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A Study on the Factors Influencing Investment Decision in Equity Share in Raipur

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ABSTRACT:

The advancement of the various economic units, which can be broadly categorized into the corporate, government, and household sectors, reflects the economic development of a country. Throughout their operations, these units are operating in a balanced, surplus, or deficit budget. Some people or places have more money than they need, while others have less. Any country's economy depends heavily on savings. The money serves as the catalyst for the nation's progress when it is invested in the several possibilities accessible to the populace. Investing is the process of applying money to assets in order to increase its value or generate additional income over a specified time period. Investors today have access to a wide range of alluring investment opportunities with characteristics that meet their needs. However, the art of investing often involves maximizing return while minimizing risk, which is a feature of all investments. The amount of money that investors allocate to different investment channels is largely determined by their investment patterns, preferences, perceptions of risk and return, and other investment goals. Different investors have different investment patterns, tastes, perspectives, and goals. The city of Raipur in Chhattisgarh is the primary focus of this investigation. Based on the body of existing literature, a theoretical review has been conducted. The study's goal and scope will be taken into consideration when analyzing the data gathered utilizing the specially designed questionnaire. The hypothesis taken in the study will be proved and a few suggestions will be placed at the end of the study to improve the scenario.

The study will also concentrate on determining the key elements that affect an investor's choice of investment. The current study is intended to shed positive light on the government, financial advisors, financial institutions, and other organizations involved in the investment industry. Additionally, financial institutions have the ability to create new products that meet all of the needs of investors. These behaviors and traits can be used by stock brokers and portfolio managers to provide their investors with superior portfolios. Additionally, it will help the government create the nation's financial policy.

Key words - Equity shares, Investor behavior, Social media impact, Peer influence, Economic factors.

Introduction:

A nation's financial system ultimately determines its level of economic prosperity. The country's economy would continue to thrive and expand overall as long as its financial system is effectively and efficiently handled and kept on sound lines. The public has a great deal of faith in the system to transfer their savings into financial institutions in such a scenario, which is crucial for all emerging economies. India offers a wide range of financial instruments for investors. Each instrument has advantages and disadvantages. Seeking a higher return is always accompanied by a higher level of risk. Other instruments offer an intermediate return and risk, while others offer a lower return in exchange for a lower level of risk. However, there are other tools that help with income growth, liquidity, and principal protection. The amount of savings has increased significantly in the decades following India's independence. The savings throughout the 1980s were around 21% more than those during the previous decade. It is currently about 59 percent. The primary feature that sets India apart from other nations is its savings rate. Even while the rate of savings is respectable, there is still a great deal of room for further growth. Investments are funds allocated to tangible financial assets and marketable assets. Return, risk, liquidity, capital appreciation, and marketability are some of the characteristics of investments.

Classification of Investors

1) **Risk Averters:** It demonstrates risk avoiders; they are not willing to put resources into dangerous resources, investing in Government instruments, Life protection, and UTI Certificates.

2) **Risk Moderates:** These individuals (Risk neutrals) will go for broke to get expected profit for their investment. They want to put resources into basic bonds and convertible securities.

3) **Risk Takers:** These individuals are those eager to go for broke on their investment with an expectation to boost their arrival. They have confidence in high risk for a more return. They put resources into normal value stocks.

Ownership Securities

1) **Equity Shares:** Equity shares are the main source of finance for any company. Investors having equity shares have the right to vote, claim on asset and share on net profit. These shares are like certificate of ownership in the company.

2) **Preferences Shares:** Shares which appreciate the special rights as to profit and reimbursement of capital in case of ending up of the organization over the value shares are called preference shares. The holder of preference shares will get a settled rate of profit.

3) **Bonds:** Bonds or Debentures speak to long haul obligation instruments. The issue of a bond guarantees to pay a stipulated amount of return. There are different types of bond available in India such as Infrastructure Bonds, Capital gains Bonds, and RBI Tax Relief Bonds and Government Bonds etc.

Factors Influencing Investment Decision

1) **Demographic factors:** Demographic factors incorporate age, gender, marital status, education, pay and occupation, effecting choices of individuals.

2) **Economic factors:** Financial elements are the arrangement of principal data that influences a venture's esteem.

3) **Psychological factors:** It is the investigation of conduct and psyche, grasping all parts of human experience. It deals with psychological processes and behaviour of investors.

4) **Social factors:** Social elements mirror the locale and financial foundation.

5) **Organizational factors:** The most affecting variable under this factor are Job security, pay scale, retirement advantage by the association, working condition, and so on.

Objective of the Study

1. To analyze the impact of demographic variables (age, income, education) on investment behaviour.
2. To assess the influence of external sources like financial advisors, media, and peer groups on investor decisions.

Scope of the Study

This study focuses on identifying and evaluating the factors that influence individual investors' decisions to invest in equity shares. The geographic scope is limited to a specific region (Raipur city), and the findings are based on the perception of the 100 respondents surveyed.

Limitations of the Study

- The sample size is limited to 100, which may not represent the entire population of equity investors.
- Convenience sampling may lead to bias and affect the generalizability of the findings.
- Respondents may provide socially desirable answers, affecting the accuracy of the data.

Literature Review:

- **Bose and Malhotra (2024)** investigated ESG (Environmental, Social, Governance) awareness among retail investors and found that although interest in sustainable investing is rising, most investors still prioritize returns over ethical considerations when selecting equity shares.
- **Kumar and Sharma (2023)** investigated behavioral biases among Indian retail investors and found that overconfidence, herd behavior, and anchoring significantly influence stock selection. Their research emphasized that these biases often lead to irrational and emotional decisions rather than analytical or data-driven approaches.
- **Agarwal and Saxena (2023)** explored gender differences in investment patterns and revealed that male investors are generally more confident and risk-taking, whereas female investors show greater consistency and long-term planning.
- **Verma and Chawla (2023)** assessed the effectiveness of investment seminars and digital webinars in improving investor knowledge. Their study showed a clear improvement in risk perception and portfolio diversification practices among attendees, suggesting that education initiatives by brokers and AMCs can directly influence investor decision quality.
- **Bhattacharya and Raut (2023)** conducted a study on the effect of investment experience and found that seasoned investors rely more on past performance, balance sheets, and corporate announcements than new investors. Their research concluded that investment maturity brings discipline, whereas novice investors tend to follow market noise and speculative trends.

- **Jain and Nair (2023)** assessed the influence of dividend announcements and corporate actions on retail investor decisions. Their findings showed that investors frequently alter their holdings around corporate events, even when long-term fundamentals remain unchanged.
- **Mehta and Patel (2022)** examined the role of financial literacy and concluded that investors with higher financial awareness rely more on fundamental and technical analysis, thereby making more informed and rational equity investments.
- **Pandey and Iyer (2022)** studied the influence of social media on investment decisions. Their findings reveal that platforms like YouTube, Twitter, and Telegram groups have a growing impact on young investors, who often base decisions on trending stock discussions. Financial influencers, though often lacking regulatory oversight, significantly affect short-term trading behavior.
- **Pillai and Ramesh (2022)** assessed the impact of market sentiment and concluded that bullish or bearish news strongly sways retail investors' perception of market safety, even in the absence of actual performance shifts.
- **Kapoor and Varma (2022)** explored how frequency of trading impacts decision-making. They found that high-frequency traders often act impulsively based on intraday market swings and are heavily influenced by app-based push notifications.
- **Bansal and Roy (2022)** examined the psychological impact of stock volatility and found that high volatility leads to panic-selling behavior, especially among those with limited financial literacy or diversified portfolios.
- **Rani and Singh (2021)** explored the demographic determinants of equity investing and established a positive correlation between age, income, education, and risk tolerance. Younger investors and those with higher educational qualifications were more inclined toward aggressive equity investment strategies.
- **Sharma and Gupta (2021)** focused on social influence and found that many first-time investors tend to follow peers and social groups when selecting stocks, indicating the prevalence of herd behavior.
- **Choudhury and Das (2021)** examined the role of news and online media and found that investors are highly reactive to breaking financial news, earnings reports, and analyst recommendations. This leads to momentum investing, where decisions are based on short-term information rather than long-term fundamentals.
- **Iqbal and Sinha (2021)**, who analyzed the impact of emotional intelligence on investment choices. Their study demonstrated that emotionally balanced investors are less likely to panic during market volatility and more likely to hold long-term positions in quality stocks.

Research Design:

This study adopts a **descriptive research design** to analyze the factors that influence investors' decisions in equity share investments.

Source of Data:

Primary Data: The primary data was collected through a structured questionnaire.

Secondary Data: Secondary data was gathered from journals, articles, websites, books, and other published materials to support the literature review and provide background context.

Sample Size:

The sample size for the study is 100 respondents. These respondents include a mix of professionals, businessmen, students, and retirees who invest in equity shares, thereby offering a broad perspective on investor behaviour.

Data Collection Instrument:

A well-structured questionnaire was used as the primary instrument for data collection. Most questions were closed-ended and based on a Likert scale to quantify respondents' agreement or preference levels. The questionnaire included:

- Demographic details (age, gender, occupation, income level)
- Investment habits (frequency, amount, preferred sectors)
- Risk appetite
- Influential factors (market trends, financial advisors, company performance, etc.)

Tools for Data Analysis:

The data collected was analyzed using descriptive statistical tools such as:

- Percentages
- Frequencies

- Mean scores
- Charts and graphs- Helped to summarize the responses and identify dominant trends and patterns among investors.

Data Analysis and Interpretation:

This chapter presents the analysis of primary data collected through a structured questionnaire. A total of 100 respondents participated in the study, and their responses were recorded on a 5-point Likert Scale (1 = Strongly Disagree, 5 = Strongly Agree). The data was analyzed using statistical tools to derive the mean (average response) and standard deviation (variation in opinion) for each question. The findings are organized according to the research objectives.

Table 1: To analyze the impact of demographic variables (age, income, education) on investment behavior.

	STATEMENT	x	s	INTERPRETATION
Q1	I believe my age significantly influences my investment decisions.	3.52	1.22	Respondents generally agree; older investors may adopt conservative strategies.
Q2	My monthly income level directly affects how much I invest in mutual funds.	3.85	1.03	High agreement suggests income plays a major role in investment levels.
Q3	I make more informed investment decisions because of my educational background.	4.02	0.94	Strong agreement implies education enhances financial decision-making.
Q4	I prefer safer investment options as I grow older.	3.71	1.12	Indicates a moderate tendency toward risk aversion with age.
Q5	I invest more aggressively as my income increases.	3.40	1.18	Mild agreement; income growth leads to risk-taking for many respondents.

Interpretation - It was discovered that average income and educational attainment significantly influenced investment behavior. The influence of age was moderate, with older people favoring less hazardous investments. Higher levels of education were associated with more self-assured and knowledgeable financial choices.

Table 2: To assess the influence of external sources like financial advisors, media, and peer groups on investor decisions.

	STATEMENT	x	s	INTERPRETATION
Q6	I often act on the advice provided by my financial advisor.	3.60	1.14	Mixed opinions; while some follow advice, many prefer independent research.
Q7	I trust recommendations from friends and family when selecting mutual funds.	3.25	1.31	Peer influence is moderately strong in investment decisions.
Q8	Financial news channels and newspapers influence my investment decisions.	3.91	1.01	Media plays a strong role in shaping perceptions and choices.
Q9	Social media and finance influencers affect my choice of mutual funds.	4.10	0.86	Varied responses; younger investors more likely to be influenced.
Q10	I compare multiple sources before finalizing any mutual fund investment.	3.20	1.26	High agreement indicates investors seek diverse input before deciding.

Interpretation - Investment decisions are significantly influenced by media and financial news, which reflects rising financial consciousness. Peer recommendations continue to be important, particularly for novice or inexperienced investors. The impact of social media was apparent, albeit it differed by age group. The majority of respondents use various sources to confirm their conclusions, suggesting a move toward well-informed investing.

HYPOTHESIS TESTING -

For the purpose of the study, the following hypothesis have been proposed and tested. To perform the Z-Test, we need the population mean (μ). Since it's not given, we'll assume testing whether the sample means significantly differ from a neutral or benchmark population mean — commonly $\mu = 3.00$ (often used in Likert-scale type evaluations unless another value is provided).

Population mean (μ) = 3.00 (assumed), Sample size (n) = 100, Significance level (α) = 0.05 Z critical value (two-tailed at 5% level) = ±1.96

*Taking the Null Hypothesis (**Ho**) and the Alternate Hypothesis (**H1**) for every condition-*

1	**Ho:** There is no association between demographic variables (age, income, education) and investment behavior **H1:** There is an association between demographic variables (age, income, education) and investment behavior
2	**Ho:** There is no association between financial advisors and investor decision **H1:** There is an association between financial advisors and investor decision
3	**Ho:** There is no association between social media and investor decision **H1:** There is an association between social media and investor decision
4	**Ho:** There is no association between recommendations from peer groups and investor decision **H1:** There is an association between recommendations from peer groups and investor decision

Z-Test Formula:

$$Z = \frac{\bar{x} - \mu}{\sigma / \sqrt{n}}$$

Where:

- x^{-} = sample mean
- μ = population mean (assumed 3.00)
- σ = sample standard deviation
- n = 100

HYPOTHESIS CALCULATION -

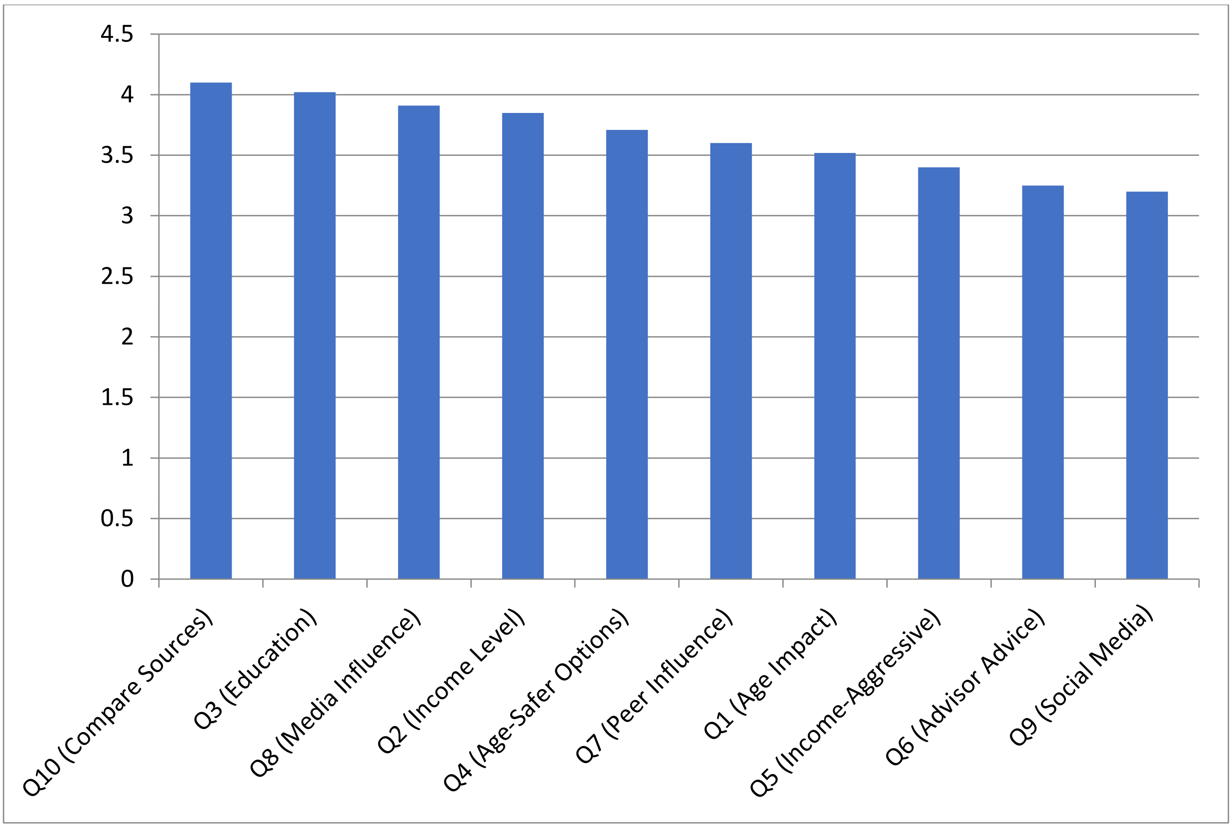
	Mean	Standard Deviation	Standard Error	Z-Calculated	Z-Tabulated (±1.96)	Decision
1	3.8	1.06	0.106	7.54717	1.96	**Reject H_0**
2	3.6	1.14	0.114	5.263158	1.96	**Reject H_0**
3	4.1	0.86	0.086	12.7907	1.96	**Reject H_0**
4	3.25	1.31	0.131	1.908397	1.96	**Accept H_0**

HYPOTHESIS RESULT –

	DECISION	RESULT
1	**Reject H_0**	There is a significant association between demographic variables (age, income, education) and investment behavior
2	**Reject H_0**	There is a significant association between financial advisor and investor decision.
3	**Reject H_0**	There is a significant association between social media and investor decision.
4	**Accept H_0**	There is no significant association between recommendations from peer groups and investor decision.

Graphical Summary (for sample mean representation)-

Figure 4.1 Bar Chart – Mean Likert Scores per Question



<u>Insights-</u>

- Educational background is a major factor in investment decision-making, suggesting that financial literacy influences investor behavior.
- Income level directly impacts both investment amount and risk-taking attitude.
- External influences like media and peer groups significantly shape decisions, while trust in financial advisors is moderate.
- A majority of respondents use multi-source validation before making investment decisions, indicating a trend toward data-driven investing.

Conclusion:

The main goal of this research project was to determine how individual investors' mutual fund investing behavior is influenced by external sources (such as peer groups, financial advisors, and the media) and demographic parameters (such as age, income, and education).

The analysis of primary data gathered from 100 respondents using a structured 10-question Likert scale questionnaire revealed several insightful patterns. The results demonstrated that:

- **Education** has the strongest influence on investment decisions, with more educated individuals showing higher levels of financial awareness and confidence in selecting mutual funds.
- **Income** significantly affects not only the volume of investment but also the level of risk investors are willing to take, with higher earners leaning toward more aggressive strategies.
- **Age** has a moderate impact, with older individuals showing a greater preference for safer investment options.

Regarding external influences:

- **Media outlets** such as financial news channels and newspapers emerged as a dominant influence on investment decisions.
- **Peer groups and family** play a noticeable role, especially among younger or less experienced investors.
- **Financial advisors** had a moderate impact, suggesting a trend toward self-researched or peer-informed decisions.
- **Social media and influencers** showed variable influence, being more relevant to younger investors.

All things considered, the survey demonstrates that contemporary investors are growing increasingly independent, knowledgeable, and data-driven. However, their financial decisions are still influenced by demographic characteristics, and outside forces continue to play a big role in determining their initial awareness and perception.

Recommendations:

1. **Financial Literacy & Education –** Conduct workshops/webinars on interpreting financial statements, market trends, and risk analysis. Informed investors are more confident and less susceptible to emotional or peer-driven decisions.
2. **Use of Certified Financial Advisors –** Encourage consultation with SEBI-registered or certified financial advisors. Expert advice aligns investment goals with risk appetite and market opportunities.
3. **Diversification Strategies –** Promote portfolio diversification across sectors and asset classes. Reduces unsystematic risk and cushions losses in volatile markets.
4. **Access to Reliable Information Sources –** Encourage the use of verified platforms (e.g., Bloomberg, NSE, Moneycontrol). Misinformation can lead to panic selling or irrational buying.
5. **Avoid Herd Mentality –** Educate investors on the dangers of following the crowd without due diligence. Herd behavior often causes bubbles and crashes (e.g., GameStop 2021, Dot-com bubble).
6. **Behavioral Bias Training –** Raise awareness about biases like overconfidence, loss aversion, anchoring, and recency effect. Reducing biases leads to more rational, objective decisions.
7. **Use of Data Analytics and Tools –** Promote the use of technical and fundamental analysis tools and apps. Increases precision in evaluating stock value, trends, and volatility.

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