International Scientific Journal of Engineering and Management (ISJEM) ISSN: 2583-6129
Volume: 04 Issue: 06 | June – 2025 DOI: 10.55041/ISJEM04255
An International Scholarly || Multidisciplinary || Open Access || Indexing in all major Database & Metadata

A Study on Individual Investment Behaviour

Author: Manas Sankalp Mishra
Affiliation: Amity Business School, Amity University, Chhattisgarh, India
Email: mrag2483@gmail.com

Abstract
Investment decisions are at the core of financial planning and wealth management for individuals across all economic strata. In the evolving economic environment of India, where financial literacy is expanding and technological access is enabling greater participation in capital markets, understanding individual investment behaviour becomes both timely and essential. This study investigates how personal, behavioural, and demographic factors influence investment decision-making among individual investors in India. It offers a comprehensive exploration into how people save, what motivates their investment choices, how they perceive and respond to risk, and what informational sources they rely on to make decisions.
This research goes beyond the classical assumptions of rational investor models by incorporating insights from behavioural finance, which accounts for psychological biases such as overconfidence, anchoring, herding, and regret aversion. The paper leverages primary data collected from a structured questionnaire administered to 60 respondents and applies both descriptive and inferential statistical methods, including percentage analysis, weighted mean scores, and chi-square tests, to derive actionable insights.
The study finds that most investors prefer relatively safe and familiar avenues such as bank deposits, mutual funds, and blue-chip stocks. Risk appetite is generally moderate to low, especially among younger investors who dominate the sample. Financial objectives like children's education, long-term capital growth, and wealth preservation play a crucial role in investment behaviour. Additionally, demographic factors such as age significantly influence the basis on which investment decisions are made and the sources from which information is collected.

1. Introduction

Investment plays a crucial role in economic development, not only on a macroeconomic scale but also in the financial well-being of individuals and households. For individuals, investment is the act of allocating money or resources with the expectation of receiving future benefits in the form of income or capital appreciation. It is a cornerstone of personal finance, and the nature of investment decisions can significantly impact a person's ability to achieve long-term goals such as homeownership, education, retirement, and wealth accumulation.
Traditionally, financial theory has assumed that investors are rational agents who seek to maximize returns and minimize risks through logical analysis and informed decision-making. Models like the Efficient Market Hypothesis (EMH) and Modern Portfolio Theory (MPT) dominate classical finance literature. However, real-world investor behaviour often deviates from these rational assumptions. This gap between theory and practice has led to the emergence of behavioural finance, which incorporates insights from psychology to understand how emotions, cognitive errors, and social influences affect financial decisions.
In the Indian context, understanding individual investment behaviour is especially significant. India has witnessed a rapid transformation in its financial landscape, fueled by economic reforms, technological innovation, and the democratization of financial services. With the advent of mobile banking, investment apps, and robo-advisory platforms, even small and first-time investors have gained unprecedented access to financial markets. Furthermore, initiatives like Pradhan Mantri Jan Dhan Yojana and financial literacy campaigns have aimed to bring the underbanked into the formal economy, thereby expanding the pool of retail investors.

Despite these positive developments, Indian investors face several challenges. Financial literacy remains low in many regions, particularly in rural and semi-urban areas. Many investors rely on informal advice from family, friends, or local brokers, which may or may not be based on sound financial principles. Risk perception, cultural attitudes towards money, trust in financial institutions, and past experiences with investment products further complicate the decision-making process.

This study seeks to explore the various factors that influence individual investment behaviour, focusing on demographic characteristics such as age, gender, income, education, and occupation, as well as behavioural aspects like risk tolerance, saving motives, and information-seeking behaviour. By conducting a structured survey and applying quantitative analysis, this research aims to identify the prevailing investment preferences, decision-making strategies, and the extent to which behavioural biases influence retail investors in India.

Ultimately, this study aspires to contribute to the growing body of literature on behavioural finance in emerging economies. The insights derived may help financial advisors, policymakers, and financial product developers better understand the needs and challenges of individual investors, thereby promoting more inclusive and informed participation in capital markets.

2. Literature Review

The investment behaviour of individuals is a widely studied topic, especially in the context of behavioural finance. Several researchers have delved into the psychological and socio-economic factors that influence how and why people invest.

Chandra and Kumar (2012) emphasize the role of psychological factors such as heuristics, overconfidence, and risk aversion in influencing Indian investors. They argue that many investors are guided more by gut feeling and market rumours than by fundamental analysis. Das (2012) highlights the heterogeneity among investors, pointing out that investment goals and preferences vary greatly based on an individual’s financial standing, family structure, and risk appetite.

Shah and Verma (2011) categorize young investors as more experimental, willing to take risks for higher returns, and driven by the potential for capital gains. Their study classifies investors into traditional, casual, long-term, and informed investors, showing how investment styles differ across demographic groups.

Shaik et al. (2012) explore the emotional responses associated with investing, noting that investors often avoid selling losing stocks due to regret aversion. They explain that behavioural tendencies such as herding, anchoring, and mental accounting often overpower rational financial planning. Gour (2013) observes that even though investors today are more informed, the influence of peer recommendations and community behaviour still remains significant.

Sireesha and Laxmi (2013) explore how demographic factors such as income level, educational qualifications, and occupation shape the investor’s choices. They stress the influence of culture and tradition in a country like India, where investment decisions are often made collectively within families. Chattopadhyay and Dasgupta (2015) examine how risk tolerance is shaped by a combination of demographic and socio-economic variables, such as age, gender, income, and financial planning habits.

Overall, the literature review reveals that investment behaviour is not a one-size-fits-all phenomenon. Instead, it is an intricate interplay of rational considerations, emotional responses, and socio-cultural contexts. These insights provide a strong foundation for this study, which aims to build on existing literature by focusing on current behavioural trends among individual investors in India.

International Scientific Journal of Engineering and Management (ISJEM) ISSN: 2583-6129
Volume: 04 Issue: 06 | June – 2025 DOI: 10.55041/ISJEM04255
An International Scholarly || Multidisciplinary || Open Access || Indexing in all major Database & Metadata

3. Research Objectives

The research is designed to comprehensively examine the behavioural and demographic factors that influence individual investment decisions. The primary objectives of this study are as follows:

1. **To examine the demographic characteristics of individual investors**: Understanding the influence of variables such as age, gender, income level, education, and occupation on investment behaviour is essential to identify investor profiles and segmentation.
2. **To analyse investment patterns**: This includes identifying the preferred investment instruments (e.g., stocks, mutual funds, real estate), frequency of investment, average investment tenure, and the proportion of income allocated to savings and investment.
3. **To identify key factors influencing investment decisions**: This objective focuses on evaluating the various determinants such as financial goals, risk perception, market knowledge, and emotional biases that play a role in shaping individual decisions.
4. **To assess investor awareness and the reliance on different information sources**: In the digital age, investors have access to a wide range of information. This study explores whether decisions are driven by professional advice, digital platforms, peer networks, or self-research.
5. **To explore the relationship between risk appetite and demographic variables**: Risk tolerance varies significantly among investors. By clustering respondents based on their risk appetite and comparing them with their demographic attributes, the study aims to uncover patterns that can inform risk profiling.

These objectives aim to provide a multi-dimensional understanding of individual investment behaviour, which can inform policy decisions, financial product development, and targeted investor education programs.

---

4. Research Methodology

This study follows a descriptive and quantitative research design to understand and analyse individual investment behaviour. The methodology focuses on gathering first-hand, factual data through a structured approach in order to draw meaningful insights about the investment preferences, attitudes, and motivations of individual investors.

Research Design

The study adopts a descriptive research design, which is suitable for identifying patterns, frequencies, and relationships among variables. This design enables the study to describe the demographic profile of investors, analyse their preferences for financial instruments, and understand behavioural trends.

Sampling Technique

A simple random sampling method was employed to select the sample. This method ensures that every individual in the population has an equal chance of being included in the sample, thus reducing sampling bias. A total of 60 respondents participated in the survey, chosen from a diverse demographic base including students, professionals, businesspersons, and homemakers.

Data Collection

Primary data was collected using a structured questionnaire designed specifically for this study. The questionnaire was administered through both online (Google Forms) and offline channels to capture a wider audience. The survey included questions covering demographic details, investment goals, preferred instruments, risk tolerance, decision-making strategies, and sources of financial information.

Tools and Techniques

Data collected from respondents was analysed using various statistical tools:

- **Percentage Analysis**: Used to summarise the distribution of respondents across various demographic and behavioural categories.
- **Weighted Mean**: Applied to rank investment goals, share preferences, and investment strategies based on respondent choices.
- **Chi-Square Test**: Conducted to test the association between demographic variables (like age and education) and behavioural factors (such as investment decisions and information sources). This helps determine the statistical significance of observed relationships.

Scope of Methodology

The methodology captures both quantitative aspects (frequencies, ratios, and scores) and qualitative dimensions (preferences, perceptions, and motivations). This dual approach enriches the analysis and enhances the reliability of the findings.

Ethical Considerations

All data was collected with the informed consent of the participants. Confidentiality of responses was maintained, and participants were informed that their identities would remain anonymous. The study was conducted in alignment with academic and ethical research standards.

In conclusion, the research methodology provides a solid foundation for systematically examining the investment behaviour of individuals. It facilitates evidence-based interpretation of data and supports the broader objectives of the study.

---

5. Data Analysis and Results

5.1 Demographics

- **Age**: Majority aged 18–25 (42%).
- **Gender**: 78% male, 22% female.
- **Education**: 62% undergraduates.
- **Occupation**: 46% students, 22% government-employed.
- **Income**: 54% earn below ₹2 lakh/year.

5.2 Investment Preferences

- **Saving Ratio**: 36% save 20–40% of income.
- Instruments Preferred: Bank deposits (64%), shares (62%), mutual funds (60%).
- **Sectors**: Banking (48%), Oil & Gas (52%).

5.3 Investment Behaviour

- Primary Objective: Long-term capital growth (40%).
- Basis of Decision: Past performance (36%), economic scenario (22%).
- **Risk Appetite**: 60% prefer moderately low risk.
- **Sources of Information**: 56% rely on internet research.

5.4 Preference Rankings (Weighted Mean)

- **Savings Objective**: 1st – Child's education (3.84).
- **Share Preference**: 1st – Blue-chip companies (3.9).
- **Investment Strategy**: 1st – Fundamental analysis (3.68).
- **Information Source**: 1st – Family & Friends (3.58).

---

6. Discussion

The analysis of the collected data uncovers several intriguing patterns that reflect the evolving landscape of investment behaviour in India. One of the most notable findings is the high participation of young investors, particularly in the 18–25 age group. This demographic is actively engaging with financial markets, driven by accessibility through digital platforms, increased financial awareness, and aspirations for early wealth accumulation. Despite their youth, many of these investors display a conservative risk appetite, favouring blue-chip stocks and mutual funds, which suggests a blend of ambition and caution.

Gender disparities in investment participation also emerged, with males comprising the majority of respondents. This gender gap indicates potential structural or societal barriers that prevent or discourage women from engaging in active investment. Bridging this gap through targeted financial literacy programs and inclusive policies can be a key step toward holistic financial inclusion.

Behaviourally, the reliance on fundamental analysis over speculative strategies like reacting to earnings announcements reflects a maturing investor base. However, the continued dominance of personal networks—friends and family—as information sources indicates that peer influence remains strong. This could be both beneficial and detrimental depending on the quality of shared advice.

Risk appetite analysis showed that most respondents preferred low to moderate risk investments. This aligns with the observed preference for secure instruments like bank deposits and mutual funds. Interestingly, despite increased market volatility and economic uncertainty, investors demonstrated a relatively balanced outlook, avoiding extreme risk-taking or panic-driven behaviour.

The study also highlights that saving for children's education and long-term capital growth are top financial priorities for investors. This reflects a forward-looking mindset, especially in a culture that places high value on education and family welfare.

The chi-square analysis further strengthened the discussion by statistically validating the impact of age on investment decisions and preferred sources of information. Younger investors tended to rely more on internet-based research, whereas older investors leaned toward traditional sources like newspapers or financial advisors.

Overall, the discussion emphasizes that while Indian investors are becoming more sophisticated and independent in their decision-making, traditional values, risk aversion, and interpersonal influence continue to play significant roles in shaping behaviour.

7. Conclusion

This study provides a comprehensive view of individual investment behaviour in India, shedding light on the complex interplay between demographic attributes, financial literacy, behavioural biases, and socio-cultural influences. It confirms that investment behaviour is not solely governed by rational models but is shaped by a variety of subjective and emotional factors.

The majority of investors surveyed were young, educated individuals with a moderate approach to risk. Their preferences leaned toward traditional investment vehicles such as bank deposits and mutual funds, although there was also significant interest in equity markets. The reliance on digital tools for self-directed research shows the growing impact of technology on financial decision-making.

Importantly, the study establishes statistically significant relationships between demographic factors such as age and investment decisions, as well as information sources. These insights reinforce the need for customized financial education programs that cater to diverse investor segments based on age, income, and experience.

Furthermore, the findings underscore the importance of understanding investor motivations. Goals such as children's education, home ownership, and long-term security dominate saving behaviour. Investment strategies are more often driven by fundamentals than by speculative news or trends, indicating a shift toward more informed and responsible investing.

In conclusion, this study not only maps the current state of individual investment behaviour in India but also sets the stage for future research and policy formulation. Encouraging inclusive participation, promoting financial literacy, and leveraging technology can help cultivate a more resilient and empowered investor community.

---

8. Limitations

While the study offers valuable insights, it is not without its limitations. First, the sample size of 60 respondents, although sufficient for exploratory analysis, is relatively small and may not be representative of the broader population of Indian investors. A larger and more diversified sample across regions, income levels, and professions could yield more generalizable results.

Second, the reliance on self-reported data introduces the possibility of response bias. Participants may have provided socially desirable responses or misreported their actual investment behaviour, leading to skewed insights. Third, the study primarily focuses on conventional investment instruments and excludes emerging avenues such as cryptocurrencies, peer-to-peer lending, and international equity markets, which are becoming increasingly popular, especially among younger investors.

Additionally, the study is cross-sectional in nature and captures investment behaviour at a single point in time. It does not account for changes in behaviour due to dynamic economic conditions, market cycles, or personal circumstances. A longitudinal study would provide a more comprehensive understanding of how individual investment behaviour evolves over time.

Finally, behavioural constructs like overconfidence, anchoring, and loss aversion were indirectly inferred rather than directly measured using psychological scales. This limits the depth of behavioural finance application in the current research design.

---

9. Future Scope

Future research can address these limitations and build upon the findings of this study in several meaningful ways. Expanding the sample size and including investors from diverse geographic and socio-economic backgrounds will improve representativeness and enable more nuanced segmentation analyses.

Researchers can incorporate longitudinal methods to track changes in investment behaviour over time, particularly in response to major economic events, policy changes, or technological innovations. This would help uncover behavioural trends and patterns that are not visible in cross-sectional data.

There is also considerable scope to include emerging investment options like digital assets, ESG (Environmental, Social, Governance) funds, and global investment platforms. Understanding how investors perceive and engage with these newer instruments can offer insights into the future of personal finance in India.

Additionally, future studies could employ psychometric tools and behavioural experiments to more rigorously measure behavioural finance constructs. This would allow for a more precise understanding of how cognitive and emotional biases influence investor decisions.

Finally, collaborative research involving financial institutions, regulatory bodies, and educational institutions could facilitate the development of targeted financial literacy programs, investor protection mechanisms, and inclusive financial products. By bridging the gap between academic research and practical application, future work can make a significant contribution to improving individual investment outcomes and fostering a more informed investor base.

References

- Chandra, A., & Kumar, R. (2012). Factors influencing Indian individual investor behaviour.
- Das, S. K. (2012). Investment Behaviour of Middle Class Households.
- Shah, M., & Verma, A. (2011). Analysis of Investment Behaviour.
- Shaik, A. M. P., et al. (2012). Investment Objectives of Retail Investors.
- Gour, Y. (2013). Retail Investor's Behaviour: A Case Study.
- Sireesha, P., & Laxmi, C. (2013). Impact of Demographics on Investment.
- Chattopadhyay, S., & Dasgupta, R. (2015). Risk Attitudes of Indian Investors.