A Study on Investors Perception of Investing in the Stock Market

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Abstract: The stock market has become one of the most preferred investment avenues for wealth creation, making it essential to understand investors' perceptions and the factors influencing their investment decisions. This study aims to examine investors' perception of investing in the stock market and identify the major factors affecting their investment behaviour. A descriptive research design was adopted, and primary data were collected from 107 investors in Rajkot using a structured questionnaire through Google Forms. Convenience sampling was used for data collection, while percentage analysis and the Chi-square test were applied for data analysis. The findings reveal that return on investment, capital appreciation, financial knowledge, and advice from friends, relatives, and financial advisors significantly influence investment decisions **Keywords: Investor Perception, Stock Market Investment, Investment Decision, Risk Perception, Financial Literacy, Investment Behaviour, Wealth Creation, Return on Investment (ROI), Stock Market Volatility, Long-Term Investment.**

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I. INTRODUCTION

The stock market is one of the most important components of the financial system, as it facilitates capital formation and promotes economic growth by connecting investors with companies seeking funds. It provides individuals with opportunities to invest their savings in financial securities and earn returns through capital appreciation and dividends. In recent years, technological advancements, digital trading platforms, and increasing financial awareness have encouraged greater participation of retail investors in the Indian stock market. However, investment decisions are influenced by several factors, including financial knowledge, risk tolerance, market volatility, expected returns, and social influence. Investor perception plays a significant role in determining investment behaviour. It refers to the beliefs, attitudes, opinions, and expectations of investors regarding stock market investments. These perceptions directly influence the selection of investment alternatives, the level of risk investors are willing to undertake, and the duration for which they hold their investments. Positive perceptions generally encourage greater participation in the stock market, whereas negative perceptions arising from uncertainty, market fluctuations, or lack of financial knowledge may discourage investment.

The Indian stock market has experienced substantial growth over the last decade due to increased digitalization, easier access to trading platforms, government initiatives promoting financial inclusion, and the availability of investment information through various online sources. Despite this growth, many investors continue to face challenges in making informed investment decisions because of fluctuating market conditions, emotional biases, and insufficient financial literacy. Understanding investor perception is therefore essential for financial institutions, policymakers, brokers, and investment advisors to develop effective strategies that enhance investor confidence and encourage informed participation in the capital market.

This study focuses on analysing the perception of investors towards investing in the stock market in Rajkot city. The research examines the factors influencing investment decisions, including return on investment, capital appreciation, financial knowledge, social influence, and perceived market risk. Primary data were collected from 107 investors using a structured questionnaire, and statistical techniques were applied to analyse the responses. The findings of the study provide valuable insights into investor behaviour and contribute to a better understanding of the factors affecting stock market participation. The study also offers useful suggestions for improving financial awareness and supporting informed investment decisions among retail investors.

II. REVIEW OF LITERATURE

Jufri Jacob (2025) examined investment decision-making during periods of global economic uncertainty. The study highlighted that psychological and emotional factors such as fear, experience, and cognitive bias significantly influence investors' decisions. It concluded that

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understanding investor behaviour requires a qualitative approach that considers emotions in addition to financial indicators. Naveen Kumar T. S. and Dr. Sureshramana Mayya (2024) conducted a systematic review on factors influencing investment in shares. The study found that financial literacy, investor awareness, expected returns, risk perception, and market knowledge are the major determinants of investment decisions. The authors emphasized that improving financial education can increase participation in the stock market. Vani Gera and D. P. Goel (2024) studied the impact of expert recommendations on stock market investment using 210 respondents. The findings revealed that professional financial advice significantly influences investors' investment intentions and decision-making. The study also emphasized the importance of financial advisors in reducing investment uncertainty. Pratik P. and Parmar J. (2024) examined the perception of Generation Z towards stock market investment in Rajkot. Using data from 221 respondents, the study found that social media and educational institutions are major sources of stock market knowledge. It also reported that male investors participated more actively than female investors, while financial literacy positively influenced investment behaviour.

S. Sharath and Dr. S. S. Muruganandam (2023) investigated investors' perception towards investment in shares at Coimbatore. The study concluded that investors primarily seek higher returns while considering risk, and that friends, media, and financial awareness play an important role in investment decisions. Long-term investors were found to achieve better investment outcomes than short-term investors. Venu Gujrathi and Sanjeev Kumar Gouda (2023) explored investor perception and behaviour in capital markets. Their study highlighted that investor decisions are affected by risk perception, behavioural factors, accounting information, and social influence. The authors concluded that investor confidence and access to financial information are essential for increasing stock market participation. Lonare A. and Chotaliya M. (2022) analysed the factors affecting investment decisions among young investors in Mumbai. The study found that government stability, company fundamentals, and financial ratios significantly influence investment decisions. It also reported a strong relationship among behavioural factors affecting investment choices. Dr. Mayur Rao, Somiya Dharia and Nidhi Solanki (2022) focused on investor awareness and stock market functioning. The study concluded that investor education and market knowledge are essential for making informed investment decisions and improving confidence among new investors.

Prasad R. (2022) examined investors' attitudes towards stock market investment using primary data from 100 respondents. The study found that most investors preferred moderate risk and relied on both technical and fundamental analysis before making investment decisions. Kok Ban Teoh, Camilo Perez-Restrepo and Carolina (2021) investigated investor perception across Malaysia, Indonesia, and India. The study concluded that younger investors are more interested in stock market investment, while social influence, accounting information, and market volatility significantly affect investment decisions. The research also found that investors increasingly prefer stocks over traditional investment options.

➢ *Research Gap*

The review of previous studies indicates that considerable research has been conducted on investor perception, investment behaviour, financial literacy, risk tolerance, and the factors influencing stock market investment decisions. Most studies have focused on behavioural finance, expert recommendations, financial awareness, and demographic characteristics of investors in different regions of India and other countries. However, only a limited number of studies have specifically examined the perception of individual investors in Rajkot city. Moreover, previous research has largely concentrated on broad investment behaviour without simultaneously analysing investors' perception of risk, market volatility, return expectations, and investment preferences using recent primary data. With the rapid growth of digital trading platforms and increasing participation of retail investors, investor perceptions are continuously evolving and require updated empirical evidence. Therefore, this study attempts to bridge this gap by analysing the perception of investors towards stock market investment in Rajkot using primary data collected from 107 respondents. The study examines the influence of return on investment, financial knowledge, social influence, risk perception, and market volatility on investment decisions, thereby providing recent and location-specific insights into investor behaviour.

➢ *Research Objective*

- To know about investors perception on investing in stock market.
- To know the factors influencing investment decisions of investors of stock market.
- To know the perception of investors regarding risk and volatility in the stock market.

III. RESEARCH METHODOLOGY

The present study adopts a descriptive research design to examine investors' perception towards investing in the stock market. The research aims to identify the factors influencing investment decisions and understand investors' views regarding risk, return, and market volatility.

➢ *Research Design*

The study is based on a descriptive research design, as it systematically describes the characteristics and perceptions of stock market investors.

➢ *Sources of Data*

The study is based primarily on primary data, which were collected directly from respondents. Secondary data were obtained from research journals, books, published articles, websites, and reports related to stock market investment and investor behaviour.

➢ *Data Collection Method*

Primary data were collected using the survey method through a structured questionnaire prepared in Google Forms.

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The questionnaire consisted of demographic questions and statements related to investor perception, investment behaviour, risk, and market awareness.

➢ *Sampling Technique*

A Non-Probability Convenience Sampling technique was adopted to select the respondents because of its simplicity and ease of data collection.

➢ *Sample Size*

The study was conducted on 107 respondents who are investors or have knowledge of stock market investment.

➢ *Study Area*

The geographical area of the study was Rajkot City, Gujarat, where data were collected from individual investors.

➢ *Statistical Tools Used*

The collected data were analysed using the following statistical techniques: Percentage Analysis Frequency Distribution Chi-Square Test These tools were used to analyse investor perception and to test the relationship between risk perception and stock market volatility.

➢ *Hypothesis of the Study*

H_0 (Null Hypothesis): There is no significant relationship between investors' perception of risk and the volatility of the stock market. H_1 (Alternative Hypothesis): There is a significant relationship between investors' perception of risk and the volatility of the stock market.

IV. RESULTS AND DISCUSSION

The study was conducted among 107 respondents from Rajkot city to understand their perception of investing in the stock market. The findings indicate that 54.6% of the respondents belonged to the 20–30 years age group, while 53.3% were male and 46.7% were female, showing a nearly balanced gender representation. Most respondents were postgraduates (36.4%), indicating that educated individuals actively participate in stock market investments. The study reveals that friends, relatives, and neighbours (35.5%) are the primary source of stock market knowledge, followed by financial advisors or brokers (27.1%). Similarly, 57.9% of respondents stated that their investment decisions are influenced by friends and relatives, highlighting the importance of social influence in investment behaviour. Regarding sector preference, the FMCG sector (49.5%) emerged as the most preferred investment choice, followed by the Energy sector (41.1%) and the Banking sector (36.4%). Most respondents (29.9%) reported being moderately confident about their stock market knowledge, while 34.6% spend 1–2 hours daily researching before making investment decisions. The findings further indicate that Return on Investment (ROI) (59.8%) is the most influential factor affecting investment decisions, followed by Capital Appreciation (39.3%). A majority of respondents (80.4%) believe that the stock market is a reliable way to create wealth, and 61.7% prefer long-term investments, reflecting a positive investment outlook.

With respect to market risk, 50.5% of respondents perceived the stock market as unstable, while 36.4% agreed that investing in the stock market involves risk. However, 55.1% of respondents expressed satisfaction with the current performance of the stock market, and 87.9% stated that they would recommend stock market investment to others. To examine the relationship between investors' perception of risk and stock market volatility, a Chi-square test was performed. The calculated Chi-square value (6.654) was lower than the table value (9.488) at the 5% significance level, leading to the acceptance of the null hypothesis. The results indicate that there is no statistically significant relationship between investors' perception of risk and their perception of stock market volatility. Overall, the findings suggest that investment decisions are primarily driven by expected returns, financial knowledge, and social influence rather than by perceived market volatility alone.

V. FINDINGS

The major findings of the study are as follows: The majority of respondents (54.6%) belonged to the 20–30 years age group, indicating that young adults are more actively involved in stock market investments. Male respondents (53.3%) slightly outnumbered female respondents (46.7%), showing nearly equal participation by both genders. Most respondents were postgraduates (36.4%), suggesting that individuals with higher educational qualifications are more likely to participate in stock market investments. Friends, relatives, and neighbours (35.5%) were identified as the primary source of stock market knowledge, followed by financial advisors and brokers. Investment decisions were mainly influenced by friends and relatives (57.9%), highlighting the importance of social influence on investor behaviour. The FMCG sector (49.5%) was the most preferred sector for investment, followed by the Energy and Banking sectors. Most respondents (29.9%) reported having a moderate level of confidence in their stock market knowledge and generally spent 1–2 hours researching before making investment decisions. Return on Investment (ROI) (59.8%) was found to be the most significant factor influencing investment decisions, followed by capital appreciation. A large majority of respondents (80.4%) believed that the stock market is a reliable way to create long-term wealth, while 61.7% preferred long-term investments.

Although many respondents perceived the stock market as risky and volatile, 55.1% were satisfied with its current performance, and 87.9% were willing to recommend stock market investment to others. The Chi-square test revealed no statistically significant relationship between investors' perception of risk and stock market volatility, leading to the acceptance of the null hypothesis.

VI. SUGGESTIONS

Based on the findings of the study, the following suggestions are recommended: Enhance Financial Literacy: Investors should improve their knowledge of the stock market through financial education programs, seminars, online courses, and awareness campaigns to make informed

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investment decisions. Promote Long-Term Investing: Investors should adopt a long-term investment approach instead of focusing on short-term market fluctuations, as long-term investments generally provide better wealth creation opportunities. Diversify Investment Portfolio: Investors are advised to diversify their investments across different sectors and asset classes to reduce risk and improve overall portfolio performance. Seek Professional Advice: Before making investment decisions, investors should consult qualified financial advisors or investment professionals rather than relying solely on friends, relatives, or market rumours. Conduct Proper Research: Investors should analyse company fundamentals, financial statements, market trends, and economic conditions before investing in any stock. Improve Risk Management: Investors should assess their risk tolerance and invest according to their financial goals, income level, and investment horizon. Increase Investor Awareness: Government agencies, financial institutions, SEBI, stock exchanges, and educational institutions should organize investor awareness programs to promote safe and informed participation in the stock market. Utilize Reliable Information Sources: Investors should depend on authentic sources such as company annual reports, SEBI notifications, NSE, and BSE updates instead of unverified information available on social media.

VII. CONCLUSION

The present study examined investors' perception towards investing in the stock market and identified the major factors influencing their investment decisions. The findings reveal that investors generally have a positive perception of stock market investment and consider it an effective avenue for long-term wealth creation. Return on investment, capital appreciation, financial knowledge, and social influence were found to be the primary factors affecting investment behaviour. Although investors recognize that the stock market involves risk and volatility, the majority are willing to invest for the long term and express confidence in its ability to generate wealth. The statistical analysis indicated that there is no significant relationship between investors' perception of risk and stock market volatility. This suggests that while investors acknowledge market risks, their investment decisions are influenced more by expected returns, financial awareness, and investment objectives than by market fluctuations alone.

Overall, the study concludes that improving financial literacy, encouraging informed investment decisions, and promoting awareness of risk management can enhance investor confidence and increase participation in the stock market. The findings of this research provide useful insights for investors, financial advisors, policymakers, and researchers in understanding investor behaviour and supporting the development of a more informed and efficient investment environment.

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