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Website: www.aarf.asia Email : editor@aarf.asia , editoraarf@gmail.com

A STUDY OF STRATEGIES & FACTORS INVOLVED IN TRADING FOR STOCK MARKET

[1]Dr. Manisha Kumbhar , [2]Dr. Vidya Gavekar,

[3]Prof. Manisha Maddel,[4]Prof. Vibhavari Pandit

1. Professor, Sinhgad Institute of Management, Pune-41
2. Asso. Professor, Sinhgad Institute of Management, Pune-41
3. Asst. Professor, Sinhgad Institute of Management, Pune-41
4. Asst. Professor, Sinhgad Institute of Management, Pune-41

ABSTRACT

Indian stock market is ever growing and it is major attraction for small to huge investments. It provides a platform to the investors to buy or sell various market instruments. The main objective of this research is to analyze the review of Stock Market to support trading strategy for reducing the losses in market. This study examines the relation between stock market development and economic growth of emerging market over 21years, using a dynamic panel method. There are several indicators of the stock market performance and economic growth both directly, as well as indirectly by boosting private industrial behavior. Thus they lend support both to the financial intermediation literature as well as to the traditional growth literature. This research paper will be helping the policy makers to bring in the initiatives to educate the trades trading in Indian stock market. Also gives the information about the various factors and their strategies involved during trading activity and beneficial to all the traders who are interested in technical as well as fundamental analysis for getting the trade of the share in near future.

Keywords: Stock Market, Trading policy, Industrial behavior etc.

1. INTRODUCTION

Indian stock market provides a platform to the investors to buy or sell various market instruments. The larger stock exchanges have started taking steps in this direction to educate the investors and traders. The loss making factors will be reduced significantly after this

study. We have also developed an application from which we will be able to reduce the loss making factors of the traders in stock market.

Our research will help companies that offer education to traders and investors; they can find the factors that influence the most during trading activity. With this research they can plan their marketing strategy[5] and focus on improving the profitability. Also it will be useful for software development firm that are involved in algorithmic trading and designs the trading robots for high net worth individuals. They can plan their designing strategy and take over the edge over the loosing traders. Such report will be an eye opener to traders who are new to stock markets and didn't know how the factors are influential in trading activity. Most of the traders are not aware of the factors involved in trading. So this research gives the information about the factors involved during trading activity. This research is on "Profitability of traders in Indian stock market" will be helping the policy makers to bring in the initiatives to educate the trades trading in Indian stock market.

2. NEED & SIGNIFICANCE

This study will help the traders to reduce the losses in the share market. The application will help us to improve the trading strategy in the market. The research also has specifies which tool is best suitable for trading. As many traders are attracted towards trading in stock market, it becomes extremely necessary to find the ways of becoming profitable in stock market.

Since stock markets have become the next destination of traders after property, so it cannot be ignored. Newbie traders may become the victim of those well experienced traders. These traders' trades against this newbie crowd, creating the panic like situation. Hence, it has become the need of current hour to find the responsible factors. This research gives brief information on the factors responsible for profitability of traders. So this research gives the way, of improving the profitability by reducing the loss making factors. Since this research takes all the age group in consideration it can help all traders to overcome those loss making factors. This research will help the traders to check the profit making factors across different types of traders. So this will also help to optimize the situation in improving profitability.

3. RESEARCH DESIGN & METHODOLOGY:-

The exploratory study was carried out on 30 respondents in order to understand the perception of the respondents towards the factors which affect the trading volume. The sample is selected on the basis on non probabilistic convenience sampling. Responses were collected through well structured questionnaire. The sample is homogenous and consists of respondents of same profession i.e. relationship managers in the Pune region. Data was

transferred to IBM SPSS 20 for analysis. The tools used for data analysis include Factor Analysis, Cross Tabulation and Chi Square.

A research design is the arrangement of conditions for collection and analysis in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact the research design is the conceptual structure within research is conducted; it constitutes the blue print for the collection, measurement and analysis of data.

3.1 OBJECTIVES OF THE RESEARCH:

1. To study about various factors involved in trading
2. To study about trader types and their strategies
3. To study about analysis strategy.

3.2 RESEARCH HYPOTHESIS:

1. Losses can be reduced after knowing the most reasonable and responsible factors.
2. Traders give most preference to future instrument.

3.3 SAMPLING DESIGN:-

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure would adopt in selecting items for the sample. Sample design may as well lay down the no. of items to be included in the sample i.e.; the size of the sample.

3.4 SAMPLING METHOD:

Research has been carried out among the all major cities in India. Therefore the overall research will be done with a sample size of 250 respondents from eight major cities in India.

Area covered: Major cities in India.

- **Population of interest:** Involved in trading in the age group 15 and above years.
- **Sampling frame:** Students/Service people/Business man/Traders.
- **Sample size:** 250 People.
- **Sampling method**: - Quota sampling and Purposive sampling.

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Primary data has been collected by using questionnaire through Google Docs and further analysis is done by using Statistical Package for Social Science (SPSS). Data has been collected from various respondents like service, businessmen, traders and students. Aim of this study is to identify the factors affecting the profitability of traders in India which will

make aware to traders about loss making factors to reduce the loss. 250 samples selected for the study which includes respondents who has a occupation like service, businessmen and student.

First objective of the study is "To identify various factors involved in trading". For this objective, we have considered various factors such as fear, greed, news, capital, risk management and trading time. We have collected data in five point scale format. Following Table No. 4.1 shows various trading factors in five scale format. Further average value of each factor has been calculated.

Table No. 1: Trading Factors

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Avg. Value	Rank
Fear	96	77	54	16	7	3.956	5
Greed	97	78	51	16	8	3.96	4
News	92	81	61	10	6	3.972	3
Capital	75	98	56	16	5	3.888	6
Risk Management	86	99	51	12	2	4.02	2
Trading time	106	79	41	15	9	4.032	1

Table No.1 shows the information about the factors that are mostly affecting to the stock trader. Average value has been calculated for each factor and further rank is given to them. First rank goes to Trading time is most affecting factor with average value 4.03, Second rank to Risk Management factor and which is most affecting factor with average value 4.02, Third rank is for News factor with average value 3.97 , fourth rank is for Greed factor with average value 3.96. Further Fifth rank goes to Fear factor with average value 3.95 and last rank is that is sixth to Capital factor with average value 3.88. So the above table shows that the most affecting factors in trading are Trading time, Risk Management & Greed.

Second objective of the study is "To study about trader types and their strategies". For this objective, we have considered variables like trading Experience & Trader type. Following

Table No. 2 & Table No.3 shows the Gender wise and age wise statistics with respect to trading type.

Table No.2: Gender wise statistics of trading type

Gender	Type of trader		Total
	Full time	Part time	
Male	80(32.00)	124(49.60)	204(81.60)
Female	16(6.40)	30(12.00)	46(18.40)
Total	96(38.40)	154(61.60)	250(100)

As per the above table most of the male respondent does the part time trading as compared to the female respondents.

Table No.2: Age wise statistics of trading type

Age	Full Time Trader	Part Time Trader	Total
15-20	3(1.20)	12(4.80)	15(6.00)
21-30	25(10.00)	86(34.40)	111(44.40)
31-40	47(18.80)	46(18.40)	93(37.20)
41-50	12(4.80)	9(3.60)	21(8.40)
Above 50	9(3.60)	1(0.40)	10(4.00)
Total	96(38.40)	154(61.60)	250(100)

Table No. 2 shows the age wise statistics of full time and part time trading of respondent. From the age group between 15-20 years 1.20 percent respondents do the full time trading whereas 4.80 percent respondents do half time trading, from age group between 21 to 30 years 10 percent respondents does the full time trading and 34.40 percent respondents does part time trading. Further 18.80 percent respondents do full time trading and 18.40 percent respondents do part time trading from age group between 31-40 years. Also from age group between 41 to 50 years, 4.80 percent respondent do the full time trading and 3.60 percent respondents do the part time trading. Further from above 50 years, 3.60 respondents do the full time trading and only 0.40 percent respondents do the part time trading.

Maximum respondent that is 111 from age group 21-30 are doing trading followed by 86 respondents doing part time trading. So it is clear that young generation from age group between 21 to 40 years are more active in stock trading compare to other age groups. Also ratio of part time trading in between all age groups is very high as compared to the above 50 years age of respondents.

Third objective of the study is "To do the technical analysis of various types of software used for analysis." For this objective, we have asked the respondents type of analysis method do you use, If technical, then which technical software used, and if fundamental, then which fundamental software analysis used.

Table No.4: Types of Analysis Software's

Type of software	Software	No. of Respondents
Technical analysis	Amibroker	199(79.60)
Fundamental analysis	Moneycontrol.com	51(20.40)
	Total	250(100)

As per the Table No.4, it clears that 79.60 percent respondents make use of Amibroker software for technical analysis and 20.40 percent respondents make use of Moneycontrol.com software for fundamental analysis. So it clears that most of the traders does the technical analysis as compared to fundamental analysis.

4.2 Testing of Hypothesis

Various statistical tools[3] used to test the hypotheses. If the replies of a majority of the respondents support a hypothesis then that hypothesis will be considered as confirmed. Otherwise it will be considered as rejected. The data connected with the hypothesis and obtained from respondents has been used for this purpose.

Hypothesis 1: "Losses can be reduced after knowing the most reasonable and responsible factors."

This hypothesis of the study is tested by using One-Way Analysis of Variance (ANOVA). It includes various factors like fear, greed, news, capital, risk management and trading time. For the testing purpose hypothesis has been set as null and alternative at 5 percent level of significance.

H_0: Losses cannot be reduced after knowing the most reasonable and responsible factors.

H_1: Losses can be reduced after knowing the most reasonable and responsible factors.

Table No. 5: ANOVA Test for all the affecting factors

Factors	Store	Sum of Squares	df	Mean Square	F	Sig.
Fear	Between Groups	26.896	1	26.896	26.721	.000
	Within Groups	249.620	248	1.007		
	Total	276.516	249			
greed	Between Groups	25.600	1	25.600	24.608	.000
	Within Groups	258.000	248	1.040		
	Total	283.600	249			
news	Between Groups	13.924	1	13.924	14.828	.000
	Within Groups	232.880	248	.939		
	Total	246.804	249			
Capital	Between Groups	13.689	1	13.689	15.212	.000
	Within Groups	223.175	248	.900		
	Total	236.864	249			
Risk management	Between Groups	14.400	1	14.400	18.945	.000
	Within Groups	188.500	248	.760		
	Total	202.900	249			
Trading time	Between Groups	91.809	1	91.809	116.205	.000
	Within Groups	195.935	248	.790		
	Total	287.744	249			

As per the Table No. 5, exact significance (p value) is 0.000 which is less that **0.05** hence we REJECT Null hypothesis and ACCEPT the alternative hypothesis that is hypothesis of the "Losses can be reduced after knowing the most reasonable and responsible factors."

Second hypothesis of the study is Hypothesis 2: "Traders give most preference to future instrument". This hypothesis is tested by using t-Test.The actual test is being performed on the Instrument futures and traders. For the testing purpose hypothesis has been set as null and alternative at 5 percent level of significance.

H0: Traders not give any preferences for instrument.
H1: Traders give most preference to future instrument

Table No. 6: One sample test

Test Value = 0					
t	**Df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
				Lower	**Upper**
47.339	249	.000	1.200	1.15	1.25
53.400	249	.000	1.632	1.57	1.69

As the above table from the t-Test we got the correct value on 95% confidence interval of the difference. As shown in the above table the p value is 0.00 which is < 0.05 hence reject null hypothesis and accept alternative hypothesis that is **Traders give most preference to future instrument**

5. FINDINGS, CONCLUSION &SUGGESTIONS

5.1 Findings:

- Stock Market trading is highly popular in youth generation.
- 81.60 percent are male traders whereas 18.40 percent are the female traders.
- 61.60 percent traders did the trading part time whereas 38.40 percent traders do the trading full time.

- Majority of traders prefer to use technical analysis as their analysis method and which is 82.4 percent.
- It is found that 96.60 percent respondents used amibroker software for doing technical analysis, followed by Meta trader and Meta stock.
- About 53.6o percent respondents have been profitable while trading futures instrument, followed by stocks, options and then currencies.
- About 66.80 percent traders are Graduates.
- Trading is most popular amongst the service category which accounted 59 percent of the total respondents.
- Most preferable news source for fundamental traders was found to be www.MoneyControl.com
- Trading time is also one of the important factors for the profitability.

5.2 Conclusion

This research proved that trading is highly popular in the age group between 21-30 years, while most of the traders were profitable when they traded futures instrument. Traders felt that time also played a major role in profitability. Maximum respondents gave response in the favor of strongly agree to risk management, fear, greed, agree to news and neutral to trading time. Traders in India prefer to trade in futures and found it most profitable. Traders having more experience are found to be more profitable

Among respondents, majority of them are service people, who are mostly part time traders. Most influential factor in trading, that highly influence profit/loss was risk management

5.3 Suggestion

The respondents have put forward certain suggestions which have been summarized into a more organized form by the researcher:

- Online trading is also one of the factors that can influence trading profit/loss. Dealing over the phone can be time consuming.
- Taxes and transaction cost can also be considered for finding the profitability of a trader. That can be brokerage charges.
- Lack of trading education also leads to losses in stock market, education must be given stress.
- Proper trading discipline should be followed for reducing the risk of loss.
- Ignore the tips providers, who misguide traders.

- Trading in stocks attract more transaction charges compare to futures and options. So traders can chose futures against shares.

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