

ANALYSIS OF CHANGES IN OVERCONFIDENCE BIAS OF STOCK MARKET TRADERS IN INDIAN STOCK MARKET

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ABSTRACT

The study investigates the changes in overconfidence bias of investors in the Indian Stock Market. In other words, it analyses the variances in the overconfidence level of investors, when changes in the level of experiences in the stock market, profession, gender, mode of trading, annual income, portfolio size etc. For this purpose, a questionnaire was developed and distributed to 385 individual investors chosen by different brokers' firms present in the Indian Stock Exchange. Overconfidence is the overestimation of precision of knowledge in a particular field, here it is financial market. Overconfidence bias can find out by analyzing any of variant like miscalibration, better than average effect or illusion of control. We measured the overconfidence bias by analyzing the better than average effect and illusion of control. The use of one-way ANOVA allowed us to identify the overconfidence bias is varying according to the changes happening in the some of the basic demographic factors of respondents. Result shows that changes in the level of education, experience in the stock market and mode of trading can change the level of overconfidence of stock market traders. The factors like gender, profession, annual income, portfolio size doesn't affect the level of overconfidence of stock market traders.

KEYWORDS: Better than Average Effect, Illusion of Control, Overconfidence, Stock Market Traders