

Project Dissertation Report

On

HOW DOMESTIC MACROECONOMIC INDICATORS INFLUENCE RETAIL INVESTOR'S DECISION MAKING (EQUITY MARKETS)

Submitted By

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Submitted to

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Executive Summary

This study explores the impact of macroeconomic indicators—such as inflation, interest rates, and GDP—on individual investment decisions, with a particular focus on availability bias. Primary data was gathered through a structured questionnaire distributed via Google Forms, targeting individual investors in India. The research aims to understand whether and how availability bias affects how investors perceive and react to macroeconomic information. Statistical techniques such as regression analysis and correlation were used to determine the significance of various factors. Findings indicate that inflation and interest rate levels significantly influence investment preferences, especially for investors prone to availability bias. The study highlights a gap in investor education about how behavioral biases can lead to suboptimal financial choices. Recommendations focus on awareness-building initiatives, enhanced financial literacy, and policy-level interventions to improve rational decision-making in investing. The research adds to the growing body of literature on behavioral finance in emerging markets.

Declaration

Sanya Jain, student of DMBA, bearing enrollment number 2K23/DMBA/112, hereby declare that the project dissertation report titled "How domestic macroeconomic indicators influence retail investor's decision making (equity markets)" is an original piece of work carried out by me under the guidance of Dr. Chandan Sharma, Delhi School of Management, Delhi Technological University. I further declare that this work has not been submitted for the award of any other degree, diploma, fellowship, or similar titles.

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Certificate

This is to certify that the Major Research Project titled “How Domestic Macroeconomic Indicators Influence Retail Investor’s Decision Making (Equity Markets)” is submitted by Sanya Jain, 2K23/DMBA/112 to Delhi School of Management, Delhi Technological University, in partial fulfillment of the requirement for the award of the degree of Masters in Business Administration during the academic year 2024–2025.

Dr. Chandan Sharma

Delhi School of Management

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INTRODCUTION

1.1 Background

Macroeconomic conditions play a fundamental role in shaping stock market trends and influencing investor behavior. In the Indian context, retail participation in the equity market has increased dramatically in recent years. The number of individual traders on the National Stock Exchange (NSE) surged from approximately 3.2 million in January 2020 to over 14 million by November 2024. This remarkable rise has been driven by greater financial literacy, digital onboarding platforms, and the allure of high returns during the post-COVID-19 market rally.

The Indian capital market has evolved into one of the most dynamic financial ecosystems globally, supported by robust regulatory frameworks, increasing participation from domestic and foreign investors, and rapid technological advancements. The Nifty 50 index, representing 50 of the most liquid and significant stocks on the NSE, serves as a critical benchmark for measuring investor sentiment, market performance, and macroeconomic outlook. Retail investors often use this index as a reference point, even though their decisions are more sentiment-driven and less model-based compared to institutional investors.

At the core of market behavior lies the influence of key macroeconomic indicators—such as Gross Domestic Product (GDP) growth, inflation rate, and the Reserve Bank of India’s (RBI) policy interest rate (repo rate). According to macroeconomic theory, higher GDP growth typically signals stronger corporate earnings, while lower inflation and interest rates reduce the cost of capital and enhance valuation multiples. These factors collectively affect investor confidence and risk appetite. However, retail investors often respond more readily to short-term sentiment, media coverage, and perceived economic trends rather than rigorous financial models.

Between 2019 and 2024, the Indian economy experienced several macroeconomic shifts. The onset of the COVID-19 pandemic in 2020 triggered a severe economic contraction, prompting the RBI to reduce the repo rate from 6.5% in early 2019 to 4.0% by mid-2020 to stimulate demand. Fiscal stimulus packages further aided recovery. As the economy rebounded, inflation became a dominant concern—averaging 6–7% during 2020–2022—

before moderating to around 5% by 2024. Consequently, the RBI raised the repo rate back to 6.5% in 2023, before marginally reducing it to 6.0% by mid-2025 to balance inflation with growth.

Meanwhile, the equity market rebounded strongly from the lows of March 2020, with indices like the Nifty 50 more than doubling by late 2021. This created massive wealth effects for retail investors, contributing to an estimated ₹40 trillion increase in household wealth. Many new retail investors entered during this period, encouraged by easy monetary conditions, rising asset prices, and increased financial accessibility. However, recent market corrections, global uncertainties, and persistent inflation have tested the sustainability of this optimism.

Additionally, external factors such as rising crude oil prices, geopolitical tensions, and U.S. Federal Reserve policies have further influenced domestic market dynamics. In this increasingly complex economic landscape, understanding how macroeconomic variables affect retail investor behavior becomes both timely and essential.

This study aims to bridge this understanding by examining how domestic macroeconomic indicators—particularly GDP growth, inflation, and the RBI's repo rate—affect the decision-making patterns of retail investors in India's equity market. Insights from this research can help policymakers, brokers, and investors design more responsive strategies aligned with macroeconomic realities.

1.2 Rise of Retail Investors in Indian Equity Markets

In recent years, India has witnessed a remarkable surge in retail investor participation within its equity markets. This trend has been propelled by a confluence of factors, including technological advancements, shifts in savings behavior, and broader socio-economic changes, particularly following the onset of the COVID-19 pandemic.

Growth in Retail Investor Base

As of April 2025, the total number of demat accounts in India reached a record 192.4 million, with 41.1 million new accounts added in the financial year 2024–25 alone—the

highest annual increase to date. This exponential growth underscores the expanding footprint of retail investors in the Indian equity landscape.

Central Depository Services (India) Ltd (CDSL), one of the primary depositories in the country, reported surpassing 150 million demat accounts, highlighting the rapid expansion of India's capital markets.

Catalysts for Increased Participation

Several key factors have contributed to this rise:

- **Digital Trading Platforms:** The emergence of user-friendly, low-cost trading platforms such as Zerodha, Groww, and Upstox has democratized access to equity markets. These platforms offer intuitive interfaces, minimal brokerage fees, and seamless account opening processes, attracting a new generation of investors.
- **Pandemic-Induced Behavioral Shifts:** The COVID-19 pandemic led to increased savings due to reduced discretionary spending and provided individuals with more time to explore financial markets. The combination of work-from-home arrangements and market volatility presented perceived opportunities for wealth creation, prompting many to venture into equity investments.
- **Financial Literacy and Social Media Influence:** The proliferation of financial education through online courses, webinars, and social media platforms has empowered individuals with the knowledge to participate in equity markets. Influencers and content creators have played a significant role in simplifying complex financial concepts, making investing more approachable for the masses.

Behavioral Changes Among New Investors

The influx of new retail investors has also brought about notable behavioral shifts:

- **Increased Risk Appetite:** Younger investors, particularly millennials and Gen Z, exhibit a higher propensity for risk, often engaging in speculative trading and seeking short-term gains.

- **Influence of Social Networks:** Investment decisions are increasingly influenced by peer recommendations and trends observed on social media platforms, leading to herd behavior and momentum-driven trading.
- **Preference for Direct Equity Investment:** There is a growing inclination towards direct stock investments over traditional mutual funds, driven by the desire for greater control and the allure of higher returns.

These behavioral tendencies underscore the need for comprehensive investor education and robust regulatory frameworks to ensure sustainable participation in equity markets.

1.3 Role of Macroeconomic Indicators

Macroeconomic indicators serve as vital tools for investors seeking to assess the overall direction and health of an economy. These indicators provide critical information about a nation's economic performance and guide expectations about future market conditions. For retail investors in particular, interpreting these indicators is essential for making informed decisions about asset allocation, timing of entry or exit, and overall risk management in the equity market. Among the many economic variables, three key indicators—inflation, GDP growth, and the repo rate—play a pivotal role in shaping investment decisions.

Inflation

Inflation refers to the general rise in prices of goods and services over time, resulting in a decline in the purchasing power of money. For investors, inflation is a double-edged sword. On one hand, moderate inflation may be indicative of a growing economy, while on the other, high and volatile inflation can erode real returns on investments and introduce uncertainty in financial planning. Equity markets often react strongly to inflation expectations. Higher-than-expected inflation may prompt central banks to tighten monetary policy, increasing interest rates and thereby reducing corporate profitability and future cash flows. Consequently, retail investors closely monitor inflation data to assess

potential impacts on sectors like consumer goods, banking, and real estate, which are highly sensitive to pricing pressures.

GDP Growth

Gross Domestic Product (GDP) growth is a comprehensive measure of a country's economic output and a key indicator of overall economic health. A rising GDP reflects increased production, job creation, and consumer spending—all of which are positive signals for equity markets. Strong GDP growth often leads to bullish market sentiment, as investors anticipate higher corporate earnings and improved business conditions. Conversely, a slowdown or contraction in GDP may signal economic distress, reduced earnings potential, and increased risk aversion. For retail investors, GDP growth serves as a macro-level benchmark to evaluate the timing and sectoral orientation of their equity investments.

Repo Rate

The repo rate, set by the Reserve Bank of India (RBI), is the rate at which commercial banks borrow funds from the central bank. It serves as the primary monetary policy tool to control liquidity, inflation, and economic activity. Changes in the repo rate have a direct bearing on borrowing costs for businesses and consumers. A lower repo rate reduces the cost of borrowing, spurs consumption and investment, and tends to boost equity valuations. In contrast, a higher repo rate makes borrowing more expensive, potentially dampening economic activity and leading to downward pressure on stock prices. Retail investors track repo rate decisions closely, as they offer insights into the RBI's stance on inflation, growth, and liquidity conditions.

Interpreting Economic Trends

Together, these macroeconomic indicators act as signals that help investors anticipate the direction of economic trends and adjust their strategies accordingly. For instance, rising

inflation coupled with stagnant GDP may indicate stagflation risks, prompting investors to move toward defensive sectors. On the other hand, a falling repo rate in a growing economy may signal a favorable environment for equity investments. Understanding how these indicators interact—and how they are likely to influence corporate earnings, consumer demand, and investor sentiment—is crucial for retail investors navigating the complex dynamics of the equity market.

By incorporating macroeconomic indicators into their decision-making framework, retail investors can enhance the strategic depth of their investment choices. When combined with insights from behavioral finance, this macroeconomic awareness enables a more comprehensive understanding of market movements and improves the quality of investment decisions.

1.4 Comparison Between Retail and Institutional Investors

The landscape of equity markets is shaped by the activities of two broad categories of participants: retail investors and institutional investors. While both contribute to market liquidity and price discovery, their investment behavior, decision-making processes, and risk tolerance differ significantly. Understanding these distinctions is essential for analyzing how various investor segments respond to macroeconomic indicators and market developments.

Objectives and Investment Horizon

Institutional investors—such as mutual funds, pension funds, insurance companies, and hedge funds—typically pursue long-term, strategic goals with a focus on capital preservation, risk-adjusted returns, and fiduciary responsibilities. Their investment decisions are often based on extensive fundamental and quantitative research, and they have access to large pools of capital that allow for diversified and patient investment strategies.

In contrast, retail investors are individuals investing their personal savings, often with shorter time horizons and more limited financial resources. Their objectives may vary—from long-term wealth creation to short-term gains—but they are generally more influenced by market sentiment, recent trends, and personal financial goals. This makes retail investors more reactive to short-term fluctuations and news flow.

Risk Appetite and Behavior

Institutional investors usually operate within well-defined risk management frameworks. Their decisions are guided by professional portfolio managers, compliance regulations, and risk assessment models. As a result, they tend to exhibit a more disciplined approach to market volatility and macroeconomic uncertainty.

Retail investors, on the other hand, often exhibit a higher risk appetite, particularly in bullish market phases. This behavior has been especially noticeable in the post-2020 period, where a surge in new demat accounts and trading activity has been accompanied by speculative behavior. Retail investors may lack the tools or training to assess risk comprehensively, making them more vulnerable to overconfidence, panic selling, or herd mentality during periods of market stress.

Access to Information and Data Interpretation

A key differentiator lies in how these two groups interpret and process information. Institutional investors benefit from access to proprietary research, advanced analytical tools, and expert insights. Their decisions are typically rooted in in-depth analysis of macroeconomic indicators, corporate earnings, valuation models, and global economic trends.

Retail investors, in contrast, are more likely to rely on simplified news sources, social media sentiment, or financial influencers for guidance. This creates a gap in the quality and depth of information used for decision-making. For example, while institutional investors may analyze inflation trends in relation to monetary policy and sectoral

performance, retail investors may react simply to headlines or perceived market sentiment without understanding the underlying economic context.

Implications for Market Dynamics

These differences in behavior can have significant implications for market dynamics. Institutional investors often act as stabilizing forces, absorbing volatility and maintaining a long-term perspective. Retail investors, however, can amplify market movements due to their tendency to follow trends, react to short-term signals, and respond emotionally to news events. This behavior was evident during events such as the COVID-19 pandemic recovery rally, where retail participation surged amid economic uncertainty, contributing to heightened volatility and momentum-driven trading.

In sum, while both retail and institutional investors play crucial roles in equity markets, their contrasting approaches to investment—shaped by differences in resources, objectives, and behavioral tendencies—necessitate tailored strategies for understanding how each group responds to macroeconomic indicators. Recognizing these distinctions enriches the analysis of investor decision-making and provides deeper insight into market behavior.

1.5 Impact of Financial News and Media

In the digital age, financial news and media play a powerful role in shaping investor sentiment, particularly among retail investors. With the increasing accessibility of information through television, news portals, social media, and financial influencers, retail investors are exposed to a constant stream of market-related content. While this accessibility has democratized market participation, it has also made retail investors more susceptible to emotionally driven and reactionary decision-making.

Retail investors often rely on simplified or headline-level interpretations of complex macroeconomic and policy developments. Events such as Union Budget announcements, RBI monetary policy meetings, or monthly inflation data releases frequently trigger significant movements in retail trading volumes. For instance, Budget Day typically sees heightened market activity, driven not only by policy substance but also by pre-budget speculation and real-time media coverage. Similarly, unexpected changes in the repo rate during RBI announcements can spark immediate bullish or bearish reactions from retail investors, even before the full implications are analyzed.

Social media platforms such as Twitter, YouTube, and Telegram have become new-age sources of financial advice and sentiment. Influential voices, often without formal financial credentials, can sway large numbers of retail investors—especially younger ones—toward specific stocks, sectors, or trading strategies. This has led to herding behavior, momentum trading, and in some cases, speculative bubbles. The GameStop phenomenon in the U.S. and similar trends in Indian small-cap stocks highlight how powerful social sentiment can be in shaping retail investor behavior.

While financial news and media can provide valuable insights, the challenge lies in discerning credible information from noise. Retail investors, without the benefit of institutional analysis, are more likely to react impulsively, underscoring the importance of media literacy and investor education.

1.6 Role of Behavioral Factors

While traditional finance assumes that investors make decisions based on rational evaluation of available information, a growing body of research in behavioral finance reveals that cognitive and emotional biases frequently influence investor behavior. This is particularly evident among retail investors, who often rely on heuristics and social cues rather than formal financial analysis when interpreting macroeconomic conditions. In the context of this study—focused on how domestic macroeconomic indicators influence equity investment decisions—it is crucial to examine how these indicators interact with key behavioral biases to shape investor responses.

Herding behavior is one such phenomenon, where individuals follow the actions of a larger group, often under the assumption that the group possesses superior information or insight. In periods of pronounced macroeconomic shifts—such as changes in GDP growth, inflation rates, or interest rates—retail investors may look to the collective actions of others as a shortcut for decision-making. Rather than independently analyzing macroeconomic data, investors may mimic market movements, amplifying trends and often resulting in overreactions or market bubbles. This behavior can be particularly pronounced during times of economic uncertainty, when individual confidence in interpreting complex data is low.

Overconfidence bias also plays a critical role in how macroeconomic information is processed. Retail investors may overestimate their ability to forecast market movements based on macroeconomic indicators, such as monetary policy announcements or employment statistics. This inflated self-assurance can lead to excessive trading, underestimation of risk, and poor diversification strategies. Even when macroeconomic indicators suggest caution, overconfident investors might continue to take aggressive positions, believing they possess superior insight or timing capabilities.

Anchoring, another common behavioral bias, refers to the tendency of individuals to rely heavily on an initial piece of information (the “anchor”) when making decisions. In financial markets, retail investors may anchor to previous index levels, past inflation figures, or historical interest rates, and fail to adequately adjust their expectations in light of new macroeconomic data. For instance, if inflation has been consistently low in recent years, investors may underreact to signs of accelerating inflation, continuing to make decisions based on outdated assumptions.

Together, these behavioral biases create a lens through which macroeconomic indicators are interpreted in ways that often diverge from rational models. This interaction underscores the interdisciplinary nature of this research, which seeks to bridge economic fundamentals with psychological behavior. By integrating perspectives from behavioral finance into the analysis of macroeconomic influences, this study contributes to a more comprehensive understanding of retail investor behavior in the equity market.

Recognizing the role of behavioral factors not only enhances the explanatory power of macroeconomic models but also provides a more realistic framework for analyzing market dynamics. It allows researchers, policymakers, and financial educators to better anticipate how investors might respond to economic signals, thereby informing more effective strategies for investor protection and financial literacy.

1.7 Evolution of Investor Education in India

Recognizing the rise in retail participation and the need for more informed decision-making, regulatory bodies such as the Securities and Exchange Board of India (SEBI) and the Association of Mutual Funds in India (AMFI) have launched several initiatives to enhance investor education and financial literacy.

SEBI has established the Investor Education and Protection Fund (IEPF) and regularly conducts webinars, regional awareness programs, and collaborations with educational institutions to reach potential and existing investors. These efforts aim to educate investors on topics such as asset allocation, risk management, rights as shareholders, and the importance of long-term investing.

AMFI, through its "Mutual Funds Sahi Hai" campaign, has played a pivotal role in spreading awareness about mutual fund investing. This campaign has helped demystify mutual funds and improve investor confidence, especially in Tier 2 and Tier 3 cities. Similarly, the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) have launched financial literacy programs tailored to different demographics, including students, homemakers, and retirees.

Despite these commendable efforts, significant gaps in awareness and application persist. Many new investors still lack a proper understanding of market risks, portfolio diversification, or how to interpret macroeconomic data. The surge in demat account openings post-2020 has not always been accompanied by a corresponding rise in financial knowledge. This gap makes retail investors more vulnerable to misinformation, manipulation, and behavioral biases.

Addressing this issue requires not only continued regulatory initiatives but also the integration of financial education into school and college curricula, broader access to unbiased investment advisory, and stricter regulation of social media influencers who provide financial advice without oversight.

1.8 Macroeconomic Landscape of India

Between 2020 and 2024, India underwent significant economic shifts that reshaped investor sentiment and market behavior. The period began with the COVID-19 pandemic, which triggered a deep recession in 2020 due to lockdowns and widespread disruptions. However, this was followed by a sharp V-shaped recovery in 2021, supported by fiscal stimulus, accommodative monetary policy, and a resilient services sector.

By 2022, inflation became a central concern, driven by supply chain constraints and global geopolitical tensions. The Reserve Bank of India responded with a series of interest rate hikes, marking a shift from ultra-loose policy to a more cautious, inflation-targeted stance. This had clear implications for equity valuations and sectoral performance, particularly in rate-sensitive segments like banking, real estate, and consumer goods.

Simultaneously, India posted high GDP growth rates post-2021, emerging as one of the world's fastest-growing major economies. This was supported by rising domestic consumption, infrastructure investment, and a buoyant digital economy. Notably, the period also saw a surge in startup activity, with a record number of unicorns and fintech platforms reshaping financial access for retail investors. The democratization of market participation was both a cause and effect of this broader macroeconomic momentum.

Why Macroeconomic Signals Mattered More Than Ever

Amid these volatile yet opportunity-rich years, macroeconomic indicators became indispensable tools for retail investors. Whether it was assessing the impact of rising interest rates on stock valuations, understanding inflation's effect on purchasing power and consumption trends, or aligning investment timing with GDP recovery signals, the relevance of macroeconomic knowledge became increasingly evident. For a growing

segment of retail investors entering the markets via digital platforms, the ability to interpret macro trends meant the difference between reactive speculation and informed, long-term decision-making. In this context, the period from 2020 to 2024 illustrates not only how macroeconomics shaped market outcomes, but also why retail investors must engage with it proactively to navigate modern equity markets effectively.

1.9 Importance of Understanding Macroeconomics for Retail Investors

In the ever-evolving landscape of financial markets, retail investors often find themselves navigating through a sea of data, news, and trends. One of the most critical, yet frequently overlooked, elements influencing investment decisions is the macroeconomic environment. Understanding macroeconomics is not just a theoretical pursuit—it has direct, practical implications for how and when retail investors choose to allocate their capital, especially in the equity market.

Firstly, a solid grasp of macroeconomic indicators enables better timing of investments. Retail investors who are aware of key economic trends—such as interest rate movements, inflation data, GDP growth, and employment figures—can make more strategic decisions about when to enter or exit positions. For instance, recognizing signs of an economic slowdown may lead investors to adopt a defensive strategy, while periods of economic expansion might encourage more aggressive equity exposure. Timing the market effectively, while never perfectly precise, becomes far more grounded in rationale when macroeconomic context is considered.

Secondly, understanding macroeconomics reduces reactionary trading, which is often driven by short-term news cycles or emotional responses. Informed investors who understand that certain market fluctuations are part of broader economic cycles are less likely to panic during market dips or chase unsustainable rallies. This mitigates the common pitfalls of retail investing, such as buying high and selling low, which are often driven by misinterpretation of short-term events without a macroeconomic lens.

Finally, a macroeconomic perspective encourages long-term, informed decision-making. Investors who incorporate economic fundamentals into their strategies are more likely to develop robust investment theses based on real trends rather than speculation. This long-term approach not only fosters portfolio resilience but also cultivates a more disciplined and educated investor mindset.

1.10 Problem statement

The intricate relationship between macroeconomic indicators and stock market behavior has long been a subject of academic and professional interest. However, a significant portion of existing research remains concentrated on developed markets and institutional investors, often overlooking the unique behavioral patterns and informational asymmetries that characterize retail investor activity—particularly in emerging economies like India. In recent years, India has witnessed an unprecedented surge in retail investor participation, driven by a confluence of factors such as increased financial literacy, digital accessibility, mobile-first trading platforms, and the democratization of investment avenues. Despite these advancements, little is known about how retail investors perceive, process, and act upon macroeconomic information, especially in a market where structural transformations are still underway.

Retail investors, unlike their institutional counterparts, often lack access to sophisticated financial advisory services and real-time analytics. Instead, they tend to rely on media reports, social networks, online forums, or hearsay, which can skew their understanding of critical economic developments. Moreover, these investors are not always guided by rational expectations; rather, their decisions are frequently influenced by cognitive biases such as herding, overconfidence, anchoring, and recency effects. In such a scenario, the way macroeconomic signals—like GDP growth rates, inflation trends, interest rate announcements, and fiscal policy shifts—are interpreted and acted upon can vary widely, introducing layers of complexity and unpredictability to market movements.

This behavioral divergence becomes even more crucial when we consider the increasing influence retail investors wield on overall market dynamics. Their collective sentiment

can amplify volatility, especially during phases of economic uncertainty or policy transition. The 2020–21 period during the COVID-19 pandemic serves as a prominent example, where a large influx of first-time retail investors entered the equity market in search of better returns amid falling interest rates and job insecurities. This influx was accompanied by sharp swings in stock prices, often decoupled from fundamental valuations—suggesting that non-institutional trading activity is now a force substantial enough to shape short-term market behavior.

Given these developments, a critical question emerges: Which macroeconomic indicators do Indian retail investors consider most influential, and how do these perceptions translate into actual investment behavior?

Addressing this question is vital not only for academic enrichment but also for regulatory bodies, financial institutions, and policymakers, who must navigate the twin objectives of investor protection and market stability. A nuanced understanding of the behavioral responses of retail participants to macroeconomic events can lead to more informed policy interventions, better educational outreach, and the development of investment tools tailored to retail needs.

In essence, this study seeks to bridge a significant research gap by systematically examining the impact of macroeconomic signals on the investment decisions of Indian retail investors, with a special focus on behavioral nuances and market-level implications. The insights derived will contribute meaningfully to both financial theory and practice, shedding light on how an increasingly democratized investor base interacts with the broader economic environment.

1.11 Relevance to Policy and Practice

This research holds significant relevance for both policy formulation and practical applications in the retail investment ecosystem. By examining how domestic macroeconomic indicators influence retail investor behavior, the findings can inform the development of retail-focused advisory tools that integrate macroeconomic insights into personalized investment strategies. Furthermore, fintech platforms can leverage these

insights to design more intuitive, educational, and responsive products that help users make informed decisions aligned with economic trends. On the policy front, the study underscores the need for targeted awareness campaigns that enhance retail investors' understanding of macroeconomic developments, ultimately promoting more stable and informed participation in equity markets. This contributes to both investor protection and the deepening of financial markets—key objectives in academic and regulatory discourse alike.

1.12 Investment Avenues for Retail Investors in the Equity Market

Retail investors in India today have a wide range of instruments available for investing in the equity markets. These instruments cater to varying levels of risk appetite, financial goals, and investment knowledge. Understanding these options is crucial for analyzing how macroeconomic factors influence retail participation in equities.

Direct Equity Investments

Direct equity investment refers to the purchase of individual stocks listed on recognized stock exchanges such as the NSE and BSE. This method offers high return potential but also carries high risk due to market volatility and company-specific factors.

- **Initial Public Offerings (IPOs)**

IPOs allow retail investors to subscribe to shares of companies that are listing publicly for the first time. These are often attractive to investors during bullish economic cycles, as companies tend to go public when growth prospects are favorable. Retail participation in IPOs is generally high during periods of strong GDP growth, investor optimism, and positive market sentiment. The pricing and subscription levels of IPOs are also influenced by inflation expectations and monetary policies that affect disposable incomes and liquidity.

- **Derivatives (Futures and Options)**

Though typically seen as complex, many retail investors engage in the derivatives market, particularly in options trading, for speculative gains or hedging purposes. Futures and options are contracts that derive their value from underlying equity

securities. These instruments are highly sensitive to macroeconomic changes, especially interest rate announcements, inflation data, and currency fluctuations. Derivatives magnify exposure, and hence the impact of macro indicators is often more pronounced.

- Rights Issues and Buybacks

Rights issues allow existing shareholders to purchase additional shares at a discount, while buybacks involve companies repurchasing their own shares from the market. These instruments are used strategically by companies based on market conditions and capital needs. Retail investors may use them to consolidate their holdings or exit profitably, depending on how macroeconomic cycles affect corporate earnings and valuations.

Mutual Funds

Mutual funds offer a pooled investment mechanism managed by professional fund managers who allocate funds across diversified equity instruments. Retail investors often prefer mutual funds due to the lower effort involved in stock selection and risk diversification.

- Actively Managed Equity Funds

These funds rely on active decision-making by fund managers to outperform benchmark indices. Macro indicators such as GDP growth, fiscal policy announcements, and sector-specific reforms directly influence stock selection and asset allocation strategies. For instance, during inflationary periods, fund managers may overweight inflation-protected sectors such as FMCG or energy, aligning fund performance with macroeconomic trends.

- Index Funds

These passively managed funds aim to replicate the performance of a stock market index. Retail investors often use index funds for long-term, low-cost exposure to the equity market. Since these funds mirror the broad market, they are directly impacted by macroeconomic shifts, such as changes in repo rates, industrial output, and overall investor sentiment driven by fiscal and monetary policy announcements.

- **Sectoral and Thematic Funds**

Sectoral funds invest in a specific industry, such as banking, pharma, or technology, whereas thematic funds invest based on overarching trends like ESG or digital transformation. These funds are heavily influenced by policy decisions, sector-specific growth expectations, and macro indicators like credit growth, infrastructure spending, or regulatory reforms. Retail investors may shift between these funds depending on perceived macroeconomic cycles and policy priorities.

Exchange-Traded Funds (ETFs)

ETFs are marketable securities that track an index, sector, commodity, or a mix of assets. Unlike mutual funds, ETFs are traded on stock exchanges and provide intraday liquidity. Retail investors use ETFs for exposure to diversified asset classes with a relatively lower expense ratio.

- **Macro Sensitivity:** ETFs tracking broad indices are influenced by economic growth expectations, inflation trends, and monetary policy changes. Sectoral ETFs, on the other hand, reflect sector-specific macroeconomic dynamics. For instance, a banking ETF may underperform when the RBI hikes interest rates aggressively.
- **Retail Usage:** ETFs appeal to cost-sensitive and passive investors who wish to align portfolios with macro trends without active management.

1.13 Objectives of the Study

This study aims to analyze the relationship between key macroeconomic indicators—specifically GDP, inflation, and repo rates—and the behavior and sentiment of retail equity investors.

Primary Objective:

- To analyze how GDP, inflation, and repo rates impact equity investment decisions.

- Seeks to establish a clear link between changes in these economic fundamentals and resulting investment choices.
- To identify the most influential macroeconomic factors on investor sentiment.
- Correlation between awareness/understanding and Investment decision making

Secondary Objectives:

- To explore the awareness and behavior of retail investors toward macro indicators.
- Focuses on the level of understanding and attention individual investors give to GDP, inflation, and repo rates.
- Examines how this awareness (or lack thereof) translates into investment behavior.
- Potential behavioral biases influenced by their perception of these indicators.
- General awareness levels of these indicators and primary information sources.

LITERATURE REVIEW

Understanding the dynamic relationship between macroeconomic indicators and stock market performance in India has been the subject of extensive research. However, the methodologies, scopes, and conclusions of existing literature reveal both strengths and gaps that this study aims to address.

1. Impact of macroeconomic variables on the performance of stock exchange: a systematic review (2021)- Rakesh Verma and Rohit Bansal

Existing research underscores the significant influence of macroeconomic indicators on equity markets, though much of this focus has been on broad-market or institutional perspectives. Chauhan et al. (2025) conducted a study analyzing the impact of macroeconomic variables on sectoral indices of the Indian stock market. Utilizing the Autoregressive Distributed Lag (ARDL) model on data from April 2012 to August 2024, they found that indicators such as the Index of Industrial Production (IIP) and money supply have both short-term and long-term effects on various sectoral indices. Specifically, IIP showed significant relationships with sectors like Auto, IT, Media, Metal, and Pharma, while money supply notably affected the Banking, FMCG, and IT sectors.

2. Relevance of Macroeconomic Factors for the Indian Stock Market (2011) – Rituparna Das

This study delves into the relationship between key macroeconomic variables—namely inflation, interest rates, exchange rates, and industrial production—and the performance of Indian stock indices through the application of multiple regression analysis over a fifteen-year period. A notable strength of the research lies in its utilization of time-series regression, which offers a robust long-term perspective on these linkages. However, the model presents certain limitations, notably the omission of crucial behavioral and sentimental factors that can significantly influence market dynamics. Additionally, the analysis does not account for potential structural breaks within the Indian economy, particularly in the period following the 2008 global financial crisis. The findings of the study indicate a significant correlation between exchange rates and interest rates with stock prices, while inflation did not exhibit a statistically significant relationship. This outcome only partially aligns with the predictions of the Efficient Market Hypothesis (EMH). A key gap identified within the research is the absence of a sector-wise breakdown

of the analysis, which limits the understanding of differential impacts across industries. Moreover, the study does not explore the influence of policy shocks or fiscal interventions, thereby restricting its practical insights for formulating targeted financial strategies.

3. Impact of Macroeconomic Variables on the Performance of the Indian stock market (2024)-Amit Hedau

This study analyzed the influence of macroeconomic factors on the NIFTY 50 index. The research highlighted that variables such as GDP growth, inflation, and interest rates have discernible effects on the performance of the Indian stock market, emphasizing the need for investors to consider these indicators in their decision-making processes.

4. Factors Influencing Retail Investor's Trading Behavior in Indian Equity Market (2015)–Sashikala & Girish

Diverging from purely economic models, this study provides a more grounded view of the Indian retail investor by integrating behavioral dimensions such as media influence, peer advice, and personal demographics. Based on primary survey data collected across South India, it finds that while investors claim macroeconomic awareness (inflation, repo rates, GDP) matters, their actual decisions are more influenced by accessible information cues like media coverage or past price trends. This mismatch between perception and action highlights the psychological gaps in economic rationality. The study is pivotal in demonstrating that macroeconomic signals act more as framing mechanisms than direct drivers for most retail investors. Nonetheless, its limited geographical coverage and lack of longitudinal tracking suggest further scope for deeper investigation.

Additionally, the Economic Survey 2025 noted the increasing participation of retail investors in the Indian markets, which has made the domestic market less sensitive to US market movements. However, it also cautioned that a significant correction in the US markets could still have a substantial impact on Indian investor sentiment, particularly among newer retail investors who may not have experienced prolonged market downturns.

Key Themes Identified Across Studies

- Macroeconomic variables such as interest rates, inflation, and exchange rates consistently emerge as factors that shape retail investor perceptions, though their real behavioral influence may vary.
- There exists a gap between awareness and actual response—while investors recognize economic indicators as important, their trading decisions are often guided more by short-term cues and emotional drivers.
- Delayed effects of macroeconomic changes, especially interest rate fluctuations—are a recurring feature, suggesting the importance of investor interpretation timelines.
- Behavioral and psychological aspects such as media influence and herd behavior are critical mediators in how macroeconomic news is translated into action by retail investors

RESEARCH METHODOLOGY

Research methodology refers to the structured approach or strategy used to conduct a research study. It encompasses the methods, tools, procedures, and techniques adopted to collect, analyze, and interpret data in a systematic manner. A well-defined methodology ensures the credibility, reliability, and validity of research findings by providing a clear roadmap for the entire research process. It acts as the philosophical underpinning of the study, guiding the researcher's choices from the initial conceptualization of the problem to the final presentation of results. The methodology section of a research paper or thesis is crucial as it allows readers to understand how the research was conducted and to assess the trustworthiness of the conclusions drawn. It should be detailed enough to allow other researchers to replicate the study, thereby contributing to the cumulative nature of scientific inquiry. Furthermore, a robust methodology helps to minimize bias, control extraneous variables, and ensure that the data collected is appropriate for addressing the research questions or hypotheses. The selection of a particular methodology is often influenced by the nature of the research problem, the objectives of the study, the availability of resources, and the philosophical stance of the researcher.

Types of Research

There are several types of research based on purpose and approach:

- **Descriptive Research:** Aims to systematically describe the characteristics of a population, situation, or phenomenon. It focuses on the "what, where, when, and how" without delving into the "why." Data is collected through surveys, observations, and case studies to paint a clear picture.
- **Analytical Research:** Goes beyond mere description to critically evaluate information and establish relationships. It involves in-depth analysis of existing data to uncover patterns, interpret facts, and draw informed conclusions. This type often uses secondary data and statistical techniques.
- **Exploratory Research:** Undertaken to investigate a problem that is not clearly defined, aiming to gain initial insights and understanding. It is flexible and unstructured, often using qualitative methods like interviews and focus groups. The goal is to define the problem more precisely for future research.

- **Applied Research:** Focuses on solving practical problems and finding solutions to immediate issues in real-world settings. It applies existing knowledge and research methodologies to address specific needs and develop actionable recommendations. The outcomes are typically practical and solution oriented.
- **Quantitative Research:** Quantitative research uses numerical data to measure the magnitude of a problem and test relationships between variables. It employs statistical analysis of data from surveys, experiments, and datasets to establish cause-and-effects. The goal is objective, aiming for generalizable findings about broad trends, though it may lack in-depth understanding of complexities.
- **Qualitative Research:** Qualitative research explores the 'why' and 'how' of phenomena, focusing on understanding reasons and motivations. It collects non-numerical data like interviews and observations to gain deep insights from participants' perspectives. While offering rich, detailed understanding and flexibility, its findings are typically not generalized to larger populations, focusing instead on specific contexts.

Types of Data Collection Methods

1. Primary Data Collection Methods

These involve gathering original data directly from sources for a specific research purpose.

- **Surveys/Questionnaires:** Structured forms used to collect standardized quantitative data from a sample. They efficiently gather information on attitudes, beliefs, and behaviors through closed-ended or scaled questions. Results are typically analyzed statistically to identify trends and patterns across a larger population.
- **Interviews:** One-on-one conversations designed to gather in-depth qualitative data from individuals. They can range from highly structured with pre-determined questions to unstructured, allowing for flexible exploration of topics. Interviews provide rich narratives and nuanced perspectives.

- Focus Groups: Guided discussions involving a small group of participants to explore shared perceptions and beliefs about a specific topic. A moderator facilitates interaction, encouraging diverse viewpoints and uncovering collective understandings. This method yields qualitative data on group dynamics and opinions.
- Observations: Systematic recording of behaviors, events, or phenomena as they naturally occur in a specific setting. This method can be overt (participants are aware) or covert (unaware), providing firsthand data on actual actions rather than self-reported information. It's valuable for understanding context and non-verbal cues.
- Experiments: Research conducted in controlled environments where one or more independent variables are manipulated to determine their effect on a dependent variable. Participants are often randomly assigned to different conditions to establish cause-and-effect relationships. This method yields quantitative data suitable for statistical analysis.

2. Secondary Data Collection Methods

Secondary data refers to information that has already been collected by someone else for a different purpose. It is existing data that researchers can use for their current study. Instead of collecting new data themselves (primary data), researchers analyze data that has already been compiled and made available.

- Published Sources: Published sources encompass a wide array of materials, including government publications such as reports, statistical abstracts, census data, and economic surveys released by national and international agencies like the World Bank and IMF. International organizations, such as the United Nations and the World Health Organization, also provide valuable global data and research. Academic journals and books offer peer-reviewed articles and scholarly works that present findings from prior studies. Industry reports and publications, including market research reports and trade journals, offer sector-specific data and trends. Public records, such as court documents and land registries, and news media like

newspapers and magazines, can also be useful resources, though their reliability should be carefully evaluated.

- **Unpublished Sources:** Internal business records, such as sales figures, customer databases, financial statements, and operational reports, can be valuable for organizational research. Similarly, research institutions like universities and centers store data that may not have been formally published. Diaries, letters, and personal documents can provide qualitative insights into historical or individual-focused studies.
- **Online Databases and Digital Sources:** A plethora of online resources offer secondary data. Online libraries and archives provide digital repositories of books, journals, and research papers, facilitating access to scholarly works. Statistical databases, including government portals and subscription-based platforms, offer large datasets for quantitative analysis. Company websites provide annual reports, investor relations information, and other corporate data. Social media and online forums can yield insights into public opinions and trends, though researchers must exercise caution regarding data reliability.

ANALYSIS AND INTERPRETATION

4.1 Introducing the case

This study centers around understanding how domestic macroeconomic factors influence the financial decision-making of retail investors in India. Rather than focusing solely on stock indices or company performance, the research shifts attention to the individual—examining how everyday investors interpret and respond to key economic signals while making investment choices.

While the NIFTY 50 index continues to provide an important reference point—given its role as India’s benchmark stock index representing the country’s top 50 listed companies—the emphasis of this research is on how retail investors react to broader macroeconomic developments such as changes in the Gross Domestic Product (GDP) growth rate, inflation (measured by the Consumer Price Index), the Reserve Bank of India’s repo rate, and exchange rate fluctuations (USD/INR).

These variables have been selected due to their direct and visible impact on everyday economic life—such as inflation affecting purchasing power, or interest rates shaping borrowing costs and savings returns. The goal is to uncover whether and how investors adjust their investment strategies, risk preferences, or timing based on changes in these indicators.

The study is particularly timely in the context of India’s post-COVID economic landscape, marked by unpredictable inflation, policy rate hikes, rising global uncertainties, and changing domestic consumption patterns. Retail investors today are increasingly exposed to economic information through social media, financial news, and fintech platforms—making their response to macroeconomic cues more relevant than ever.

Through this study, we aim to understand the level of awareness, perception, and behavioral patterns among individual investors in response to these domestic economic changes. This broader perspective not only adds to existing literature on macroeconomics and market behavior but also offers valuable insights into the evolving psychology of retail investors in a dynamic and increasingly democratized financial environment.

4.2 Analysis and Interpretation

In this part of the study, we tried to understand how people’s awareness of big-picture economic factors—like inflation, interest rates (specifically the repo rate), and the country’s GDP growth—affects the way they make investment decisions. By running a regression analysis on the responses,

we wanted to see if there is a clear link between being aware of these economic terms and how confident or active people are when it comes to investing.

The first regression output indicated an R Square value of 0.305, meaning that approximately 30.5% of the variability in investment decision-making behavior can be explained by the independent variables included in the model: awareness of inflation, awareness of monetary policy (specifically the repo rate), and awareness of GDP growth. This reflects a moderate level of explanatory power and implies that while macroeconomic awareness plays a significant role, other unaccounted variables also influence investment decisions.

The results show that people's awareness of macroeconomic factors explains a moderate portion of the variation in their investment behavior. This means that while these factors do play a role, they're not the only things influencing people's choices. Other aspects like personal financial goals, risk appetite, income level, or even advice from friends and family could also be shaping how individuals invest their money.

Despite this, the model is statistically significant, meaning it's reliable enough to say that awareness of economic indicators does matter when it comes to investments—it's not just happening by chance. In simple terms, people who pay attention to what's going on in the economy are more likely to make thoughtful investment decisions.

Inflation Awareness-

This was one of the most influential predictors. The coefficient indicates that for every one-unit increase in inflation awareness (measured as perceived influence of inflation on investment decisions), the investment influence score increases by approximately 0.449 units, holding other variables constant. The p-value of 0.0015 confirms this relationship is highly statistically significant, with a 95% confidence interval that does not cross zero (0.174 to 0.724). This demonstrates that individuals who consider inflation while making investment decisions tend to be more actively engaged in investment behavior.

People who are aware of inflation—and understand that prices of goods and services rise over time—tend to take investing more seriously. This makes sense, because when you know that the value of money decreases over time due to inflation, you're more likely to look for ways to grow your money to keep up. In this study, inflation awareness showed the strongest connection to investment behavior. It suggests that those who think about inflation are likely to seek investment

options that beat inflation, such as mutual funds, stocks, or fixed deposits with higher interest rates.

Awareness of Repo Rate (Monetary Policy)-

This variable also emerged as a significant predictor. The coefficient suggests that individuals who actively follow changes in the repo rate have a 0.440 unit higher investment influence score compared to those who don't, assuming other variables remain constant. The p-value is 0.0149, indicating statistical significance at the 5% level. This underlines the role of monetary policy as a driver in shaping investor perceptions and behavior, potentially due to its direct impact on interest rates and borrowing costs.

The repo rate, which is the interest rate at which the central bank lends money to commercial banks, also showed a significant connection to how people invest. People who understand changes in interest rates—like how they affect loan EMIs or savings interest—are more cautious and strategic in their financial planning. For example, if the repo rate goes up, loans become costlier, and people might invest more in fixed-income instruments. The results show that basic knowledge of such financial mechanisms empowers individuals to make more informed investment decisions.

Awareness of GDP Growth-

Despite a positive coefficient suggesting a potential influence of GDP awareness on investment decisions, this variable was not statistically significant at the 5% level. The p-value of 0.1904 and a confidence interval that spans both negative and positive values (-0.107 to 0.530) indicate that the data do not provide sufficient evidence to conclude a meaningful relationship. This may suggest that while GDP growth is a broad indicator of economic health, it is either not well-understood by retail investors or not perceived as directly relevant to individual investment choices.

Interestingly, while people may hear a lot about GDP growth in the news, the study found that it doesn't significantly affect their investment decisions. This could be because GDP is a broad, technical term that doesn't always directly relate to a person's daily financial life. Many may not fully understand how it connects to their money or may not feel it has immediate consequences. So, even if GDP is an important measure of the economy's health, it may not be as influential at an individual level unless it's explained in a more relatable way.

The findings highlight that macroeconomic awareness significantly influences investment decision-making, but the type of awareness matters. Specifically, micro-level economic indicators

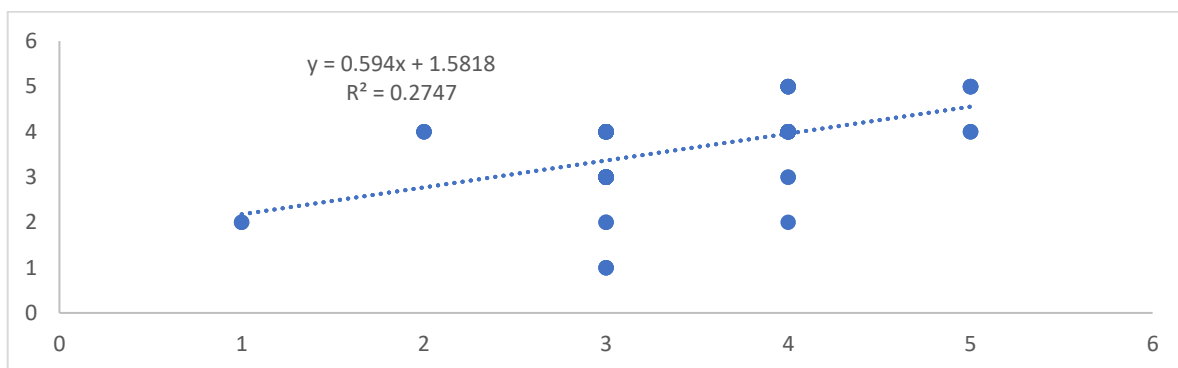
like inflation and repo rates, which have direct and visible effects on daily financial decisions (e.g., interest on loans, cost of goods), are more likely to influence investor behavior. In contrast, broader macroeconomic indicators such as GDP growth may be perceived as more abstract or less directly linked to individual financial planning. These insights have critical implications for both financial education programs and policy-makers. Efforts to enhance public financial literacy should emphasize the practical implications of monetary tools like the repo rate and inflation trends, as these are more readily absorbed and acted upon by the general population. Simultaneously, investment advisors and financial institutions can tailor their communication strategies to highlight how macroeconomic conditions translate into personal finance outcomes.

Relationship between Individuals' confidence in Investment Decision Making and Frequency of Tracking Macroeconomic Factors

Understanding this relationship can help identify whether regular engagement with broader economic trends plays a role in boosting investor self-assurance.

Correlation and Trendline-

Figure 4.1: Scatter plot and trend line



- The linear trendline equation is, $y = 0.594x + 1.5818$, which indicates that for every one-unit increase in tracking frequency, confidence increases by approximately 0.59 points.
- The R^2 value is 0.2747, which implies that about 27.5% of the variation in confidence levels can be explained by how frequently respondents track

macroeconomic news. While this is not very high, it does suggest a moderate association.

The correlation is 0.52, indicating a moderate positive correlation. This means there is a tendency for individuals who more frequently track macroeconomic trends to report higher levels of confidence in their investment decisions.

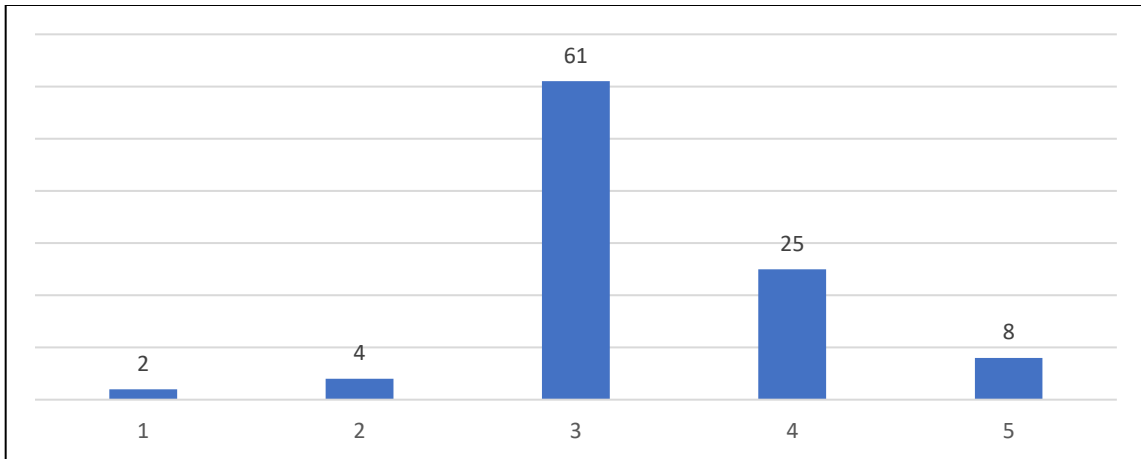
Interpretation-

- **Moderate Link:** While the correlation is not strong, it is still statistically meaningful. This suggests that tracking economic indicators like inflation, interest rates, or GDP might help individuals feel more informed and empowered while making investment choices.
- **Other Influences Exist:** The R^2 value under 0.3 tells us that over 70% of the variation in confidence is due to other factors — such as financial literacy, past investment experience, risk tolerance, or use of financial advisors.
- **Behavioral Implications:** This moderate association can imply that regularly engaging with macroeconomic news builds a sense of preparedness. Even if one doesn't act on every piece of information, the act of staying updated itself seems to boost self-confidence.

To conclude, while macroeconomic news tracking isn't the sole or strongest factor influencing investment confidence, it does play a moderately positive role. Individuals who are more engaged with economic trends tend to feel more confident in their financial decision-making. Thus, efforts to improve investment outcomes should include not only personal finance education but also simplified exposure to broader economic developments.

Question- On a scale of 1–5, how confident are you in making investment decisions? (1- Least Confident, 5- Highly Confident).

Figure 4.2 - Confidence Levels



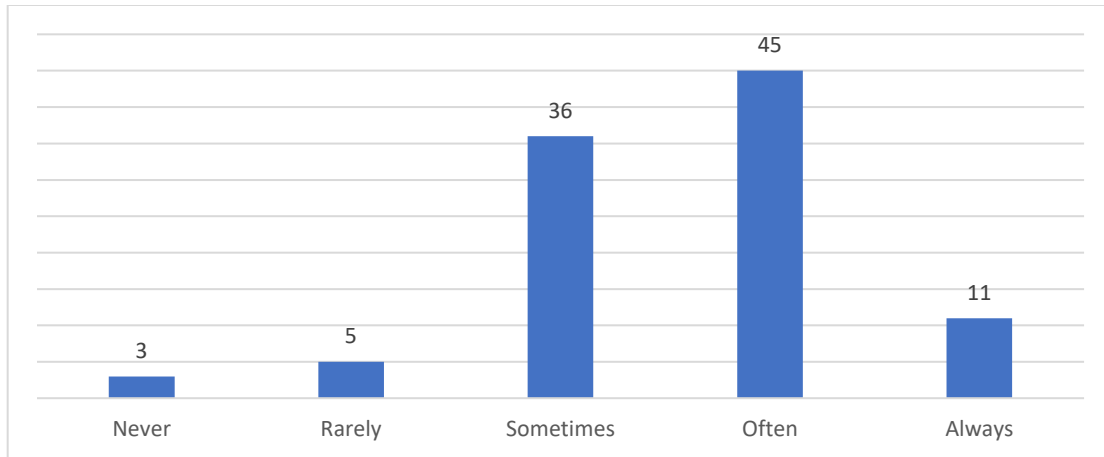
Values shown are in percentages.

- The graph indicates that a majority of retail investors have moderate confidence in their investment decisions:
- 61% rated themselves at level 3, suggesting they are somewhat confident but still cautious or uncertain in their approach.
- 25% selected level 4, indicating a fair degree of confidence, likely due to market exposure or self-learning during the 2020–24 bull market.
- Only 8% rated themselves at the highest level (5), showing that few investors feel highly assured in their decision-making.
- A combined 6% (ratings 1 and 2) expressed low confidence, perhaps reflecting limited knowledge or past negative experiences.

This suggests that while most retail investors are not completely unsure, they also do not feel highly confident—possibly due to lack of formal training or experience through full market cycles.

Question- How often do you track macroeconomic news (Inflation, Repo rate, GDP) before making decisions about Nifty 50 investments?

Figure 4.3 - Frequency



Values shown are in percentages.

The chart shows that most retail investors consider macroeconomic indicators before making equity investment decisions, but not always consistently.

- 45% of respondents said they "often" track indicators like inflation, repo rate, and GDP before investing.
- 36% moderately consider such data, indicating general awareness without strong reliance.
- Only 11% "always" do so suggesting a smaller group deeply integrates macro trends into decisions.
- The remaining 8% rarely or never follow macroeconomic trends, possibly reflecting a lack of awareness or interest.

This shows that while retail investors are somewhat aware of economic factors, there's room to enhance understanding and integration of macroeconomic data into personal investment strategies.

FINDINGS AND SUGGESTIONS

5.1 Findings

- Majority of respondents belong to the young to middle-aged group (18–35 years), with many relying on social media, peer influence, and trend-based decisions rather than detailed macroeconomic analysis.
- Investors in this age bracket generally report moderate confidence levels, with most selecting a confidence score of 3 out of 5, suggesting growing but not yet strong decision-making assurance.
- Frequency of tracking macroeconomic indicators (like inflation, repo rate, GDP) is positively related to experience; investors with more than 3–5 years of experience track such indicators more regularly.
- A moderate positive correlation ($r = 0.52$) was observed between confidence in investment decisions and frequency of tracking macroeconomic indicators, indicating that informed investors tend to feel more confident.
- Conservative investors often avoid adjusting portfolios based on economic changes, whereas aggressive and active investors are more proactive in responding to macroeconomic shifts.
- Visuals suggest that many retail investors only respond to major economic events, indicating a largely passive approach unless prompted by significant developments.
- There is a visible gap between awareness and action—while some investors follow economic updates, they don't always translate insights into portfolio changes.
- Investment behavior and strategy differ significantly across experience levels and risk profiles, reinforcing the need for personalized education and tools for retail investors.
- Our survey confirms that Indian retail investors are more attuned to inflation levels than to interest rates or GDP. Over half say they adjust portfolios when CPI moves.

5.2 Suggestions

- **Investor Education:** Conduct regular workshops and webinars to raise awareness about behavioral biases and how they impact financial decisions.
- **financial Literacy Campaigns:** Introduce educational programs at high school and college levels to cultivate informed financial behavior early.
- **Use of Decision Aids:** Encourage platforms (e.g., investment apps) to incorporate prompts or alerts that nudge users to review objective data before acting.
- **Policy Recommendations:** Suggest regulatory bodies like SEBI create investor-awareness campaigns focused on behavioral finance.
- **Personal Finance Tools:** Promote use of budgeting and planning tools that guide investors through structured decision-making.
- **Behavioral Finance Integration:** Recommend inclusion of behavioral finance as a mandatory module in investment advisor training and certification.
- **Media Literacy:** Encourage critical consumption of financial news, helping investors differentiate between sensationalism and substantive data.
- **Custom Investor Profiling:** Use AI tools to assess individual investor bias tendencies and offer personalized guidance accordingly.

CONCLUSION

- The study confirms that macroeconomic indicators play a critical role in shaping investment decisions among individual investors.
- A key insight is the prominence of availability bias, where recent or frequent exposure to economic news heavily influences investment choices.
- Inflation and interest rates are the most commonly considered indicators due to their perceived visibility and media coverage.
- Availability bias often leads to overreliance on recent trends or news, ignoring deeper, fundamental analysis.
- The research identifies a disconnect between actual economic fundamentals and perceived investment risks, driven largely by biased cognition.
- Findings suggest that many investors act based on emotional or cognitive shortcuts rather than objective analysis.
- There is a notable need for tools and educational resources to help investors recognize and mitigate cognitive biases.
- The study emphasizes the importance of behavioral finance frameworks in understanding and guiding investor behavior in developing economies

SUPPLEMENTARY CONTENT

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Annexures

Q1- What is your age?

- 20-23
- 24-27
- 27-30

Q2 - What is your monthly income (in ₹)?

- Below 30,000
- 30,000-70,000
- Above 70,000

Q3 - On a scale of 1–5, how much do changes in inflation influence your investment decisions? (1- Less Influence, 5- High Influence)?

Q4 - Do you follow monetary policy (like Repo Rate announcements)?

- Yes
- No

Q5 - On a scale of 1–5, how aware are you of the GDP growth rate's impact on markets? (1-Not at all aware, 5-Fully Aware)

Q6 - On a scale of 1–5, how confident are you in making investment decisions? (1- Least Confident, 5- Highly Confident)?

Q7 - How often do you track macroeconomic news (Inflation, Repo rate, GDP) before making decisions about Nifty 50 investments?

- Never
- Rarely
- Sometimes
- Often
- Always

HOW DOMESTIC MACROECONOMIC INDICATORS INFLUENCE RETAIL INVESTOR'S DECISION MAKING (EQUITY MARKETS).d

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