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Risk appetite and hedging strategies: the impact of age cohorts in financial markets

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Research Background

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- Financial markets expose retail investors to **varying levels of market risk**
- **Risk appetite differs across investors** due to demographic and behavioral factors
- Increasing participation of **retail investors in stock markets** (especially emerging markets like India)
- Growing role of **financial intermediaries (brokers, advisors)** in portfolio and risk management
- Limited awareness and usage of **advanced hedging instruments (e.g., derivatives)** among retail investors
- Industry challenge: **designing age-specific investment and risk management solutions**



Research Objectives

Relevance of Research Objectives (Industry Context)

- *(Objectives unchanged, contextualized for industry relevance)*
- Examine whether **risk appetite (RA)** influences **hedging strategies (HS)** in financial markets
- Analyze how **age cohorts affect investors' risk appetite**
- Evaluate the **mediating role of financial intermediaries (FI)** in risk mitigation
- Assess **variation in reliance on intermediaries across age groups**
- Provide insights for **brokers, portfolio managers, and policymakers**
- Support development of **customized, age-based financial advisory services**



Theoretical Framework

- Risk Appetite Framework
- Prospect Theory

Research Gap:

- Lack of behavioral + contextual analysis



Research Methodology

- **Research Design:** Cross-sectional study
- **Sample:** 612 active retail stock market investors (India)
- **Data Collection:** Structured questionnaire (Google Forms)
- **Key Constructs:**
 - Risk Appetite (RA)
 - Financial Intermediation (FI)
 - Hedging Strategies (HS)
- **Analytical Techniques:**
 - Principal Component Analysis (PCA)
 - Reliability & validity tests (Cronbach's Alpha, AVE, CR)
 - Mediated–Moderated Regression (PROCESS Macro)
- **Moderator:** Age cohorts (18–25, 26–40, 41–60, 60+)



Key Findings

- **Risk appetite decreases with age**
- Investors aged **26–40 are more risk-oriented** and prefer self-managed strategies
- Investors **above 60 are risk-averse** and rely more on intermediaries
- **Financial intermediaries partially mediate** the relationship between risk appetite and hedging
- Low-risk investors → **greater use of hedging via intermediaries**
- Evidence of **competitive mediation (direct vs indirect effects)**
- High-risk investors → **less reliance on intermediaries**



Academic Contribution

- Extends literature by linking **risk appetite, hedging strategies, and age cohorts**
- Introduces a **mediated–moderated framework** combining FI and age effects
- Provides empirical evidence on **behavioral differences across investor age groups**
- Highlights **dynamic role of financial intermediaries** in risk mitigation
- Offers a foundation for **future studies on demographic influences in financial markets**
- Contributes to **behavioral finance and investment decision-making research**