

MAJOR RESEARCH PROJECT

STUDY ON INVESTOR'S BUYING BEHAVIOUR WITH REFERENCE TO INVESTMENT DECISION

Submitted By:

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2K23/UMBA/01**

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STUDENT DECLARATION

I “Aakash Dwivedi” hereby declare that I have completed a research project titled **“INVESTOR’S BUYING BEHAVIOR WITH REFERENCE TO INVESTMENT DECISION”** under the guidance of “Mr. Mohit Beniwal”.

Further I hereby confirm that the work presented herein is genuine and original and has not been published elsewhere.

NAME: AAKASH DWIVEDI

SIGNATURE:

FACULTY DECLARATION

I hereby declare that the student “Aakash Dwivedi” has undergone his Project Report under my periodic guidance on the project titled “**INVESTOR’S BUYING BEHAVIOR WITH REFERENCE TO INVESTMENT DECISION**”

Further I hereby declare that the student was periodically in touch with me during his Project and the work done by student is genuine & original.

Mr. Mohit Beniwal

Delhi School of Management (DSM)

Delhi Technological University (DTU)

ACKNOWLEDGMENT

This project in itself is an acknowledgement to the inspiration, drive and valuable guidance contributed to it by many individuals. This project would never have been the light of day without the help and guidance that have been received.

I would like to express my sincere appreciation and thanks to Mr Mohit Beniwal who guided me all throughout for this Project. It is under his valuable guidance, constant interest and encouragement. I have completed this project. He devoted her ever- precious time from her busy schedule and helped in complete understanding of the **“INVESTOR’S BUYING BEHAVIOR WITH REFERENCE TO INVESTMENT DECISION”**

Finally, I would like to thank my professor Mr. Mohit Beniwal whose most valuable experience was project to me to be success.

CHAPTER :1

INTRODUCTION

1.1 INVESTMENT AND ITS TYPES:

Investment involves allocating funds to assets with the expectation that their value will grow, generate income, or both. For example, acquiring shares in a publicly listed company offers the possibility of earning dividends regularly and profiting from an increase in the stock's market price. When you commit your resources to assets that may carry some risk or are not easily converted to cash, these are considered investments. Such investments help accumulate wealth, which can later be used for various objectives, including retirement savings, emergency reserves, buying a home, or funding a child's education.

There are numerous investment options, each presenting distinct levels of risk and reward. Common types include:

- **Stocks:** Owning stock means holding a stake in a company. Shareholders benefit if the company prospers, as the value of their shares may rise, allowing them to sell at a profit. Conversely, poor company performance can lead to a drop in stock value and potential losses.
- **Bonds:** Bonds represent loans made to corporations or governments. When you purchase a bond, you are lending money to the issuer for a set period at a predetermined interest rate. At maturity, you receive your initial investment back. Bonds are typically less risky than stocks but also offer lower potential returns.
- **Mutual Funds:** These investment vehicles pool money from many investors to purchase a diversified mix of assets such as stocks, bonds, and cash. Managed by professionals, mutual funds offer diversification, reducing the impact of any single asset's performance on your overall investment.
- **Exchange-Traded Funds (ETFs):** ETFs are similar to mutual funds but trade on stock exchanges like individual stocks. This allows investors to buy and sell throughout the trading day. ETFs often have lower fees than mutual funds, making them a cost-effective investment choice.
- **Real Estate:** Property investment can yield returns as property values generally rise over time. However, real estate is less liquid, meaning it can be difficult to quickly

sell and access your funds. Additionally, managing property can incur significant expenses.

- **Commodities:** Investing in commodities such as gold, oil, or agricultural products can be volatile due to fluctuating prices. Nevertheless, commodities can serve as a hedge against inflation, as their prices often rise alongside the cost of living.

1.2 TYPES OF INVESTORS AND THEIR PERSPECTIVES

An investor is an individual or institution that commits capital with the expectation of financial returns. These returns may come in the form of interest, dividends, or capital gains. Investors can be grouped based on their investment style and the amount of capital they manage:

- **Retail Individual Investors:** These are private individuals investing their personal funds, typically in smaller amounts, in financial products like stocks and mutual funds. They may also participate in initial public offerings (IPOs).
- **Institutional Investors:** Entities such as pension funds, insurance companies, mutual funds, and hedge funds fall into this category. With large sums of money at their disposal, they employ expert teams to conduct research and make investment decisions.
- **Angel Investors:** Wealthy individuals who provide funding to startups and early-stage companies.
- **Venture Capital Firms:** Firms that invest in high-growth startups, accepting higher risk in exchange for the potential of significant returns.
- **Private Equity Firms:** These organizations invest in companies that are not publicly traded, often seeking to restructure or grow these businesses before selling them for a profit.
- **Sovereign Wealth Funds:** State-owned investment funds that manage a country's assets by investing in various financial instruments.

1.2.1 How Investors Form Perceptions About Investments

Investor perception greatly shapes investment choices. It encompasses their beliefs, expectations, and attitudes toward different investment opportunities. Key factors influencing perception include:

- **Risk and Return:** Each investor has a unique tolerance for risk, which influences how they view potential investments. Some may avoid high-risk opportunities even if they offer higher returns, while others may seek them out.
- **Investment Horizon:** The intended duration for holding an investment affects risk tolerance. Investors with long-term goals may accept more risk, while those with short-term objectives often prefer safer investments.
- **Historical Performance:** Past results can sway investor confidence, sometimes leading to over-optimism or caution.
- **Market Sentiment:** The overall mood in the market can influence individual decisions. Bullish markets may encourage risk-taking, while bearish conditions can make investors more cautious.
- **Information Sources:** Where investors get their information—whether from reputable analysis or unreliable tips—can shape their perceptions and decisions.
- **Company-Specific Factors:** News, reputation, and company culture can influence how investors evaluate opportunities, beyond just financial metrics.
- **Regulatory Environment:** Changes in regulations or government policy can alter investor confidence in certain sectors.
- **Global Events:** Political instability, economic crises, or natural disasters can impact perceptions of risk and influence investment choices.
- **Economic Outlook:** Expectations about the future economy can drive investors toward growth opportunities or safer assets.
- **Personal Values:** Increasingly, investors consider ethical, social, and environmental factors when choosing investments, aligning their portfolios with their principles.

1.3 FACTORS SHAPING INVESTOR BUYING BEHAVIOR

Investor buying behavior refers to the series of decisions and actions taken when selecting, purchasing, or selling investments. Both external and internal factors play a role:

1.3.1 External Factors:

- **Market Conditions:** Economic indicators, interest rates, inflation, and global developments can all impact investment strategies. A robust economy may encourage risk-taking, while economic downturns can prompt a shift to safer assets.
- **Industry Trends:** The performance of specific sectors can attract or deter investment. For example, a thriving technology sector may draw more investors to tech stocks.
- **Company Performance:** Financial health, growth prospects, and management quality are critical considerations. Investors often analyze financial statements, industry news, and sentiment before making decisions.

1.3.2 Internal Factors:

- **Investment Objectives:** Personal goals, such as retirement planning or saving for a major purchase, influence the types of investments chosen and the level of acceptable risk.
- **Risk Appetite:** Some investors are more comfortable with risk, seeking higher returns, while others prefer stability and capital preservation.
- **Time Horizon:** The length of time an investor plans to hold an asset affects their willingness to accept risk. Short-term goals may require more liquid, lower-risk investments, while long-term goals can accommodate greater risk.
- **Financial Position:** Income, savings, and existing debt shape the range of viable investment options. Those with limited resources may prioritize secure investments, while those with greater financial flexibility can explore higher-risk opportunities.
- **Psychological Factors:** Emotions and cognitive biases can lead to impulsive decisions or excessive caution, impacting investment outcomes.

1.4 RESEARCH PROBLEM:

The central issue addressed by this research is the tendency to overlook investor perceptions and behaviors, as well as the factors influencing their decision-making processes. Investigating these elements can provide a deeper understanding of what drives investor choices and how these decisions affect investment success or failure. Gaining such insights can help develop strategies to improve investment results.

CHAPTER-2

REVIEW OF LITERATURE

Kumar (2024) conducted a descriptive analysis of how investors perceive and behave toward gold investments, focusing on what influences their decisions and expectations for the future. The study, which surveyed 80 participants from Hisar, Haryana, found that younger people and women are particularly well-informed about gold investment. Despite the ongoing popularity of traditional physical gold, there is a noticeable rise in interest for newer financial products like Gold ETFs and derivatives. Key motivators for choosing gold include its reputation as a hedge against inflation, its historical reliability, and its safe-haven status. Most participants remain confident in gold's long-term value, highlighting its lasting attractiveness as an investment.

Kabir, Shahriar, Jamal, Zakia, and Kairy (2023) examined what drives consumers' intentions to invest in real estate, specifically how these intentions relate to the amount individuals are willing to invest. Their findings suggest that factors like location, neighborhood environment, legal documentation, access to roads, religious institutions, and emergency services significantly affect how much people are prepared to invest in property. The study underscores that consumer purchase intention in real estate is closely linked to these practical and social factors.

Feng (2023) explored the complexities of the capital market, particularly the anomalies in risk and return relationships. Using data from China's A-share listed companies between 2017 and 2020, the research, grounded in behavioral finance theory, found that investor tendencies such as momentum trading (buying winners) and contrarian strategies both contribute to what's known as the beta anomaly. Essentially, the more investors engage in these behaviors, the greater the deviation from the expected risk-return pattern in the market.

Nurhidayah (2022) investigated the impact of social media on millennial investors' behavior, with financial risk tolerance acting as a mediator. The study, which utilized structural equation modeling, concluded that both social media and an individual's willingness to take financial risks directly influence investment decisions. Social media not only shapes risk tolerance but also indirectly affects how investors respond to market information, particularly in stock trading. The research also noted that in declining markets, investors often display overreaction and bias in their trading decisions.

Lazuarni Emilda (2022) focused on how millennial investors use mental shortcuts, or heuristics, which contribute to technical anomalies in the capital market and affect investment outcomes. The study found that behaviors such as relying on easily available information, pattern recognition, and hindsight bias are significant drivers of these anomalies. However, the study had some limitations, including a small number of measurement items and a lack of detail on specific trading behaviors. The findings are valuable for both investors and policymakers, suggesting that understanding millennial investment behavior is crucial for fostering greater participation in the financial markets.

Valsan and Eisenstat (2022) developed a simplified agent-based model to simulate financial markets, where agents follow basic rules for buying, selling, or holding a single asset. The model, despite its simplicity and lack of randomness, was able to replicate complex real-world phenomena such as price bubbles and crashes. This suggests that even basic trading behaviors can give rise to realistic market dynamics, offering insights into how investor actions and regulatory frameworks might interact.

Adi (2021) analyzed how company-released financial information, specifically earnings and debt levels, influences investor decisions to purchase shares. Focusing on Indonesia's LQ45 companies from 2014 to 2018, the study found that higher net profits positively and significantly impact investor buying behavior, as reflected in increased sales volume. In contrast, the company's debt ratio did not have a significant effect on investor decisions.

Sitinjak and Kurniasari (2021) explored the diversity of investor styles, which are shaped by demographic factors, personality, and timing of transactions. The research aimed to help individual investors minimize errors by understanding their own decision-making processes when buying and selling stocks. The study highlighted that accounting metrics like Price Book Value (PBV) are commonly used to identify undervalued stocks and that investors with a precisionist personality, who follow systematic trading rules, tend to be more consistent in their approach.

Priem (2021) examined the effects of the COVID-19 lockdown on individual investors in Belgium, using a large dataset of nearly 6.5 million transactions. The analysis revealed that many investors adopted a contrarian approach, buying shares as prices fell. Younger and less experienced investors were particularly likely to increase their equity holdings during this period. The study also found that men were more active in the equity markets than women, even during the pandemic.

Shefrin and Statman (2020) discussed how investors allocate their funds in layers, each representing a different goal or aspiration. The research found that over-the-counter (OTC) investors, especially those seeking excitement, tend to trade more frequently. Penny stocks, in particular, display unique trading patterns compared to higher-priced OTC stocks, and there is little evidence that OTC trades are driven by information.

Deuskar and Poland (2020) introduced the concept of margin capacity—the excess borrowing ability of investors using margin—which can signal upcoming market downturns. High margin capacity is linked to lower stock returns, reduced economic growth, increased uncertainty, and tighter lending conditions. The study suggests that when experienced investors limit their leverage after profitable periods, it often precedes broader financial instability.

Agarwal (2020) investigated the relationship between investor behavior and financial literacy in urban India. By creating a financial literacy index and surveying respondents, the study found that 43% were financially literate, while nearly 10% lacked basic financial knowledge. The research also examined how demographic factors such as age, gender, occupation, and education correlate with financial literacy and investment behavior.

Allan Mohamed (2020) studied the impact of the COVID-19 pandemic on trading activity in Egypt's stock market. The research revealed that both individual and institutional investors, across Egyptian, Arab, and foreign groups, adjusted their trading volumes in response to the spread of the virus. Notably, Egyptian individuals showed the highest trading activity, followed by foreign and Arab investors. Among institutions, Egyptian entities were also the most active, indicating a strong domestic response to the pandemic.

Sutrisno and Mahadwartha (2019) explored the influence of emotional investors, referred to as "baper," on stock purchasing behavior in Indonesia. The study found that investors who experienced gains felt positive emotions, which led to higher satisfaction and loyalty, while those who incurred losses felt regret and disappointment, negatively impacting their satisfaction and loyalty. Negative emotions also increased the likelihood of complaints.

Vedoya (2019) analyzed how different investor groups affect asset returns, liquidity, and informational efficiency, particularly around momentum trading strategies. Using data from the Finnish stock market, the study found that household investors tend to slow the integration of new information into stock prices, leading to stronger momentum effects. In contrast, institutional investors help align prices more closely with fundamental values.

Koo and Kim (2019) developed an investor sentiment index for Korea based on internet search trends. Their analysis showed that changes in sentiment can predict short-term market reversals, increased volatility, and shifts in investment preferences. The study also observed that heightened sentiment leads individuals to sell certain stocks and buy others, with these patterns reversing after a few weeks.

CHAPTER 3

NEED, SCOPE & OBJECTIVE OF THE STUDY

3.1 OBJECTIVES OF THE STUDY

The present study is guided by the following objectives:

- 1. To identify the factors influencing the buying behavior of investors:**
This objective aims to uncover the key elements—such as risk tolerance, market trends, financial literacy, and psychological factors—that drive investors' purchasing decisions in various investment avenues.
- 2. To examine investors' perceptions regarding investment decisions:**
The study seeks to understand how investors view different investment options, what beliefs and attitudes shape their choices, and how these perceptions influence their overall investment approach.
- 3. To analyze the relationship between investor perception and buying behavior:**
This objective focuses on exploring the connection between what investors think or feel about investment opportunities and the actual decisions they make when investing.

3.2 NEED FOR THE STUDY

A comprehensive understanding of investor behavior is crucial in today's dynamic financial markets. By analyzing how investors collect information, assess alternatives, and ultimately make investment decisions, we can identify recurring patterns and biases that may affect their financial outcomes. Studying how investors perceive and manage risk offers valuable insights into their risk appetite and the strategies they employ to mitigate potential losses.

Furthermore, recognizing that investors are not always guided by logic alone—since emotions, cognitive biases, and psychological factors often play a significant role—enables us to appreciate the impact of feelings such as fear, greed, and overconfidence on investment choices. This knowledge is essential for developing effective risk management strategies, designing better financial products, and communicating risk in ways that resonate with different investor segments.

3.3 SCOPE OF THE STUDY

The scope of this research encompasses a wide range of investment instruments, including but not limited to stocks, bonds, mutual funds, real estate, and alternative financial products. The study considers various categories of investors—such as individual retail investors, institutional players, and high-net-worth individuals—to capture the diversity in investment behaviors and decision-making processes.

Additionally, the research aims to provide actionable recommendations for financial institutions, investment advisors, and policymakers. By understanding the unique needs, preferences, and behavioral patterns of different investor groups, stakeholders can tailor their services, products, and regulatory frameworks to better support investor goals and foster a more robust investment environment.

3.4 JUSTIFICATION FOR THE STUDY

Investigating investor buying behavior provides critical insights into the decision-making mechanisms that underpin financial markets. By delving into the factors that influence investment choices and the ways investors respond to changing market conditions, we can better understand the dynamics of risk perception and management.

Such knowledge is invaluable for financial institutions and advisors seeking to customize their offerings to meet investor demands. It also aids regulators and policymakers in designing effective risk management frameworks and investor protection measures. Ultimately, a deeper grasp of investor behavior enables the creation of financial products and advisory services that are more closely aligned with the real-world needs and preferences of investors.

CHAPTER 4

RESEARCH METHODOLOGY

Research methodology refers to the systematic framework or blueprint that guides how a study is conducted, from problem identification to solution. It involves the structured collection, analysis, and interpretation of data to generate new knowledge or validate existing theories. The primary goal of research is to uncover truths that are not yet known, using rigorous scientific methods to answer specific questions.

4.1 TYPE OF RESEARCH

Research can be classified into several types based on its purpose and approach. The main research types relevant to this study are:

- **Descriptive Research:**

This approach focuses on providing a detailed account of the characteristics, behaviors, and attributes of a specific population or phenomenon. It does not involve manipulating variables but rather documents and describes what exists. Common methods include surveys, case studies, and observational research.

- **Analytical Research:**

Analytical research involves collecting, examining, and interpreting data to draw conclusions and make informed inferences. The researcher may use statistical tools and comparative analysis to understand relationships between variables and to explain observed patterns.

- **Explanatory (Causal) Research:**

This type of research seeks to establish cause-and-effect relationships by manipulating one or more variables and observing the resulting changes in other variables. Techniques such as controlled experiments, randomized controlled trials, and longitudinal studies are commonly employed.

4.2 DATA COLLECTION

Data collection is the critical process of systematically gathering, recording, and organizing information from various sources to address research questions. Effective data collection

ensures that the information obtained is accurate, comprehensive, and relevant, forming the foundation for robust analysis and reliable conclusions.

Researchers may employ a combination of methods such as surveys, interviews, direct observations, experiments, and the analysis of existing records. Properly collected data allows organizations and individuals to identify trends, draw meaningful insights, and make evidence-based decisions.

4.2.1 Sources of Data

- **PrimaryData:**

Primary data refers to original information collected directly from the source for the specific purpose of the research. This includes responses gathered through questionnaires, interviews, direct observations, and experiments. Primary data is valuable for its authenticity and relevance to the research objectives.

- **SecondaryData:**

Secondary data comprises information that has already been collected and published by others, often for purposes other than the current research. Examples include books, academic journals, reports, official statistics, and online databases. Secondary data is useful for contextual analysis and supporting primary research findings.

MethodsOfDataCollection:

In this study, primary data will be collected using structured questionnaires administered to participants, while secondary data will be sourced from reputable websites, academic journals, and reference books.

4.2.2 Sample Design

Sample design outlines the plan for selecting a subset of the population to participate in the study, ensuring that the data collected is representative and reliable (Kothari, 2004). For this research, a cross-sectional design will be used, where data is gathered from respondents at a single point in time. This approach is chosen for its efficiency and suitability given time and resource constraints.

- **SampleSize:**

The study will include a total of 200 respondents, providing a sufficient sample to draw meaningful conclusions about investor behavior.

- **Sampling Technique:**

A simple convenience sampling method will be employed, selecting participants who are readily accessible and willing to participate.

- **Sampling Area:**

The research will focus on investors located in Punjab, allowing for an in-depth analysis of regional investment patterns and preferences.

CHAPTER 5

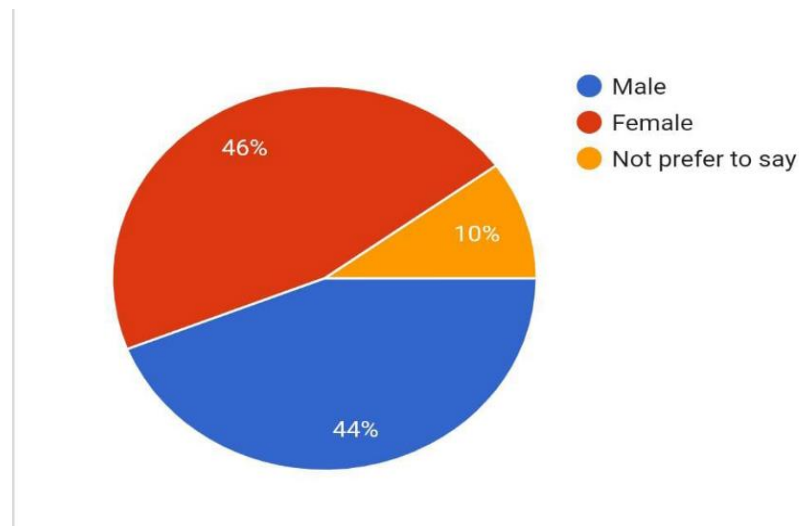
DATA ANALYSIS AND INTERPRETATION

5.1 DATA COLLECTION INSTRUMENTS

The main data collection instruments to be used in this study were a questionnaire schedule and personal interviews.

The **Questionnaire** is the main data collection instrument used in this study. One set of questionnaire with both open and closed questions is developed. The questionnaire focused on how Investor's Buying Behaviour influence their Investment Decision. The questionnaire will be chosen due to its flexibility in data collection as it generates data that is simple to code for analysis particularly when closed ended questions are used. Moreover, open ended questions allow respondents to make an independent analysis of a problem over and above the multiple choices provided by the researcher. The questionnaire is digitally distributed by the researcher to respondents concerned and each respondent has been allowed two weeks.

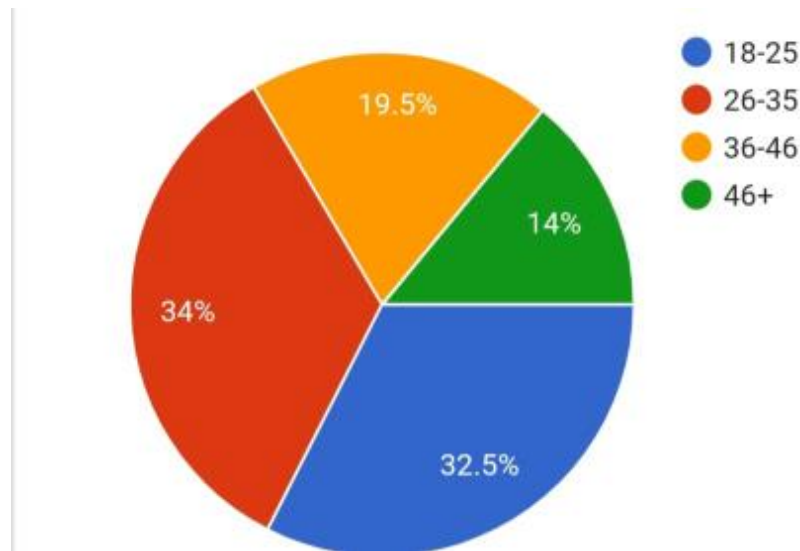
1. What is your Gender?



Interpretation:

- 46% of respondents identified as female
- 44% of respondents identified as male
- 10% of respondents identified as “not prefer to say”

2. What is your Age?

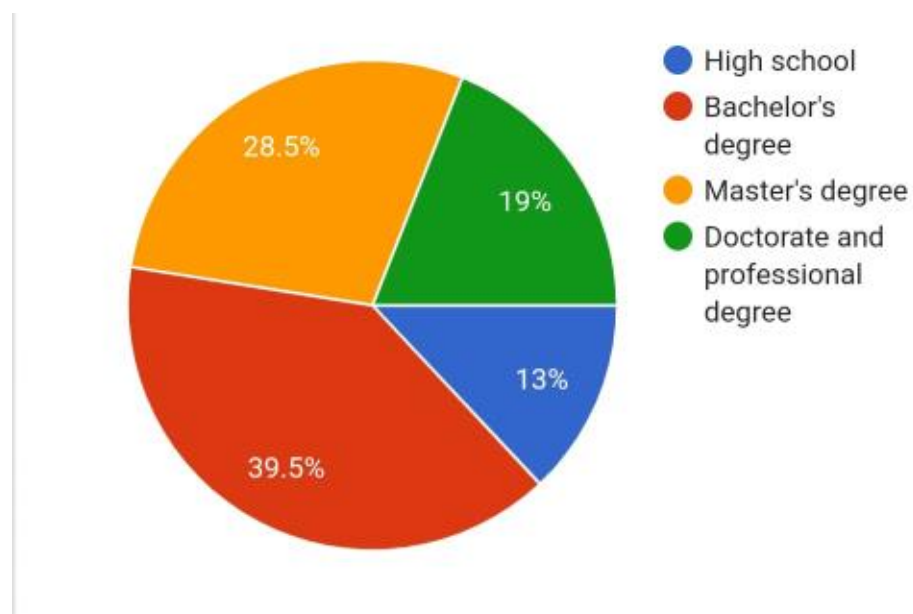


Interpretation:

The pie chart shows the following breakdowns by age:

- 18-25 year olds: 32.5%
- 26-35 year olds: 34%
- 36-46 year olds: 19.5%
- 46+ year olds: 14%

3. What is your Educational level?

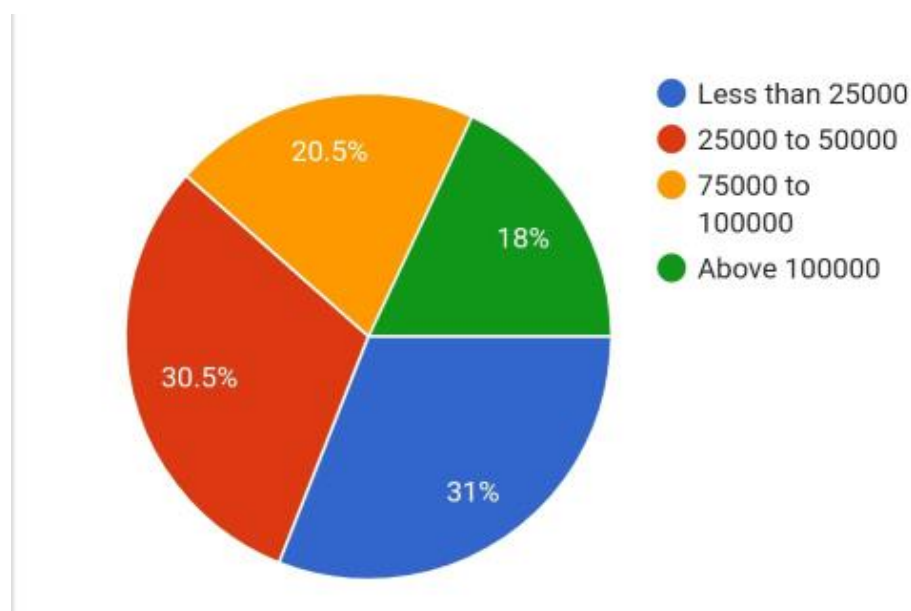


Interpretation:

The pie chart shows the following breakdowns by educational level:

- High school degree: 13%
- Bachelor's degree: 39.5%
- Master's degree: 28.5%
- Doctorate and professional degree: 19%

4. What is your annual income?

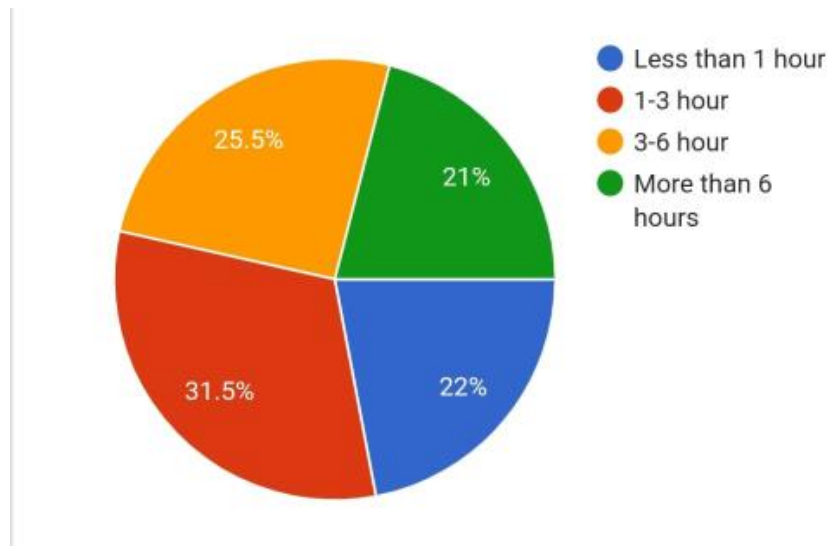


Interpretation:

The pie chart shows the annual income distribution of survey respondents and can be used to understand investor buying behaviour related to investment decisions. Here's a breakdown of the investor income according to the pie chart:

- Less than 25,000: 31%
- 25,000 to 50,000: 30.5%
- 75,000 to 100,000: 20.5%
- More than 100,000: 18%

5. How much time do you spend researching before making an Investment Decision?

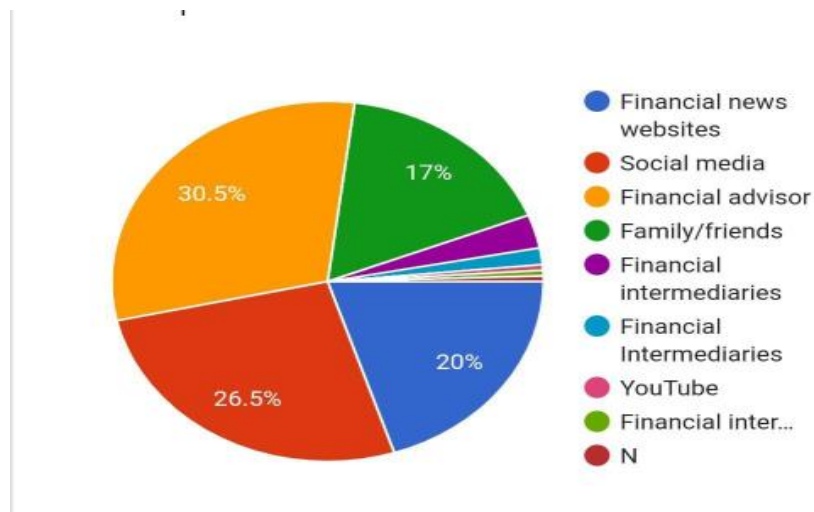


Interpretation:

Here's a breakdown of how many hours per day investors spend researching according to the pie chart:

- Less than 1 hour: 31.5%
- 1-3 hours: 25.5%
- 3-6 hours: 21%
- More than 6 hours: 22%

6. How do you prefer to receive information about potential investments?

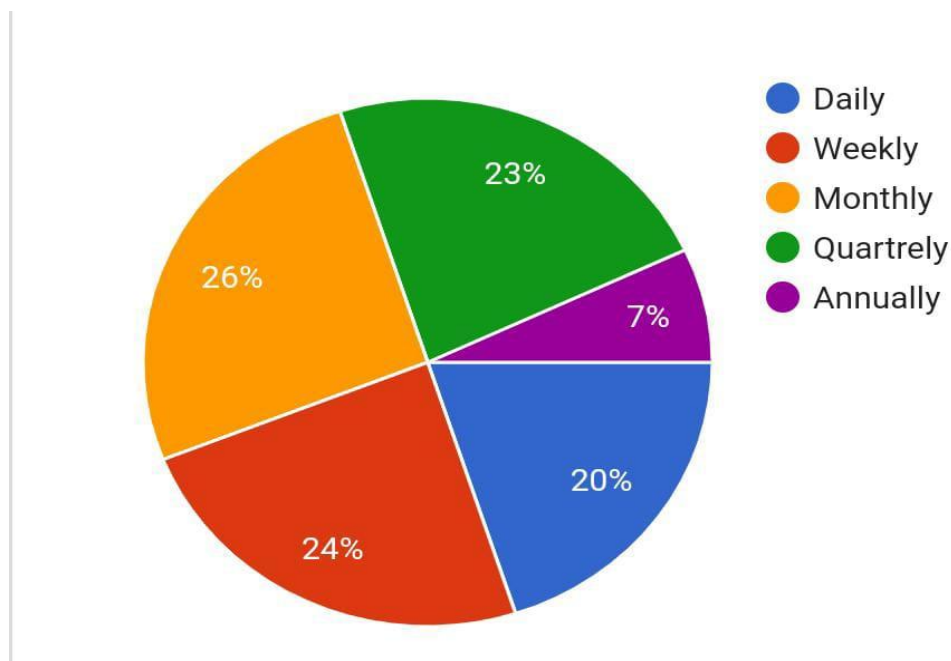


Interpretation:

Here's a breakdown of how this pie chart can relate to investor decision making:

- Financial news websites (20%): Investors who rely on financial news websites likely want to stay informed about current events and how they might affect the market.
- Social media (26.5%): Investors who use social media for investment information might be more influenced by trends or recommendations from others online.
- Financial advisors (30.5%): Investors who consult financial advisors likely place a higher value on professional guidance and personalized investment plans.
- Family and Friends (17%): Investors also take advice from their family and friends. Investors who rely on these sources might be more likely to make decisions based on personal connections or recommendations from non-professionals.
- Other sources (6%): This category includes financial intermediaries and You tube etc.

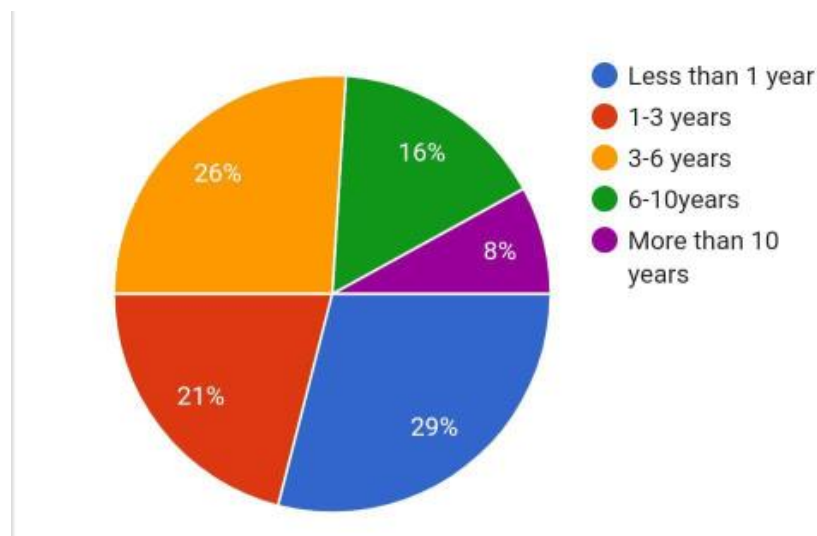
7. How often do you review your investment portfolio?



Interpretation:

- Investors who review their portfolio daily (20%) or weekly (24%) might be more active investors and more likely to make frequent buying and selling decisions.
- Investors who review their portfolio monthly (26%) are likely checking on their investments regularly but may not be making frequent decisions.
- Investors who review their portfolio quarterly (23%) or annually (7%) are likely taking a long-term approach to investing. They might be less likely to make impulsive decisions and focus on buying and holding investments for the long term.

8. How long have you been investing?



Interpretation:

- Investors who have been investing less than 1 year (29%)
- Investors who have been investing between 1-3 years (21%)
- Investors who have been investing between 3-6 years (26%)
- Investors who have been investing 6-10 years (16%)
- Investors who have been investing for more than 10 years (8%)

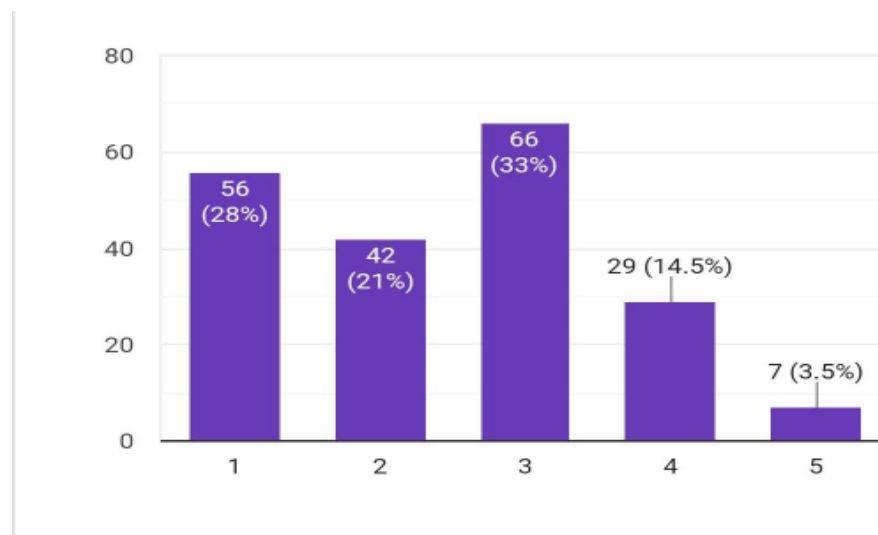
9. What types of investments are you most interested in?



Interpretation:

- The most popular answer choice is mutual funds, with 40.5% of respondents interested in this type of investment
- Stocks are the second most popular choice, with 36.5% of respondents interested
- Bonds are the least popular choice, with only 28% of respondents interested
- Real estate with 23% of respondents
- Others 21.5%

10. How important is the potential return on Investment when making Investment Decision?

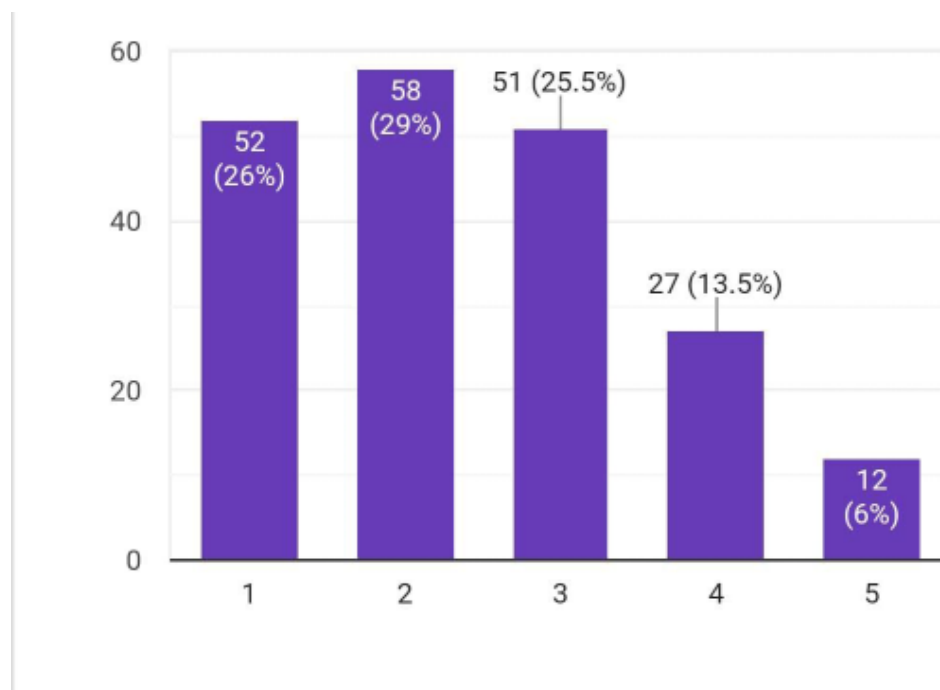


Interpretation:

This bar graph shows the results of a survey on how important people consider the potential return on investment (ROI) to be when making investment decisions.

- Very Important (66%)
- Important (28%)
- Somewhat Important (21%)
- Neutral (14.5%)
- Not Important (3.5%)

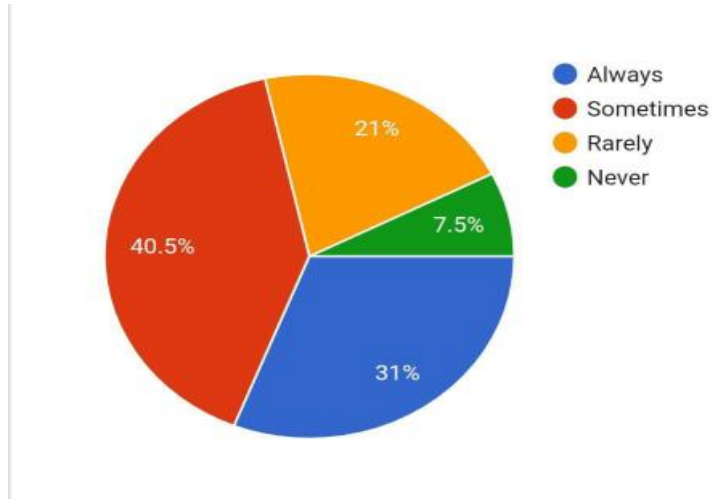
11. How much does the risk associated with an investment influence your decision to invest?



Interpretation:

- Very High Influence (26%)
- High Influence (29%)
- Moderate Influence (25.5%)
- Low Influence (13.5%)
- Very Low Influence (6%)

12. Do you consider the Economic conditions while making investment decision?

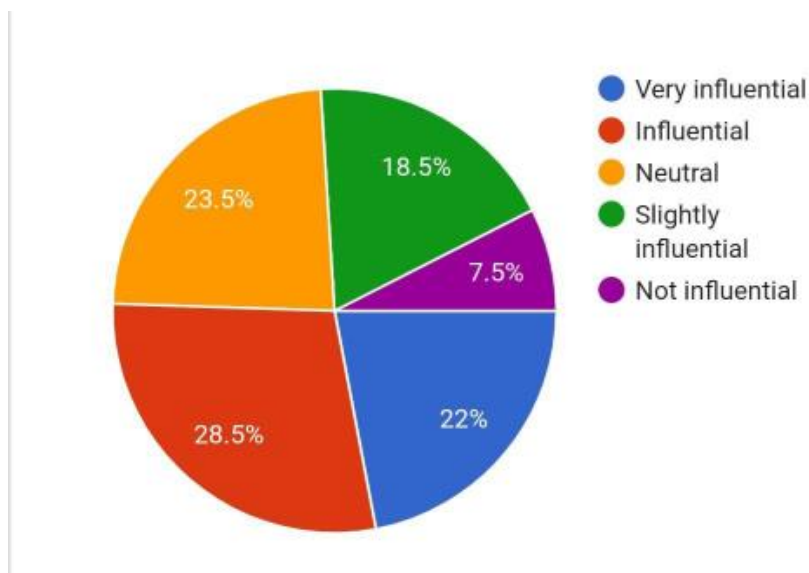


Interpretation:

- 31% of the respondents answered “Always”.
- 40.5% answered “Sometimes”.
- 21% answered “Rarely”.
- 7.5% answered “Never”.

This suggests that a majority of the respondents consider economic conditions are very important when making investment decisions.

13. How much does the advice of financial experts influence your investment decisions?

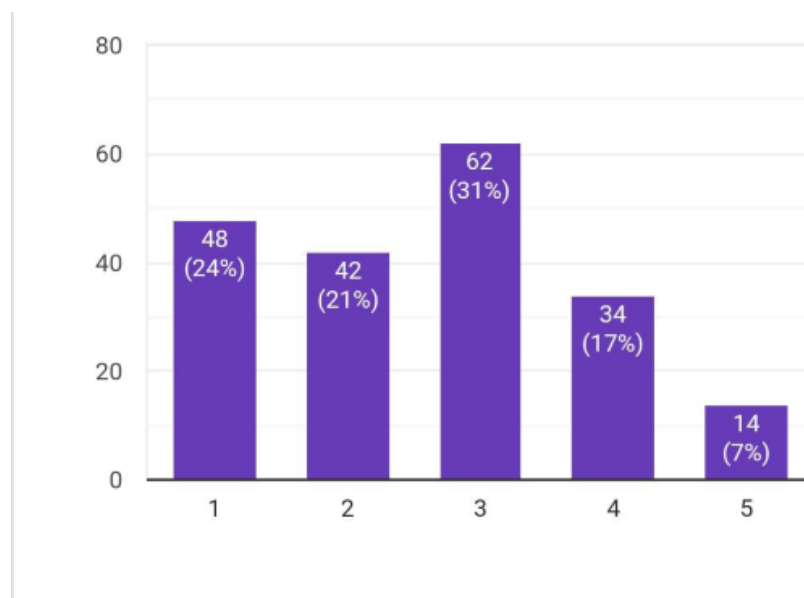


Interpretation:

The pie chart shows the results of a survey question asking how much the advice of financial experts influences people's investment decisions.

- 22% of respondents said the advice of financial experts is very influential
- 28.5% said it's influential
- 23.5% said it has a neutral influence
- 18.5% said it's slightly influential
- 7.5% said it's not influential

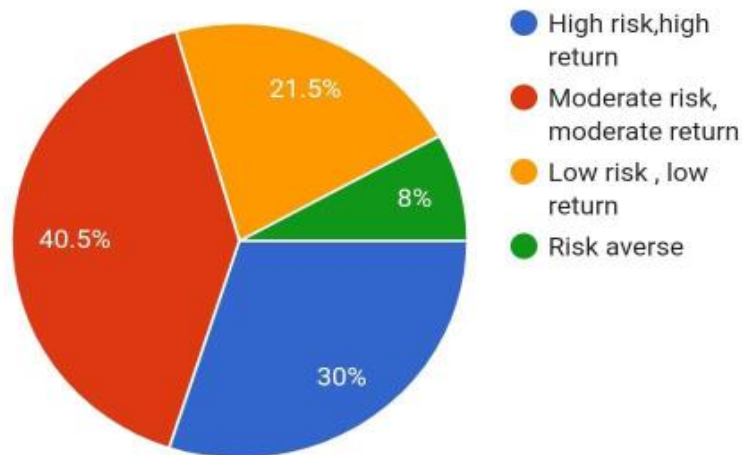
14. How confident are you in your ability to make investment decisions?



Interpretation:

- Very confident (24%)
- Somewhat confident (21%)
- Neutral (31%)
- Not very confident (17%)
- Not at all confident (7%)

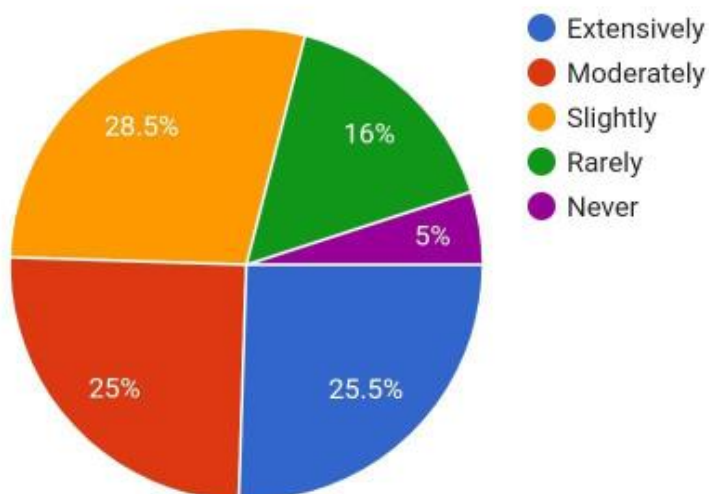
15. How do you perceive the risk associated with investment decisions?



Interpretation:

- High risk, high return (30%)
- Moderate risk, moderate return (40.5%)
- Low risk, low return (21.5%)
- Risk averse (8%)

16. How much do you rely on past investment performance when making investment decisions?

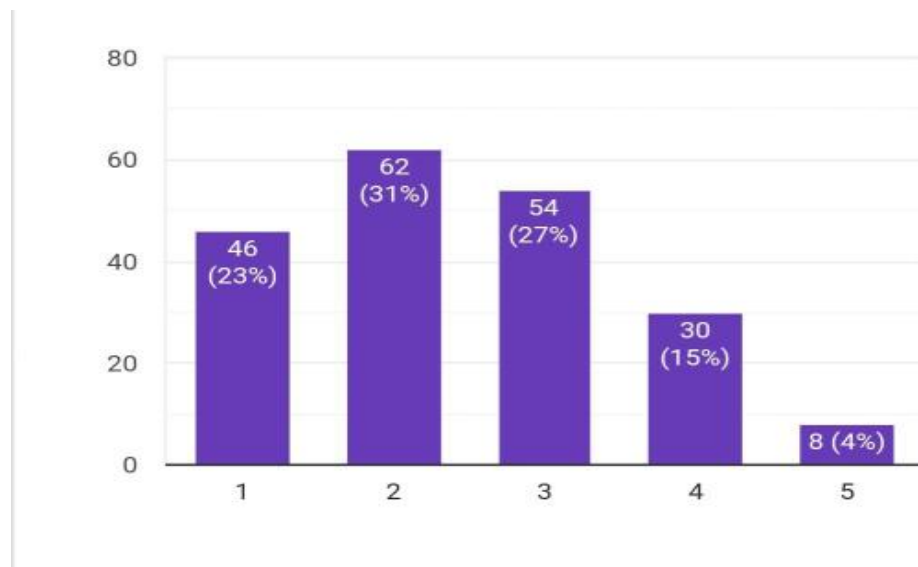


Interpretation:

The pie chart shows how people rely on past investment performance when making investment decisions:

- Extensively (25.5%)
- Moderately (25%)
- Slightly (28.5%)
- Rarely (16%)
- Never (5%)

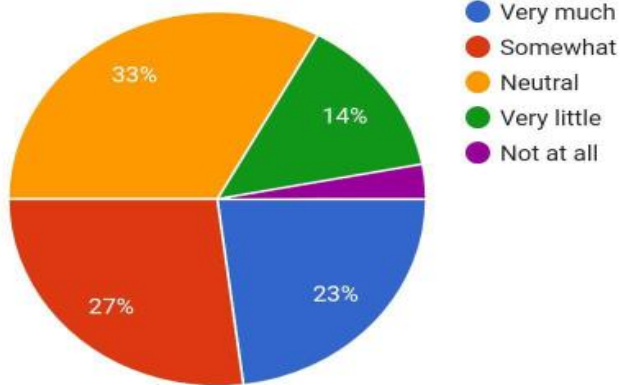
17. Do you believe your perception of an Investment’s potential influences your decision to buy?



Interpretation:

- 23% of the respondents strongly agree that their perception of an investment’s potential influences their decision to buy.
- 31% of the respondents somewhat agree.
- 27% of the respondents are neutral.
- 15% of the respondents somewhat disagree.
- 4% of the respondents strongly disagree.

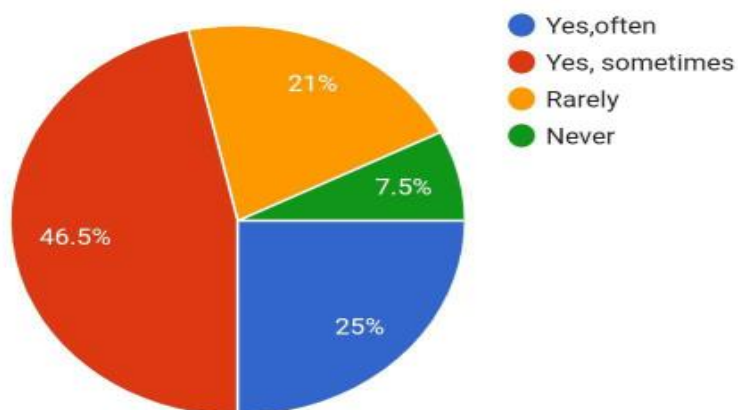
18. How much does your perception of investment's risk affect your buying behavior?



Interpretation:

- 23% of the respondents strongly agree that their perception of an investment's potential influences their decision to buy.
- 27% of the respondents somewhat agree.
- 33% of the respondents are neutral.
- 14% of the respondents somewhat disagree.
- 3% of the respondents strongly disagree.

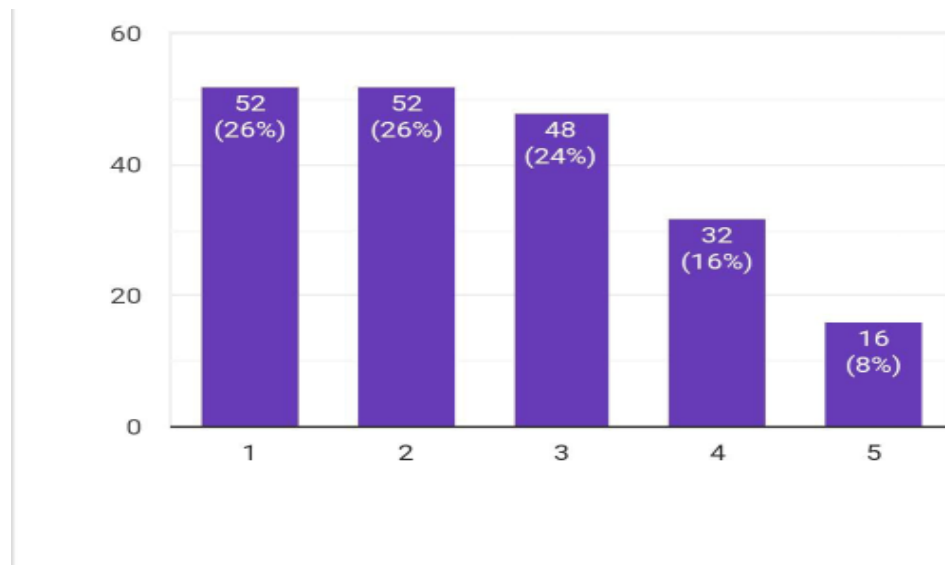
19. Have you ever changed your investment behavior based on a change in your perception of the market?



Interpretation:

- Yes, often: 25% of respondents indicated they often change their investment behavior based on a change in their perception of the market.
- Yes, sometimes: 46.5% of respondents said they sometimes change their investment behavior based on a change in their perception of the market.
- Rarely: 21% of respondents indicated they rarely change their investment behavior based on a change in their perception of the market.
- Never: 7.5% of respondents reported they never change their investment behavior based on a change in their perception of the market.

20. Do you believe that investing in the stock market is a good way to build wealth?



Interpretation:

- Strongly Agree (26%) respondents strongly agree that investing in the stock market is a good way to build wealth.
- Somewhat Agree (26%) respondents somewhat agree.
- Neutral (24%) respondents are neutral on the issue.
- Somewhat Disagree (16%) respondents somewhat disagree.
- Strongly Disagree (8%) respondents strongly disagree.

Overall, a majority of the respondents believe that investing in the stock market is a good way to build wealth, with another quarter somewhat agreeing.

TEST-CORRELATION

A correlation matrix shows the correlation coefficients between multiple variables.

- A correlation coefficient of +1 indicates a perfect positive correlation, meaning that as the value of one variable increases, the value of the other variable also increases proportionally.
- A correlation coefficient of -1 indicates a perfect negative correlation, meaning that as the value of one variable increases, the value of the other variable decreases proportionally.
- A correlation coefficient of 0 indicates no linear correlation between the two variables.

	12. Do you consider the economic conditions while making investment decisions?	17. Do you believe your perception of an investment's potential influences your decision to buy?	18. How much does your perception of an investment's risk affect your buying behavior?
12. Do you consider the economic conditions while making investment decisions?	1	0.582017	0.699392
17. Do you believe your perception of an investment's potential influences your decision to buy?	0.582017	1	0.557813
18. How much does your perception of an investment's risk affect your buying behavior?	0.699392	0.557813	1

CHAPTER 6

FINDINGS & SUGGESTIONS

6.1 KEY FINDINGS

- **RiskTolerance:**

The degree of risk an investor is willing to accept plays a pivotal role in shaping their investment decisions. While some individuals gravitate towards low-risk, stable investment products, others are open to higher risks in pursuit of greater returns. This variation in risk appetite leads to diverse investment strategies across the investor spectrum.

- **InfluenceOfMarketTrends:**

Prevailing market conditions and overall sentiment have a significant impact on investors' purchasing behavior. During bullish phases, investors often display increased confidence and are more likely to make aggressive investments. Conversely, bearish markets tend to foster caution, leading to more conservative investment choices.

- **SourcesOfInformation:**

Investors utilize a wide array of information channels, including financial news outlets, expert analyst reports, social media platforms, and advice from peers or personal networks. The reliability and timeliness of these sources are critical, as they directly influence the quality of investment decisions.

- **PsychologicalAndBehavioralFactors:**

Emotional responses such as fear, greed, and overconfidence frequently influence investment decisions. Behavioral biases—including loss aversion, where investors fear losses more than they value gains, and herd mentality, where individuals follow the crowd—can result in irrational or suboptimal investment choices.

- **FinancialObjectives:**

Each investor's unique financial goals—whether saving for retirement, building wealth, or generating regular income—guide their investment preferences. Investments that align closely with these objectives are generally prioritized.

- **Historical Performance:**

Many investors look to the past performance of assets as a proxy for future returns, often using historical data to inform their current investment decisions.

- **Regulatory And Policy Environment:**

Changes in government regulations, tax policies, and financial market rules can alter investor sentiment and influence their selection of investment products.

- **Macroeconomic Factors:**

Broader economic indicators, such as fluctuations in interest rates, inflation levels, and GDP growth, play a substantial role in shaping investor behavior and portfolio allocation.

- **Demographic Influences:**

Investment preferences and risk tolerance often differ across demographic groups, with factors like age, income, and educational background contributing to these variations.

- **Technological Progress:**

The digitalization of financial services has made investing more accessible, enabling a wider range of individuals to participate in markets and influencing how they make investment decisions.

6.2 SUGGESTIONS

- **Promote Investor Education:**

Enhance financial literacy programs to empower investors with the knowledge needed to make informed decisions, understand risk, and navigate complex financial products.

- **Encourage Portfolio Diversification:**

Advise investors to diversify across asset classes, industries, and geographies to reduce risk and improve the potential for stable returns, tailoring strategies to individual risk profiles and objectives.

- **Apply Behavioral Finance Insights:**

Develop tools and strategies that help investors recognize and counteract common psychological biases, fostering more rational and disciplined investment behavior.

- **Advocate Professional Guidance:**
 Recommend seeking advice from qualified financial professionals who can provide personalized guidance, especially in volatile or uncertain market environments.
- **Foster Long-Term Perspective:**
 Educate investors on the benefits of maintaining a long-term outlook, which can help mitigate the impact of short-term market fluctuations and leverage the power of compounding.
- **Regular Portfolio Review:**
 Encourage periodic assessment and rebalancing of investment portfolios to ensure alignment with evolving financial goals, risk tolerance, and changing market conditions.
- **Promote Transparency And Disclosure:**
 Urge financial product providers to maintain high standards of transparency, enabling investors to make well-informed decisions based on clear and comprehensive information.
- **Emphasize Risk Management:**
 Highlight the importance of employing risk management techniques such as asset allocation, hedging, and the use of stop-loss orders to protect investment capital.
- **Adapt To Changing Investor Behavior:**
 Recognize that investor preferences and behaviors are dynamic. Financial institutions and advisors should remain agile, adapting their offerings to meet emerging needs and opportunities.
- **Integrate Ethical Considerations:**
 Encourage investors to consider environmental, social, and governance (ESG) factors, aligning their investments with personal values and ethical standards.
- **Support Emotional Discipline:**
 Provide resources and support to help investors manage emotions during market volatility, using strategies like mindfulness, journaling, or professional counseling to maintain rational decision-making.

CHAPTER 7

CONCLUSION

➤ **Individualized Investment Behavior:**

There is no universal approach to investing; each investor's decisions are shaped by their unique financial circumstances, risk tolerance, and personal goals. Recognizing this diversity is essential for developing effective investment strategies.

➤ **Importance Of Ongoing Review:**

Investment decisions should not be static. Regularly reviewing and adjusting investment portfolios in response to market changes, personal milestones, and shifting objectives is crucial for staying on track toward financial goals.

➤ **Holistic Decision-Making:**

Successful investing requires a comprehensive approach that integrates both quantitative analysis (such as financial ratios and performance metrics) and qualitative factors (like market sentiment and psychological influences). This balanced perspective leads to more resilient and effective investment strategies.

➤ **Adaptability In Dynamic Environment:**

The investment landscape is constantly evolving due to technological advancements, regulatory updates, and market innovations. Investors must commit to continuous learning and adaptability to remain competitive and optimize their outcomes.

➤ **Understanding Investor Behavior:**

A deep understanding of the factors that drive investor decisions—ranging from risk appetite and information sources to emotional and psychological influences—enables more informed and confident investing.

➤ **Role Of Education And Diversification:**

Ongoing investor education, is vital for successfully navigating the complexities of modern financial markets.

➤ **Alignment With Goals And Values:**

Ultimately, aligning investment choices with personal goals, values, and a long-term perspective is key to achieving desired financial outcomes and building lasting wealth.

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Studying investor behavior in relation to investment decisions is a vast and dynamic field. Here are some key references that can provide insights into this topic:

- "Investor Behavior: The Psychology of Financial Planning and Investing" by H. Kent Baker and Victor Ricciardi - This book explores the psychological factors that influence investor behavior, including decision-making biases, risk perception, and the impact of emotions on investment choices.
- "Behavioral Finance: Psychology, Decision-Making, and Markets" by Lucy Ackert and Richard Deaves - This textbook offers a comprehensive overview of behavioral finance, covering topics such as prospect theory, heuristics, and the role of emotions in investment decisions.
- "The Little Book of Behavioral Investing: How Not to Be Your Own Worst Enemy" by James Montier - This book provides practical insights into understanding and overcoming common behavioral biases that can affect investment decisions, such as overconfidence, herd behavior, and loss aversion.
- "Thinking, Fast and Slow" by Daniel Kahneman - Although not specifically focused on investing, this seminal work by Nobel laureate Daniel Kahneman explores the two systems of thinking that drive human decision-making, providing valuable insights into how cognitive biases can impact investment choices.
- "Nudge: Improving Decisions About Health, Wealth, and Happiness" by Richard H. Thaler and Cass R. Sunstein - This book introduces the concept of "nudging" as a way to influence positive decision-making outcomes, offering practical strategies for designing choice architectures that encourage better investment decisions.

ANNEXURE

1. What is your gender? *
 - (a) Male
 - (b) Female
 - (c) Not prefer to say

2. What is your age? *
 - (a) 18-25
 - (b) 26-35
 - (c) 36-46
 - (d) 46+

3. What is your educational level? *
 - (a) High school
 - (b) Bachelor's degree
 - (c) Master's degree
 - (d) Doctorate and professional degree

4. What is your annual income? *
 - (a) Less than 25000
 - (b) 25000 to 50000
 - (c) 75000 to 100000
 - (d) Above 100000

5. How much time do you spend researching before making an investment decision?
 - (a) Less than 1 hour
 - (b) 1-3 hour
 - (c) 3-6 hour
 - (d) More than 6 hours

6. How do you prefer to receive information about potential investments? *
 - (a) Financial news websites
 - (b) Social media
 - (c) Financial advisor
 - (d) Family/friends
 - (e) Others

7. How often do you review your investment portfolio? *
 - (a) Daily
 - (b) Weekly
 - (c) Monthly
 - (d) Quarterly
 - (e) Annually

8. How long have you been investing? *
 - (a) Less than 1 year
 - (b) 1-3 years
 - (c) 3-6 years
 - (d) 6-10years
 - (e) More than 10 years

9. What types of investments are you most interested in?
 - (a) Stocks
 - (b) Bonds
 - (c) Mutual funds
 - (d) Real estate
 - (e) Other

10. How important is the potential return on investment when making investment decisions?
 - (a) 1 Very Important
 - (b) 2

- (c) 3
- (d) 4
- (e) 5 Not Important

11. How much does the risk associated with an investment influence your decision to invest?

- (a) 1 Very Influential
- (b) 2
- (c) 3
- (d) 4
- (e) 5 Not Influential

12. Do you consider the economic conditions while making investment decisions?

- (a) Always
- (b) Sometimes
- (c) Rarely
- (d) Never

13. How much does the advice of financial experts influence your investment decisions?

- (a) Very influential
- (b) Influential
- (c) Neutral
- (d) Slightly Influential
- (e) Not influential

14. How confident are you in your ability to make investment decisions?

- (a) 1 Very Confident
- (b) 2
- (c) 3
- (d) 4
- (e) 5 Not Confident at all

15. How do you perceive the risk associated with investment decisions?

- (a) High risk, high return
- (b) Moderate risk, moderate return
- (c) Low risk , low return
- (d) Risk averse

16. How much do you rely on past investment performance when making investment decisions?

- (a) Extensively
- (b) Moderately
- (c) Slightly
- (d) Rarely
- (e) Never

17. Do you believe your perception of an investment's potential influences your decision to buy?

- (a) 1 Strongly Agree
- (b) 2
- (c) 3
- (d) 4
- (e) 5 Strongly Disagree

18. How much does your perception of an investment's risk affect your buying behavior?

- (a) Very much
- (b) Somewhat
- (c) Neutral
- (d) Very little
- (e) Not at all

19. Have you ever changed your investment behavior based on a change in your perception of the market?

- (a) Yes, often
- (b) Yes, sometimes
- (c) Rarely
- (d) Never

20. Do you believe that investing in the stock market is a good way to build wealth?

- (a) 1 Strongly Agree
- (b) 2
- (c) 3
- (d) 4
- (e) 5 Strongly Disagree

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