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UNDERSTANDING INVESTOR PERCEPTION TOWARDS STOCK MARKET INVESTMENT

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Abstract

This study investigates investor perceptions and attitudes towards stock market investments, focusing on urban areas in Gujarat, India. The research aims to identify key factors influencing investment decisions, analyze investor behavior, and assess the impact of these perceptions on market dynamics. Utilizing a descriptive research design, data was collected through structured questionnaires from 128 respondents, including students, professionals, and business owners. The findings reveal significant demographic and psychological factors affecting investor behavior, emphasizing the roles of market trends, economic indicators, media influence, psychological biases, technological advancements, and regulatory changes. The study provides valuable insights for individual and institutional investors, policymakers, and financial advisors to better understand and address investor needs and behaviors.

Keywords: *Stock market, Investors, Behaviour, Avenues, Perception.*

1. INTRODUCTION

Investor perception refers to the opinions, attitudes, and sentiments that investors hold about the stock market, which significantly influence their decision-making. These perceptions are shaped by a range of factors, such as market trends, economic indicators, media influence, psychological biases, technological advancements, and regulatory changes. Understanding these factors is essential for both individual and institutional investors operating in a volatile market environment. The Factors Influencing Investor Perception are: (i) Market Trends and Historical Performance. Investors analyse past market behaviour to predict future movements. Bull markets encourage confidence and buying, while bear markets trigger caution and sell-offs. Major historical events, like recessions or crashes, leave lasting psychological impacts. (Bhuvaneswari & Varghese, 2022). (ii) Economic Indicators Metrics like GDP growth, inflation, unemployment, and consumer confidence reveal economic health. Positive indicators boost confidence, while negative ones lead to cautious or risk-averse behaviour. (iii) Media Influence Media platforms shape public opinion by reporting market conditions and corporate performance. Positive news can drive rallies, whereas negative reports can trigger sell-offs (S. Hemalatha & Joicy Lidwina, 2022) (iv) Psychological Biases Cognitive biases, like loss aversion and overconfidence, influence irrational decision-making. Anchoring bias causes investors to overly rely on initial data, such as historical prices. (Singh et.al.,2021) (v) Technological Advances Online trading platforms and mobile apps have democratized market access. While accessibility has increased participation, it has also amplified volatility. (vi) Regulatory Changes Stricter disclosure requirements and regulatory updates promote transparency and boost confidence. Compliance with regulations often determines investor trust in specific companies or sectors. The stock market allows investors to buy and sell shares of publicly traded companies. It plays a crucial role in raising capital for businesses and providing investment opportunities for individuals (Chauhan,2023). The Indian stock market began in 1875 with the establishment of the Native Share and Stockbrokers' Association in Bombay. The Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) are the two major stock exchanges in India (Rao et.al., 2022) Key indices include Nifty 50, Nifty 100, Nifty Bank, FinNifty, and Sensex. These indices track the performance of various sectors and provide insights into market trends.

This study tries to explore how social media and emerging technologies influence investor perceptions and decisions about the stock market. The research primarily focuses on urban areas of Gujarat, indicating a need for broader studies encompassing diverse geographical regions and demographic groups. This current paper focuses to

study investor perception of the stock market, to analyse investor behaviour towards various investment alternatives with special reference to the stock market, to identify factors affecting investor behaviour and investment decisions and to understand the Indian securities market.
The research gap were addressed by answering the following research questions: What are the key trends in stock market participation, return expectations, and stock preferences among respondents?, What are the key reasons for investing, and which sources of information do investors rely on the most?, How do respondents perceive their investment confidence, risk levels, and the influence of government policies on their investment decisions?

2. LITERATURE REVIEW

2.1. Investor Perception

Singh et.al., (2021) explores the perceptions of investors in Asia towards stock market investment. It identifies key indicators like neutral information, accounting information, and social relevance that influence investor decisions. Panchal et.al, (2022) focuses on the problems faced by investors in the equity derivatives market and their behavior. It highlights the importance of understanding speculation strategies to reduce risk. The factors considered by individual investors for equity investment, such as company image, financial performance, and management group (Sinthiya, 2024). It emphasizes the need for companies to tailor their marketing strategies to different investor preferences. Bhuvaneswari & Varghese (2022) investigates investor perceptions towards initial public offerings (IPOs) after the COVID-19 crisis, highlighting the factors influencing their investment decisions during the pandemic.

2.2. Investor Behaviour Towards Investment Avenues

The research conducted by Hemalatha et.al (2019), identifies the goals and constraints of investors in Moradabad, Uttar Pradesh. It suggests that investors should consider various avenues while investing, taking into account their age and risk tolerance. Santhosh (2024) categorizes equities into large-cap, mid-cap, and small-cap stocks and analyses investor perceptions towards these categories. It highlights the importance of evaluating stocks based on liquidity, profitability, risk, solvency, and operating efficiency. Ashalatha & Latha (2023) conducted a study that provides an overview of the Indian stock market's history and the range of available investment options. It highlights the increasing awareness among Indians about stock market investment.

2.3. Factors affecting behaviour

Gujrathi & Kumar (2023), investigates the behavior of male and female investors in Vadodara, revealing that fewer women invest in the stock market due to lack of awareness and interest. It suggests targeted initiatives to increase female participation. Pallathadka et.al. (2022), examines the perceptions of small retail investors in India towards stock market investment, concluding that their perceptions significantly impact their investment decisions. Rao et.al. (2022), aims to provide basic stock market knowledge to novice investors and students, explaining the factors that impact market movements and investment decisions. Somabhusana et.al. (2022), explores how investors perceive various investment schemes and the factors influencing their investment choices. Shivam Kumar (2024) identifies the primary sources of stock market knowledge for investors, such as newspapers, television, and brokers, and examines their impact on investor perception.

3. RESEARCH METHODOLOGY

The study aims to investigate and evaluate the various viewpoints and attitudes that investors have towards investing in the stock market. Understanding these perceptions is essential for comprehending investment behaviour, identifying significant factors impacting investment choices, and forecasting market trends. The study employs a descriptive research design using primary data collected through structured questionnaires and secondary data from various sources (Hair et.al., 2020). Data is presented using graphs, charts, and tables to provide a clear and comprehensive analysis. The main tool for primary data collection in this study is structured questionnaires, which were distributed using Google Forms. The sampling plan for the study includes the following components: the population consists of investors who invest in the stock market. The sample units include all types of investors such as students, businessmen, people in private and government jobs, and retirees. The sample size is 128 respondents. The sampling method employed is non-probability sampling, which obtains data from the target population available and willing to participate in the study.

3.1. Demographic variables

		Respondent	Percentage
	Male	90	70.3%

Gender	Female	38	29.7%
Age	18 – 24	68	53.1%
	25 – 34	56	43.8%
	35 – 44	3	2.3%
	45 – 54	1	0.8%
	55 Above	0	0
Occupation	Student	50	39.8%
	Employed	51	39.1%
	Businessman	24	18.8%
	Retired	1	0.8%
	Other	2	1.5%
Income level per year	Up to ₹3,00,000	37	28.9%
	₹ 3,00,001 to ₹ 5,00,000	44	34.4%
	₹ 5,00,001 to ₹10,00,000	31	24.2%
	Above ₹ 10,00,000	16	12.5%

(source: Authors calculation)

The majority of respondents are men 70.3%, while women make up only 29.7% of the group, indicating a noticeable gender gap in stock market participation. This suggests the need for greater financial awareness and initiatives to encourage women to explore investing. When it comes to age, younger individuals dominate, with 53.1% aged between 18–24 years and 43.8% aged 25–34 years. People older than 35 years make up a very small percentage, hinting that stock market investments are more appealing to the younger generation, possibly due to the convenience of digital trading platforms and their openness to taking risks. Respondents come from diverse professional backgrounds, with students 39.8% and employed individuals 39.1% leading the way. Business owners account for 18.8%, while retirees and those in other occupations make up the rest. Income levels show that most respondents 34.4% earn between ₹3,00,001 and ₹5,00,000 annually, while 28.9% earn less than ₹3,00,000. Interestingly, participation drops in higher income brackets, with only 12.5% earning more than ₹10,00,000 engaging in stock market investments.

3.2 Investment Behavior

Aspect	Category	Percentage of Respondents (%)
Stock Market Participation	Invest in Stock Market	68.0
Return Expectations (Annual)	10–15%	35.6
	15–20%	35.6
	Below 10% or Above 20%	(Not mentioned)
Stock Preferences	Mid-Cap Stocks	35.6
	IPOs	32.2
	Small-Cap Stocks	16.1
	Large-Cap Stocks	16.1

Strong 68% of respondents invest in the stock market, showing growing confidence and interest in equity investments. Among investors, expectations are moderate, with 35.6% aiming for annual returns of 10–15%, and another 35.6% expecting 15–20%. When it comes to stock preferences, mid-cap stocks 35.6% and IPOs 32.2% are the most popular choices. Smaller groups prefer small-cap or large-cap stocks, with both categories attracting 16.1% each.

3.3. Reason and source of Investment

Reason for Investing	Percentage of Respondents (%)	Source of Investment Information	Percentage of Respondents (%)
Portfolio Diversification	54.0	Financial News Channels	50.6
Tax Benefits	51.7	Financial Advisors	49.4
Regular Income	49.4		Emerging (not quantified)

Saving for Child Education	10.3	Digital Platforms and social media	
Retirement Planning	12.6		

The top reason for investing is portfolio diversification, chosen by 54% of respondents, followed by tax benefits 51.7% and regular income 49.4%. Long-term goals like saving for child education 10.3% or retirement planning 12.6% rank lower, showing that most people prioritize immediate financial benefits over future security. For information, investors heavily rely on trusted sources like financial news channels 50.6% and advisors 49.4%. However, digital platforms and social media are emerging as influential tools, particularly for younger investors.

3.4. Confidence and Risk Awareness

Aspect	Category	Percentage of Respondents (%)
Investment Confidence	Very Confident	47.1
	Moderately Confident	35.6
	Not Confident	(Not mentioned)
Risk Perception	Moderately Risky	33.3
	High Risk	26.4
	Very High Risk	17.2
	Low/No Risk	(Not mentioned)
Influence of Government Policies	Very High Influence	43.7
	High Influence	21.8
	Moderate/Low Influence	(Not mentioned)

Most respondents feel confident in their investment decisions, with 47.1% being very confident and 35.6% moderately confident. Risk perception is balanced, with 33.3% considering the stock market moderately risky, while 26.4% see it as high-risk and 17.2% perceive it as very high-risk. These findings suggest that while investors are aware of the potential risks, they are not deterred from participating. Government policies, including taxation and regulations, play a significant role in shaping investment strategies. Nearly half (43.7%) of the respondents feel these policies have a very high influence on their decisions, while 21.8% report a high level of impact. This highlights the importance of a stable and supportive regulatory environment in encouraging investment.

4. CONCLUSION

The study shows that more young, middle-income people are getting interested in the stock market. They feel confident about their ability to make good investment choices. They usually rely on trusted sources of information, like financial advisors and news channels, which shows they make decisions carefully. These investors like to have a mix of different investments and aim for moderate returns, but they also show interest in higher-risk options like IPOs and mid-cap stocks. The study also finds that there aren't many women, retirees, or high-income earners investing in the stock market. To address this, there need to be targeted financial literacy programs to encourage these groups to get involved. Promoting awareness about long-term financial planning, such as saving for retirement and education, can help create more sustainable investment habits. By making the investment landscape more inclusive and focusing on informed decision-making, we can support the needs of different types of investors and make the market stronger overall.

5. LIMITATIONS OF THE STUDY:

The study faced several limitations that impacted its scope and findings. Limited access to data and respondents' reluctance to share personal information constrained the analysis. Financial and time constraints further restricted the study, which was conducted at a primary level and did not explore all investment avenues. Additionally, the lack of investment knowledge among respondents and the reliance on online surveys introduced potential biases. These factors highlight the need for future research with broader datasets, diverse respondent bases, and a comprehensive examination of various investment options.

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