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INVESTORS' PERCEPTION TOWARDS INVESTING IN EQUITY MARKET

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ABSTRACT

Behavioral finance is the study of psychological impact on financial markets and investors. Behavioral finance biases frequently lead to irrational or negative investing decisions. Cognitive psychology and arbitrage constraints are the two cornerstones of behavioral finance. This research is conducted to know the investors perception towards investing in equity market. This research is conducted to know about different types of investments. This research's sample size is 100 which consist of male and female investors of different age groups. This research consists of both Primary data and Secondary data. The aim of this studyis to know investments of investors and which factors motivates the investors to invest in equity market. SPSS and Chi- Square test were used to test the objectives of the study. We found that there is no difference between male and female investors satisfaction level while investing in equity market. We also found that most of the investors invest because of high returns and liquidity.

Keywords: Behavioural Finance, Investments, Perception of Investors & Active Investors.

Introduction to Behavioral Finance

Behavioral finance termed as behavioral economics, used to research and establishes things with which the vast majority of us would agree: Humansare not always logical, and so their judgments are incorrect. But behavioral finance goes much farther by investigating how difficult it may be to abandon these notions, even when one understands the difficulties at stake. The area emerged in part in reaction to the EMH, a prominent idea that asserts that the capital market operates in a logical and predictable manner. Typically, trade at company's fair value and these values represent all relevant information that is accessible to everyone. In other words, you cannot beat the market since whatever information you possess has already been represented in market pricing or will be reflected shortly.

Beginning in the 1980s, its pioneers, who included the psychologists Daniel Kahneman and Amos Tversky and the economist Robert J. Shiller, drew attention by undertaking a series of artistic experiments demonstrating participants' irrational judgments. Even after being informed why their decisions were suboptimal, individuals would occasionally continue to make them.

Researchers in behavioral finance immediately discovered that investors typically acted irrationally with inefficiencies owing to investors' incorrect pricing and risk perceptions. As Shiller argued in a seminal study, "we must disassociate ourselves from the assumption that financial markets always function smoothly and price fluctuations always represent accurate information."

Behavioral finance delves into the examination of how psychological factors influence financial markets and the decisions made by investors. These behavioral finance biases often result in irrational or detrimental investment choices. Gaining insight into these biases in financial behavior could assist individuals in making more prudent financial decisions.

Cognitive psychology (how people think) and arbitrage constraints are the two cornerstones of behavioural finance (when markets will be inefficient)

Typically, behavioral finance is comprised of the following five concepts:

- Mental accounting refers to a person's predisposition to allocate funds for reasons.
- Herd behavior posits that people tend to mimic the financial actions of the majority in a group. Herding is notorious within the stock market, often responsible for significant market upswings and downturns.
- The emotional gap signifies decision-making driven by strong emotions or emotional pressures, such as anxiety, anger, fear, or excitement. Emotions often play a significant role in causing individuals to make less rational choices.
- Anchoring pertains to the habit of linking a specific spending amount to a particular reference point. This can manifest as adhering to a set budget or justifying expenses based on various satisfaction levels.
- Self-attribution: Self-attribution refers to the tendency to make decisions based on an individual's overconfidence in his or her own knowledge or expertise. Typically, self-attribution arises from innate talent in a certain field. In this category, individuals tend to rate their knowledge as superior to that of others, even if it falls short objectively.

2. REVIEW OF LITERATURE

- RUCHI SINGH, ANJU JAIN (2021)1 "Influence of Behavioral Biases on Investment Goals and Anticipated Rate of Return: A Female Investor Analysis" - This research aimed to examine the investment patterns of employed women and the influence of behavioral biases on their decision-making. The findings strongly suggest that behavioral biases indeed play a significant role. Nevertheless, it was observed that the impact of the loss aversion bias on investment duration and the expected rate of return was deemed inconsequential.

- ASHUTOSH YADAV (2021)2 "Can Personality Traits Forecast Prudence in Investment Choices? - The Rise of Behavioral Finance in Modern Markets" - Behavioral finance has gained substantial prominence in recent times, particularly in the context of stock markets. This study underscores the significance of considering one's personality in the realm of investment decision-making, offering profound implications. As the results indicate, personality emerges as a pivotal factor substantially influencing behavioral biases and, consequently, the process of making investment decisions. For instance, extroverted investors tend to be sociable, engage in social events, and exhibit high levels of activity and friendliness.
- MAQSOOD AHMAD AND SYED ZULFIQAR ALI SHAH (2020)3 "The Influence of Overconfidence Heuristic on Investment Decision-Making and Performance: The Role of Risk Perception and Financial Literacy as Mediators and Moderators" - Our research revealed that risk perception acts as a full mediator in the associations between the overconfidence heuristic and both investment decision-making and investment performance. This study adds valuable knowledge to the established field of behavioral finance, shedding additional light on the intricate connections among overconfidence, investment choices, investment outcomes, risk perception, and financial literacy.
- ANJALI, AKSHAT (2020)4 Impact of behavioral finance on equity selection by retail investors- An analytical study of Varanasi and Pray raj. An analysis is conducted of the retail investor's behavior pattern when it comes to equity investing and how the various perceptions and demographic factors influence the financial decisions. Especially when it comes to financial investment awareness our country is full of educational inequalities. So, to overcome that drawback, this study is done.
- THEODORE SYRIOPOULOS AND GEORGE BAKOS (2019)5 Investor herding behaviour in globally listed shipping stocks- This study has undertaken an empirical investigation to contribute a range of innovative insights and updated evidence on potential herding behavior in global shipping stock returns, considering that shipping is an international business of high value added to world economic growth, albeit of intense risk, volatility and high sensitivity to external shocks and crises. Testing deviations from the average stock return of the entire stock market could then indicate herd behavior. As a result, the empirical findings in shipping may not be isolated from their corresponding market dynamics.
- MANIKA SHARMA & MOHAMMAD FIROZ (2019)6 Do Investors' exhibit cognitive biases: Evidence from Indian equity market- The stock market of India has been through turbulent periods over the past decade. It has undergone a strident downfall during the period from 2008 to 2010, trailed by continuous fluctuations in the succeeding years, till 2015. Results confirmed the research hypothesis that behavioral biases have a significant relationship with rational decision-making processes. Results inveterate that only herding bias has significant relationship with demand identification. It indicates that there is no direct connection of herding with information search and evaluating alternatives.

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- BODA, JHANSI RANI (2018)7 Investor's psychology in investment decision making: A behavioral finance approach. This study observed that the State of mind and way of thinking of investors cannot ignore for forecasting market movements. It would be easier to convert the psychological biases into financial benefits through identifying Investor's investment behavior.
- DR. RENU ISIDORE. R, DR. P. CHRISTIE (2018)8 Does Gender Influence investor behaviour in the secondary equity market? This study examined if the female investors are more/less prone to behavioral biases when compared to the male investors the female investors are found to be more prone to biases when compared to the male investors with respect to all the six biases where the differences are significant. Hence female investors need to be more cautious while making investment decisions in the stock market.
- MR. NIRANJAN PHUYAL (2018)9 A study of Disposition Effect, Overconfidence Bias, and Herding Behavior in Nepalese investors- In the case of Nepal, there are a lot of investors who invest money in the secondary market without any kind of fundamental or technical analysis. A lot of Nepalese investors engage in herding behavior. Due to the existence of herding behavior in many Nepali investors, there is an imbalance in the capital market of Nepal. A lot of people enter the stock market after getting influenced by others or when they have nothing else to do and they are usually less confident about the stocks they buy, and they are also less confident about future movements of stocks.
- RAJDEEP KUMAR RAUT, ROHIT KUMAR (2018)10 Investment Decision- making process between different groups of investors: A study on Indian stock market- It has been observed globally that the influence of behavioral biases is widely experienced in the decision of financial market participants which leads to an inefficiency of stock markets and increases the fragility of the financial system.

3. RESEARCH METHODOLOGY

3.1 NEED FOR THE STUDY:

The study titled "Investors Perception towards Investing in the Equity Market" will aid in determining which characteristics are most significant when picking sectors and companies within sectors. The study will aid in understanding how investors trade on the equities market. The research will assist in determining what characteristics attract investors to invest in the stock market and to understand why individuals do not invest in alternative financial possibilities.

3.2 OBJECTIVES OF THE STUDY:

- To determine the most popular investment choice on the Equity Market.
- To know what motivates investors to invest in the equity market.
- To understand the various sorts of investments made by investors.
- To determine the people's time horizon for investing in the Equity Market and their expected rate of return.

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3.3 HYPOTHESIS OF THE STUDY:

- Null Hypothesis: H0: There are no variations between male and female investors' satisfaction with the industry.
- Alternative Hypothesis: H1: There are disparities in the degree of investor satisfaction between men and women.
- Null Hypothesis H0: There is no difference between male and female perspectives on the financial impact aspect of an organization.
- Alternative Hypothesis H1: There is a difference between male and female perspectives on the financial impact component of an organization.

3.4 RESEARCH TOOLS:

SPSS and the Chi-Square test are used to determine the data. The output is shown viabar graphs and pie charts.

TEST Static

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

O = the frequencies observed

E = the frequencies expected

$\sum$ ***= the 'sum of'***

3.5 SCOPE OF THE STUDY:

- The scope of this study encompasses a comprehensive examination of investors' perceptions regarding investing in the equity market. This research will investigate various aspects of investors' attitudes, beliefs, and behaviors related to equity investments. The study aims to provide valuable insights into the factors influencing investor decisions and their overall perception of the equity market.

3.6 RESEARCH DESIGN:

The Research Design determines the information source and data collectiontechniques. A questionnaire and other data collecting forms are evaluated.

The project design is roughly divided into three groups. They are the

- Exploratory Research
- Descriptive Research
- Causal Research

Descriptive Study:

In this report, Descriptive Study Design is used to conduct a survey on "Investors'attitudes on equity market investment."

Method for Collecting Data:

Following is the source of data collecting method:

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- Primary Data
- Secondary Data

Primary Data refers to information gathered directly through firsthand experience. involves data gathered for the first time for any study by any individual. There are several techniques for collecting primary data, with the most common being: -

- Questionnaire Method
- Interview Technique
- Focus Group Technique
- Observation Technique

The Questionnaire Method is utilized to acquire Primary Data. Secondary Data:
Secondary Data refers to data acquired by any individual for a certain study purpose and afterwards used by others for a different reason.
Secondary Data for the study are gathered from websites, books, and periodicals.

Sample size: The study's sample size is 100. The sample size includes both male and female investors of all ages.

3.7 LIMITATIONS OF THE STUDY:

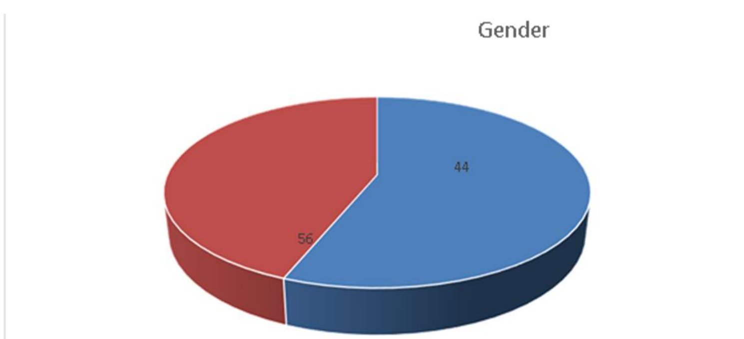
- Due to time and expense restrictions, the sample size selected is quite small in relation to the population.
- The sample size comprises only Hyderabad Investors.
- As covid19 crises are high, the data acquired through the questionnaire is collected online.

DATA ANALYSIS & INTERPRETATION:

Gender wise:

Variable	No of Respondents	Percent
Male	56	56%
Female	44	44%
Total	100	100%

Fig No: 4.1



Age wise:

Variable	No of Respondents	Percentage
Before 20 years	0	0%
21-30 years	3	3%
31-40 years	72	72%
41-50 years	19	19%
51-60 years	5	5%
60 & above	1	1%
Total	100	100%

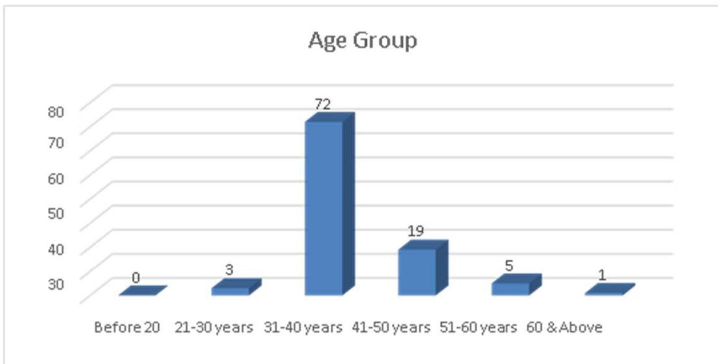


Fig No: 4.2

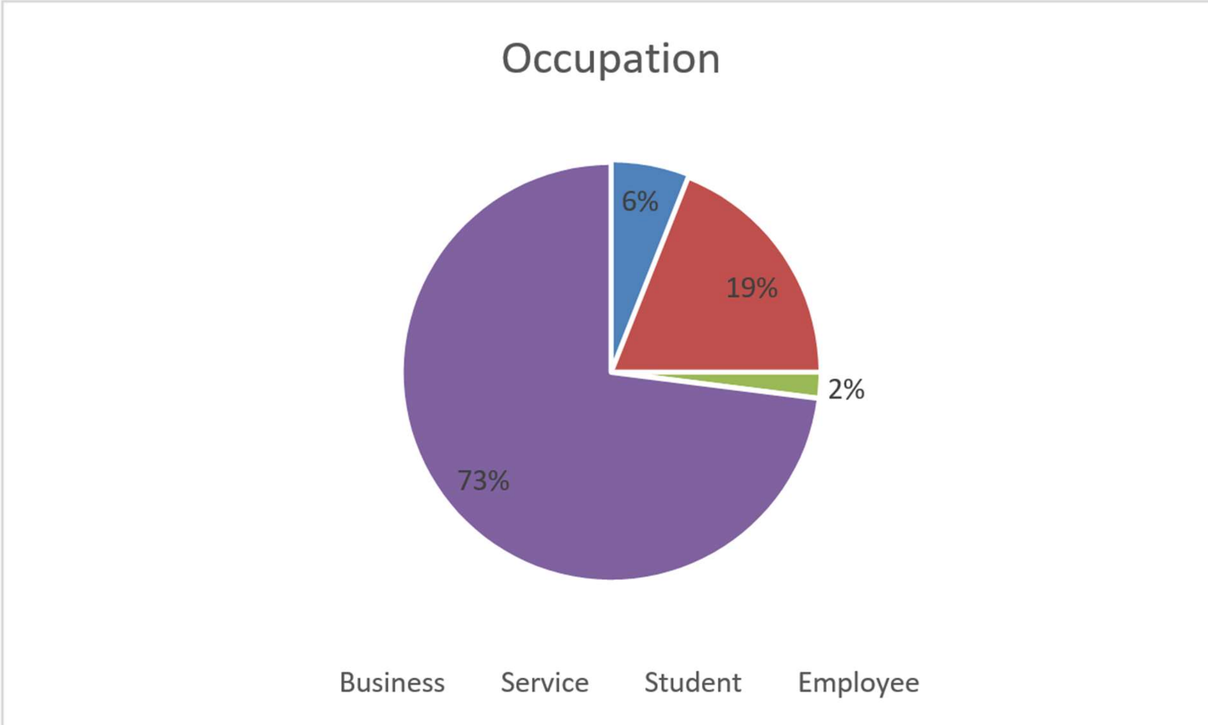
INTERPRETATION:

- The above table reveals that 72% of respondents are with an age group of 31-40 years, 19% of respondents are 41-50 years, 5% of respondents are 51-60 years, 3% of respondents are 21-30 years, only 1% of respondents are 60 & above age and no responses received from below 20 years.

Occupation

Fig No: 4.3

Occupation	No of Respondents	Percentage
Business	6	19%
Service	19	19%
Student	2	2%
Employee	73	73%
Total	100	100%



INTERPRETATION:

- From the above table we can understand that 73% of respondents who invest in equity are employees, 19% of respondents are service sector people, 6% of respondents are businesspersons and 2% respondents are students.

Yearly income of the respondents

Table No: 4.4

Variable	No of Respondents	Percentage
Less than `100000	19	19%
`100000-`200000	5	5%
`200000-`300000	11	11%
`300000-`400000	11	11%
`400000-`500000	28	28%
Above `500000	26	26%
Total	100	100%

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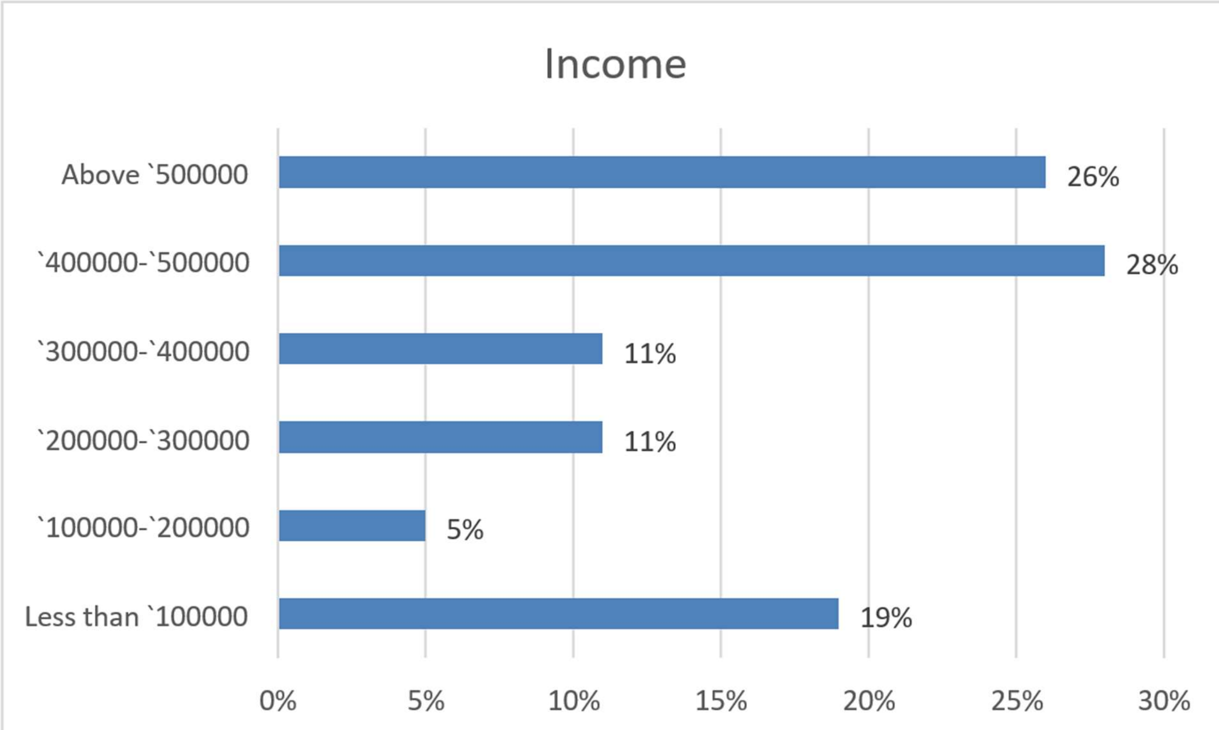

Fig No: 4.4

INTERPRETATION:

- We can interpret from the above table, 28% of respondents are with income of 4,00,000 – 5,00,000, 26% of respondents are above 5,00,000 income people, 19% of respondents are less than 1,00,000 income people, 22% of respondents are with income level of 2,00,000 – 4,00,000.

CHI SQUARE TEST:

Investors' Gender and Degree of Satisfaction with the Industry

- Null Hypothesis: H0: There is no difference between male and female satisfaction levels of investors towards sector.
- Alternative Hypothesis: H1: There is difference between male and female satisfaction levels of investors towards sector.
- Percentage of Influence: 5%
- Percentage of discretion: (r-1) It's (2-1) *(5-1) = 1*4=4
- There is a Chi-Square value of 9.488. Test Static:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

O = the frequencies observed

E = the frequencies expected

$\sum$ ***= the 'sum of'***

Table No: 4.16.1

Gender / Sector	Oil and Gas Sector	Banking Sector	IT Sector	Infrastructure Sector	Automobile Sector	Total
Male	18	17	10	8	3	56
Female	12	7	16	4	5	44
Total	30	24	26	12	8	100

Expected Value = (Row total X Column total) / Grand total

E (18) = (56 X 30) / 100 = 16.8 = 17

O	E	O-E	(O-E)2	(O-E)2/E
18	16.8	1.2	1.44	0.085714
17	13.44	3.56	12.6736	0.942976
10	14.56	-4.56	20.7936	1.428132
8	6.72	1.28	1.6384	0.24381
3	4.48	-1.48	2.1904	0.488929
12	13.2	-1.2	1.44	0.109091
7	10.56	-3.56	12.6736	1.200152
16	11.44	4.56	20.7936	1.817622
4	5.28	-1.28	1.6384	0.310303
5	3.52	1.48	2.1904	0.622273
		Chi Square Total		7.249001

Conclusion: Chi Square calculated < Chi Square Table7.249 < 9.488

H_0 is accepted.

- Therefore, we can conclude that there is no difference between male and female satisfaction levels towards various investment sectors.

Dividend:

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- Overall, 46 investors ranked dividend as the third-most important component in their decision- making process, compared to the third-most important aspect in their decision-making process for all other variables.

Market Capitalization:

- Here, 50 investors have picked market capitalization as fourth rank in comparison with fourth rank of all sectors, with nine investors ranking it first, sixteen investors ranking it second, ten investors ranking it third, and then a further ten investors ranking it fourth.

Broker's Advice

- Overwhelmingly, 44 of our investors regard our broker's advice as the fifth-best option out of all the ones they considered.

Performance of Company

- Overall, 62 investors ranked performance of firm sixth out of all sectors, with 35 investors pleased, 23 investors happy, 8 investors in neutral, 14 investors unsatisfied, and 20 investors entirely dissatisfied with this sector.

CHI SQUARE TEST:

- Gender * organizational financial Influencing factor
- Null Hypothesis H0: There is no difference between male and female view towards organizational financial influence factor.
- Alternative Hypothesis H1: There is difference between male and female view towards organizational financial influence factor.
- Level of Significance: at 5% level

Degree of Freedom: (r-1) * (c-1) = (2-1) * (6-1) = 1 * 5
= 5Chi-Square Table Value = 11.07

Test Static:

Table No: 4.17.1

Gender / Sector	Earnings Per Share	Dividend	Broker Advice	Market Capitalization	Performance of Company	P/E Ratio	Total
Male	13	9	4	12	14	4	56
Female	8	10	3	9	12	2	44
Total	21	19	7	21	26	6	100

Expected Value = (Row total X Column total) / Grand totalE (18) = (56 X 30) / 100 = 16.8 = 17

O	E	O-E	(O-E)2	(O-E)2/E
13	11.76	1.24	1.5376	0.130748
9	10.64	-1.64	2.6896	0.252782
4	3.92	0.08	0.0064	0.001633
12	11.76	0.24	0.0576	0.004898
14	14.56	-0.56	0.3136	0.021538
4	3.36	0.64	0.4096	0.121905
8	9.24	-1.24	1.5376	0.166407
10	8.36	1.64	2.6896	0.321722
3	3.08	-0.08	0.0064	0.002078
9	9.24	-0.24	0.0576	0.006234
12	11.44	0.56	0.3136	0.027413
2	2.64	-0.64	0.4096	0.155152
		Chi Square Cal Value		1.212509

- Chi Square Calculated value < Chi Square Table Value 1.2125 < 11.07
- H0 accepted. Therefore, we conclude that the views of female and male towards financial factors of organization are same.

FINDINGSOF THE STUDY

- Assuming a sample size of 100, 56% of respondents participate in the equity market, compared to 44% of investors who do not.
- 73% of stock market investors are driven by return, 30% by liquidity, and some investors also consider capital appreciation and safety while investing in the market in diverse industries.

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- An estimated 45% of investors are ready or willing to put 5-10% of their earnings into equity investments. As a result, many investors are willing to spend a significant amount of their income on the equities market.
- The fact that so few investors are interested in hedging trade suggests that they take safety into account when making an investment decision. Speculators account for 30% of stock market investors, who are ready to take on more risk in exchange for the possibility of greater reward.
- In the equities market, 28% of investors make short-term investments lasting between one and three months, and the same percentage of investors make long-term investments lasting more than a year.
- For investors, Market Trend (36%) and Profitability (28%) are the two most essential factors in choosing a Sector. While selecting a sector, there are additional elements to consider, such as government policy, industry policy, and the economy's current state.

SUGGESTIONS

Investors should take note of this.

- Long-term investments should be preferred by investors since they provide a reasonable rate of return together with some degree of liquidity. Fixed deposits, government securities, bonds, mutual funds, and insurance policies, to name a few, should be included in an investor's portfolio along with the more volatile stock market investments.
- Investors should buy stock at a discount and then sell it at a greater price when the price is lower. PE ratio, EPS, current growth of the firm, and market capitalization should all be factors investors consider when making their investment decision. Higher returns on investment are possible because of this.

In the Interest of Business

- Since 75% of investors are in the stock market, the other 25% needs to be given greater attention.
- People who don't want to put their money into equities because of the risk should be encouraged to invest in alternative securities like mutual funds, bonds, and insurance instead. Because the stock market carries risk and the younger generation enjoys taking risks, companies should target students as well.

CONCLUSION OF THE STUDY

- According to a poll, most investors in the equities market do so mainly because of the high returns they may expect, and they do so by investing a large amount of their income in the equity market to mitigate risk. When it comes to equities trading, most individuals here only invest for one to three months before selling. In the equities market, long-term investors, those who put money in for more than a year, are often better off. A large majority of investors are encouraged to participate in the stock market by the media, and

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they have high expectations for the equity market as a result of this advice. Investing in Oil and Gas is preferred by the majority of investors because of the sector's strong performance in terms of price-to-earnings ratio, earnings per share, and dividends, all of which are taken into account when making investment decisions. As a result, even while most investors are happy with the stock market, there are a small number that aren't.

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