



A Study on the Mediating Effect of Attitude on the Relationship between Past Behaviour, Hopeless, Financial Literacy, Anxiety, and Intention to Invest in Stock Market

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Abstract: Investment avenues are many, however, investors are cautious about investing in stock markets. Many factors influence their decision to invest in stock markets. This study captures the relationship between factors such as financial literacy, anxiety, hopelessness and past behaviour and intent to invest. A questionnaire was developed using items adopted from the standardised questionnaire. A convenience sampling method was used to collect the data. The data were collected from investors in Chennai. Past behaviour and anxiety were, directly and indirectly, influencing the intent to invest. Financial literacy and hopelessness were partially mediated by attitude. This implies that social exertion may be a factor in why Indian investors invest primarily in the stock market. Financial literacy has a significant effect on the attitude. To reduce hopelessness and Anxiety, financial literacy plays an important role. Educating the investors is crucial to changing the mindset and relieving anxiety and hopelessness among Indian investors.

Keywords: Financial literacy, past behaviour, intention to invest, attitude, hopeless, stock market

1 Introduction

There is an expressive gap in stock market participation in India. According to SEBI research, traders increased by 6.5 times in 3 years from FY19 to FY22, but a proportionate increase in investors is not evident despite possessing the highest rate of savings [1]. Indians culturally tended to invest but don't prefer to invest in stocks [17]. This has drawn the attention of many, including practitioners and academicians and many research studies have been undertaken [8];[16]. Studies suggested that investment decisions were based on feelings of comfort driven by psychological biases rather than a precise quantitative analysis [7] and market information [16]. [15] found that past behavior and financial literacy were the two major factors that determine the stock market

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investment decision-making of individual investors. Financial literacy refers to the knowledge such as diversification of funds, opening a Demat account, creating a portfolio and fundamental analysis retail investors must possess. In addition to these, investors' intention to invest was mainly mediated by attitude towards investment in stock markets [3]. We have drawn heavily from these factors and have constructed a framework consisting of attitude (AT), past behaviour (PB), hopelessness (HL), anxiety (AX), intention towards the stock market (IT) and personal ability such as financial literacy (FL) where attitude (AT) is the mediating variable.

2 Review of literature and hypotheses development

2.1 Impact of Past behaviour on attitude and intention to invest

The crucial factor that influenced the investment decision, is the importance of past behaviour and financial literacy in individual investors' investment decisions. [15] reported that psychological factors affect investment in the stock market more than rational factors. Behavioural factors influence involvement in the stock market which indirectly influences investment behaviour attitude and investment intention [2]. Behaviour is influential in creating an attitude to invest in the stock market. Accordingly, the attitude towards investment in stock depends on past behaviour that finally leads to the investment decision [17]. Past behaviour directly influences intention to invest and indirectly through attitude. Attitude towards investments and perceived behaviour control have greater influence on decision-making behaviour. According to [11], despite the fact that Indian investors are underrepresented in the stock market, there are several advantages for retail investors. According to [10], investment decision is mainly directed by the behaviour of investors. Behaviour factors mainly consist of sentiment, overconfidence, overreaction, and herd behaviour, which measures individual behaviours, sentiment, and behaviour, making the market highly volatile. Accordingly, we hypothesise as follows:

H1: past behaviour and investment intention have a positive relationship.

H2: Attitude mediates the relationship between past behaviour and intention to invest in the stock market.

2.2 Impact of Anxiety on attitude and intention to invest

Anxiety creates uncertainty in the attitude to invest in the stock market [9]. Anxiety among investors constantly changes their investment decisions, caused by frequent changes in the attitude of the investors. This negatively impacted investment decisions in the stock market [14]. Risk factors attached to investing in stocks create anxiety which in turn would build the attitude over intention to invest in stocks. Investors are more concerned about the risk factors and returns before making an investment decision in the stock market [13]. Anxiety differs among various investors. Anxiety may lead to a decrease in confidence in investing. Anxiety creates a pessimistic attitude toward

investing in the stock market. Anxiety directly influences the Investment intention [14]. Accordingly, we hypothesise as follows:

H3: Anxiety and investment intention have a negative relationship.

H4: Attitude mediates the relationship between Anxiety and intention to invest in the stock market.

2.3 Impact of Financial Literacy on attitude and intention to invest

Financial literacy provides the financial prowess required to make strategic decisions when participating in the stock market [3]. Knowledge, skills, attitude, and financial behaviours are essential for financial decisions in the stock market. Investors make decisions based on financial, economic, political, and psychological elements [20]. According to [15], financial literacy directly impacts the attitude toward the stock market, which further influences the intention to invest in the stock market. Financial literacy has proven that it has positively influenced the attitude of individuals to invest in the stock market. According to [1], financial literacy helps to manage financial resources for longer-life financial securities and helps to change attitudes toward stock market investment. Financial literacy increases because of various learning channels and increases stock market participation [6]. This shows a direct influence on the level of financial literacy and stock market participation. Financial confidence will develop when the investor's literacy level is good [3]. Financial literacy and risk aversion affect individuals' decision-making regarding investment decisions' objective and subjective financial literacy influence investment choices, which is appropriate because financial literacy changes individual attitudes toward investment decisions [13]. Accordingly, we hypothesise as follows:

H5: Financial literacy and investment intention have a positive relationship.

H6: Attitude mediates the relationship between financial literacy and intention to invest in the stock market.

2.4 Impact of Hopelessness on Attitude and intention to invest

Hopelessness and other behaviour traits affect investors' financial decisions in the stock market. So, emotional, and psychological traits are major factors that influence the decision on investment [9]. The uncertainty in meeting financial goals can be changed by employing measures that decrease the degree of hopelessness that affects stock market participation and those that are associated with reducing loss and the decision not to invest in stock. This also changes the attitude towards stock market participation. According to [11], investor's unsureness and reliance on others during investment may decrease the level of behaviour in stock market investment. Hopelessness also significantly influences the attitude which in turn influences the investment behaviour of investors in stock markets. Accordingly, we hypothesise as follows:

H7: The intention to invest and hopelessness have a negative relationship.

H8: Attitude mediates the relationship between hopelessness and intention to invest in the stock market.

The variables PB, IT, FL, and AT were measured using items adopted from [15], and AX, HL were measured using items from [9]. Items measuring PB, IT, FL, AT, AX, HL, and intention to invest in the stock market were measured on a 5-point scale. The study used a predictive research design.

2.5 Data collection

A questionnaire was used to capture the data from the respondents. It was distributed electronically to 301 respondents in and around Chennai out of which we received 215 responses yielding a response rate of 71.4%. A convenience sampling technique was used to collect the data.

3 Conceptual of framework

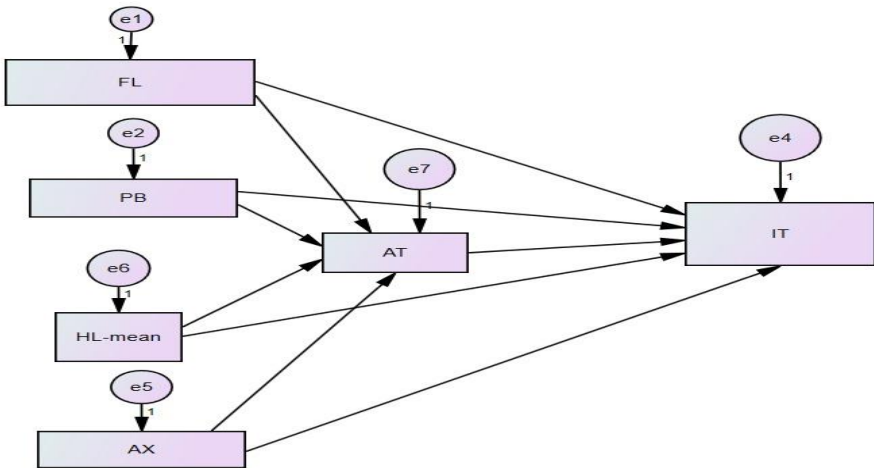


Fig.1. Conceptual model Source: authors

4 Analysis and interpretation

The model is examined using structural equation modelling (SEM). This technique analysed the direct effect of predicting intention to invest by financial literacy, past behaviour, hopelessness, and anxiety. The mediating model was also tested using SEM with attitude towards investment in stock markets entering the model as a mediating variable. The fitness of model was ascertained using RMR=0.086 (<0.05); GFI=0.952(>0.90); NFI=0.884(>0.90); IFI=0.887(>0.90); CFI=0.883(>0.90). On examination of the regression weights, it was observed that there was direct relationship between all the independent variables such as financial literacy, past behaviour, anxiety and hopelessness and intention to invest. Thus H1, H3, H5, and H7 are supported. The results are given in table 1.

Table 1. Showing the regression weights of the main model.

			Esti- mate	S.E.	C.R.	P
IT	<---	FL	.295	.087	3.397	***
IT	<---	PB	.145	.088	1.649	.099
IT	<---	AX	-.078	.047	-1.667	.095
IT	<---	HL	-.205	.050	-4.064	***

The mediating effect of AT on the relationship between FL, PB, AX and HL was tested using SEM. The goodness for the model was established using RMR=.079 (<0.05); GFI=.945 (>0.90); NFI=0.890 (>0.90); IFI=0.894 (>0.90); CFI=0.891 (>0.90). These estimates of these parameters were well above the threshold values. On examination of the regression weights given in table 2, it was found that there was partial mediation by anxiety on the relationship between FL and IT and HL and IT. Full mediation existed between PB and IT and AX and IT. Thus H2, and H4 were supported. Partial mediation existed between FL, HL, and IT. So H6, H8 were partially supported.

Table 2 showing the mediated effect of AT

	Esti- mate	S.E.	C.R.	P	Label
--	---------------	------	------	---	-------

AT	<--	FL	.140	.077	1.807	.071
-						
AT	<--	PB	.321	.077	4.155	***
-						
AT	<--	HL	-.136	.048	-2.829	.005
-						
AT	<--	AX	-.050	.041	-1.218	.223
-						
IT	<--	FL	.206	.071	2.917	.004
-						
IT	<--	PB	-.060	.073	-.828	.408
-						
IT	<--	AX	-.046	.037	-1.243	.214
-						
IT	<--	HL	-.118	.044	-2.667	.008
-						
IT	<--	AT	.639	.062	10.326	***
-						

5 Discussions and implications

The participation of individual investors in the stock market is influenced by variety of factors like HL, FL, AX, PB and AT. HL was directly related to the intention to invest; financial literacy is important to decrease hopelessness. This agrees with [9]. Lack of surety among the investors has a great impact on the investor's intention to invest. This agrees with [11]. Financial literacy directly and partially indirectly influences the intent to invest. Attitude mediates the relationship between FL and IT. This is in consonant with [15]. The investor's intention to invest is mainly on attitude, subjective norms, and behaviours. Attitude is the factor that helps to decide the financial decisions in the financial market, which means investors' decision to invest is driven by their attitude

towards stock market investment [3]. Past experiences in various stock market events shape one's decision to invest or not invest in the stock market. Past events have shown that a high level of financial literacy leads to positive attitudes toward stock market participation. Financial literacy is also important for future investment activities to be effective [17]. The positive past behaviour of the investor in the stock market influences the investors to invest in the future. According to [11], attitude mediates the behaviour towards investment, which also predicts the further behaviour of investors. PB does not directly affect the intention to invest but attitude plays a crucial role in mediating PB and IT. This agrees with [15]. In our study, investors' past behaviour does not directly influence their intention to invest, but a mediating factor impacts the association between past behaviour and investing in stock markets intention. Attitude plays an important role in making investment decisions and changes investors' behaviour. Anxiety is more common among less educated investors [9]. An anxious investor will alter his or her investment strategies on frequently. To alleviate these situations, a high level of financial literacy is required. Financial literacy provides stable ideology and inferences during stock market participation [14]. Financial literacy changes the attitude of investors and reduces the Anxiety among the investors. The relationship between investment and hope is a crucial factor in investment. The investors' hope influences the rate of intention to invest in the financial market. The hope will not directly create. Financial literacy plays an important role in creating hope and reducing Anxiety, which changes the attitude of the investors and increases the rate of intention to invest. According to [5], the policies be designed so that investors have a higher level of financial literacy.

The government officials and authorities should be aware that social exertion may be a factor in why Indian investors invest primarily in the stock market. Social pressure is an impact of societal norms, expectations and peer influences that can result in investment in the stock market. Most investors will do the same thing that the other investors are doing, which means if the investors are crowded at a stock, a few more will add to it. The investors are unstable in making decisions before investing in the share. Financial literacy will create confidence in the investor, which will help to make stable decisions before investing. The attitude is significantly influenced by financial literacy. To reduce hopelessness and anxiety, financial literacy plays a significant role. Educating the investors is crucial to changing the attitude and reducing anxiety and hopelessness among the Indian investors.

6 Limitations and future research

The study narrows the range of individuals' investment decisions and behaviour in the stock market. The survey was limited to people who have saving behaviour and who have the financial literacy to understand the various investment options available in the economy. The survey data had a small sample size ($n=215$). Future studies may be done with an increased sample size. The study has a narrow geographic area in and around the Chennai, Kancheepuram, and Chengalpattu districts of Tamil Nadu. So, generalizability may be an issue because people in different geographical locations have different cultural practices and lifestyles and may also have different investment

ideologies as investors. Since the study is focused on a few regions, it cannot be compared with other regions of the country. Future research may overcome this limitation and produce better results.

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