



# A Study On Factors Influencing Investment Decisions of Individuals Investor

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**Abstract** – Investment decisions made by individuals are influenced by several economic, psychological, demographic, and financial factors. This research paper aims to identify the major elements that affect the investment choices of individual investors. The study adopts a descriptive research design and utilizes both primary and secondary sources of data. Primary information was collected through a structured questionnaire from 100 respondents, while secondary information was gathered from journals, articles, books, and financial websites. The findings indicate that demographic characteristics such as age, educational qualification, occupation, and income level play a significant role in shaping investment preferences and risk-taking behavior. Economic conditions including inflation, market fluctuations, taxation benefits, and income stability also influence investment planning. In addition, behavioral factors such as fear of financial loss, confidence level, social influence, and market trends impact the decision-making process of investors. The study further highlights the importance of financial literacy in investment management. Investors with better financial awareness are more likely to evaluate risks properly, monitor their investments regularly, and make informed financial decisions. The research concludes that investment behavior is affected by both rational and emotional considerations, and improving financial education among investors can lead to more effective investment choices.

**Keywords** – Investment behavior, Individual investors, Financial literacy, Risk perception, Economic factors.

## I. INTRODUCTION

Investment has become an essential component of financial planning in the modern economy. Individuals invest their savings with the objective of generating future income, achieving financial security, and fulfilling long-term goals. With the growth of financial markets and technological advancements, investors now have access to a wide range of investment avenues such as fixed deposits, mutual funds, shares, bonds, insurance schemes, gold, real estate, and digital assets.

Although investment opportunities are increasing rapidly, individuals differ significantly in their investment behavior. Some investors prefer safer options with stable returns, while others are willing to take higher risks for greater profits. These differences arise because investment decisions are affected by several factors including financial knowledge, income level, personal objectives, psychological attitude, social environment, and market conditions.

Economic variables such as inflation, taxation, interest rates, and market performance influence the willingness and capability of individuals to invest. Similarly, demographic factors like age, education, occupation, and marital status affect financial priorities and risk tolerance. Psychological aspects including overconfidence, fear of loss, and emotional attachment also influence how individuals respond to investment opportunities.

In addition, the growing role of media, social networking platforms, family influence, and financial advisors has increased awareness among investors. However, many individuals still lack sufficient financial knowledge and proper risk analysis before making investment decisions.

Therefore, understanding the factors influencing investment decisions is important for financial institutions, policymakers, investment advisors, and researchers. The present study attempts to examine the major determinants affecting investment behavior among individual investors and evaluate how these factors influence their financial choices.

### Significance of the study:

1. The study helps in understanding the major factors that shape investment decisions among individual investors.
2. The findings can assist banks, financial institutions, and investment companies in designing suitable investment products.
3. The study provides useful insights for financial advisors to understand investor expectations and behavior.
4. The research highlights the importance of financial literacy and awareness in investment planning.
5. The study contributes to academic literature related to investment behavior and behavioral finance.

### Importance of the study:

1. The research explains how individuals select investment avenues according to their financial objectives and risk preferences.
2. It identifies the role of economic and psychological factors in investment decision-making.
3. The study emphasizes the importance of financial education in improving investment decisions.
4. It helps investment firms understand the behavior and expectations of investors.
5. The study may assist future researchers in conducting further research in the field of investment behavior.



### III. REVIEW OF LITERATURE

Sharma and Agnihotri (2024) examined the factors affecting investment decision-making among individual investors. Their study concluded that financial awareness, education level, and income significantly influence investment behavior. The authors observed that financially educated investors generally make more systematic and rational investment decisions.

Das and Das (2025) focused on behavioral finance and analyzed psychological influences on investment decisions. Their findings revealed that overconfidence, herding behavior, and fear of losses strongly affect investor judgment and may result in irrational financial choices.

Yürük (2025) investigated the relationship between demographic variables and investment behavior. The study found that younger investors are more willing to invest in high-risk financial instruments, whereas older investors generally prefer safer investment options.

Kahneman and Tversky (1979), through Prospect Theory, explained that individuals often react differently to gains and losses while making financial decisions. Their research demonstrated that emotional and psychological biases influence investment choices.

Lusardi and Mitchell (2014) emphasized the importance of financial literacy in personal finance management. According to their study, individuals with strong financial knowledge are more capable of managing risks and making informed investment decisions.

#### Objectives of the Study:

1. To identify the major factors influencing investment decisions of individuals.
2. To study the impact of behavioral factors on investment behavior.
3. To examine the influence of demographic variables such as age, education, occupation, and income.
4. To analyze the role of financial literacy in investment decision-making.
5. To study investor awareness regarding different investment avenues.

#### Hypothesis of the Study:

- $H_0$  (Null Hypothesis): Demographic factors such as age, income, and education do not significantly influence investment decisions of individuals.
- $H_1$  (Alternative Hypothesis): Demographic factors such as age, income, and education significantly influence investment decisions of individuals.
- $H_0$  (Null Hypothesis): Financial awareness and risk perception do not significantly affect investment decisions of individuals.
- $H_1$  (Alternative Hypothesis): Financial awareness and risk perception significantly affect investment decisions of individuals.

### IV. RESEARCH DESIGN:

The present study is descriptive in nature because it aims to analyze and describe the factors affecting investment decisions without manipulating any variables. A descriptive research design is suitable for understanding investor behavior, preferences, and attitudes.

The study uses both primary and secondary data sources. Primary data was collected using a structured questionnaire distributed among individual investors. Secondary data was obtained from books, journals, research articles, websites, and previous studies related to investment behavior. A questionnaire comprises of primarily closed-ended questions in order to facilitate consistency. Secondary data will be collected from various sources like books, articles, journals, and other websites that provide relevant information about the behavior of individual investors.

The research method applied in this study falls under cross-sectional design since the research involves a study of only one section of the population at a certain point in time. An appropriate sample of individual investors will be chosen to conduct this research considering the limitations of time and resources. The study follows a cross-sectional approach as the data was collected from respondents at a single point in time.

#### Sample Selection:

A total of 100 respondents were selected for the study. The sample includes individuals from different age groups, occupations, educational backgrounds, and income levels. The selected sample size was considered appropriate for conducting descriptive analysis within the available time and resources

#### Data Collection:

Primary data: Primary data was collected through a structured questionnaire containing closed-ended questions. The questionnaire covered demographic information, investment preferences, awareness level, risk perception, and behavioral factors influencing investment decisions.

Secondary data: On the other hand, Secondary information was gathered from academic journals, books, research papers, financial reports, websites, and online databases relevant to investment behavior and financial literacy.

#### Design of Questionnaire:

The questionnaire was designed in a simple and structured format to ensure easy understanding by respondents. Most questions were closed-ended to maintain consistency and simplify analysis. The questionnaire focused on investment objectives, awareness level, risk-taking behavior, and factors influencing investment decisions.

#### Population and Sample of Respondents:

The population for the study consisted of individual investors involved in different forms of investments. From



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this population, 100 respondents were selected using a convenient sampling method. Respondents belonged to different demographic categories to ensure diversity in opinions and investment behavior. This size of the sample can be considered adequate enough to study the investment behaviour of people.

**Data Analysis Method:**

The data gathered via questionnaires would be analyzed systematically using appropriate statistical techniques. Firstly, the collected data was classified, organized, and analyzed using descriptive statistical tools. Percentage analysis, mean, median, standard deviation, tables, and graphical representations were used to interpret the responses.

**Statistical Tools and Techniques:**

The statistics gathered during the investigation process undergo statistical analysis through the use of various statistical tools and techniques. The study applied various descriptive statistical techniques to summarize and analyze the collected information. Frequency tables, percentages, averages, and graphical methods such as bar charts and pie charts were used for presenting data effectively.

**Scope of Study:**

The study is limited to understanding the factors influencing investment decisions among individual

investors. It mainly focuses on demographic, economic, psychological, and financial literacy factors affecting investment behaviour.

The research considers commonly used investment avenues such as bank deposits, shares, mutual funds, insurance policies, and other financial instruments. Institutional investors are not included in the scope of the study.

The findings are based on primary data collected through questionnaires and therefore may not represent the views of all investors

**Limitations of the study:**

- The study is limited to a sample size of 100 respondents.
- Responses collected through questionnaires may involve personal bias.
- The research is restricted to a specific geographical area.
- The study is cross-sectional and does not consider changes in market conditions over time.
- Only basic statistical tools were used for analysis.

**Data Analysis:**

Table No:1 Demographic categories Analysis

Descriptive					
	Age Group	Educational Qualification	Gender	Occupation	Monthly Income
N	100	100	100	100	100
Missing	0	0	0	0	0
Mean	3.79	4.01	4.45	3.77	3.72
Median	4.00	4.00	4.00	4.00	4.00
Standard deviation	0.832	0.810	0.500	0.763	0.933
Minimum	2	2	4	2	2
Maximum	5	5	5	5	5

The descriptive statistics show that the sample of 100 participants is evenly spread among various demographic categories including age, education, gender, employment, and income. The means of these factors lie within the range of 3.72 to 4.45 which implies that most participants belong to higher categories in the scale (such as middle-aged individuals, advanced levels of education, and higher income brackets). The small standard deviations demonstrate that the results are homogeneous. It can be concluded that the sample consists of rather stable and educated investors

Missing	0	0	0
Mean	3.65	3.61	3.53
Median	4.00	4.00	3.00
Standard deviation	0.892	0.952	0.915
Minimum	2	2	2
Maximum	5	5	5

The average scores obtained for the preferred investment method (3.65), investment objective (3.61), and investment period (3.53) imply that the respondents have a moderate to long-term inclination towards investments that have well-balanced objectives, such as safety and profitability. The median score (predominantly 4) implies that most respondents tend to adopt systematic investment practices

Table 2: Investment behavior Analysis

Descriptives			
	Preferred Investment Avenue	Main Objective of Investment	Investment Time Horizon
N	100	100	100



Table 3: Economic Factors Analysis

Descriptives					
	Income level influences your investment decisions	Interest rates affect your investment choice	Inflation impacts your investment planning	Market conditions influence your investment decisions	Tax benefits influence your investment decision
N	100	100	100	100	100
Missing	0	0	0	0	0
Mean	3.80	3.60	3.84	3.79	3.80
Median	4.00	4.00	4.00	4.00	4.00
Standard deviation	0.995	0.943	0.873	0.998	0.853
Minimum	2	2	2	2	2
Maximum	5	5	5	5	5

The analysis of economic factors shows that:

- Income level (Mean = 3.80)
- Inflation (Mean = 3.84)
- Market conditions (Mean = 3.79)
- Tax benefits (Mean = 3.80)

have a considerable impact on investment decisions. The interest rate (Mean = 3.60) has a marginally lesser impact

than other factors. In summary, it is evident that economic situations greatly influence investment decisions, given that most individuals consider such factors when making investments.

#### 4: Behavioral and Psychological Factors Analysis

Descriptives						
	You rely on your own knowledge while investing	You consider advice from friends or family	Fear of loss affects your investment decisions	Comfort level with high-risk investments	You invest based on market trends	Awareness of different investment options
N	100	100	100	100	100	100
Missing	0	0	0	0	0	0
Mean	3.81	3.76	3.60	3.82	3.74	3.76
Median	4.00	4.00	3.50	4.00	4.00	4.00
Standard deviation	0.971	0.955	0.921	0.957	1.04	0.955
Minimum	2	2	2	2	2	2
Maximum	5	5	5	5	5	5

#### Behavioural and Psychological Factors

The mean values for behavioural variables such as:

- Self-knowledge (3.81)
- Social influence (3.76)
- Fear of loss (3.60)
- Risk comfort (3.82)
- Market trends (3.74)

Psychological and behavioral elements are significant in determining investment decisions. The moderate to high average values imply that investors consider both rational and emotional, historical, and external opinion influences in their decision-making process.

Table 5: Advisory and self-Analysis Factors Analysis

Descriptives
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	You analyse risk before investing	You consult financial advisors	You track your investments regularly	Financial knowledge improves decision-making
N	100	100	100	100
Missing	0	0	0	0
Mean	3.43	3.97	3.78	4.15
Median	3.00	4.00	4.00	4.00
Standard deviation	0.913	0.822	0.927	0.809
Minimum	2	3	2	2
Maximum	5	5	5	5

The findings show that:

- Financial knowledge improves decision-making (Mean = 4.15)
- Consulting financial advisors (Mean = 3.97)



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• Tracking investments (Mean = 3.78) carry great importance. But conducting risk analysis before making investments is less significant in terms of mean (3.43), implying that not all investors do thorough risk analysis. In conclusion, the outcomes clearly show that financial literacy is very important in making investment decisions.

Hypothesis one involved the investigation into whether the various demographic factors like age, income, and education level had a considerable impact on the investments made by people. The null hypothesis indicated that demographic factors did not affect investment decision making. On the other hand, the alternative hypothesis argued that the above factors significantly impacted investment.

From the results obtained from the data analyzed, it was seen that the mean values of demographic factors were relatively high, signifying the importance of these factors on investments. There was variation among different respondents based on their demographics regarding their investments and willingness to take risks. Hence, the null hypothesis has been rejected, while the alternative hypothesis has been accepted.

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## V. HYPOTHESIS TESTING

The study examined whether demographic variables such as age, income, and education significantly influence investment decisions.

The analysis showed that respondents from different demographic backgrounds displayed different investment preferences and risk-taking capacities. Therefore, the null hypothesis was rejected and the alternative hypothesis was accepted.

Similarly, the study analyzed the influence of financial awareness and risk perception on investment behavior. The findings indicated that investors with greater financial literacy and awareness demonstrated better investment

planning and decision-making abilities. Hence, the alternative hypothesis was accepted.

## VI. CONCLUSION

The study concludes that investment decisions of individual investors are influenced by a combination of demographic, economic, behavioural, and financial literacy factors. Variables such as income level, educational background, inflation, tax benefits, market conditions, and psychological attitudes significantly affect investment behaviour.

The research also highlights that financially aware investors are more likely to evaluate risks carefully and make rational investment choices. Behavioural aspects such as fear of losses, social influence, and market trends further impact investor decisions.

Overall, the study suggests that increasing financial literacy and investor awareness can help individuals make more effective and informed investment decisions. Financial institutions and policymakers should therefore focus on promoting financial education programs to improve investment behaviour among individuals.

### Findings of the Study

- Demographic variables such as age, income, occupation, and education significantly influence investment preferences.
- Economic conditions including inflation, taxation benefits, and market fluctuations affect investment planning.
- Behavioural factors such as fear of loss, confidence, and social influence impact investor decision-making.
- Financial literacy improves the ability of investors to evaluate risks and manage investments effectively.
- Investors with better financial awareness are more likely to make informed and systematic investment decisions.

### Suggestions

1. Financial institutions should organize investor awareness programs to improve financial literacy.
2. Investors should perform proper risk analysis before selecting investment avenues.
3. Investment advisors should provide guidance based on investor objectives and risk tolerance.
4. Government and regulatory bodies should promote financial education among individuals.
5. Investors should diversify investments to reduce financial risk.

### Future Scope of Research

Future studies may include larger sample sizes and wider geographical areas for more comprehensive results. Researchers may also use advanced statistical tools to examine investor behaviour in greater depth. Comparative studies between rural and urban investors or between different age groups can provide additional insights into investment patterns.



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