



A Study on factors affecting Individual Investor's Sentiment towards Equity Market

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Abstract

Purpose- The purpose of this paper is to study factors affecting individual investor's sentiment towards equity market in India.

Design/methodology/approach – Primary data is collected from 539 individual investors of equity market from India. The market specific variables and stock specific variables are analyzed by exploratory factor analysis. Multiple regressions is applied to check the impact of market specific factors and stock specific factors on investor's optimism, investor's participation and investor's stock market outlook.

Findings- Herd Behavior, Macro-Economic Factors, Internet Led Access to Information and Trading and Performance Factor and Confidence level of Institutional Investors factors are significantly affecting the dependent variable Investor's Optimism. Expected Events Surrounding the Stock and Book Value Factor, Financial Characteristics, Psychological Factors and Quality of Management, Past Price Performance and Sector Attractiveness, Recommendations of Financial Community independent variables are significantly affecting the Investor's Participation in Stock Market. Herd behaviour, Performance Factors and Confidence Level of Institutional Investors and Psychological Factors and Quality of Management are significantly affecting investor's stock market outlook.

Research limitations/implications- Under the current study majority of the respondent were from Gujarat state. Future study should include all state of India in equal proportion.

Practical implications- Primary users of the results of this study would be the stock brokers of the country. **Originality/Value-** The traditional models do not fully explain the movement in the share price so, understanding investor's sentiment can provide a better explanation of stock price performance. The current study is comprehensive work on investor's sentiment in India.

Keywords - Investor's sentiment, Equity market, Capital market, Investor's optimism.