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Impact of stock trading application on Indian youth- Perception study an measurement of risk trading behavior

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Abstract:

Stock trading applications have made the stock market more approachable. Technology-driven stock trading firms have fewer operating expenses, which results in reasonable fee reductions and impacts overall turnover. Consequently, investors benefit from decreased overhead expenses as well. The quick and easy accessibility of stock trading software allows anyone to trade anytime, anywhere. Presently, the situation is entirely different stock traders receive constant updates via their "trading apps" (like Grow, Stock edge, Angle One, Upstox pro App. etc) or receive expert advice via social media applications like Instagram, LinkedIn, YouTube, etc. Even stock trading advisory applications like "Upstox,""Smallcase," and others provide advice to users on buy, sell, and hold choices.

Keywords: stock trading applications, youth, trading behavior.

Introduction:

The internet has made life easier in terms of every aspect of stock trading as well as in terms of obtaining and needing all information. With this simple access, one may easily get the information they require rather than relying on word of mouth. Several companies generate information on the stock market in real time. By doing this, one may keep an eye out for emerging patterns that can be used to one's benefit in the stock market. Stock trading applications offer simple transactions. The advantages of conducting all stock trading online as opposed to the past, which entailed yelling over the phone, are readily apparent. Online transactions are becoming more common since they frequently include quick transactions that enable investors to act quickly. The stock exchange is actively running the "yuk nabung saham" programme through the Stock Exchange. This programme is a promotion that encourages individuals to use "sharing saving" to invest in the stock market.Moreover, to promote these initiatives, collaboration with colleges is established to establish investment galleries that serve as platforms for young individuals to engage in investment activities. This organized socialization and education program exclusively targets universities, academics, and students who are eager to participate and ultimately become the focal point of the capital market education program. This recognition stems from the understanding that students are

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valuable assets, poised to benefit the financial sector through their involvement in the stock market.

- **Impact of stock trading application**:The stock market is becoming more accessible thanks to stock trading applications. Technology-driven stock trading companies have lower overhead costs, which leads to a sensible decrease in fees and affects total turnover. Therefore, investors also benefit from the lower overhead costs. People may trade anywhere and at any time thanks to stock trading applications' rapid and simple accessibility.
- **User-Friendly Interfaces**: Stock trading apps typically offer intuitive and user-friendly interfaces, making it easier for novice investors to navigate and execute trades. They provide features like customizable watchlists, interactive charts, and real-time notifications, allowing users to track their investments and respond quickly to market changes.
- **Stock trading apps optimise the decision-making process**:Internet has greatly simplified all aspects of stock trading, including the acquisition and availability of information. Gone are the days of relying solely on word of mouth; now, obtaining the necessary information is just a few clicks away. Numerous firms provide real-time stock market information, enabling individuals to stay informed and vigilant about upcoming trends that can be leveraged for profit in the stock market. This easy access to information empowers investors to make well-informed decisions and capitalize on lucrative opportunities, making the process of profiting from the stock market more accessible and efficient.
- **Send Real time Alert data**:Stock trading apps are your reliable buddies or advisers who continuously offer you push notifications with real-time data alerts so you can stay abreast of market fluctuations, enabling you to make informed decisions and seize potential opportunities effectively.
- **Cost Savings**: Many stock trading apps offer commission-free or low-cost trading, eliminating the need for traditional brokers and reducing transaction costs for users. This cost-saving feature enables users to invest with smaller amounts of capital and make more frequent trades without incurring substantial expenses.
- **Financial Inclusion**: Stock trading apps have played a role in promoting financial inclusion by allowing individuals who were previously excluded from traditional investment avenues to participate in the stock market. Users from diverse backgrounds and geographies can now access investment opportunities and potentially grow their wealth

Review of Literature:

Camerer and Loewenstein (2004) stated that ”behavioural economics increases the explanatory power of economics by providing it with more realistic psychological foundations”. There are four main psychological factors that affect individual investors ‘ decisions. Overconfidence, herd behavior, Risk appetite, Optimism.

Nofsinger, (2005) This study aims to analyse the influence of social factors on the attitude and intention of individuals trading behaviour. Social factors are the external forces that interrupt the individual decision making. Media, social interactions with friend and relatives and internet have become essential vehicles for spreading and sharing information and ideas. Individual investors discuss with, and are affected by their family members, neighbours and friends, as far as their investment decisions are concerned.

Shive (2010)examined whether social influence affects individual investors' trading and stock returns. The researcher found significant social effects on individual investor trading using data on all individual investor trades in the twenty most frequently-traded Finnish stocks between 1995 and 2003. The effects of social trading were economically significant. Socially motivated traders predicted stock returns and the effects are not reversed, suggesting that individuals share useful information. Individuals themselves over time have become less susceptible to social influence but they are more subject to it, and thus the number of trades caused by social influence increased slightly over the sample period.

Kourtidis et al. (2011)on similar lines conclude that behavioral factors influence individual investors trading. Pleasant mood makes investors risk tolerant and overconfident investors bear greater risks. The risk bearing ability leads to high trading of investors. Various other studies conclude that accounting information, neutral information, and advocate recommendation influence the investors ʻinvestment decisions

Bakar and Yi, (2016), show that investors in the markets are not necessarily rational in their decisions and that other factors might affect them when they make their investment decisions. Behavioural finance studies the impact of psychological factors on the stock markets.

Balapour et al. **(2020)** identified that the perceived privacy risks negatively influence perceived security of mobile apps and that perceived effectiveness of privacy policies positively influences users' opinions about mobile apps security.

Malhotra [2020] highlighted as defining a mobile stock trading application also reported that retail investors exhibited an upsurge in their stock market investments through mobile trading apps during the epidemic. This trend can be attributed to the essential characteristics of these trading apps. Each of the aforementioned key components plays a vital role in laying the groundwork for a strong mobile stock trading application. The ease of using an application is a key indicator of user happiness and how much effort is required on the part of the user to utilize the program, both of which tend to increase user adoption and public preference.

L. L. Chong, H. B. Ong, and S. H. Tan (2021), the study aims to investigate the antecedents of mobile stock trading adoption among young investors.An integrated model with both TAM and TPB and three additional measurements was developed to assess young investors' acceptance of mobile technologies. The results shows a strong positive connection among attitude, perceived behavioural control, perceived benefits and intention towards mobile stock trading.

Julius Hermanto, Togar Alam Napitupulu (2023) This study aims to examine the variables that impact an individual choice when selecting mobile stock trading application that they opt to use or currently utilising the study offers an integrated theoretical framework employing a modified TAM from 109, Indonesian users of mobile Stock trading applications using the structural equation modelling method. According to the findings, social influence and trust significantly impact how mobile stock trading applications are chosen in Indonesia. It is suggested that companies should concentrate on factors that encourage app adoption, such as social impact strategies, transparency, and top – notch customer service, in order to improve app utilisation.

Objective of the study

1.To study the socio demographic of the investors

2. To investigate how the perceptions as well as the trading and risk-taking behaviour of individual investors evolved over.

3.To Examining how investors 'perceptions are linked to their trading behaviour, and how this behaviour subsequently affects investment performance.

Research Methodology:

Area of the Study:

A Study with stock trading application on Indian youth- Perception study on measurement of risk trading behavior.

Nature and Source of Data:

The data needed for the study is both primary and secondary data. The primary data required for the study was collected through a structured questionnaire. A total of 455 responses were collected through convenient sampling techniques. Secondary data: The data was collected from sources like trusted websites, journals and research articles.

Limitation of the study:

A limitation of this study is that it focuses solely on individual investors while excluding institutional businesses, which may restrict the generalizability of the findings. It would be beneficial to carry out more studies with a larger sample size and with different kinds of investors. Additionally, the analysis in this study used a percentage analysis of the respondents' responses; however, this analysis can be more fruitful if it incorporates sophisticated tools like probability and regression analysis among the variables.

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Analysis and Interpretation:

TABLE NO: 1

Frequency of Demographic Profile of the Respondents

Particular		No. of Respondents	Percent (%)
GENDER	Male	288	63.3
	Female	167	36.7
	Total	455	100
AGE	Below 30 years	93	20.4
	31 – 40 years	103	23.6
	Above 40 years	259	56.0
	Total	455	100
MARITAL STATUS	Married	385	84.6
	Unmarried	70	15.4
	Total	455	100
QUALIFICATION	Up to School level	98	21.5
	Diploma	18	4.0
	UG	100	22.0
	PG	211	46.3
	Professional Course	28	6.2
	Total	455	100
OCCUPATION	Salaried	265	58.2
	Business	22	4.8
	Professional	09	2.0
	Not Employed	159	35.0
	Total	455	100
ANNUAL INCOME	Less than 3,00,000	58	12.7
	3,00,001-6,00,000	35	7.7
	Above 6,00,000	362	79.6
	Total	455	100

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PLACE OF TRADING	Home	320	70.3
	Workplace	69	15.2
	Brokers Office	51	11.2
	Others	15	3.3
	Total	455	100
TRADING CAPITAL	Less than l lakh	61	13.6
	1-3 lakhs	63	13.6
	3-5 lakhs	75	16.5
	Above 5 lakhs	256	56.3
	Total	455	100
TRADING EXPERIENCE	Less than 2	121	26.6
	2 – 4	252	55.4
	Above 4	82	18.0
	Total	455	100

It is observed that 63 percent respondents are male, 56 percent respondents are above 40 years, 85 percent respondents are married, 46 percent respondents are post graduate, 56 percent respondent are salaried people, whereas 80 percent respondents annual salary was above 6 lakhs. It is observed that the respondents traded from home (70 percent), whereas 56 percent respondents opined that their trading capital is above 5 lakh and 55 percent opined that they have 2-4 years trading experience.

Investor Perceptions and Trading Behaviour

Table II presents results on investors ‘market participation (having traded or not), turnover, average trade size, and buy-sell ratio. Whereas the first two indicators refer to investors ‘ trading activity, the latter two refer to particular actions taken by investors when trading.

TABLE II

Dependent Variable	**Traded**		**Turnover**	
	Coef	Std. err	Coef	Std. err
Return Expectation prev.	0.101	0.019	*** 0.110	0.047 **

month				
Return Expectation	0.053	0.016	*** 0.095	0.036 ***
Risk Attitude prev. month	0.084	0.015	0.035	0.035
Risk Attitude	0.069	0.013	*** -0.018	0.026
Risk Perception prev. month	0.027	0.013	** 0.086	0.024 ***
Risk Perception	0.019	0.010	* 0.069	0.018 ***
Gender	0.063	0.071	-0.197	0.085 **
Age	0.001	0.002	0.007	0.003 **
Account Tenure	-0.025	0.011	** 0.025	0.018
Sophisticated	0.467	0.037	*** -0.001	0.081
Dividend Choice Stock	0.018	0.053	0.248	0.103 **
Dividend Choice Cash & Stock	-0.068	0.046	0.123	0.074 *
Constant	-	-	1.424	0.321 ***
R 2			0.124	

The above table regression results explain that Investor perceptions help explain the dynamics of investors ‘market participation during the crisis and extend the findings of previous research. In particular, investors are more likely to trade the higher both the levels and upward revisions of their return expectations, risk attitude (less risk aversion), and risk perception. Addition one finds that higher levels of return expectations and risk perceptions as well as upward revisions thereto induce higher turnover. Risk attitudes are not significantly linked to turnover once the decision whether to trade or not is made. No evidence that investors with higher return expectations trade larger amounts per transaction

(third column in Table II). Thus, during the crisis, researcher can't confirm a positive relationship between investor conviction and bet size. Concerning investors buy sell ratios, find that investors with higher levels of and upward revisions in their risk attitudes (they are and become less risk averse), lower levels of risk perceptions, less experience (shorter account tenure), and lower levels of sophistication (no derivatives usage) have higher buy-sell ratios (fourth column in Table II). This confirms our expectation that less risk averse investors incur larger exposure to the market, while investors who perceive higher risk lower their exposure.

Investor Perceptions and Risk Trading Behaviour

Risk-Trading Behaviour

This table presents the results from regressions of risk-taking behaviour on investor perceptions and a set of control variables. Dependent variables referring to risk-trading behaviour are the risky share and the standard deviation of the daily returns on the complete portfolio. The columns show results of linear panel models. Standard errors are clustered on the investor level. Variables are defined in Table III. *, **, *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

TABLE III

Dependent Variable	Risky Share		Risky Share	
	Coef	Std. err	Coef	Std. err
Return Expectation prev. month	-0.017	-0.019	-0.008	0.004 *
Return Expectation	-0.010	0.012	-0.002	0.004
Risk Attitude prev. month	0.014	0.013	0.016	0.005 ***
Risk Attitude	0.008	0.009	0.006	0.004
Risk Perception prev. month	0.006	0.013	0.014	0.004 ***
Risk Perception	0.006	0.007	0.008	0.002 ***
Gender	0.040	0.044	-0.013	0.013

Age	0.000	0.001	0.000	0.000
Account Tenure	0.013	0.008	0.008	0.003 ***
Sophisticated	-0.051	0.041	0.033	0.010 ***
Dividend Choice Stock	0.219	0.047 ***	0.012	0.013
Dividend Choice Cash & Stock	-0.065	0.035 *	0.009	0.009
Traded	0.086	0.031 ***	0.048	0.010 ***
Turnover	0.004	0.006	0.017	0.007 **
Buy-Sell Ratio	0.047	0.018 ***	-0.007	0.006
Risky Share			0.085	0.019 ***
Constant	0.572	0.146 ***	0.030	0.018 *
R 2	0.083		0.381	

This table explain that studying the dynamics of investor perceptions together with observable account and investor characteristics improves the understanding of investor risk taking, as levels of return expectations and risk attitude, and both level of and revisions in risk perception determine risk taking. With respect to risk attitudes, also find the intuitive result that higher past levels of risk attitude (less risk aversion) lead to higher portfolio standard deviations. The return expectation and risk perception coefficient signs, however, seem puzzling: lower return expectations and higher risk perceptions lead to higher portfolio risk. implying a negative relationship between return expectations and portfolio risk. Indeed, there is a strongly significant negative relationship when regressing investor return expectations on risk perceptions ($b = –0.17$, $p < 0.001$). That is, decreasing risk perception seems to be equated with expecting higher returns, which, in turn, leads investors to hold safer portfolios. The perception regression coefficients are small, but economically significant, as we examine monthly standard deviations. For example, increasing the past level of risk perception by one on its seven-point scale increases the annualized standard deviation by almost five percentage points.

Findings and Conclusions

This study's findings are stock trading application on Indian youth changes in investors 'perceptions measurement of risk trading key behaviours, such as trading frequency, turnover, and risk taking. Other research finds that individual investors 'trading behaviour not only influences stock prices but also shows that their systematic behavioural biases may ultimately affect the macro-economy. Therefore, frequent collection of information about investor perceptions could be a crucial aspect of an early warning system designed to prevent overheating of the financial market. Such information could be part of an integrative communication strategy targeted at financial market participants with the aim of moderating their perceptions so as to prevent destabilizing investment trading behaviour that could put the entire financial system at risk. In this regard, it may be especially fruitful to educate investors about how their perceptions affect their trading and risk-taking behaviour and the impact of this on both the risk and returns of their investment portfolios. In this study, examines the dynamic interaction between investors' beliefs, behaviours, and performance using a unique panel of individual investors. Find proof that knowledge about an individual investor's perceptions enhances their trading and risk-taking behaviour and aids in the explanation of their investment success using matched survey and trading data.

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