

## An Analysis of Herding and Hedging Behaviour in Individual Share Purchases on the Angel One Online Trading Platform

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### ABSTRACT

*This study explored investor behavior through descriptive analysis. The findings revealed that a significant portion of respondents (48%) fell within the 30-40 year age group and identified as conservative investors (76%). Stock markets (36%) and insurance (32%) emerged as the most preferred investment options. While a preliminary regression analysis hinted at a potential relationship between investment behavior and factors like age, the limited sample size necessitates further research with a larger sample or alternative models to establish more conclusive results. The study will look at how the platform's features, learning materials, and advisory services could affect investment behaviour via the eyes of Angel One's clientele. Angel One may get important insights from the project's findings to better understand their clientele and customise their products to meet the demands of certain investors and decision-making procedures. It may also advance knowledge on the conduct of individual investors in the Indian stock market.*

**Key Words:** Behavioral finance, financial literacy, Herding behavior, Investment psychology, Individual investor behavior.

## 1.1 INTRODUCTION

The investment landscape is a complex ecosystem driven by the ever-evolving behavior of individual investors. This project delves into this fascinating world, analyzing investor tendencies across international, national, and local levels, with a specific focus on how Angel One caters to these diverse preferences.

**International Landscape:** Today's world is hyper-connected, and global events can significantly impact investor sentiment. Geopolitical tensions, economic trends, and even social media buzz can influence investment decisions. International investors often seek diversification, spreading their assets across different markets and asset classes to mitigate risk. Angel One, with its access to a wide range of investment products, positions itself to cater to this need for international diversification.

**National Trends:** Moving to the national level, cultural and economic factors shape investment behavior within a country. In India, for instance, a growing middle class with rising disposable income is fueling interest in the stock market. Angel One, through its user-friendly platform and educational resources, empowers this new generation of investors to participate in the financial markets.

**Local Nuances:** Investor behavior also exhibits local variations. Factors like income levels, risk tolerance, and access to financial literacy resources can influence investment choices at the local level. Angel One recognizes these local nuances and tailors its offerings to cater to the specific needs of investors in different regions.

**Beyond Traditional Investments:** The traditional focus of investor behavior analysis has been on stocks, bonds, and mutual funds. However, the rise of alternative investments like cryptocurrencies and peer-to-peer lending is changing the investment landscape. Angel One, by staying abreast of these trends, can offer investors a comprehensive platform for exploring new avenues for wealth creation.

**The Role of Technology:** Technology plays a crucial role in shaping investor behavior. Online platforms like Angel One's have democratized access to financial information and investment opportunities. Investors can now research, analyze, and execute trades with ease, fostering a more active and informed investment culture.

**Behavioral Biases:** Understanding investor psychology is vital. Investors can be susceptible to behavioral biases like overconfidence, herding behavior, and loss aversion. Angel One, through educational

resources and investment tools, can help investors make rational and well-informed decisions, mitigating the impact of these biases.

**The Importance of Risk Management:** Risk management is a crucial aspect of investor behavior. Angel One, by providing tools like stop-loss orders and portfolio analysis, empowers investors to manage their risk exposure effectively.

**The Evolving Investor:** Investor behavior is constantly evolving. As millennials and Gen Z enter the investment arena, their priorities and risk tolerance may differ from previous generations. Angel One, by staying agile and adaptable, can cater to the evolving needs and preferences of future investors.

This introduction provides a springboard for your project, offering a framework to analyze investor behavior across various levels and highlighting how Angel One positions itself as a valuable resource for individual investors.

## 2. LITERATURE REVIEW

**Javed et al., 2017**, It holds that rather from being logical, the investors are swayed by their own prejudices.

According to Javed et al. (2017), behavioural finance integrates economics, finance, psychology, and behavioural biases to provide a convincing justification for people's illogical financial decision-making.

**Akhtar et al., 2019** outlined possible individual investors' plans to invest in a developing country (in this case, India). As part of the quantitative and cross-sectional approach of the study, a questionnaire-based survey was used to collect responses (920 useable responses) from potential individual investors. AMOS and SPSS were used to establish the relationship between the constructs. The results of the study showed that although attitude was partially in charge of mediating the relationship between financial knowledge and investment intention, financial self-efficacy played a dual function in the interaction between personality traits and investment intention. Subjective norms, on the other hand, had a somewhat positive impact on investment intention.

**Zahera & Bansal, 2018** The investor establishes different investment guidelines for each mental account in order to address the particular goals of the investment, such as profit maximisation and risk minimization. This may ultimately cause the investor to select portfolios that satisfy their emotions but are not profitable.

**Kappal et al., 2020** analyzed investment behaviour of women entrepreneurs only. The study concluded that women take less risk and have more focused strategies. Women entrepreneurs tend to see investing as a long-term opportunity. When it comes to business, they are willing to take risks, but not when it comes to investing. Two factors contributing to this low-risk behaviour are lack of adequate time to research investments and lack of knowledge about a wide range of items. They found that consumers are more willing to take financial risks if they devote the time to learn about the intricacies of investing instruments. According to the interviews, female entrepreneurs frequently imitate their parents' investment habits.

**Raut, 2020** initiated to understand how prior behaviour and financial literacy affect individual investors' investment decisions. His study looked at the applicability of the planned behaviour theory in this situation. The study used a self-administered questionnaire, convenience sampling, and a snowball sampling method to gather information from individual investors in each of India's four different states. AMOS 20.0 was used to analyse the collected data using two-step structural equation modelling (SEM). Results showed that each predicted predictor had a substantial impact. The investor's purpose was not significantly impacted by past behaviour directly, but it was significantly impacted indirectly through investor attitude. Multiple squared correlation ( $R^2$ ) results revealed that the final model could account for 36% of the variation in investors' intention to invest in stocks, indicating a successful application of the TPB model with the addition of external factors. In addition, it was discovered that Indian investors were heavily impacted by social pressure, which may be reduced through financial literacy.

**Sachdeva et al., 2021** reported that Investor Cognitive Psychology (ICP), Market Information (MI), and Stock Characteristics (SC) were the most significant elements influencing herding behaviour, while Socio-Economic Factors (SEF) were shown to be the least significant. They pointed out that Investor psychological mindset, Market Information along with stock features were the most essential elements driving herding behaviour, whereas social class factors were least important component while making investment decisions.

**Cecily, 2022** made research that the most popular option among investors is a bank deposit, which they actually believe is the most safe and easy way of investment. This indicates that safety is the major factor influencing the decision of investors. The city of Chennai was chosen for this study because of its distinct and distinctive historical significance. The investors are less aware that investing in mutual funds has a number of benefits, including adaptability, diversification, liquidity, profitability, high-quality collateral, and tax advantages. Alterations in demographic variables like age, income, education, and occupation have an impact on the preferred investment avenue. According to certain studies, the attitude toward risk

is more strongly influenced by variables including marital status, the number of dependents, wealth, and income

**Aregbeyen & Mbadiugha (2011)**, in their research article named “Factors influencing investors decisions in shares of quoted companies in Nigeria” study says 20 variable grouping under social, economical, psychological and cultural factors influences at sharess. The ten most influencing variables based on the ranking of the investor are motivation by people who have attained financial security through share investment, future financial security, recommendations by reputable and trusted stock brokers, management team of the company, awareness of the prospects of investing in shares, composition of board of directors of the companies, recent financial performance of the company, ownership structure of the company and reputable predictions of future increment in share value. Social factor was ranked as most influencing factor next to economic factors followed by psychological and cultural factors.

**Kabra, G., Mishra, P.K. and Dash M.K. (2010)**, in their research article titled “Factors Influencing At shares of Generations in India: An Econometric Study”, studied factors, which affect individual at sharess using factor analysis. Their study on Indian investors which focuses initially on 18 variables later reduced to 14 variables and then further enumerated into six component factors as Security, Opinion, Awareness, Hedging, Duration and Benefits.

**Brad M. Barber, Terrance Odean (2008)**, in their research article titled “All That Glitters: The Effect of Attention and News on the Buying Behaviour of Individual and Institutional Investors”, tested and confirmed the hypothesis that individual investors are net buyers of attention-grabbing stocks, e.g., stocks in the news, stocks experiencing high abnormal trading volume, and stocks with extreme one-day returns. They hypothesize that many investors consider purchasing only stocks that have first caught their attention. Thus, preferences determine choices after attention has determined the choice set.

**Kadiyala and Rau (2004)**, in their article titled “Investor reaction to corporate event announcements: Under reaction or overreaction?” Investigate investor reaction to corporate event announcements. They conclude that investors appear to under-react to prior information as well as to the information conveyed by the event, leading to different patterns: return continuations and return reveals, both documented in long horizon return.

### **3. RESEARCH METHODOLOGY**

#### **RESEARCH DESIGN**

A Research design is purely and simply the framework of plan for a study that guides the collection and analysis of data. The study is intended to find the determinants of Individual investors behaviour on at shares. The study design is descriptive in nature.

#### **Target Population**

It is useful to be suggestive that the data the researcher is interested in are the attitude and behaviour of Individual investors (individual investors). Since the present study aims to examine the most influential factors for individual investors, the target population for the survey is individual investors.

#### **DATA COLLECTION**

The study used a survey with a structured questionnaire to gather data from individual investors in Chennai. The researchers relied on a convenience sample, drawing participants from the client base of a leading stockbroking firm. Over 180 clients were contacted via email and brokers, with 100 completing the questionnaire for final analysis. This resulted in a sample size of 100, focusing on individual investors.

#### **NEED OF THE STUDY:**

To understanding how individual investors make decisions provides valuable insights into market dynamics. By analyzing buying behavior, financial advisors and investment firms can tailor their strategies to meet the needs and preferences of individual investors, offering more personalized and effective investment solutions. Recognizing common patterns and behaviors can help in identifying potential risks and irrational decision-making, enabling the development of tools and strategies to mitigate these risks. While educating investors about common biases and decision-making processes can lead to more informed and rational investment decisions, reducing the likelihood of losses due to impulsive or uninformed choices.

#### **SCOPE OF THE STUDY:**

This analysis on Investors' behaviour is an attempt to know the profile of the investor and also know the characteristics of the investors so as to know their preference with respect to their investments. The study also tries to explore the influence of demographic factor like age on risk tolerance level of the investor. Different investors behave differently in different market situation before investing like return, flexibility etc. but the markets will face a question mark in knowing the pulse of an investor. This analysis will also

throw light on various investment avenues available in India that will help in many ways like the expectations of different types of investors regarding particular service requirements can be identified. This study will help in gaining a better understanding of what an investor looks for in an investment option. It can be used by the financial sector in designing better financial instrument customized to suit the needs of the investor. It also enhances new services initiatives by the company. It will also help the agents and brokers in marketing the existing financial instruments. It will also help the company to understand what is the requirement and expectations of different categories of investors.

### OBJECTIVES OF THE STUDY

- To identify the purpose of investments of Individual investors.
- To assess the knowledge level on investment market by the Individual investors.
- To identify the various factors considered before investing by the Individual investors.

### LIMITATIONS OF THE STUDY:

Due to time constraints, the study focused solely on investors who actively participate in the capital markets. This limited the sample to those familiar with investment concepts, potentially excluding those who might be interested but lack experience.

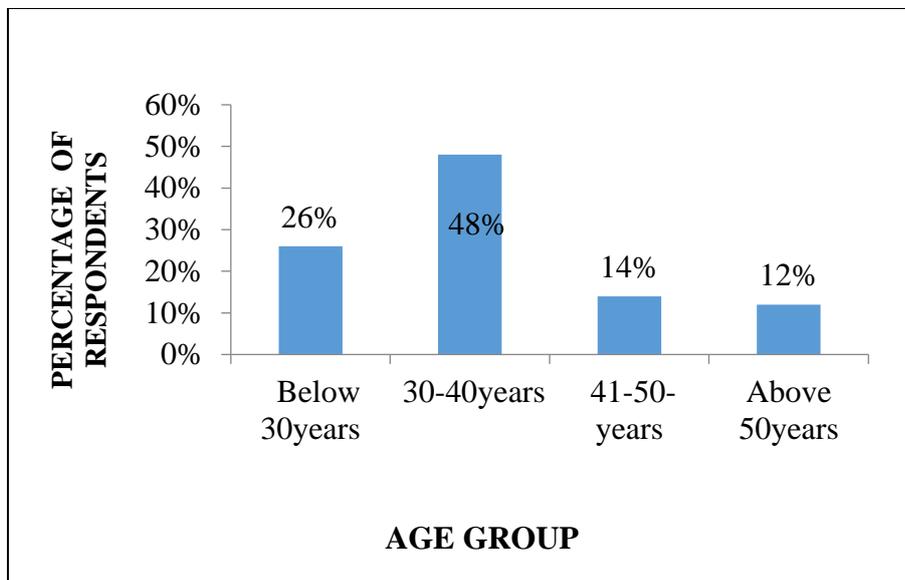
### 4. DATA ANALYSIS AND INTERPRETATION:

Simple analysis method is followed for analyzing the data pertaining to different dimensions of employees. Simple statistical data like percentage are used in the interpretation of data pertaining to the study. The results are illustrated by means of bar charts.

**Table no 1: distribution of respondents according to age group**

AGE	NO. OF RESPONDENTS	PERCENTAGE
Below 30years	26	26%
30-40years	48	48%
41-50-years	14	14%
Above 50years	12	12%
<b>TOTAL</b>	<b>100</b>	<b>100%</b>

**Graph 1 DISTRIBUTION OF RESPONDENTS ACCORDING TO THE AGE GROUP**



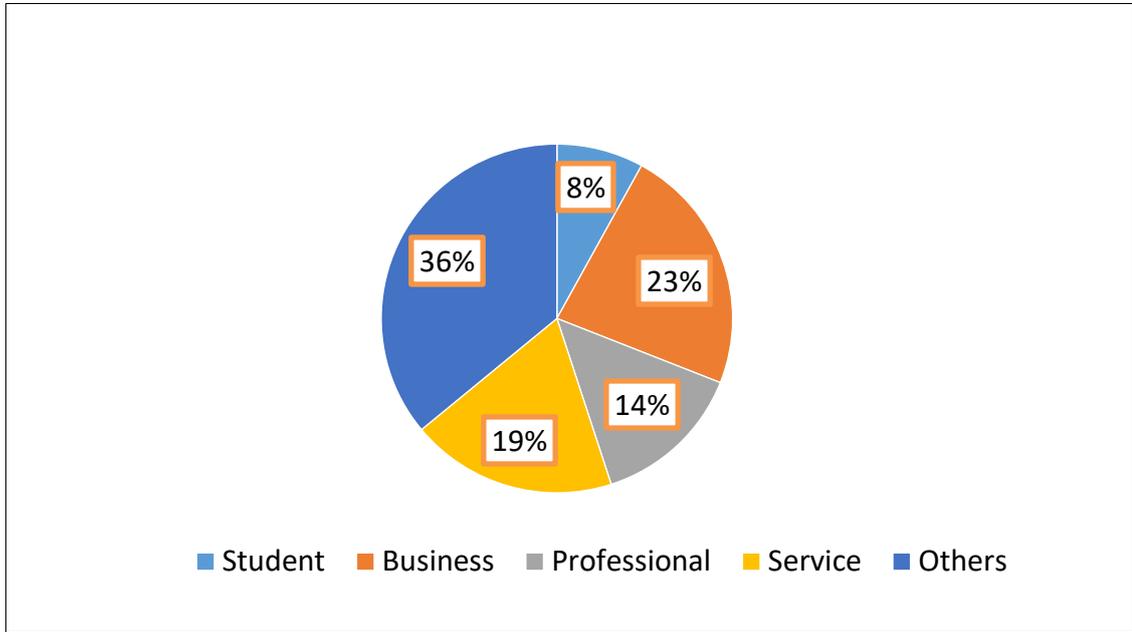
**INTERPRETATION**

From the above Table no: I, it is evident that out of 100 respondents 26% of the respondents belong to the age below 30 years, 48% of the respondents belong to the age between 30- 40 years, 14% of the respondents belong to the age between 41-50 years and 12% of the respondents belong to above 50yrs of age group. Hence, the investors belonging to the age between 30 - 40 years are major investors in the market.

**Table no 2 : distribution of respondents according to their occupation**

OCCUPATION	NO. OF RESPONDENTS	PERCENTAGE
Student	8	8%
Business	23	23%
Professional	14	14%
Service	19	19%
Others	36	36%
<b>TOTAL</b>	<b>100</b>	<b>100%</b>

**graph 2 distribution of respondents according to their occupation**



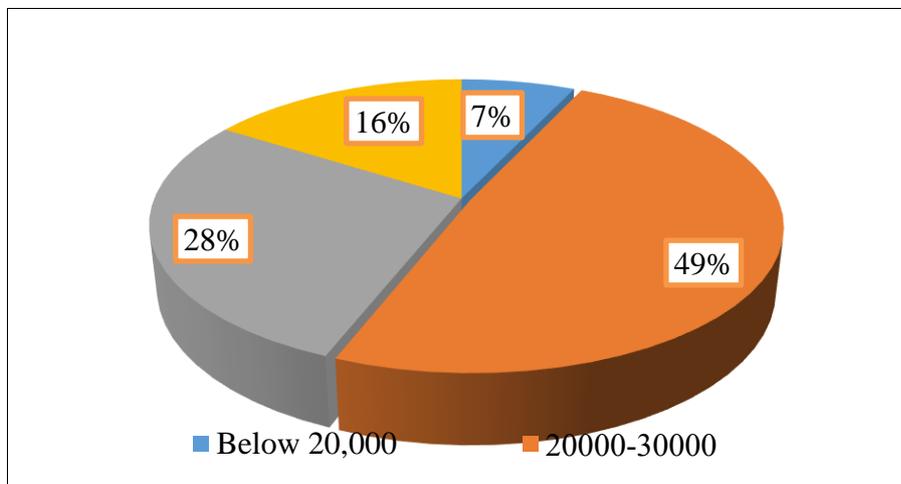
**INTERPRETATION**

From the above Table no: V it is evident that out of the 100 respondents, 36% of them are included in other occupation which include home maker and retired people. 23 % of them are into business occupation, 19% of them are into service occupation and 14% of them are in professionals and remaining 8% of them are students.

**Table no 3: distribution of the respondents according to their income per month**

INCOME	NO. OF RESPONDENTS	PERCENTAGE
Below 20,000	7	7%
20000-30000	49	49%
30000-40000	28	28%
Above40000	16	16%
<b>TOTAL</b>	<b>100</b>	<b>100%</b>

**graph 3:distribution of the respondents according to their monthly income**



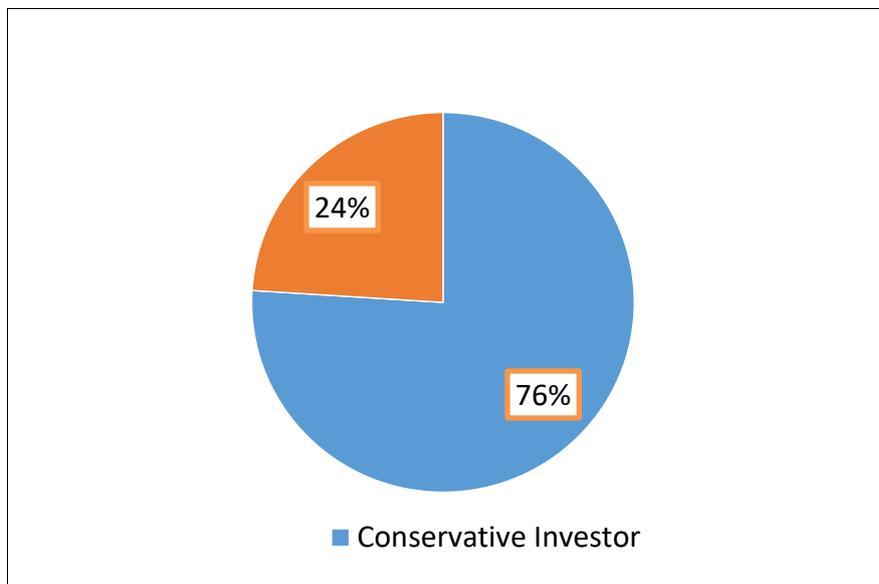
**INTERPRETATION**

From the above Table No: VI it is depicted that 49% of them are in the income group of 20000-30000 per month, 28% of them in the income group of 30000-40000, 16% of them in the income group of above 40000 and 7% of them are in the income group of below 20000 per month.

**Table 4: the type of investor as perceived by the respondents**

TYPE OF INVESTOR	NO. OF RESPONDENTS	PERCENTAGE
Conservative Investor	76	76%
Aggressive Investor	24	24%
<b>TOTAL</b>	<b>100</b>	<b>100</b>

**graph 4: the type of investor as perceived by the respondents**



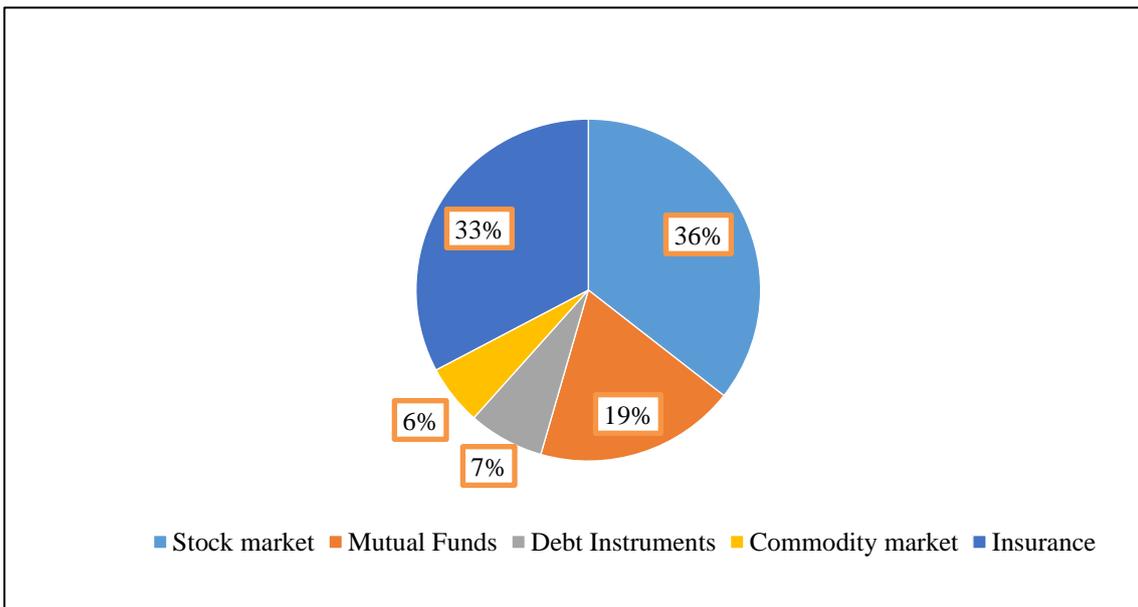
**INTERPRETATION**

From the above Table No: VII, it is depicted that 76% of the respondents consider themselves as Conservative Investor and 24% of them considered themselves as Aggressive Investor. Majority of them are in the category of conservative investor. A conservative investor is someone who wants his money to grow but does not want to risk his principle investment. Conservative investors choose financial products that do not fluctuate much in value. An aggressive investor is someone who is prepared to take high risks, in the hope of achieving higher than average returns.

**Table 5 : investment products invested in by the respondents**

INVESTMENT PRODUCT	NO. OF RESPONDENTS	PERCENTAGE
Stock market	100	36%
Mutual Funds	53	19%
Debt Instruments	20	7%
Commodity market	16	6%
Insurance	92	32%
<b>TOTAL</b>	<b>281</b>	<b>100%</b>

chart no: 5 investment products invested in by the respondents



**INTERPRETATION**

From the above Table it depicts that 36% of them have invested in Stock market, 19% of them have invested in Mutual Funds, 7% of them have invested in Debt Instruments, 6% of them have invested in Commodity Markets and 32% of them have invested in Insurance. Majority of the investors have invested in stock market and insurance

Table no 6 : Relationship between investment behaviour and factors

**SUMMARY OUTPUT**

<i>Regression Statistics</i>	
	0.82310358
Multiple R	9
	0.17901664
R Square	7
Adjusted R Square	0.83147502
	9
Standard Error	18.3467483
Observations	4

**ANOVA**

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	146.793	146.793	0.83610	0.87689641
Residual	2	673.206	336.603		
Total	3	820			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	7.73015873	27.7135	0.27893	0.80649	111.511786	126.972	111.51	126.972
X Variable 1	1.07936507	1.63445	0.66038	0.57689	5.95314116	8.11187	5.9531	8.11187

Age Group	No. of Respondents	Occupation	No. of Respondents
Below 30 years	26	Student	8
30-40 years	48	Business	23
41-50 years	14	Professional	14
Above 50 years	12	Service	19

**INTERPRETATION**

A multiple linear regression analysis was conducted to examine the relationship between investment behavior and factors like age group. The model exhibited a substantial positive correlation ( $R = 0.823$ ) between predicted and actual investment behaviour values. Additionally, a high adjusted R-squared (0.831) indicates that the model explains a significant portion of the variance in investment behavior. However, the F-statistic suggests the model be statistically significant. Further investigation with a larger sample size or alternative model structures may be necessary to solidify the findings and gain a more robust understanding of how age group influences investment behaviour.

The Chi-Square table you provided with the statistic (3.0555), p-value (0.001), and degrees of freedom (3) suggests there isn't enough evidence to reject the null hypothesis. Here's a breakdown of what this means:

table no 7: chi square relationship between investors behaviour and its factors

Investor Type	Age Group 1	Age Group 2	Age Group 3	Total
Conservative	Observed (a)	Observed (b)	Observed (c)	a+b+c
Aggressive	Observed (d)	Observed (e)	Observed (f)	d+e+f
Total	a+d	b+e	c+f	n (sample size)

### INTERPRETATION

A Chi-Square analysis examined the potential relationship between investor type (conservative vs. aggressive) and age group. The observed distribution of investor types across age groups exhibited a statistically significant difference (Chi-Square statistic: 3.0555), with a very low p-value (0.001). This suggests a strong association between investor type and age group. However, it's important to consider the limited degrees of freedom (likely 3) in the analysis, which can sometimes lead to misleading significance. Further investigation with a larger sample size or exploration of the specific reasons behind the observed association would be beneficial to solidify these findings.

### CONCLUSION:

This study investigated various aspects of investor behavior through descriptive analysis. The data revealed that the majority of respondents fell within the 30-40 year age group (48%) and identified as conservative investors (76%). Stock market (36%) and insurance (32%) were the most popular investment choices. While a preliminary regression analysis indicated a potential relationship between investment behavior and factors like age group, the low sample size necessitates further investigation with a larger sample or alternative model structures to draw more robust conclusions. Additionally, a Chi-square test revealed a statistically significant association between investor type and age group (p-value = 0.001). However, due to the limited degrees of freedom, further exploration of this relationship is recommended to solidify these findings.

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