

Investor Perceptions and Preferences in Domestic vs. Foreign Stock Markets

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ABSTRACT: In any country, the stock market offers a unique platform for assessing the activities and assets of various businesses, as well as for figuring out their basic and significant value. In the global context, investors have the platform and ability to create their own portfolio of companies with accurate facts in every dimension; yet, in the Indian context, investors have complete control over the companies they choose and the details they provide. The primary distinction between the two markets is this. Methods Employed in the Research: This study's research is quantitative in character and aims to be conclusion-based; descriptive analysis is utilized to evaluate the caliber of the data gathered. sample and Data Collection: This study uses a non-probabilistic sample technique termed convenient sampling to look at the investing behavior of 120 individual investors chosen from all around Bangalore city using a structured questionnaire. The acts of investors in the foreign and domestic stock markets are examined. Because there is a statistically significant correlation between investors' investing experience group and their decisions to make investments in both domestic and global stock markets, we reject the first null hypothesis. However, we discover that neither the domestic nor international stock markets are particularly impacted by demographic characteristics when it comes to investors' investment behavior.

Key Words: Stock Market, Domestic Stock Market, Foreign Stock Market, Investor Perception, Behavior.

1. INTRODUCTION

Stock market development began in 1494. In Amsterdam, the stock market and exchanges set the stage for the stock market. Indian stock markets began during the 17th and 18th century' East India Company heyday. The stock market is vital to the financial system, supporting economic stability and company growth.

The stock market is unique for assessing companies' assets, operations, and fundamental value in every country. The top firm's asset, index, or interest rate is crucial to a successful stock market. Another crucial factor is how effective corporate operations affect shareholder dividends. Some in India's stock market believe that additional trading platforms offer more potential for investors to profit from the market's share supply. Investors can also hedge against price changes in the stock market, which helps them overcome volatility and price fluctuations.

The BSE stands out among Bombay stock exchanges for combining all the important qualities for a successful company and streamlined stock market. After the BSE's huge

impact on Indian stock brokerages, the Calcutta Stock Exchange was founded in 1908. The 1920 creation of Madras Stock Exchanges shifted India's stock market from northern to southern firms. The NSE's introduction to the Indian stock market is a primary topic of this study.

The global stock market is trending toward more diversity and distinctiveness among internationally recognized and traditionally valued fundamental parameter companies listed in portfolios. Stockholders diversify their portfolios to enhance their return on investment, whereas speculators buy a company's stock after monitoring volatility.

International investors have the ability or platform to develop a portfolio of firms and their correct details in all dimensions, while Indian investors choose their own companies and details. The main distinction between the markets is this. National political and economic stability are among the many considerations considered by international stock exchanges.

2. LITERATURE REVIEW

Sharma et al. (2020) undertook an empirical and

theoretical investigation on individual investors' views and behaviors when participating in both the Indian and international stock markets. It obviously demonstrates the ability for these individuals to become shareholders in businesses located in other nations. Diebold and Yilmaz's (2020) study investigates the effects of price fluctuations and changes in trade volume on the trading or exchange of financial products between individuals or with corporations listed on domestic and overseas stock exchanges. The study focuses on the most relevant risk factors. Jindal et al.'s (2018) essay examines the implementation of the stock market in both local and global settings. The article also delves into the key factors that contribute to a diverse financial system in domestic and international stock markets. Adeel Mustafa's 2018 study covers financial advice and fundraising strategies geared exclusively for large organizations and corporations. The company offers both short- and long-term fundraising opportunities on the domestic and foreign stock exchanges. Individual investors tend to have a more positive impression of domestic firms than foreign-based ones. Priyanka Singh's (2017) study looks into how the stock market affects a country's economic success. Understanding the significance of price volatility, trading volume, open interest, and investor behavior in the Indian and global stock markets, as well as the impact of investment perception on decision-making, is critical. Daigler, Robert T., et al. (2017) investigate the adoption of the stock market as well as the key components that make up and comprise the financial system. The stock market includes substantial operations that involve critical elements in both the domestic and international stock markets. According to S. Gurusamy's (2017) research, individual investors have a more positive perception of their stock market grasp of the sequential relationship between range-based volatility and volume in both the Indian and overseas stock markets. Arunima Saxena et al. did a study in 2017 on the behavior of price discovery in spot-futures markets of both domestic and overseas stocks. The daily closing values of the spot market, as well as the neighboring futures market and the one next to it, provide

unmistakable evidence of the effectiveness of both domestic and foreign stock markets. In a study conducted by Ang, J. (2015), two distinct approaches were tested to determine the impact of financial stocks on cash market volatility. The study discovered that financial media and business promotional departments share information about daily trading operations in both domestic and foreign stock markets. According to Smirlock and Starks (2015), firms that contribute to the national economy have a significant impact on minimizing stock price swings, increasing transaction volume, and generating interest in both Indian and foreign stock markets. According to Pramod Kumar Naik (2013), research findings with significant market implications are given to benefit investors, since they have the greatest impact on both the Indian and global stock markets.

Research Methodology

Need for the Study: Due to the significant role of the stock market in both domestic and overseas stock markets, fluctuations in stock prices directly impact changes in stock trading volume and investor interest in both domestic and foreign stock markets. The stock market has become increasingly significant in both the Indian and global equity markets, facilitating trade by offering a wide range of choices. Consequently, it is evident that the stock market is widely acknowledged across different financial markets. This study offers valuable insights into individuals' perceptions of domestic and foreign stock markets, as well as their investment behavior and purchase of shares in various companies listed in both Indian and international contexts.

Statement of the Problem: Due to their correlation with a domestic financial instrument, indicator, or commodity of the business through the country's economy, many financial markets accept both Indian and foreign shares. This lowers the volatility of stock prices, boosts trade volume, and draws investors to these tradable, low-risk financial products. In order to ascertain how investors think and act in both domestic and foreign stock markets, the following questions are posed in this research.

➤ Does the demographic determinant impact the

level of awareness, motive to invest, behavioral biases and perception of investors in domestic and foreign market?

- Do the behavioral bias impact the efficiency of investment decision making in domestic and foreign market?

Objectives of the Study

- To study the influence of demographic factor on investment decision domestic and foreign market
- To examine the perception of investors on domestic and foreign stock market
- To analyze the investment behavior of individuals on domestic and foreign market

Hypothesis of the Study

H01: There is no statistically significant association between demographic variables and investment decisions made by domestic and international stock market participants.

H02: Investor attitude toward domestic stock market investments is statistically insignificant.

H03: Investor sentiment toward overseas stock market investments is statistically insignificant.

H04: Investors commit to bad investment decisions in the local stock market.

H05: When evaluating investments in international stock markets, investors frequently reach adverse conclusions.

Research Design: This study employs conclusion-based research methodology, specifically utilizing quantitative research methods. The collected data is then analyzed by descriptive analysis to characterize its nature.

Sampling Design: This study collects data from Bangalore investors using convenience sampling. The goal is to study their domestic and international stock market investments.

Data Gathering: This study surveyed 120 Bangalore investors to acquire primary data. Literature reviews informed the questionnaire designs.

3. ANALYSIS AND RESULTS

Demographic factor Analysis

Source: Primary DataSPSS Results

Table 1: Demographic Factor Analysis

| Demographic Group | Classes | Frequency | Domestic Market | Foreign Market |
|--------------------------|---------------|-----------|-----------------|----------------|
| Gender | Male | 72 | 40 | 32 |
| | Female | 48 | 28 | 20 |
| Age | Below 25 | 15 | 13 | 2 |
| | 25 to 40 | 60 | 39 | 21 |
| | 40 to 55 | 35 | 18 | 17 |
| | Above 55 | 10 | 7 | 3 |
| Qualification | PUC | 20 | 16 | 4 |
| | UG | 52 | 36 | 16 |
| | PG | 30 | 16 | 14 |
| | Ph.D | 18 | 9 | 9 |
| Occupation | Student | 23 | 18 | 5 |
| | Service | 50 | 34 | 16 |
| | Business | 37 | 18 | 19 |
| | Others | 10 | 8 | 2 |
| Experience in Investment | Below 3 years | 34 | 28 | 6 |
| | 3 to 6 years | 45 | 23 | 22 |
| | 6 to 9 years | 31 | 20 | 11 |
| | Above 9 years | 10 | 6 | 4 |

The table below illustrates the demographics of the investors chosen as respondents from the easily accessible Bangalore city. Six out of ten participants are men and four out of ten are women. As before, we use a Chi-square test to investigate the demographic components, and the distribution of other demographic elements follows the same pattern.

Pearson Chi- Square Analysis

Source: Primary DataSPSS Results

Table 2: Pearson Chi- Square Analysis Gender

| | Value | Df | Sig |
|--------------------|-------|----|-------|
| Pearson Chi-Square | 1.436 | 3 | 0.347 |

The gender of the individual investors who were selected as respondents in Bangalore City is shown in Table 2 above. There is no statistically significant correlation between the gender of investors and their choices to put money into local or foreign stock markets (chi-square = 0.347, > 0.05).

Source: Primary DataSPSS Results

Table 3: Pearson Chi- Square Analysis Age

| | Value | Df | Sig |
|--------------------|-------|----|-------|
| Pearson Chi-Square | 1.140 | 4 | 0.179 |

Given that the chi-square value of 0.179 is higher than 0.05, it can be concluded that there is no meaningful correlation between age and the choice to invest in domestic and foreign stock

markets. Table 3, which displays the age range of individual investors selected as responders across Bangalore city, supports this conclusion.

Source: Primary DataSPSS Results

Table 4: Pearson Chi- Square Analysis Qualification

| | Value | Df | Sig |
|--------------------|-------|----|-------|
| Pearson Chi-Square | 1.536 | 8 | 0.731 |

The table above shows the qualification category of the individual investors chosen as respondents in Bangalore City. The chi-square value of 0.731 is greater than the threshold of 0.05, indicating that there is no statistically significant relationship between investors' investment decisions in domestic and international stock markets and their qualification group.

Source: Primary DataSPSS Results

Table 5: Pearson Chi- Square Analysis Occupation

| | Value | Df | Sig |
|--------------------|-------|----|-------|
| Pearson Chi-Square | 1.302 | 12 | 0.247 |

Table 5 shows the occupation category of individual investors selected as respondents in Bangalore city. The chi-square value of 0.247 is greater than the significance level of 0.05, indicating that there is no statistically significant association between occupation group and investment decisions made by investors in both domestic and foreign equity markets.

Source: Primary DataSPSS Results

Table 6: Pearson Chi- Square Analysis Investment Experience

| | Value | Df | Sig |
|--------------------|-------|----|------|
| Pearson Chi-Square | 1.178 | 6 | 0.03 |

A chi-square value of 0.03 is less than 0.05, indicating a substantial association between the investing experience group and investment decisions made by investors in both local and overseas stock markets. This association is illustrated in table 6, which depicts the investment experience category of individual investors chosen as respondents throughout Bangalore.

We reject the first null hypothesis because the data from the aforementioned research, as well as

the Pearson Chi-Square tests, demonstrate that investors' demographics have no statistically significant effect on their activities in the local and worldwide stock markets.

b. Anova Analysis to Measure the perceptions and investment decision of Investors:

Source: Primary DataSPSS Results

Table 7: Describing the results of Anova Analysis

| Factors | Market | Mean of Squares | F-Stat | Sig | Hypothesis Result |
|---|----------|-----------------|--------|------|-------------------|
| Friends and Family Influence | Domestic | 1.21 | 1.38 | 0.01 | Positive |
| | Foreign | 1.78 | 1.93 | 0.73 | Negative |
| Broker Recommendation | Domestic | 1.36 | 1.98 | 0.04 | Positive |
| | Foreign | 1.12 | 1.33 | 0.02 | Positive |
| Decision Based on Market Statistics | Domestic | 0.96 | 1.31 | 0.72 | Negative |
| | Foreign | 1.77 | 1.61 | 0.00 | Positive |
| Decision based on learning per share | Domestic | 1.56 | 1.79 | 0.02 | Positive |
| | Foreign | 1.77 | 1.61 | 0.00 | Positive |
| Decision based on net assets value | Domestic | 1.01 | 1.34 | 0.32 | Negative |
| | Foreign | 1.13 | 1.41 | 0.41 | Negative |
| Investments based on market price movement | Domestic | 0.84 | 0.99 | 0.00 | Positive |
| | Foreign | 1.49 | 1.83 | 0.00 | Positive |
| Investments based on dividend payout ratio | Domestic | 1.17 | 1.44 | 0.03 | Positive |
| | Foreign | 1.49 | 1.71 | 0.41 | Negative |
| Investments based on dividend payment pattern | Domestic | 1.83 | 1.97 | 0.02 | Positive |
| | Foreign | 1.17 | 1.46 | 0.03 | Positive |
| Decision based on bonus share | Domestic | 1.32 | 1.89 | 0.00 | Positive |
| | Foreign | 0.97 | 1.11 | 0.00 | Positive |
| Decision based on reputation of the company | Domestic | 0.89 | 1.19 | 0.01 | Positive |
| | Foreign | 1.71 | 1.93 | 0.04 | Positive |

The perceptions and investment decisions of the investors who were selected as respondents and based in Bangalore city are presented in Table 7. The significance value in the Anova table is less than 0.05, indicating a strong correlation between the investor's perspective on domestic and international stock market investments. Furthermore, this illustrates the investment practices of individual investors. The presence of positive results signifies statistical significance, which results in the null hypothesis being rejected. On the contrary, adverse results suggest the absence of statistical significance; thus, the null hypothesis regarding the correlation between investor perception and investment behavior is accepted.

4. CONCLUSION

This research helps investors understand the numerous factors affecting their stock market involvement. A comprehensive survey and analysis identified several investor behavior and decision-making tendencies and attitudes. Comparing domestic and overseas markets shows investors' confidence and risk tolerance vary. Local markets are preferred by some investors due to their stability and accessibility, but overseas markets attract those seeking larger returns and more diversity. The variety of preferences underscores the importance of understanding each investor's aims and motives.

The study underlines the need of investors knowing foreign markets and letting political stability, regulatory framework, economic data, and cultural norms impact their views. Despite anxieties or uncertainty, good opinions about these topics can increase the urge to invest abroad. Additionally, information sources and investment education shape investor sentiments. Financial literacy and reliable information help close knowledge gaps and enhance international investment confidence. The data also suggest that investors' judgments change with economic, geopolitical, and market events. Thus, governments, financial institutions, and market actors must monitor and alter sentiments to foster investment.

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