EFFECTIVENESS OF MOCK TRADING SIMULATION AND YOUNG INVESTORS

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ABSTRACT

Mock Trading is a simulation of trading share. Mock trading will help young investors to identify the right counters to buy and to put in their investment portfolio without losing their money. Trading is a process to buy or sell share and investment portfolio is a pooling of several securities or stocks in one file. By experiencing through mock trading, it will help investors involved in capital market to get capital gain. Thus, objective of the study is to determine the effectiveness of using mock trading between students at UiTM Johor. We will encouraged student involve in Islamic stock and get familiar with the Islamic counters listed at Bursa Malaysia Berhad. Besides that, mock trading will help young investors used their knowledge in technical analysis and fundamental analysis to buy or sell the stocks. This research used primary data where the questionnaire distributed to students which had experienced used mock trading template. The results shows that it is effective to use mock trading before enter the real capital market.

Key words: mock trading, stocks, Bursa Malaysia Berhad, young investors

Introduction

Most of people are not familiar with trading shares. Trading in shares involved in high risk because we do not the share price in the future. Mock trading was introduced to help young investors involved in share trading. Once they get experienced in capital market, they will fell trading in shares can make money in the future. Before investors trade the shares, they have to determine either they are risk taker or risk adverse. Investors have to know either they are trader or not, or they trade shares for long term investment, means that they are not sell in short time. They hold for a long period and will enjoy dividend payment for their return.

Equity can be divided in two categories; there are private equity and public equity. For mock trading, we will use public equity. Public equity is the equity listed at Bursa Malaysia Berhad. For investor to differentiate either it is Islamic equity or not, they will look at end of the code of each respective counters, it has sign of [s]. Islamic equity is approved by Syariah Compliance of Securities Commission of Malaysia.

People always claimed that they are not lucky as others while making investment. They claimed they had a bad luck if not performed and earn positive return in investment. Many people have wrong ideas about investments, especially young investors. They claimed that investment in stocks is not interesting as other capital gain medium. They perceived share investing need luck as gambling which they extremely wrong. Luck is not the main element while investing in shares. All we need is knowledge about investment as well as the strategies. Many investors invest on the basis of hearsays, rumours and reports. People can acquire capital gain by acquiring more investment knowledge and skills. So that, people can invest their money wisely in the stock market and earn positive returns consistently in the long run (Pauline, 2012).

The purpose of this study is to determine the effectiveness of using mock trading template in trading share without using the real money. It will help the young investors confident and to invest in capital market and familiar with trading shares. This research uses the primary data. The data was collected by distributed questionnaire between semester 05 and 06 students in Diploma in Investment Analysis (DIIA). In doing the mock trading, investors should know the procedure or process involved in trading share.

Mock trading is a tool to trade share. It can be used by beginner to learn how to trade the share. Mock trading is the simulation process of trading. In the mock trading template sum of capital of RM500, 000 will be provided. By using their skill in technical analysis, fundamental analysis and others factor such as internal or external environment of firm, they will select the right counter to trade. Mock trading will help them play with the share and see they will gain profit or loss.

Now we live in global era, everything is quite challenge for young generation. Mock trading is a guide how to prepare young generation to live in the future. From the mock trading, they know they are able to generate return in the future. They should invest in the stock market to gain some money. From now, they should learn how to invest and how to trade. Mock trading will help and prepare them to be a brave person to play and invest in stock market. However, they should prepare them for any risk involve in trading share. Thus, this research is to focus the effectiveness of using mock trading.

Previous study

Mock trading is part of learning process for young investors or beginners to trade the share. This study wants to see the effectiveness of using mock trading and so far, there is no study about the effectiveness of using mock trading. Even though it is not a real stock market, investors should know the factors which influence stock market performance. Studied did by Sohel Ahad & et.al (2013) show that market manipulation or excessive in buying and selling will affect the stock market efficiency.

Macroeconomic variables also affect the stock index (FBM KLCI). The macroeconomic variables such as exchange rate, inflation, money supply, growth economic rate, gross domestic product and national income will affect the stock index. It proved by studied did Mansor H.I & Hasanudden A. (2003) stated that the exchange rate has negative relationship with stock price and money suppy has positive relationship with FBM KLCI.

Islamic equity market not has the elements of usury, gambling and uncertainty. Based on Syariah Council of Securities Commission of Malaysia if the company not involved with these element or less than 5% from these elements, the company can entitled as Islamic equity. Macroeconomics variable also influence Islamic equity market. Studied did by M.Shabri, A.M & Rosylin,M.Y (2009) show that there have some macroeconomic variable affect the FBM KLSI after the post financial crisis on 1997. Real effective exchange rate, money supply M3, treasury bill, rate (TBR) and federal fund rate (FFR) influenced the performance and stability of Islamic equity. From the study show when interest rate is rising, the investors will buy more Islamic stock.

Islamic investment behaviour is different from conventional where in investing in stock market to get "wealth maximisation" but in Islamic behaviour, investing in stock is part of their asset allocation (Imran,T. & et.al, 2011). In addition, studied by Saeed, M & M.Kabir, H (2013) found that neither the Shariah nor the sustainability screening process seems to have an adverse impact on the performance and systematic risk of the investment portfolios compared to their unrestricted conventional counterparts. Therefore, Muslim as well as socially responsible investors can choose investments that are consistent with their value systems and beliefs without being forced to sacrifice performance or expose to higher systematic risk.

Methodology

The intention of this study is to determine the effectiveness of using mock trading in investing in stock. In order to get the result, the questionnaires were design. The respondents are students of semester five, Diploma in Investment Analysis, year 2013. Total samplings are 59 person, only 26 persons were selected to be target respondent.

The questionnaires were divided by two part, demographic factors and question of effectiveness of using mock trading. For the question of effectiveness, eleven questions were constructed by using the Likert scale.

1-   Strongly disagree
2-   Disagree
3-   Agree
4-   Strongly agree

For the demographic sector, there are consists of two question, gender and age. For the question of effectiveness consist of eleven questions. The symbols used from B1 to B11 to indicate for each question. Below are information's for each item:

B1   I have an idea about investment
B2   Investment in stock is easy.
B3   Mock trading is a medium to gain investment knowledge.
B4   People will lose money while practicing mock trading
B5   Fundamental analysis is applicable while doing investment in mock trading.

B6   Technical analysis is applicable while doing investment in mock trading.
B7   Investment decisions are vitals in mock trading simaltion.
B8   I know where to find investing information in mock trading tempates
B9   I realize about market forces in investment decision while applying in mock trading   simulation
B10   I know the procedure of trading stock in mock trading simulation
B11   There are risks involved while investing in mock trading

The research question is how effectiveness of using mock trading when investing in the stock market. In data treatment, T-test will be used to determine the effective of using the mock trading. The correlation matrix used to measure the relationship between the entire variable in the dimension. Frequencies used for demographic factor. Besides that, the reliability of the question also is tested.

Results And Findings

RELIABILITY TEST

Reliability test used to indicate the reliability measurement. The result show that the value for Cronbach's Alpha is 0.631, it is still acceptable, the close the reliability test to 1.0 is better. The result is more than 0.5 still acceptable.

Table 1: Result of Reliability Test

Cronbach's Alpha	N of item
0.631	13

Based on this table, reliability test for this study were found 63.1 percent is acceptable for overall results.

DISTRIBUTION FREQUENCIES

Frequencies test is used for demographic part. Only two question for this part, the target respondent gender and age.

Table 2: Gender's Frequencies

		Frequency	%	Valid Percent	Cumulative Percent
Valid	Male	8	30.8	30.8	30.8
	Female	18	69.2	69.2	100.0
	Total	26	100.0	100.0	

Table 2 show the target respondents are 8 person or only 30.8% from male. The rest 18 persons or 69.2% is from female group.

Table 3: Age's frequencies

		Frequency	%	Valid Percent	Cumulative Percent
Valid	18-20	18	69.2	69.2	69.2
	21-23	7	26.9	26.9	96.2
	24-26	1	3.8	3.8	100.0
	Total	26	100.0	100.0	

Table 3 is shows the result of age from target respondent. Age range between 18-20 years old has 69.2%, followed by age from 21 to 23 is 26.9%. The balance 3% between the range 24 to 26 years old.

CORRELATION RESULT

**Correlation is significant at 0.01 level (2-tailed)
* Correlation is significant at 0.05 level (2-tailed)

The summaries of relationship of each items show in table 4.

Table 4: Summarise of correlation analysis at 99% confident interval

B1-B8	B1-B10	B2-B9	B2-B10
B3-B6	B4-B7	B5-B6	B9-B10

Table 4: Summarise of correlation analysis at 99% confident interval

ONE-SAMPLE TEST

Table 5: Result T-test analysis

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean	Lower	Upper
B1	38.243	25	.000	3.000	2.84	3.16
B2	30.209	25	.000	3.423	3.19	3.66
B3	31.247	25	.000	3.269	3.05	3.48
B4	14.423	25	.000	2.423	2.08	2.77
B5	28.062	25	.000	3.231	2.99	3.47
B6	31.247	25	.000	3.269	3.05	3.48
B7	23.750	25	.000	2.923	2.67	3.18
B8	33.121	25	.000	3.192	2.99	3.39
B10	27.000	25	.000	3.115	2.88	3.35
B9	32.444	25	.000	3.077	2.88	3.27
B11	35.000	25	.000	3.500	3.29	3.71

Table 5 shows all the items have significant result at 0.01 levels. The item show mock trading is effectiveness to use to enhance the knowledge and able to attract them to involve in stock market. Young investor can use mock trading to trade stock without losing their money. They will teach a lot how to trade stock, how to decide, know the factors which influence the stock prices and how to make a right decision.

Discussion

From the findings, it shows that it is effectives using the mock trading for young investor to practice before enter the real market. They must apply all the relevant knowledge before trade. They will have some experience and know the procedure of share trading. They knew, if they are investing in stock market, they will face some risk. Mock trading will help them has experience with stock market.

Basically, young investors need to apply all knowledge relevant to stock selection. Fundamentals and technical analysis will help them in evaluating stock price movements as well as the value. Mock trading simulation covers both elements of fundamentals and technical approach in investing. As shown in above results, mock trading simulation is significant in helping young investors get some experience and facing the simulation of trading.

Conclusion

No one can blame stock market for pure bad luck and cannot make it in trading. Luck is not the element needed in investing. What we really need is knowledge. Many young investors does not have investment knowledge, let alone the strategies. Mock trading simulation helps especially young investor to trade well and gain investment knowledge and skills. So that, investment in stock become more interesting and performed wisely. Based on the findings, it can conclude that role of mock trading simulation also essentials among young investors before entering into the real investment field.

Mock trading simulation also best to illustrate the stock investing concepts in a simple and systematic way. Only those who apply the mock trading simulation will know the techniques. in future, it helps people to ensure young investor have general knowledge about investing and act as a good steeping stone for young investor who is keen to learn about investing in shares. Finally, knowledge in investment is necessary to make valuable investment decisions that will benefit people who interested in making money via shares.

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