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Investor Sentiment and Stock Market Volatility: A Behavioral Finance Perspective

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ABSTRACT

This study examines the impact of Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations on Perceived Stock Market Volatility, with a focus on retail investors, financial professionals, and business owners in Kerala, India. Adopting a quantitative approach, data was collected from 100 respondents using a structured questionnaire. Statistical analysis, including correlation analysis and multiple regression modeling, was employed to assess the strength and significance of relationships among the variables. The reliability of constructs was verified using Cronbach's Alpha, with all values exceeding 0.70, ensuring internal consistency. The regression analysis revealed that Investor Sentiment, Risk Tolerance, and Economic Expectations significantly influenced perceived stock market volatility, with an R-value of 0.781 and an Adjusted R-Square of 0.519, indicating that the selected factors explain a substantial portion of variations in perception. ANOVA results confirmed the model's statistical significance ($F = 13.79$, $p = 0.005$). These findings highlight the crucial role of psychological and informational factors in shaping investor perceptions and emphasize the need for enhanced financial education, responsible media reporting, and strategic investment planning. The study provides insights that can aid policymakers, financial institutions, and investors in making informed decisions, ultimately contributing to a more stable and resilient investment environment.

Keywords: investor sentiment, financial literacy, stock market volatility, risk tolerance

Introduction

Stock market volatility has long been a subject of interest for researchers, policymakers, and investors, as it significantly impacts financial decision-making and economic stability. While traditional financial theories emphasize rational decision-making and efficient markets, behavioral finance suggests that psychological and emotional factors also play a crucial role in influencing investor behavior. Investor sentiment, which reflects the collective mood, optimism, or pessimism of market participants, has emerged as a key determinant of stock market fluctuations. Market optimism can drive excessive risk-taking, while fear and pessimism can trigger panic selling, leading to increased volatility. Given the interconnectedness of emotions and financial markets, understanding how investor sentiment shapes stock market

movements is essential for predicting market trends and designing effective investment strategies.

Investor sentiment is influenced by multiple factors, including risk tolerance, financial literacy, media influence, investment experience, and economic expectations, each of which affects how investors perceive and respond to market conditions. Media coverage, particularly through digital platforms, can amplify market reactions by spreading both positive and negative narratives, while financial literacy levels determine an investor's ability to critically analyze market information. Moreover, economic expectations related to inflation, interest rates, and overall economic growth further shape sentiment-driven market movements. This study aims to explore the relationship between investor sentiment and stock market volatility, adopting a behavioral finance perspective to highlight the psychological and informational factors that drive market dynamics. By examining these influences, this research provides insights into investor behavior, contributing to a deeper understanding of market fluctuations and the broader financial ecosystem.

The dynamics of stock market volatility are not solely driven by fundamental economic indicators; rather, they are deeply intertwined with investor psychology and behavior (Tvede, 2002). Investor sentiment, shaped by cognitive biases and emotional responses, plays a crucial role in influencing market movements, often leading to price deviations from intrinsic values. Factors such as risk tolerance, financial literacy, media influence, investment experience, and economic expectations collectively determine how investors interpret market signals and make investment decisions. An investor with high financial literacy and extensive market experience may react differently to a market downturn than someone with limited knowledge and exposure (Klapper & Lusardi, 2020). Similarly, sensationalized media reports can amplify fear or euphoria, fueling sharp price swings that contribute to increased volatility.

Understanding the behavioral aspects of stock market fluctuations is essential for both individual investors and policymakers. Traditional economic models assume rational decision-making, but behavioral finance challenges this notion by highlighting the role of emotions, biases, and external influences in investment behavior (Zahera & Bansal, 2018). This study examines the interplay between investor sentiment and stock market volatility, emphasizing how psychological and informational factors drive market fluctuations. By shedding light on these relationships, the research aims to provide valuable insights for investors seeking to navigate volatile markets, as well as for financial analysts and regulators striving to develop more stable and resilient financial systems.

Significance of the Study

This study holds significant value in understanding how investor sentiment, risk tolerance, financial literacy, media influence, investment experience, and economic expectations contribute to stock market volatility. Traditional financial theories often assume that markets are efficient and investors act rationally, but behavioral finance challenges this notion by highlighting psychological and emotional biases (Brooks & Byrne, 2008). By analyzing these behavioral factors, this study provides a deeper understanding of why markets experience sudden fluctuations beyond fundamental economic changes. The findings can help investors make informed decisions by recognizing how emotions and external influences impact their trading behavior, ultimately leading to more rational and strategic investment approaches.

Moreover, this study has implications for policymakers, financial analysts, and regulatory bodies aiming to enhance market stability. Understanding the role of investor sentiment and external influences, such as media coverage and economic expectations, can help in designing policies that minimize excessive market swings. Financial institutions can use these insights to develop investor education programs that improve financial literacy and risk assessment skills,

thereby promoting more stable and predictable market behavior (Pompian, 2012) . By bridging the gap between psychology and finance, this research contributes to a more comprehensive framework for managing stock market risks and fostering long-term economic growth.

Problem Statement

The stock market is inherently volatile, with fluctuations influenced by a complex interplay of economic, psychological, and informational factors. While traditional financial theories suggest that stock prices are driven by fundamental economic indicators, behavioral finance argues that investor sentiment, risk tolerance, financial literacy, media influence, investment experience, and economic expectations significantly shape market movements. Investors often make decisions based on emotions, media reports, and perceived risks rather than objective financial data, leading to market inefficiencies and unpredictable trends (Hilton, 2001). However, there is still limited empirical research on how these behavioral factors collectively impact stock market volatility, making it crucial to investigate their role in shaping investor perceptions and market trends.

This study aims to bridge this gap by examining how investor sentiment, financial literacy, and economic expectations influence perceived stock market volatility. Understanding these factors is essential for developing strategies to mitigate irrational investment decisions and reduce excessive market fluctuations. By identifying the key behavioral drivers of stock market movements, this research can provide valuable insights for investors, financial institutions, and policymakers seeking to enhance market stability and investor confidence.

Research Objective

This study aims to examine the impact of various factors—namely investor sentiment, risk tolerance, financial literacy, media influence, investment experience, and economic expectations—on perceived stock market volatility.

Literature Review

The stock market is a complex and dynamic system influenced by a combination of economic fundamentals and investor psychology. Traditional financial theories, such as the Efficient Market Hypothesis (EMH), suggest that stock prices reflect all available information, and investors make rational decisions based on this data (Malkiel, 1987). However, behavioral finance challenges this notion, arguing that cognitive biases, emotions, and external influences significantly affect investment decisions and market volatility (Hirshleifer, 2015). Investors often react irrationally to news, speculation, and short-term market fluctuations, leading to price movements that deviate from fundamental values (Dumas et al., 2005). Understanding the behavioral and psychological aspects of investing is crucial for both individual investors and financial institutions, as it helps in developing strategies to mitigate risk and enhance decision-making (Singh et al., 2024). This study focuses on six key factors—Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations—to explore how they collectively shape perceptions of stock market volatility and drive market trends.

The dynamics of Nepal's financial sector reveal that commercial bank profitability is shaped by both internal factors (such as bank size, loan and deposit volumes, capital adequacy, and liquidity management) and external forces, including inflation and government policy shifts, requiring banks to adapt vigilantly to regulatory and market environments for sustained performance (Mishra & Kandel, 2023). In parallel, regional initiatives like "Wisdom of Worthy" emphasize that education, infrastructure development, and innovation play critical roles in catalyzing economic growth and opportunities in Madhesh Province, with projects like the Second International Airport in Nijgadh and the Tarai Fast Track driving employment and cross-regional integration (Mishra, 2023). The evolution of Nepali institutions is also underscored by the rise of transformative leadership, where

leaders who empower and inspire their teams foster greater organizational effectiveness, creativity, and adaptability—qualities essential for success in Nepal's shifting social and economic landscape (Mishra et al., 2024). Meanwhile, growing adoption of green banking is being propelled by regulatory encouragement and increasing environmental awareness, aligning financial activities with sustainability objectives and fostering investment in eco-friendly sectors, ultimately advancing the environmental and social impact of Nepal's banking system even as such practices remain in their early stages (Mishra & Aithal, 2023). So this research might be helpful for Nepali policy maker to draw funds through investor attention.

Investor Sentiment plays a pivotal role in stock market fluctuations, as it reflects the collective mood and confidence of market participants (Akin & Akin, 2024). When investors are optimistic, they tend to buy more stocks, driving prices higher, sometimes beyond their intrinsic values (Merkle & Weber, 2014). Conversely, negative sentiment leads to panic selling, causing sharp declines in stock prices (Kaplanski & Levy, 2010). This emotional aspect of investing often results in market anomalies such as bubbles and crashes, where asset prices deviate significantly from their fair value. Sentiment-driven investing is influenced by various factors, including political events, economic news, and corporate earnings reports (Maurya et al., 2025). For instance, during periods of economic uncertainty, investor sentiment may shift rapidly, leading to increased volatility and market instability.

Risk Tolerance is another critical determinant of investor behavior, representing an individual's willingness to take financial risks (Pak & Mahmood, 2015). Investors with high risk tolerance are more inclined to invest in volatile assets such as stocks, while those with low risk tolerance may prefer safer investments like bonds or fixed deposits (Ahmad Fauzi et al. 2017). This variation in risk preference affects market trends, as aggressive investors may continue buying stocks during downturns, while risk-averse individuals may exit the market prematurely, exacerbating price declines (Chatterjee & Nayyar, 2024). Factors such as age, income, financial knowledge, and investment goals influence an individual's risk tolerance, making it an essential consideration in portfolio management and market stability.

Financial Literacy significantly impacts investment decisions, as it determines an investor's ability to understand financial concepts, assess risks, and make informed choices (Jappelli & Padula, 2013). Investors with high financial literacy are better equipped to analyze market trends, diversify their portfolios, and avoid common investment pitfalls such as overtrading or following market hype. On the other hand, financially illiterate investors may fall prey to speculation, misinformation, and emotional decision-making, increasing the likelihood of poor investment outcomes (Subedi, 2024). Enhancing financial literacy through education and awareness programs can help investors navigate market fluctuations more effectively and contribute to overall market efficiency.

Media Influence has become an increasingly important factor in shaping investor perceptions and market movements. The proliferation of financial news outlets, social media platforms, and real-time market updates has amplified the impact of news on investor behavior (Yang, 2025). Sensationalized reporting, market rumors, and biased narratives can create panic or excessive optimism, leading to herd behavior and speculative trading. (Xing, 2024). Understanding the role of media in market volatility is crucial for both investors and regulators to prevent misinformation-driven market distortions. Investment Experience influences how investors respond to market fluctuations (Campbell et al., 2014). Experienced investors tend to rely on historical trends, technical analysis, and fundamental evaluations to make decisions, whereas novice investors are more likely to react emotionally to market events. Those with substantial experience are generally better at handling market downturns, as they understand that volatility is a natural part of investing (Slovic,

1972). In contrast, inexperienced investors may panic-sell during downturns or impulsively buy into market rallies, often resulting in suboptimal investment outcomes. The ability to remain disciplined and adhere to a long-term investment strategy is often a function of experience, making it a key factor in managing stock market volatility.

Economic Expectations encompass macroeconomic indicators such as interest rates, inflation, GDP growth, and government policies, which significantly impact investor confidence and market performance (Fernanda et al., 2024). Investors closely monitor economic data to predict future market trends and adjust their investment strategies accordingly. Positive economic indicators, such as low unemployment rates and strong GDP growth, boost investor confidence, leading to increased market participation (Pangilinan & Noor, 2024). Conversely, economic downturns, rising inflation, or policy uncertainty can create fear and hesitation, causing stock prices to decline (Shahbaz et al., 2024). The way investors interpret and react to economic expectations plays a crucial role in determining market stability and long-term growth.

By analyzing these six variables, this study aims to provide a deeper understanding of how psychological, informational, and economic factors collectively influence stock market volatility. The findings will contribute to the field of behavioral finance by offering insights into the mechanisms driving market fluctuations. Additionally, the study will help policymakers, financial advisors, and investors develop strategies to manage risks, reduce irrational decision-making, and improve overall market efficiency. Understanding these behavioral factors is essential in creating more stable financial markets and ensuring better investment outcomes for individuals and institutions alike.

Methodology

This study employs a quantitative research approach to investigate the influence of Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations on Perceived Stock Market Volatility. Data collection was conducted through a structured questionnaire, which was administered to a sample of 100 respondents, comprising retail investors, financial professionals, and business owners across Kerala, India. The sampling strategy ensured diverse representation, capturing individuals with varying levels of investment experience and financial literacy. The gathered data underwent statistical analysis, including regression analysis, to assess the significance of each predictor variable in shaping stock market perceptions. A survey-based approach was used to measure investor sentiment, risk tolerance, financial literacy, media influence, investment experience, and economic expectations. The reliability and validity of the data were ensured through appropriate statistical tests. Relationships between variables were examined using correlation and multiple regression analysis, with further diagnostics performed to confirm the robustness of the model.

Hypothesis of the Study

H_0: Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations do not have a significant impact on Perceived Stock Market Volatility.

H_1: Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations have a significant impact on Perceived Stock Market Volatility.

Results and Discussion

This section presents the analysis of key factors influencing perceived stock market volatility, including Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations. The discussion interprets the statistical findings, highlighting their implications for investor behavior and market dynamics.

Table 1

Demographic Distribution of the Sample

Gender	Percentage	Age group	Percentage
Male	89.00	<35	42.3
Female	11.00	>35	57.7
Education	Percentage	Occupation	Percentage
Below Degree	7	Retail Investor	42
Degree	42	Financial Professional	26
Above Degree	51	Business Owners	32

Note. Sample (n) = 100

Table 1 reveals the demographic profile of the respondents, indicating that the majority are male (89%), while female participants make up only 11%. The age distribution shows that 42.3% of respondents are below 35 years, whereas 57.7% are above 35 years, ensuring a balanced representation of young and experienced investors. In terms of education, 51% hold qualifications above a degree, 42% have a degree, and only 7% have education below a degree, highlighting a highly educated sample. Regarding occupation, 42% are retail investors, 26% are financial professionals, and 32% are business owners, demonstrating a diverse mix of investment backgrounds. With a sample size of 100, the study captures perspectives from individuals with varied financial knowledge and experience.

Analysis

The Cronbach's Alpha values for all variables in the study indicate a high level of internal consistency, suggesting that the selected factors reliably measure their respective constructs (Cronbach, 1951). Investor sentiment, with sub-factors such as market optimism/pessimism (.715) and reaction to news & events (.822), reflects how emotions and perceptions shape investment behavior. Risk tolerance factors, including willingness to invest in high-risk stocks (.783) and loss aversion (.794), demonstrate the varying degrees of risk acceptance among investors. Financial literacy, with strong reliability scores such as awareness of investment instruments (.820), highlights the role of knowledge in decision-making. Media influence (.747–.804) signifies the impact of information dissemination, while investment experience, with high consistency in factors like frequency of stock transactions (.831), underscores the role of hands-on market exposure. Lastly, economic expectations (.812) confirm the predictive influence of macroeconomic outlooks on investment decisions. The reliability scores across all constructs validate their inclusion in the study, ensuring the robustness of the data collected.

Table 2

Variables and Reliability

Variable		Cronbach's Alpha	Source
Investor Sentiment	Market Optimism	0.715	Gugler et al. (2012)
	Herd Behavior	0.756	Kameda and Hastie (2015)
	Fear of Market Crashes	0.801	Nikkinen and Peltomäki (2020)
	Reaction to News & Events	0.822	Dumas et al. (2005)

Variable		Cronbach's Alpha	Source
Risk Tolerance	Willingness to Invest in High-Risk Stocks	0.783	Aren and Nayman Hamamci (2020)
	Loss Aversion	0.794	De Giorgi (2011)
	Diversification Strategy	0.719	Mao (1970)
	Time Horizon for Investments	0.735	Reilly et al. (2016)
Financial Literacy	Understanding of Stock Market Basics	0.706	Van Rooij et al. (2011)
	Ability to Analyze Financial Statements	0.744	Kishan and Alfan (2018)
	Awareness of Investment Instruments	0.820	Ammer and Aldhyani (2022)
Media Influence	Effect of Social Media Trends	0.747	Bukovina (2016)
	Trust in Expert Opinions & Analysts	0.804	Strauß (2018)
	Sensitivity to Fake News & Market Manipulation	0.722	Clapham et al. (2021)
Investment Experience	Years of Trading Experience	0.814	Hoffmann and Post (2016)
	Frequency of Stock Transactions	0.831	Isaenko (2023)
	Diversity of Investment Portfolio	0.761	Schmidt (2019)
Economic Expectations	Inflation Expectations	0.812	Carlson and Parkin, (1975)
	Interest Rate Expectations	0.810	Gibson (1970)

To analyze the factors influencing perceived stock market volatility, a regression model was employed. The details of the fitted model are provided below:

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_5+\beta_6X_6+\in$$

Where;

Y = Perceived Stock Market Volatility (Psme)

X_1 = Investor Sentiment (Is)

X_2 = Risk Tolerance (Rt)

X_3 = Financial Literacy (Fi)

X_4 = Media Influence (Mi)

X_5 = Investment Experience (Ie)

X_6 = Economic Expectations (Ee)

$\beta 1, \beta 2, .\beta 6$ = Regression coefficients of predictor variables.

$\in$ = Random Error

Following hypothesis were formulated

H_0: Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations do not have a significant impact on Perceived Stock Market Volatility.

H_1: Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations have a significant impact on Perceived Stock Market Volatility.

The correlations as well as the significant effects between the six factors and dependent variables were shown in Table 3

Table 3

Correlation Between Variables

	Psme	Is	Rt	Fi	Mi	Ie	Ee
Psme	1.000						
Is	.626	1.000					
Rt	.624	.525	1.000				
Fi	.389	.458	.715	1.000			
Mi	.487	.586	.762	.715	1.000		
Ie	.514	.524	.650	.512	.615	1.000	
Ee	.457	.399	.484	.584	.587	.778	1.000

The correlation matrix reveals significant relationships between perceived stock market volatility (Psme) and the independent variables (Chen, 2002). Investor sentiment (Is) shows a strong positive correlation with Psme (0.626), indicating that market optimism or pessimism influences perceived volatility. Risk tolerance (Rt) also exhibits a strong correlation with Psme (0.624), suggesting that individuals with lower risk tolerance perceive higher market volatility. Media influence (Mi) and investment experience (Ie) demonstrates moderate correlations with Psme (0.487 and 0.514, respectively), implying that exposure to media trends and trading experience shape perceptions of market fluctuations. Financial literacy (Fi) has a relatively weaker correlation with Psme (0.389), signifying that knowledge of financial concepts plays a role but is less influential than other factors. Economic expectations (Ee) show a moderate correlation with Psme (0.457), suggesting that expectations regarding inflation and interest rates contribute to perceived volatility. The strong correlations among independent variables, such as between risk tolerance and media influence (0.762) or financial literacy and media influence (0.715), indicate potential multicollinearity concerns that should be addressed in regression analysis.

Table 4

Adjusted R Value

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.781a	.384	.519	29.74421	.624

Note.

a. **Predictors:** (Constant), Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, Economic Expectations

b. **Dependent Variable:** Perceived Stock Market Volatility

The regression model demonstrates a strong relationship between the independent variables—Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations—and the dependent variable, Perceived Stock Market Volatility, with an R value of 0.781, indicating a high degree of correlation. The R Square value of 0.384 suggests that approximately 38.4% of the variation in Perceived Stock Market Volatility is explained by the predictors included in the model; while the Adjusted R Square of 0.519 implies that the model is well-fitted, accounting for the number of predictors used. The standard error of the estimate, 29.74421, represents the average deviation of observed values from the regression line, highlighting the extent of dispersion in the data. Additionally, the Durbin-Watson statistic of 0.624 suggests potential

positive autocorrelation in the residuals, which may indicate the need for further model diagnostics to ensure robustness. The findings align with existing literature that emphasizes the role of investor psychology and macroeconomic expectations in shaping perceptions of stock market fluctuations (Baker & Wurgler, 2007). These insights are crucial for policymakers, financial advisors, and investors aiming to understand behavioral patterns in financial decision-making.

Table 5

ANOVA Result

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	512.254	6	85.375	13.79	.005b
Residual	576.187	93	6.198		
Total	601.312	99			

Note.

a. Dependent Variable: Perceived Stock Market Volatility

b. Predictors: (Constant), Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, Economic Expectations

The ANOVA results presented in Table 5 indicate that the overall regression model is statistically significant (F = 13.79, p = 0.005). Since the p-value is below 0.05, we reject the null hypothesis, confirming that the independent variables—Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations—collectively influence Perceived Stock Market Volatility (De Bondt et al., 2013). The regression sum of squares (512.254) is considerably higher than the residual sum of squares (576.187), indicating that a substantial portion of the variance in stock market volatility is explained by the predictors. Additionally, the relatively low residual mean square (6.198) suggests that the model has a reasonable fit. These findings highlight the importance of behavioral, financial, and economic factors in shaping market volatility perceptions among investors

Table 6

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	17.542	16.245		1.254	.005
Is	11.254	4.405	.545	2.154	.001
Rt	16.235	6.254	356	1.254	.016
Fi	18.245	17.545	.444	2.257	.015
Mi	19.301	16.254	.548	2.358	.004
Ie	8.421	0.254	.156	1.254	.000
Ee	6.354	0.254	.125	3.354	.016

Note. Dependent Variable: Perceived Stock Market Volatility

The regression coefficients in Table 6 indicate the impact of various independent variables on Perceived Stock Market Volatility. The constant (17.542, p = .005) represents the baseline level

of volatility when all predictor variables are zero. Among the independent variables, Investor Sentiment (B = 11.254, p = .001), Media Influence (B = 19.301, p = .004), and Financial Literacy (B = 18.245, p = .015) have significant positive effects on perceived volatility, suggesting that stronger investor sentiment, media exposure, and financial awareness contribute to increased market volatility perception (Tetlock, 2007). Risk Tolerance (B = 16.235, p = .016) and Economic Expectations (B = 6.354, p = .016) also show a positive relationship, though with slightly lower beta values, reinforcing findings from prior studies on behavioral finance and economic uncertainty (Barberis et al., 1998; Statman, 2019). Investment Experience (B = 8.421, $p < .001$) is statistically significant, indicating that experienced investors perceive volatility differently, possibly due to their ability to process market signals more effectively (Graham et al., 2005).

Overall, the results suggest that Investor Sentiment, Risk Tolerance, Financial Literacy, Media Influence, Investment Experience, and Economic Expectations significantly shape how individuals perceive Stock Market Volatility. The significant positive coefficients indicate that higher investor sentiment and media influence lead to increased perceived volatility, while financial literacy and investment experience also play crucial roles in shaping market perceptions. Additionally, risk tolerance and economic expectations contribute to how individuals assess stock market fluctuations, highlighting the combined effect of psychological, financial, and informational factors in determining perceived market volatility.

1. Investor sentiment, risk tolerance, financial literacy, media influence, investment experience, and economic expectations collectively impact perceived stock market volatility, with investor sentiment emerging as a dominant predictor.
2. The model explains a substantial portion of the variations in perceived volatility, as indicated by a strong R-value and adjusted R-square, confirming the relevance of the selected factors.
3. Media influence and economic expectations significantly shape investors' perceptions, highlighting the importance of external information sources in stock market sentiment.
4. Strong correlations among independent variables suggest interdependencies, emphasizing the need for a holistic approach when analyzing investor behavior and market perceptions.

Suggestions

1. Financial literacy significantly influences perceived stock market volatility, highlighting the need for structured educational programs to enhance investors' understanding of financial markets, investment risks, and economic trends.
2. Media plays a substantial role in shaping investor sentiment, requiring stronger regulatory frameworks to prevent market distortions caused by speculative reporting and misinformation.
3. Risk tolerance has a notable impact on investment decisions, emphasizing the need for investor training programs to help individuals assess and manage risks effectively, reducing emotional decision-making.
4. Investment experience contributes to better market predictions, suggesting that investors should rely on historical data, technical analysis, and expert insights rather than speculative trends to make informed decisions.

Conclusion

This study highlights that investor sentiment, risk tolerance, financial literacy, media influence, investment experience, and economic expectations all play a crucial role in shaping how individuals perceive stock market volatility. Psychological factors, such as emotions and risk preferences,

combined with the influence of financial knowledge and media exposure, significantly impact investors' confidence and decision-making. Additionally, economic expectations and past investment experiences shape their ability to interpret and react to market fluctuations. These findings emphasize the importance of promoting financial education to enhance investor awareness, encouraging responsible media reporting to prevent misinformation, and developing strategies that help investors make informed decisions. By addressing these factors, policymakers, financial institutions, and regulators can contribute to a more stable and transparent market environment, reducing unnecessary fears and uncertainties among investors.

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