

Impact Of Financial News Sentiment on Stock Market Returns

Prof. Soly Zachariah¹, Sahil Shinde², Niharika Shinde³, Janhvi Jagdale⁴

^{1,2,3,4}*Pillais College of Arts Commerce and Science Autonomous*

Abstract—Financial news has become an increasingly important source of information for investors in modern financial markets. In the Indian equity market, investors receive information relating to companies, economic conditions, interest rates, inflation, crude-oil prices, monetary policy, geopolitical developments and other market events. Such information can influence investor sentiment and investment decisions. Against this background, this study examines the relationship between financial news, investor behaviour and perceptions of stock-market movements in the Indian equity market. The study adopts a quantitative research approach based on primary data collected through a structured questionnaire. The questionnaire examines financial-news consumption, responses to positive and negative news, investor sentiment and investment decisions. The collected responses are analysed using frequency, percentage and mean analysis, along with tables and charts. The study provides an understanding of how investors perceive financial news and how such information may influence their confidence, expectations and investment behaviour.

Index Terms—Financial News, Investor Sentiment, Investor Behaviour, Investment Decisions, Indian Equity Market, Stock Market, Financial News Analysis.

I. INTRODUCTION

Introduction

The Indian equity market is an important part of the financial system and provides opportunities for individuals and institutions to invest in companies and earn returns. Stock-market movements are influenced by various economic, financial and market-related factors. Among these factors, financial news has become increasingly important because investors receive information quickly through financial websites, news channels, newspapers, mobile applications and social media.

Financial news can influence how investors perceive market conditions and make investment decisions. Positive news may increase investor confidence, while negative news may create uncertainty and caution. These changes in investor sentiment may also be associated with movements in stock prices and market returns.

This research focuses on the relationship between financial news sentiment, investor sentiment and stock-market returns in the Indian equity market. The study uses primary data collected through a questionnaire and secondary data related to financial news and the NIFTY 50 index.

1.1 Background of the Study

Financial information plays an important role in investment decision-making. Investors regularly monitor information about companies, economic conditions, interest rates, inflation, crude-oil prices, government policies and global events before making investment decisions.

Financial news can generally be classified into:

- **Positive News:** Information that may create favourable expectations among investors.
- **Negative News:** Information that may create uncertainty, concern or pessimistic expectations.
- **Neutral News:** Information that provides market-related information without a clearly positive or negative direction.

The sentiment associated with financial news may influence investor confidence, expectations and investment behaviour. For example, positive corporate results may increase optimism, whereas negative economic or company-related news may make investors more cautious.

The Indian equity market is also affected by domestic and international developments. Changes in crude-oil prices, interest-rate expectations, inflation, global

market conditions and geopolitical events can generate significant financial news and influence market sentiment.

Therefore, examining the relationship between financial news sentiment and investor behaviour is important for understanding how investors respond to information and how such responses may be associated with stock-market movements.

This study focuses on the following major aspects:

- Financial news consumption by investors
- Positive and negative financial news sentiment
- Investor sentiment and confidence
- Influence of financial news on investment decisions
- Relationship between financial news sentiment and stock-market returns
- The Indian equity market, with particular reference to the NIFTY 50

The study combines investors' responses collected through a structured questionnaire with secondary financial-market and news information. Through this approach, the research attempts to provide a practical understanding of the role of financial news in shaping investor sentiment and stock-market behaviour in India.

1.2 Problem Statement

Financial news can affect how investors feel and make investment decisions. This study examines how financial news is related to investor behaviour and stock-market returns in India.

1.3 Research Objectives

The main aim of this study is to understand the relationship between financial news, investor behaviour and stock-market returns in India. The objectives of the study are:



Figure 1.1: Financial News, Investor Behaviour and Stock Returns

1. To examine how often investors follow financial news.
2. To analyse positive, negative and neutral financial news.
3. To study the relationship between financial news and investor behaviour.
4. To examine the relationship between financial news and NIFTY 50 returns.
5. To provide useful information about the role of financial news in investment decisions.

1.4 Scope and Significance of the Study

The study focuses on the relationship between financial news, investor behaviour and stock-market returns in the Indian equity market. The study covers:



Figure 1.2 Scope of Study

1.5 Significance of the Study

This study may be useful to:

- Investors: To understand how financial news may affect their investment decisions.
- Researchers: To provide useful information for further studies on financial news and investor behaviour.
- Students: To understand the relationship between news, investor sentiment and stock-market returns.
- Market Participants: To understand the role of financial information in market behaviour.

1.6 Limitations of the Study

The study has certain limitations that should be considered while interpreting its findings:

- The study is limited to the Indian equity market and may not represent other financial markets.
- NIFTY 50 is used as the main indicator of stock-market performance.
- The primary data is based on respondents' personal opinions and responses, which may vary among individuals.
- Investors may interpret the same financial news differently based on their experience and knowledge.

II. LITERATURE REVIEW

The literature on financial news sentiment, investor behaviour and stock-market returns has grown with the increasing use of digital financial information. Researchers have studied how investor sentiment, financial news and media information are related to stock-market movements and investment behaviour. This review focuses on previous studies related to financial news sentiment, investor sentiment, stock-market returns and the Indian equity market. It also identifies areas where further research can be carried out.

Table 2.1: Review of Literature

Topic	Content	Author	Journal/Source	Findings
Investor Sentiment and Stock-Market Volatility	The study examines the relationship between investor sentiment and stock-market volatility in India using market-related data.	Haritha & Rishad (2020)	Financial Innovation	The study found that investor sentiment is related to stock-market volatility. Changes in investor sentiment can be associated with changes in market behaviour. (Springer Link)
Investor Sentiment and Price Adjustment	The study examines how investor sentiment affects the speed at which stock prices adjust to information in the Indian market.	Bashir & Kumar (2025)	International Review of Economics & Finance	The study found that higher investor sentiment can affect the speed of price adjustment. Investor attention can reduce some of the negative effects of high sentiment. (ScienceDirect)
Financial News and Sectoral Returns	The study examines the relationship between news sentiment, social-media sentiment and returns of major Indian sectors using daily data.	Khan & Chahal (2025)	Review of Behavioral Finance	The study found that the relationship between news sentiment, social-media sentiment and sectoral returns changed across different market periods. (ScienceDirect)
Media Sentiment and Stock Returns	The study compares investor sentiment obtained from traditional financial media and social media to examine its relationship with short-term stock-market returns.	Lachana & Schröder (2025)	Journal of Financial Markets	The study found that sentiment from media sources can help explain short-term stock returns. It also showed the importance of the timing and type of financial information. (ScienceDirect)
Investor Sentiment and Indian Stock Returns	The study examines the effect of investor sentiment on stock-market returns and volatility in India using daily data from 2010 to 2024.	Naik & Soni (2026)	Review of Behavioral Finance	The study found a significant relationship between investor sentiment, stock returns and volatility. Negative sentiment showed greater persistence than positive sentiment.
News Sentiment and Investor Behaviour	Previous research shows that financial information can affect investor expectations, confidence and investment decisions. Investors may respond differently to positive and negative information.	Based on reviewed studies	Various academic sources	The literature suggests that financial information and investor sentiment are connected with market behaviour and investment decisions. However, investor responses can differ depending on the type and timing of information. (ScienceDirect)
Research Gap	Existing studies often focus on investor sentiment, market returns, volatility, or social-	Compiled from	Various sources	The reviewed literature provides evidence on sentiment and market behaviour, but a simple study combining

	media sentiment separately. There is scope to study financial news sentiment together with investor behaviour and NIFTY 50 returns.	reviewed studies		financial news sentiment, investor behaviour and NIFTY 50 returns can provide additional understanding of the Indian equity market. (ScienceDirect)
--	---	------------------	--	---

The reviewed studies show that investor sentiment and financial information are related to stock-market behaviour. Research conducted in India has examined sentiment in relation to market volatility, price adjustment and stock returns. Recent studies have also examined the role of news and social-media sentiment in Indian sectoral returns.

Based on the reviewed literature, this study focuses on financial news sentiment, investor behaviour and NIFTY 50 returns. The study also uses primary data from investors to understand how they respond to positive, negative and neutral financial news.

III. METHODOLOGY

3.1 Research Design

This study uses a quantitative research design to examine the relationship between financial news, investor sentiment and stock-market returns in India. The study uses both primary and secondary data to provide a broader view of the research topic.

Primary data was collected through a structured questionnaire to understand how investors follow financial news, respond to positive and negative news, and make investment decisions. Secondary data consists of NIFTY 50 historical market data and financial news data for the selected study period.

The research follows a descriptive and analytical approach. Descriptive analysis is used to understand the responses of participants, while statistical analysis is used to examine the relationship between financial news sentiment and NIFTY 50 returns.

Research Method: Questionnaires & Historical Market Data

Type of Data: Primary Data & Historical Data

Study Area: Indian equity market and investor behaviour.

3.2 Population, Sample and Sampling

The population of this study consists of individuals who are interested in or have experience with stock-market investment. The study focuses on their views

regarding financial news, investor sentiment and investment decisions.

Approximately 100–110 respondents participated in the online questionnaire. The respondents included individuals from different age groups, occupations and levels of investment experience.

A convenience sampling method was used for selecting respondents. Participants who were easily available and willing to participate in the study were included. The questionnaire was distributed online through Google Forms.

For the secondary-data analysis, NIFTY 50 was selected as the main market index because it represents major companies listed in the Indian equity market. Financial news related to the Indian stock market was also considered for sentiment analysis.

3.3 Data Collection

The study uses both primary and secondary data.

Primary Data:

Primary data was collected through a structured questionnaire using Google Forms. The questionnaire consisted of questions related to demographic information, financial news consumption, positive and negative financial news, investor sentiment and investment decisions. The opinion-based questions were measured using a 5-point Likert scale, ranging from Strongly Disagree to Strongly Agree.

Secondary Data:

Secondary data was collected from publicly available NIFTY 50 historical market data and financial news sources. NIFTY 50 closing-price data was used to calculate market returns for the selected period. Financial news was reviewed and classified into positive, negative and neutral sentiment based on its overall tone and relevance to the stock market.

The collected data was organized into suitable tables and datasets before performing statistical analysis. The primary and secondary data were analysed separately and then compared to understand the relationship between financial news, investor behaviour and market movements.



Figure 3.1: Data Collection

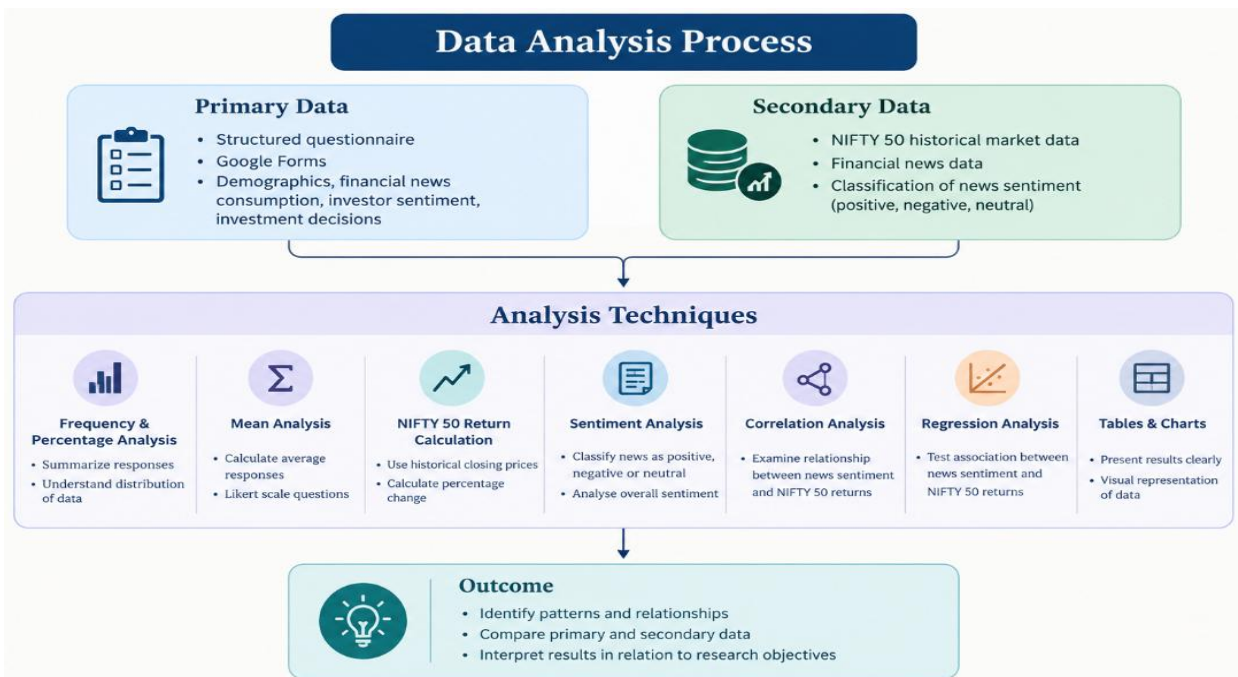
1. Demographics – Age, gender, occupation and other basic information.
2. Financial News Consumption – Frequency of following financial news and sources of information.
3. Positive and Negative News – Respondents' views about the effect of positive and negative financial news.
4. Investor Sentiment – Changes in confidence, expectations & attitude after financial news.
5. Investment Decisions – Influence of financial news on buying, selling and other investment decisions.

The responses were collected voluntarily from the participants through the Google Form. The data obtained from the questionnaire was used for academic research purposes.

3.4 Data Analysis

The collected data was analysed using descriptive and statistical techniques. The following methods were used:

- Frequency and Percentage Analysis – Used to summarize questionnaire responses and understand the distribution of respondents' answers.
- Mean Analysis – Used to identify the average response to the Likert-scale statements related to financial news, investor sentiment and investment decisions.
- NIFTY 50 Return Calculation – NIFTY 50 historical closing prices were used to calculate the percentage change in the index over the selected period.
- Financial News Sentiment Analysis – Financial news was classified into positive, negative and neutral categories to examine the overall sentiment of the news.
- Correlation Analysis – Used to examine the relationship between financial news sentiment and NIFTY 50 returns.
- Regression Analysis – Used to examine whether changes in financial news sentiment are statistically associated with changes in NIFTY 50 returns.
- Tables and Charts – Used to present questionnaire results, news sentiment, NIFTY 50 movements and statistical findings in a clear and simple manner.



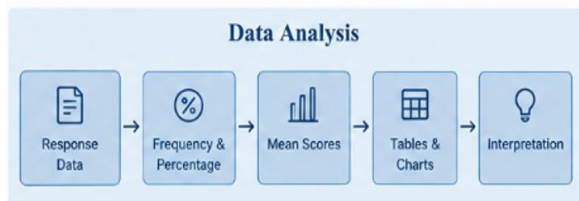


Figure 3.2: Data Analysis

The results obtained from these analyses were interpreted in relation to the research objectives and research questions. The analysis focuses on identifying relationships and patterns and does not by itself establish that financial news is the sole cause of changes in stock-market returns.

IV. FINDINGS AND CONCLUSION

The questionnaire responses provide an understanding of respondents' awareness and use of financial news in their investment-related decisions. The analysis examines how frequently respondents follow financial news and how they perceive the influence of positive and negative news on their confidence, expectations and investment behaviour.

The responses also provide information about the role of financial news in investment decisions such as buying, selling and changing investment plans. The descriptive analysis helps identify the general patterns in respondents' views and provides an overview of the relationship between financial news and investor behaviour.

4.1 Findings

The present study examines the relationship between financial news sentiment, investor behaviour and stock-market returns in the Indian equity market. The analysis is supported by primary questionnaire data and relevant secondary information relating to financial news and the NIFTY 50. Previous empirical research on the Indian market also provides evidence that investor sentiment and financial news are associated with market movements.

The major findings of the study are as follows:

1. Financial news is an important source of information for investors. The questionnaire examines the extent to which respondents follow financial news for investment-related information.

2. Respondents consider financial news while making investment decisions. The responses provide information about the role of financial news before buying or selling stocks.
3. Positive financial news may influence investor confidence. The questionnaire examines whether positive news increases respondents' confidence and interest in investing.
4. Negative financial news may increase caution among investors. The responses examine whether negative news affects investment decisions and encourages more cautious behaviour.
5. Financial news can influence investor sentiment. The questionnaire measures changes in optimism, pessimism, confidence and expectations after receiving major financial news.
6. Financial news may influence investment plans. The responses examine whether investors change, postpone or modify their investment plans after receiving important financial information.
7. Respondents differ in their reactions to financial news. Investors may interpret and respond to the same information differently depending on their views, experience and expectations.
8. Financial news is one of several factors considered by investors. Investment decisions may also depend on company performance, economic conditions and other market-related information.
9. The study provides evidence about investor perceptions rather than actual market causation. The questionnaire results describe respondents' opinions and behaviour and do not establish a direct causal effect on actual stock-market returns.
10. The study highlights the importance of financial news in investor behaviour. Overall, the questionnaire provides useful insight into how financial news is perceived and used by investors in the Indian equity market.

4.2 Conclusion

Financial news plays an important role in shaping investor expectations, confidence and investment behaviour. The study examines the relationship between financial news sentiment, investor behaviour and stock-market returns in the Indian equity market, with particular reference to the NIFTY 50.

Existing research indicates that financial news and investor sentiment are associated with stock-market

movements, especially during periods of significant market activity. Positive and negative news may affect investors differently, with negative sentiment often creating greater caution and uncertainty.

However, financial news is only one factor affecting stock-market returns. Economic conditions, interest rates, inflation, global markets, company performance and other market factors also influence stock prices.

Overall, the study highlights the importance of financial news sentiment in understanding investor behaviour and stock-market movements in India and provides a basis for further research using larger datasets and longer periods.

REFERENCES

- [1] H. A. Bashir and D. Kumar, “Unveiling investor sentiment, attention, and speed of price adjustment in Indian market,” *International Review of Economics & Finance*, vol. 101, Art. no. 104189, 2025, doi: 10.1016/j.iref.2025.104189.
- [2] P. H. Haritha and A. Rishad, “An empirical examination of investor sentiment and stock market volatility: Evidence from India,” *Financial Innovation*, vol. 6, Art. no. 34, 2020, doi: 10.1186/s40854-020-00198-x.
- [3] H. A. Khan and R. J. K. Chahal, “The evolving influence of news and social media sentiments on Indian sectoral returns during COVID-19: TVP-VAR extended joint connectedness approach,” *Review of Behavioral Finance*, vol. 17, no. 6, pp. 997–1019, 2025, doi: 10.1108/RBF-04-2025-0140.
- [4] “Aggregate news sentiment and stock market returns in India,” *Journal of Risk and Financial Management*, vol. 16, no. 8, Art. no. 376, 2023, doi: 10.3390/jrfm16080376.