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Influence of Firm Image on Retail Investors Decision Making in Indian Stock Market

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Abstract:
The stock market of India is rapidly expanding stock market in the world. Stock market is key index of the country's economic growth and development. In stock market firm image is an important factor which helps the retail investors' decisions making in stock market. This study investigates the influence of firm image on retail investor decision making. Convenient and snow ball sampling techniques ware used. The current study collect the data through structured questionnaire from 927 retail investors and data analysed through correlation and regression method in SPSS. The result of study shows that firm image significantly influence the retail investor decision making in stock market. The study also indicates that there were positive relationship between firm image and investment decision making. The current study has implication for practitioner' who are active in stock markets. The present study will be helpful for financial advisors, investors and policy makers.

Keywords: Retail investors, Investment decision, Firm Image, Stock market, Decision Making.

1. Introduction

The economic development of a country is mainly contingent upon its industrial and commerce activities. Most of the researchers (Masoud, 2013; Srinivasan, 2012), propound that growth and development of a nation is related to the stock market developments. Stock market play important role in facilitating between unit with surplus fund unit and deficit fund unit to trade (Fauzi & Wahyudi, 2016). Stock market is an important source of capital for performing out industrial and commerce activities. Retail investors mostly prefer to invest in firm with minimum risks (MacNeil and Li, 2006). Investors were strongly demanded information about company's product safety and quality (Epstein and Freedman, 1994). Investors are mostly preferred to invest in those projects which provide benefit to the society and environment (Silva and Cortez, 2016). Most of the previous research studies found the importance to the reputation of the firm because retail investors believe that they can find good investment opportunities from "good" companies which have a high reputational rating (Kromidha and Li, 2019; Kishan and Alfan, 2019).

2. Literature Review and hypothesis development

2.1 Firm image (FI):

Firm image is the feelings redarding a firm's products and services, firm reputation, the perceived ethics of firm (Sachdeva, M. & Lehal, R. 2024; Williams, 2007). Companies which mostly focused on environmental and social concerns are more ethical in their responsibilities to investors (Cohen et al., 2015). Investors also prefer to invest in an organization that is socially and ethically strong (Helm, 2007). The corporate reputation is pivotal for building trust in the stock markets (Stalnacke, 2019). The past literature also found that the firm reputation is becomes important factor to reduce the risk and uncertainty (Sastry and Thompson, 2019; Vismara, 2018; Helm, 2007; Sachdeva, M. & Lehal, R. 2024).

2.2 The relationship between firm image and investment decision

Firm image is the perception of investors regarding a company's reputation, perceived quality of products and services, information disclosure, market and financial position and many other related factors (Alhussain, 2020). The environmental disclosure quality of the firm also significantly associated with earnings quality of the company (Alipour et al., 2019). Previous studies also indicate that the firm image plays a significant role in investor risk and return assessment (Sastry and Thompson, 2019). When a company has a good image, retail investors feel more confident in investment decisions making in stock (Sigalingging et al., 2024). Firm/Corporate image plays a positively significant mediating role between the influence of environmental and social practices to investor decisions (Sachdeva, & Lehal, 2024; Tran et al., 2026). Before making investment decision in stock retail investor always considered company values in long run and also evaluate company's performance in term of profits (Ardillah & Chandra, 2021)

H1. Firm Image positively influences investment decision making.

2.3 Objectives of the study

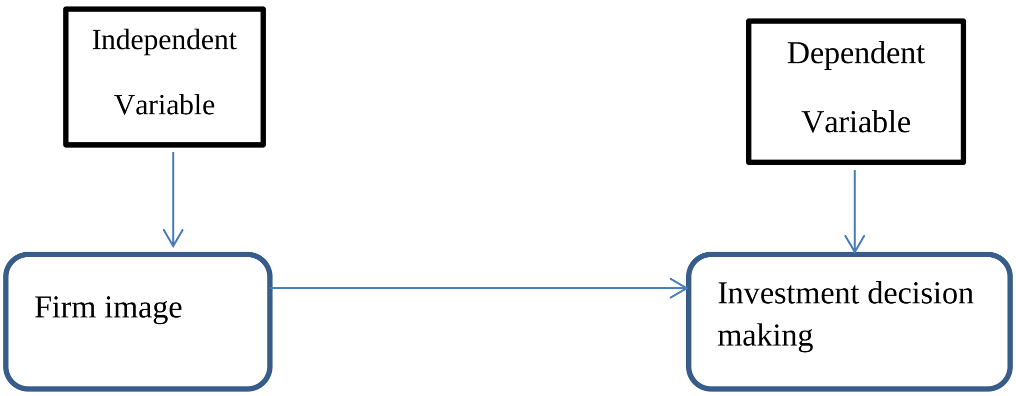
1. To examine the influence of Firm image on retail investors decision making in Indian Stock Market.

2.4 Hypothesis

From the above discussion of the literature on Firm image and investment decision making, we have proposed the following hypothesis:

H1. Firm image significantly influences the retail investors decision making in Indian Stock Market.

2.5 Research frame work



3. Research Methodology

3.1 Research Design

The methodology of the present study is deductive which is similar to previous studies. This research used cross-sectional design.

3.2 Sampling and data collection

The researcher used both convenience and snowball sampling techniques for collect the sample for the research study. To ensure the broader applicability of the finding of the study more geographical area covering six major North Indian NCR i.e. Rewari, Rohtak, Gurugram, Faridabad, Delhi and and Noida. These NCR are economically developed and show a high literacy rate. The questionnaires were sent to the respondents for survey directly or via a Google form link to collect the data. A total of 927 responses were considered for further analysis. Out of 981 questionnaires, 927 responses are filled completely and used it for further analysis.

3.3 Data Analysis Method

SPSS Software is used to analyse the data because data is cross sectional. Various tests are carried out through SPSS like Cronbach's Alpha, descriptive statistics, correlation analysis and regression method. To examine the impact of firm image on investment decision making, the applicable regression model is shown as follows:

$IDM = \alpha + \beta 1\ FI + \varepsilon$

Where, IDM = Investment Decision Making

AFI = Firm Image

α = Constant

ε = Error Term

3.4 Measurement of the variables

The questionnaire is a comprehensive instrument to collect primary data (Campbell et al., 2020). The survey instrument has three sections; the first phase is related to demographic Factors. The second phase includes items pertained to firm image. The scale of firm image was adapted from Al-Tamimi (2006). Third section includes four questions attempted to estimate the investment decision making and items adapted from Abdul Kareem et al., (2023). Questions were based on the 5-point Likert scales.

4. Data analysis and discussion

4.1 Reliability Test:

Table 1 indicate the internal consistency of all variables which measured through Cronbach's alpha value deemed to be greater than 0.7, implied that the reliability of the questionnaire was at satisfactory level (Tavakol and Dennick, 2011).

Table1: Reliability Analysis

Variables	Cronbach's alpha	No. of Items
Firm image	0.934	9
Investment Decision making	0.823	4

Source: Authors' compilation.

4.2 Descriptive statistics:

From the findings of our research on demographic distribution, we identify that around 42.6 % investors were belongs to rural area and 57.2% from urban area. While assessing the age group, 11.7 % of investors were less than 25 years, whereas 26.9% of the investors related to the age group of 25-35 years, 27.3% of investors were between 45-55 years of age groups and 15.7% were above 55 years of age groups. In terms of the education qualifications 47% investors were having a graduate, 41.3% were post graduate and 6.4 % were above post gratuate18.3%, while the rest were from school level and diploma holders 2.2% and 3.1% respectively. 7.8% of respondents self-reported their monthly income to lie in the category of less than Rs. 25000, 38.4% investors lie in the income category of Rs. 25000–Rs. 50000 per month, around 27.1% have Rs.75000- Rs.100000 per month income, 15.2% earn between Rs. 50000 - Rs.75000 per month and remaining 11.5% earned above Rs.1,00,000 per month.

4.3 Correlation analysis

The correlation method is a statistical measure that describes the relationship between the variables concerned in the study. The correlation examines the strength and weakness of degree of association among variables (Hair et al., 2019). Table 3 shows that there is a strong positive relationship between firm image and investment decision making. Moreover, the collinearity diagnosis was estimated by determining the VIF statistics (Sarwar & Afaf 2016). Table 6 is evident that factors are not overlapping each other, hence, inflated factor was normal in the suggested threshold and has no multicollinearity issue (VIF <10, (Hair et al., 2019).

Table 3: Correlation analysis

Variable	**IDM**
FI	0.739^{**}

**Correlation is significant at the 0.01 level (2-tailed).

Source: Authors' compilation.

Note: IDM =Investment decision making, FI= Firm image

4.4 Firm image positively influences investment decision making.

This study hypothesized that firm image positively influences investment decision making. The regression analysis was conducted using SPSS 25. It has been used to determine the relationship and variance between firm image (Independent variable) and investment decision-making of investors (Dependent variable). The table 4 presents that 54.7% (R square=0.547) variation in the investment decision making of retail investors is due to Firm image. The result of ANOVA shows that the value of F statistics (F =1115.038, p-value 0.000<0.05) indicates that the model is fit and statistically significant.

Table 4: Regression analysis

Model	R	R^2	F-value	Sig.	Durbin-watson
1	0.739	0.547	1115.038	0.000	1.705

Source: Authors' compilation.

Table 6: Coefficientsa

Variables	Beta Coefficient	t-value	P-value	VIF
Constant	1.376	16.043	0.000	1.000
FI	0.739	33.392	0.000	1.000

Source: Authors' compilation.
Dependent Variable: IDM (Investment decision making)
Note: FI= Firm image

Regression Equation:
IDM=1.367+ 0.739 FI + ε
Hypothesis testing
Table 6 present the t-statistics (33.392) and p-value (0.000), it means Firm image significantly influences the investment decisions making of investors. The result of this study is support the H1.The value of standardized coefficient of firm image is Beta =0.739.This indicates that for each unit increase in firm image, there is 0.739 units increase in investment decisions. It means has positive influence the investment decision making of retail investors of stock market.

4.6 Hypothesis result:

Hypothesis	**Result**
H1: Firm image significantly and positively influence on Investment decision making	Significant (Supported)

The result of study indicates that firm image significantly and positively influences the retail investor decision making. The result of the study are compatible with finding of Jagongo and Mutswenje (2014), who found that the firm image and corporate status are major factors that affects retail investors investment decisions stock market. It's also similar to the findings of (Ansari and Moid, 2013), who found that firm image was significantly affect the investment decision making of investor.

5. Conclusion

The results are in line with the prior studies showing the firm image influence the investment decision supported by (Hossain and Nasrin, 2012; Boseetal., 2017; Sachdeva, & Lehal, 2024). It acts as a window to vaticinate the stock returns and performance of the firm (Sadeh and Kacker, 2018); Sachdeva, & Lehal, 2024) better than the financial data and it is make base for decision making (Khemir, 2019). The result of study was concluded that before investing in the stock market investors pay more attention to the corporate image. A company with good reputation can attract investors and secure long-term success. Before making an investment decision investors need to analyse the firm image to minimize risks. Firm should integrate information about their social and environment activities in financial and non-financial disclosures. A company with good reputation can attract investors and secure long-term success. Government need to adherence retail investors to avert the curb and regulate the stock market.

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