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# Investors Acumen In The Direction Of Stock Market

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**Abstract**

The stock market has seen rapid growth over the years hence it has become one of the major forms of investment. However, the investors find oscillations in share market values, leading to the fear of making investments. Since the share market is prone to huge risks, investors dread investing their earnings in the share market. Even though investors receive a high rate of return, inevitably, they face enormous risk factors. Various factors such as rate of interest, inflation/deflation, rate of commodities, etc. are associated with market risk. These affect the mutual funds if these names are included within the fund. The selection of investment avenues also plays a role in receiving guaranteed higher returns. This paper was set about to comprehend the various factors influencing categories of investments and the investors' decisions. Surveys were conducted to study the investor's behavioral attributes and perspective.

**Index Terms**: Investors, Personal and economic factors, Risk, Stock market

## Introduction

Investors play a vital role in the Indian stock market. Since they provide substantial shares of investments and income, the behavior of an investor cannot be ignored by the regulators of the market. This study is all about how the INVESTORS ACUMEN IN THE DIRECTION OF STOCK MARKET, i.e., to understand and to be aware of the behavior, impact on making investments, high rate of return, and market risk factors. This study concentrates more on:

- Investor's quality of decision and their point of view in investing in the stock market.
- “Maximisation of income and minimization of expenses” engaged in investment.
- Decision-making in tough times (when profit or loss is taken into consideration).
- The structured techniques adopted in investment.
- Market risks such as a fluctuation in interest rate, currency, commodity prices and geopolitical risk.
- Finally, about the risk factors of investment(returns).

## Literature Review

1. On examining the impact behavioural dimension of investors in the capital market, Shanmnga Sundaram V (2011) found that psychological and behavioural factors influence investor decisions. This is because of the fear of losing money, fall in stock indices, absence of good decision-making capacity.

2. It is being a general phenomenon that pattern of investment mainly considers the age, magnitude of knowledge, and source of income. While investing, an investor perceives how much he or she earns from a particular source, assesses the investment alternatives available in the stock market. Different age levels attract various and distinct requirements and responsibilities. Due to these factors, the levels of investment are different according to the age of the investor.

Additionally, the readiness of income and investment alternatives play a crucial role in determining the behaviour of investors towards the investment.

3. Investors have great opportunities for earning and capital appreciation in markets of developing countries like India. Although for brokers and investors the factors like guidance, trust, and regulations should steadily exist in the capital markets. Currently, the brokers are open to technological developments and globalization opportunities like online trading, capital market information, etc. therefore the brokers can put the best use of these tools and techniques to uncover the opportunities and fight competitively over the hindrances. Furthermore, the brokers have to be in constant interactions with the clients to engage and bring in more investors to the capital markets.

4. According to a study conducted by Metikas et al (2003), it has been found that the decisions on the purchase of stocks by individuals are based on the fluctuation in the price index, price value movements of stocks, and economic indicators. Also, long-term investing is relatively stable and offers more benefits to investors.

**Objectives**

The main objectives of this research are to understand how the internal and external factors impact the behaviour and attitude of the investors, to analyse the relationship between personality traits and stock market participation.

**Data Analysis And Interpretation**

Fig 1: Chi-square test

| Personal and Economic Factors | Investment Decision of | |
|---|---|---|
| | Chi square | Sig. |
| Occupation | 78 | 0.384 |
| Educational Qualification | 130 | 0.362 |
| Gender | 26 | 0.408 |
| Age | 156 | 0.352 |
| *Significant at 5 Percent level | | |
| **Significant at 1 Percent level | | |

Fig 1 shows that all chi-square values are above 0.05 which implies that investment in the share market is not determined by the demographic factors.

Fig 2: Percentage table

| Occupation: What is the factor that influences your investment in share market | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | What is the factor that influences your investment in share market | | | | | | |
| | | Time Horizon | Increase in Capital | Real Returns | Convenience & Features | Tax | Investment Risk | Total |
| Occupation | Home maker | 3 | 3 | 2 | 1 | 2 | 1 | 12 |
| | Professional worker | 1 | 2 | 3 | 4 | 3 | 2 | 15 |
| | Employeed | 8 | 4 | 5 | 3 | 4 | 2 | 26 |
| | Retired worker | 5 | 2 | 3 | 4 | 2 | 1 | 17 |
| | Entrepreneur | 2 | 4 | 9 | 6 | 2 | 7 | 30 |
| Total | | 19 | 15 | 22 | 18 | 13 | 13 | 100 |

**Testing Of Hypothesis**

$H_0$: There is no relationship between the demographic factors and the decision of the investors.

$H_1$: There is a relationship between the demographic factors and the decision of the investors.

All sources that provide awareness for the investor regarding the stock market such as self (own decision), experts, friends, neighbours, relatives, advertisements, etc. were checked against the demographic factors such as age, gender, occupation, educational qualification, and income. From the above chi-square analysis, it is clear that all the p values are greater than 0.05. And hence, there exists no relationship between the demographic variables and the source of awareness about the stock market. This indicates that it is insignificant. Therefore, $H_0$ is accepted and $H_1$ is rejected.

**Suggestions**

**1.Look for companies, not stocks:**

When investing in stocks, it is easy to be overthrown with a lot of information about stocks. We must pick stocks from good companies rather than stocks from random companies that are shown to have a high value.

**2. Avoiding risk and high returns takes time:**

It is highly unlikely to master the ongoings of the stock market in a very short period. The chances of facing risk are high when you have just started investing in stocks. On the other hand, when you've been in the stock market for a long period, you will understand the dealings and risk involved with various stocks and make the right choices over time. Successful investors buy stocks because they expect to be rewarded over years or even decades.

**3. Do not act on emotions:**

Do not make decisions based on your emotions. people often lose their money when they act on greed or panic and sell shares at low cost.

**Conclusion**

It is important to have thorough knowledge about the stock market to understand the perception of the investor and the biases that affect those perceptions. Returns are never guaranteed in a stock market. Investing in small companies or any start-ups increases the risk of low or no returns. On the other hand, the chances of getting good returns are high when you invest in well-established companies with stable returns. Although the risks that come along with investing in stock are high, we still find that investors prefer to invest in stocks rather than in combined or outgoing investments. Data shows that stocks have constantly given back an average rate of 10% annually since 1926. This is comparatively a fine return when compared with other investments and better than the average annualized inflation rate of around 6.2% in 2020. Most investors believe that returns are the most crucial factor influencing their decision about various stocks. Stocks are considered to add immense value to your investment portfolio. The main benefit of having stocks from different companies in your possession is that it can protect your money from inflation and taxes and can build your savings. Stocks also ensure liquidity. The stock market allows the investor to sell their stock any time allowing them to get instant cash in times of dire need. Also, in light of the technical development, it has become very easy to trade, buy and sell in the stock market in the comforts of our homes. Thus, we can conclude that despite all the risks involved in investing in the stock market it provides many gains that draw investors towards it..

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