ANALYSING THE BASIC PSYCHOLOGY OF AN INVESTOR TOWARDS STOCK MARKET

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ABSTRACT

The current research is necessary at this point in time. Finance is regarded as an organization's lifeblood. Prudent investing is a key aspect of financial security. Individuals are continuously looking for investment options that will provide them with the highest and fastest returns. It is a well-known truth that greater profits are coupled by greater risk. Investing in the stock market is one such option, which offers faster returns at a higher risk. As a result, the current study is a little attempt to comprehend an investor's basic psychology toward the stock market, as well as other aspects and factors associated to it.

Keywords: Stock, Investor, Finance, Market, Risk.

I. INTRODUCTION

In the Indian stock market, investors are big actors. Individual investors' activity cannot be disregarded by stock market regulators since they account for a larger share of assets and income. The purpose of the research is to learn about and comprehend the elements that influence retail investor behaviour and attitudes. The primary focus is on the quality of investors' decisions and their attitudes about stock market investing. The fundamental motivation of investors who engage in investment is to maximise their earnings while minimising their expenses. Investors' logical behaviour leads them to divide their income between spending and saving. When the probability of profit and loss is factored into the investment process, investors' decision-making becomes more difficult. A well-framed and structured questionnaire is a tool used to learn about the perspectives of stock market investors. Investor personality traits and stock preferences are a component that has a significant impact on investment decisions, hence much care is paid to research these psychological characteristics of investors. In this unpredictable market, investors' perceptions and attitudes toward the stock market fluctuate over time. Taking this into account, this study was conducted to better understand investor behaviour and to learn about investor awareness, taste, and preferences for various investment routes.

We go over various items and administrations on a regular basis as individuals. As a result, different people have different perspectives on relatively identical items and events. This is due to the fact that each individual has their own unique way of looking at things. Along these lines, each person has a 'perception' of his or her environment. "The technique through which the individual chooses, composes, and interprets improvements into a substantial and sound representation of the world" is how perception is defined. Every day, we examine various items and administrations as individuals. As a result, different people have different ideas about quite identical items and events. This is due to the fact that each individual has their own unique way of looking at things.
Along these lines, each person has a 'perception' of his or her environment. "Customer perception is the method by which a person chooses, composes, and deciphers developments into a significant and mindful image of the globe," according to Leon G. Schiffman.

II. LITERATURE REVIEW

Iqbal Hawaldar and Habeeb Rahman (2019) For most investors, the stock market has become an appealing investment option, and the stock market has increased dramatically over time. However, many investors are hesitant to invest in the stock market because of the high volatility. The risk incurred by investors in the stock market is often high, and there is a fear that they will lose their hard-earned money. Even if the stock market offers a high rate of return, investors must also accept a high level of risk. Furthermore, investors must be certain of the investment channel they are choosing in order to get high returns. The purpose of this study was to learn about the numerous personal characteristics that influence their investment decisions, as well as the various elements that influence various investment categories. The study was also done to determine the source of investors' stock market knowledge. Investors were asked to fill out a questionnaire and have a personal interview in order to learn about their perspectives, behaviours, and attitudes, as well as their level of awareness. The Chi square test was utilised to make a judgement about the relationship between the two variables. Many aspects influence an investor's decision, including risk return, tax benefits, maturity duration, capital appreciation, and principal safety. However, the majority of investors believe that the most significant aspect determining their decision is returns. When compared to mutual funds and derivatives, the majority of investors preferred to invest in equities. The study also indicated that the majority of investors made their own investment decisions, although others were affected by Workshops, Seminars, Advertisements, and Newspapers. As a result, the study tried to learn about investor behaviour in relation to the stock market.

P. Mahalakshmi, & C. Kathiravan (2019) Different need needs for financial specialists are identified in this paper from distinct types of values available in the Indian market, as well as the hazard return perception with the purchase of an equities trading firm. The study's goal is to see if an individual's speculation is correct by using data from the Securities Exchange. A well-organized survey was developed, and 101 instances were used to collect data. SPSS16.0 (statistical Package for Social Sciences) was used to break down the material. The information was translated using statistical tools such as the Reliability Test, Exploratory Factor Investigation, Chi-square Test, One Way ANOVA, and Different Correspondence Examinations.

S. Rahman and Jannatul Bristy (2018) The goal of this study was to discover investors' perceptions of investment decisions in the Bangladesh stock market, as well as to relate the identified influential elements to the demographic features of the investors. Data was gathered from 160 Dhaka Stock Exchange investors using a standardised closed-ended questionnaire with a 5-point Likert scale and 25 factors. Internal, informational, economic, individual, strength and affordability, goodwill, and external factors have all been identified as influencing investor choices using factor analysis. Gender, age, education, and income disparities were identified using Independent Samples t-tests, ANOVA, and Welch tests. The study discovered no significant differences in 24 out of 25 variables related to gender, 20 out of 25 variables related to age, 10 out of 25 variables related to education, and 23 out of 25 variables related to the investors' occupation. This study will help listed firms, authorities, and interested parties in the Securities and Exchange Commission and the government.

B. Vidhya and S. Magesh (2018) The Indian stock exchange is one of the largest in the world. As of February 2018, the company had 16,993,616 active demat account investors, who trade equities. An equity investment entitles the holder to a portion of the company's capital. The value of an investment rises as the company grows; initially, it begins with an Initial Public Offering (IPO) that the companies will distribute. For secondary market, it will be listed on a stock exchange. Depending on the percentage
of returns, the investor determines whether to retain the stock for a longer or shorter duration. The majority of research studies found that the Indian stock market is extremely volatile, sensitive, and reacting to news and unexpected shocks. This has an immediate effect on market trend activity, but it is resilient and rebounds quickly. The investor seeks large returns on investment while also taking a big risk. Fear of investing in the stock market arises from the unpredictability of market direction and a lack of awareness about success determinants. In practice, risk and reward are inversely proportionate. Investors' risk-return perceptions, on the other hand, may differ. The purpose of this study is to assess an investor's level of familiarity with stock trading as well as his or her technical knowledge in order to mitigate risk factors while trading in the live market before investing.

Dr. M. Malathy, Saranya.J (2017) The globalization of financial markets has been raising the dimensions of the town of list investors' over the past 2 years by giving a multitude of market as well as investment choices. Hence, it will make the investment choices of theirs process more complicated. The elements influencing investor's perception are actually returning on risk, market trend, or investment, short term profitability, cost of the share, dividend policy, past economic performance, company reputation, standing of the board, present earnings of the business as well as expert opinion. This particular analysis concentrates the primary factors influencing investor's perception.

C.Kavitha (2015) The researcher was influenced by the continual lack of hometown investors participating on the National Stock Exchange (NSE), the large spread ignorance regarding financial assets as well as the constant purchase of stocks without any info known about them by majority of individuals of the nation in addition to the large gap between the rich that invest in stocks as well as the poor that continually make losses in the actual investment industry. The study was guided by goals with an objective of tracking investor's perceptions and perceptions towards stock market investments. A sample of 125 respondents was utilized as well as the findings analysed utilizing SPSS. The study used a cross-sectional survey style with the application of qualitative and quantitative details. The study might also make use of descriptive and correlation techniques to set the interactions amongst the analysis variables. The study made a few suggestions among which to boost investor awareness as a means of encouraging community investors to list on the stock exchange. The regulatory authorities should get better on the effectiveness of theirs to boost the confidence of the nearby investor. Moreover, they need to bring in investor rewards to enhance the volumes traded on the exchange with an evaluation of the stock market laws with a view to make them stronger plus more appealing to hometown investors.

III. RESEARCH METHODOLOGY

Approach used
To determine the public's perspective, a quantitative approach is still used, with variables being determined and statistical procedures such as chi-square cross-tabulation analysis being used.

Sample of the study
The sample size is actually 100. The whole sample was used for processing data. The arbitrary sampling strategy was utilized.

Limitation
Because of the scarcity of varied issues knowledge and time among the general population, only a limited analysis may be conducted. Due to the fact that the sample is made up of students, the study's age variety is a drawback. The relationship between Variable four, Variable five, and Variable six is depicted in the table above. The variables are found to be linked since their p values are 0.013 and 01029, respectively, which are both less than 0.5. Thus, the analysis reveals that the investing public's
fundamental and technical information are well aligned, and they are eager to learn about the stock market.

IV. DATA ANALYSIS
The variables statistically studied in the study are as follows:

Table 1 - Variables

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Var 1</td>
<td>General public does consider channelizing funds into the stock market.</td>
</tr>
<tr>
<td>Var 2</td>
<td>General public perceives stock market as a gambling den (satta bazaar).</td>
</tr>
<tr>
<td>Var 3</td>
<td>General Investor is in profit or loss overall?</td>
</tr>
<tr>
<td>Var 4</td>
<td>Investors have a fair knowledge about the fundamental forces like inflation, trends, liquidity of the script that influences the stock price.</td>
</tr>
<tr>
<td>Var 5</td>
<td>The investing public is willing to learn about the forces that trigger price movements in the stock market.</td>
</tr>
<tr>
<td>Var 6</td>
<td>Investors have a fair knowledge about the technical forces like EPS, P/E Ratio, financial factors that influences the stock price.</td>
</tr>
<tr>
<td>Var 7</td>
<td>The investing public is comfortable facing financial losses while investing in stock market.</td>
</tr>
<tr>
<td>Var 8</td>
<td>Investors book losses immediately when prices of their stocks invested goes down</td>
</tr>
</tbody>
</table>

Table 2 – Attitude of General Public

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Variables Cross- Tabulated</th>
<th>P Value</th>
<th>Degree of Freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Var 1 – Var 2</td>
<td>0.089</td>
<td>12</td>
</tr>
</tbody>
</table>

The table above depicts the relationship between Variable one and Variable two. The variables are discovered to be linked since the p great is 0.089, which is less than 0.5. As a result, the data demonstrates that, despite the fact that the general public views the stock market as a gambling den, they consider channelling money from the stock market.

Table 3 – Effect of Technical Knowledge

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Variables Cross- Tabulated</th>
<th>P Value</th>
<th>Degree of Freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Var 3 – Var 6</td>
<td>0.004</td>
<td>16</td>
</tr>
</tbody>
</table>

The above-mentioned table shows the relation between Variable three & Variable six. It's discovered that the variables are connected to one another as the p great is 0.004 that is under 0.5. Thus, the analysis shows that there's a good relationship between the specialized information of the investing public and the general income of theirs or maybe losses experienced by them.

Table 4 – Willingness to Learn
The above-mentioned table shows the relation between Variable four - Variable five & six. It's discovered that the variables are connected to one another as the p great is 0.011 as well as 0.031 respectively that is under 0.5. Thus, the analysis shows that there's a good relationship between the fundamental and technical information of the investing public and they are prepared to find out about the stock market.

Table 5 – Comfort of facing financial losses

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Variables Cross-Tabulated</th>
<th>P Value</th>
<th>Degree of Freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Var 4 – Var 5</td>
<td>0.011</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>Var 5 – Var 6</td>
<td>0.031</td>
<td>16</td>
</tr>
</tbody>
</table>

The table above depicts the relationship between Variable seven and Variable eight. The variables are discovered to be linked since the p great is 0.314, which is less than 0.5. Thus, the data reveals that there is a positive correlation between the ease with which investors may book monetary losses, demonstrating their ability to spot the stock market, and guidance losses, in which the script is actually examined to take a further cost decrease.

As a result, it is discovered that the general public views the stock market as a gambling establishment. This is discovered through a statistical method known as chi-square analysis, which involves determining the relationship between variables like as the public's perception of stock market information, their willingness to learn to commit, and their capacity to recognise the market.

V. CONCLUSION

Every investor's goal is to make a high return on investment while taking on a high level of risk. Their attitude toward the stock market and market conditions aids them in achieving a decent return on investment, and their good decision-making ability makes them a successful investor. This research focuses on the behaviour, level of awareness, and stock market investment decisions of retail investors. In addition, the study involves a discussion with investors as well as a questionnaire-based survey to gather further information from them. Investment opinions and perceptions vary greatly from person to person. The ability to bear risk, current and future financial goals, projected return, investor requirements and needs, and other factors can all impact an individual's decision to invest in the stock market. The findings strongly show that there is a strong link between investors' perceptions and stock market investments.

REFERENCES


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