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Mobile trading leads change in investment habits in India

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Abstract

Purpose: This exploratory research examines investors' changing behavior concerning investment schemes due to mobile trading applications in India.

Design/Methodology/ Approach: For achieving objectives of this research, secondary data analysis will be considered. The information regarding investment behavior and preference for mobile trading applications has been extracted from online websites (authorized) and published articles.

Findings: The analysis of journal articles and website resources indicates that with time, individuals have many options for making investments and using their savings, but the economy offers them some challenges. Mobile trading applications reduce efforts and motivate individuals to make investments through online means on their own.

Research limitation and implications: The trend of mobile trading is new. Multiple applications are introduced daily, and limited websites provide information about valid trading applications. This research considers Forbes Advisor India to bring relevancy to research. The study could be more relevant if SEBI, NSE, and BSE disclosed this information on websites.

Practical implications: The study provides concept of investment and savings. The change in perception and interest of households regarding investment. Being a researcher, we have attempted to depict the evolution of investment behavior of individuals in India.

Originality/ Value: All the information writings here have been considered registered journal articles. So, all the research articles are registered and published in the official journal.

Keywords: Investments, savings, trading, applications

Introduction

Investments are very popular term. This represents financial assets of individuals, households, or businesses. Investments have been created to earn a return on it. Investment means "Put money into financial schemes, shares or property with the expectation of achieving a profit." It is a one-time expense with the expectation of a worthwhile result. Investment has three elements: Return, Risk, and Time. In India, investments come from the savings of households and individuals.

Everyone is aware of their future in the current financial world, and money is one of the essential elements of daily living. Now, people believe that investments in funds generate funds in the future, which will be helpful for them. In future planning, every individual includes investments and savings. After completing the 1990s, privatization increased the culture of making investments. But those who understand the nature of financial markets were investing in shares, stocks, mutual funds, etc.

In 2008, when Prime Minister changed the money market and brought demonetization, it stopped all the transactions related to money. Forceful implementation of bank account opening scheme, link Aadhar card with bank account insists people make the banks and savings an essential part of their lives. But, People are still facing problems with capital formation for start-ups, and this lack has also become reason for slow economic growth. More than half of India's population still lives in villages, unaware of the banking system, investment plans, and savings (Hwang, N.D.). Opening a saving account and keeping money in it is also considered an investment by the general public. People must increase their savings and control their consumption to make more capital formation.

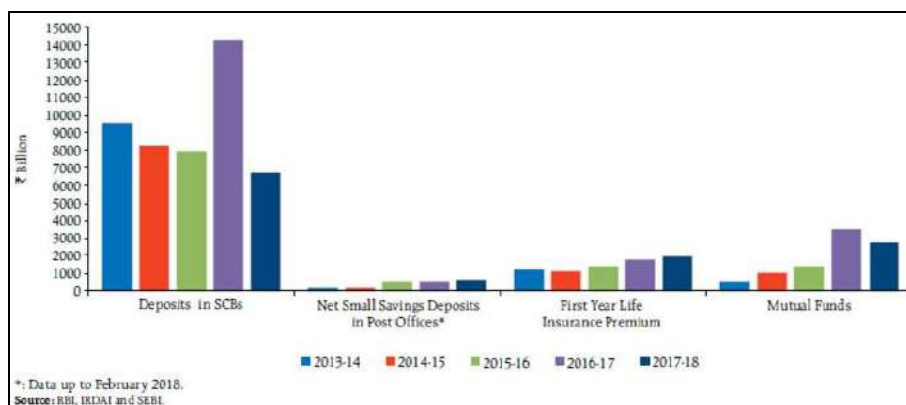
At present, people have cleared their concepts regarding savings and investments. The more they save, the more capital formation takes place and increases the probability of assets. Thus, investment brings speed to cash flow cycle in the economy, and everybody becomes developed. A survey says that 64% of young Indians are still not interested in making investments. There are major investment options available in market, such as mutual funds, Fixed Deposits, debentures, Bonds, etc. the lack of investment habits in individuals is due to misconceptions regarding share markets and investment options. The research article will discuss the importance of investments and increase the trend of investment habits in the economy.

Review of Literature: Indian citizens believe in investment habits and are interested in investing in medium-to-low risk. A survey report issued by SEBI in the year 2000 included that Indian investors prefer safe investment opportunities. Investors preferably choose those options which involve safety and liquidity. Bank deposits, gold units of UTI, fixed deposits of non-government corporations, mutual funds, and stocks are ranked by investors based on risk and liquidity

for investment (Chaubey, 2016a) ^[2]. There are multiple reasons which affect the investment habits and cash cycle of the economy; these are as follows.

Unawareness regarding investment plans: Indian people are not aware of the investment plans available in the market. The Fixed deposit and saving bank account are the only option for making investment plans. People are unaware of the investment market's benefits and respond negatively to protect their savings. Education is one of the main reasons for unawareness. Illiterate people have less income and do not want to show interest in savings and investment plans.

The difference in perception: Perception regarding investment has changed in investors as per their age group. It has been analyzed that investors below the age of 40 years are risk takers or able to tolerate risks, while investors who are at the age of 40 years or more ask for safety and usually are risk averse. Demographic and socio-culture factors play an essential role in making choices of investments.



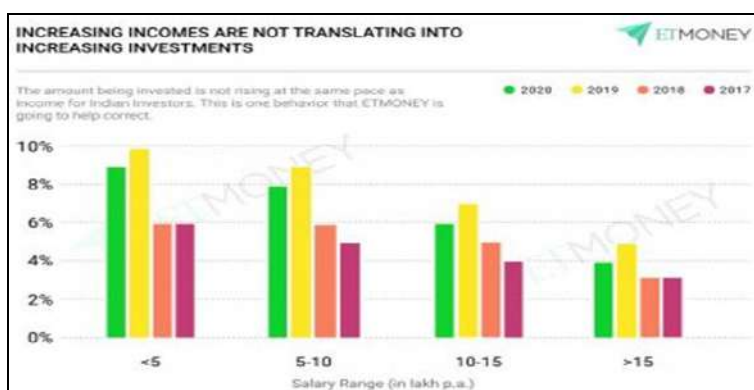
Source: Reserve Bank of India, 2021

Chart 1: Flow of savings to various instruments during 2013-14 to 2017-18

This graph has been extracted from a report issued by the Reserve Bank of India (RBI). This indicates the preference given by investors to investment instruments. As time passes and awareness about investment increases in individuals, their tastes and priorities change. People consider Deposits in SCBs and Mutual funds for investment

purposes. These options provide them good return on their investment funds. Fixed deposit and Insurance policies are least preferable by individuals. The mutual fund industry offers liquidity and a risk profile, which is why investors have chosen the same for investing.

Fluctuation in income level

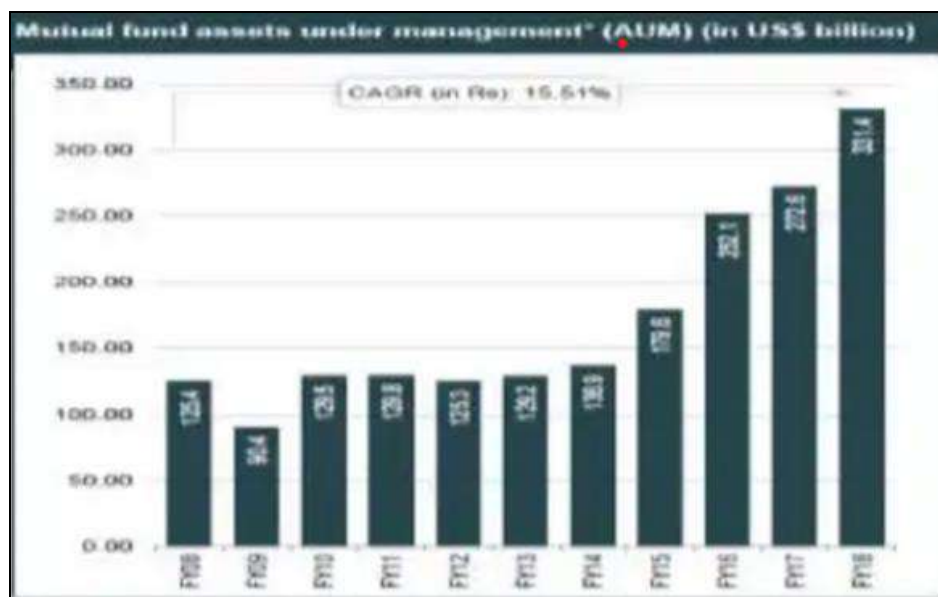


Source: (tennews.in, 2020)

Chart 2: Fluctuation in income level

A report issued by ET money provides that fluctuation in income level does not attract higher investment in the market. As the economy of India is growing, the people who are in jobs are getting higher pay along with allowances. However, people are still not investing in their savings (tennews.in, 2020) ^[11].

With the passage of time, it has been observed that most investors are ready to invest in those schemes that are running well in the market, offering good rewards to current investors. According to Mittal (2020) ^[9], investment habits have been changing for Indians, and they prefer to invest in mutual funds due to safety, liquidity, and return on invested income.



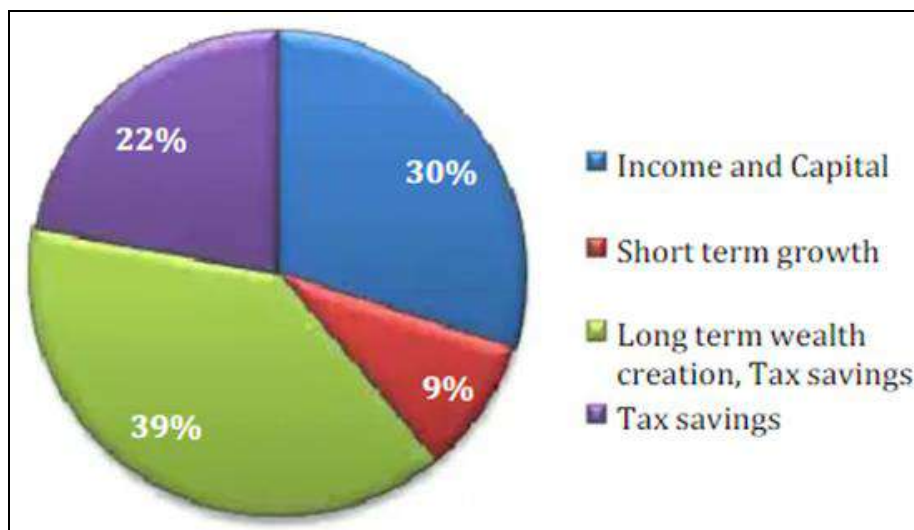
Source: (Mittal, 2020) ^[9]

Fig 1: Progress of mutual fund industry

The above graph indicates the progress of the mutual fund industry in the money market. The article written by Mittal (2020) ^[9] has proven that male investors are more eager to make investments than female members in the investment markets. Preference for Fixed deposit, insurance, real estate, and post office has overlapped by a savings account, mutual funds, Gold/ silver, bonds, etc. Diversified and open-ended

mutual funds are preferable for investors to keep their investment safe even in any financial emergency.

Further studies have been conducted, and responses have been collected from investors; the result revealed that 30% of the population wants to make investments to prevent income and capital, and 39% of respondents prefer long-term capital creation from the assets (Mittal, 2020) ^[9].



Source: (Mittal, 2020) ^[9].

Fig 2: Investment Objectives

Investments are made in low-yielding bonds and money market funds to attain investment options. 22% population wants tax savings through making investments in mutual funds and other available investment options.

Impact of digitalization on investment behavior

Different investment objectives and investors' perceptions change the money flow in the market. Digitalization also brings awareness to people, and now everyone wants to

make some investments from their savings. Extensive government and private sector promotions also insist individuals make investments. But still, demographic factors, perception, and traditional saving options are considered by investors. To make a healthy investment, every investor must know about India's securities market and investment markets. Knowledge about the market helps investors make informed decisions, resulting in efficient use

of financial resources.

According to Lokhande (2013), it is good to study investor awareness levels and their preference for investment options available in the market to analyze investor behavior. As the maximum population of India resides in villages, responses of 175 respondents (villagers) have been collected regarding investment behavior and their awareness. Socio-Economic profiles of individuals are as follows.

Socio-Economic Profile of Respondents

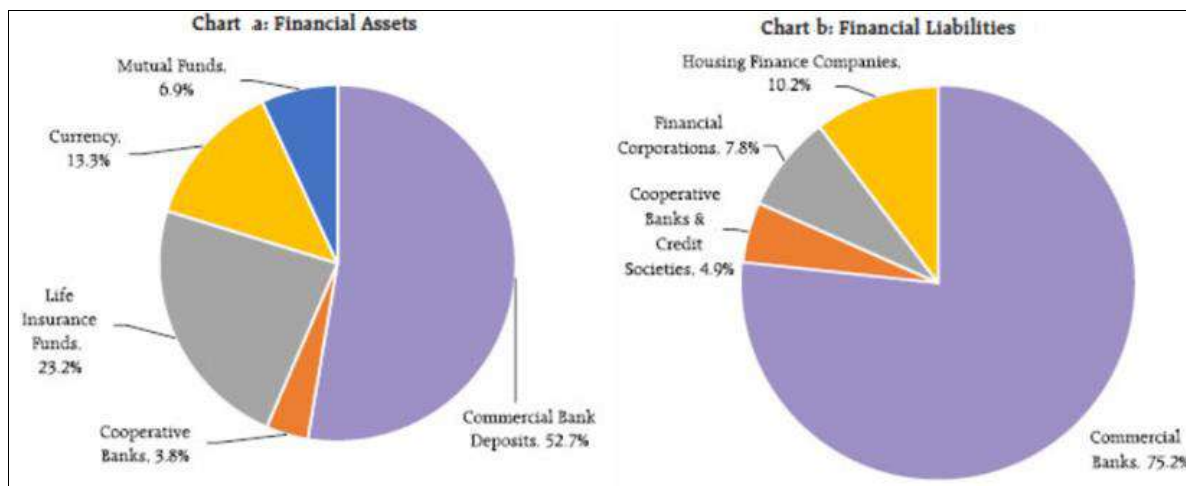
Age wise distribution	No. of respondents	Percentage
< 25 yrs	11	3.67
25-35 yrs	123	41.00
35-45 yrs	71	23.67
45-55 yrs	59	19.67
> 55 yrs	36	12.00
Illiterate	11	3.66
Primary	92	30.67
Secondary	89	29.67
Graduation	90	30.00
Post-graduation	18	6.00
Occupation		
Agriculture	179	59.67
Small business	27	9.00
Agriculture laborer	83	27.67
Service	11	3.66
Monthly income		
< Rs. 15,000	91	30.33
Rs. 15,000-25,000	128	42.67
Rs. 25,000-35,000	42	14.00
> Rs. 35,000	39	13.00
Annual Investment		
< Rs. 25,000	89	29.67
Rs. 25,000- 45,000	133	44.33
Rs. 45,000-65000	47	15.67
Rs. 65,000-85,000	20	6.67
>Rs. 85,000	11	3.66

Table: Investment Avenues

Sr. No.	Investment Avenues	Rank wise responses								Total I	Garre T Score	Mean Score	Garre Trunk
		I	II	III	IV	V	VI	VII	VIII				
1	Shares	15	29	30	43	41	24	53	65	300	13134	43.78	VII
2	Debentures	9	11	24	54	3	32	57	70	300	12295	40.98	VIII
3	Bank deposits	75	67	47	40	8	14	19	10	300	18180	60.60	I
4	Gold & Jewelry	65	59	33	27	31	34	28	23	300	16796	55.99	II
5	Real estate	61	39	43	36	26	53	33	9	300	16598	55.33	III
6	Postal schemes	34	46	51	22	34	55	37	21	300	15476	51.59	IV
7	Mutual funds	17	30	33	31	50	47	42	50	300	13607	45.35	VI
8	Insurance	24	19	39	47	47	41	31	52	300	13712	45.71	V

Lokhande (2013) has collected data regarding the "Socio-Economic profile of households, their monthly income, and average investment during the year. Middle-class families earn between 15000-50000 and can save funds through investments between 25000-45000 INR during a year. However, the data considered here was from a field survey; now, the monthly income increases with the economy's growth and the mode of investments also changes with time.

Another table indicates the options preferred by people as investment sources. The preferred option for an Indian investor is bank deposits, jewelry, postal schemes, real estate, and insurance. Most households have the wrong perception regarding return on investment in shares and mutual fund markets. That is why only 40-45% of people are interested in investing in these options.



Note: Chart has been prepared based on select financial instruments for which data are available

Source: RBI Bulletin

Chart 3: Composition of household financial assets and liabilities – Outstanding position (As on June 2020)

According to RBI Bulletin (2021) ^[10], most households are interested in keeping their savings in bank deposits. Insurance policy, trading in currency and mutual funds are secondary options for them.

According to Karigoleshwar (2018) ^[4], digitalization in the banking and investment sector has changed the world. All cash-related transactions occur through mobile applications, the internet, etc. Information about investment opportunities are also available on the internet; there are multiple channels through which investor can collect data and become aware of investment opportunities (Dr. Karigoleshwar, 2018) ^[4].

Currently, the trading industry provides the facility of online trading and investment functioning to local and individual investors with the help of trading applications. This concept is called mobile trading. These applications are easy to learn, and investors may acquire knowledge about the stock market. According to Forbes Advisor India, “Zerodha Kite,

Upstox PRO trading app, 5 Paise, Angel speed pro, IIFL Markets Mobile app, Groww” are some of India's most preferable trading applications. These applications charge minimum fees from their users and facilitate trading in the number of stocks registered on the stock exchange. According to Yash (2018) ^[8], every investment decision is usually standing on four pillars:

- Knowledge.
- Time Frame.
- Diversification.
- Tolerance.

An investor should make an investment decision considering these four pillars. These elements help investors in analyzing the liquidity and risk options in every stock trading on the stock exchange.



Fig 3: Stock Trading Options

Zerodha Kite: This application offers a universal search tool for users/investors to collect information about stocks. Graphical representation of stock movement provided by the

application to investors. This application contains ten years of historical data. It is easy to operate, which is why it is a preferable application in India (Dhawan, 2022) ^[3].

Upstox PRO app: The application contains features similar to the Zerodha Kite app, enabling the identification of simple and complex stocks. Charts are available in these multiple styles indicating 100 technical indicators. But the app is cumbersome; it occupies memory space in the phone, and not easy to use this app frequently.

5 Paisa online trading app: all the features in this app are similar to the above two, but it offers guest login, which is a unique characteristic of this application. Through guest login, investors can view features of this app, and they will never face unwanted notifications and emails. However, this application is having facility of accessible Demat account opening facility. Along with this, it provides real-time live updates from stock exchange markets.

Angel Broking Inline trading app: Angel broking is the oldest and most experienced company in stock trading. It not only offers trading options, but it also offers services like insurance, mutual fund, brokerage, and all financial instruments to invest for investors. This company's app always contains chart displays and real market live updates (Dhawan, 2022) [3].

IIFL Markets Mobile app: IIFL is also India's highest-rated trading app. It displays live prices, a customizable watchlist, an advanced dashboard, and an IIFL view of the top 500 stock prices at a time. Along with the information of shares, the app provides additional company information. It includes advanced widget, trading tips, a notification center, etc.

Top Trading Apps in India with their Ratings

Rank	Trading Platform	Top features	Ratings	Best Offers
1	Zerodha Kite App	Zero brokerage for equity delivery	9.8/10	Open Account
2	ICICI direct Markets	Pay Later with Margin Funding, eATM	9.7/10	Open Free Account
3	m.Stock	Free advisory, lowest brokerage, Free training	9.6/10	Open Free Account
4	5Paisa Mobile App	Auto investing feature	9.5/10	Open Free Account
5	Angel Broking Mobile App	Zero brokerage for delivery trades	9.4/10	Open Account
6	Groww App	No account opening charges	9.1/10	Open Free Account
7	Upstox Pro App	Easy & instant investing	9.0/10	Open Account
8	IIFL Markets App	Zero brokerage on all equity delivery	8.7/10	Open Account
9	HDFC Securities App	Option to buy digital gold	8.5/10	Open Account
10	Kotak Stock Trader App	No brokerage for intraday trading	8.3/10	Open Free Account

Source: Best Trading App in India | List of Top 10 Mobile Trading Apps, 2022

Fig 4: Best Trading Platforms in India

Every techno-friendly investor who wants to learn online trading can get help from these trading applications. These applications are considered beneficial because they charge only some minimum charges for account opening and brokerage charges are also very low. Zerodha Kite and Angel broking are not interested in taking brokerage. In recent times, Zerodha kite has been providing high-quality service facilities to all its clients. Also, 60+lakh customers are using this application. Mobile trading has increased investment opportunities for individuals, which has successfully changed individuals' investment habits (Dhawan, 2022) [3].

Objectives of the study

This research review article has been created to attain following objectives:

- To understand the current situation of Investors in India.
- To determine the reasons that affects change in investment habits and cash flow cycle of the Indian economy.
- To analyze the basis of change in investment habits of investors.
- To study the preference plans of investors in the current situation.

Research Questions/Hypothesis

To continue research on the topic and achieve the objectives of the study, following research questions are going to be considered:

H₀: Null Hypothesis: Mobile Trading facilities change India's investment behavior.

H₁: Alternative Hypothesis: Mobile Trading facilities do not change the investment behavior in India.

Research Methods

Research methodology provides the manner of conducting research. There is a number of information available in secondary resources that can be used in researching the topic. For collecting the information related to the topic, secondary data sources are used. These data sources involve journal published articles, information available on the websites of share trading apps, and government sites. Without the use of secondary sources, it is impossible to analyze investors' changing habits and investment habits.

Findings of the research

In India, mobile trading applications make the household more efficient in trading and investment. India is a developing country with a population with different income levels and lifestyles. People have a difference in their perceptions regarding savings and investment. Generally, people believe in using their savings to purchase fixed assets like land or house property or invest in buying jewelry and

other precious metals. Due to a lack of awareness and knowledge, people are limited upto property and jewelry. With marketing and promotion, digitalization in monetary transactions brings awareness to households, and they have started to take an interest in investing in mutual funds and portfolio markets. Mobile trading applications have become a boom for them. The trading applications give learning to individuals.

Conclusions

In the conclusion statement, it can be said that technology changes perception and habit and brings awareness to individuals. Trading through application has now reduced the role of agents working as commission agents for issuers and traders. Increasing the income level and good return both influence individuals in making investments in portfolios and mutual funds where good return is guaranteed with low risk of losing money.

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