

AN ANALYSIS OF INVESTOR'S PERCEPTION AND ATTITUDE TOWARDS FOREIGN EXCHANGE MARKET BASED ON THEIR DEMOGRAPHIC FACTORS

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ABSTRACT

The foreign exchange market (Forex, FX, or currency market) is a worldwide decentralized or over-the-counter (OTC) market for the exchanging of monetary standards. This market decides the outside swapping scale also known as foreign exchange rate. It incorporates all parts of purchasing, selling and trading monetary standards at present or decided price. Regarding exchanging volume, it is by a wide margin the biggest market on the planet, trailed by the Credit advertises. Investment in Forex market is although not naïve but a systematic approach to understand the investor's perception towards it needs to be attempted in depth. This paper aims to analyse how investors perceives forex and their attitude towards it based on the demographic factors.

KEYWORDS: Knowledge, Attitude, Perception, Forex, Foreign Exchange Market.

Introduction

The foreign exchange market (Forex, FX, or currency market) is a global decentralized or over-the-counter (OTC) market for the trading of currencies. (Taylor, M.P. & Allen, 1992) This market determines the foreign exchange rate. The foreign exchange market is one of a kind as a result of the accompanying attributes: its immense exchanging volume, speaking to the biggest resource class on the planet prompting high liquidity; its land scattering; its ceaseless task: 24 hours per day aside from ends of the week, the assortment of elements that influence trade rates; the low edges of relative benefit contrasted and different markets of fixed pay; and the utilization of influence to improve benefit and misfortune edges and regarding account estimate.

All these characteristics make it vulnerable and prone to lot of external factors for an investor to invest in. The most influencing factor for an investor is his own perception towards the market. With reference to people, investment choices ought to be made very astutely and with appropriate research and investigation. Speculation is constantly connected with the component of danger of losing the contributed cash and this misfortune isn't under the control of the financial specialist. Henceforth, it is constantly prudent to quantify and examine all dangers required before making ventures. A lot of speculation roads accessible for the financial specialists settle on their basic leadership process more basic and complex. There are various components which impact the general population to settle on their investment choices. Statistic components of speculators, for example, sexual orientation, age, instruction, family measure, yearly salary, and reserve funds have much criticalness in the Investment Decision Making Process, particularly in the Indian setting, it expect more noteworthy centrality. An investigation has been embraced in Ahmedabad and Mumbai City of Gujarat & Maharashtra state respectively to discover its criticalness and the result of the examination is described in the coming passages.

Literature Review

Although no direct literature review is available in regards to investor's perception towards forex market but there are quiet a handful of material discussing investor's perception for derivative market, commodity market or stock market.

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According to Dhanaiah and Prasad, perception of investors fall in the arena of behavioural finance. Analysts generally depend on review technique to produce essential information utilizing organized polls and meetings. Their survey found that most of the time utilized strategies are ANOVA, Factor Analysis, SEM and Regression Analysis etc. are dominantly utilized in the overviewed considers. They gave a survey of more than 60 articles and feature the issues of speculator's disposition towards funds, effect of statistic factors on venture choices, mindfulness about monetary instruments, and social predispositions of person financial specialists.

Sarkar and Sahu (2018) attempted to examine the awareness level of retail investor dependent on three variables: Demographic factors, Awareness level and Risk perception. It was concluded that investors are on moderate dimension and budgetary mindfulness is more than social learning. Perceived Risk Attitude is essentially guided by Affect more than Cognition. The examination demonstrates that Demographic Factors, Mindfulness and Perceived Risk Attitude essentially impact Investment Behaviour of individual investors of financial exchange.

The paper by **Venkatesha and Hiriappa (2017)** investigated the perception of the investors of derivative markets of NSE and BSE. The prima focus of study was on investor's perception. Questionnaire survey of 150 respondent helped them analyze the perception pattern of investors towards the derivative markets of both national stock exchange and Bombay stock exchange.

Geetha N, & Ramesh M. (2012) in their study "A Study on Relevance of Demographic Factors in Investment Decisions" discussed the Relevance of Demographic Factors in Investment Decision and reveals that there is significant relationship between the demographic factors such as gender, age, education, occupation, annual income and annual savings with the sources of awareness obtained by the investors.

Objectives of Study

- To know how much dimension of familiarity with Investors about Foreign Exchange.
- To consider the Investor's Attitude and Perception towards Forex Market.
- To realize how much investors are prepared to risk in Foreign Exchange.
- To realize the Satisfaction dimension of Investor.

Scope of the Study

The scope of the study is limited to the population of the Ahmedabad and Mumbai city. In future the research can be extended by studying other category of the Population.

Hypothesis

- H₀:** There is no relationship between occupation and knowledge regarding forex.
H₁: There is a relationship between occupation and knowledge regarding forex.
H₀: There is no relationship between occupation and trading in forex.
H₁: There is a relationship between occupation and trading in forex.
H₀: There is no relationship between occupation and experience in trading in forex.
H₁: There is a relationship between occupation and experience in trading in forex.
H₀: There is no relationship between occupation and foreign exchange trader.
H₁: There is a relationship between occupation and foreign exchange trader.
H₀: There is no relationship between annual income and risks involved in foreign exchange market.
H₁: There is no relationship between annual income and risks involved in foreign exchange market.
H₀: There is no risk between the trader type and risk you are ready willing to take in Forex.
H₁: There is risk between the trader type and risk you are ready willing to take in Forex
H₀: There is no relationship between occupation and the knowledge in foreign exchange market.
H₁: There is a relationship between occupation and the knowledge in foreign exchange market.
H₀: There is no relationship between the education qualification of investors and the knowledge in foreign exchange market.
H₁: There is a relationship between the education qualification of investors and the knowledge in foreign exchange market.
H₀: There is no relationship between the experience in foreign exchange trading and level of risk involved in foreign exchange trading.

H₁: There is a relationship between the experience in foreign exchange trading and level of risk involved in foreign exchange trading.

Research Methodology

• Research Design

Descriptive research design will be used for the study as the subject of study is already existing and the researchers are only trying to uncover the same.

• Data Collection Sources

- **Primary:** Data will be collected through questionnaires and by meeting various broker's offices and also investors one to one meeting
- **Secondary:** Secondary data will be collected from Journal's, Reports and Websites.

• Sampling Plan

- **Geographical Scope:** Area is selected on the basis of the convenience. The area selected for framing the sample is Ahmedabad and Mumbai city.
- **Research Instrument/Tool for data collection:** Questionnaire
- **Sample Size:** 120 respondents.
- **Sampling unit:** All the respondents who trades and have adequate knowledge in forex market
- **Sampling Technique:** Non-probability Convenience sampling.

Data Analysis and Interpretation

- Relationship between occupation and knowledge regarding forex

Crosstab

Count						
	Extent of knowledge in foreign exchange					Total
	Poor	Fair	Average	Good	excellent	
Student	3	0	0	1	0	4
Businessman	3	4	18	21	9	55
Employed	0	7	12	18	1	38
Housewife	1	1	1	0	0	3
Total	7	12	31	40	10	100

Chi-Square Test

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	44.469 ^a	12	.000
Likelihood Ratio	31.820	12	.001
Linear-by-Linear Association	.062	1	.804
N of Valid Cases	100		

a. 14 cells (70.0%) have expected count less than 5. The minimum expected count is .21.

The asymptotic significance value which is 0.000 is lower than 0.05 significance level hence the Null hypothesis is rejected. This indicates that there is a relationship between occupation and knowledge regarding forex.

- Relationship between occupation and trading in forex

Crosstab

Count			
Occupation	Do you trade in foreign exchange market		Total
	Yes	No	
Student	1	3	4
Businessman	48	7	55
Employed	36	2	38
Housewife	1	2	3
Total	86	14	100

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	21.757 ^a	3	.000
Likelihood Ratio	15.076	3	.002
Linear-by-Linear Association	1.463	1	.226
N of Valid Cases	100		
a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is .42.			

As the significance value is below 0.05, the null hypothesis has been rejected implying relationship between occupation and trading in forex.

- **Relationship between occupation and foreign exchange trader**

Crosstab

Count	What foreign exchange trader type do you fit into?					Total
	Scalper (trade for few minutes to several hours within a day)	Day trader (trade for whole day)	Swing trader (can hold trades for several days at a time)	Position trader (hold for the longest term from months to even years)	A mixed one	
Student	2	2	0	0	0	4
Businessman	4	8	12	9	22	55
Employed	6	2	8	4	18	38
Housewife	1	0	0	1	1	3
Total	13	12	20	14	41	100

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	19.181 ^a	12	.084
Likelihood Ratio	19.315	12	.081
Linear-by-Linear Association	1.458	1	.227
N of Valid Cases	100		
a. 12 cells (60.0%) have expected count less than 5. The minimum expected count is .36.			

As the significance value is above 0.05, the null hypothesis has been accepted. So, there is no relationship between occupation and foreign exchange trader.

- **Relationship between occupation and experience in trading in forex**

Crosstab

Count	What is your experience in foreign exchange trading?				Total
	no experience	1 - 5 years	6 -10 years	above 10 years	
Student	2	1	0	1	4
Businessman	7	28	13	7	55
Employed	4	27	5	2	38
Housewife	2	1	0	0	3
Total	15	57	18	10	100

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	17.177 ^a	9	.046
Likelihood Ratio	15.090	9	.089
Linear-by-Linear Association	2.587	1	.108
N of Valid Cases	100		
a. 9 cells (56.3%) have expected count less than 5. The minimum expected count is .30.			

The asymptotic significance value which is 0.046 is lower than 0.05 significance level hence the Null hypothesis is rejected. So, there is a relationship between occupation and experience in trading in forex.

- **Relationship between annual income and risks involved in foreign exchange market**

Crosstab

Count	What level of risk you are ready / willing to take in forex?			Total
	Low	Medium	High	
below 2.5 lakhs	0	5	1	6
2.5-5 lakhs	0	7	0	7
5-20 lakhs	5	23	12	40
above 20 lakhs	11	24	12	47
Total	16	59	25	100

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	9.432 ^a	6	.151
Likelihood Ratio	12.690	6	.048
Linear-by-Linear Association	.435	1	.510
N of Valid Cases	100		

a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .96.

The asymptotic significance value which is 0.151 is greater than 0.05 significance level hence the Null hypothesis is accepted. So, there is no relationship between annual income and risks involved in foreign exchange market.

- **Type of foreign exchange trader and the willingness of level of risk**

Crosstab

Count	What level of risk you are ready/willing to take in forex?			Total
	Low	Medium	High	
Scalper (trade for few minutes to several hours within a day)	1	9	3	13
Day trader (trade for whole day)	4	6	2	12
Swing trader (can hold trades for several days at a time)	2	13	5	20
Position trader (hold for the longest term from months to even years)	3	6	5	14
A mixed one	6	25	10	41
Total	16	59	25	100

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.734 ^a	8	.677
Likelihood Ratio	5.401	8	.714
Linear-by-Linear Association	.091	1	.762
N of Valid Cases	100		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is 1.92.

As the significance value is above 0.05, there is no risk between the trader type and risk you are ready willing to take in Forex.

ANOVA Analysis

- **Relationship between occupation and the knowledge in foreign exchange market**

ANOVA

What do you think of your knowledge in foreign exchange?					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	17.428	3	5.809	6.128	.001
Within Groups	91.012	96	.948		
Total	108.440	99			

As the significance value is below 0.05, the null hypothesis has been rejected. Hence there is relationship between occupation and the knowledge in foreign exchange market.

- **Relationship between the education qualification of investors and the knowledge in foreign exchange market**

ANOVA

What do you think of your knowledge in foreign exchange?					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.994	3	.665	.599	.617
Within Groups	106.446	96	1.109		
Total	108.440	99			

As the significance value is above 0.05, the null hypothesis has accepted. This shows that there is no relationship between the education qualification of investors and the knowledge in foreign exchange market.

- **Relationship between the experience in foreign exchange trading and level of risk involved in foreign exchange trading**

ANOVA

What do you think is the level of risks involved in foreign exchange trading?					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.513	3	1.504	1.421	.241
Within Groups	101.597	96	1.058		
Total	106.110	99			

As the significance value is below 0.05, the null hypothesis has been rejected. This shows there is no relationship between the experience in foreign exchange trading and level of risk involved in foreign exchange trading.

Conclusion

While trying to evaluate importance of demographic factors in deciding the investment choices, the examination finds blended reaction from the example study led in the Ahmedabad and Mumbai city of Gujarat and Maharashtra state respectively. The analysis made on the results of the survey found that there has been significant relationship between occupation and knowledge of forex market. However, in case of relationship between demographic factors and periods of investments, it was found that a few demographic variables such as knowledge, annual income and annual savings have significant relationship. But the rest of the variables such as age, education and occupation have no significant relations with the period of investments made by the investors. At the same time, the study establishes an absolute no relationship between the education qualification of investors and the knowledge in foreign exchange market.. Finally, the analysis of data collected discloses no relationship between the experience in foreign exchange trading and level of risk involved in foreign exchange trading.

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