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Investor Behaviour in Stock Market

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***Abstract:** The study of investor behaviour is about understanding how people's feelings, social influences and personal biases affect investment choices. It shows how emotions can lead to impulsive decisions, follow the crowd, impacting market stability. It helps investors make smarter decisions. Instead acting purely on rational analysis, investors are always affect by biases and emotions. Investment strategies are differ from long term investors while others grad in day trading for quick profits. By studying these aspects of investor behaviour is important for everyone in the market, from individual investors to policymakers. External stands like social media, advancements, and economic policies also play critical roles in making investors in the capital market.*
***Keywords:** financial security, investment, stock market, risk tolerance.*

I. INTRODUCTION

The capital market plays a pivotal role in the economy, enabling companies to raise capital and providing investors with opportunities to grow their wealth. Stock market, a core component of capital market, are heavily influenced by investor behaviour, which varies significantly based on factors like risk appetite, market knowledge, and psychological predispositions. Traditional finance theories, such as efficient market hypothesis (EMH), suggest that markets are rational and that prices fully reflect all available information.

In today‘s globalized economy investor is influenced by various internal and external factors including macroeconomic data geopolitical events, and psychological factors. Retail and institutional investors alike face decision-making challenges as sthey navigate the complexities to risk and return. Through this analysis, we aim to provide a comprehensive view of investor behaviour in capital markets and its implications for market stability and efficiency.

II. OBJECTIVES OF STUDY

1) To study the behaviour of the investors in stock market investments.
2) To study the various factors influencing the investors on stock investment decisions.
3) To study the SWOC analysis of financial behaviour in stock market.

III. REVIEW OF LITERATURE

A review of literature on capital market investor behaviour in the stock market involves understanding various theoretical and empirical studies that address how investors make decisions, the factors influencing their behaviour, and their implications on market outcomes.

Patrick McAllister and John R. Mansfield (1998) stated that derivatives have been an expanding and controversial feature of the financial markets since the late 1980s. they are used by a wide range of manufacturers and investors to manage risk. This paper analyses the role and potential of financial derivatives investment property portfolio management. The limitations and problems of direct investment in commercial property are briefly discussed and the main principles and types of derivatives are analysed and explained. The potential of financial derivatives to mitigate many of the problems associated with direct property investment is examined.

Makbul Rahim (2001) argued in his speech that the regulatory framework must provide the right environment for the development and the growth of the market. High standards of probity and professional conduct have to be maintained and reach world class standards. Integrity is very important as well confidence. The development of a proper free flow of information and disclosure helps investors to make informed investment decision. These intermediaries have to be professional with quite advanced knowledge on stock exchange operations, techniques, law and companies valuation.

Philipp Schmitz and Martin Weber (2007) exposed that the trading behaviour is also influenced if the underlying reaches some exceptional prices.

The probability to buy calls is positively related to the holding of the underlying in the portfolio, meaning that investors tend to leverage their stock positions, while the relation between put purchases and portfolio holdings of the underlying is negative.

They also showed higher option market trading activity is positively correlated with past returns and volatility, and negatively correlated with book-to-market ratios. In addition they report that investors open and close long and short call positions if past week's return is positive and write puts as well as close bought and written put positions if the past returns are negative.

Prof. Peter McKenzie (2001) in his speech at seminar investors have a choice instead of placing their money in only one company they can pick areas of growth and move their money, buying and selling and selling and placing it where it is going to be most profitable. The individual Investors does not have to make an individual decision where to place his savings. These decisions are made by an expert fund manager, which would spread the risk by spreading the investments across different sectors of the economy.

Chris Veld and Yulia V. Veld-Merkoulova (2006) found that investors consider the original investment returns to be the most important benchmark, followed by the risk-free rate of return and the market return. Study found that investors with longer time horizon would generally be better off investing in stock compared to investors with shorter time horizon. They knew through the question on risk perceptions that investors who are more risk tolerant would benefit from relatively larger investment in stock. Their study showed the investors optimize their utility by choosing the alternative with the lowest perceived risk.

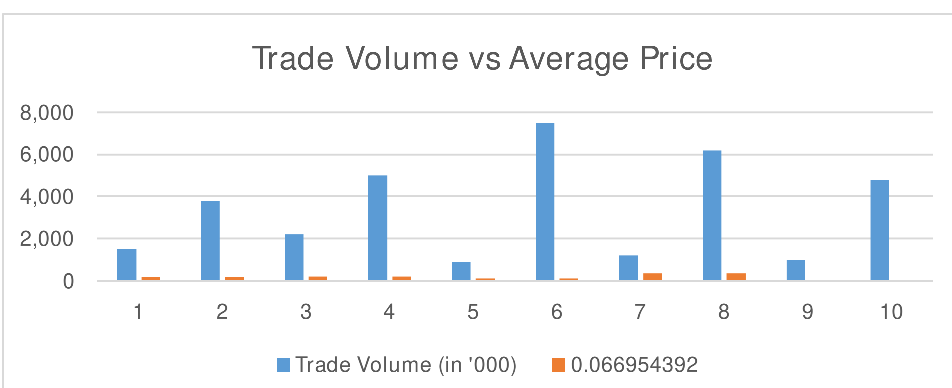
IV. RESEARCH METHODOLOGY

Researching investor behaviour in the stock market involves a systematic approach to understanding the factors influencing their decisions. The study begins with defining objectives, such as identifying key drivers of investment choices or analysing behavioural patterns like risk tolerance and herding behaviour.

V. DATA ANALYSIS & INTERPRETATION

Date	Stock Ticker	Investor Type	Trade Volume (in '000)	Avg.price	Sentiment Score	Market Event	Sector
01-11-2024	AAPL	Retail	1,500	172.45	0.75	Quarterly Earnings Beta	Technology
01-11-2024	AAPL	Institutional	3,800	172.9	0.75	Quarterly Earnings Beta	Technology
sss02-11-2024	TSLA	Retail	2,200	200.25	-0.4	Negative Media Coverage	Auto
02-11-2024	TSLA	Institutional	5,000	198.8	-0.4	Negative Media Coverage	Auto
03-11-2024	XOM	Retail	900	115.3	0.2	Rising Oil Prices	Energy
03-11-2024	XOM	Institutional	7,500	115.5	0.2	Rising Oil Prices	Energy
04-11-2024	MSFT	Retail	1,200	335	0.5	Fed Rate Announcement	Technology
04-11-2024	MSFT	Institutional	6,200	336.1	0.5	Fed Rate Announcement	Technology
05-11-2024	PFE	Retail	1,000	45.2	0.1	Vaccine Approval News	Healthcare
05-11-2024	PFE	Institutional	4,800	45.5	0.1	Vaccine Approval News	Healthcare

1) Bar chart:



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Interpretation:
Before the Analysis
From the chart, the key elements to consider are:

- Trade Volume (blue bars): Represents the number of shares traded in thousands.
- Average Price (orange bars): Possibly a consistent value plotted against trade volume.
- After the Analysis

➢ ***Investor Behaviour:***

❖ Higher trade volumes could be associated with events like earnings announcements or macroeconomic news, leading to increased activity (e.g., data points 4, 6, and 8).

➢ ***Market Movement:***

❖ The average price's uniformity might imply that price trends were stable during the period, while trading activity fluctuated.

2) Line chart:

Interpretation:
The chart shows daily trade volume from **01-11-2024 to 05-11-2024**, with significant fluctuations. The highest volume, around 8,000 units, occurred on **03-11-2024**, likely due to a major event or news, while the lowest volumes were on **02-11-2024** and **04-11-2024**, both below 1,000 units. The sharp increase on **03-11-2024**, followed by a drop on **04-11-2024**, suggests event-driven trading activity or changes in investor behaviour. This pattern highlights market volatility, with further analysis needed to explore the reasons behind these changes.
Correlation:

correl(D2:D11,E2:E11)	0.066954

Interpretation:
The correlation value is close to 0, indicating a very weak positive relationship between Trade Volume and Average Price.
This suggests that fluctuations in trade volume have little to no impact on average price in the given dataset.

VI. FINDINGS

1) Investment decision-making in the stock market is significantly influenced by emotions such as fear and greed.
2) Experienced investors frequently make more accurate, less emotionally charged choices.
3) In comparison with elder investors, who might has more conservative investment techniques, younger investors usually take on more risk.
4) The emergence of automated trading has altered the dynamics of the market, giving high-frequency traders benefits while also increasing volatility.

VII. SUGGESTIONS

To meet their investment objectives, investors always invest time in learning about basic financial principles, market mechanisms, and investment strategies related to the stock market. Within the stock portfolio, diversify across different sectors and geographic regions to deal with sector-specific or country-specific risks. Investors should stay invested through market fluctuations and avoid making impulsive decisions based on short-term market movements. Investors can improve their decision-making processes, manage risks better, and work towards achieving their financial goals in a more structured and informed manner by analysing all kinds of factors influencing their decisions.

VIII. CONCLUSION

A comprehensive strategy that incorporates financial strategies planning, diversification, psychological awareness, the efficient use of technology and expert advice is necessary for a successful stock market investment .investors can enhance their decision-making abilities, efficiently manage risk, and progress toward accomplishing their long-term financial objectives by implementing evidence-based solution. Investors is various forms of dimensions awareness, factors influencing investment decision, intention to invest and satisfactions were analysed. The investors were well-known about the equity is a risk investment.

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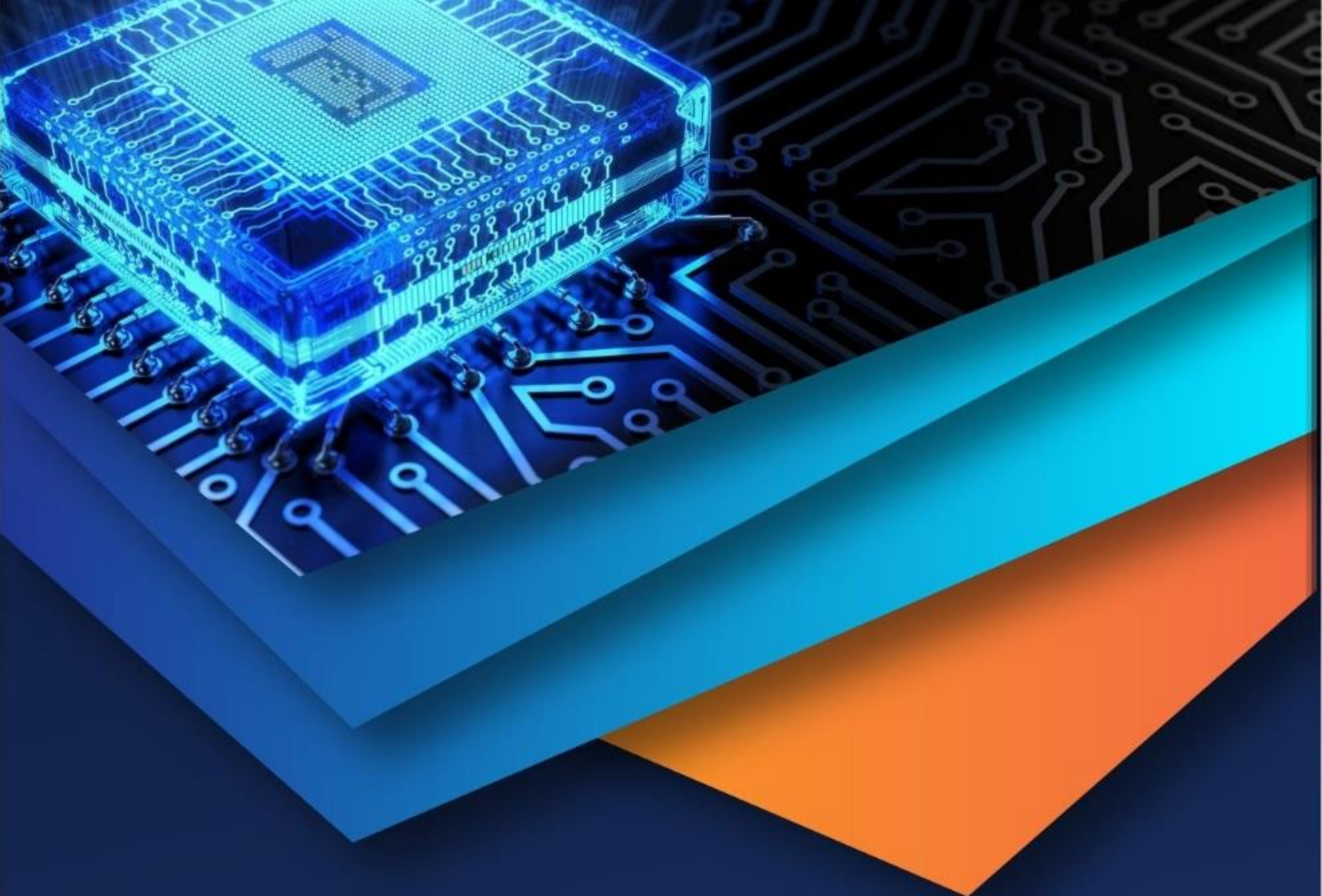

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