



# A Study On Impact Of Investment Decisions In Stock Market Of Investors

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**Abstract** – In a rapidly changing Indian stock market environment, investors are increasingly faced with complex choices regarding investment opportunities, risk assessment and return expectations. This study, titled “A Study On Impact Of Investment Decisions In Stock Market Of Investors” aims to analyze the factors influencing investors' decision-making processes and evaluate how these decisions affect their investment performance. This study adopted a descriptive and analytical research design that integrated primary and secondary data sources. Primary data is collected through a structured questionnaire administered to 100 individual stock investors, and secondary data is collected from financial statements, stock market publications, and reliable online sources over a period of 10 years (2016-2026). Key variables such as risk tolerance, investment horizon, market knowledge, behavioral biases, and return expectations are considered to assess their impact on investment decisions. This study uses statistical tools such as correlation analysis, regression analysis, and percentage analysis to investigate the relationship between investor behavior and investment performance. Qualitative aspects such as investor awareness, emotional influence, and market sentiment that shape decisions are also considered. Preliminary results indicate that investment decisions are strongly influenced by factors such as risk perception, financial knowledge, and behavioral biases. While some investors achieve favorable returns through sound and strategic decisions, others experience inconsistent results due to emotional and impulsive behavior. This study provides valuable information to retail investors, financial advisors and policy makers, highlighting the importance of informed decision-making, risk management and investor education for successful sustainable investment in the stock market.

**Keywords** – investment decisions, stock market, investor behavior, risk assessment, return expectations, risk tolerance, investment horizon, market knowledge, behavioral biases, investment performance, financial knowledge, investor education, emotional influence, market sentiment, descriptive research, analytical research, correlation analysis, regression analysis, percentage analysis, stock market trends, retail investors, financial advisors, policy makers, sustainable investment, investor awareness.

## I. INTRODUCTION

Investment decisions in the stock market are influenced by a variety of factors such as risk tolerance, financial knowledge, market conditions, investment objectives, and behavioral aspects.

Investors often make informed decisions based on fundamental and technical analysis, as well as external factors such as economic trends, government policies, and market sentiment. At the same time, psychological factors such as overconfidence, herd behavior, and emotional bias can significantly influence the quality of these decisions. The ability to make rational and informed investment choices is essential to achieving financial goals such as capital growth, income generation, and long-term wealth creation.

The research field of this study focuses on analyzing the impact of investment decisions on the performance of stock market investors.

This study aims to identify the key factors influencing investor behavior and assess the impact of different decision-making approaches on returns and risk levels. We also explore how demographic factors such as age, income, education, and investment experience play a role in shaping investment decisions.

This study adopts a descriptive and analytical approach, using both primary and secondary data sources.

Primary data is collected through structured questionnaires from stock market investors, while secondary data is collected from financial reports, stock market publications, research articles and credible financial websites.

Various tools such as percentage analysis, correlations, and graphical representations are used to effectively interpret the data.

The results of this study will provide valuable insights to investors, financial advisors, and policy makers by highlighting the importance of informed decision-making, risk management, and behavioral awareness in stock market investing. It is also a useful reference for students and researchers interested in the fields of investment analysis and behavioral finance.

In today's dynamic and competitive financial environment, understanding the impact of your investment decisions is essential to achieving consistent and sustainable returns.

This research aims to contribute to improving investment practices by promoting rational and informed decision-making among investors.



## II. LITERATURE REVIEW

### **Hirsch Shefrin and Meir Statman (2000)**

Shefrin and Statman (2000) investigated behavioral finance and its impact on investors' decisions in the stock market. Their research showed how psychological biases such as overconfidence, loss aversion, and psychological accounting influence investment choices.

They concluded that irrational behavior often leads to suboptimal investment results and emphasized the importance of disciplined decision-making.

### **Brad M. Barber and Terence Odin (2001)**

Barber and Odin (2001) conducted an empirical study on the behavior and trading patterns of individual investors. The study found that investors who trade frequently tend to have lower returns due to overconfidence and overtrading. Their research found that investment decisions based on emotion rather than analysis negatively impacted performance.

### **Daniel Kahneman and Amos Tversky (1979)**

Kahneman and Tversky (1979) introduced prospect theory to explain how people make decisions under conditions of risk and uncertainty.

Their research showed that investors are more sensitive to losses than gains, which often leads to irrational investment decisions. This theory provides a basis for understanding behavioral biases in stock market investing.

### **Mark M.Greenblatt and Matti Keroharju (2001)**

Greenblatt and Keloharju (2001) used transaction data to study investor behavior and found that factors such as familiarity, culture, and past experience influence investment decisions.

Their research shows that investors often prefer well-known stocks, which can limit diversification and impact returns.

### **Robert j.Schiller (2000)**

In his work on market volatility, Robert Shiller (2000) investigated how investor sentiment and speculative behavior affect stock prices.

He concluded that emotional and psychological factors play an important role in investment decisions and often cause market inefficiencies and bubbles.

## III. RESEARCH METHODOLOGY

This study uses a descriptive and analytical research design.

The main objective is to examine how investment decisions made by investors affect their performance in the stock market.

This study focuses on analyzing various factors such as risk tolerance, financial knowledge, behavioral biases, and market knowledge that influence investment decisions.

The study also aims to assess the impact of these decisions on returns, risk levels and overall investment performance under different market conditions.

### **Data source.**

This study uses both primary and secondary data.

### **Primary data**

Primary data is collected via a structured questionnaire distributed to stock market investors.

Respondents include employees, self-employed individuals, and small investors who are actively involved in stock market investing or have previous trading and investing experience.

### **Secondary data**

Secondary data is collected from various sources such as stock market reports, financial websites, research papers, magazines, books, and online publications.

Market data, historical price trends and investment reports are also used for analytical purposes.

### **Sampling method**

This study uses a convenience sampling techniques.

Respondents are selected based on their availability, willingness to participate, and involvement and experience with stock market investing.

### **Sample size**

The total sample size for this study is 100 respondents.

It includes investors from different age groups, income levels, educational backgrounds, and professions, providing a balanced perspective on investment behavior and decision-making patterns.

### **Data collection tools**

A structured questionnaire will be used as the main data collection tool.

1. This consists of multiple-choice questions, Likert scale questions, and demographic information. The survey covers the following aspects:
2. Awareness and knowledge about stock market investment
3. Investment preferences (stocks, derivatives, long-term and short-term)
4. risk tolerance level (low, medium, high)
5. factors that influence investment decisions (return expectations, risks, market trends, financial advice, emotional factors)
6. Behavioral (group behavior, self-confidence, fear of loss)
7. Satisfaction with investment results and decisions.



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**Data analysis tools**

The data collected is analyzed using statistical and financial tools such as:

- Percentage analysis
- Frequency Distribution
- Tables and graphs for visual interpretation

**Research limitations**

- The sample size is limited and may not be fully representative of all stock investors.
- The study is based in part on primary data, which may include biased or inaccurate responses.
- Convenience sampling can lead to selection bias.
- This study focuses only on specific factors that influence investment decisions and does not cover all variables.
- This analysis is based on historical self-reported data and cannot accurately predict future market movements.
- Limited time periods may not reflect long-term investment trends or market fluctuations.

**IV.OBJECTIVES OF THE STUDY**

- 1.To identify the key factors influencing investment decisions of investors in the stock market.
- 2.To analyze how these identified factors affect the investment decisions made by investors.
- 3.To evaluate the impact of these investment decisions on portfolio performance of investors.
- 4.To assess the overall relationship between investment decisions and stock market performance in the context.

**V. DATA ANALYSIS & INTERPRETATION**

**1. Financial Literacy Level**

Table No: 1

Financial Literacy Level	Responses
Low	23
Medium	60
High	17

**Interpretation**

Most of the respondents (60%) have an average level of financial knowledge, which indicates a basic knowledge of investment concepts. 23% have low literacy, while only 17% have high literacy.In general, most investors have moderate knowledge and relatively few are very financially oriented.

**2. Use of Financial Advisors**

Table No: 02

Use of Financial Advisors	Responses
Always	31
Sometimes	52
Never	17

**Interpretation**

The majority of respondents (52%) sometimes use financial advisors, indicating that they occasionally rely on expert advice.31% always use advisors, showing a high reliance on professional guidance, while 17% never use advisors and prefer independent decision-making.

**3. Follow herd behavior?**

Table No : 03

Follow herd behavior?	Responses
Yes	44
No	56

**Interpretation**

Data shows that 56% of respondents do not follow herd behavior, indicating independent decision-making. However, 44% do follow the crowd, suggesting that a significant portion of investors are influenced by others.

**4. Satisfaction with returns**

Table No : 04

Satisfaction with returns	Responses
Very satisfied	37
Neutral	60
Dissatisfied	3

**Interpretation**

Most respondents (60%) held a neutral attitude towards their returns, indicating moderate satisfaction. 37% were very satisfied, while only 3% were dissatisfied. Overall, most investors have moderate satisfaction with their investment performance.

**5. Should financial literacy improve in India?**

Table No : 05

Should financial literacy improve in India?	Responses
Strongly disagree	12
Disagree	7
Neutral	32
Agree	28
Strongly agree	21

**Interpretation**

The majority of respondents (49%) agreed or strongly agreed that financial literacy in India should be improved, indicating a strong need for better financial education. 32% held a neutral stance, and 19% disagreed or strongly disagreed. Overall, most investors support improving financial literacy.

**VI. CONCLUSION**

This study, titled "A Study on the Influence of Investors' Stock Market Investment Decisions," aims to analyze how various factors influence investment decisions and how these decisions affect portfolio performance.

The results clearly demonstrate that investment decisions are influenced by a combination of demographic,



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financial, and behavioral factors. Young investors, especially in the 18-25 age group, dominate the stock market, reflecting the growing interest among young people due to technological advances and easy access to online trading platforms.

Education plays an important role, as most investors are university graduates or postgraduates, suggesting that higher education helps to better understand and participate in stock market activities. Furthermore, the majority of investors are salaried individuals, indicating that a stable income encourages investment behavior.

The study also shows that most investors possess moderate financial and stock market knowledge, which influences their ability to make informed decisions. While most respondents understand concepts such as diversification and inflation, there is still a need to enhance advanced financial literacy.

Behavioral factors also play a significant role. Although many respondents believed they were unaffected by emotions or herd behavior, a considerable number acknowledged such influences. This shows that psychological factors cannot be ignored when analyzing investment decisions.

Overall, the study concluded that investment decisions have a significant impact on portfolio performance and that improving financial knowledge, experience, and strategic planning can ensure better investment results.

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