PREFACE

Traditional research in finance focuses on asset pricing with special emphasis on company specific and economic drivers that hold significant impact on asset prices. Now, the recent entrant in the area of finance literature has been non-economic factors like the investor’s sentiment as possible drivers of asset prices.

Human behaviour has largely been ignored in understanding the financial market. The most of research on investor’s behaviour has focused on testing the efficiency of the financial market, identifying the anomalies due to investor’s behaviour and testing the assumption that the economic agents are rational as prescribed by expected utility theory. The conventional models are not able to explain fully the movement in share prices. It is therefore suggested that understanding investor’s sentiment would provide a superior explanation of stock price performance. Against this backdrop, it becomes important to identify the factors affecting investor’s sentiment. The thesis aims to assist the reader to develop a thorough understanding of the concept of investor’s sentiment and factor affecting investor’s sentiment. It will also assist the reader to understand the fair value of equity share and supports them to predict better price of equity share.

Structure of the thesis

This thesis consists of six chapters and bibliography. Chapter 1 deals with the introduction of the topic under study, research rationale, objectives of research, significance and the potential value of the study. This chapter also gives the outline of the whole thesis.

Chapter 2 describes the theory of traditional financial analysis techniques like fundamental analysis used by investors for the determination of intrinsic value of equity share and technical analysis techniques used by investors to predict the price of share based on understanding of the trend in price change through charting.
Chapter 3 contains the review of literature related to the research area. Literature review covers the studies undertaken on financial behaviour of individual investors and more specifically on investor’s sentiment towards equity market. It also provides the theoretical definition of key variables under discussion like investor’s sentiment. It contains different models for the measurement of investor’s sentiment and the model of individual investor’s sentiment selected for the present study. It deals with market specific factors and stock specific factors that influence individual investor’s sentiment. Market specific factors are Herd Behaviour, Macro-Economic Factors, Internet led access to Information, Best Game in Town, Performance Factors and Confidence of Institutional Investors and Risk and Cost Factor; whereas the stock specific factors are Expected Events Surrounding the Stock and Book Value, Financial Characteristics, Psychological Factors and Quality of Management, Past Price Performance and Sector Attractiveness, Who else is Buying and Recommendations of the Financial Community.

Chapter 4 describes research methodology which contains introduction to research, the statement of problem, research objectives, hypothesis and research design. Research design includes the population under study followed by the sampling element, sampling frame, sampling technique, sample size, method of data collection, description of research instrument, type of research approach used for the present study, pilot testing of questionnaire, coding of questionnaire, time dimension of the study, research environment, sources of data, data analysis method, software used for data analysis and procedure of research.

Chapter 5 shows data analysis and interpretation, following the objectives under study. Different statistical tools are used based on requirement like descriptive statistics, factor analysis, multiple regression and Variance Inflation Factor (VIF) Value. First of all factor analysis is conducted for market specific variables and stock specific variables to extract the factors which affect the investor’s optimism, investor’s participation and investor’s stock market outlook. Multiple regression is conducted to test the factors significantly affecting the dependent variables under study and the VIF value was considered to assess the multi collinearity issue. To
assess the irrational behaviour of individual investor, frequency analysis is conducted to confirm existence of mental accounting and regret.

Chapter 6 contains findings, conclusion, implications and limitations of the study. Finally, chapter concludes with providing scope for further research.
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CERTIFICATE BY GUIDE

This is to certify that the thesis titled “A Study on Factors Affecting Individual Investor’s Sentiment towards equity market” submitted by Mr. Rajeshkumar Dalpatram Kiri, Assistant Professor at V. M. Patel Institute of Management, Ganpat University is the bonafide work completed under my supervision and guidance for the award of the degree of Doctor of Philosophy (Ph. D.) in Management.

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DECLARATION BY CANDIDATE

The thesis titled “A Study on Factors Affecting Individual Investor’s Sentiment towards equity market” is submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy (Ph. D.) in Management to Ganpat University, Mehsana. I declare that this thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that this thesis has not been previously or concurrently submitted either in whole or in part, for any other qualification to Ganpat University or other institutions.

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PRE-SYNOPSIS CERTIFICATE

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