A Study of Awareness and Behavior Towards Equity and Derivative Market

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***Abstract*—This study going to focus on the perception of investors. For this study, data has been collected by web survey and the approach is from primary sources. Different Investment perceptions of clients and their investment attitude towards. It helps me to understand different age groups and their investment perception. A sample size of about 50 respondents which includes individual investors was taken for purpose of the survey. After the survey was completed, the data was first stored & then analyzed on the chosen limit. This analyzed data was later on converted into a graph, chart. Such as pie charts, bar graphs, etc. this was to make results easily comprehensible by anyone going through the report. Later on, all this information was observed & collected in the form of a presentable. During research data analysis make able to understand the perception of different age groups towards investment and awareness between every individual about the stock market. The survey has been taken to know more regarding which type of age group is more aware of the stock market and choose the stock market as an investment. More respondents looking for long term growth investment rather than short-term, which makes me realize that respondents were more secure about their future. The 18 to 40 Age group is more aware of the stock market but still, only 78% of respondents invest their money in the stock market. Maybe the reason behind this is the stock market is more volatile and riskier. Respondents prefer low risk or moderate risk while investing their money. It was found that in research respondents looking for long-term growth in investment rather than short-term growth. This study helps me to understand different age groups' attitudes, perceptions, objectives, interests, priority, and awareness of investment. Every investment takes time to grow it is required to study, risk management, and more important is to be patient. In the conclusion, my perception is that 18 to 40 age group respondents are more aware of Investment like the stock market. To learn the stock market, you need knowledge and study to earn profit in a short-term period. At the end of the project, it was found out that people take more risk after earning gains and less risk after losses. Conflicting of different perceptions of investors determines the tolerance of risk.**

***Index Terms*—Financial, Investor Behavior, Equity Market, Derivatives Trading, Risk Management.**

I. INTRODUCTION

- The stock market is the pulse of the economy. The stock market checks your risk-taking ability. It is very important to estimate risk and return. Every investor invests with the hope of the highest return on their investment. Most important is to understand potential risk with the balance of potential return. Risk assessment and risk capacity is the first element of investors. It means how much risk an individual can take based on financial background and ability. Risk assessment is a quantification of the client's total ability to recover loss levels like low, medium, and large levels. The second element that needs to be considered risk requirement. The investors consider investment objectives in mind with a certain level of risk. It is important to understand how much risk should be taken to meet the investment objective successfully. Invest your money at the correct time and never wait until to last profit comes in. Greedy Investors always wait up to last profit and loss gold in the search of silver instead of smart investors buying stock on time and selling it on time. To learn the stock market, you need knowledge and study to earn profit in a short-term period. Every investment takes time to grow. The central assumption of behavioural is that Traditional Finance Model is more secure. Many Investors fail to invest in the stock market it observes that it would be a reason that overconfidence, anchoring, ambiguity aversion, a prototype of existing manner, and innumeracy. Investors focus on changes in wealth that are narrowly defined.
- However, like any emerging" market and like many "matures" market, India's market do not fully meet the idealized requirement. India's market faces several key constraints to continued growth and maturity. Study also argued that India's household savings and foreign investors are key sources of this capital and can and will be increasingly attracted to more efficient, safe and

transparent market. Retail investors in India are mostly short-term traders, and day trading is not uncommon. This type of trading is not conducive to capital formation because it does not entail a reallocation of savings from other investment vehicles e.g. gold and real estate to capital market instruments that provide a long-term capital to private enterprise. To the extent that buying publicly traded equities is perceived as a risky and speculative short-term activity, many potential investors will simply avoid capital market instruments altogether in deciding to allocate savings.

II. LITERATURE REVIEW

1.Barents Group LLC (1997) in his report on Capital Market Developments: Next step for India, reviewed overall goal of any capital market development effort. The remaining part is then organized in four pieces: increasing investor participation in India's capital market, supporting the growth of financial intermediaries, increasing the effectiveness of the SEBI, and supporting the development of India's debt market. He argued that India's capital markets are rapidly growing in size and sophistication.

2. R. Dixon and R.K. Bhandari (1997) in article "Derivatives, risk and regulation: chaos or confidence?" said that there has been an extraordinary increase in the use of 13 financial derivatives in the capital markets. Consequently, derivative instruments can have a significant impact on financial institutions, individual investors and even national economies. This relatively change in the status of derivatives has led to calls for regulation. Using derivatives to hedge against risk carries in itself a new risk was brought sharply into focus by the collapse of Barings Bank. The principal concerns of regulators about how legislation may meet those concerns are the subject of current debate between the finance industry and the regulators.

3. Patrick McAllister and John R. Mansfield (1998) in their study on "Investment property portfolio management and financial derivatives" stated that derivatives have been an expanding and controversial feature of the financial markets since the late 1980s. They are used by a wide range of manufacturers and investors to manage risk. This paper analyses the role and potential of financial derivatives investment property portfolio management. The limitations and problems of direct investment in commercial property are briefly discussed and the main principles and types of derivatives are analyzed and explained. The potential of financial derivatives to mitigate many of the problems associated with direct property investment is examined.

4. Anna A. Merikas et.al. (1999) undertook an empirical survey of the factors, which mostly influence individual investor behavior in the Greek Stock Exchange. The results revealed from 150 respondents, that there seems to be a certain degree of correlation between the factors that behavioral finance theory and previous empirical evidence identify as the influencing factors for the average equity investors, and the individual behavior of active investors in the Athens Stock Exchange.

5. Abdulla Yameen (2001) highlighted at seminar on capital market development at Maldives Monetary Authority that Capital Market development is a key policy objective for most Governments in developing countries, which have decided to undertake major reforms of their financial sectors to take full benefits of the internationalization of world markets. He delivered the message to the business community that Capital Market Development is synonymous to Private Sector Development and they need to play a key role in this venture.

He also delivered the message to investors the need to broaden ownership and create a wide shareholder base for development of capital market. Investors will need to be alert to any new development in capital market and take advantage of the Investor Education and Awareness Campaign program which to be undertaken by the Capital 15 Market Section to acquaint of the risks and rewards of investing on the Capital market. Speech was also focused on to create a new breed of financial intermediaries, which will deal on the market for their clients. These intermediaries have to be professionals with quite advanced knowledge on stock exchange operations, techniques, law and companies' valuation. Investors depend to a large extent on their professional advice when investing on the market. Furthermore, these intermediaries must be men of integrity and honesty as they would deal with clients'

money Confidence of investors in these professionals is a key to the success of the capital market.

6. Makbul Rahim (2001) argued in his speech at seminar on capital market development at Maldives Monetary Authority that the regulatory framework must provide the right environment for the development and the growth of the market. To attain this type of enabling environment, the participation of all concerned; the issuers, the market intermediaries, the investors, the dealers, is essential. High standards of probity and professional conduct have to be maintained and reach world class standards. There is no way any market either small or big would operate if standards are undermined and there is a compromise in relation to these standards. Integrity is very important as well confidence. The development of a proper free flow of information and disclosure helps investors to make informed investment decisions.

7. P. M. Deleep Kumar and G. Raju (2001) argued that despite all-round development in terms of volume of funds mobilized in primary market, mutual fund sector and increase in trading volume, growth in mobilization of savings in shares and debentures has not improved. The study from 1993-94 to 1999-00, and showed that the capital market is becoming more and more risky and complex in nature so that ordinary investors are unable to keep track of its movement and direction. Hence mutual funds have become the investment vehicle of individual investors who want to reap the benefits of buoyant stock markets without risking their investment. It offers the small investors an alternative way to invest in capital markets.

8. Peter Carr and Dilip Madan (2001) considered a single period economy for the study in which agents invest so as to maximize expected utility of terminal wealth. They assumed the existence three asset classes, namely a riskless asset (bond), a single risky asset (stock), and the European options of all strikes (derivatives). In study they disclosed that generally does not formally consider derivatives securities as a potential investment vehicle. Derivatives are considered at all, they are only viewed as tactical vehicles for efficiently re-allocating funds across broad asset classes, such as cash, fixed income, equity and alternative investments.

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9. Peter McKenzie (2001) in his speech at seminar on capital market development at Maldives Monetary Authority that the question might be raised is what does one do if one has some savings? The savings can be placed in the bank at a rate of interest of 6% or under the bed. However, if a share market is established and there is a significant number of public companies involved in important areas of the economic life of the country, then investors will have an avenue for their savings. Investors have the opportunity to share in the growth of the tourism, retail, construction, public sector companies, in short, in the capital growth country.

10. S. M. Imamual Haque and Khan Ashfaq Ahmad (2002) in their study presented and explained an agenda for healthy long-term development of the primary market ensuring continuation of participation of small investors. They argued that the sluggish trends in primary equity markets need to be reverse by restoring investors' confidence in market. The study revealed that management of pension funds offer new opportunities for business expansion for asset management companies. Savings for retirement essential seek long term growth and for that investment in equity is desirable.

11. Warren Buffet (2002) argued that derivatives as time bombs, both for the parties that deal in them and the economic system. Basically, these instruments call for money to change hands at some future date, with the amount to be determined by one or more reference items, such as interest rates, stock prices, or currency values. Derivatives contracts are of varying duration, running sometimes to 20 or more years, and their value is often tied to several variables. Unless derivatives contracts are collateralized or guaranteed, their ultimate value also depends on the creditworthiness of the counter-parties to them

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12. Swarup K. S. (2003) discussed in his study the various measures of revival of common investor confidence in the Indian equity primary markets. The study was based on questionnaire survey results in ten cities of India. The cities were Kolkata, Bangalore, Pune, Chennai, New Delhi, Jaipur, Vadodara, Mumbai, Surat and Ahmedabad. A total of about 5,000 questionnaires were sent to the investors located in these cities using brokers, investor associations,

managers of companies, professionals, Internet groups and other contacts. A response of 367 valid questionnaires was received. He argued based on his empirical research that equity investors first enter capital market though investment in primary market. In India, common investors participating in the equity primary market is massive.

13. Leyla Şenturk Ozer et.al. (2004) studied on "Financial risk perception of investors and finance specialist in the beginning of the stabilization period of Turkey". The survey was applied to 100 finance specialist and 100 investors in Turkey. The study showed that the risk factor is one of the main determinants of investment decisions. Risk can be measured by variance, standard deviation or beta coefficient. Capital Asset Pricing Model holds that in an efficient market, return and risk will be positively correlated. Market participants that are rational investors ultimately should receive greater returns from more risky investments. But studies of behavioral finance claimed that investors do not always act rationally or consider all of the available information in their decision-making process. Their irrational behavior represents a radical break away from traditional economic theory that has previously considered investors as being able to make fully rational decisions and investment valuations.

14. JenniferReynolds-Moehrle (2005) examined in their study that how market participants changed the way they process earnings information after learning of the implementation of hedging activities. For study they used a sample of derivative user and non-user firms, this study empirically compares earnings predictability, forecast revision behavior, and the earnings response coefficients before and after the disclosure of hedging activity. And from particular study they came to know that analysts' forecast accuracy increased and that unexpected earnings are incorporated into subsequent earnings forecasts to a greater extent subsequent to disclosure of sustained hedging activity. Additionally, the findings indicated an increase in the earnings-return relation in the hedging activity period.

15. Randall Dodd and Stephany Griffith-Jones (2006) studied on derivatives market: stabilizing or speculative impact on Chile and comparison with Brazil between 1998 to 2005 said that derivatives markets serve two important economic purposes: risk shifting and price discovery. Risk shifting called hedging is the transfer of risk from one entity who does not want it to another entity that is more willing or able to wear it. Derivatives trading can help determine or discover the price of certain assets, commodities or types of risk that would not otherwise occur because of transaction costs, dispersion of markets for the underlying item or the conglomeration of many risks into one whole asset.

Need for Study:

For creating awareness of the stock market among people. Many people are not able to under There are many scenarios that have been created over the years in the society like it is not safe to invest money, lack of awareness of how it works, and many more wrong assumptions. Among educated people awareness level is still very low as well as 45+ age group is not accepting the stock market as an investment product. Investors fail to invest the money due to lack of skills, lack of investment education, and high transaction costs. In the current situation stock market have a low level of participation in comparison with other investment products it has some reason like Income risk, Inertia, Departures from expected utility maximization, and lack of awareness of how the stock market works?

For Creating more awareness and enhancing the economic growth performance of countries many researchers examine factors that would be going to help to promote and create awareness of the stock market. People follow the crowd and heard the mind while investing money. Crowd behaviour as a result produces a poor level of investment.

Objectives

There are several financial service companies playing their roles in Indian equity and derivative segment. But people don't have basic knowledge related to stock market. So, they not understand there is various risk involved in trading in equity and derivative. Because, of the improper guidance most of the person takes stock market as speculation. Therefore, study is undertaken to compare equity and derivative.

1. To study share market trading with respect to equity and derivative.
2. To identify the most popular segment of trading among individual investors with respect to equity and derivative market.

3. To identify investors level awareness about share market.
4. To give suggestion to investors & company.

Outline of the research problem

It was observed that stock market awareness among different age groups is very low. To know the perception of investors regarding the stock market and planning to invest money but fail to invest the money due to investing money due to lack of skills, lack of investment education.

This research tries to implement awareness among investors for investing in Equity and Derivative Market is safe to invest money for long-term growth.

The age group 50+ has a very low level of awareness and participation. They are still believing in the traditional approach.

III. RESEARCH METHODOLOGY

Proposed Research Methodology: The methodology adopted in this study is explained below:

Type of Research: Descriptive Research

Data Collection: Source of data

Primary source: Personal details and Investment details from clients. Secondary source: The secondary data is collected from the websites. Sampling Method: The convenience sampling method will be used. Sampling Unit: The Age Group Between 18 to 60.

Sample Size: The Sample Size is 50 respondents.

Research Instrument:

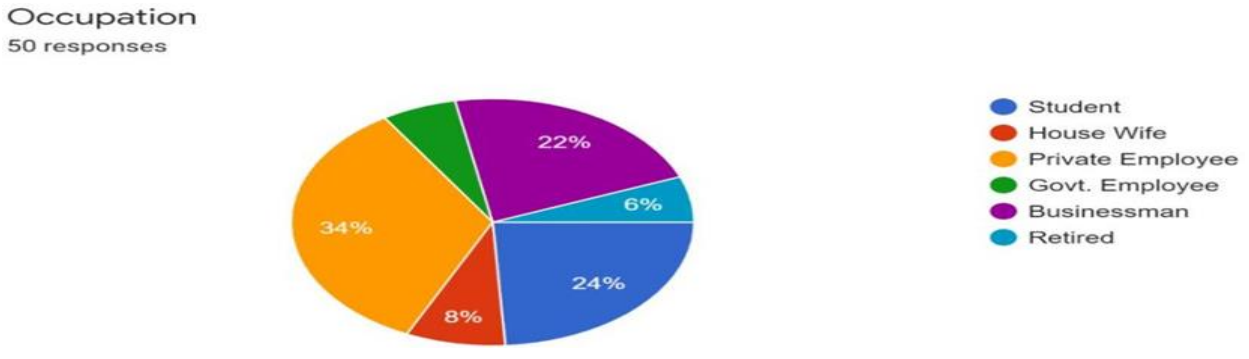
- Telephonic Interview
- Questionnaire

IV. DATA ANALYSIS & INTERPRETATION

OCCUPATION

What is your Occupation?

Occupation	Percentage	Number of Responses
Student	24%	12
House Wife	34%	17
Private Employee	8%	4
Govt. Employee	6%	3
Businessman	22%	11
Retired	6%	3



Interpretation:

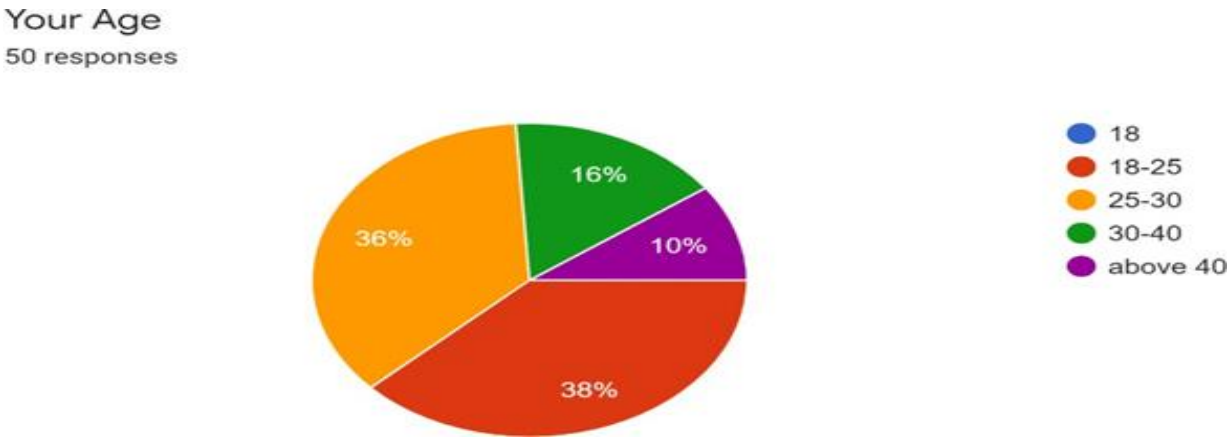
Out of 50 respondent Private Employee's and Students shown major interest in stock market i.e. 34% & 24% respectively. Where

Businessman, Housewife's, Retired and govt employees are 22%,8%,6% and 6% respectively

Your age ?

Here's the table representation based on the image you uploaded:

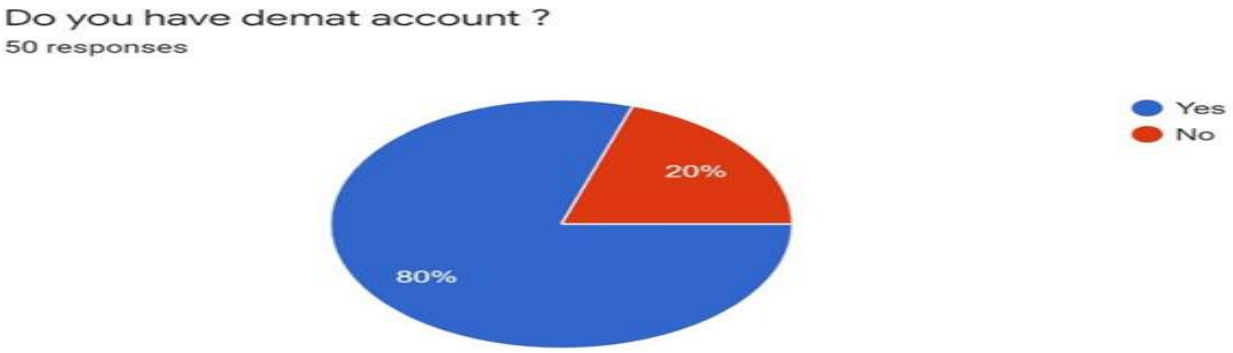
Age Group	Percentage	Number of Responses
18	0%	0
18-25	36%	18
25-30	38%	19
30-40	16%	8
Above 40	10%	5



Interpretation:
Out of 50 respondent maximum percentage of traders is younger group which 38% & 36% of group 18-25 & group 25-30 resp. where 10 % min of group above 40 years involved

D-mat Account

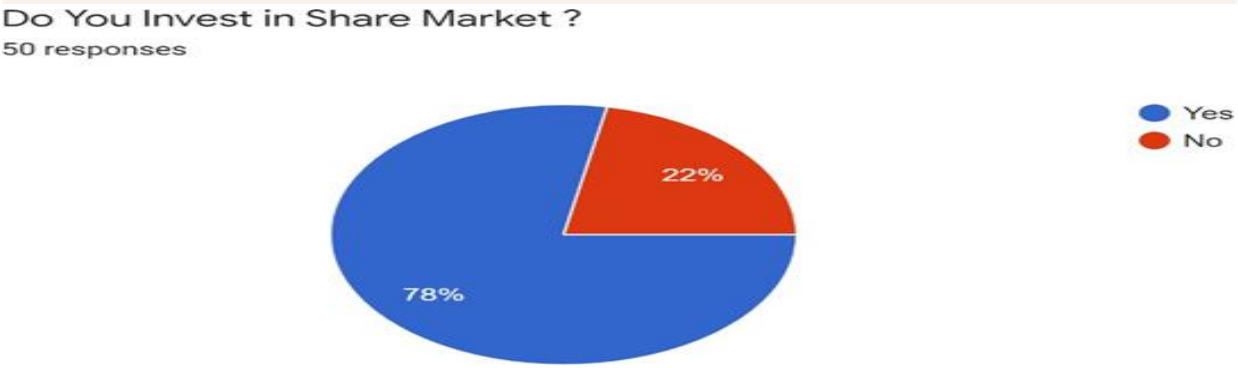
Response	Percentage	Number of Responses
Yes	80%	40
No	20%	10



Interpretation:
80% people from the population it means 40 people have their own demat account. Others do not have or they are trading using their relatives or friends demat account

Share Market Investment

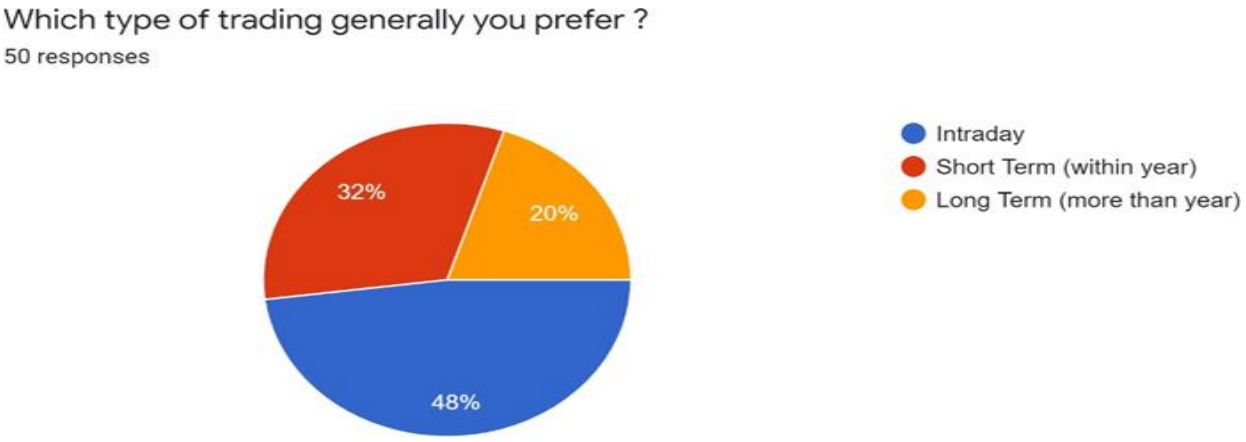
Response	Percentage	Number of Responses
Yes	78%	39
No	22%	11



Interpretation:
78% people out of 50 respondent invest in share market to enjoy the benefits of return or to maximize wealth and the rest one do not use share market as a investment avenue. It might be because traditional way of investment is much safer than trading according to their perception.

Type of Trading

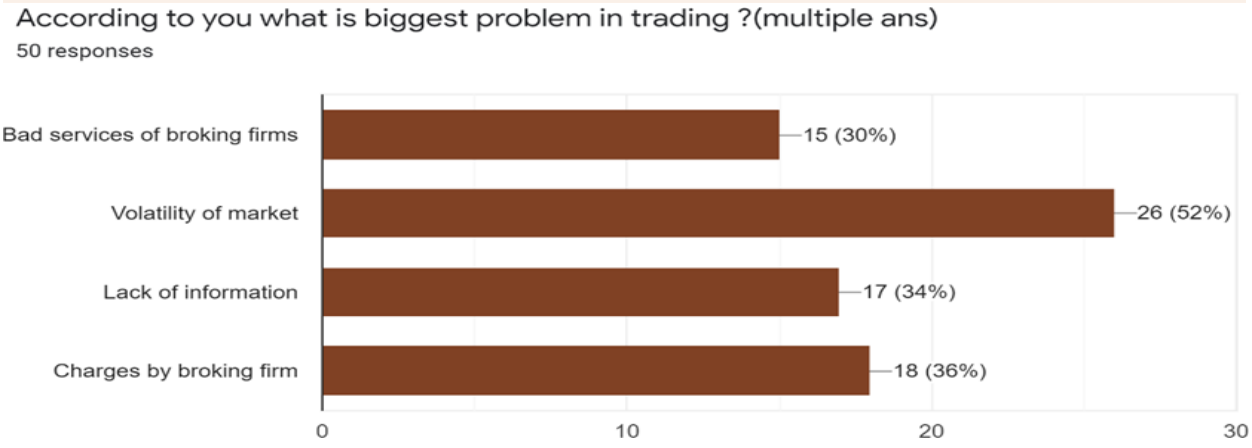
Type of Trading	Percentage	Number of Responses
Intraday	48%	24
Short Term (within year)	32%	16
Long Term (more than year)	20%	10



Interpretation:
Out of 50 respondent majority of people 48% like to trade on daily basis (intraday) and others in short term and long term 32% & 20% respectively.

Biggest Problem in Trading

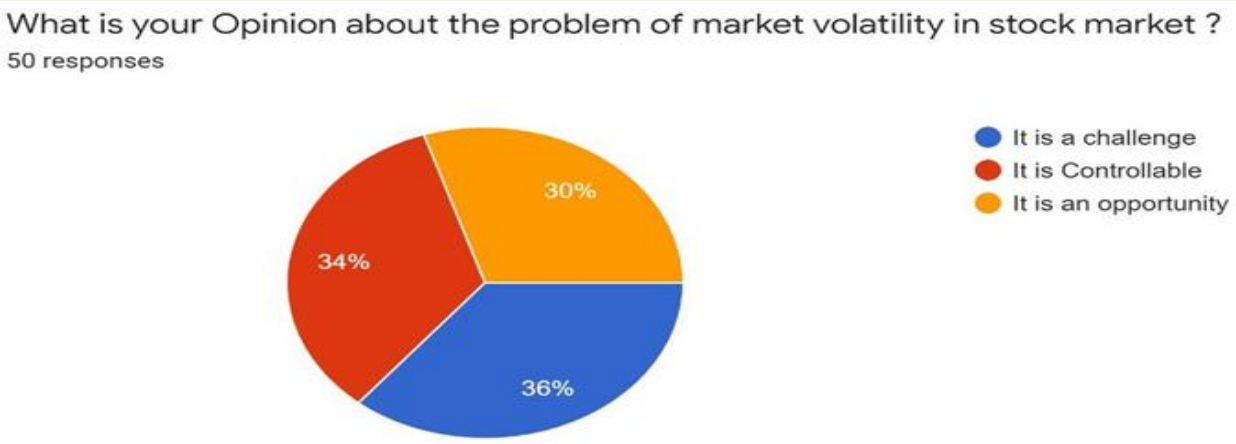
Problem	Number of Responses	Percentage
Bad services of broking firms	15	30%
Volatility of market	26	52%
Lack of information	17	34%
Charges by broking firm	18	36%



Interpretation:
From the survey it seems that 52% people consider the volatility of market is biggest problem in trading and charges charged by broker and lack of information these both are more closely to each other which at 36% & 34 % resp.

Opinion about Market Volatility

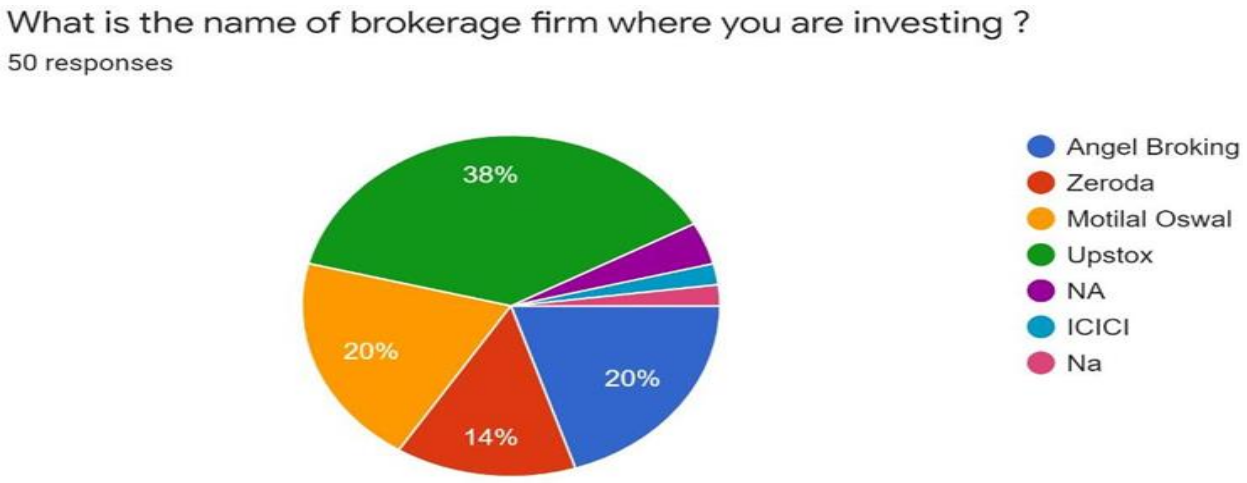
Opinion about Market Volatility	Percentage
It is a challenge	36%
It is controllable	34%
It is an opportunity	30%



Interpretation:
According to selected audience 36% market volatility is a challenge where on other side 34% & 30% people think it is controllable and it is an opportunity respectively which positive side.

Brokerage Firms

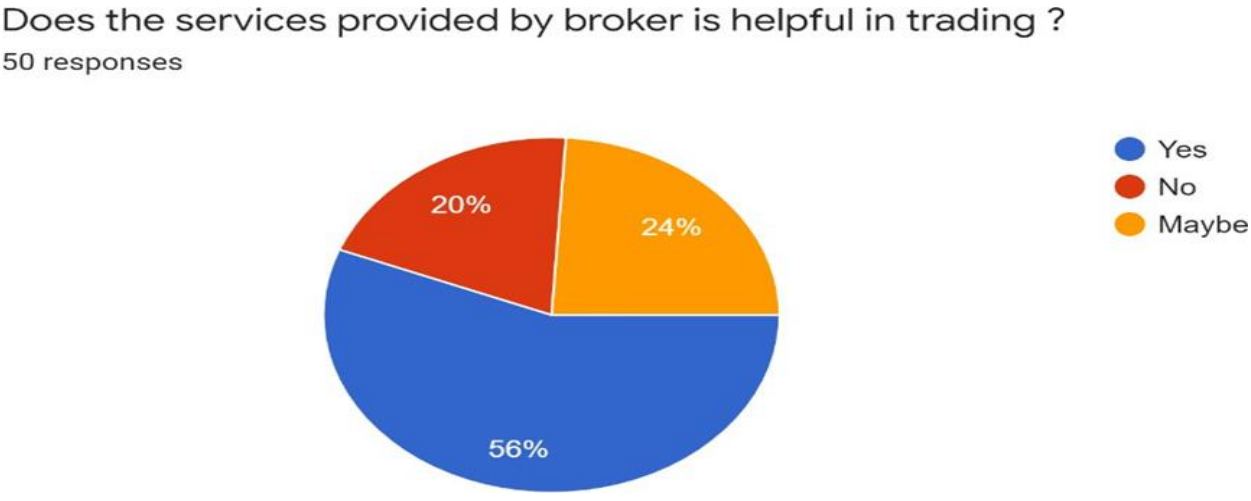
Brokerage Firm	Percentage	Color
Upstox	38%	Green
Angel Broking	20%	Blue
Zeroda	20%	Orange
Motilal Oswal	14%	Red
NA	Small	Purple
ICICI	Small	Cyan
Na	Small	Pink



Interpretation:
Out of 50 responses Upstox is most likely brokerage firm from population which is 38% and 20% people liked Angel Broking and Motilal Oswal equally.

Service Feedback

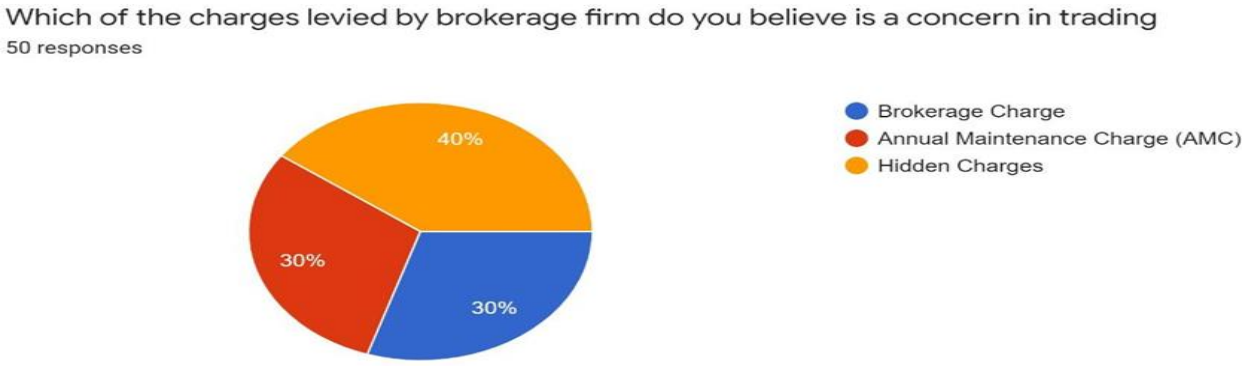
Response	Percentage	Number of Responses
Yes	56%	28
No	20%	10
Maybe	24%	12



Interpretation:
Out 50 respondents 56% people thinks that the services provided by broker is helpful in trading and other hand 20% people thinks it is not.

Charges Levied by Brokerage Firms

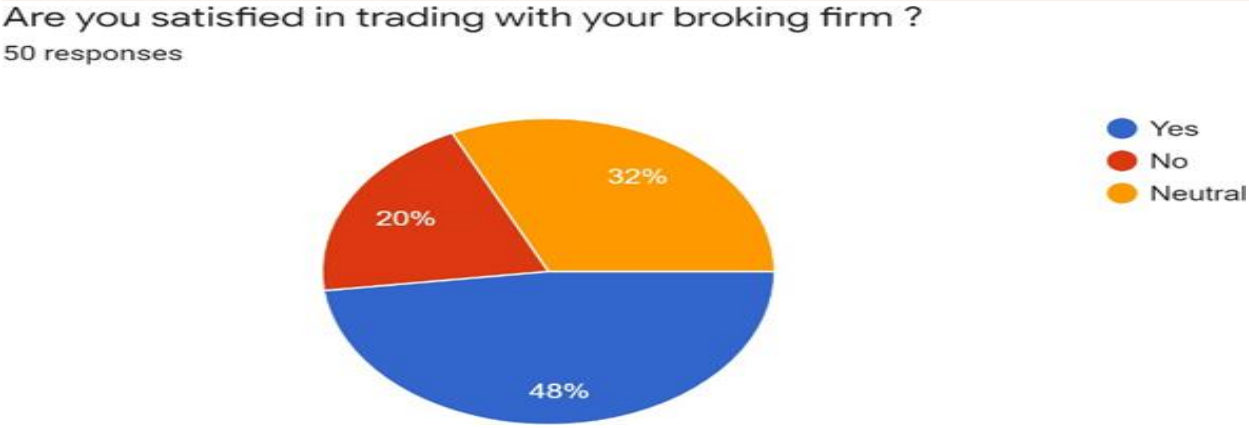
Charge Type	Percentage
Brokerage Charge	30%
Annual Maintenance Charge (AMC)	30%
Hidden Charges	40%



Interpretation:
40% of population selected hidden charges charged by brokerage firm is a concern in trading on other hand in same proportion people believe AMC & brokerage charge are concern in trading.

Satisfaction

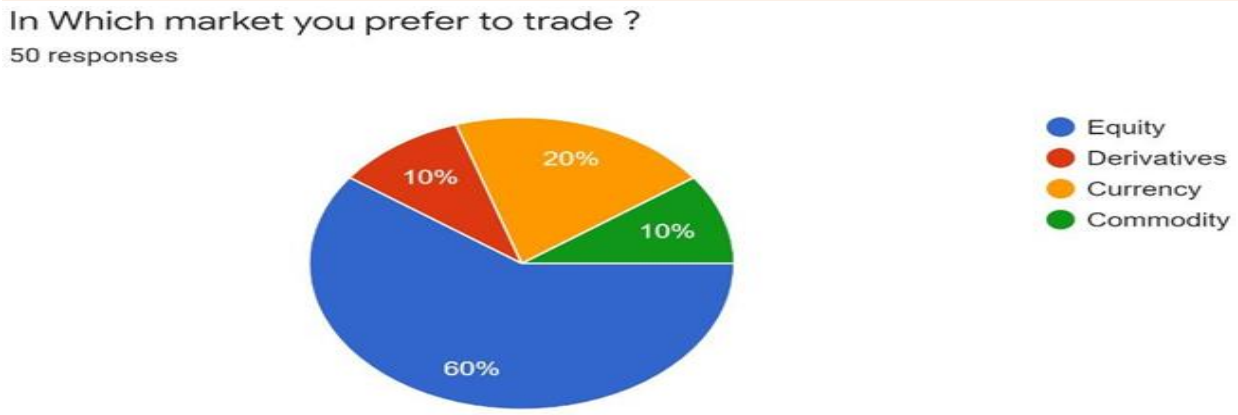
Response	Percentage	Number of Responses
Yes	48%	24
No	20%	10
Neutral	32%	16



Interpretation:
Out 50 respondents 48% which a majority of people are satisfied with their brokerage firm in trading and 20% of population are not and the remaining population is at neutral side.

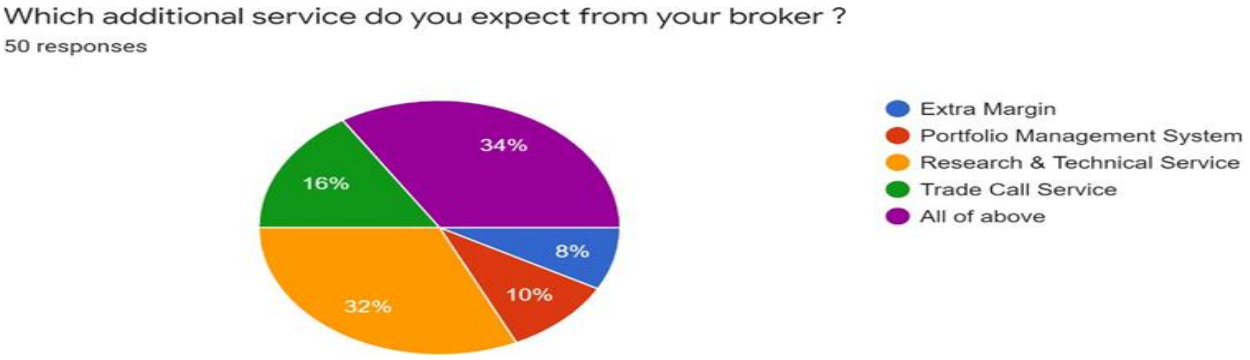
Market Preference

Market	Percentage	Number of Responses
Equity	60%	30
Derivatives	10%	5
Currency	20%	10
Commodity	10%	5



Interpretation:
Out of 50 responses 60% population prefers equity trading, 20% currency trading and rest in Derivatives and Commodity equally.
Additional Service from Your Broker

Additional Service	Percentage	Number of Responses
Extra Margin	8%	4
Portfolio Management System	10%	5
Research & Technical Service	32%	16
Trade Call Service	16%	8
All of the Above	34%	17

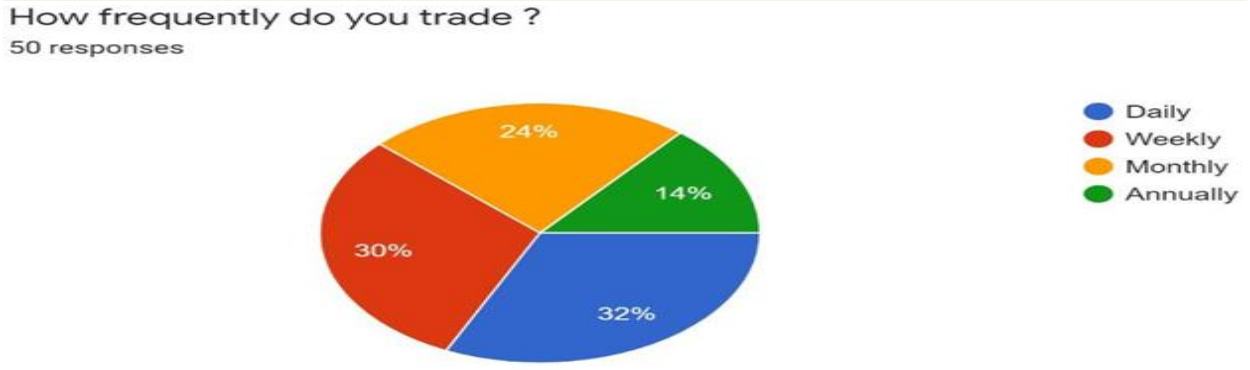


Interpretation:

From the selected population 8% people are expecting Extra Margin 10% of population expecting portfolio management system to be improved. On the other hand, 16% & 32% population are expecting Trade Call services and Research and Technical services and the rest 34% people expecting all of above services. It means somewhere brokerage firms are fail to deliver all above service as per their customers' expectations.

Frequency of Trading

Frequency	Percentage	Number of Responses
Daily	32%	16
Weekly	30%	15
Monthly	24%	12
Annually	14%	7

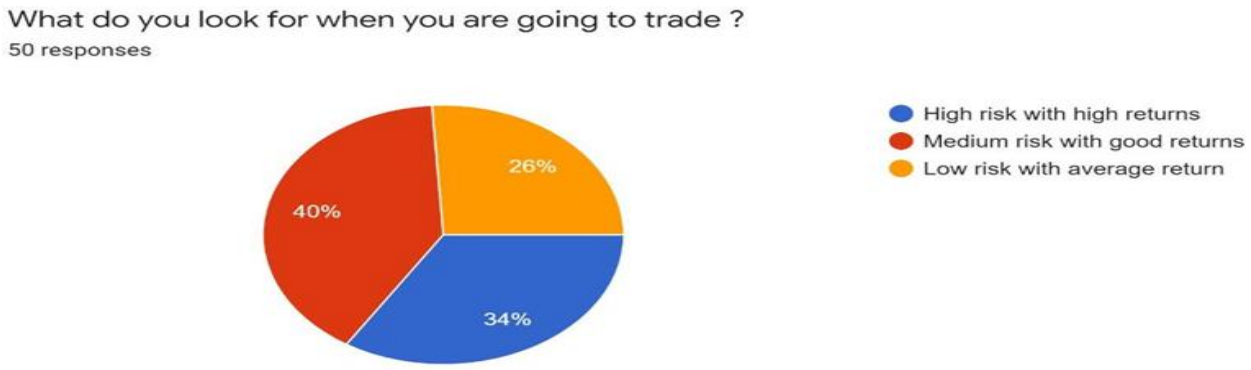


Interpretation:

Out of 50 responses 32% people trade on daily basis, while 30% on weekly,24% on monthly and 14% on annually based

Risk

Risk Level	Percentage
High risk with high returns	34%
Medium risk with good returns	40%
Low risk with average returns	26%



Interpretation:
26% of selected population people are willing to take low risk and satisfied on average return where 40% people from the population are looking for good return by taking medium risk but there are still 34% people willing to take high risk for high return.

IV. FINDINGS

- Male category responded highest compare to others
- 18 to 60 age group response has been collected through the survey.
- Graduate and master respondents' data has been collected highest.
- Student and business, occupation response is highest.
- Highest response for monthly income is between 25000 to 50000.
- Respondents started the stock market from the reference of friends and self.
- Investment percentage preference is 1-20% from annual income
- Respondents looking for objective Income with capital preservation and long-term growth.
- Respondents started investing in the stock market between the ages of 18-40.
- Respondents are ready to take medium level of risk for good return.
- Respondents operate the stock market independently.
- The typical attitude plays an important role in making an investment decision.
- Respondents agree that protecting a portfolio is more important than high returns.
- Respondents are more interested in investing in long-term and liquid-able assets.
- Respondent's investment decisions are based on higher returns and safety principles.
- Respondents are concerned and think about switching their money to a different investment
- Respondents like to invest in the Equity (as it is the average preference among respondents) then Currency is the second most preferred, then Derivatives and the last commodity is the preference among the selected population.
- Respondents like to invest in the Equity more.
- Respondents will prefer to reduce their losses, sell a portion of their portfolio and reinvest in more secure investing sectors in portfolio decline situations.

V. CONCLUSION

This study focuses on awareness of people towards equity and derivatives market while trading or investing and investor more focus on good returns with moderate risk. There are still a group of people who is not willing to take more risk and satisfied in average return what they are getting. They are looking for income with capital preservation and long-term growth. At the end of conclusion there is a second large group who is willing to take high risk in the return of high returns. People are more interested in currency market after the equity market. There are very few people who deal in derivative market. There is lack of knowledge and understanding of market.

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