



A Study on Factors Influencing Investment Decisions of Individuals Investor

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Abstract – This research examines the different elements that affect individual investors when making investment decisions. The study will utilize a descriptive research design and will be complemented by data gathered from pertinent secondary literature, in addition to primary data collected from 100 participants via a structured questionnaire. Employing descriptive statistical analysis techniques, such as mean and standard deviation, will allow the study to investigate how demographic, economic, behavioral, and financial literacy factors impact investment decisions. The study's results show that demographic factors like age, income, and education have a significant effect on investment behavior, as participants from various backgrounds exhibit differing risk appetites and preferences. It is also observed that while interest rates influence investment decision making to a relatively low degree, economic factors, especially income level, inflation, market conditions, and tax advantages significantly impact investment choices. Behavioral and psychological influences significantly influence investor choices in that market trends, fear of losses, peer pressure, and self-confidence significantly influence investment decision-making processes. Further, it is also evident that financial understanding and literacy play a huge role in investing decision making. Those who have high levels of financial literacy will usually keep track of their investments, consult with financial experts, and make the right decisions. However, it has been seen that not all investors perform proper risk analysis before making any investment decisions. Generally, this study concludes that factors that lead to investment decisions are behavioral and rational, and increasing financial awareness could result in sensible investment decisions.

Keywords- Investment, Factors, Behavior, External

I. INTRODUCTION

The decision on how to invest one's money is very important for individuals' financial stability as well as economic development in general. In the current dynamic financial setting, people are faced with many forms of investments including bank deposits, mutual funds, stocks, bonds, insurance, properties, and even cryptocurrency. The main aim of any investment is to earn returns while taking care of risks but different people invest differently because of many reasons. Income levels, personal objectives, attitude towards risk, level of awareness, and other things contribute to such disparities. Studying how individuals choose their investment methods is, thus, necessary.

In making investment choices, people are affected by several factors which are mostly categorized under economic factors, demographic factors, psychological factors, and social factors. Economic factors include the amount of income, savings, rate of inflation, interest rates, and the state of markets. This is because such factors greatly determine whether one can invest and to what extent he/she can do it. Demographic factors such as age, gender, educational background, occupation, and marital status also have impacts on investment behavior due to financial obligations

and goals vary at various stages of life. Psychological elements such as the perception of risks, self-confidence, previous experience, and behavioral biases have an important role to play in assessing individual response to market changes. Further, social aspects like family, friends, financial planners, and media exposure have a major influence on investment decisions.

The identification of factors that affect individual investors' investment decisions is crucial for understanding investor behavior and preferences. The research will be useful in helping banks formulate the appropriate products, enable investment advisors to give effective advice, and help policy-makers create effective financial literacy programs. In an increasingly complicated and accessible financial market environment, individuals have to take wise and rational decisions while investing. This study will attempt to examine the important factors affecting individual investors and analyze their impact on the investment decisions of these investors and their level of risk tolerance.

Significance of the study

- This study aids in analyzing the important determinants that play a role in investment decision-making processes, thereby providing significant insight into the behavior and preferences of investors in the financial market.
- The results obtained from this study are helpful for financial organizations, banks, and investment firms in developing appropriate investment products for individual investors based on their requirements.
- This study helps financial planners and wealth managers in advising individual investors on making appropriate investment decisions by taking into account the psychological, economic, and social factors involved.
- Through this study, policymakers can design appropriate financial education programs for individual investors and help them improve their financial literacy levels.
- This research holds significant value academically as it enriches the existing literature on the topic of



investments and can act as a basis for future research in the field of finance.

Importance of the Study

- The research study will help us in analyzing how people make investment decisions and how various factors determine their investment preferences.
- The research will help in identifying the factors that play an important role in determining the investment behavior of individuals.
- It will help in highlighting the significance of financial literacy and awareness in making investment decisions by individuals.
- It will help banks, financial institutions, and investment firms to know the expectations of investors and improve their services related to investments.
- The research study will help in analyzing present investment behavior of individuals, which will be helpful in predicting their investment behavior in the future

II. REVIEW OF LITERATURE

The research article "Factors Influencing Investment Decision-Making Behaviour of Individual Investors" by Sharma & Agnihotri (2024) analyzes some important factors affecting investors' decision-making process with regard to their demographics, perception of risk, and financial awareness. The conclusions drawn from the study indicate that factors such as income levels, educational background, and financial awareness play a significant role in determining investment choices for individuals. According to the authors, individuals having higher levels of financial literacy tend to make rational decisions regarding investments.

Likewise, the study "Behavioural Factors Affecting Investment Decisions of Individual Investors" by Das & Das (2025) explores the field of behavioural finance. This study highlights how behavioural psychology affects the way investors make decisions about their investments. Some of the important aspects analyzed include overconfidence, herding behavior, and loss aversion. The study reveals that these factors have a strong effect on investors and may lead to poor investment decision-making.

Moreover, another study named "Impact of Demographic Variables on Investment Behavior of Individuals" conducted by Yürük (2025) has studied the impact of demographic variables like age, income, education, and occupation on investing behavior. As per the results of this study, young investors are inclined towards high-risk investments as compared to older investors who prefer low-risk investments due to their stability. Also, education level is one major determinant of risk tolerance.

Objectives of the Study

- To study the various factors that affect the investment decision making behavior of individuals.
- To study the influence of behavioral factors such as overconfidence, herding behavior and risk perception on investment decisions.
- To study the influence of demographic factors such as age, income, education and occupation on investment behavior.
- To study the influence of financial literacy on investment decisions.
- To study the influence of awareness on selection of investment avenues.

Hypothesis of the Study

- H_0 (Null Hypothesis): There is no significant influence of demographic factors such as age, income and education on investment decisions of individuals.
- H_1 (Alternative Hypothesis): There is a significant influence of demographic factors such as age, income and education on investment decisions of individuals.
- H_0 (Null Hypothesis): Financial awareness and risk perception do not significantly influence investment decisions of individuals.
- H_1 (Alternative Hypothesis): Financial awareness and risk perception significantly influence investment decisions of individuals

Research Design

For this particular study, a descriptive research design will be used since the objective is to identify the determinants of individual investment decisions and to understand them without manipulating any variable. Descriptive research design allows the study to describe, understand, and analyze the current state of affairs in the context of investment behavior of individual investors.

Primary data will be collected by way of questionnaire method which involves collecting information from individual investors concerning their preferences in investments, perceptions towards the risks involved, and other factors that influence investment decisions in real-life scenarios. 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. Data obtained through the research will be analyzed using the appropriate tools such as percentage analysis and graphical illustration.



Sample Selection

In order to make use of an effective number of people, the number of sample sizes involved in this study would be 100, which is quite enough to conduct a descriptive study. 100 samples are adequate enough to conduct sufficient and reliable investigation to find out the reasons that affect the investment decision-making process of people.

Data Collection

Primary data: In this case, primary data is gathered by means of conducting a questionnaire among individual investors. The primary data comprises of mostly closed ended questions and deals with demographic information, investment preference, perception of risk, and factors affecting investment decision making. Information provided in primary data would be reliable and first hand for achieving objectives of this study.

Secondary data: On the other hand, secondary data has been acquired from various sources including textbooks, research journals, research papers, magazines, websites, and other previous studies dealing with investment behavior of people.

Design of Questionnaire

The questionnaire will be prepared in a structured and closed-ended format. The questions would include information regarding demographic factors, investment behaviour and the reasons behind individuals' decision-making about investments. Closed-ended questions will help in understanding the questions easily, standardization of answers and analysis of the gathered data.

Population and Sample of Respondents

The population of the study will consist of individual investors making investment decisions. Out of this population, a sample of 100 respondents is taken into consideration for the purpose of research. The chosen sample will include individuals belonging to various age ranges, various incomes, education and occupation backgrounds. This size of the sample can be considered adequate enough to study the investment behaviour of people.

III. DATA ANALYSIS METHOD

The data gathered via questionnaires would be analyzed systematically using appropriate statistical techniques. Firstly, the collected data will be organized and then classified. The process of classification will help in analyzing the data effectively. Statistical techniques such as percentages analysis and graphing techniques will be applied to analyze the information related to demographics and investment behaviour of respondents.

Statistical Tools and Techniques

The statistics gathered during the investigation process undergo statistical analysis through the use of various

statistical tools and techniques. Descriptive statistical tools such as the frequency distribution table and percentages are employed to provide a summary of the data. Bar charts and pie charts are graphical techniques that are employed in representing data in a simple manner, thus facilitating investment behavior analysis.

Scope of Study

Limited to understanding the factors influencing investment decisions of individuals. The research focuses on analysing how demographic, financial, psychological, and social factors affect the investment behaviour of individual investors. The study considers only individual investors and does not include institutional investors.

The study is based on primary data collected through a structured questionnaire and supported by secondary data from relevant literature. It covers selected investment avenues commonly preferred by individuals, such as bank deposits, mutual funds, shares, and insurance products behaviour of respondents at a particular point in time.

The scope of the study is further confined to descriptive analysis using basic statistical tools. The findings of the study are intended to provide insights into individual investment behaviour but may not be generalized to all investors due to limitations related to sample size, time, and resources. Despite these limitations, the study offers meaningful understanding relevant to the objectives of the research.

Limitations of the Study

The research is based on a sample size of 100 participants, and hence the results obtained cannot be generalized to the whole population of individual investors.

The information collected from the research will be through structured questionnaires, which makes the validity of the research dependent on the honesty and knowledge of the respondents.

The research being done in a particular geographic location, there might be some limitations of the findings with regard to investment behavior in other places.

The research adopts the descriptive and cross-sectional research method, whereby the information is collected at a particular point in time.

This means that any change in investment behavior that might result from market and economic conditions is not captured. Furthermore, statistical methods used are the most basic.



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

		Investment	
N	100	100	100
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 Time Horizon

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)

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. Table

4: Behavioral and Psychological Factors Analysis

have a considerable impact on investment decisions. The

Descriptives						
	You rely on your own	You consider	Fear of loss affects your	Comfort level with high-risk	You invest based on	Awareness of different



	knowledge while investing	advice from friends or family	investment decisions	investments	market trends	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

- Fear of loss (3.60)
- Risk comfort (3.82)
- Market trends (3.74)

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

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.

Behavioural and Psychological Factors

The mean values for behavioural variables such as:

- Self-knowledge (3.81)
- Social influence (3.76)

Table 5: Advisory and self-Analysis Factors Analysis

	Descriptives			
	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)
- 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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IV. CONCLUSION

This study examined the various factors influencing the investment decisions of individual investors. The findings reveal that investment behavior is shaped by a combination of demographic, psychological, economic, and social factors. Elements such as income level, risk tolerance, financial knowledge, market trends, expected returns, and investment objectives significantly affect how individuals choose investment avenues.

The study also indicates that psychological aspects like confidence, emotions, and perception of risk play an important role in decision-making. Many investors are influenced by market rumors, media reports, and advice from friends, family, or financial experts. Furthermore, factors such as safety of investment, liquidity, tax benefits, and return potential are considered highly important while making investment choices.

It can be concluded that individual investors do not always act purely rationally; their decisions are often influenced by behavioral biases and external factors. Therefore, improving financial literacy and awareness can help investors make more informed and effective investment decisions. Financial institutions and policymakers should also focus on providing transparent information and investor education programs to encourage better investment practices.

Overall, understanding the factors influencing investment decisions is essential for developing strategies that support investor confidence, financial planning, and long-term wealth creation.

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