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SURVEY OF MARKET MOVEMENTS ON INVESTMENT DECISION

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Abstract- One of the most important concepts in behavioral finance is the decision factors, which are influenced by market movements. This survey and examines the perceptions, preferences and various investment strategies adopted by investors in the Indian stock market. Study on the basis of a survey of various respondents.

Keywords- Market Movements, Investment Decision.

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Behavioral finance

An investment market plays an important role and makes each and every investor behave differently upon different market dynamics which are becoming more risky. The basic methods of market survey with respect to fundamental, technical and quantitative are playing an important role in investment decisions. The behavior of the investors has become more important and relatively new field. Behavioral Finance seeks to combine behavioral and cognitive psychological theory with conventional economics. Behavioral Finance provides explanations for why investors make irrational financial decisions [1,2]. Behavioral finance is a new field of finance, which proposes people's psychology based theories to explain stock market anomalies such as severe rises or falls in stock prices. Behavioral finance, including a review of the major works and a people's behavior as financial practitioners and the subsequent effect on markets investment. Behavioral finance study focus with direct relevance to personal financial planning, investment management, corporate finance. After a long period of successes, faith in this field was gradually eroded by the discovery of several theories [3,4]. The last 10 years showed immense research efforts to finding of new models accurately predicting market behavior. Behavioral psychology of individual investors, cataloguing the kinds of deviations from full rationality in investment decisions. It began as an attempt to understand why financial markets react inefficiently to public information. Another aspect of behavioral finance examines how psychological forces induce traders and managers, which make suboptimal decisions, and how these forces affect market behavior. The researcher examines how economic forces might keep rational traders from exploiting apparent opportunities for profit. Behavioral finance will become more widely accepted if it can predict deviations from traditional financial models without relying on different assumptions [5,6].

Market Movements

Approaches based on perfect predictions, completely flexible prices and complete knowledge of the investment decisions of other players in the market are increasingly unrealistic in today's global financial markets. Behavioral finance is a new paradigm of finance theory, which seeks to understand and predict systematic financial market implications of psychological decision-making. By understanding the human behavior and psychological mechanisms involved in financial decision-making, standard finance models may be improved to better reflect and explain the reality in today's evolving markets. This needs better insight, and understanding of human nature in the existing global perspective, plus development of fine skills and the ability to get best out of investments. In addition, investors have to develop positive vision, foresight, perseverance and drive. Every investor differs from others in all aspects due to various demographic factors like socio-economic background, educational attainment level, age, race and sex. The most crucial challenge faced by the investors is in the area of investment decisions. An optimum investment decision plays an active role and is a significant consideration [7-8].

This concept and understand what had been done earlier days. Stock market analysis is not simply the result of intelligible characteristics, but also due to the emotions, which are still baffling to the analysts. The investor's irrational emotions like fear, risk aversion, overconfidence, will seem to decisively drive and dictate the fortunes of the market. Some study revealed that there was an association between the lifestyle clusters and investment related characteristics.

The study indicated that the investors while investing in the primary markets give importance to their own analysis as compared to their broker's advice. The market behavior around the times of annual earnings announcements, study both the informational role of accounting numbers and the Intraday speed of adjustment of stock prices to new information.

Investment decision making revealed that the class of investors (undoubtedly) with growing age develops maturity, which experience in making decisions about the usage of their surplus and available funds in the light of overall economic needs of family [9-11].

Study on efficient market hypothesis to behavioral finance analyzed that how investors psychology changes with the vision of financial markets. The investors are not always able to update or correctly value the utility of decision alternatives, events, estimate the probability and do not diversify properly.

Indian stock market perceptions, preferences and various investment strategies study reveals that investors use both fundamental as well as technical analysis while investing in Indian stock market. Most of the respondents strongly agree that various firms' fundamentals such as size, market equity, price earnings ratio, leverage etc significantly influence stock prices. Hence, the addition of these factors in asset pricing model can better explain cross sectional variations in equity returns in India [12-14].

A new study concluded that modern investor is a mature and adequately groomed person. In spite of phenomenal growth in the security market and quality Initial Public Offerings (IPOs) in the market. The individual investors prefer investments, according to their own risk preference. A majority of investors are found to be using some source, reference groups for taking decisions. Many be, there are in the trap of some kind of cognitive illusions such as overconfidence and narrow farming, they consider multiple factors and seek diversified information before executing some kind of investment transaction.

The individual investor still prefers to invest in financial products, which give risk free returns. This confirms that Indian investors even if they are of high income, well educated, salaried, independent are conservative investors prefer to play safe. The investment product designers can design products, which can cater to the investors who are low risk tolerant and use TV as a marketing media as they seem to spend long time watching TVs.

The average value of the five factors, 1. Return on Equity, 2. Quality of Management, 3. Return on Investment, 4. Price to Earnings Ratio and 5. Various ratios of the company influenced the decision makers. Also other five factors, 1. Recommendation by analysts, 2. Broker and Research Reports, 3. Recommended by Friend, 4. Family and Peer, 5. Geographical Location of the Company and Social Responsibility were given the lowest priority or which had a low influence on the stock selection decision by the retail investors.

The interest of examining the relationships between individual investors perceived financial performance of companies and their trading intentions, and the mediating effect of company's images on the relationships [15,16].

Conclusion

The new research brought out certain characteristics of investors in the market. The ability of understanding the judgment criteria like rationality, irrationality in investment pattern and behavior that enables the investor to be cautious as its consequences affects the lifestyle. Also affects the asset value of investor and relationship with others. This study has shown that investors prefer investing in both primary and secondary market. Most of the decisions taken are rational and influenced by the various information available in the market. It was also found that investors prefer the wait and watch policy for taking their decision. The investors are very cautious and their decisions are influenced by various psychological factors and behavioral dimensions

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