

Research Article

Are Stock Market Training Programs worth it?

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ABSTRACT

Personal Finance, Investing, and Trading are life skills that prepare individuals to become financially comfortable in their lives and lead happy life. While some of these skills can be acquired from family members or can be drawn from first-hand personal experiences, training programs are found to make a profound positive impact. A questionnaire is administered to 278 stock market participants to understand the impact of stock market training programs conducted in the form of seminars and webinars. The study finds that the training programs have given substantial edge in their trading and investing activities and are worth spending time and money on them. Self-experiences, training programs, and stock market books are the most significant sources of stock market wisdom. Findings from this research can help financial intermediaries in better building investor awareness programs.

Keywords: Financial Literacy; Financial Education; Investor Education; Investor Empowerment

1. INTRODUCTION

A phenomenal growth globally was observed, in the number of new stock trading accounts and dematerialization (Demat) accounts, during the last decade in general and during the COVID-19 pandemic times (2020-2021) in particular. Eased regulations and improved technology tools have aided in the easy onboarding of investors and traders. Clearly, more and more households are seen entering the stock market to trade or invest with an ambition to make money and build wealth. This is because of increasing income levels from one generation to another. The young generation has a positive outlook on future earning power equal to or surpassing their parents. However, most small retail investors who joined are novices and new to stock markets. They do not have adequate skills or expertise, resulting in them making poor decisions and ultimately losing money. While this is not the same in every case, at least most of them tend to lose money in the early days. Losing some money is inevitable in the stock market game. Novice investors lack financial literacy and understanding of economic and financial topics (Rooij et al., 2007). They need to learn the subject and gradually improve their decision-making skills (buy, sell, or hold) concerning their holdings.

It is common for novice traders and investors to seek tips from expert investors using hearsay, social media platforms (Tu et al., 2016), stockbroker platforms to follow algorithmic or robo-advisory services. These methods often give mixed success because of time lag, confusion because of communication, lack of domain knowledge, amongst others. An old proverb deserves mention here - *"Give a man a fish, and he will be hungry again tomorrow; teach him to catch a fish, and he will be richer all his life."* The proverb is relevant and motivates novices to sign up for learning programs to understand the various concepts of investing and trading and not just depend on investment tip service providers. Learning by adults comes with its own challenges, but studies show that the rewards are worth it.

Financial literacy and investor education have become essential skills for individuals so that decision-making related to their money aspects can be taken cautiously, keeping in mind their risk appetite. An increasing number of financial instruments bring in both choice and confusion for investors. While investors indulge in their quest for tax-efficient, inflation-beating returns, only a select few will achieve this because inexperienced investors face hurdles in understanding financial terminology, dealing with financial documents, and understanding various investing theories (Haws, 2021). Investing is simple (process) but not easy (to achieve). Financial crises have time and again reminded the importance of financial knowledge for individual small retail investors. Soon after the 2008 financial crisis, the focus was mainly on increased information disclosure, the flood of which only confused investors more than the anticipated good it could bring in. Investor education has been chosen as a dominant tool but with limited success compared to its anticipated outcome. Research says that the two will only have limited success and suggested the following (Grant, 2016):

1. Regulatory adjustments (quality assurance role of regulator and certification/minimum standards for investors, making investors aware of psychological biases, and tough enforcement action for frauds)
2. Policy commitments (budgetary attention to financial literacy and investor education efforts, encourage educational services in both for-profit and non-profit providers)

An Estonia-based study found that investors with academic qualifications or who appeared for National level examinations actively traded. In particular, those with natural science degrees trade the most while those with medical degrees trade less. Trading experience helps investors get risk-adjusted returns, and hence they outperform investors with little or no experience (Kristjan, 2016). A summary of conceptual definitions of financial literacy is discussed in (Malekpour et al., 2021). The researcher conducted a survey to collect information on five dimensions – demographics, financial literacy, portfolio diversification, regional bias, and financial consulting sources. A multiple regression analysis using socio-demographic variables as moderating variables found that investors' financial educations must differ according to their groups (gender and age).

Significant technological developments such as the availability of powerful smartphones, computing devices, and faster data transfer available at reduced costs have fostered the growth of the concept of webinars. Webinars have become accessible to individuals and not just to corporates who have been using them for a long time now. Improved student satisfaction, giving instructions, and face-to-face communication are possible with webinars (Wang & Hsu, 2008). Stock market games are found to have improved the financial literacy of participants (Harter & Harter, 2010). In line with various reinforcement models, feedback is a powerful tool for predicting investor behavior and style tilt. Patient investors who take feedback from investment performance and years of experience drive investment behavior, resulting in better returns (J. Y. Campbell et al., 2013).

Higher education institutions were offering "Finance" as a subject and were long using "computerized simulation as a method of experiential learning (Marriott et al., 2015). Most online stock market learning programs use demo or simulation accounts (often having limited functionality). However, research studies have found that using a live account in the trading class is a better pedagogy tool because it can better address liquidity, supply and demand, and constraints that can be observed only in live accounts (Mukaram & Siti Sarah, 2018). Studies have shown that novice investors can improve their edge by attending easily communicated training programs to make complex and multifaceted decision-making easier. This is complemented when these novice but learning investors were given access to information (such as fundamental factors for evaluating company shares). Stockbrokers, for example, can provide a combo package comprising both financial product offering and a training program add-on (Jacoby et al., 2001).

2. RESEARCH METHOD

2.1 Research Type

This study follows the quantitative research type so that quantifiable data can be collected and some mathematical/statistical/computational techniques can be administered to them to get insights. The survey research method is followed in this research.

2.2 Data Collection Technique

The data for this study is obtained from primary data sources. While no demographic data were collected to understand the participants' educational background, who attended a seminar/webinar, it is believed that the participants have sufficient awareness of filling an online survey form.

2.3 Data Collection Tool

Data is collected by administering a questionnaire built using Google Forms. The questionnaire had 15 questions (14 close-ended questions and one open-ended question).

2.4 Questionnaire Testing

Test/Retest approach, Test of face validity, and conducting the pilot study are various approaches of questionnaire testing. This study used the pilot study approach (Teijlingen & Hundley, 2001).

2.5 Sampling Design

The survey is administered to 278 participants who previously attended an online training program related to the stock markets. The participants are primarily Indians living in India or Non-Residential Indians (NRIs), mostly staying in a Middle-East country. The link to the survey form was posted on three social media platforms – WhatsApp, Telegram, and Facebook. Twitter was not used in our survey because of internal reasons though future researchers can strongly consider using it. Social media has become a platform for getting and sharing articles and commentaries about companies and stocks (Chen et al., 2014). Social media profoundly impacts investment decision-making and can provide value-relevant information even though belief formation is not entirely consistent with rational models (Dim, 2021).

3. RESULTS AND DISCUSSION

3.1 Experience in Investing and Trading

Not many skills can be learned or acquired overnight. The stock market is one arena where prospective participants can easily enter and start their activity. However, if they lack knowledge and experience, they get butchered and end up losing money. As time progresses, investors and traders tend to become mature and take more logical and thoughtful decisions. Our sample had a decent mix of active investors with 1 to 3 years experience, 3 to 8 years experience, and more than eight years experience. So, it can be said that the survey is taken up by participants having different levels of experience. The participation percentage of active investors with less than one year of experience is very small (6%).

How long are you actively investing or trading in the stock market?

277 responses

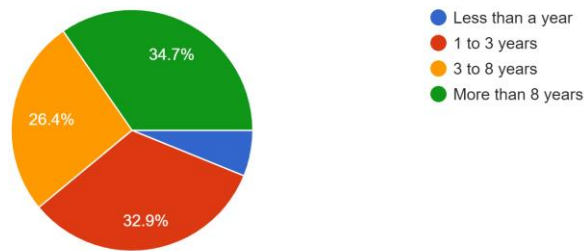


Fig. 1. Experience of participants with Investing & Trading

3.2 Type of formal training

Personal Finance and Economics are distinct topics, yet both are critical for the well-being of households, businesses, and the nation's economy (Figart, 2012). It is a topic that interests everyone – from high school students to those who are retired. Personal finance knowledge significantly impacts an individual's financial behavior and contributes to the financial wellness of an individual (Robb & Woodyard, 2011).

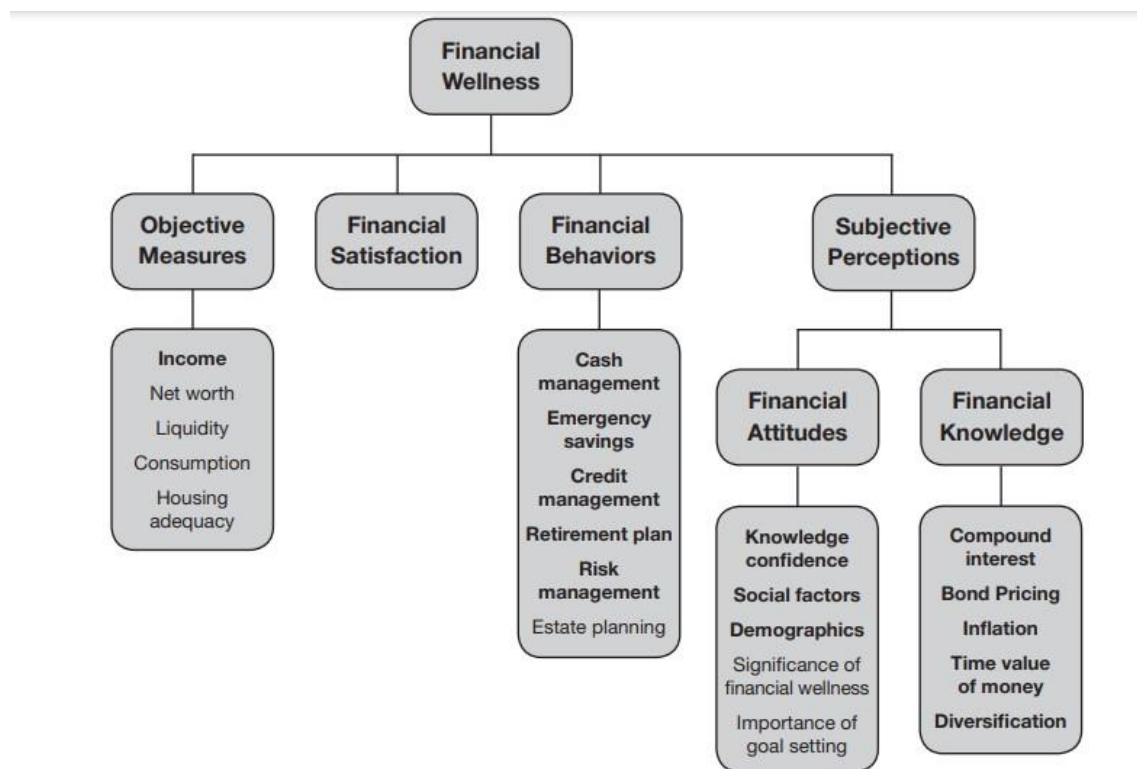


Fig. 2. Financial Wellness (Robb & Woodyard, 2011).

At the classroom level, role-playing and simulation games such as Farm Blitz, Refund Rush, Wall Street Survivor are often used to improve student learning on personal finance topics. Online games are found to have even higher learning outcomes (Huang & Hsu, 2011). Young adults owing a bank account are found to engage more with financial content. However, owning a credit card does not significantly better or worse their financial knowledge and understanding. Because a debit card is offered with almost all savings deposit accounts, working with an ATM and even making electronic payments will automatically be learned (Förster et al., 2019). Personal Finance Education programs have an impact on financial knowledge but not on financial attitudes or behavior. These are better addressed by family financial socialization. Other influencing factors are income, work experience, year/field of study, and discussing money with friends, according to an analysis done on 521 Indonesian University students (Johan et al., 2021). A doctoral thesis showed that parents and

grandparents impart seven themes: limiting debt, managing, and planning, saving, investing, completing higher education, and being a hard worker (M. A. B. Campbell, 2007). Risk and Returns are characteristics of any investment. Investors need to apply Fundamental Analysis and Technical Analysis in their financial transactions (Suresh, 2013).

Fundamental analysis involves doing economic analysis, industry analysis, and company analysis. It is more suitable for long-term investing. On the other hand, technical analysis is more suitable for short-term investing (including swing trading) and intraday trading (Kumar et al., 2013). Technical Analysis is generally considered more manageable and quicker to learn because the information is presented in graphical charts. Thankfully, advancements in computer graphics allow instant generation charts for quick decision-making by traders. Further, custom logic in the form of indicators can help in building and implementing trading strategies.

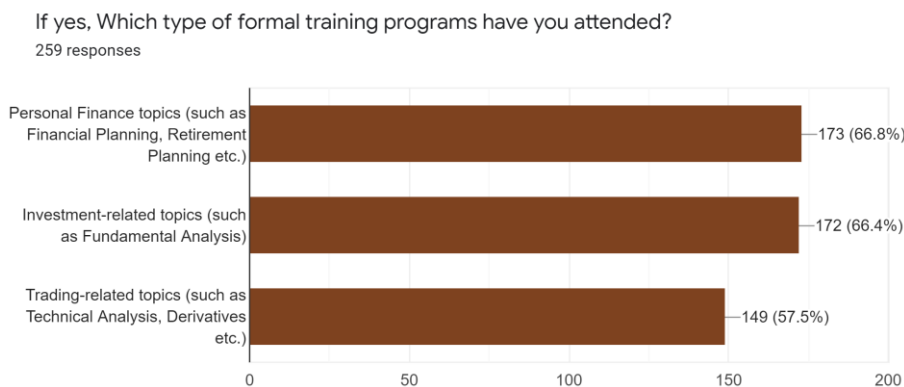


Fig. 3. Type of formal training

3.3 Training programs during COVID-19 times

The COVID-19 pandemic profoundly impacted education and forced moving to online virtual education platforms (Rajamanya, 2020), impacting students, teachers, and educational institutions. Albeit challenges, online learning helped the learning process continue bringing some novel opportunities in some cases (Eötvös Loránd University, Budapest, Hungary & Chang, 2020). A majority of our survey participants (50.7%) attended training programs even during COVID-19 pandemic times.

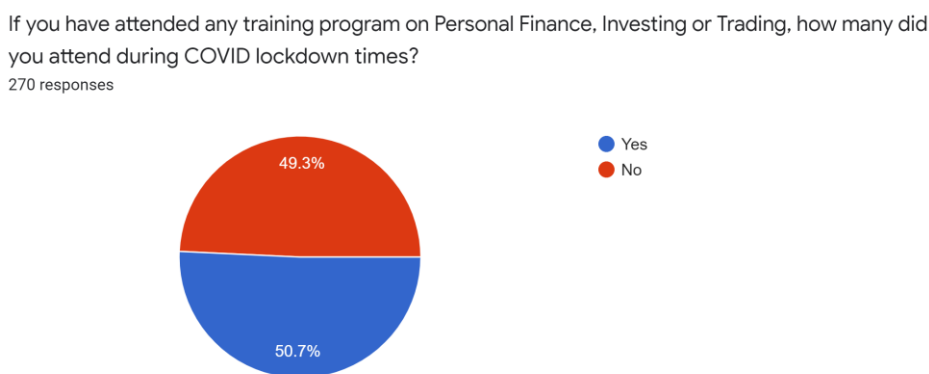


Fig. 4 Number of programs attended during COVID-19 times

3.4 Multiple sessions by the same trainer

The subject is vast, and because it involves learning strategies, it is common among seminar participants to try with multiple trainers to learn and frame strategies of their own. However, a small segment of participants (37.1%) attended repeat training programs offered by the same trainer/speaker.

Have you attended repeat session or multiple sessions by the same trainer/speaker?
272 responses

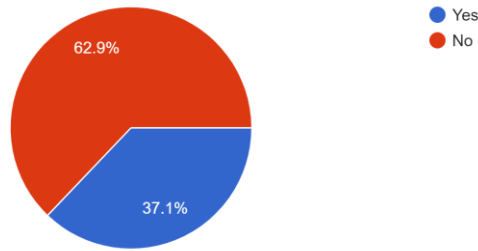


Fig. 5. Multiple sessions by the same trainer

3.5 Total number of sessions attended

Most participants (45.2%) attended 1 to 5 programs which means they are consistent in learning. Only 31.3% of the participants limited themselves to only one training program. A tiny portion (10.7%) of participants did not attend any program – perhaps these participants have over 8+ years of stock market experience or could not attend because of lack of time (as the stock markets were working during the period). About 12.1% of participants have attended several training programs (more than 5).

How many Training programs on Personal Finance, Investing or Trading have you attended in total so far?
272 responses

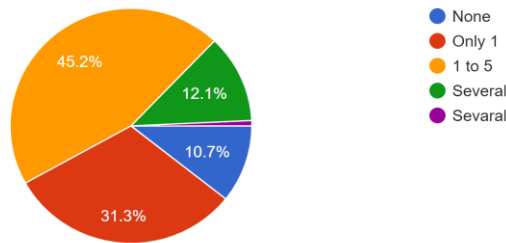


Fig. 6. Total number of sessions attended

3.6 Number of sessions during COVID-19 times

COVID-19-led lockdowns have given us a great new opportunity to learn. However, stock markets of most countries remained open and were running as usual even during COVID-19 times.

How many Training programs on Personal Finance, Investing or Trading have you attended in total so far during COVID lockdown times?
271 responses

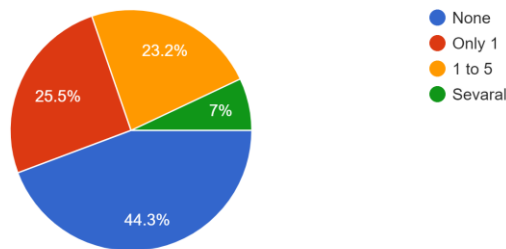


Fig. 8. Number of sessions attended during COVID-19 times

3.7 Mode of learning

Stock market learners are quick in adapting to webinars. As many as 22.9% like webinars while 45% like both face-to-face/classroom seminars and online webinars. A small segment (28.4%) prefer only face-to-face/classroom seminars.

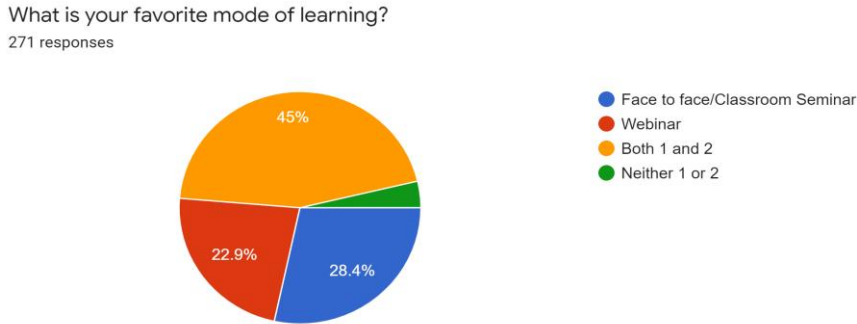


Fig. 8. Mode of learning

3.8 Training program organizer

Most stock market participants prefer/have attended training programs conducted by independent trainers.

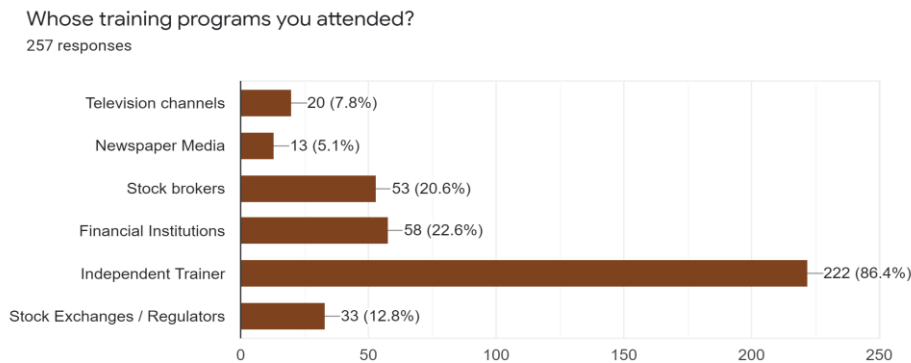


Fig. 9. The organizer of the training programs

3.9 The usefulness of the training programs

A majority of participants (65.3%) expressed that stock market training programs are beneficial. As many as 29.1% said the programs are somewhat helpful. A tiny portion of participants (5.6%) expressed dissatisfaction with stock market training programs.

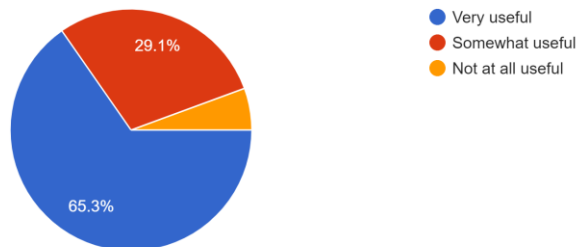


Fig. 10. The usefulness of the training programs

3.10 The worthiness of time spent on training programs

A majority of participants (65.3%) expressed that stock market training programs are worth the time they have spent. As many as 30.9% said the programs are somewhat helpful in regards to time. A tiny portion of participants (3.8%) felt that they wasted time with the training programs.

Overall, do you think the TIME spent on all training programs that you attended so far was useful to you?

265 responses

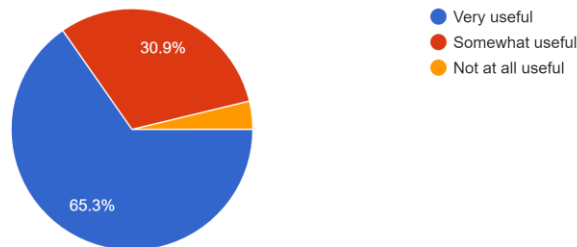


Fig. 11. The worthiness of time spent on training programs

3.11 Fee structure of the training programs

Knowledge seekers always look for ways to acquire knowledge. Webinar participants can attend paid programs, free programs, or both.

Which type of programs (based on fee structure) have you attended?

263 responses

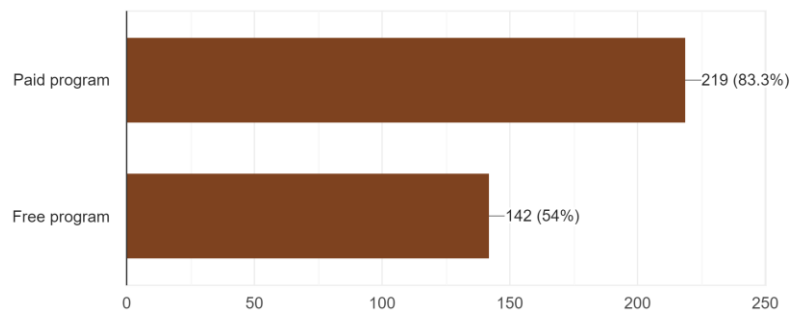


Fig. 12. Type of program (based on fee structure)

3.12 The worthiness of money spent on training programs

A majority (58.7%) of the webinar participants say that the money spent on training programs is worth it. About 35.6% say the program is somewhat helpful. About 5.7% said that the program is not helpful for the money they have spent. There can be several reasons that could lead to this dissatisfaction. Perhaps the topics for the topics were not in line with what was anticipated by the participants. Alternatively, perhaps the fee is too expensive and is not worth the topics being taught.

Overall, do you think the MONEY spent on all training programs that you attended so far was useful to you?
264 responses

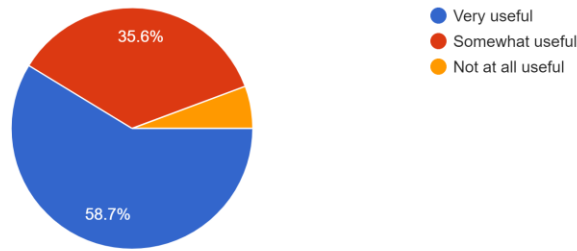


Fig. 13. The worthiness of money spent on training programs

3.13 Greatest source of stock market knowledge

Seminar participants are highly optimistic about self-experience and training programs regarding their most excellent source of stock market knowledge. A majority of them are modestly positive on stock market books, traditional media (such as television channels, newspapers, and magazines), and broker newsletters and recommendations given by them.

Which of the following are your greatest source of knowledge on stock market?

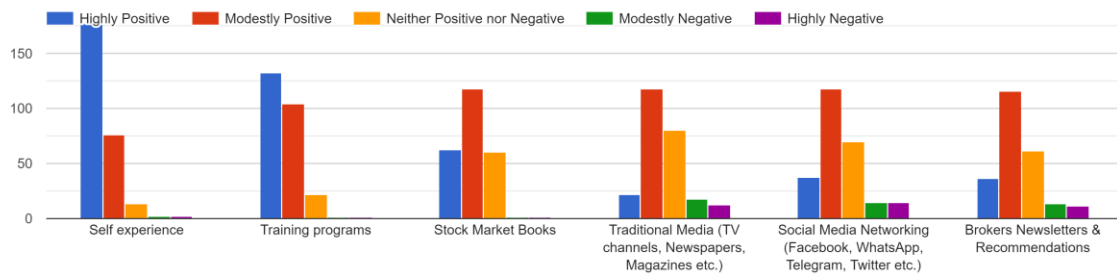


Fig. 14. Source of stock market knowledge

3.14 The overall impact of stock market training programs

Most participants (56.8%) say that stock market training programs gave them a substantial edge. About 35.5% said that the programs are helpful but have given only a minor edge for them. Only 7.7% feel either the programs are not helpful to them or could not decide on the usefulness of the programs.

Overall, do you think stock market training programs are useful to you?
273 responses

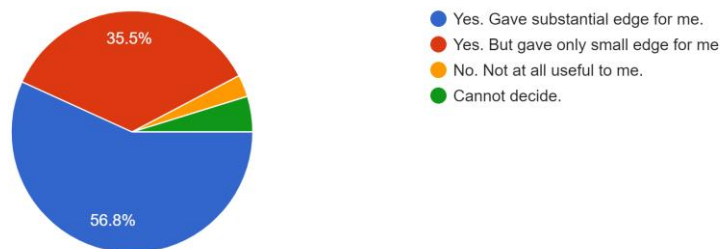


Fig. 15. Impact of stock market programs

4. CONCLUSION

Stock market training programs are beneficial to small retail individual investors who wish to acquire knowledge on personal finance, investing, and trading. Our survey finds that the participants of seminars and webinars are worth the time and money spent on them and that the programs provided them with a substantial impact. Stock market knowledge seekers attend both paid and free programs. Most participants are found to be attending one to five training sessions. Many participants attended programs organized by individual trainers, but programs organized by the financial institutions (and stockbrokers) are also well attended.

RECOMMENDATIONS

Future studies can be taken to study the impact of demographic factors on webinar platform preferences and on the seminar/webinar topics that the participants have opted for. An in-depth study can be undertaken on how training programs are marketed, the findings of which are helpful for stock market trainers and financial institutions that organize investor awareness and similar training programs.

ACKNOWLEDGEMENTS

The authors would like to thank the supervision of Dr. Aruna Polisetty, Sr. Assistant Professor, SCMS, Nagpur, India, and Mukunda Venugopal, Kyndryl, Bengaluru, India, for their assistance in this study.

AUTHOR CONTRIBUTIONS

All the researchers have worked on this paper over the last year at different times and in different ways, and the paper evolved dynamically over time. We are happy that, overall, each author has contributed to the study.

CONFLICT OF INTEREST

The author declares no conflicts of interest concerning this article's research, data, authorship, or publication. The author (VKM) is a stock market trainer. However, the study is administered anonymously to both previous seminar/webinar attendees and non-participants with no bias whatsoever. Hence, there is no conflict of interest arises.

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ANNEXURE

The survey administered to the participants carried the following questions:

1. How long are you actively investing or trading in the stock market?
 - a. Less than a year
 - b. 1 to 3 years
 - c. 3 to 8 years
 - d. More than 8 years
2. If yes, Which type of formal training programs have you attended?
 - a. Personal Finance topics (such as Financial Planning, Retirement Planning etc.)
 - b. Investment-related topics (such as Fundamental Analysis)
 - c. Trading-related topics (such as Technical Analysis, Derivatives etc.)
3. If you have attended any training program on Personal Finance, Investing or Trading, how many did you attend during COVID lockdown times?
 - a. Yes
 - b. No
4. Have you attended repeat sessions or multiple sessions by the same trainer/speaker?
 - a. Yes
 - b. No
5. How many Training programs on Personal Finance, Investing or Trading have you attended in total so far?
 - a. None
 - b. Only 1
 - c. 1 to 5
 - d. Several
6. How many Training programs on Personal Finance, Investing, or Trading have you attended in total so far during COVID lockdown times?
 - a. None
 - b. Only 1
 - c. 1 to 5
 - d. Several
7. What is your favorite mode of learning?
 - a. Face to face/Classroom Seminar
 - b. Webinar
 - c. Both 1 and 2
 - d. Neither 1 or 2
8. Whose training programs you attended?
 - a. Television channels
 - b. Newspaper Media
 - c. Stockbrokers
 - d. Financial Institutions
 - e. Independent Trainer
 - f. Stock Exchanges / Regulators

9. If you attended training programs, overall, how useful were they in improving your understanding of investing and trading in the stock markets?

- a. Very useful b. Somewhat useful c. Not at all useful

10. Overall, do you think the TIME spent on all training programs that you attended so far was useful to you?

- a. Very useful b. Somewhat useful c. Not at all useful

11. Which type of programs (based on fee structure) have you attended?

- a. Paid program b. Free program

12. Overall, do you think the MONEY spent on all training programs that you attended so far was useful to you?

- a. Very useful b. Somewhat useful c. Not at all useful

13. Which of the following is your greatest source of knowledge on the stock market?

Highly Positive Modestly Positive Neither Positive/Negative Modestly Negative Highly Negative

- a. Self-experience
b. Training programs
c. Stock Market Books
d. Traditional Media (TV channels, Newspapers, Magazines etc.)
e. Social Media Networking (Facebook, WhatsApp, Telegram, Twitter etc.)
f. Brokers Newsletters & Recommendations

14. Overall, do you think stock market training programs are useful to you?

- a. Yes. Gave substantial edge for me. b. Yes. But gave only small edge for me
c. No. Not at all useful to me. d. Cannot decide.

15. Any other details you wish to share about this topic