

A Study on the Factors Influencing Investors Decision in the Indian Stock Market: A Case Analysis

¹Srishty Agarwal & ²Dr.Ramesh Chandra BabuT

¹StudentChrist (deemed to be university), Bengaluru (India)

²Associate Professor Christ (deemed to be university), Bengaluru(India)

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Corresponding Author

Email:srishty.agarwal98[at]gmail.com

ABSTRACT

An investor plays a very important role in the stock market because of the huge mobilization of savings in the nation. Stock market can never undermine the behavior of the investors. An effective investment decision is affected by various factors like demographical, behavioral and investment related. A thorough analysis is carried out to understand the magnitude of the impact of these factors on the individual investor. The analysis of the study through chi square reveals that investors are influenced by overconfidence, herding, mood, age, education and income level. However, factors like emotion, representativeness bias, risk, investment range, knowledge of trading and affordability have no impact on the investor's decision-making process.

1. Introduction

The money related market is a business opportunity for securities, where organizations and governments can raise long haul reserves. It is a showcase intended for the moving and purchasing of stocks and bonds. In a market economy like India, money related market establishments give the road by which long haul reserve funds are prepared and directed into speculations. The certainty of the retail financial specialists in the market is basic for financial development of the nation.

In India, scarcely around 2 percent of retail financial specialists are getting to the capital market. As indicated by money related word reference, retail financial specialist is a person who buys securities for his or her claim individual record as opposed to for an association. Retail financial specialists commonly exchange a lot littler sums than institutional financial specialists do.

Securities exchange is a vital piece of the economy of a nation. The stock exchange plays a significant job in the development of the business and trade of the nation that in the end influences the economy of the nation to an incredible degree. That is reason that the administration, business and even the national banks of the nation keep a nearby watch on the happenings of the stock exchange. The stock exchange is imperative from both the business' perspective as well as the financial specialist's perspective. Stock exchange is where stocks are purchased and sold. In an economy, other than assuming the job of a hotspot for financing speculation, securities exchange likewise plays out a capacity as a flagging instrument to supervisors with respect to speculation choices, and an impetus for corporate administration.

In any case, the stock exchange is best known for being the best channel for organization's capital raise. Individuals are inspired by stock because of "long haul development of capital, profits, and a fence against the inflationary disintegration of acquiring power. The other element that makes the financial exchange more appealing than different sorts do of speculation

is its liquidity. A great many people put resources into stocks since they need to be the proprietors of the firm, from which they advantage when the organization pay profits or when stock cost increments.

Understanding financial investors' conduct begins from the examination of its shaping factors. Perceiving that financial conduct is not constrained just to subjective investigation of market occasions and quantitative examination of information, yet it too mirrors the comprehension and assessment of these occasions just as information consciousness of monetary members. At the same time the significance of subjectivity in settling on speculation choices is additionally been noted.

2. Literature review

(Dr. SunainaKanojia, 2018) has studied the factors that identify empirical evidence towards the impact of behavioral finances on an individual investor's decision. The factors that affect the decision-making process are gender, age, education and experience. The examination of the investigation uncovers that financial specialist's gets extreme affected by agent inclination, trailed by presumptuousness, psychological discord and mien impact. However, there is no effect of group conduct on the basic leadership procedure of financial specialists; this study can be further extended to other areas of the country in order to consider other biases factors.

(Arup Kumar Sarkar, 2017) Has studied the behavioral factors that influence an individual investor's behavior in the stock market. This study talks about perceived Risk Attitude of individual speculators are in a decent position and it is mostly founded on insight in contrast with influence segment of Perceived Risk Attitude that implies that their apparent hazard frame of mind depends on mental process engaged with picking up learning and appreciation including considering, knowing, recollecting, judging and critical thinking as opposed to enthusiastic segment of a disposition that alludes to a person's inclination about something or somebody. However, this study

does not eliminate some of the limitations or expand the investigation scope in this study.

(Mr. Girish S, 2014) Has studied how an individual investors behavior is motivated by a various factors which are psychological heuristics and biases. This study loses down various factors that would help the stakeholder to understand the investors behavior and their decision-making process, the factors are: anchoring, information, representativeness, heuristics, risk, aversion, overconfidence, disposition effect and gambler's fallacy. However, this study can not be generalized across the market segments and different market situations, this research has to be further extended to other types of investor who influence the stock market

(Ramkumar, 2017) Has studied the importance of investors perception in deciding the direction of stock market, it also talks about whether factors influencing investors decision-making process have a significant impact of an individual investors investment choices. However this article does not consider the risk factor, economic factors, company factors and their demographic profile which has a huge impact while deciding the investment avenues.

(ANURADHA SAMAL, 2017) Has studied the various factors that are assumed to have an impact on an investor's decision-making process. Investor's behavior are dependent on the influence of market information and market outcomes. The factors are: organization efficiency, mediators influence, income of the investors, return on investment, fear of loss and risk factors. However this study does not consider other factors like religion reasons and expected losses from other investment which have a great impact on an investors decision.

(Mehmet Islamglu, 2015) Has studied the factors that influence individual investor behavior. A descriptive analysis was conducted in order analyses all the factors and measure the reliability and validity of the designed survey. It was identified that 6 main factors influenced individual investors behavior. However, it was revealed that there was a significant relation between investment information but there was no analysis considering the relation between religion and society during the investment decision.

(E. Vijaya, 2014) Has studied the factors that influence the investors investment decision. The article also identifies the importance of these factors. The study highlights certain recommendations to the policy makers, investors and to researchers with regard to identifying the factors. However the study lacks the empirical analysis and the level at which they impact the decisions.

(Ahmad, 2017) Has studied the factors that influence the decision making/ Cronbach's alpha, Chi square test and descriptive statistics to understand the extent of influence of the variables. The findings say that there are certain high impacting variables and some low impacting variables. However, since Pakistan is a developing country the study limits the study to certain biases.

(Kailingam, 2016) Has presumed that investors are rational individual whose investment decision-making process depends on various behavioral factors. The investment decision is a complex procedure, which is based on the factors like mood, emotions, personality, frames, heuristics and gambling. However, the results showed that mood was not as relevant as other factors. This study has restricted to only the analysis of behavioral bias factors.

3. Objective

1. To analyze the impact of behavioral factors on an investor's investment decision-making process.
2. To analyze the impact of demographic factors on an investor's investment decision-making process.
3. To analyze the impact of investment factors on an investor's investment decision-making process.

4. Statement of problem

It is assumed that in the Indian Stock Market there are various psychological and behavioral factors and biases, which affect an individual investor's decision-making process. The previous studies, which were undertaken, did not examine the combined effect of the Behavioral, Demographic and psychological factors on investor's investment decision and thus the present study targets the above-mentioned factors to be researched and analyzed in order to fill the research gap. Hence, the problem statement is to examine the combined effect of several factors that affect an individual investor's investment decision.

5. Scope of the study

The following study aims to understand the various factors that affect an investors investment decisions. The main purpose of the study is to shed light on the current happenings in the Indian Stock Market and how an investor is affected by various factors. This is beneficial to various researchers and scholars who are pursuing studies in a similar premise to conduct further research. The study also helps many individual investors in assessing their portfolio based on various behavioral factors, demographic factors and investment factors. The current study will help various investors to analyze the impact of these factors on their stock returns.

6. Hypotheses formulation

Hypotheses 1

H₀: There is no significant impact of behavioral factors on investor's investment decision-making process

H₁: There is an impact of behavioral factors on investor's investment decision-making process.

Hypotheses 2

H₀: There is no significant impact of demographic factors on investor's investment decision-making process

H₁: There is an impact of demographic factors on investor's investment decision-making process.

Hypotheses 3

H₀: There is no significant impact of investment factors on investor's investment decision-making process

H₁: There is an impact of investment factors on investor's investment decision-making process.

7. Instrument design

A structured questionnaire is used to conduct the present study. All the questions are framed to make the respondent understand the subject of study and gather the most quality information.

8. Method of data collection

The data collected to conduct the present study is primary in nature. The data is collected using a survey method through a questionnaire, distributed to various retail investors and private brokers. All the data collected was from investors of the Indian Stock Market and the responses of non-investors was ignored.

9. Sampling type and size

The present study uses a non-probability judgement sampling. The sample size has been taken from a pool of various individual investors in India. The sample was selected based on the knowledge of trading and the trading period of the investors. The present study includes a sample size of 130 respondents who invest in the Indian Stock Market. The total responses collected from the questionnaires was 157 out of which 27 respondents did not have any knowledge about the Indian Stock market and did not actively invest in the Stock market hence their responses have been eliminated from the study.

10. Statistical design

The present study uses various statistical tools like chi-square test to check the hypotheses and to check if there is any significant impact of certain variables on the individual investor's decision-making. The study also uses a reliability test to check the reliability of the questionnaire, which was 0.751.

11. Results and inferences

The present study reveals significant findings from the data analyzed. The study revolves around the central idea of testing if certain factors impact an individual investor's investment decision in the Indian Stock Market. The study reveals the following findings.

11.1 Chi- square test

BEHAVIOURAL FACTORS	PEARSON CHI-SQUARE (SIG)
Emotion	0.343
Overconfidence	0.001
Herding	0.017
Representativeness Bias	0.072
Mood	0.035
Risk perception	0.301
DEMOGRAPHIC FACTORS	PEARSON CHI-SQUARE (SIG)

Age	0.000
Gender	0.366
Education level	0.000
Annual income level	0.000
INVESTMENT FACTORS	PEARSON CHI-SQUARE(SIG)
Investment range	0.847
Knowledge of trading	0.165
Affordability	0.845

11. 2 Interpretation

Figure 1.2 talks about the significance level of the factors according to chi square test. There is a significant impact of behavioral factors on the investment decision of an investor, which includes over confidence, herding and mood. According to the primary survey, overconfidence is proved to be important and it has a significant impact on the investor's investment decisions. Overconfidence influences the investors' investment decision because the investors become overconfident as they see regular positive return on the stocks they have invested in. Overconfidence can be a reason also because of the investors experience in trading in the stock market. Herding has significantly affected the decision according to the primary survey. The reason for this phenomenon is purely psychological. An individual's decision is influenced by the actions of other people's decision. Human beings trust other people's instincts rather than trusting their own instincts and hence the herding behavior.

Mood, another behavioral factor has significantly influenced the investment decision of an investor. A person tends to invest more when he is in a good mood and likely to be optimistic about his return where as a person in a bad mood tends to take hasty decisions. Demographic factors such as age, education and income has significantly influenced the investment decision. Gender of the respondent did not influence the investment decision as women have also been active in the stock market and there is no gender disparity between the respondents. Age of the respondent influenced because people with higher age brackets have more experience in understanding the market and the way the stocks perform. Education level of the consumer is also linked with the knowledge of trading and as they become more confident, their investment range differs. Hence, people with higher education invest more in the stock market. Income level of the respondent is also influencing the investment decision as people with higher income invest more in the stock market and are more aggressive risk takers. While, people with lesser income are more risk averse. Gender of the respondent does not influence the investment decision as the study reveals that the composition of gender is closely similar.

12. Limitations

The present study though fulfils the objectives of the study there are certain limitations to the study. Following are the various limitations of the study

1. The study only focuses on individual investors and further studies can be conducted to analyze the impact on various types of investors
2. The study only focuses on certain factors and further studies can be conducted carrying other variables
3. The study can also be improved by increasing the sample size to study the pattern of investing and the corresponding effect of these variables on the investment decision.

13. Conclusion

The study was primarily conducted to understand the role of certain factors that influence an individual investor's investment decision. The study reveals that there were many factors that impacted the investment decision. The role of behavioral factors on the individual investors investment decision is very vital today in the Indian Stock Market. In a dynamic environment such as the stock market, an investor's decision can be influenced by various factors, which may result in various investment ranges by the investor. The Previous investigations, which were attempted, did not look at the consolidated impact of the Behavioral, Demographic and investment factors on speculators venture choice, therefore the present examination focuses on the previously mentioned variables to be inquired about and broke down to fill the exploration gap. The investigation additionally helps different individual financial specialists in surveying their portfolio

dependent on different social variables, statistic components and venture factors. The present investigation will assist different financial specialists with analyzing the effect of these components on their stock returns. There is a noteworthy effect of behavioral factors on the venture choice of a financial specialist, which incorporates overconfidence, herding and emotion. As per the essential review, overconfidence is ended up being imperative and it significantly affects the financial specialist investment choices. Herding has essentially affected the choice as indicated by the study. A person's choice is impacted by the activities of other individuals' choice. Individuals trust other individuals' senses as opposed to confiding in their very own impulses and thus the crowding conduct. Mood, another behavioral factor has altogether affected the speculation choice of a financial specialist. An individual will in general put more when he is in a decent mind-set and prone to be idealistic about his arrival where as an individual in an awful state of mind will in general take hurried choices. Demographic factors, for example, age, education and salary has altogether affected the investment choice. Gender of the respondent did not affect the investment choice. Age of the respondent affected because individuals with higher age sections have more involvement in understanding the market and the manner in which the stocks perform. Individuals with advanced education put more in the securities exchange. Salary dimension of the respondent is additionally affecting the venture choice as individuals with higher pay out more in the securities exchange and are progressively risk-taking individuals and individuals with lesser pay are more risk disinclined.

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