



# A Study of Investor Behaviour towards Stock Market Investments

**Omkar Shantaram Bhagat, Professor Neelam Patil, Professor Tejaswinee Ingle**

Department of Zeal Management Studies

Zeal Institute of Management and Computer Application

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**Abstract** – This study examines the impact of emotional and behavioural factors on individual investment decision-making in the stock market. The research focuses on understanding how psychological biases market trends social media influence fear of loss and past investment experiences affect investors behaviour. Primary data was collected from 100 respondents through a structured questionnaire using convenience sampling. The study adopted a descriptive research design, and data analysis was carried out using percentage analysis Pearson correlation coefficient, and Chi-square test. The findings reveal that emotional and behavioural factors significantly influence investment decisions. Fear of loss market news social media influence and past profits or losses were found to play an important role in shaping investor behaviour. The study also highlights that investors are not always rational and are often influenced by psychological biases such as overconfidence and herd behaviour. Furthermore, demographic factors like age income and education were observed to influence investment choices.

**Keywords** – Behavioural Finance Investor Behaviour Stock Market Investment Decision-Making Psychological Biases Fear of Loss Overconfidence Herd Behaviour Financial Literacy Market News Social Media Influence Risk Perception Behavioural Biases Investment Psychology.

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## I. INTRODUCTION

The stock market is one of the most important parts of a country's financial system. It acts as a platform where companies can raise money by selling shares, and investors can put their savings to work by buying those shares. This process benefits both sides: companies get the funds they need to grow, and investors earn returns that help them achieve their financial goals. In this way, the stock market connects individual savings with business investment, which supports industrial growth, creates jobs, and strengthens the overall economy. Without a strong and active stock market, economic development would be slower and less efficient.

For investors, the stock market is not just a place to trade shares. It is also a way to participate in the growth of industries and the economy. Every decision made by investors—whether to purchase, hold, or sell—affects demand and supply in the market. These decisions influence stock prices, market trends, and even the stability of the financial system. When investors act with confidence, markets grow steadily, but when they act out of fear, markets can become unstable. This shows how important investor behaviour is in shaping the health of the economy.

Investor behaviour refers to the way individuals make choices about their investments. These choices are influenced by many factors. Risk tolerance plays a big role, as some investors are willing to take high risks for the chance of higher returns, while others prefer safer investments. Financial knowledge also matters, because investors who understand the market are more likely to make informed decisions. Personal goals, such as saving for retirement or earning quick profits, guide investment strategies. Finally, market conditions like inflation, interest rates, and global events also affect how investors act.

Together, these factors make investor behaviour a complex subject to study.

Traditional finance theories assume that investors are rational and always act in ways that maximize their returns. However, in reality, investors are human, and their decisions are often influenced by emotions, biases, and social pressures. This is why behavioural finance has become an important area of study. It looks at how psychological factors affect financial decisions and explains why investors sometimes act in ways that are not fully logical.

### Objectives of the Study

- To know how investors behave in the stock market.
- To study how psychology and emotions affect investment decisions.
- To see how age, income, and education influence investor choices.
- To help investors make better decisions through financial awareness.

### Significance of the Study

- It helps to understand how investors make decisions in the stock market.
- It improves awareness about financial literacy and investment practices

### Scope of the Study

The study focuses on understanding how individual investors behave while making stock market investment decisions. It covers the influence of psychological factors, behavioural biases, and emotions such as fear, greed, and overconfidence. It examines the role of socio-economic and demographic factors like age, income, education, and investment experience in shaping investor choices. The



ISSN:3048-7722

scope is limited to individual investors and does not include institutional investors or corporate decision makers.

## II. REVIEW OF LITERATURE

### 1. “Behavioral Finance and Investment Decision Making” – Sharma (2019)

This study explains that behavioural finance integrates psychology with traditional finance to understand investor decision-making. It highlights that investors are not always rational and are influenced by emotions and biases. Factors such as overconfidence, loss aversion, and herd behaviour affect their judgement. The research shows that these biases lead to irrational decisions and market inefficiencies. It emphasizes that understanding behavioural finance helps in better investment planning. The study concludes that investor behaviour plays a major role in stock market movements. It also suggests increasing awareness to reduce biased decisions.

### 2. “Investor Behaviour in Stock Market Investments” – Mehta (2020)

This study focuses on how individual investors behave in stock market investments. It explains that decisions are influenced by risk tolerance, return expectations, and financial goals. The research highlights that investors often depend on personal judgement rather than proper analysis. Emotional and psychological factors also play an important role. The study shows that behaviour differs based on experience and knowledge. It concludes that both rational and irrational factors influence decisions. It suggests improving financial awareness among investors.

### 3. “Role of Psychology in Financial Markets” – Verma & Singh (2018)

This research highlights the importance of psychological factors in investment decisions. It explains that emotions such as fear, greed, and regret influence investor behaviour. These emotions often lead to impulsive and irrational decisions. The study also shows that psychological biases impact market trends and price fluctuations. It emphasizes the need to understand investor psychology. The research concludes that emotional control is essential for successful investing. It suggests adopting a disciplined approach in decision-making.

### 4. “Impact of Financial Literacy on Investment Behaviour” – Deshmukh (2022)

This study examines how financial literacy affects investor behaviour. It highlights that knowledgeable investors make better and more rational decisions. Financial education helps in reducing behavioural biases. The research shows that informed investors can better evaluate risk and return. It also indicates that lack of knowledge leads to poor investment choices. The study concludes that financial literacy improves confidence and decision-making ability. It suggests promoting financial education programs.

## III. PROBLEM STATEMENT & HYPOTHESIS

### Problem Statement

In today’s modern financial environment, stock market investments are growing rapidly due to technological advancements and easy access to online trading platforms. Many individuals are actively participating in stock markets to earn higher returns and achieve financial goals. The availability of mobile trading applications, financial news, and digital investment platforms has made investing more convenient for investors.

### Hypothesis 1

- H0: Emotional factors such as fear, greed, optimism, regret, and overconfidence do not significantly influence individual investment decision-making.
  - H1: Emotional factors such as fear, greed, optimism, regret, and overconfidence significantly influence individual investment decision making.
- ### Hypothesis 2
- H0: Behavioural biases do not have a significant impact on investors’ perception of financial, market, and political risks.
  - H1: Behavioural biases have a significant impact on investors’ perception of financial, market, and political risks.
- ### Hypothesis 3
- H0: Demographic factors such as age, gender, income, education, and investment experience do not significantly influence behavioural biases and investment decisions.
  - H1: Demographic factors such as age, gender, income, education, and investment experience significantly influence behavioural biases and investment decisions.

## IV. RESEARCH METHODOLOGY

### 1. Study Duration

The study was conducted over a period of 2–3 months, covering stages such as questionnaire design, data collection, analysis, and interpretation. Proper time was allocated to ensure accuracy and reliability of results.

### 2. Subject Selection

This study is based on individual investors who participate in stock market investments. The sample consists of students, salaried employees, businesspersons, and other individuals interested in stock market investments. This helped in collecting different opinions and understanding various investment behaviours.

### 3. Data Collection Methods

A simple Likert scale (Strongly Agree to Strongly Disagree) was used so that respondents could easily express their opinions. Secondary data was collected from research papers, financial articles, and online sources to support the study.

### 4. Procedures

First, the questionnaire was prepared based on the objectives of the study. After designing the questionnaire,



ISSN:3048-7722

it was shared with respondents through Google Forms and personal interaction. The purpose of the study was clearly explained to participants to ensure honest responses. All information collected from respondents was kept confidential and used only for academic purposes.

### 5. Research Design

The research adopts a descriptive research design, as it focuses on understanding and analyzing the investment behaviour of individuals towards stock market investments. The study does not involve manipulation of variables but observes investor behaviour in real-life situations, making this design suitable for the research.

### 6. Data Analysis Tools

Data was analyzed using:

- Percentage analysis
- Chi-square test
- Correlation analysis
- Charts and graphs for presentation

Tools like Microsoft Excel and Google Forms were used for data processing.

### Limitations of the Study

- Limited sample size
- Area-specific data
- Possible response bias
- Time constraints

## V. DATA ANALYSIS

Question 3: What is your main purpose of investing in stocks?

Options	Number of Respondents	Percentage
Wealth creation	23	23%
Short-term profit	36	36%
Retirement planning	15	15%
Saving for future goals	14	14%
Passive income	12	12%
Total	100	100%

### Statistical Analysis (Mean)

To calculate the mean income level, class midpoints were assigned as follows:

- Passive income = 1,
- Saving for future goals = 2
- Retirement planning = 3
- Short-term profit = 4
- Wealth creation = 5 (assumed average)

Mean is calculated as:

$$\begin{aligned} \text{Mean Income} &= (\sum f \times x) / N \\ &= (12 \times 1 + 14 \times 2 + 15 \times 3 + 36 \times 4 + 23 \times 5) \\ &/ 100 \\ &= 344 / 100 \\ &= 3.44 \text{ (approx.)} \end{aligned}$$

### Statistical Analysis (Mean)

The calculated mean value (344/100 = 3.44) indicates the average response of respondents using weighted scores from 1 to 5. The mean score of 3.44 lies between Neutral and Agree, closer to Agree.

### Interpretation

This suggests that respondents generally agree with the statement and show a moderately positive attitude toward the given factor.

### Correlation: Q6 VS Q8

Question 6: Confidence in investment decisions

Question 8: fear of loss affecting choices.

Response	Value	Confidence	Fear of loss
Strongly Agree	1	17	10
Agree	2	39	36
Neutral	3	34	38
Disagree	4	9	9
Strongly Disagree	5	1	7
Total	5	100	100

### Frequency Table

X (Confidence)	Y (Fear of loss)	X.Y	X <sup>2</sup>	Y <sup>2</sup>
17	10	170	289	100
39	36	1404	1521	1296
34	38	1292	1156	1444
9	9	81	81	81
1	7	7	1	49

$$\begin{aligned} r &= \frac{(n\sum XY - (\sum X)(\sum Y))}{\sqrt{[(n\sum X^2 - (\sum X)^2)(n\sum Y^2 - (\sum Y)^2)]}} \\ &= \frac{[5(2954) - (100)(100)]}{\sqrt{[(5(3048) - 100^2)(5(2970) - 100^2)]}} \\ &= \frac{(14770 - 10000)}{\sqrt{[(15240 - 10000)(14850 - 10000)]}} = \frac{4770}{\sqrt{5240 \times 4850}} \\ &\approx \frac{4770}{5041} \approx 0.94 \end{aligned}$$

Pearson Correlation coefficient (r) ≈ + 0.94

### Analysis

The calculated correlation coefficient (r = 0.94) indicates a very strong positive relationship between the two variables. This means that both variables tend to move in the same direction. As one variable increases, the other also increases significantly. The value being close to +1 shows a high degree of association.

### Interpretation

The result suggests that there is a strong connection between the variables, and changes in one variable are closely linked with changes in the other. Respondents' behavior or responses are highly consistent across both



ISSN:3048-7722

variables. This reflects a clear pattern rather than random variation. Hence, the relationship is meaningful and reliable.

### Key Findings

- Emotional factors significantly influence investment decision-making.
- Fear of loss is a major factor affecting investors' choices.
- A considerable number of respondents showed neutral behavior toward fear, indicating uncertainty in decision-making.
- Investors are influenced by psychological biases such as fear, greed, and overconfidence.
- Market news plays a crucial role in shaping investment decisions.
- Social media has a strong impact on investor behavior.
- A majority of respondents rely on external information sources before investing.
- Investors tend to react quickly to market news and trends.
- Behavioural factors significantly affect investment decisions, as confirmed by hypothesis testing.
- Past profits and losses strongly influence future investment decisions.

## VI. CONCLUSION

The study aimed to analyze the impact of emotional and behavioural factors on individual investment decision-making. Based on the analysis and hypothesis testing using the Chi-Square method, it is concluded that emotional factors such as fear of loss and behavioural factors such as market news, social media influence, and past investment experiences significantly affect investors' decisions. The results clearly indicate that investors do not always act rationally and are often influenced by psychological biases and external information sources. Fear of loss, exposure to market trends, and past profits or losses were found to play a major role in shaping investment behaviour. Therefore, the study confirms that behavioural finance theories are applicable in real-life investment scenarios.

### Suggestions

- Investors should avoid making decisions purely based on emotions.
- Proper financial education should be promoted to improve rational decision making.
- Investors should rely more on fundamental and technical analysis rather than market rumours.
- Awareness programs should be conducted to reduce behavioural biases.
- Investors should diversify their portfolios to minimize risk.
- Long-term investment strategies should be encouraged over short-term reactions.

### Limitations of the Study

- The study is based on a limited sample size of 100 respondents.
- The data is collected from a specific group, which may not represent all investors.
- Responses are based on personal opinions, which may be biased.
- The study focuses only on selected emotional and behavioural factors.
- The results may not be applicable to different regions or market conditions.

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