experience  
\*significant at 5% level

Study observes the presence of any significant association between investment analysis techniques carried out by investors before investing and their perception regarding current scenario existing in emerging countries stock markets in Table 4. Respondents are of the opinion that there exist statistically significant association between investment analysis techniques and investors' perception that

arbitrage opportunities are available in emerging countries stock markets evident from Chi Square test value 65.779. It implies that investors' view regarding possibility of arbitrage in emerging countries stock markets vary across different investment analysis techniques.

Chi Square statistic 56.761, being statistically significant at 5% level, predicts that there is significant association between investment analysis techniques and beta or market factor is still the most important factor in explaining cross sectional variations in equity returns in emerging markets. It illustrates that different investors performing different analysis techniques prior to investing in emerging markets will have different view regarding the importance of market risk factors in explaining variations in stock returns across industries at a particular point of time. Stock market experts are of the observes that there is significant association between investment analysis techniques and investors' perception that macroeconomic factors do explain cross section variation in stock returns across emerging markets evident from Chi Square test statistic 59.900 statistically significant at 5% level. It indicates that there exist differences in the opinion of investors, analyzing investments using varied techniques, concerning significance of macroeconomic variables impacting stock returns in emerging markets.

Null Hypotheses	Chi-Square (p value)	Result
There is no significant association between investment analysis techniques and investors' perception that emerging countries stock markets have become semi strong efficient.	37.976 (.253)	Accept
There is no significant association between investment analysis techniques and investors' perception that emerging countries stock markets have become weak form efficient	37.053 (.287)	Accept
There is no significant association between investment analysis techniques and investors' perception that arbitrage opportunities are available in Emerging countries stock markets	65.779* (.001)	Reject
There is no significant association between investment analysis techniques and investors' perception that equity prices in stock markets fully reflect company fundamentals	24.933 (.842)	Accept
There is no significant association between investment analysis techniques and investors' perception that beta or market factor is still the most important factor in explaining cross sectional variations in equity returns in emerging markets	56.761* (.006)	Reject
There is no significant association between investment analysis techniques and investors' perception that macroeconomic factors can better explain aggregate stock returns	35.354 (.358)	Accept
There is no significant association between investment analysis techniques and investors' perception that macroeconomic announcements significantly influence aggregate stock returns	23.505 (.889)	Accept
There is no significant association between investment analysis techniques and investors' perception that macroeconomic factors do explain cross section variation in stock returns across emerging markets	59.900* (.003)	Reject
There is no significant association between investment analysis techniques and investors' perception that stock markets follow economic movements rather than precede them	33.195 (.458)	Accept
There is no significant association between investment analysis techniques and investors' perception that macroeconomic expectations are discounted in stock prices well in advance	62.460* (.001)	Reject
There is no significant association between investment analysis techniques and investors' perception that Arbitrage Pricing Theory (APT) is a better predictor of stock returns than Capital Asset Pricing Model (CAPM)	43.591 (.103)	Accept
There is no significant association between investment analysis techniques and investors' perception that only large institutional investors react on macroeconomic news and not small retail investors	34.337 (.403)	Accept
There is no significant association between investment analysis techniques and investors' perception that small investors rely more on company related factors while investing rather than broad economic forces	56.597* (.006)	Reject

*Table 4: Chi Square analysis on investors' perception of current state of emerging countries stock markets and investment analysis techniques  
\*significant at 5% level*

Research findings reported in Table 4 shows that investors' perception that macroeconomic expectations are discounted in stock prices well in advance and their view that small investors rely more on company related factors while investing rather than broad economic forces vary across different investment analysis techniques apparent from Chi Square value 62.460 and 56.597 respectively statistically significant at 5% level. It concludes that macroeconomic factors and investor behavior are important variables influencing the opinion of stock market analysts and experts.

Null Hypotheses	Chi-Square (p value)	Result
There is no significant association between investment in emerging countries and investors' perception that emerging countries stock markets have become semi strong efficient.	29.855 (.190)	Accept
There is no significant association between investment in emerging countries and investors' perception that emerging countries stock markets have become a weak form efficient	20.143 (.689)	Accept
There is no significant association between investment in emerging countries and investors' perception that arbitrage opportunities are available in Emerging countries stock markets	11.794 (.982)	Accept
There is no significant association between investment in emerging countries and investors' perception that equity prices, in stock markets fully reflect company fundamentals	16.053 (.886)	Accept
There is no significant association between investment in emerging countries and investors' perception that beta or market factor is still the most important factor in explaining cross sectional variations in equity returns in emerging markets	14.944 (.922)	Accept
There is no significant association between investment in emerging countries and investors' perception that macroeconomic factors can better explain aggregate stock returns	17.550 (.824)	Accept
There is no significant association between investment in emerging countries and investors' perception that macroeconomic announcements significantly influence aggregate stock returns	17.155 (.842)	Accept
There is no significant association between investment in emerging countries and investors' perception that macroeconomic factors do explain cross section variation in stock returns across emerging markets	24.336 (.441)	Accept
There is no significant association between investment in emerging countries and investors' perception that stock markets follow economic movements rather than precede them	30.059 (.183)	Accept
There is no significant association between investment in emerging countries and investors' perception that macroeconomic expectations are discounted in stock prices well in advance	24.896 (.411)	Accept
There is no significant association between investment in emerging countries and investors' perception that Arbitrage Pricing Theory (APT) is a better predictor of stock returns than Capital Asset Pricing Model (CAPM)	12.703 (.971)	Accept
There is no significant association between investment in emerging countries and investors' perception that only large institutional investors react on macroeconomic news and not small retail investors	32.903 (.106)	Accept
There is no significant association between investment in emerging countries and investors' perception that small investors rely more on company related factors while investing rather than broad economic forces	19.071 (.748)	Accept

*Table 5: Chi Square analysis on investors' perception of current state of emerging countries stock markets and investment in emerging countries*

*\*significant at 5% level*

Survey findings highlighting the statistical significance of association between investment in emerging countries and investors' perception of current state of emerging countries stock markets are reported in Table 5. Chi Square analysis reveal that there is no significant association between investment in emerging countries and investors' view regarding current scenario in emerging countries stock markets.

Chi Square analysis has been conducted on major factors identified through factor analysis of 13 statements relating to investors' perception of emerging countries stock markets using principal component technique and Varimax rotation method. Table 6 reports that there is no significant association between stock market experience and investors' perception of current state of emerging

countries stock markets based on macroeconomic factors, asset pricing, market efficiency, investor behavior and fundamental analysis.

Null Hypotheses	Chi-Square (p value)	Result
There is no significant association between stock market experience and investors' perception of current state of emerging countries stock markets based on factor 1	4.711 (.581)	Accept
There is no significant association between stock market experience and investors' perception of current state of emerging countries stock markets based on factor 2	7.611 (.574)	Accept
There is no significant association between stock market experience and investors' perception of current state of emerging countries stock markets based on factor 3	6.159 (.724)	Accept
There is no significant association between stock market experience and investors' perception of current state of emerging countries stock markets based on factor 4	13.814 (.129)	Accept
There is no significant association between stock market experience and investors' perception of current state of emerging countries stock markets based on factor 5	1.994 (.920)	Accept

Table 6: Chi Square analysis on investors' perception of current state of emerging countries stock markets and stock market experience based on factors 1, 2, 3, 4, and 5  
\*significant at 5% level

Null Hypotheses	Chi-Square (p value)	Result
There is no significant association between investment analysis techniques and investors' perception of current state of emerging countries stock markets based on factor 1	24.503 (.321)	Accept
There is no significant association between investment analysis techniques and investors' perception of current state of emerging countries stock markets based on factor 2	49.925* (.030)	Reject
There is no significant association between investment analysis techniques and investors' perception of current state of emerging countries stock markets based on factor 3	60.369* (.003)	Reject
There is no significant association between investment analysis techniques and investors' perception of current state of emerging countries stock markets based on factor 4	40.132 (.183)	Accept
There is no significant association between investment analysis techniques and investors' perception of current state of emerging countries stock markets based on factor 5	40.922* (.008)	Reject

Table 7: Chi Square analysis on investors' perception of current state of emerging countries stock markets and investment analysis techniques based on factors 1, 2, 3, 4, and 5  
\*significant at 5% level

Null Hypotheses	Chi-Square (p value)	Result
There is no significant association between investment in emerging countries and investors' perception of current state of emerging countries stock markets based on factor 1	22.397 (.131)	Accept
There is no significant association between investment in emerging countries and investors' perception of current state of emerging countries stock markets based on factor 2	11.268 (.987)	Accept
There is no significant association between investment in emerging countries and investors' perception of current state of emerging countries stock markets based on factor 3	17.895 (.808)	Accept
There is no significant association between investment in emerging countries and investors' perception of current state of emerging countries stock markets based on factor 4	24.721 (.421)	Accept
There is no significant association between investment in emerging countries and investors' perception of current state of emerging countries stock markets based on factor 5	4.496 (.998)	Accept

Table 8: Chi Square analysis on investors' perception of current state of emerging countries stock markets and investment in emerging countries based on factors 1, 2, 3, 4, and 5  
\*significant at 5% level

Results presented in Table 7 depicts that investors' perception regarding the current state of emerging countries stock markets vary across different investment analysis techniques in case of asset pricing, market efficiency and fundamental analysis indicated by Chi Square statistic of 49.925, 60.369 and 40.922 respectively statistically significant at 5% level. Study illustrates that there is no significant association between investors trading in different emerging countries and their view regarding current scenario in emerging countries stock markets supported by Chi Square analysis results reported in Table 8.

Figure 1 depicts that a significant percentage of respondents invest in India evident from 97.62% showing trading preference for the country. China is the second most favored market for investment indicated by 10.71% of respondents, followed by Brazil where



8.33% of respondents are inclined to park their funds. Investors demonstrate similar investment preference for South Africa and Russia as 5.95% of respondents are ready to invest in such markets. Some of the respondents also invest in other developed markets like U.S., Japan and Middle East.

Stock market experts analyze various investment alternatives using different techniques like economy analysis, industry analysis, company analysis, fundamental analysis, technical analysis and market sentiment analysis. Figure 2 indicates that most of the investors (84.52%) perform Economy-Industry-Company Analysis before pursuing any investment decision. A considerable proportion of respondents (36.90%) conduct company analysis, which is evident from the fact that small investors value company fundamentals more as compared to large investors who rely on macroeconomic news. Therefore, merely 27.38% of respondents carry out Economy Analysis before investing in emerging countries stock markets. It is observed that 34.52% of the respondents conduct industry analysis whereas 26.19% of respondents perform Technical Analysis.

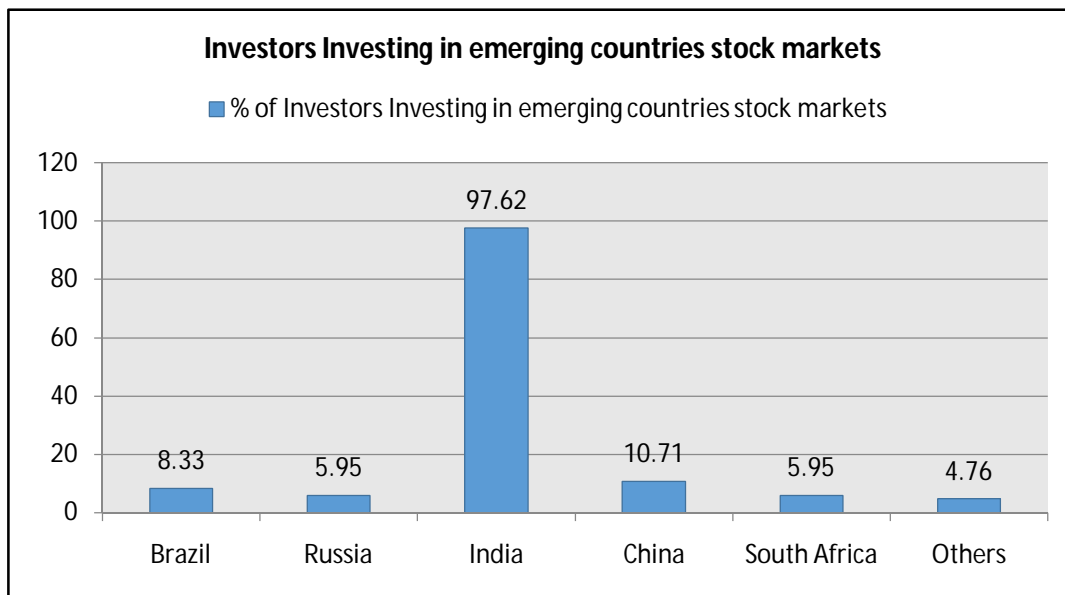


Figure 1: Investors investing in emerging countries stock markets

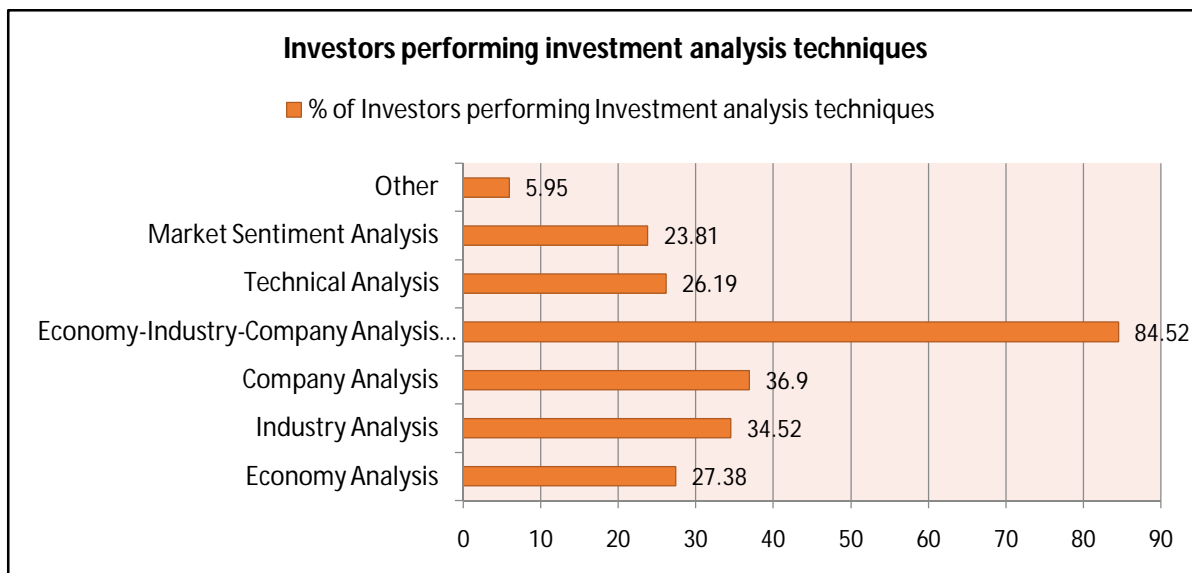


Figure 2: Investors performing investment analysis techniques

Significant proportion of investors, i.e. 23.81% give importance to Market Sentiment Analysis before ploughing their funds in profitable avenues in available in emerging countries stock markets. In addition, investors rely upon Value Investing, Bottom up Approach, Mechanized Trading Models, Macroeconomic Tools to weigh pros and cons of all the investment alternatives.

Study concludes major findings regarding investors’ perception of current state of emerging countries stock markets across stock market exposure of experts, various investment analysis tools and trading in emerging markets of BRICS in the next section.

## 5. Conclusion

The purpose of the study was to examine the investors' view regarding the current scenario prevailing in stock markets of emerging countries. Likert Scale analysis, factor analysis and Chi Square analysis was conducted to further illustrate whether such perceptions of investors differ across their exposure of dealing in stock markets, various techniques for analyzing investment alternatives and trading in emerging markets of BRICS. Research observes that macroeconomic factors significantly influence stock returns in emerging markets. In addition, market risk variables also dictate the fluctuations in equity returns across industries in emerging economies. Emerging countries stock markets are semi strong efficient on account of possibility of arbitrage and stock prices discounting all the publicly available information. Investor behavior significantly explains the current state of emerging countries stock markets as retail and institutional investors have different information preferences which results in different investments decisions.

Study observes that investors having different stock market experience and trading in different emerging countries develop similar perceptions about the current state of the emerging countries stock markets. Stock market experts' view regarding the current state of emerging countries stock markets differ across various investment analysis techniques based on pricing of securities in terms of risk and expected returns, in case of market efficiency, which reflects market information in stock prices and fundamental analysis which analyzes the broad and specific factors affecting stock price movements. Also, Investors' view regarding arbitrage, systematic risk, macroeconomic scenario and investor behavior differ across various investment analysis techniques.

## 6. Limitations, Scope and Implications

Research has limitations in terms of the number of respondents, stock market exposure of these respondents, and limited statements indicating current state of emerging economies. These limitations can be managed by expanding the data range and securing responses from more experienced stock market experts on various other aspects like liquidity of stock markets, security regulations, and nature of businesses (state run vs. family run). The research can be extended to analyze the investors' view regarding impact of global disturbances on emerging countries stock markets, political uncertainty, quality of governance, etc.

The findings are of great relevance for prospective and current investors investing in emerging countries stock markets as the information is expected to help them in taking buy or sell position in such markets. Stock market regulators with a view to promote trading activities can make stock markets more investor friendly. On other hand, government in emerging economies can make efforts to come up with favorable macroeconomic policies for both large institutional and small retail investors seeking investment positions in emerging markets.

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