

A Multifactorial Examination Of Stock Market Attitudes Of Investors

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Abstract

This study investigates the pivotal role of economic conditions in influencing investment decision-making across various avenues, such as stocks, bonds, and real estate. The primary objective is to identify significant predictors affecting investment decisions, particularly concerning awareness about the stock market. The research employs a survey methodology, targeting a sample of 380 active investors from the Visakhapatnam district. Data collection involves a self-developed questionnaire featuring 30 items comprehensively covering General, Company, Political and Economic, Financial, Marketing, and psychological factors. An additional questionnaire focusing on awareness incorporates 20 items rated on a Likert scale with three points.

The collected data undergoes rigorous regression analysis to identify and analyze significant predictors influencing investment decisions. The results reveal that General Factors, Company Factors, Political and Economic Factors, Financial Factors, and Marketing Factors significantly predict stock market awareness. Notably, psychological factors play a comparatively less prominent role in this context. These findings provide valuable insights for enhancing understanding and education regarding stock

market dynamics. The study contributes to the ongoing discourse on financial literacy and investor awareness, offering practical implications for stakeholders, policymakers, and educators in investment decision-making.

Keyterms: economic, stock market, General, Company, Political and Economic, Financial, Marketing, and psychological factors.

Introduction

The stock market in India plays a pivotal role in the nation's economic landscape, serving as a critical barometer of financial health and economic activity. India's primary stock exchanges, including the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), serve as platforms where companies list their shares for public trading. The stock market facilitates capital formation by allowing companies to raise funds for expansion and development projects. Both domestic and international investors participate in the market to buy and sell shares, contributing to the overall liquidity and efficiency of the financial system.

Moreover, the Indian stock market serves as a crucial avenue for individuals' wealth creation and investment growth. It offers diverse investment opportunities, ranging from blue-chip stocks of well-established companies to emerging sectors and startups. As the market responds to global economic trends, domestic policies, and industry developments, it reflects the broader economic sentiment and influences investor confidence. The performance of key stock market indices, such as the Sensex and Nifty, is closely monitored as an indicator of economic health. While the stock market provides avenues for wealth generation, it has risks. Investors navigate the market with an understanding of market dynamics, economic indicators, and regulatory changes to make informed investment decisions in this dynamic and ever-evolving financial ecosystem.

By 2030, a substantial shift in global investment dynamics is anticipated, with more than two-thirds of the total global investment and half of the accumulated capital stock concentrated in developing countries. It represents a significant departure from recent historical trends. Developing countries collectively allocate slightly over 30% of their GDP

towards investment, a rate nearly twice that of high-income countries, currently standing at approximately 17%. The elevated investment rates and the increasing share of developing nations in global GDP are expected to propel their contribution to global investment to two-thirds before 2030 (Anju & Anuradha, 2015). However, realizing this outcome is contingent on two essential conditions. Firstly, productivity growth and sectorial shifts must generate sufficient investment opportunities. Secondly, domestic and international investors must demonstrate willingness to finance these investments, channelling two-thirds of global savings towards developing countries.

In this context, the field of behavioural finance emerges as a crucial factor. It integrates insights from behavioural and cognitive psychology with financial decision-making processes. The financial services sector has diversified, offering investors various investment opportunities. Investors exhibit diverse perspectives when deciding on specific avenues for investment. Through effective investment strategies and financial planning, investors can augment personal wealth, contributing to heightened economic growth. Economic growth is a paramount factor influencing the quality of life in a country. Three key variables measuring economic growth are income, savings, and investment. Savings become meaningful when invested in productive assets or capital goods, thereby enhancing national productivity per capita income and ultimately elevating the living standards of investors.

Individual savings and investments are pivotal for financial well-being and broader economic growth. The present study seeks to comprehensively review published empirical research studies globally to identify the variables influencing an investor's decision to save and invest.

Conceptual Framework

The state of the economy stands out as a pivotal factor influencing investment decision-making. Economic conditions profoundly impact the performance of various investment avenues, including stocks, bonds, and real estate. For instance, stock prices commonly experience an upward trend in periods of economic expansion. This phenomenon is attributed to companies yielding higher profits during such times, fostering investor confidence in the outlook for the future (Abdul Kareem et al., 2022). Investors with a well-rounded understanding of the market are better equipped to navigate

risks effectively, as this knowledge empowers them to minimize uncertainties when engaging in stock market investments. Given the swift evolution of financial markets and their products, seeking professional advice has become increasingly essential for making sound financial decisions and ensuring the precision of desired information. Rational decision-making, especially for institutional investors, involves a comprehensive evaluation of both operational and financial facets and the growth prospects of stocks (**Samina et al., 2018**). According to behavioural finance principles, scholars propose that an interplay of distinct psychological factors shapes the investment choices made by individual investors in practical scenarios. Notable among these factors are overconfidence, representativeness, and herding behaviour (**Mak & Ip, 2017**). Indeed, thoroughly examining investors' portfolio practices, preferences, risk perceptions, intentions, investment patterns, awareness levels, the factors influencing their investment behaviour, and the challenges they encounter is essential for comprehending their saving and investment behaviour (**Anju & Anuradha, 2015**). Investors consider various factors, including returns and flexibility, before making investment decisions. However, accurately gauging the sentiments and preferences of investors remains a challenge for the markets (**Umamaheswari S. et al., 2012**).

Literature review:

Christopher Louis (2021) observed that the evolution in the financial landscape led to enhanced transparency in transactions, improved market infrastructure, and streamlined operational efficiency, ensuring swift settlement of transactions. The study delved into investors' attitudes across various dimensions, including awareness, factors influencing investment decisions, intention to invest, and satisfaction. A significant proportion of investors clearly understood the risk associated with equity investments. Monthly income and awareness emerged as influential factors shaping the intention to invest. Notably, investors predominantly favoured company-related factors when considering investment options. However, satisfaction with market conditions was reported to be relatively low.

Similarly, **Ramki Saroja Devi (2021)** found that the changes in the financial landscape resulted in improved transparency, market infrastructure, and operational efficiency. Their study analyzed investors across dimensions

such as awareness, factors influencing investment decisions, intention to invest, and satisfaction. Investors were well-acquainted with the risk inherent in equity investments, and monthly income and awareness strongly influenced their investment intentions.

Nadeem et al. (2020) investigated the relationship between money attitudes and stock market participation, finding that risk attitudes partially mediated this connection. Financial knowledge and self-efficacy were also identified as positive moderators in the relationship between money attitudes and stock market participation. Based on a sample size of 250 respondents, the study represents an early attempt at examining investors' money attitudes and introduces financial self-efficacy as a moderating factor. The authors suggest the potential for future research to expand the sample size and explore the influence of other variables, such as personal values, on stock market participation.

Jinu Josy (2019) concluded from the study that people have a limited preference for stock market investments. The recommendation is to provide awareness classes to bolster investor confidence and encourage greater participation in the equity market.

Objective of the Study

To find out the significant predictors of factors affecting investment decision on awareness about stock market.

Hypothesis

There are no significant predictors of factors affecting investment decision on awareness about stock market.

Research methodology

The methodology employed survey research to analyse investment decisions and influencing factors, utilizing a sample of 380 active investors from the Visakhapatnam district. A self-developed questionnaire was employed for data collection, comprising 30 items encompassing General, Company, Political and Economic, Financial, Marketing, and Psychological factors. Additionally, another questionnaire about the study's awareness aspect consisted of 20 items related to investors' awareness, utilizing a Likert model with a 3-point scale. The collected data was subjected to regression analysis to identify and analyse significant predictors influencing investment decisions.

Data Analysis Hypothesis

There are no significant predictors of factors affecting investment decision on awareness about stock market.

For this purpose of the study regression analysis adopted.

Regression Statistics	
Multiple R	0.677304
R Square	0.45874
Adjusted R Square	0.450034
Standard Error	1.419925
Observations	380

ANOVA

	df	SS	MS	F	Significance F
Regression	6	637.3834	106.2306	52.68884762	0.00
Residual	373	752.0377	2.016187		
Total	379	1389.421			

	Coefficients	Standard Error	t Stat	P-value
Intercept	25.69492	2.099588	12.23808	0.000
General Factors	0.551111	0.051352	10.73201	0.000
Company Factors	0.335076	0.056127	5.969925	0.000
Political and Economic Factors	0.701782	0.084503	8.304814	0.000
Financial Factors	0.80249	0.087757	9.144457	0.000
Marketing Factors	-0.1947	0.086333	-2.25522	0.025
Psychology Factors	0.06807	0.058646	1.160702	0.247

Regression Statistics

The multiple correlation coefficient (0.677) indicates a moderate positive relationship between the independent variables (General Factors, Company Factors, Political and Economic Factors, Financial Factors, Marketing Factors, Psychology Factors) and the dependent variable (awareness about the stock market). The R Square value of 0.459 suggests that approximately 45.9% of the variability in awareness about the stock market can be explained by the independent variables in the model. The Adjusted R Square value (0.450) accounts for the number of predictors in the model, providing a slightly more conservative estimate of the explanatory power. The standard error (1.42) reflects the average distance between the observed values and the values predicted by the model. The analysis is based on a sample size of 380.

- The F-statistic (52.689) is statistically significant (p-value = 0.00), indicating that the regression model as a whole is a significant predictor of awareness about the stock market.
- Intercept: The intercept is 25.695. It is the estimated awareness of the stock market when all independent variables are zero.
- General Factors, Company Factors, Political and Economic Factors, Financial Factors: These variables have positive coefficients, indicating that an increase in these factors is associated with increased awareness about the stock market.
- Marketing Factors: The negative coefficient suggests that an increase in Marketing Factors is associated with decreased awareness about the stock market.
- Psychology Factors: The coefficient is positive but not statistically significant (p-value = 0.247), suggesting that Psychology Factors may not be a significant predictor of awareness about the stock market.

Interpretation

1. Overall Model Significance:

- The regression model, including General Factors, Company Factors, Political and Economic Factors, and Financial Factors, is statistically significant in predicting awareness about the stock market.

2. Individual Predictor Significance:

- General Factors, Company Factors, Political and

Economic Factors, and Financial Factors are significant positive predictors of awareness about the stock market.

- Marketing Factors, conversely, are a significant negative predictor of awareness.

3. Psychology Factors:

- While psychological factors show a positive trend, they do not reach statistical significance in predicting awareness about the stock market.

4. Explanation of Variability:

- The model explains approximately 45.9% of the variability in awareness about the stock market.

Based on this regression analysis, General Factors, Company Factors, Political and Economic Factors, Financial Factors, and Marketing Factors significantly contribute to predicting awareness about the stock market, with psychological factors playing a less prominent role in this context. The findings can be valuable for understanding and improving awareness and education related to stock market dynamics.

Discussion

The regression analysis underscores the importance of General Factors, Company Factors, Political and Economic Factors, and Financial Factors in influencing awareness about the stock market. However, Marketing Factors exhibit a counterintuitive negative relationship with awareness. The positive trend in psychological factors, while observed, does not reach statistical significance in this particular study. The identified predictors collectively explain a substantial portion of the variability in awareness levels among the surveyed population. According to **Abdul Kareem et al. (2022)**, there was a slight decrease in the regression coefficient value for all variables. It was observed that the signs of the coefficients for the five variables remained positive, indicating the degree of the direct impact of these variables on the investment decision-making process.

Conclusion:

This study delved into the intricate landscape of factors influencing awareness about the stock market among a sample of 380 respondents. The regression analysis revealed valuable insights into the predictors significantly shaping

individuals' awareness levels. Notably, General Factors, Company Factors, Political and Economic Factors, and Financial

Factors emerged as robust positive predictors, indicating that an increase in these aspects corresponds to an elevated stock market awareness. However, the unexpected negative relationship with Marketing Factors suggests a nuanced interplay between marketing strategies and public awareness.

While demonstrating a positive trend, Psychology Factors did not reach statistical significance, indicating that psychological aspects may not be as influential in predicting awareness in this specific context. The overall model exhibited substantial explanatory power, elucidating approximately 45.9% of the observed variability in awareness levels.

These findings have implications for stakeholders in the financial industry, policymakers, and educators aiming to enhance public awareness about the stock market. Recognizing the significance of specific factors and their differential impacts on awareness can guide targeted interventions and educational initiatives to foster a more informed investor community.

However, it is essential to acknowledge the study's limitations, such as the reliance on self-reported data and the specific context of the surveyed population. Future research could explore additional variables and incorporate a more diverse sample to enrich our understanding of the multifaceted dynamics influencing awareness about the stock market. Overall, this study contributes valuable insights to the ongoing discourse on financial literacy and investor awareness, paving the way for continued exploration and refinement in this critical area.

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