

# An Empirical Study on Effect of demographic profile on trading behaviour of retail investor in NSE: With special reference to Bangalore Urban District, Karnataka.

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**Abstract:** This paper investigates continuous involvements, knowledge and understandings of retail investors in Indian Stock market, as it is extensively spread across the world. The information was collected from 487 retail investors of Bangalore urban district of Karnataka. In the present study, the researcher has considered cross-sectional study. Empirical method was used as the cyclical procedure flinches with hypothetical outline to articulating research hypothesis and collecting information on the basis of foreseen proposition for gaining the result. A structured questionnaire was framed, with the help of relevant for collecting the everlasting involvements of the retail investors from Bangalore urban district who were very well verse with trading or investing Scenario. Chi-square test was conducted in the study with the help of SPSS package. The study inspects whether there is a connotation amongst demographics, like age, gender and yearly income with the trading behaviour of the retail investors.

**Keywords:** Retail Investors, Cross-sectional study, Chi-square test,

## I. INTRODUCTION

The stock market can be described as various exchanges in which shares of various companies are purchased and sold and over the counter (OTC) and formal exchanges marketplaces who operates under defined set of rules of regulations enables financial transactions relating to such activities. Further the stock market permits for price sighting of several corporations and also acting as a barometer of overall performance of an economy. Consequently, growth of financial system is pivotal for the overall progress and expansion of any country since stock market is an integral part of financial system its performance contributes a lot towards strengthening country's financial system. Further the stock markets can perform well only when every individual or corporations actively participates in the in the stock market by understanding the importance of analysing and understanding the various investment opportunities at stock market.

When we look at the recent phenomena with regard to Covid-19 pandemic there is a lot of transformation in various fields as it has changed everyone lives like never before, especially with relevant to equity market as it has been nothing less than a roller-coaster ride. Subsequent lockdown in the nation eventually had given a body blow to the economy. Nevertheless, the stock indices exhibited volatility, even before turning into Bull Run, like boosting

immune to the damages of Black swan event. Latest improvement in the performances of corporations also considered to be a robust booster for investor sentiments in stock market.

Remarkably it was a astronomical year for Indian share market with a significant index of both the stock market i.e., NSE and BSE recorded points higher than ever, Striking in national investor retorts on the inexplicable disconnection amongst the way markets in the country functions and the priority to commercial considerations , there was a drastic rise in the stock prices and has set the ball rolling to welcome 2023. as result of warfare amongst Russia and Ukraine there is a lot of fluctuation in oil prices of crude, enfeebled Indian Currency, pandemic-induced worldwide supply chain encounters with shocking inflation much more than the consumer price index (CPI) 4 %inflation within a band of +/- 2% range fixed by the Reserve Bank of India are causes that were established to disrupt the India's share market indices' backs but It has instead been the contrary.

## II. REVIEW OF LITERATURE

**Dr.Saumendra Das, Dr. Apparao Epi (2022)** analysed that in the present scenario stock market investments are very common for both professionals and individuals in the society. Further it was emphasised in the study that the key instrument for plummeting the risk involved in investing in stock market is Derivatives and the investors also must be

aware of several speculation strategies and portfolio and capital theories, stock valuation models and performance measures of Investments and so on that could be useful for minimising their risk. And maximise their return on investments invested in the stock market. Hence Wakefulness regarding various benefits of investment portfolios would certainly benefit the investors in minimising the risk and maximising the returns. However, in the present study it was concluded that, investors should be aware of the fact that even though the stock market is subjected to great risk, by inculcating portfolio techniques, investors both the professionals as well as the individuals can minimise the loss to a greater extent. **Dr. Asha E. Thomas (2019)** Studied, the prominence of technical analysis in stock market investment which is world well-known perhaps recognized the strongest advocate of fundamental analysis. The motive behind this is simple technical analysis tries to remove the difficulty by grounding the whole thing on price act, this consist of all the financial scrutiny. Trader knowledge and decision is the significant to success in applying technical analysis tools. Irrational behaviour, in majority of the cases greed and fear rules the market and in such conditions the efficacy of technical analysis tools in forecasting market activities is broken, for a short span of time. However, the relevance of all the entire tool lies alone in an incompetent market. **Prem Prasad Silwall and Shreya Bajracharya (2021)** Analysed behaviour of the individual Investors in trading and their confidence level in trading with stocks in the market, it was noted in the study that these investors completely trade based on the timely stock information prevailing in the market. Further it was also highlighted in the study that the individual investors portray herding behaviour at the time of considering investment decisions to purchase of sale shares. Heuristics and Market has exposed advanced optimistic connotation to investment performance with steering succeeding at low-slung heights. **Sarika Keswani<sup>1</sup>, Vipra Dhingra & Bharti Wadhwa (2019)** Analysed, that the retail investor investment decisions are affected by major 4 behavioural aspects in the NSE: Market, Herding, Outlook, Experiential. Besides that how decision-making motivations, impact ROI of each investors which comprise two aspects, specifically the degree of return and level of satisfactions from their investment decisions.

### III. NEED OF THE STUDY

Examining the cognitive processes and behavioural biases that impact investment choices made by Bangalore retail investors would shed light on the psychological elements of investing. It is possible to create interventions that encourage logical decision-making and lower investment errors by utilizing behavioural finance principles. In general, researching Bangalore's retail investor demands can help create a financial environment that is more open, transparent, and welcoming to investors, which will

eventually help both individual investors and the whole economy.

### IV. OBJECTIVE OF THE STUDY

The major purpose of the study is to analyse the relationship between demographics and trading behaviour of the retail investors in Bangalore urban district, Karnataka.

### V. RESEARCH METHODOLOGY

This chapter describes the entire information on how the collected data for the study been analysed and interpreted.

#### 4.1 Statement of the Problem:

Understanding the investor's behaviour in the stock market is one of the prominent factors as investors have great influence on the functioning of the stock market as it is a key component which determines, growth and development of the nation. Thus, the present paper focuses on understanding the rapport between psycho-demographic aspects of stockholders and their influence on their investment decisions.

**4.2 Data Collection:** Both Primary and secondary sources have been used for the study

**a. Primary Data:** The primary data needed for the study has been collected from the Respondents who are also the Retail Investor of Bangalore city with the help of structured questionnaire.

**b. Secondary Data:** The secondary data required for the study has been collected from published reports of SEBI, Journals and Magazines, Textbooks.

#### 4.2 Method for collection of data:

With an intention to attain the objective of the current study, the data has been collected from 487 respondents from Bangalore City, Karnataka. These respondents are retail investors who invests in share market by consulting Brokers or Agents with investment of less than 2 lacs Rupees. 550 questionnaires were distributed out of which 487 were considered suitable for the study as these were only suitable for the study.

**4.3 Sampling Unit:** Retail Investors of Bangalore City, Karnataka

**4.4 Sampling Size:** 487 Retail Investors of Bangalore City.

#### 4.5 Method of Sampling

Random sampling method is used for the study

#### 4.6 Hypothesis

Ho1: (a): There is no significant connotation amongst the age of the retail investors and their options towards different investment avenues available in the market.

Ho1: (b): No significant relationship among the age of the retail investors and their major objective to invest in equity.

Ho1: (c): No significant relationship among the age of the retail investors and their perception towards stock market

Ho1: (d): No significant relationship among the age of the retail investors and kind of investor in the equity market.

Ho1: (e): No significant relationship among the gender of the retail investors and their perception towards stock market

Ho1: (f): There is no significant association between the gender of the retail investors and chosen source of information about the market.

Ho1: (e): There is no significant association between yearly Income and percentile of savings of the retail Investors.

**4.7 Statistical tools:**

Both the Cross Tabulation and Chi-square test has been used for the study. This particular test can be used when the data sample is more than 200. The equation used for the test is  $\chi^2 = \sum (O_i - E_i)^2 / E_i$  (where  $O_i$  = observed value (actual value) and  $E_i$  = expected value. A chi-squared test can be described as a statistical proposition assessment adopted for performing examination of contingency tables if the size of the sample is larger. Precisely this tool principally adopted for scrutinize two categorical variables in terms of how they are self-determining in inducing the test measurement.

**4.8 Limitations of the Study**

1. The current research is intended to portray the investor’s intention in the direction of the Stock market by considering the important aspects.
2. Even though the research topic is a broader concept as it can quickly be impulsive in nature on a routine basis. However, the Generalization of conclusion is limited only to the present study.

**VI. DATA ANALYSIS AND INTERPRETATION**

**6.1 Demographic Outline of the Respondents**

**Table No: 1: Age- Wise classification of the Respondents:**

Age-wise classification of the Respondents					
SL. No	AGE	Frequency	Percent age	valid Percent	cumulative Percent
1	Less than 25 years	41	8	8	8
1	26 Years- 35 Years	200	41	41	49
2	36 years-45 years	146	30	30	79
3	46 years-55 years	52	11	11	90

4	56 years and above	48	10	10	100
<b>Total</b>		<b>487</b>	<b>100</b>	<b>100</b>	

**(Source: computed from primary data)**

For the requirement of the learning, researcher has used the respondent belonging to the entire age segment, and it was observed from the study that 8% of the respondent belongs to the age cluster of below 25 year and then 41% of the respondent belonging to the age group of 25 Years-35 Years meanwhile 30% of them belongs to the age group of 36 to 45 Years, 11% of them belongs to 46 years-55 years and finally 10% of them were 56 years and above. Therefore, it is a clear observation that the most of them belongs to 26 years to 35 years of age group. As it can be understood that the investors who invest in equities are not risk- averse rather they are keen to bear risk in order to yield greater returns out of their equity investments.

**Table No: 2: Classification Based on the Gender of the Respondents:**

Gender-Wise Classification				
Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	429	88	88	88
Female	58	12	12	100
<b>Sum</b>	<b>487</b>	<b>100</b>	<b>100</b>	

**(Source: primary data)**

From the study it is understood, that out of 487 respondents 429 are male and 58 are female thus from 487 respondents’ majority of them i.e., 429 of them were female and only 58 i.e., 12% of the total respondents which means male investors are risk bearers and willing to take risk by investing in equity segment with an intention to gain returns by utilising their savings for securing their future by becoming more financially independent and stable so that they can enjoy financial freedom in their lives.

**Table No: 3: Classification Based on the Annual Income of the Respondents:**

Yearly Income				
Income of the Respondent (Annually)	Frequency	Percent	Valid Percent	Cumulative Percent
Below 2,00,000	36	7	7	7
Rs 2,00,000- Rs4,00,000	300	62	62	69
Rs4,00,000- Rs6,00,000	41	8	8	77
Rs6,00,000- Rs8,00,000	49	10	10	87
Rs 8,00,001 and above	61	13	13	100
<b>Total</b>	<b>487</b>	<b>100</b>	<b>100</b>	

**(Source: computed from primary data)**

The table No 3. depicts the Annual Income of the respondent. It is made clear that 36 number of respondents

i.e., 7% of them have annual income of Rs. Less than 2,00,000 and 300 number of respondent i.e., 62% of them having income between Rs 2,00,000- Rs4,00,000 meanwhile 41 number of respondent, 8% of them having income between Rs4,00,000-Rs6,00,000, and 49 number of respondent (10%) of them have income between Rs6,00,000-Rs8,00,000, and finally 61 respondents(13%) of them have income of Rs. Rs 8,00,001 and above. Thus, it is clear from the study that the investors who have Annual income ranging between 2, 00,000 to 4, and 00,000 would prefer to invest in equities in stock market.

**6.2 Investor’s Trading Behaviour:**

**Table No 4: Proportion of Saving Capitalized in Share Market**

Proportion of Saving Capitalized in Share Market				
Percentage of saving	Frequency	Percent	Valid Percent	Cumulative Percent
Between 1% - 10%	216	44	44	44
Between 11% - 15%	88	18	18	62
Between 16%- 20%	96	20	20	82
Between 21%- 25%	37	8	8	90
More than 26%	50	10	10	100
<b>Total</b>	<b>487</b>	<b>100</b>	<b>100</b>	

The study also covers the information pertaining to the percentage of the savings which are maintained by the investors. It is observed that 216 respondents (44%) of them saves 1% -10%, 88 respondents (18%) of them saves between 11% -15%, 96 number of respondents (20%) of them have savings 16%-20%, 37 respondents (8%) of them have savings between 21%-25%, 50 number of respondents (10%) of them saves more than 26% of their earnings. Hence the majority of the respondents saves up to 10% of income is generally saved by the respondents. Since the respondents are from Bangalore city there might be phenomena of spending more of their income for various other reasons in their lives.

**Table No 6: Expectations from equity Investments (Investment Goals)**

Expectations from equity Investments (Investment Goals)				
Expectations from equity Investments	Frequency	Percent	Valid Percent	Cumulative Percent
Minimum returns	86	18	18	18
Average Growth of Capital	106	22	22	40
No Risk on Capital or Returns	31	6	6	46
Intense Growth OF Capital	37	8	8	54
High returns on Investment	194	40	40	94
Safety of Capital	27	6	6	<b>100</b>

Others	6	1	1	
	487	<b>100</b>	<b>100</b>	

It is always important to understand that the investors invest their savings in order to attain certain financial goals so each one of them will have their own expectations out of these equity investments. Thus, the study was also intended to understand the various expectations of the investors from equity investment invested in the stock market. Therefore it is understood from the study that 86 number of respondents (18%) of them expect minimum returns from the equity investments, 106 number of respondents(22) of them wants Average growth of Capital, 31 respondents (6%) of them expects No risk on Capital or Returns meanwhile 194 number of respondents(40%) of them are expecting high returns on Investment, and 27 respondents(6%) of them wants to ensure safety of capital and finally only 6 respondents(1%) of them have opted for other options not belonging to any of the above categories. Hence majority of the respondents would prefer to invest on equity segment with an intention of ginning growth for their money invested on equity stocks.

**Table No 7: Trading Volume of Investment**

Trading Volume of Investment				
Trading Volume	Frequency	Percent	Valid Percent	Cumulative Percent
Below Rs 25,000	278	57	57	57
Rs.25, 000 - Rs50,000	63	13	13	70
Rs.50,000 - Rs1,00,000	134	28	28	98
Rs.1,00,000- 200000	12	2	2	100
More than 2,00,000	NIL	0	0	
<b>Total</b>	<b>487</b>	<b>100</b>	<b>100</b>	

Another important aspect to be understood that the trading volume which indicates the actual amount of investment that flow to the stock market in India as this factor is the one which determines the whole amount of investment that could be generated by the investors to the stock market. Therefore, it is understood from the study that 278 number of respondents (57%) of them invests less than Rs.25,000 on the equity investments, 63 number of respondents (13%) of them invests Rs.25000 to Rs.50,000 on equity investments, 134 respondents (28%) of them invests Rs. 50,000 to Rs. 1,00,000 meanwhile 12 number of respondents (2%) of them investing between 1,00,000, to 2,00,000 and ultimately there are no respondents considered for the study who could invests more than 2,00,000 as the current study focused only on the retail investors who would invests only below Rs. 2,00,000 on equity investments.



**Table No 8: Reasons for not investing in equity investment**

Reasons for not investing in equity investment				
Reasons	Freq uency	Per cent	Valid Percent	Cumulativ e Percent
Inadequate or sufficient Knowledge on how to Invest	278	57	57	57
Lack of adequate Funds to Invest	63	13	13	70
Expected Returns not met	134	28	28	98
Equity investments are risky Investment	12	2	2	100
OTHERS	NIL	0	0	
Total	487	100	100	

It is also significant to comprehend the numerous reasons for which the retail investor refrains from investing in equity in the stock market. Consequently it is understood from the study that 278 number of respondents (57%) of them agreed that they do not prefer to invest in equities as they do not possess Adequate or sufficient Knowledge on how to Invest, while 63 number of respondents(13%) of them mentioned that they do not have adequate funds to invest, , 134 respondents (28%) of them said they are not able to gain expected returns on their equity investments 12 number of respondents(2%) of them have agreed that the equity investments are risky investments. Hence it is evident that the retail investors would not prefer to invest in equity stocks since they think that they will not in a position gain expected amount of return out of their investments in equities, another reason why the investors are not investing in lack of adequate or sufficient knowledge on how to invest.

**VII. FINDINGS OF THE STUDY**

1. It is understood from the study All the age clusters of respondents has chosen to participate in equity investments to gain some good return from equity investments.
2. The indication from the study replicates foremost priority of entire age groups was to make additional financial resources for fulfilling family necessities though, then keeping in mind making investment for upcoming arrangements. Along with this, societal well-being and conception of wealth slightest first.
3. With the help of results obtained from the study, it is determined here that habitually respondents more than 51 years old not had chosen the Share market with an objective of investing in stocks. however, people with age group of 31-50 years, some of them were trusted on ideas grounded on betting or fortune additionally, people less than 30 years old have frequently believed that Share market as platform of gambling and mind’s game.
4. Research outcomes are demonstrating, no connotation between age and behaviour of investors. Whatsoever,

behavioural strategy accepted by retail them, nowhere concerned to their age factor.

5. The present outcomes evidently portray on how man and a woman being investors takes decision to invest in a sensible way, it is also understood how a few respondents have behaved antagonistically in stock market towards greater riskier stocks.
6. From the present study it is understood that a greater number of female investors have preferred invest as compare to male, though there is a smaller number of female respondents in the study, they are relied on Share market as to earn good amount of income form their investment.
7. It is found from the study that both Male and Female respondents have trusted on agents and research firms as the more unswerving basis for evidence related to stock market. Even Print media and internet are opted by limited number of male populations and very few of them are relied on other sources of information.
8. From the present study, it is understood that if investors have more savings they would prefer to invest more as compared to those who are earning less in the society
9. The study revealed that there is significant association between the age and percentage of savings maintained by the respondent as the test static value  $\chi^2$  is 52.11(P=.0001)
10. It is found out from the study that there is significant association between the age and trading volume made by the respondent as the test static value  $\chi^2$  is 32.11(P=.002)
11. It is found out from the study that there is significant association between the Gender and trading volume made by the respondent as the test static value  $\chi^2$  is 6.40 (P=.003).
12. It is found out from the study that there is significant association between the Gender and trading made by the respondent as the test static value  $\chi^2$  is 42.40 (P=.000).

**VIII. CONCLUSIONS**

It can be concluded respondents belonging to All the age clusters are interested to participate in equity market with a view to gain some good return from equity investments. It is also notable that more female investors are showing keen interest in investing their savings in various sources of investment available in the financial market in order become more financially independent. Since there is a lot of transformation happening in most of the sectors of the economy there is great concern to be given towards strengthening the financial system of Indian economy. If the economy strengthen it can well contribute towards the growth and development of the sectors by providing required amount of funds for fulfilling their financial needs. It is very much evident from the study that the demographic factor influences the retail investors behaviour towards

equity market, and the investors lack sufficient knowledge on how to invest or gain return out of their investment in equity stocks the concerned regulatory authorities and agency should take initiatives, Programs to create more awareness on how to trade in the stock market prudently which helps them to gain more returns along capital appreciation to their investment, so that there will be a greater number of retail investors participation in the financial market.

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