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An examination of investment practices in the Indian stock market with particular reference to Delhi's retail investors

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Abstract

The aim of this study is to examine the investing strategies used by retail investors in the Indian stock market, particularly those who operate in Delhi. Additionally, the study will look into the factors that affect investing choices, the types of stocks that investors prefer, as well as the general behaviour and strategies that these investors employ. Finding trends, problems, and opportunities that retail investors face is one of the objectives of this study. Data analysis, interviews, and surveys will all be used to achieve this. The study's conclusions emphasize the significant impact that economic news, market volatility, and financial literacy have on investment choices. Furthermore, the role of financial advising services and digital trading platform's is examined, demonstrating the increasing importance of these organizations in the process of creating investment strategies. The study concludes by offering suggestions for raising retail investors' degree of success in stock trading.

Keywords: Investment, stock market, retail investor, investment motivation

1. Introduction

The Indian stock market has emerged as one of the most active markets in the world because of the enormous expansion that it has experienced over the course of the past few decades. Most academic research in finance relies on the assumption that investors are fully rational. The rise of this industry is being driven not just by institutional investors but also by a sizeable and growing number of ordinary investors. Some of these investors come from major urban areas such as Delhi, and they play a significant part in determining the trends and dynamics of the market. Individuals that purchase and sell shares just for their own personal accounts, as opposed to doing so for the benefit of another firm or organization, are referred to as retail investors (Kumar, 2023) ^[6]. Commission-free brokerage has transformed the investing options for small retail investors. India boasts the world's greatest store density and a retail market of US\$ 200 billion, with the organized sector accounting for only 3% (about US\$ 64 billion). India's retail sector has experienced significant expansion in recent years. No other sector in the country has expanded with incredible speed within such a short period. India's leading business houses (e.g. Tata, Birla, Reliance, Bharati) and global retailers (e.g. Wal-Mart, Tesco, Carrefour) are aiming to obtain a competitive advantage and enjoy the rewards. Over the next five years, the Indian retail industry aims to invest more than \$30 billion (Kar & Patro, 2024) ^[11]. A multitude of elements, including as the state of the economy, the trends in the market, the individual's financial objectives, and the accessibility of information, all have a role in determining their investing behavior and decision-making processes about investments. When it comes to establishing measures to increase market participation and ensure the financial well-being of retail investors, having a solid understanding of these elements is very necessary (Sahi, & Arora, 2013) ^[21]. The purpose of this research is to investigate the investing strategies utilized by retail investors in Delhi, which is one of the most important financial centers in India.

The purpose of this research is to offer a comprehensive knowledge of the distinctive qualities and difficulties that are encountered by investors in this geographical area by concentrating on this region. The inquiry will address a variety of characteristics of investment behavior, such as preferences about stocks, tolerance for risk, sources of information, and the influence of financial literacy. The relevance of this research comes in the fact that it can provide information to market regulators, financial advisers, and policymakers on the behavioral patterns and requirements of retail investors. The

improvement of the investment environment for individual investors has the potential to result in higher market stability, increased investor confidence, and stronger economic growth (Khairnar & Verma, 2014) ^[4]. A combination of qualitative and quantitative methodologies, including questionnaires, interviews, and the examination of market data, are utilized in the research process. By utilizing a combination of research methods, this methodology guarantees a thorough comprehension of the investing strategies utilized by retail investors in Delhi (Shin, 2018) ^[14]. Through the examination of the variables that influence investment decisions and the identification of the trends and issues that are encountered by retail investors, the purpose of this study is to contribute to the larger debate on the development of financial markets and the protection of stakeholders in India. The fact that the study is centered on Delhi is especially pertinent because the city is a significant economic hub and is home to a varied community of investors (Vikraman, 2017) ^[27].

A diverse variety of income levels, educational backgrounds, and investing experiences are represented among Delhi's retail investors. The presence of such a diverse population offers a rich backdrop for investigating the ways in which various demographic characteristics impact investing behavior. This study focuses on several important aspects, one of which is the preference that retail investors in Delhi have for various sorts of equities. Blue-chip and large-cap companies have historically been attractive investments because of the perception that they are stable and the possibility that they will grow in the long run (Halbert, 2014) ^[9]. On the other hand, there is a discernible movement toward mid-cap and small-cap equities, particularly among younger investors who are readier to accept risks in exchange for larger returns (Kar & Patro, 2024) ^[11]. By gaining an understanding of these preferences, it is possible to better adapt financial goods and services to fit the requirements of different consumer groups of investors. In addition to this, the influence that financial literacy has on investing choices is an important factor to consider. A comprehensive awareness of financial markets, investment strategies, and risk management are all components of financial literacy, which involves a wide variety of skills and levels of knowledge (Khurshed & Pande, 2009) ^[13]. The degree of financial literacy possessed by retail investors can have a considerable impact on their capacity to make well-informed decisions regarding their own investments.

The purpose of this project is to investigate the relationship between financial literacy and investing performance, with the goal of gaining insights into the ways in which educational programs might improve such results for investors. There is also a substantial emphasis placed on the role that technology plays in influencing investment methods. Retail investors now have access to more market information and trading tools than they ever have before because to the proliferation of mobile applications and digital trading platforms (Mukim & Nunnenkamp, 2012) ^[16]. Additionally, this democratization of access has made it possible for a greater number of individuals to take part in the stock market; nevertheless, it has also brought forth new issues, such as the requirement for cybersecurity and the possibility of disinformation. The purpose of this study is to investigate the ways in which technology affects investing behavior and to determine the steps that may be taken to

guarantee that it has a positive impact (Chakrabarti & Malik, 2014) ^[4]. In addition, the regulatory and economic climate in India will be taken into consideration during the research. The landscape of investment is significantly influenced by a few factors, including economic conditions, regulatory frameworks, and policies enacted by the government. Through this study, we will investigate the ways in which these factors affect the confidence of retail investors and their participation in the stock market. In this section, we will present recommendations about the ways in which policymakers and regulators may create an environment that is more favorable to retail investors (Dhameja, 2013) ^[21].

1.1 Retail Investment

An individual is referred to as an investor when they make purchases of securities with the expectations of receiving financial returns. When an individual investor invests, it is termed as retail investor. Retail investment refers to the act of purchasing assets by an individual for the purpose of utilizing them for his or her own personal account rather than for the benefit of an organization. Retail investors often trade in far lower sums than institutional investors do and benefit themselves. This is also true for institutional investors (Pollack, 2013) ^[13]. Through initial public offerings (IPOs) that is company issuing shares for the first time in the primary capital market, retail investors can purchase securities directly from the corporations that are issuing them. Alternatively, they can purchase securities from current investors through depositories, also known as stock exchanges, which are part of the secondary capital market (Chandrasekhar, 2016) ^[5]. The Secondary Capital Market is the only market that will be covered by this exploration. An individual who has acquired stocks in the past but is not actively trading them at the present time, a person who has been trading securities on a regular basis, or a person who has only recently purchased securities are all examples of people who may be considered investors (Lee, 2018) ^[14]. The respondents selected for this study are engaged in investment in the Indian Stock Market during the study period, regardless of whether they are first-time investors or frequent investors. This is because referral sampling was used to choose the investors for this study. When it comes to retail investing, there are four different processes that might take place. In such a case (Barth & Landsman, 2017) ^[1].

- Individuals engage in self-directed investing.
- By means of retail brokers, who carry out tasks as directed by individual investors
- One way is through investing clubs, which allow groups of people to pool their money and invest it, and another is through managed accounts, where an account manager makes buying and selling decisions on behalf of the client.
- In the process of addressing the individuals who participated in this study, the first two methods of retail investing were taken into consideration.

1.2 Objectives of the Study

1. Gain an understanding of the forms of stocks that are most popular among retail investors in Delhi.
2. To analyze the investing patterns of retail investors headquartered in Delhi, including their expectations

regarding the returns on their investments.

3. Investigate of the influence that government policies and regulatory frameworks have on the trust of retail investors.

2 Literature Review

There has been a significant amount of study conducted all around the world on the investment behavior of retail investors. The purpose of this section is to provide a comprehensive analysis of the most important literature about the investment practices of retail investors, with a specific emphasis on research carried out in India and other emerging economies that are comparable.

Panjali and Kasilingam explained several methods exist for studying investors' actions in the market, as determined by their research. Another important factor that influences people's investment behavior is the way they spend their life. Thus, it is increasingly crucial for capital market operators and intermediaries to comprehend investor lifestyles for the purpose of creating effective tools and convincing them to deepen their involvement in different financial channels. By looking at an investor's hobbies, interests, and views on investing, one might get a sense of their lifestyle. A person's standard of living is greatly affected by their income level. The surplus that they have saved is clearly shown by it. Occupation is another aspect that influences risk-taking conduct.

According to Halbert (2014) ^[9] is in strong agreement with the view that investors' actions impact their investing choices. Furthermore, it has been found that behavioral finance may explain many investment-related issues that conventional financial theory fails to adequately address. It was also proposed that people's discriminating actions are influenced by their gender and career. People from India are thought of as being more frugal than the average person. This makes the study all the more important for reinvesting the massive savings in the economy (Zingales, 2003) ^[19]. As a result, the economy as a whole will be able to show improvement, and investors will be able to enjoy healthy returns that account for inflation. Investments and the decision-making process around investments are gaining more and more importance in countries like India. Many people in academia and industry are interested in learning more about how people decide which investment vehicle to use to keep their money safe (Castro, 2004) ^[3]. Researchers look for the important factors while selecting an investment medium as they perform their studies.

Based on study of Shah and Verma (2014) ^[24], young investors are likely to be able to take on more risk since they are not yet burdened with the same level of responsibility as more seasoned investors. Young people place a premium on two things 1) understanding the basics of the stock market and (2) the possibility of financial benefit. It has been determined that there are four separate types of investors. Traditional investors, occasional investors, long-term investors, and knowledgeable investors make up these groups. Investigating of the views of market participants is vital when it comes to stock valuation.

Dhameja (2013) ^[21], said their research shows that the capital market is crucial to the economy's continuous expansion. In addition to bringing innovations and overall economic success, it helps the economically deficient units realize their goals through synergy. Keep in mind how

critical it is to know how transparent the economy is and how important it is to have openness there. Gaining insight into the stock market and how it is doing requires a politically stable environment. As a result, investors feel more comfortable putting their money into the financial market.

2.1 Investment Preferences and Behavior

Research conducted on the behavior of retail investors frequently places an emphasis on the factors that influence stock selection and portfolio composition among investors. In their investigation into the relationship between overconfidence and trading behavior, Barber and Odean (2000) ^[2] discovered that overconfident investors engage in trading more frequently and create poorer profits. In the context of India, a study conducted by Arora and Kumari found that retail investors in India have a preference for stocks of well-established firms. This preference is influenced by a number of variables, including the reputation of the company, its historical performance, and its dividend history.

2.2 Financial Literacy and Investment Decisions

A person's level of financial literacy is a significant factor in determining their investing choices. According to the findings of (Pollack, 2013) ^[13] a greater level of financial literacy is linked to improved financial decision-making as well as increased returns on investment. According to (Rouanet, 2014) ^[9], there is a considerable gap in financial literacy among retail investors in India. This gap frequently results in investment choices that are less than ideal and an increased susceptibility to changes in the market. They placed a strong emphasis on the necessity of financial education programs in order to improve the understanding and confidence of investors.

2.3 Impact of Technology on Investing

Retail investment has been completely transformed as a result of the introduction of digital trading platforms. Lee and Shin (2018) ^[14] investigated the ways in which advances in fintech have democratized access to financial markets, thereby making it possible for a greater number of people to take part in stock trading. Investing has become more accessible to a wider population in India, according to Gupta, who observed that mobile trading applications and online brokerage services have contributed to this situation. On the other hand, the study brought to light a number of issues, including the potential for information overload and the hazards associated with cybersecurity.

2.4 Behavioral Factors in Investment

A field of finance known as behavioral finance investigates the psychological aspects that influence investing decisions. Prospect Theory, which was developed by Kahneman and Tversky in 1979, is a basic theory that demonstrates how investors value wins and losses differently, which can lead to irrational decision-making processes. Further investigation into ideas like mental accounting, loss aversion, and herd behavior was carried out by Shefrin and Thaler (1985) ^[26] in their respective research studies. In the context of India, Sahi et al. (2013) ^[21] discovered comparable behavioral biases among retail investors. They

made the observation that emotions and psychological elements frequently result in departures from rational investing methods (Kumar, 2023) ^[6].

2.5 Regulatory and Economic Influences

Retail investor behavior is substantially influenced by both the policies of the government and the conditions of the economy. In their 2003 article, Rajan and Zingales addressed the ways in which regulatory frameworks might either make market participation easier or more difficult. When it comes to protecting retail investors and fostering transparency, the Securities and Exchange Board of India (SEBI) in India has enacted a number of different initiatives. An investigation on the efficiency of these rules was carried out by Singh and Yadav. The findings of this investigation revealed that although these regulations have increased market trust, there are still issues to be faced in terms of enforcement and investor knowledge.

2.6 Demographic Factors

Additionally, investing behavior is influenced by demographic parameters such as age, gender, income, and level of education. Grinblatt and Keloharju (2000) ^[8] conducted a study that demonstrated that investors who are older and have a higher level of education tend to make investing decisions that are better informed. According to research conducted by (Vikraman, 2017) ^[27] in India, younger investors have a greater propensity to engage in riskier ventures, whereas elder investors favor safer and more stable business opportunities. There were also observed disparities between the sexes, with males usually exhibiting a higher risk tolerance than women (NANDHA, 2004) ^[17].

3. Methodology

This research is an empirical investigation that explores the amount of money that is invested in the Indian Stock Market as well as the number of times that such investments are made. In order to accomplish this objective, the primary data is gathered from two distinct groups: a) retail investors on their trading pattern, risk appetite, and behavioral characteristics that influence investment decisions; and b) non-investors providing the reasons why they do not want to invest on stock. Therefore, there has been actual information on the stock markets of India, which includes the various types of markets, the technique by which they work, the breadth of their operations, and the attitudes of investors. This information has been gathered in light of the aforementioned circumstances. A number of secondary sources were utilized in order to acquire this information.

4. Results

Finding out how regular people in Delhi, India, put their money to work is the main goal of this essay. It shows how investors conduct themselves in relation to the following topics: how much of their income goes into investments, where their savings go, what the main purpose of their investments is, how they prefer to be exposed to return volatility, how long they want to invest for, how often they check the fund's status and performance, and where they get their fund data.

4.1 Investment Return as a Percentage of Total Income

In table 1 and figure 1, respectively, the percentage of the respondents' income that was spent on investments is displayed. This information can be found inside the corresponding tables

Table 1: How much of one's income is invested in various ventures

% of Income	No. of Respondents
Less than 10% (1)	15
10–20% (2)	5
20–30% (3)	30
30–40% (4)	15
More than 40% (5)	35
Total	100

Source: Respondent Survey

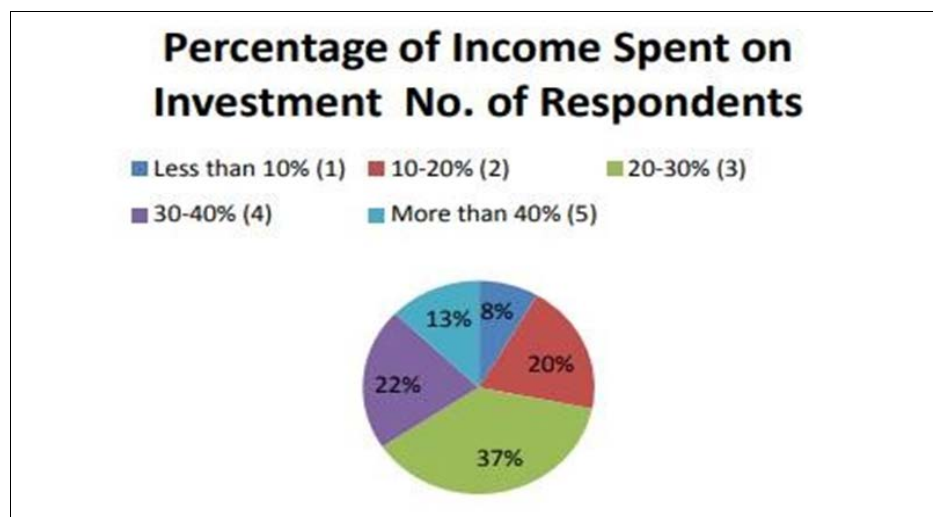


Fig 1: Investment Spending as a Percentage of Income; Data Source: Primary The majority of respondents (37%) put 20% to 30% of their income into investments.

4.2 Ways to Make the Most of the Saved Amount

Table 2 and figure 2 present the replies of the investors who were researched on the various pathways that were selected

for the usage of saving volume. These responses are given in the table and image.

Table 2: Opportunities that were chosen for the purpose of using volume savings

% of Income	No. of Respondents
Less than 10% (1)	15
10–20% (2)	5
20–30% (3)	30
30–40% (4)	15
More than 40% (5)	35
Total	100

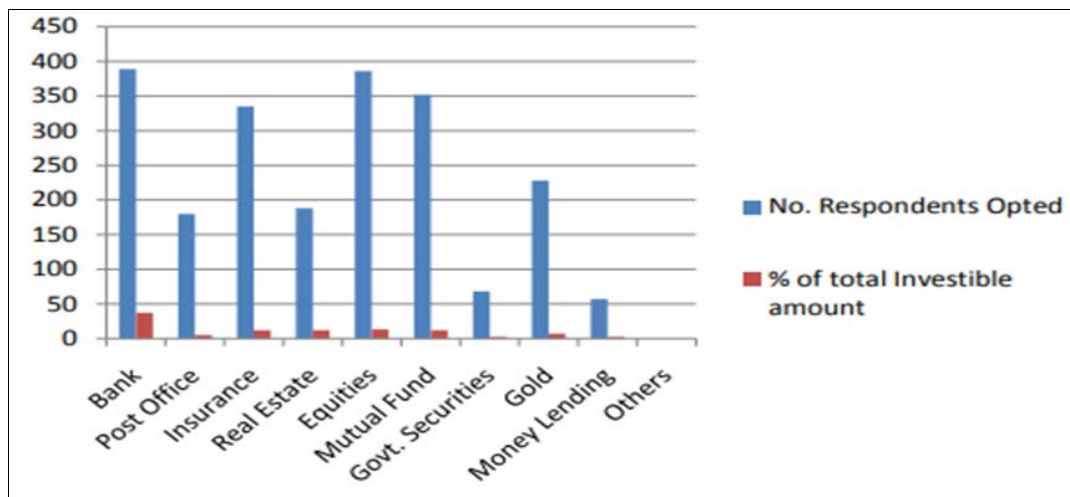


Fig 2: The avenues that were chosen for the use of the money saved

It is seen that the largest proportion of respondents choose to park their excess income in banks, and it is also observed that the average percentage of investible amount (of all those who are parking surplus in banks) is highest in banks.

objective is to achieve the following

The information that is presented in Table 3 and image 3 indicates that the major purpose of the money that is included within the Investment Account of the Respondent is to make a big purchase. This is followed by the accumulation of assets and the preparation for retirement.

The Respondent's Investment Account's primary

Table 3: The Respondent's Investment Account's primary objective is to achieve the following:

Goal	No. of Respondents
Current return	11
Accumulation of funds for future use	77
Retirement	77
Financing education	14
Estate planning	20
Major purchase	83
Other	3

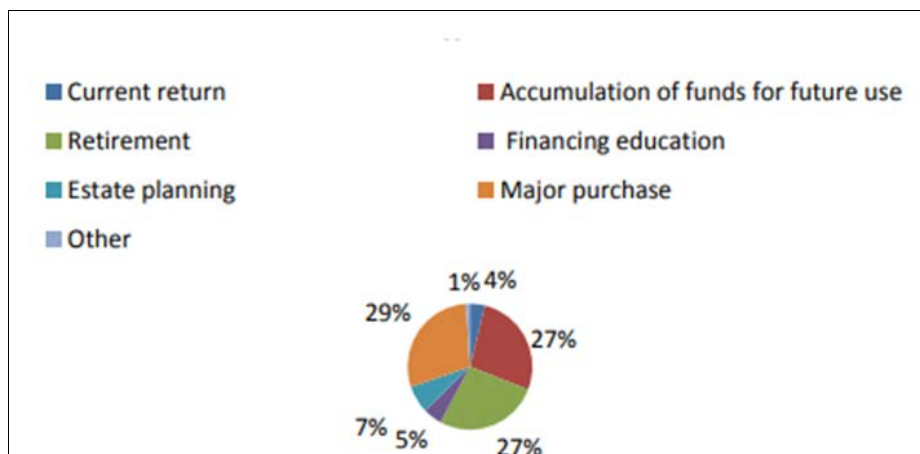


Fig 3: The major objective of the funds held in the investment account of the responders

5. Conclusion

As a conclusion, the purpose of this study is to offer a detailed examination of the investing activities of retail investors in Delhi. The purpose of this research is to contribute to the development of methods that will boost retail investor involvement and performance in the Indian stock market. This will be accomplished by identifying the variables that impact their decisions, the preferences that they display, and the problems that they confront. In turn, this can help to the general stability and expansion of the market, which is beneficial to the economy that is being discussed. In the research that has been done, several important features of retail investor behavior have been brought to light. These characteristics include the effect of financial literacy, technology improvements, behavioral biases, regulatory frameworks, and demographic considerations. Even though there is a large amount of study on these subjects all over the world, there are very few studies that are relevant to the Indian setting, particularly those that concentrate on locations such as Delhi. To contribute to a more comprehensive knowledge of retail investing in developing economies, the purpose of this study is to address this gap by offering a detailed examination of the investment behaviors of retail investors in Delhi.

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