

A Study on Retail Investors' Awareness of Stock Market Investments in Delhi-NCR

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Abstract

The stock market is considered an essential component of an economy. It plays a vital role in a country's economy in terms of spending and investment. It helps investors earn income when investing in the stock market (Stock market investment: 10 things, 2018). The present study aimed to study retail investors' awareness of stock market investments. The data were collected from 120 retail investors of Delhi-NCR using a standard well-structured Google survey questionnaire. The analysis was made by using statistical tools like percentage, rank, and chi-square test. The study proved that male participation was higher as compared to female. Besides, the study also found a significant difference in the demographic variables of the retail investors' i.e., academic qualification and income groups with respect to awareness about investing in the stock market (Agarwal & Jain, 2021).

Keywords : stock market, awareness, retail investors

JEL Classification Codes : G1,G11

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Stock market is an essential component of the global economy. In the ongoing expansion of global financial markets, which started at the end of the Bretton Woods monetary regime in 1973 and accelerated after 1989, the number and variety of stock exchanges have continued to grow. A country's economic development is expressed through the development of its security market (Maheshwari, 2011). The Indian security market is one of the fastest-growing and most active markets in the world. Before independence, the East India Company (British EIC) was the first company in India to call the general public to purchase shares in the company. Since then, over the years, the Indian stock markets have gone through various incredible changes. The Bombay Stock Exchange was founded on July 9, 1875 (5paisa Research Team, n.d.), and it is known as the first organized stock exchange in India, which is also the oldest in Asia (Kamaruniza, 2019). The Indian capital market contains two sections, namely, the primary and the secondary market (Toppr, n.d.). The fresh issue of securities takes place in the primary market, and existing stock trading among investors takes place in the secondary market. Broadly speaking, the progress of capital markets has given rise to two key sets of economic benefits. First, it has improved the allocation of capital; and second, it has helped to distribute risk more efficiently, enabling healthier hedging. The better capital allocation and risk sharing enabled by capital markets has led to better economic performance.

The Indian stock market is regulated by the Securities and Exchange Board of India (Rathore, 2020), which is the primary regulator of the market. It was established as a statutory regulatory body in 1992 and became effective on 30.1.1992 (Securities and Exchange Board of India, n.d.). Its basic duties comprise protecting investors'

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interests, promoting development, and regulating the security market. According to SEBI regulations, retail investors are defined as those who invest per year less than ₹ 2 lakhs in the equity market (Dubey & Sharma, 2019; Kamaruniza, 2019). Recently, an article published in *The Economic Times* and reported that retail investors increased by an amazing figure of 14.2 million in the financial year 2021, with 1.9 million new accounts being opened on NSDL and 12.25 million in CDSL (Relli, 2021). The outcome is that a significant number of retail investors are now actively participating in the Indian securities market. The NSE reported that between 2016 and 2021, the percentage of retail investors climbed from 33% – 45%. Retail investors can be active or passive, and these investors need to know and protect themselves from the ups and downs of the stock market. The best form of retail investor protection is investor awareness, and the best way to achieve it is merely through financial literacy (Banumathy & Azhagaiah, 2016). Creating financial literacy about stock market investments is particularly important for retail investors. So, it is necessary to develop knowledge about investments in shares and be cautious about the changing conditions of the market scenario well before making an investment in the stock market. This study's main objective is to gauge the awareness of retail investors about investing in the stock market (Agarwal & Jain, 2021) through a survey.

Literature Review

Banumathy and Azhagaiah (2016) found that there was a significant difference between male and female investors in their awareness of stock market investment. They also observed that the majority of investors of different educational backgrounds were equal with regard to awareness and only a few investors differed in their perception for stock market investment. Further, they concluded in their study that there was a considerable difference between the awareness of investors about investing in the stock market and their occupation. Vidhya and Magesh (2018) made an attempt to examine investors' awareness and found that investors were not acquainted with the tools and techniques used in trading to predict the direction of the market. The lack of expertise in these tools and techniques restricts them from trading in the market. Most investors are dependent on social media and believe in word of mouth, which leads them to suffer losses. Furthermore, analysts advise that investors need to improve their stock market knowledge and trading skills as well as seek expert advice before investing their hard-earned money in the market.

Dubey and Sharma (2019) found that almost all sampled respondents of retail investors were aware of investing in the stock market. They also analyzed that there was a significant trend regarding the statement of retail investors' awareness of stock market investment. Kamaruniza (2019) concluded that maximum investors are aware of the investment pattern and the Indian indices, Sensex and Nifty, and have generated a good amount of return on their investment as they have a good awareness of the market. The study also revealed that retail investors are aware about the fundamental and technical examination of investments, which helps them to generate decent returns on their investments.

Prabu and Gajendran (2021) reported that investment in different instruments entirely depends on a person's personal interest, and it also depends on age, income, and area of interest. The researchers proposed that the following three identified variables are very important and investors cannot ignore these three variables: awareness, investment corpus, and risk factor. The authors stated in their study that the lack of these three factors will lead to huge losses. Conversely, having a decent knowledge of these identified variables will lead to making appropriate decisions to succeed in the stock market.

Statement of the Problem

In today's modern era, many things are transforming rapidly. Age, education, income, job status, investing expertise, population, per capita income etc., remain important factors for a study, and all these factors are

transformed swiftly. Although, a number of studies have been done on retail investors, but it is identified from existing literature that either these factors are found to be partially missing or found outdated over time. So, it is apparent from the above discussion that it is necessary to fill the respective gaps. Therefore, keeping in view previous studies, the statement of the problem is proposed for study, which may reveal fruitful results.

Significance of the Study

A retail investor is an unprofessional investor who employs a small amount of money in financial assets. And it is not an easy task for every investor to make money from the market. Lack of sound awareness of the market incurs losses in the market. Losses disappoint not only retail investors but also hamper the whole growth of the security market. Consequently, a retail investor needs to think from all perspectives before entering the security market so that they can mitigate the risks and maximize the returns. Therefore, there is a need to undertake the study to know the degree of awareness of retail investors about share market investing. The scope of this research is restricted to retail investors. Geographically, the study was confined to Delhi-NCR.

Objectives of Study

- (1) To study the demographic profile of the retail investors.
- (2) To know the main source of information.
- (3) To find the significant difference between demographic variables of retail investors and awareness about investing in the stock market.

Hypotheses

- ↪ **H01** : There is no significant difference in awareness about investing in the stock market across the gender of the retail investors.
- ↪ **H02** : There is no significant difference in awareness about investing in the stock market across all age groups of retail investors.
- ↪ **H03** : There is no significant difference in awareness about investing in the stock market across the educational qualification of the retail investors.
- ↪ **H04** : There is no significant difference in awareness about investing in the stock market across the income groups of the retail investors.

Research Methodology

The present study is an exploratory study and it is purely based on primary data for a period of six months from October 2021 to March 2022. For the collection of the data, a simple random sampling method was used and the response was strictly restricted to retail investors (Shenoy & Hebbar, 2015) of the Delhi-NCR region. For this, a standard well-structured Google survey questionnaire was developed and forwarded through email. Initially, 130 Google survey forms (questionnaires) were forwarded, and ultimately, 120 responses were received and found appropriate for study.

Tools and Techniques

The collected data were analyzed with the help of the Microsoft Excel Add-Inn (Analysis tool Pak) feature by using statistical tools, that is, percentage, rank, and chi-square test to test the hypotheses and assess the relationship between demographic variables and awareness about stock market investing.

Analysis and Results

Gender is an important factor to identify the behavior of retail investors. Table 1 shows that 65.8% of the respondents were male and 34.2% of the respondents were female. The result is that male investors are more enthusiastic than female investors in share market investment. Age is a significant factor of retail investors that stipulates the level of maturity towards share market investments, and in this context, age becomes more important to analyze the responses of retail investors towards investing in the share market. Age-wise, the respondents have been divided into four groups, namely, below 30, 30–45, 45–60, and above 60, respectively. It clearly indicates that a maximum percentage of 41.7% of the investors were in the age group of 30–45 and is followed by the 45–60 year age group, which is 31.7%. Likewise, a small section of the respondents, i.e., 7.5% of the investors, were from the age group above 60 years.

Education is an important demographic characteristic that affects a person's attitude and their way of understanding and monitoring financial situations. It determines the investor's self-reliance and intellectual status. So far as the education of the respondents is concerned, 23.3% of the respondents were those who had graduate-level academic qualifications, 29.3% of the respondents are those who had master-level education, and 25% of the respondents are those who had professional knowledge, and the remaining 22.5% of the respondents

Table 1. Demographic Profile of Retail Investors

Demographic Profile of Retail Investors		Frequency	Percentage
Gender	Male	79	65.8%
	Female	41	34.2%
	Total	120	100.0%
Age	Below 30	23	19.2%
	30–45	50	41.7%
	45–60	38	31.7%
	Above 60	9	7.5%
	Total	120	100.0%
Academic Qualification	Graduate	28	23.3%
	Master	35	29.2%
	Professional	30	25.0%
	Other	27	22.5%
	Total	120	100.0%
Annual Income	< 3 Lakh	20	16.7%
	3–6 Lakh	25	20.8%
	6–9 Lakh	30	25.0%
	> 9 Lakh	45	37.5%
	Total	120	100.0%

are those who had other academic qualifications. So, the data indicates that the highest number of the respondents had master-level academic qualifications. Income is considered an important variable in shaping the financial strength of an investor. With regard to income, it is observed from the table that 16.7% of the investors belonged to the income group of ₹ < 3 lakhs and 20.8% of the investors had income of ₹ 3–6 lakhs, 25% fell into the income group of ₹ 6–9 lakhs, 37.5% of the investors earned more than ₹ 9 lakhs per year. Consequently, it can be said that investors with an annual income of more than ₹ 9 lakhs have demonstrated a greater interest in investing in the stock market.

The source of information plays a significant role in guidance, direction, and decision-making (Table 2). Traditionally, investing-related services were provided by brokers, but nowadays, more and more investors make their own investment decisions to some extent with the help of various platforms free of cost. It is found that the internet is one of the favorites and key sources of information for retail investors, with first rank, and second rank is assigned to broker advice. Print, audio, and video media are assigned the third rank. Likewise, the fourth rank goes to friends and relatives, and the fifth rank is assigned to workshops and seminars. Therefore, it can be summarized that the prime and most popular source of information remains the Internet among the retail investors.

Table 2. Main Source of Information

Source of Information	1 st Rank	2 nd Rank	3 rd Rank	4 th Rank	5 th Rank	Total	Rank Assigned
Internet	42	23	22	13	20	414	1
Broker Advice	29	26	19	24	22	376	2
Misc. Media	19	38	15	34	14	374	3
Friends and Relatives	13	20	43	31	13	349	4
Workshops and Seminars	17	13	21	18	51	287	5

Table 3. Demographic Variables and Awareness about Investing in the Stock Market

Demographic Variables	Chi-Square Value	Null Hypothesis
Gender	Male Female $p = 1.926$ $Df = 2$ Sig. = 0.382	Accepted
Age	Below 30 30–45 45–60 Above 60 $p = 12.307$ $Df = 6$ Sig. = 0.055	Accepted
Academic Qualification	Graduate Master's Professional Other $p = 38.958$ $Df = 6$ Sig. = 0.000	Rejected
Annual Income	< 3 lakhs 3–6 lakhs 6–9 lakhs > 9 lakhs $p = 14.956$ $Df = 6$ Sig. = 0.021	Rejected

On the application of the chi-square test, the calculated value of the chi-square test is 1.926 and the p -value is 0.382 (Table 3). It is found that the p -value exceeds the level of significance, i.e., 5%. Hence, the null hypothesis is accepted. It may be concluded that there is an insignificant association between gender and their responses to awareness of the stock market. Likewise, to know the significant difference between the age group of the respondents and their awareness of the stock market, the chi-square test has been put to test, which confirms that the p -value is greater than the 5% level of significance. It means the result of the statistical test is “insignificant.” It means the variables are independent or there doesn't exist a relationship between the age of the respondents and awareness of stock market (Sarkar, 2017) investment.

The chi-square value for the association between academic qualification and awareness of stock market investment is 38.958 with 6 degrees of freedom and a significance probability is less than 0.05%, i.e., a significant result. Therefore, there exists an association between the academic qualifications of the respondents and their responses about awareness of stock market investments (Kumar & Chandel, 2019). Furthermore, the calculated value of the chi-square test is 14.956 and the p -value is 0.021. The p -value is found less than the 5% level of significance. Thus, it can be concluded that there is a significant association between the annual income of retail investors and their responses to awareness of the stock market.

Conclusion

The stock market is regarded as a crucial element of every economy. In terms of investment and spending, it is significant to a nation's economy. The stock market provides a platform for investors to invest in securities, and investors can generate income from their investments when they invest in securities. Although the Indian stock market is now dominated by retail investors, the study conveys that investing in the stock market (Stock market investment : 10 things, 2018) is widely preferred by male investors (Bhat, 2018) and, age-wise, respondents in the age bracket of 30 – 45 years lead the market. Investors having master's or professional academic qualifications have shown a greater interest in investing in the stock market. Individuals who have a higher annual income of nearly one million seem more enthusiastic about investing their income in the stock market (Wadhwa et al., 2019). Most investors collect market-related key information from the internet, and it is followed by their broker's advice. Further, the study confirms that significant difference has been found in different academic qualifications and income groups of retail investors with respect to awareness of investing in the stock market.

Research Implications

The study highlights the understanding of retail investors about stock market investing. The study will assist existing and prospective retail investors to understand the importance of financial literacy in their day-to-day financial activities. This study will also be helpful to brokers and financial institutions in developing suitable investment approaches for their clients.

Limitations of the Study and Scope for Further Research

- ↪ A similar kind of research can be conducted in other areas.
- ↪ Respondents may be extended to other than retail investors.
- ↪ The study is restricted to Delhi-NCR only.
- ↪ The sample size of 120 is too small to represent the entire market.

Author's Contribution

Dr. Tek Chand is the sole author of this paper. He conceived the idea and wrote the manuscript.

Conflict of Interest

The author certifies that he has no affiliations with or involvement in any organization or entity with any financial interest, or non-financial interest in the subject matter, or materials discussed in this manuscript.

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