**Individual investors’ stock buying behavior: Does experience matter in a developing economy stock market.**

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**Abstract**

This study attempts to investigate how retail investors determine their stock trading through experience to achieve the desired portfolio returns. We used brokerage records with daily stock transactions to examine how retail investors coordinate their expected returns and perceived risk. In order to verify how retail investors’ trade potentials augment transactions on the stock market in a developing economy. This study ascertained how retail investors’ forecasting ability is influenced by their trading experiences. Consequently, it discloses how experience aids the prospects of trade performance and deduces how retail investors adjust their risk trading behavior. Also, it evaluated how experience influence excess portfolio returns (trade profitability) and the willingness to trade. To do these effectively, we test the hypothesis that a signal based on transaction would generate a favourable risk adjustment return. We analyzed the stated stock transaction histories using the fixed effect regression model to clarify the patterns of their trading behavior as a result of their experiences. The results obtained revealed that experience do not strongly dictate retail investors’ willingness to carry out a purchase on the stock market but experience is essential for stock sales transactions. We obtained evidences that it influences trade quality. Overconfidence in trading was noticed to influence retail investors’ transactions on the stock market. Subsequently, they adjusted their possibilities to trade which in turn enhanced their prospects to trade off their investments. Other results obtained have implications for private and foreign investors on the stock market of developing economies. Policy makers will find this study useful, to understand and effectively regulate the stock activities of retail investors’.

Key words: Financial market, experience, household financial behavior, individual investors, risk, preference, stock returns, panel regression.

JEL Classification Code: C2, C8, C12, C33, D53, E5, P36

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