Impact of Demographics on Trading Behavior of Retail Investors in Indian Stock Market - A study of Faridabad district

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ABSTRACT

This paper investigates about the perpetual experiences' of retail investors in Indian Stock market. Indian Stock market is wide spread across the world. The data were gathered from 300 retail investors of Faridabad district situated in Haryana. In this study, the researcher has taken the cross sectional study. Deductive approach was carried out since the cyclic process starts from theoretical framework to formulating research proposition and gathering data based on the predicted proposition for drawing the outcome. A proper questionnaire prepared by the researcher through the reference of the concerned studies in a well structure manner for gathering the perpetual experiences of the retail investors from Faridabad-NCR who were experienced with the investing phenomenon. Chi-square technique was employed through using SPSS package. The study examines that there is an association between demographic profile such as age, gender and annual income with the trading behavior of the retail investors.

Keywords: Retail investor, Indian Stock market, perpetual experiences, trading behavior.

INTRODUCTION:

Stock markets are the crucial subject of economic scenario across the borders. At current times, any country's economic growth is estimated through the Stock market. Indian stock market is one of the extending markets all over the world. There is two main exchanges in India which help us trade are Bombay stock exchange started in 1875 and National Stock Exchange incorporated in 1992. As per the report of the Intercontinental exchange a leading operator of Global exchange BSE is the eleventh exchange with the market capitalization of US$D 1630 and NSE on twelfth all over the world and the market capitalization US$D 1600. Retail engagement in Indian stock markets has got up in a very impressive way in recent years. Retail investors, Individual investors or small investors, recall from any name, it simply implies that an individual who invest their money through trading of securities for the purpose to maximize the worth of their investment instead of any other low interest avenues. Growth of Stock market is capable to draw their attention towards the market investments forum.

LITERATURE REVIEW:

As per the report of the Pherwani Committee on Stock exchanges (1991), reiterate the request of new Stock exchange which would be able to ease the channelization of household savings to cope with the financial demands of the economy particularly of productive sectors which ensure the fair and transparency in securities market and to enable market more liquidate position.

Suzaida Bakar, Amelia Ng Chui Yi (2016), paper investigated about the psychological feelings put impact on the financial decisions of the investors. Through the reflection of Asian, Middle East and western areas studies founded that here is a connection between psychological factors and the investor's decision making process in stock market. In this research researcher examined the impact of psychological factors on Investor's decision making process with respect to Malaysian stock exchange. For the purpose, distributed questionnaire with the

total sample size of 200 investors in the kiang valley and Pahang region between the age group of 18 to 60 years who dealt with Malaysian stock exchange. The findings of the analysis were Three factors i.e., overconfidence, conservatism and availability biasness showed significant impact on decision making of investors. On the other side there is a no significant impact of herding behavior. And psychological factors subject to individual's gender variable.

S.A. Chintaman (2008), conducted a research study based on investor protection in India with reference to Ahmadabad, Vadodara, and Rajkot city. The researcher collected sample of 150 respondents through interview method by preparing structured questionnaire to represent the whole population & the duration of study from April 1992 to March 2005 as equating to 13 years. The findings of the research were mostly as 38.67% population from 31 to 45 age group, 26% from 46 & above, 23.33% belonged to 26 to 30 and only 12% were less than 25 age group considered for the study. As seen in all other study only 8% sample belongs to female ratio. If we analyzed Income wisely very less percentage of annual income invested in market as half of the respondents' lied between 0 to 40% and 41% to 81% & above. Only handful of investors invested for long term purpose i.e., 11.33% and all other interested to invest in the market less than 1 year. Combinable, Only 59 number of respondents taken information from TV channels, newspaper, magazines, internet and 91 went with some other reason which concluded that there was no optimum used of reliable information. Reading habit is not effective in most of the investors as one-third of the investors were not updated with the daily updates. Investors monitored the market trend before indulging in the trading activities besides few of total sample but still didn't go in depth of the company information. Only 8.67% investors interested in Depth Company reports to make sure about the investment decision which shows lightsome attitude of the participated investors.

P.C. Rajan (2014), demonstrated in his research study about the derivatives. The research study constituted in Mumbai city on 300 retail investors to know about their preferences as well as worries and satisfaction level of the retail investors and growth of the Indian Derivatives market.

OBJECTIVES OF THE STUDY:

The key objective of the study is to evaluate the association between Psyco demographics & trading pattern of the retail investors.

HYPOTHESIS:

On the basis of the above objectives, the researcher structured the following hypothesis to meet the objectives prerequisite which is as follows:-
Ho1: There is no association between demographics & trading pattern of the retail investors.
Ha1: There is no association between demographics & trading pattern of the retail investors.

For validate the hypothesis, eight hypothesis had been framed for the study which is as follows:
Ho1 (a). There is no association between age and different avenues of Investments.
Ho1 (b). There is no association between age and prime goal of investments.
Ho1 (c). There is no association between age and define the Stock market.
Ho1 (d). There is no association between age and kind of Investor.
Ho1 (e). There is no association between gender and define the Stock market.
Ho1 (f). There is no association between gender and preferred source of information
Ho1 (g). There is no association between gender and preferred source of information
Ho1 (h). There is no association between annual income and percentage of savings.
Correspondingly alternate hypothesis were devised accordingly.

RESEARCH METHODOLOGY OF THE STUDY:

This section depicts the wholly explanation of data analysis of the study.

Statement of the problem:
To study the perception of the retail investors towards their trading behavior in Indian Stock market based on distinct categories of demographic profile.

Methodology for Data Collection:
To accomplish the objective of the study, survey was done in Faridabad city (Haryana).The data was assembled

which include age, gender and annual income. The research data were assembled through the structured questionnaire on likert type scale which is based on convenience sampling. The sample was compiled from the 300 retail investors.

Tools and techniques:
As per the requirement of the objectives, the researcher has opted to use cross tabulation & Chi-square technique. Chi-Square measures the association between the independent and dependent nominal or ordinal type of data. This test is always associated with the sample size particularly if sample is above 200 (Eddie T.C.Lam). Equation of Chi-Square as follows: $\chi^2 = \sum (O_i - E_i)^2 / fe$
(Where O denotes the observed cases and E denotes the expected cases)

LIMITATIONS OF THE STUDY:

This research study has been designed to depict about the investors vision towards the Stock market with keeping a proper eye on the important aspects. The researcher has followed the whole procedure carefully while designing the study. The research topic is so spacious concept as rapidly volatile nature about routine basis. Generalizability of inference is restricted to the current study.

FINDINGS OF THE STUDY:

The research findings are segregated as follows:

Findings on the basis of Demographic Profile of the respondents:
- This research has attempted to study all age categories for analysis. 33 no. of respondents were represented between the age group less than 30 years which constituted 11% of study sample. 66 no. of respondents between the age group 31-40 years constituted 22% of sample population. 83 respondents in between the mid-age 41-50 years which comprised highest 27.67% of sample population .76 respondent's i.e., 25.33% from the upper middle age and 42 no. or 14% of respondents were belonged from senior citizen category.
- 265 male respondents were dealt with the Stock Market and only 35 female respondents which is not even one-fourth of male population. Mostly males invest in the Stock Market. Female ratio are very less compared to male.
- 5% had a total household income was less than 2 lakhs which is average income-scale. Nearly half of the sample population i.e., 122 participants indicated that their annual earnings between Rs. 2 Lakhs to Rs. 4 Lakhs and maximum number of respondents were belonged to above said category. Furthermore, one- third respondents were belonged to higher income group i.e., between Rs. 4 lakhs to Rs, 6 lakhs .In other words, 33% were belonged to between 4 to 6 lakhs and 21.3% respondents were above Rs. 6 lakhs which is corresponding to 99 and 64 respectively.

Findings on the basis of Trading Behavior of the respondents:
- It is found that 76 number of the respondents or 25.3% are considered themselves as conservative investors. 170 respondents are from balanced approach which is 56.7 % of overall sample population. Lastly as 54 respondents are opted the aggressive style of investment which is just 18% of study sample.
- Only 5.7% get the information about Stock market through newspaper/journals/magazines followed by 83 respondents i.e., 27.7 get the information through TV channel/Internet.180 respondents get through brokers advice/ research firms and 20 respondents is followed their relatives/family/friends which is corresponding to 60% and 6.7% respectively. This reveals the fact that maximum number of respondents rely upon expert's words.
- Maximum number of respondents i.e., 57% of retail investors are interested in banks/PPF/LIC schemes instead of other one whereas 20.67% retail investors always interested in real estate which is equating to 171 and 62 number of respondents.
- It also can be seen that very less respondents are dealing in mutual fund/share market/bonds i.e., only 19 number of the respondents out of the total sample population are looking for capital market which is constituted to 6.33%. Even more number of retail investors are preferred gold market as a better investment avenue as 28 respondents i.e., 9.33% out of the total respondents and 20 respondents have not marked any option that's why they have been counted in cant' say option . The reason may be interest matter or disclosing of information. It is concluded that bank/PPF/LIC has been considered most preferable investments avenues among all.

Findings on the basis of Chi-square results between the demographic profile & Trading Behavior of the respondents:

- There was a significant association between age and different investment avenues preferred by the respondents. The test statistic value of x^2 is 70.911(p=.000)
- There was a significant association between age and main goal of investing in Indian Stock market. The test statistic value of x^2 is 29.364 (p=.003)
- There was a significant association between age and define the Stock market. The test statistic value of x^2 is 40.991(p=.000)
- There was no significant association between age and kind of investor. The test statistic value of x^2 is 12.507(p=.130)
- There was a significant association between gender and kind of Investor. The test statistic value of x^2 is 6.440 (p=.040)
- There was a significant association between gender and definition of Stock market. The test statistic value of x^2 is 10.765 (p=.005)
- There was no significant association between gender and source of information. The test statistic value of x^2 is 5.326 & p value =.149 which is more than significant value i.e., .05.
- The significant association between annual income and savings invested in stock market. The test statistic value of x^2 is 32.296, p=.000.

CONCLUSION:

- All age groups respondents have preferred to invest in Bank/LIC/PPF schemes due to the safe and secure investments without applying any mindful theory.
- The evidence reflects that the main priority of all age groups were to earn extra funds for fulfillment the requirements of their family while some investments for future planning. Besides it, social welfare and wealth creation least preferably.
- Through the above results the researcher concluded that mostly above 51 years age group people have selected the Stock market for investment purpose whereas 31-50 years age group bracket few people relied on beliefs which is based on gambling or luck and below 30 years mostly participants' belief is that Stock market is a place of gambling and mind's game.
- The results show that there is no association of age with respect of behavior of investors. Whatever the behavioral policy adopted by retail investors, it is not concern on the subject of age matter.
- This results clearly depicts that most of the male and female investors have planned their investments in a balance manner. After that few respondents prefers conservatism policy. Very less % are acted as aggressively in market with high risk better return policy.
- It is concluded that majority of male and female although less female ratio and have preferred that Stock market is a good source of income.
- It can be examined through the results that for information purpose mostly male and female population have relied on stockbrokers and research firms which means it's more reliable source of information. TV channel and internet also preferred by few male population but very less people is followed other information source.
- This seems to represent the fact that those investors whose earnings are more invest more savings in Stock market as compare to less earners

RECOMMENDATIONS:

Concerned authorities need to concern the demographic factors while implementing any rules and regulation about the Indian Stock market. They need to take necessary steps to restore the trust of retail investors as hard earners require safe and secure investment for the family support.

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LIST OF TABLES:

Table No 1: Demographic Profile of the Respondents

Age group wise				
Age of the Respondents	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Less than 30 years	33	11.0	11.0	11.0
31-40 years	66	22.0	22.0	33.0
41-50 years	83	27.7	27.7	60.7
51-60 years	76	25.3	25.3	86.0
Above 60 years	42	14.0	14.0	100.0
Total	**300**	**100.0**	**100.0**	

Annual Income				
Income of the Respondents (Annually)	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Less than Rs. 2 Lakh	15	5.0	5.0	5.0
Rs.2- Rs.4 Lakhs	122	40.7	40.7	45.7
Rs.4- 6 Lakhs	99	33.0	33.0	78.7
Above Rs.6 Lakhs	64	21.3	21.3	100.0
Total	**300**	**100.0**	**100.0**	
Gender				
Gender of the Respondents	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Male	265	88.3	88.3	88.3
Female	35	11.7	11.7	100.0
Total	**300**	**100.0**	**100.0**	

Table No 2: Trading Behavior of the Respondents

Which investment avenues do you prefer most?				
Investment Avenue	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Bank /LIC/PPF Schemes	171	57.0	57.0	57.0
Mutual fund/Share Market	19	6.3	6.3	63.3
Real estate	62	20.7	20.7	84.0
Gold	28	9.3	9.3	93.3
Can't Say	20	6.7	6.7	100.0
Total	**300**	**100.0**	**100.0**	
What kind of investor do you describe yourself?				
Kind of Investor	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Conservative	76	25.3	25.3	25.3
Balanced	170	56.7	56.7	82.0
Aggressive	54	18.0	18.0	100.0
Total	**300**	**100.0**	**100.0**	
What percentage of savings invested in Stock Market (annually)?				
Percentage of Savings	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Less than 10%	116	38.7	38.7	38.7
Between 10-20%	117	39.0	39.0	77.7
20% & above	67	22.3	22.3	100.0
Total	**300**	**100.0**	**100.0**	
While investing in the Stock Market, what is your main goal?				
Goal of Trading	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Future planning	95	31.7	31.7	31.7
Wealth Creation	23	7.7	7.7	39.3
Extra income for family	172	57.3	57.3	96.7
Social welfare	10	3.3	3.3	100.0
Total	**300**	**100.0**	**100.0**	

Table 3: Chi-square b/w Age and Different Avenues mostly preferred in the Indian Stock Market

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	70.911[a]	16	.000
Likelihood Ratio	60.394	16	.000
Linear-by-Linear Association	13.663	1	.000
N of Valid Cases	300		

Table 4: Chi-square b/w Age group wise * While investing in the Stock Market, what is your main goal?

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	29.364[a]	12	.003
Likelihood Ratio	31.363	12	.002
Linear-by-Linear Association	.352	1	.553
N of Valid Cases	300		

Table 5: Chi-square b/w Age group wise * how you define Stock market

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	40.991[a]	8	.000
Likelihood Ratio	41.118	8	.000
Linear-by-Linear Association	34.378	1	.000
N of Valid Cases	300		

Table 6: Chi-square b/w Age group wise * what kind of investor do you describe yourself?

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	12.507[a]	8	.130
Likelihood Ratio	14.948	8	.060
Linear-by-Linear Association	9.825	1	.002
N of Valid Cases	300		

Table 7: Chi-square b/w Gender wise * what kind of investor do you describe yourself?

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	6.440[a]	2	.040
Likelihood Ratio	5.849	2	.054
Linear-by-Linear Association	4.162	1	.041
N of Valid Cases	300		

Table 8: Chi-square b/w Gender * How you define Stock market?

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	10.765[a]	2	.005
Likelihood Ratio	13.289	2	.001
Linear-by-Linear Association	8.600	1	.003
N of Valid Cases	300		

Table 9: Chi-square b/w Gender * which source of information do you prefer?

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	5.326[a]	3	.149
Likelihood Ratio	5.670	3	.129
Linear-by-Linear Association	4.790	1	.029
N of Valid Cases	300		

Table 9: Chi-square b/w Annual Income * what percentage of savings invested in Stock Market (annually)?

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	32.296[a]	6	.000
Likelihood Ratio	32.553	6	.000
Linear-by-Linear Association	28.522	1	.000
N of Valid Cases	300		