

A Study on Investors Behaviour in Indian Stock Market

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Abstract

The study examines investor behaviour in the Indian stock market and identifies how psychological factors, personality traits, and demographic variables influence investment decisions. The research was conducted using primary data collected from 110 respondents through a structured questionnaire. The findings reveal that most investors are young, prefer mutual fund investments, invest mainly for earning purposes, and depend on personal savings. The study concludes that investor decisions are often influenced by emotions and behavioural biases rather than rational analysis. It suggests improving financial literacy and investor awareness to encourage better investment decisions and enhance participation in the stock market.

1. INTRODUCTION

The Stock market plays a significant role in the growth of manufacturing and service industries of the country. The deep and liquid equity markets have a predominant and persistent impact on economic performance. It channelizes the savings of the public into equity investments to support the booming economy. Stock price movements have a profound psychological impact on the individual investor and businesses. The stock market is the story of the human behaviour that is responsible for overreaction in both directions (Klarman 1998). The introduction of the financial reform process in early 90s usurped in significant economic development of India and the stock market remained as an important conduit for the long-term fund destination for the corporate. Liquidity and capital appreciation attracted the investors both institutional and retail investors. In spite of the stock market growth, barring institutional investors both domestic and foreign, very few retail investors stand to benefit out of the boom.

2. STATEMENT OF THE PROBLEM

The emergence of the Liberalization, Privatization, Globalization (LPG) era and subsequent financial reforms in India initiated in 90s, with a goal of turning the economy in to more market oriented, invited huge investment from Domestic and Foreign investors. The impact of the reforms increased the prospects of stock market as Potential Avenue for wealth maximization. However, in reality, the retail investors stand to lose their wealth in any prevailing market conditions.

The traditional financial theories were based on the framework that investors act 3 rationally and consider all the available information in making the financial decision which are the major tenants of the efficient market theory. It also assumes that the market is transparent and does not suffer from any information asymmetry. The turbulence faced by the capital market cannot be explained by the efficient

market theories since it assumes investors act rationally. However, many research studies proved that the retail investors act irrationally in making the financial decisions due to psychological factors such as emotions and cognitive biases. Behaviour finance departs from the traditional rationality theory and considers the psychological factors which include the personality traits and the psychological bias.

3. OBJECTIVES

- To determine the impact of the personality traits, the investors attitude bias towards the investor's behaviour
- To offer suitable recommendations to improve the investor behaviour towards equity investment.

4. RESEARCH METHODOLOGY:

This chapter describes the methodology of the study. This project is based on information collected from primary source. After the detailed study, an attempt has been made to present comprehensive analysis of investor's behaviour in Indian stock market. In collecting requisite data and information regarding the topic selected, I have taken the sample size of 110 respondents for the research.

SOURCE DATA:

The data, which is collected for the purpose of study:

Primary Source:

The primary data comprises information survey of "the study on investors behaviour in Indian stock market". The data has been collected directly from respondent with the help of structured questionnaires.

Sample size:

Sample size refers to the number of participants or observations included in the study. This number is usually represented by "n". Sample study covers 110 respondents.

Tools used:

A Google form is used for collecting information on the investor's behaviour. It consists of a number of questions prepared in a definite order on a set of form filled by the respondents themselves.

5. LIMITATIONS OF THE STUDY

The present study is subjected to certain limitation

- The study has been conducted using the primary data. Therefore, the results are subjected to the limitations of primary data.
- The results of the study are subjected to respondents' bias while answering to the psychological statements based on the personality traits and the attitude biases.

6. REVIEW OF LITERATURE

The chapter is aimed to synthesize various factors influencing investor behaviour towards investor's behaviour in Indian stock market and personality traits and psychological bias in particular among the investors. Reviews are collected from research articles and presented below

- **Davey et al. (2011) in their article, "Personality and Finance: The Effects of Personality on Financial Attitudes and Behaviour"** stated that Personality factors have been found to be associated with the attitudes and the behaviours in general but limited research has focused on finances.

- **Lodhi & Samreen (2014) in their paper "Factors influencing individual investor behaviour: An empirical study of city Karachi"** studied the impact of risk taker or risk averter through the variable's financial literacy, accounting information, openness to experience and information asymmetry on individual investors' decision making.

DATA ANALYSIS AND INTERPRETATION

TABLE 4.1.1

TABLE SHOWS THAT THE RESPONDENT WITH RESPECTS TO THE AGE

S.no	Age	No. of Respondent	Percentage
1	18-20years	22	20
2	21-30years	62	56.40
3	31-40years	16	14.50
4	Above 40	10	9.10
5	TOTAL	110	100

SOURCE: Primary data

INTERPRETATION

From the above table, it is revealed that 20% of the respondent are in the age group of 18-20 years, 56.40% of the respondent are in the age group of 21-30 years, 14.50% of the respondent are in the age group of 31-40years, 9.10% of the respondent are in the age group of above 40 years.

Chart no:4.1.1 Showing on the basis of respondents age group

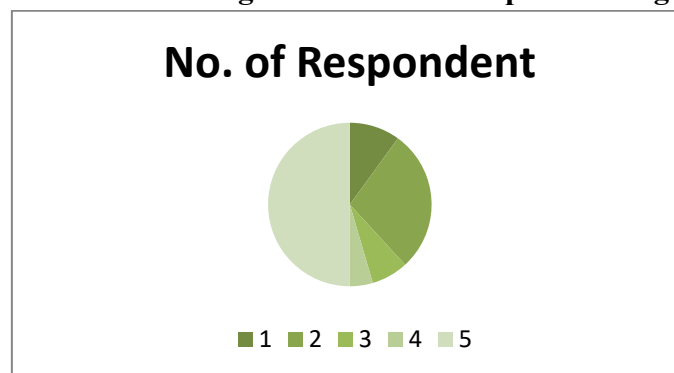


TABLE 4.1.2

TABLE SHOWS THE RESPONDENT WITH THE RESPECT TO THEIR GENDER

S.no	GENDER	No. of Respondent	Percentage
1	Male	66	60
2	Female	44	40.00
3	Others	0	0.00
	Total	110	100

SOURCE: Primary data

INTREPRETATION

From the above table, it revealed that 60% of respondent are Male, and 40% of the respondent are female.

Chart no:4.1.2 showing respondents of gender

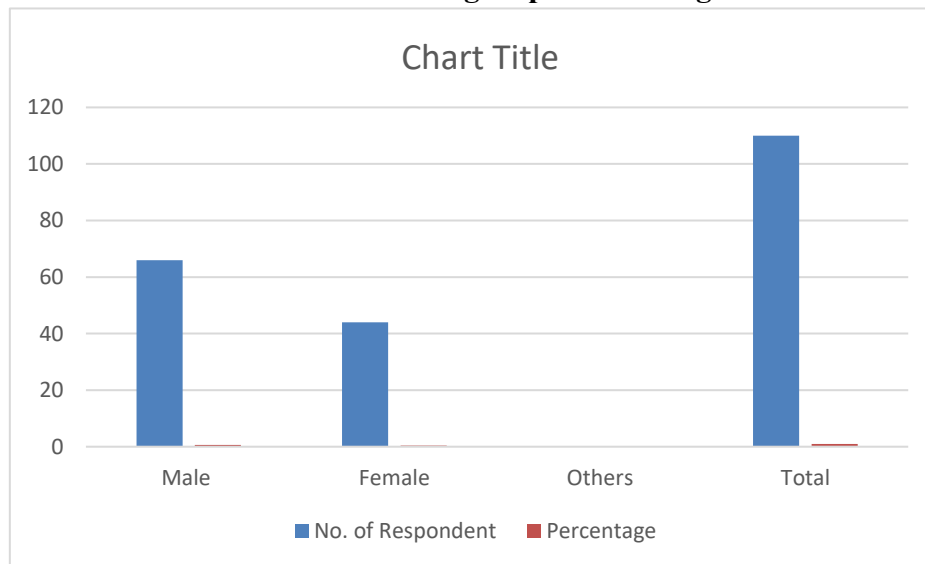


TABLE 4.1.3

TABLE SHOWS THE RESPONDENTS WITH RESPECT TO THEIR EDUCATIONAL QUALIFICATION

S.no	Educational qualification	No. of respondent	Percentage
1	Undergraduate	54	49.10
2	Postgraduate	26	23.60
3	Professional	29	26.40
4	Others	1	0.90
	TOTAL	110	100

SOURCE: Primary data

INTERPRETATION

The above table represents that 49.10 of respondent are undergraduate, 23.60 of the respondents are postgraduate, 26.40% of the respondent are professional, and 0.90% of the respondent are others

Chart no:4.1.3 showing the respondents of educational qualification

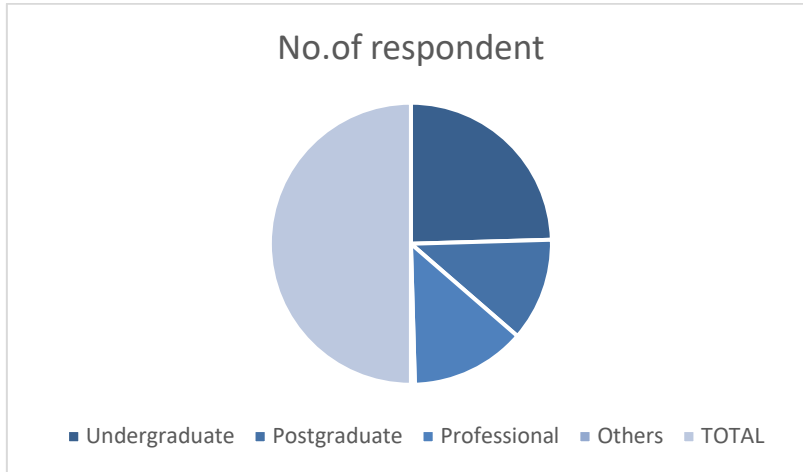


TABLE 4.1.4

TABLE SHOWING OCCUPATION OF THE RESPONDENTS

S.no	Occupation	No. of Respondent	Percentage
1	Agriculture	4	3.60
2	Government Employee	6	5.50
3	Private employee	63	57.30
4	Business or Profession	13	11.80
5	Others	24	21.80
6	TOTAL	110	100

SOURCE: Primary data

INTERPRETATION

From the above table, it shows that 3.60% of the respondent are agriculture, 5.50% of the respondent are government employee, 57.30% of the respondent are private employee, 11.80% of the respondent are business or profession, and 21.80% of the respondent are others.

Chart no: 4.1.4 showing the respondents of occupation.

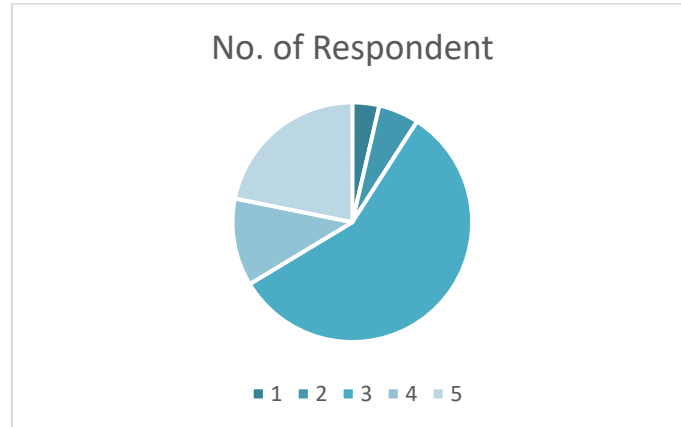


TABLE 4.1.5

TABLE SHOWS THE RESPONDENT WITH RESPECT TO THEIR MONTHLY INCOME

S.no	Monthly income	No. of Respondent	Percentage
1	Below 20,000	35	31.80
2	20,001-40,000	38	34.50
3	40,001-60,000	19	17.30
4	60,001-80,000	12	10.90
5	Above 80,000	6	5.50
6	TOTAL	110	100

SOURCE: Primary data

INTERPRETATION

The above table conveys that ,31.80% of the respondent are below 20,000,34.50% of the respondent are 20,001-40,000,17.30% of the respondent are 40,001-60,000,10.90% of the respondent are 60,001-80,000, and 5.50 % of the respondent are above 80,000.

Chart no: 4.1.5 showing the respondents of monthly income.

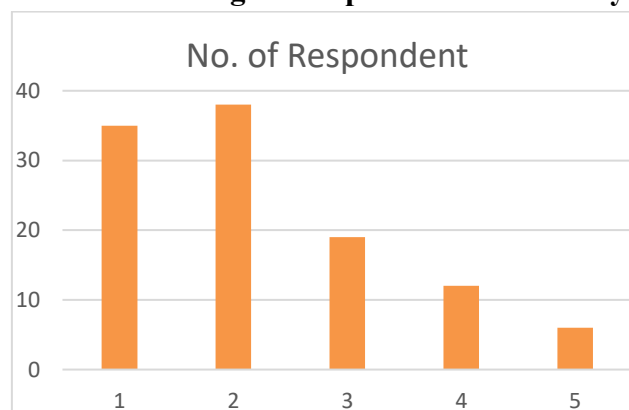


TABLE 4.1.6
TABLE SHOWING THE RESPONDENTS WITH RESPECT TO THEIR EARNING MEMBERS IN FAMILY.

S.no	Earning members in family	No. of Respondent	Percentage
1	1	26	23.60
2	2	47	42.70
3	3	29	26.40
4	4 & Above	8	7.30
5	TOTAL	110	100

SOURCE: Primary data

INTERPRETATION

The above table conveys that, 23.60% of the respondents belong to a family with one earning members, 42.70% of the respondents are belong to a family with two earning members, 26.40 of the respondents belong to a family with three earning members in a family, and 7.30 of the respondents belong to a family with four and above earning members in a family.

Chart no: 4.1.6 showing the respondents of earning members in the family

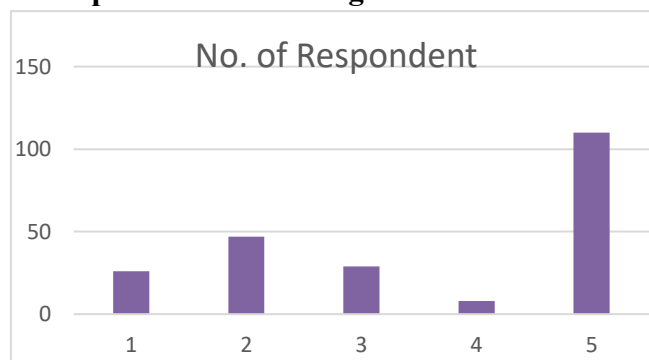


TABLE 4.1.7
TABLE SHOWING THE RESPONDENTS WITH RESPECT TO THEIR REASON FOR INVESTING IN STOCK MARKET

S.no	Reason for investing in stock market	No. of respondents	Percentage
1	Profession	14	12.70
2	Meet contingencies	6	5.50
3	For earning	64	58.20
4	Tax benefits	14	12.70

5	Flexibility	10	9.10
6	Well regulated	2	1.80
	TOTAL	110	100.00

SOURCE: Primary data

INTERPRETATION

The above table conveys that, 12.70% of the respondents are professions, 5.50% of the respondents invest to meet contingencies, 58.20% of the respondents invest for earning purpose, 12.70% of the respondents invest for tax benefits, 9.10% of the respondents invest for flexibility, and 1.80% of the respondents are well regulated.

Chart no: 4.1.9 showing the respondents of investing in stock market

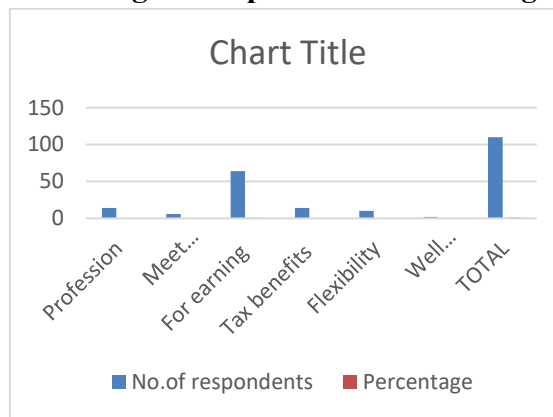


TABLE 4.1.10

TABLE SHOWING THE RESPONDENTS WITH RESPECT TO THEIR INVESTMENT PREFERRED

S.no	Investment preferred	No. of respondents	Percentage
1	Derivatives	11	10
2	Commodities	26	23.60
3	Equity	20	18.20
4	Mutual	53	48.20
5	TOTAL	110	100

SOURCE: Primary data

INTERPRETATION

The above shows that ,10% of the respondents preferred derivatives, 23.60% of the respondents preferred commodities, 18.20% of the respondent’s preferred equity, and 48.20% of the respondents preferred mutual investment.

Chart no: 4.1.10 showing the respondents of investment preferred

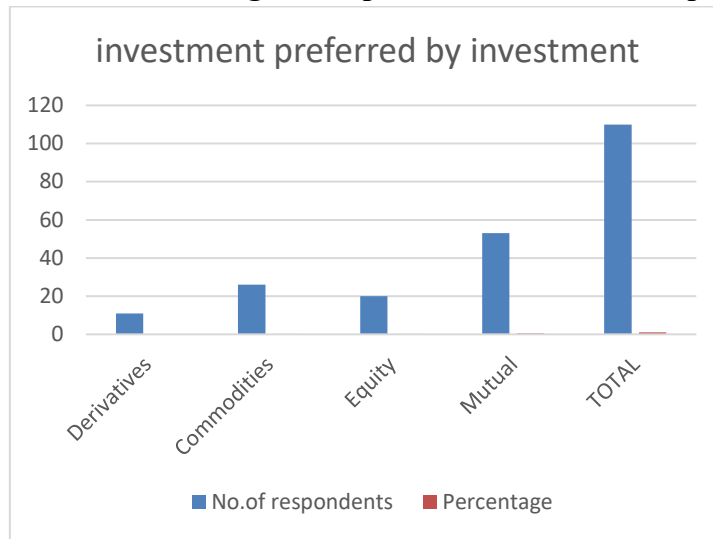


TABLE 4.1.11

TABLE SHOWING THE RESPONDENTS WITH RESPECT TO THEIR RATE OF RETURN

S.no	Rate of return	No. of respondents	Percentage
1	Less than 12%	50	45.50
2	12-24%	42	38.20
3	24-36%	13	11.80
4	36%- above	5	4.50
5	TOTAL	110	100.00

SOURCE: Primary data

INTERPRETATION

The above table shows that,45.50% of the respondents had a return of less than 12%,38.20% of the respondents had a return of 12-24%,11.80% of the respondents had a return of 24-36%, and 4.50% of the respondents had a return of 36%-above in the stock market.

Chart no: 4.1.11 showing the respondents of rate of return

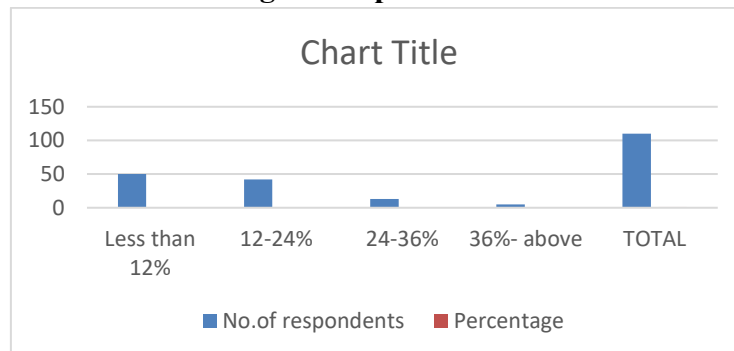


TABLE 4.1.12

TABLE SHOWING THE RESPONDENTS WITH RESPECT TO THEIR SOURCE OF FUND

S.no	Source of fund	No. of respondents	Percentage
1	Personal savings	80	72.70
2	Loan	17	15.50
3	Borrowings	12	10.90
4	Own	1	0.90
5	TOTAL	110	100.00

SOURCE: Primary data

INTERPRETATION

The above table shows that,72.70% of the respondents rely on personal savings,15.50% of the respondents rely on loan, 10.90% of the respondents rely on the borrowings, and 0.90% of the respondents rely on own purpose of fund.

Chart no: 4.1.12 showing the respondents of source of fund

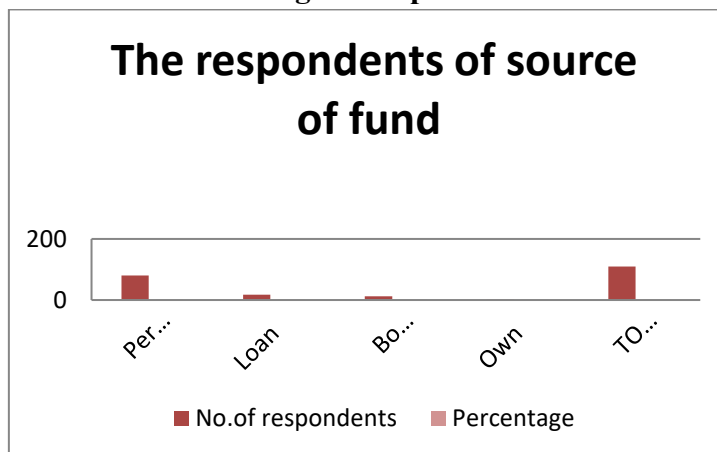


TABLE 4.1.13

TABLE SHOWING THE RESPONDENTS WITH RESPECT TO THEIR PERCENTAGE OF SAVING

S.no	Percentage of saving	No. of respondents	Percentage
1	Less than 20%	58	52.70
2	20-40%	30	27.30
3	40-60%	18	16.40
4	60-80%	3	2.70

5	80-100%	1	0.90
6	TOTAL	110	100.00

SOURCE: Primary data

INTERPRETATION

The above table shows that,52.70% of the respondents are less than 20% of savings,27.30% of the respondents are 20-40% of the savings,16.40% of the respondents are 40-60% of the savings,2.70% of the respondents are 60-80% in savings, and 0.90% of the respondents are 80-100% of the savings.

Chart no: 4.1.13 showing the respondents of percentage of savings

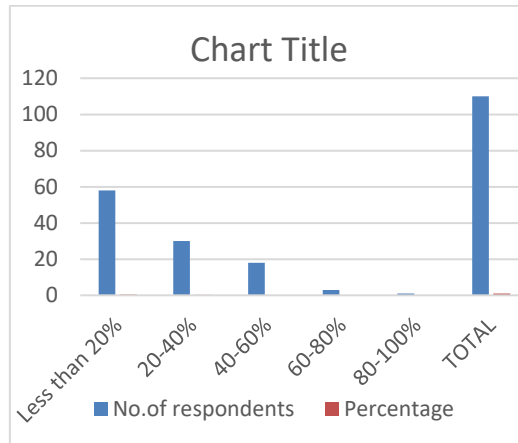


TABLE 4.1.14

TABLE SHOWING THE RESPONDENTS WITH RESPECT TO THEIR EXPECTED RETURN

S.no	Expected return	No. of respondents	Percentage
1	Less than 1year	57	51.80
2	1year-5years	40	36.40
3	Greater than 5year	13	11.80
4	TOTAL	110	100.00

SOURCE: Primary data

INTERPRETATION

The above table shows that 51.80% of the respondents expected returns less than 1year,36.40% of the respondents expected returns in 1years-5year, and 11.80% of the respondents expected return in greater than 5years in stock market.

Chart no: 4.1.14 showing the respondents of expected return

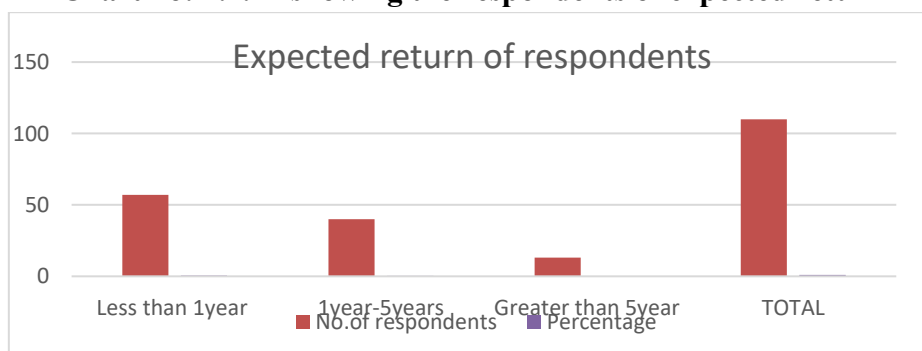


TABLE 4.1.17

TABLE SHOWING THE RESPONDENTS WITH RESPECT TO THEIR GOOD RETURN

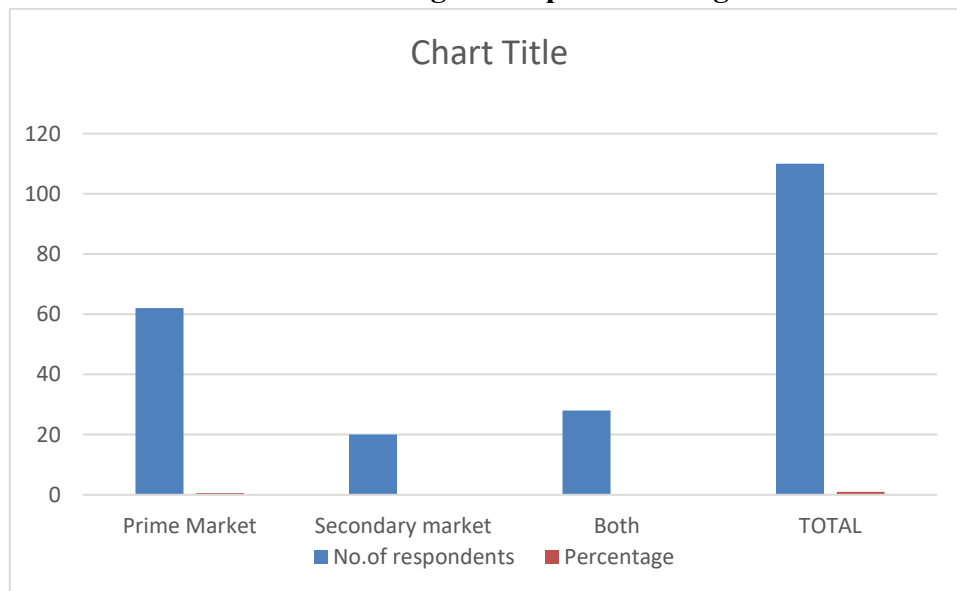
S.no	Good return	No. of respondents	Percentage
1	Prime Market	62	56.40
2	Secondary market	20	18.10
3	Both	28	25.50
4	TOTAL	110	100.00

SOURCE: Primary data

INTERPRETATION

The above table shows that,56.40% of the respondents get a good return in prime market,18.10% of the respondents get good return in secondary market, and 25.50% of the respondents get a good return in both markets

Chart no: 4.1.17 showing the respondents of good return



FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

- Majority (56.40%) of the respondent are in the age group of 21-30
- Majority (60%) of the respondents are of the gender are Male.
- Majority (49.10%) of the respondents are undergraduates.
- Majority (57.30%) of the respondents are of the occupation are private employee.
- Majority of the respondents (34.50%) monthly income range from 20,001-40,000.
- Majority earning members in the family (42.70%) are 2..
- Majority (58.20%) of the respondents invest for earning purpose.
- Majority (48.50%) of the respondents preferred investment in mutual.
- Majority (45.50%) of the respondents are less than 12% in rate of return.
- Majority (70%) of the respondents are for personal savings.
- Majority (52.70%) of the respondents are less than 20% in percentage of savings.

- Majority (51.80%) of the respondents are less than 1 year in expected return.
- Majority (76.40%) of the respondents have selected “yes” for expected return from their investment in stock market.
- Majority (56.40%) of the respondents use prime market for good return of investment

SUGGESTIONS

1. Growth of retail investors in National Stock Exchange of India and Bombay Stock Exchange
2. Influence of trading platforms like Zerodha and Groww
3. Role of financial literacy and awareness programs by Securities and Exchange Board of India
4. Impact of social media, news, and “influencers” on investment decisions
5. Risk appetite differences (conservative vs aggressive investors)
6. Reaction to economic events and policies by Reserve Bank of India

CONCLUSION

To conclude the project work done at the stock market is uncertain and its movements have a profound psychological impact on the individual investor and businesses. The present study “Investors behaviour towards stock market” is a significant work combining Big five taxonomy personality traits and investor attitude bias with investor behaviour. The purpose of this study has focused on the relationship between demographic variables and various elements of the personality traits, the investor attitude bias and the investor behaviour towards equity investment. The findings clearly shows that the individual investors are biased towards their mutual investment. Hence, their decisions on mutual investment are not rational. It results in frequent losses, less diversified portfolio, obsession with short term trading and finally become inactive in the stock market. Baring the structural protection given by the regulatory mechanisms, the individual investors are prone to various attitude biases and influences of the personality traits and make irrational decisions. The results of this study based on the behavioural finance offered recommendations to the investors to manage their irrational behaviour in equity investments. Apparently, these recommendations will enhance the investors to become a proud stake holder in the national economic growth.

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