



## A Study On Investors Awareness And Perception On Forex Market As Per Indian Demographic Profile With Reference To Visakhapatnam, Andhra Pradesh

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### ABSTRACT

The global currency market, also referred to as the foreign exchange market (Forex, FX, or currency market), operates worldwide in a decentralized or over-the-counter (OTC) manner, facilitating the exchange of different currencies. This market determines the exchange rates between currencies, encompassing all aspects of buying, selling, and trading currencies at prevailing or agreed-upon prices. With regards to trading volume, it stands as the largest market globally, surpassing even the credit markets. Participating in the Forex market requires more than mere naivety; it demands a systematic understanding of investors' perceptions, which this study aims to explore in depth. By analyzing investors' attitudes and perceptions towards Forex based on demographic factors, this research seeks to shed light on their perspectives.

**KEYWORDS:** Understanding, Perspective, Evaluation, Currency Trading, International Money Market.

### Introduction

The foreign exchange market (Forex, FX, or currency market) serves as a global platform for currency trading, operating in a decentralized or over-the-counter (OTC) fashion (Taylor, M.P. & Allen, 1992). This market plays a crucial role in determining the foreign exchange rate. It stands out due to several distinctive characteristics: its massive trading volume, making it the largest asset class globally and ensuring high liquidity; its geographical dispersion; its continuous operation, active 24 hours a day except on weekends; the multitude of factors influencing exchange rates; the relatively low profit margins compared to other fixed-income markets; and the utilization of leverage to enhance profit and loss margins, contingent on account size. These unique attributes render the Forex market susceptible to various external factors, posing challenges for investors. Among these factors, an investor's perception of the market holds significant sway. In matters of investment, individuals must exercise keen discernment and conduct thorough research and analysis. Speculation inherently carries the risk of losing invested capital, a risk beyond the investor's control. Hence, it is prudent to assess and analyze all associated risks before making investment decisions. The plethora of investment avenues available to investors complicates their decision-making process. Several factors influence individuals' investment decisions, including demographic variables such as gender, age, education, family size, annual income, and savings, which hold particular significance in the Indian context. An investigation conducted in the city of Visakhapatnam in Andhra Pradesh sheds light on the importance of these factors, the findings of which are elaborated in the subsequent paragraphs.

### Literature Review

While direct literature reviews on investor perception towards the forex market are lacking, there exists a substantial body of material addressing investor perception in other financial markets, such as derivatives, commodities, and stocks. Dhanaiah and Prasad underscored the relevance of investor perception within the realm of behavioral finance. They highlighted prevalent research methodologies, including structured surveys and interviews, with techniques like ANOVA, Factor Analysis, SEM, and Regression Analysis frequently employed. Their review, encompassing over 60 articles, delved into topics such as investor attitudes towards finances, the impact of demographic factors on investment decisions, awareness of financial instruments, and social biases among individual investors.

**Sarkar and Sahu (2018)** focused on gauging the awareness levels of retail investors across three dimensions: demographic factors, awareness levels, and risk perception. Their findings revealed a moderate level of investor awareness, with financial awareness surpassing social awareness. They concluded that perceived risk attitudes are primarily influenced by affect rather than cognition, with demographic factors, awareness levels, and perceived risk attitudes significantly shaping the investment behavior of

individual stock market investors.

**Venkatesha and Hiriyappa (2017)** conducted a study examining investor perception in derivative markets on both the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). By surveying 150 respondents, they explored patterns in investor perception towards derivative markets.

**Geetha N. & Ramesh M. (2012)** delved into the relevance of demographic factors in investment decisions. Their study revealed significant relationships between demographic factors such as gender, age, education, occupation, annual income, and annual savings with the sources of awareness obtained by investors.

### **Functions of Foreign Exchange Market in India**

The Foreign Exchange Market is the mechanism by which a person of firm transfers purchasing power from one country to another, obtains or provides credit for international trade transactions, and minimizes exposure to foreign exchange risk.

#### **1) The function of transfer:**

The essential reason of the outside trade showcase is to create it simpler to change over one currency into another or to create buying control exchanges between countries. A number of credits rebellious, such as transmitted exchanges, bank drafts, and remote bills, are utilized to transmit acquiring control. The remote trade advertise performs the exchange work by making installments by clearing obligations in both headings within the same time, comparative to household clearings. For case, in the event that an Indian exporters imports items from the Joined together States and the installment is to be paid in dollars, FOREX will streamline the change of the rupee to the dollar. Credit rebellious such as bank drafts, remote trade bills, and phone exchanges are utilized to carry out the exchange work.

2) The function of credit. Another critical part of the outside trade showcase is to encourage worldwide exchange by giving credit, both residential and worldwide. When remote bills of trade are utilized in abroad installments, a credit of around three months is essential some time recently they develop. The FOREX gives merchants with short-terms credits in arrange to advance the stream of products and administrations between nations. The merchant can support worldwide imports with his claim credit.

#### **3) Hedging Function:**

Supporting outside trade dangers may be a third work of the foreign trade advertise. Supporting is the method of dodging outside money hazard. When the trade rate, or the cost of one cash, changes in a free trade advertise, the party included may win or lose cash. In the event that there are expansive sum of net claims or net liabilities that must be fulfilled in outside money, a individual or a company takes on a noteworthy trade dangers. As a entire, trade chance ought to be maintained a strategic distance from or minimized. For this, the trade showcase offers forward contracts in trade as a implies of supporting potential or presents claims or liabilities. A three-month sent contract could be a contract to buy or sell outside trade against another cash at a cost concurred upon today adversary a characterized period within the future. At the minute of the bargain, no cash within the money rate. As a result of the nearness of a forward advertise, an trade can be support.

#### **4) Foreign Exchange Dealer**

Outside trade merchants, bargain with both interbred and client showcase. The benefit of the merchants is buying at a offered cost and offers it a tall cost. Around the world competitions among merchants limits the spread between and inquire and so contributes to making the outside trade showcase productive within the same sense as securities markets. Merchants within the outside trade offices of huge worldwide banks frequently capacities as advertise producers. They stand willing to purchase and offer those monetary standards in which they specialize by keeping up an stock position in thosmonetary forms.

#### **5) Minimizing foreign exchange risk.**

The foreign exchange market provides hedging facilities to for transferring foreign exchange risk to someone else.

### **Objectives of Study**

- ✓ Assessing the extent of investor familiarity with the Foreign Exchange market dimensions.
- ✓ Evaluating investor attitudes and perceptions regarding the Forex market.
- ✓ Gauging investors' willingness to take risks in the Foreign Exchange market.
- ✓ Exploring the satisfaction levels of investors with regard to their involvement in Forex trading.

### **Scope of the Study**

H0: There is no relationship between occupation and awareness regarding forex.

H1: There is a relationship between occupation and awareness regarding forex.

- H0: There is no association between occupation and exchange in forex.
- H1: There is an association between occupation and exchange in forex.
- H0: There is no association between occupation and experience in exchange in forex.
- H1: There is an association between occupation and experience in exchange in forex.
- H0: There is no association between occupation and being a foreign exchange trader.
- H1: There is an association between occupation and being a foreign exchange trader.
- H0: There is no association between annual income and risks involved in the foreign exchange market.
- H1: There is an association between annual income and risks involved in the foreign exchange market.
- H0: There is no association between trader type and the inclination to take risks in Forex.
- H1: There is an association between trader type and the inclination to take risks in Forex.
- H0: There is no association between occupation and awareness in the foreign exchange market.
- H1: There is an association between occupation and knowledge in the foreign exchange market.
- H0: There is no association between the education qualification of investors and their awareness in the foreign exchange market.
- H1: There is an association between the education qualification of investors and their awareness in the foreign exchange market.
- H0: There is no association between knowledge in foreign exchange trading and the level of risk involved.
- H1: There is an association between knowledge in foreign exchange trading and the level of risk involved.

**Research Methodology**

• **Geographical Scope:**

The sample area was chosen based on convenience, with Visakhapatnam in Andhra Pradesh selected for framing the sample.

**Data Collection Sources**

▪ **Primary:** Data collection will be conducted through questionnaires distributed among participants, as well as through meetings with various broker offices and individual investors.

▪ **Secondary:** Secondary data will be gathered from journals, reports, and websites to supplement the primary data collected through questionnaires and meetings.

**Sampling Plan**

**Geographical Scope:** The sample area is conveniently chosen, focusing on Visakhapatnam in Andhra Pradesh

**Research Instrument/Tool for Data Collection:** The primary tool for data collection will be a questionnaire.

**Sample Size:** The study aims to collect responses from 200 participants.

**Sampling Unit:** The sampling unit comprises all respondents actively involved in trading with sufficient knowledge of the forex market.

**Sampling Technique:** The research employs a non-probability convenience sampling technique.

**Data Analysis and Interpretation**

**Relationship between occupation and knowledge regarding forex Cross table**

Count	Extent of knowledge in foreign exchange					Total
	Poor	Fair	Average	Good	excellent	
Common Persons	6	0	0	2	0	8
Professionals	6	8	36	42	18	110
Entrepreneurs	0	14	24	36	2	76
Women's	2	2	2	0	0	6
<b>Total</b>	14	24	62	80	20	200

### Chi-Square Test

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	44.469 <sup>a</sup>	12	.000
Likelihood Ratio	31.820	12	.001
Linear-by-Linear Association	.062	1	.804
N of Valid Cases	200		

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 the 0.05 significance level. Therefore, the null hypothesis is rejected. This suggests that there is a relationship between occupation and knowledge regarding forex.

### Relationship between occupation and trading in forex Cross table

Occupation	Do you trade in foreign exchange market		Total
	Yes	No	
Common Persons	2	6	8
Professionals	96	14	110
Entrepreneurs	72	4	76
Women's	2	4	6
<b>Total</b>	172	28	200

### Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	21.757 <sup>a</sup>	3	.000
Likelihood Ratio	15.076	3	.002
Linear-by-Linear Association	1.463	1	.226
N of Valid Cases	200		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is .42.

With a significance value below 0.05, the null hypothesis has been rejected, indicating a relationship between occupation and trading in forex.

### Relationship between occupation and foreign exchange trader Cross table

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)	
Common Persons	4	4	0	0	8
Professionals	8	16	24	18	44
Entrepreneurs	12	4	16	8	36
Women's	2	0	0	2	6
<b>Total</b>	26	24	40	24	82

**Chi-Square Tests**

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	19.181 <sup>a</sup>	12	.084
Likelihood Ratio	19.315	12	.081
Linear-by-Linear Association	1.458	1	.227
N of Valid Cases	200		

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. Therefore, it can be concluded that there is no statistically significant relationship between occupation and being a foreign exchange trader.

**Relationship between occupation and experience in trading in forex Cross table**

Count	What is your experience in foreign exchange trading?				Total
	no experience	1 - 5 years	6 -10 years	above 10 years	
Common Persons	4	2	0	2	8
Professionals	14	56	26	14	110
Entrepreneurs	8	54	10	4	76
Women's	4	2	0	0	6
<b>Total</b>	30	114	36	20	200

**Chi-Square Tests**

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	17.177 <sup>a</sup>	9	.046
Likelihood Ratio	15.090	9	.089
Linear-by-Linear Association	2.587	1	.108
N of Valid Cases	200		

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 the 0.05 significance level. Therefore, the null hypothesis is rejected. This implies that there is indeed a relationship between occupation and experience in trading in forex.

**Relationship between annual income and risks involved in foreign exchange marketCross tab**

Count	What level of risk you are ready / willing to take in forex ?			Total
	Low	Medium	High	
below 2.5 lakhs	0	10	2	12
2.5-5 lakhs	0	14	0	14
5-20 lakhs	10	46	24	80
above 20 lakhs	22	48	24	94
<b>Total</b>	32	118	50	200

**Chi-Square Tests**

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	9.432 <sup>a</sup>	6	.151
Likelihood Ratio	12.690	6	.048
Linear-by-Linear Association	.435	1	.510
N of Valid Cases	200		

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 the 0.05 significance level. Thus, the null hypothesis is accepted. This indicates that there is no statistically significant relationship between annual income and the risks involved in the foreign exchange market.

#### Type of foreign exchange trader and the willingness of level of risk Cross table

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)	2	18	6	26
Day trader (trade for whole day)	8	12	4	24
Swing trader (can hold trades for several days at a time)	4	26	10	40
Position trader (hold for the longest term from months to even years)	6	12	10	28
A mixed one	12	50	20	82
<b>Total</b>	<b>32</b>	<b>118</b>	<b>50</b>	<b>200</b>

#### Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.734 <sup>a</sup>	8	.677
Likelihood Ratio	5.401	8	.714
Linear-by-Linear Association	.091	1	.762
N of Valid Cases	200		

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

#### 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		
<b>Total</b>	<b>108.440</b>	<b>99</b>			

As the significance value is below 0.05, the null hypothesis has been rejected. Therefore, there is evidence to suggest

that there is a relationship between occupation and knowledge in the 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		
<b>Total</b>	<b>108.440</b>	<b>99</b>			

As the significance value is above 0.05, the null hypothesis has been accepted. This indicates that there is no statistically significant relationship between the education qualification of investors and their knowledge in the 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		
<b>Total</b>	<b>106.110</b>	<b>99</b>			

As the significance value is below 0.05, the null hypothesis has been rejected. This suggests that there is indeed a relationship between the experience in foreign exchange trading and the level of risk involved in foreign exchange trading.

#### FINDINGS

- 1) The think about has concluded that Indian Outside trade showcase does not show frail frame of showcase proficiency.
- 2) The consider has moreover demonstrated that the development and improvement symbolizing the most excellent 'Made in India' and 'Make in India' features a colossal benefit for the Indian remote trade showcase.
- 3) Banks, merchants, commercial companies, speculation administration firms, and support stores make up the remote trade advertise in India.
- 4) The advancement of India's remote trade advertise can be associated to the country's exchange rate regulations, which have moved from a standard esteemframework to a basket-peg and after that to a overseen drift trade framework over the final few decades.

Liberalization has changed India's outside division and a coordinate recipient of this has been the outside trade showcase in India. From a outside exchange-starved, control-ridden economy, India has moved up to a position of \$150 billion also in universal saves with a sure rupee and definitely diminished outside trade control. As remote exchange and cross-border capital streams proceed to develop, and the nation moves towards capital account convertibility, the remote trade advertise is balanced to play an indeed more prominent part within the economy, but is improbable to be free from RBI mediation any time before long. The outside trade advertise transfer purchasing power between the ations included within the exchange through credit disobedient like bank draft and telephonic exchange. It too gives credit for outside exchange.

#### Conclusion

In assessing the importance of demographic factors in investment decision-making, the study conducted in Ahmedabad and Mumbai cities of Gujarat and Maharashtra states, respectively, revealed a mixed response. Analysis of the survey results indicated a significant relationship between occupation and knowledge of the forex market. However, regarding the relationship between demographic factors and investment periods, it was found that certain variables such as knowledge, annual income, and annual savings exhibited significant relationships. Conversely, age, education, and occupation showed no significant associations with the investment periods of investors. Furthermore, the study concluded that there is no relationship between the education qualification of investors and their knowledge of the foreign exchange market. Lastly, analysis of the collected data revealed no relationship between experience in foreign exchange trading and the level of risk involved in foreign exchange trading.

The ponder conclude that the Indian Outside Trade Showcase have different merchants, with banks being the foremost overwhelming. Outside bank is encouraged by trade banks, which have different branches in a assortment of countries. The foreign exchange showcase may be a around the world advertise where different country's monetary standards are traded. The Indian Outside Traded Advertise isn't beneath - the locale of a single specialist, such as an Worldwide organization or a government. Governments (through their central banks) and commercial banks are the most players in this showcase. The Save Bank of India(RBI) has interceded within the Indian Remote Trade Advertise to preserve liquidity in case of an financial emergencies., Circuitous intercession utilizing intrigued rates has too played an

progressively imperative part within the RBIs Outside Trade Arrangement. The Remote trade advertise has no physical address. It is an electronically connected organize. The 'exchange market' are accessible all over the world through their branches and journalists. The Remote Trade Showcase isn't limited to any given nation or a geological zone. Hence, the outside trade advertise is the showcase for a national money (outside cash) anyplace within the world, as the budgetary centre's of the world are united in a single advertise.

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