

Investors' perception, satisfaction level and attitude towards Option trading during Festival Time in Karnataka District

Dr.Shwetha S P

Asst.professor, Department of Management Studies, MBA
Dayananda Sagar College of Arts, Science and Commerce, Bengaluru
Email: shwethasp@dayanandasagar.edu

Maithreye Holeyachi

Asst.professor
Department of MBA &Research Centre
RNS Institute of Technology, Bengaluru-560098
Email: hmaithreye@yahoo.in

Prathibha Venkatagiri

Asst.professor
Department of MBA &Research Centre
RNS Institute of Technology, Bengaluru-560098
Email: prathibaprathish@gmail.com

Abstract

India is a place that is known for festivities, where people from different religions agree genially. The wide variety of festivities celebrated in India is an authentic sign of its rich culture and traditions. The present work is carried out to find out whether there is/are any effect on the option prices during Indian Festivals seasons. Since options have adequate volume of trading, the author has considered Nifty options for this study. There are many factors both internal and external factors which affect Option Prices drastically. The major factors affecting the Option contracts and stock market are Inflation, Interest rate, Foreign Exchange Market, Festivals and world events, etc. Inflation, interest rates have an impact on the stock market. Though there are many factors which affects the option prices, the present study tries to find out how far the festivals influence the option prices. The present study has selected a sample consisting of 708 respondents and their investment pattern. Structured questionnaire was prepared with good reliability and circulated to the investors who have invested in options. The analysis reveals that Indian stock markets exhibit semi-month and turn-of-the-month effects. The Sensex and CNX Nifty indexes, which are regarded as the barometer of the Indian stock markets, had the highest mean returns during the first half of the month, according to the study. BSE FMCG, BSE Teck, CNX IT, Bank Nifty, and CNX Infra indexes demonstrated the biggest gains in the first half of the month when it came to sectoral indices. The majority of the holidays fall within the first half of the month, which is highly correlated with the data obtained and may provide insight into the semi-month effect in Indian stock markets.

Introduction

In India stock market opportunities are huge and is one of the emerging market not only in FMCG (Fast Moving Consumer Goods) but also in various derivatives. A number of studies have been undertaken in the field of Investments pertaining to the stock market. World events and disasters around the Universe also affect the stock market. Festivals are the one factor

among all of these that has the biggest impact on the stock market. Numerous nations celebrate various holidays that have an effect on both the home nation and other nations. India is renowned for being a land of festivals since it is home to several religious celebrations. The present work is carried out to find out whether there is/are any effect on the option prices during Indian Festivals seasons. Effects of festivals have been studied on various stocks and there are very few literatures available on options. Since options have adequate volume of trading, the author has considered Nifty options for this study. There are many factors both internal and external factors which affect Option Prices drastically. The major factors affecting the Option contracts and stock markets are Inflation, Interest rate, Foreign Exchange Market, Festivals and world events, etc. Inflation, interest rates have an impact on the stock market. This present study concentrates on Investors perception, satisfaction level and attitude towards option trading during festival time in Karnataka District.

Review of Literature

[Santosh Subhash Kale](#) (2023), in their article titled “A Review -Study of Different Factors Which Affects Investor's Investment Decisions in the Stock Market” seeks, via a survey of the literature, to comprehend the various elements that influence an individual investor's capital market investing decisions. A number of elements, including attitude, appreciation, perception, pattern, awareness, objectives, and decision-making, influence how investors allocate their savings.

[Sharaz Saleem, Faiq Mahmood](#) (2021) aimed to give empirical data on investor behaviour towards mutual funds by taking into account the correlations between investor behaviour and financial literacy (FL), mutual fund awareness (MFA), investment criterion (IC), risk perception (RP), and return perception (Return P). A survey was utilised to gather information from 500 mutual fund investors; 460 of the surveys were utilised in the study. In addition, data from other Pakistani cities were gathered using the snowball sampling technique. The outcome demonstrated that MFA, RP, and Return P are unimportant and have a detrimental impact on mutual fund investors' behaviour. Mutual fund investors' behaviour is significantly and negatively impacted by investment criteria. Investing in mutual funds is positively and marginally impacted by financial literacy. The findings give investors and policymakers more knowledge and direction about the variables influencing mutual fund investors' behaviour.

Roper knowledge investors do not invest in the stock market. Investors least favored security and debentures since they were of the conclusion that bank deposits and post office savings schemes had the most elevated level of safety. Some reason to choose mutual funds these are diversification, convenience, and lower costs, lower risk and don't require as much homework

[Manivannan Babu, Gayathri J.](#) 2020 stated that The financial market has a big impact on a nation's economic growth. Investing in the stock market has emerged as one of the best options for investors in recent years. The investor has a different attitude towards risk and awareness. The average return and risk on an investment are now perceived differently by investors due to their daily attitudes. As a result, the study's goal is to examine investors' risk tolerance and awareness with regard to stock market investing. In the Tiruchirappalli District, 131 respondents who were investors in the equities market provided data. Based on its investigation, the study came to the conclusion that investors' educational attainment could be useful in both informing their equity market investment decisions and identifying the challenges they confront.

• **Mutlu Başaran, Mustafa Uysal, Halil Arslan, Temur Kayhan (2018)**

Examined the impact of calendar anomalies on stock return and volatility: evidence from Turkish stock market. The author analyzed the 10 years of data to find out whether the irregular returns existed in the sample period. Daily returns of were considered for the analysis, also regressions and t-test were employed to find out the abnormality of the returns during the festival period. Further, the author employed the Shapiro-Wilk test to perform the normality y of the returns. In order to check the unbalance, the author also employed the Fisher-type Unit root rest so that the unbalanced data contains unit-root. Hence this study concludes by saying daily returns are high during the whole month, especially they are high during the first 10 days of the Ramadan month. Since the last 10 days of the festivals are considered holy, the investors are very optimistic and the Stock returns are tremendously high during the last 10 days of the month.

Bialkowski J., Etebari A., Wisniewski T.P., (2017) examined the stock returns particularly amid Ramadan dominatingly from 14 nations where Muslims dwell in a huge number. The Islamic timetable is utilized primarily for recognition of religious occasions and capacities, while the Gregorian schedule is utilized for business and government. The year got from the lunar cycle are isolated by the presence of the new moon and the number of days in multi-month midpoints between 29 to 30 days, making the Islamic year around 11 days shorter than the Gregorian one. The factual noteworthiness of Autos was confirmed utilizing a parametric t-test like that of Kothari

And Warner (2007). Eminently, this testing approach discards the homoscedasticity suspicion and can suit occasion instigated changes in unpredictability. Thus, the outcomes demonstrate that stock returns amid Ramadan are right around nine times higher and less unstable than amid whatever remains of the year. No detectable distinction in exchanging volume is recorded. The outcome is additionally reliable with a thought that Ramadan emphatically influences financial specialist brain research, as it advances sentiments of solidarity and social character among Muslims around the World, prompting hopeful convictions that reach out to venture choices.

Sasikirono N., and Meidiaswati H., (2017 in their study tried to find out the holiday affect with reference to Indonesia. Indonesia is also a country with many religions, the Muslim populations high in Indonesia. There are many kinds of literature available on the preholiday effect; however, this article completely concentrates on post-holiday effect. Also, a few kinds of literature show that the market returns post the festival was pretty high. Perhaps this study will be the answer for the previous literature who all worked on the post-festival effect. In order to conduct this study, the authors employed regression with dummy variables for a period of ten years. The empirical results show that the market return was four times higher than the normal days especially only with two or three festivals. Authors are still trying to observe the reason for the high volatility

Exists during post-festival. They concluded by saying holiday effect does exist in Indonesian market provided only very few festivals impact the stock prices.

Dr. Kale Santosh Subhash and Dr. Nagnath Mahadev Adate (2023) attempts to understand the different factors which affect investors investment decisions of an individual in the capital market based on a review of available research. Many factors affect the investors to invest their savings and these are Attitude, Appreciation, Perception , Pattern, Awareness,

Objectives , Decision .The objective of the study is to discover the different factors which affect the investors of different factors which affects the investor's investment decisions in the stock market. Individual equity investors should understand that they should build up a clear investment objective with a long-term investment perspective Investors invest their money with motives for their investment are the balance of safety, reliabilities, and return on investment, capital appreciation.

STATEMENT OF PROBLEM

The study attempts to investigate the possibility of calendar anomalies occurring in the context of the Indian stock markets, which would go against the notion of market efficiency, in light of the belief that stock markets are indicators of future economic trends and that price change predictions or patterns serve as signals for investors to adopt trading strategies to make abnormal profits or as indications of errors in asset pricing theories. If these anomalies are real and distinct from the majority of previous studies, the study would look at whether investors would find value in the findings and apply them to their decision-making. Therefore, in this regard, the study is conducted to determine whether or not Indian Festival seasons have an impact on option pricing..

OBJECTIVES OF THE STUDY

- 1) To analyze the demographic profile of the respondents and their opinion on Option trading during selected festive seasons
- 2) To analyze investors' perception, satisfaction level and attitude towards Option trading during festivals time.

RESEARCH METHODOLOGY

SOURCES OF DATA

The present study mainly depended upon both primary and secondary data. The primary data was collected through structured questionnaire which was evaluated by industry experts and the research guide.

DATA COLLECTION

The researcher personally gathered the data for this investigation. The researcher collected primary data using a standardized instrument. The questionnaire was utilized because it contained items intended to elicit information about the topic of interest for the research and it has a methodology in place for recording replies. There were both open-ended and closed-ended questions on the brief, simply understandable form.

PILOT STUDY

To find out if investors who have invested in Put and Call options during the Indian festival of Diwali can readily understand and respond to the questionnaire and scales, a pilot test is carried out on a very small sample.

SAMPLING METHOD

The stratified sampling technique has been employed in this study. The Bangalore City was classified into four "Stratums" on the basis of Bangalore North, Bangalore South, Bangalore East and Bangalore West. Then, the researcher identified Option investors in these four

stratums with the help of registered stock brokers. A total of two hundred random Option investors were selected in each stratum by adopting the simple random method.

STATISTICAL TOOLS

The important statistical tool used for the study is Regression analysis.

REGRESSION ANALYSIS

There is linear relationship between satisfaction level towards option trading and impact of Indian festival on market index.

From the model summary table, it is evident that $R=0.344$ indicates positive correlation between satisfaction level towards option trading and impact of Indian festival on market index. The R^2 value indicates how much of the total variation in the dependent variable, satisfaction level towards option trading can be explained by the independent variable, Market index in this case, 11.8% can be explained. The table predicts the satisfaction level towards option trading from the impact of Indian festival on market index. From the table the Impact of Indian festival contribute statistically to satisfaction level towards option trading as p value is less than 0.05. Satisfaction Level of option trading $=1.083 + 0.3539$ (impact of festival on market index). From the ANOVA table we can conclude that is linear relationship between satisfaction level towards option trading and impact of Indian festival on market index.

Table 4.32 Regression Analysis for satisfaction level

Model	R	R Square	Adjusted R Square	Std. Error of estimate	Durbin-Watson
1	.344a	0.118	0.117	0.69102	1.208

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	45.266	1	45.266	94.795	0
Residual	337.124	706	0.478		
Total	382.39	707			
Model	Un-standardized Coefficient	Standardized Coefficients		t	Sig
	B	Std. Error	Beta	16.12	0
(Constant)	1.083	0.067		9.736	0
Impact of Market Index	0.353	0.036	0.344		

The Table predicts the satisfaction level towards option trading from the impact of Indian festival on market index. From the table the Impact of Indian festival contribute statistically to satisfaction level towards option trading as p value is less than 0.05. Satisfaction Level of option trading $=1.083 + 0.3539$ (impact of festival on market index). From the above table we can conclude that is linear relationship between satisfaction level towards option trading and impact of Indian festivals on market index.

MAJOR FINDINGS OF THE STUDY

1. The analysis finds semi-month effect and turn-of-the-month effect to be present in Indian stock markets.
2. The Sensex and CNX Nifty indexes, which are regarded as the barometer of the Indian stock markets, had the highest mean returns during the first half of the month, according to the study. BSE FMCG, BSE Teck, CNX IT, Bank Nifty, and CNX Infra indexes demonstrated the biggest gains in the first half of the month when it came to sectoral indices.
3. The majority of the holidays fall within the first half of the month, which is highly correlated with the data obtained and may provide insight into the semi-month effect in Indian stock markets.

SUGGESTIONS

The present study is an endeavor to find out whether the festival factor actually affects the stock price, especially the call and put options.

We may be able to deduce the occurrence of the day-of-the-week effect in the Indian stock market from the higher percentage of announcements made after the close of trading on Friday than on any other day of the week (Patell and Wolfson, 1982) and the pattern of trade by FIIs in India that matches the pattern of day anomalies. Hence, in Indian stock markets, lower Tuesday returns are followed by higher Wednesday returns, indicating that markets take longer to process news announcements and decisions made by corporations, governments, and institutional investors globally. Investors can use a trading strategy that involves buying and selling in the first and second halves of the month, primarily around significant holidays, to generate abnormal profits. Similar to this, investors can make significant profits by following a straightforward trading technique that involves purchasing on the fourth day of each month and selling on any day between days 1 and 3.

SCOPE FOR FURTHER RESEARCH

Further studies can think about calculating the abnormal returns with all other index using intraday with minute data. The predictions will be more realistic if further Researches can find the returns using econometric models with the help of intra minute data.

- a. By gathering original data on festivals from institutional and individual investors, particularly in relation to announcement-based strategies, the current analysis can be expanded.
- b. Retail and institutional investors must be considered when examining the linearity and non-linearity of risk and returns during different calendar anomalies, as well as the ramifications that may arise. Future research may focus on the policy implications of this study and the corrective measures that authorities must implement.
- c. Although this study only focuses on the Indian option market, it is possible to extend the analysis to understand the causal impact of sectoral indices on broader indices and vice versa in various developed and developing countries during various time periods. In order to gain a clear understanding of the impact of the festivals on various markets, it is necessary to include the equities and commodity markets
- d. It is possible to examine an event study approach throughout several time periods to examine how calendar irregularities change over time.

CONCLUSION

A meagre attempt has been made in the current study to analyse the anomalies in the Indian Option stock market, which manifest as the effect of several festivals.

Given India's reputation as a spiritual nation, celebrations are very important to the Indian people. Festivals may have an effect on a country's socioeconomic climate. Numerous studies in this field have correctly noted that festivals can have a big impact on a country's economic situation. It is concluded that there is significant impact on the Indian festivals on option prices. Step 6 finally the author wanted to check if the data consists any homogeneity, hence Levene's test was used to find out the homogeneity. However, the data shows that there is not homogeneity present in the data. Over all, the results show that few festivals do have significant impact of festivals on the option prices.

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