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INVESTOR PERCEPTIONS AND REACTIONS DURING STOCK MARKET CRISES

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Abstract
This research examines how investors felt and acted during the COVID-19 Market Crash and the Financial Crisis 2008. One thousand active investors who participated in both crises were polled using a structured online survey. In the case of the Financial Crisis in September 2008 and the COVID-19 Market Crash in March 2020, respondents were requested to consider their experiences during the height of the respective crises. The sample was stratified according to age and investment type to ensure that all demographics were represented. In contrast to the COVID-19 market crash, when 42% of respondents liquidated assets, 55% did so during the 2008 financial crisis, according to the data analysis. The average perception score for the COVID-19 crisis was 2.8, suggesting a somewhat more optimistic attitude, in contrast to the 2.1 average for the 2008 crisis, which offered a more pessimistic viewpoint. In the 2008 crisis, investors were more inclined to sell or keep assets, according to response scores (mean 1.8 for 2008 and 2.3 for COVID-19), but in the COVID-19 market, there was a more balanced reaction, with a little trend towards holding or purchasing.
Keywords: Investor Sentiment, Market Volatility, Perception.

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I. Introduction
Since investor sentiment enormously impacts market behavior, asset values, and economic security, it has long been the focus of academic inquiry. Perceptions of risk and opportunity change substantially in response to shifts in the market, and a combination of logical reasoning and behavioral biases typically molds investors' attitudes. When times are suitable for the economy, investors tend to be more bullish, which drives up asset values and encourages riskier investing tactics. As a result of herd mentality and excessive optimism, asset prices can surge above their true worth, a phenomenon known as a speculative bubble. On the flip side, investor sentiment changes dramatically during volatile markets or times of crisis. When people are afraid for their financial future, they may sell their assets in a panic or shift their money to "safe-haven" assets like gold or government bonds. Not only can psychological variables like loss aversion, overreaction to short-term market fluctuations, and media-driven mood impact investor perspective, but so do macroeconomic data and firm fundamentals, which influence this cyclical perception.
The fast spread of information—and even false information—through social media and financial news sites has added complexity to investor perception in the digital era. With the proliferation of real-time data and market commentary, investors at all levels—from institutional to retail—are increasingly susceptible to market reactions, which can amplify collective biases and set off "information cascades." For example, when a large company announces bad profits, it can trigger a domino effect when investors sell for reasons other than fundamental value, such as fear of losing

more money or falling behind the trends set by early adopters. Also, when market stress is present, the emergence of algorithmic trading and high-frequency trading systems makes price volatility even more pronounced since these automated systems trade in reaction to specific news triggers or market signals.

A retail investor's tendency to follow trends and make decisions based on emotion makes them more vulnerable than an institutional investor, who is more likely to use data-driven methods and financial models. Diverse demographics, investing objectives, and degrees of expertise contribute to a complex environment where investor perception differs. Market volatility may increase if, for instance, institutions see a decline as a chance to purchase, while individual investors sell off assets to avoid losses. Government interventions, such as interest rate changes or quantitative easing measures, may either calm investors or increase market concern, depending on how these actions are perceived, and regulatory structures and policies also contribute to this phenomenon.

Since risk tolerance and investing objectives differ globally, cultural and economic variables can influence investor perception. Investors in more stable nations may perceive risk differently than those in developing markets since the former may be more used to volatility. Investors' reactions to market trends and dangers may also be colored by cultural norms that place a premium on long-term planning rather than immediate profit. While these viewpoints might help markets weather storms, they can also cause unforeseen responses when public opinion is nosedive during geopolitical conflicts or natural catastrophes.

II. Review of Literature

Mishra, Somabhusana et al., (2022) Human life is risky and uncertain. In the same way, the future is also non-committal. But still, we think of our family's future for financial security, a balanced life, and a manageable livelihood. There comes the role of investment, which does not include only the future but sacrifice of some of the present aspirations. We invest only to prevent uncertainties by getting good returns. Different financial and investment companies are in the market to attract customers with different mouth-watering return plans. Still, the investors choose the one that is stable, consistent and has a good track record. The present study is an attempt to explore the mindset of the investors and their perception towards different investment plans.

Misiuda, Maria, et al. (2022) Prior research has shown that companies' sustainability reporting concerning environmental, social, and governance disclosures influences investors' investment decisions. Since the credibility of these disclosures is often questionable, it is vital to understand how investors perceive sustainability reporting and include it in their decision-making process. Although the high relevance of this topic has already been clarified in research, the extant literature is heterogeneous and poorly connected on several levels. Against this background, we conducted a systematic literature review of 27 experimental studies on this topic published in leading accounting journals between 2000 and 2021. By clustering the results according to Mercer's credibility factors, we synthesize the research on investors' perceptions of sustainability reporting in a novel way and derive suggestions for future research. We find that the interest in experimental research on sustainability reporting perception has grown in recent years. Researchers so far have examined sustainability performance and external assurance as the most relevant factors determining the credibility of sustainability information. Other factors, such as disclosure precision and inherent plausibility, are sparsely explored. We provide avenues for future research to investigate the perception of sustainability disclosures more comprehensively by focusing on understudied credibility factors and on new theories and heuristics. Additionally, we suggest considering diverse experimental settings, such as different investor groups, company characteristics, or experimental procedures in general.

Quaye, Isaac, et al. (2016) Several studies have evolved to deal with the determinants of stock market volatility. However, there exists a gap in the literature with regard to the interrelation among the broad categories of factors that trigger a stock market reaction, namely company fundaments, technical factors, and market sentiments. This paper provides a holistic and comprehensive theoretical review of drivers of stock markets' reactions and designs an interrelated conceptual framework of the factors that influence investors' decision-making to fill the gap in the literature. Brexit is presented as a case study to illustrate how new events or information affect investors and stock markets. This study will reveal some of the staggering global effects of Brexit at the end of trading on June 24, 2016, in areas such as currencies, stock markets, banks, commodities, bonds, automakers, home builders, and hedge funds. Barely 24 hours after the results of Brexit were declared. For investors to insulate themselves against losses from Black Swan events, this study recommends some protective mechanisms for investors, including avoidance of overexposure and stockpiling of cash.

Trivedi, Rajesh et al. (2017) Day by day, the Indian financial market is becoming competitive, and the supply of various financial instruments needs to be in equilibrium with the demand perspectives of the investors. The prime drive of any investment is to get maximum return with minimum risk, and mutual funds provide the opportunity for the investors. The research provides insight into the types of risks in a mutual fund scheme. The data was collected from this industry's mutual fund investors and nonmutual fund investors. The research focuses on the relationship between investment decisions and factors like liquidity, financial awareness, and demography. It was found that risk funds and the liquidity of fund schemes have an impact on the investor's perception of investing in the mutual fund.

III. Research Methodology

Survey Design

During the COVID-19 Market Crash and the 2008 Financial Crisis, a systematic poll was devised to record investors' thoughts and feelings.

Sample Selection

The poll targeted one thousand active stock market participants during the COVID-19 and 2008 financial crises. The sample was stratified according to age and investment type for fairness and variety.

Data Collection

Financial forums, social media, and investment-related websites were among the venues where an online survey was disseminated to gather the necessary data. By prompting respondents to think back on the most formative moments of each crisis, the poll aimed to reduce the influence of recall bias. In the 2008 Financial Crisis, participants were requested to reflect on their thoughts and feelings at the peak of the crisis in September 2008, when significant events like the fall of Lehman Brothers and the ensuing market slump occurred. Respondents were requested to concentrate on the market volatility that occurred in March 2020, when stock markets saw quick drops due to the COVID-19 pandemic. The survey was open for three months, with reminders sent periodically to increase response rates.

IV. Data Analysis and Interpretation

Table 1: Demographic Distribution of Respondents

Demographic Variable	Category	Percentage (%)
Age	18-30	25%
	31-50	45%
	51 and above	30%
Investment Type	Retail	70%
	Institutional	30%

We can see the breakdown of the survey participants' ages and investment types in Table 1. The sample is representative of the population as a whole; for example, 25% of respondents are between the ages of 18 and 30, suggesting that many younger, less seasoned investors took part in the poll. Investors with more excellent expertise and, usually, more significant portfolios make up the biggest group, with 45% of respondents falling into that age bracket. Investors aged 51 and over comprise 30% of the market. This group will likely consist of people who are more cautious with their money and keen on preserving what they have. The opinions and actions of individual investors, often more responsive to market mood and financial crises, are mirrored by the fact that 70% of respondents are retail investors regarding investment type. Thirty percent of investors are large financial institutions like pension and mutual funds that use data and long-term strategies to make investment decisions.

Table 2: Investor Reactions during Crisis Periods

Crisis Type	Percentage of Investors Who Sold Assets	Mean Perception Score	Mean Reaction Score (Buy/Sell)
2008 Financial Crisis	55%	2.1	1.8
COVID-19 Market Crash	42%	2.8	2.3

Two major market crises—the 2008 financial crisis and the COVID-19 market crash—are detailed in Table 2. Frightened and apprehensive, many investors sold assets during the 2008 financial crisis, which caused a steep decline in the market. This figure represents 55% of investors. Due to the extensive financial instability and the collapse of big financial institutions, investors presumably had a poor impression of the crisis, as shown by the mean perception score of 2.1. A mean response score of 1.8, closer to the "sell" end of the scale, suggests that most investors were likelier to get out of the market than to acquire or keep assets. Compared to the COVID-19 Market Crash in 2008, just 42% of investors liquidated their holdings during that time, indicating a more measured reaction. A mean perception score of 2.8 suggests a more positive, neutral perspective compared to 2008, maybe because people thought the market would bounce back fast once the initial shock of the epidemic had worn off. Investors' increased confidence in the market's eventual recovery is reflected in the mean response score of 2.3, closer to the "hold" or "buy" end of the scale. This suggests that more investors were hanging onto assets or purchasing throughout the slump.

V. Conclusion

The perspectives and responses of investors during the COVID-19 Market Crash and the 2008 Financial Crisis have been illuminated by this study. The results show that investor behavior changed significantly during the two crises; for example, more people sold their assets during the 2008 crisis (55% vs. 42%). More cautious investing likely resulted from the depth and length of the 2008 recession. On the other hand, investors were likelier to keep or purchase assets during the COVID-19 market meltdown because of the generally favorable view of the event, as shown by the higher mean perception score. The study highlights the importance of demographics, market mood, and investor attitude in determining investment decisions during financial stress. These results add to our knowledge of investor psychology and provide helpful information for regulators and financial institutions to handle investor behavior in the event of another market crash.

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