**Decoding Investor Behavior: The Interplay of Demographics, Psychology, Financial Literacy, and Market Dynamics in Stock Market Participation**

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**Abstract**

This study examines the complex factors that determine investor behavior in stock markets, with a focus on the contributions of demographic characteristics, psychological dimensions, financial literacy, and market dynamics. Through an extensive literature review, we analyze how these elements interact to shape investment decisions. Our results indicate that demographic factors, such as age, income, and education, have significant effects on risk tolerance and investment choices. Psychological biases, including overconfidence and herding behavior, further shape investor behavior. Financial literacy plays a crucial role in determining investor behavior, which can improve the decision-making process and encourage participation in the market. External market factors and macroeconomic variables also play a role in determining investor attitude and behavior. These factors are therefore crucial to understanding in developing strategies that promote informed investment decisions and improve market efficiency.

**Keywords**

Investor Behavior, Demographics, Psychological Biases, Financial Literacy, Market Dynamics, Stock Market Participation

**Introduction:**

Investor behavior in the stock markets is a complex phenomenon influenced by a confluence of factors. Traditional financial theories often assume rational decision-making; however, real-world observations indicate that investors' choices are frequently shaped by demographic attributes, psychological biases, levels of financial literacy, and prevailing market conditions. It is essential to recognize the importance of these factors in understanding market anomalies and improving investment strategies.

**Literature Review**

Building on the literature review, more current studies have uncovered deeper insights on what drives investor behavior within a stock market.

**Demographics and Investment Behavior**

Recent research underscores the significant impact of demographic variables on investment decisions. (Shroff et al., 2024) A study by Mahmood et al. (2024) examined how financial literacy and demographic variables (gender, age, income level, education, occupation, marital status, and investment experience) relate to behavioral biases among Indian investors. The findings reveal the presence of various behavioral biases, including overconfidence, the disposition effect, anchoring bias, representativeness, mental accounting, emotional biases, and herding, all influenced by demographic factors.

Psychological and Behavioral Dimensions

Recent studies have further clarified the role of psychological factors in investment decisions. A review by Singh (2024) explores how cognitive and emotional factors shape investor behavior and lead to market anomalies that deviate from traditional financial theories. The study emphasizes the importance of understanding these psychological underpinnings to better comprehend investor behavior and market dynamics.

Financial Literacy and Corporate Governance

The interplay between financial literacy and corporate governance continues to be a focal point in understanding investment behavior. A study by Kusuma et al. (2021) points out the substantial impact of financial literacy on an individual's readiness to make investment decisions. The research shows that higher levels of financial literacy are associated with increased participation in various investment instruments, including stocks and mutual funds.

Market Dynamics and External Influences

Market forces and other environmental issues continue to impact the decisions that investors make. Xu et al. (2009) conducts research into country risk and cultural distance effects in transnational equity investments. Findings are observed in terms of increased cultural difference between nations lowers investment volume from one nation to the other; therefore, investment is a crucial issue related to culture.

These recent studies contribute to a more nuanced understanding of the multifaceted factors influencing investor behavior, encompassing demographic characteristics, psychological influences, financial literacy, corporate governance, and broader market dynamics.

Conceptual Framework

The conceptual framework for this study integrates key determinants of investor behavior with a focus on stock market investment preferences. It includes:

 Demographic Factors:

Age, gender, income, education, and occupation are hypothesized to influence investment choices and risk tolerance.

 Motivational Drivers

It is a belief that return on investment, liquidity, capital appreciation, and security are all central motivators for equity market investments.

 Influencers:

 The role of influencers (e.g., friends, media, financial advisors) and investor sentiment (e.g., satisfaction with market performance).

Investment Strategies:

Preferred time horizons (short-term vs. long-term), risk tolerance, and sector selection criteria.

Theoretical Framework

The theoretical framework is based on the Behavioral Finance Theory and encompasses elements of the traditional finance theories:

 Behavioral Finance Theory:

Focuses on psychological influences such as heuristics, biases, and emotions affecting investor decisions. Key concepts include overconfidence, loss aversion, and herding behavior.

 Modern Portfolio Theory (MPT):

 Explains how investors optimize their portfolios to balance risk and return, emphasizing diversification and efficient asset allocation.

 Prospect Theory:

Examines how investors perceive gains and losses, often exhibiting loss aversion and asymmetric risk preferences.

 Economic Utility Theory:

 Posits that individuals make investment decisions based on maximizing expected utility, factoring in income levels and financial goals.

 Social Influence Theory:

This study examines the role of social networks and influencers in investment decisions and sector preferences.

These frameworks together provide a multi-dimensional approach to understanding investors' attitudes toward stock market investments, bringing out the interplay of cognitive, emotional, and socio-economic factors.

**HYPOTHESIS**

1. **Monthly Income vs. Percentage of Income Invested in Equity Market.**
* **Null Hypothesis (H₀)**: There is no association between monthly income and the percentage of revenue invested in the equity market.
* **Alternate Hypothesis (H₁)**: There is an association between monthly income and the percentage of revenue invested in the equity market.
1. **Monthly Income vs. Expected Rate of Return.**
* **Null Hypothesis (H₀)**: There is no association between monthly income and the expected rate of return from the equity market.
* **Alternate Hypothesis (H₁)**: There is an association between monthly income and the expected rate of return from the equity market.
1. **Satisfaction with Equity Market Performance vs. Influencer**
* **Null Hypothesis (H₀)**: There is no association between satisfaction with equity market performance and the influencer category.
* **Alternate Hypothesis (H₁)**: There is an association between satisfaction with equity market performance and the influencer category.

**4. Influencer vs. Sector Selection Factor**

* **Null Hypothesis (H₀)**: There is no association between the type of influencer and the factors considered important when selecting sectors.
* **Alternate Hypothesis (H₁)**: There is an association between the type of influencer and the factors considered important when selecting sectors.

**5. Occupation vs. Trading Type**

* **Null Hypothesis (H₀)**: There is no association between occupation and preferred trading type in the equity market.
* **Alternate Hypothesis (H₁)**: There is an association between occupation and preferred trading type in the equity market.

**6. Gender vs. Investment Motivation**

* **Null Hypothesis (H₀)**: Gender is not associated with the factors motivating investment in the equity market.
* **Alternate Hypothesis (H₁)**: There is an association between gender and the factors motivating investment in the equity market.

**7. Age vs. Investment Time Horizon**

* **Null Hypothesis (H₀)**: There is no association between age and the preferred time horizon for equity market investments.
* **Alternate Hypothesis (H₁)**: There is an association between age and the preferred time horizon for equity market investments.

#### SCOPE OF STUDY

The study has been undertaken to analyze the saving patterns and investment preferences of individuals. The main reason behind the study is to study demographic factors like age, gender, income, education qualification, and Employment. The percentage of Indian investors investing in the Indian equity market is very low compared to the bank deposits. This project contains the investor’s preferences as well as the different factors that affect investors’ decisions on different investment avenues; all investors are individuals of Hyderabad City. This study includes the response of investors in choosing securities in each classification and analysis has been for the respective performance based on their returns. The finding relates to the out-performing products and investor’s risk-taking ability while investing in different avenues.

**1.7 LIMITATIONS OF THE STUDY**

* This study has a limited sample size.
* Some of the replies from the respondents may be biased.
* The use of questionnaires as the principal method of getting information may have few limitations.

**DATA ANALYSIS AND INTERPRETATION**

**Table 1 Classification of respondents based on gender**



**Analysis & Interpretation:**

* **Gender Distribution:** 72% of the respondents are male, while 28% are female. This indicates that financial literacy and participation in investment activities are higher among males compared to females.

**Table 4.2 Classification of respondents on the basis of age**



**Analysis & Interpretation: Age Distribution:**

* + 8% of respondents are below 20 years of age.
	+ The majority of respondents fall within the **21 to 30 years** age group (36%) and the **31 to 40 years** age group (28%), suggesting that young and middle-aged individuals are more actively engaged in investment decisions.
	+ 12% of respondents are within the **41 to 50 years** and **51 to 60 years** age groups.
	+ Only 4% of respondents are above 60 years, indicating relatively lower participation from senior investors.

**Table 4.3 Classification of respondents on the basis of occupation**



**Figure 4.3 Classification of respondents on the basis of occupation**



**Analysis & Interpretation:**

* 36% of the respondents are students, making them the largest group in the study.
* 20% of the respondents are employees.
* 18% belong to the professional sector.
* 16% of respondents are involved in the business sector.
* 10% are retired individuals.

**Table 4.4 Classification of respondents on the basis of monthlyIncome**



**Figure 4.4 Classification of respondents on the basis of monthlyincome**



**Analysis & Interpretation:**

**Income Distribution:**

* 40% of respondents have a monthly income below ₹20,000.
* 28% earn between ₹20,000 and ₹40,000.
* 10% of respondents have a monthly income between ₹40,000 and ₹80,000.
* 22% earn more than ₹80,000 per month.

**Table 4.5 Classification of respondents on the basis of their investment in equity market**



**Figure 4.5 Classification of respondents on the basis of their**

**investment in equity market**



**Analysis & Interpretation:**

 100% of respondents are equity market investors**.**

**Table 4.6 Classification of respondents on the basis of various investment options which they think to provide best returns**



**Figure 4.6 Classification of respondents on the basis of various investment options which they think to provide best returns**



**Analysis & Interpretation:**

* 42% of respondents believe that equity shares provide the best returns, while 22% feel mutual funds are the best investment option.
* 18% of respondents consider IPOs to offer better returns.
* A smaller portion of respondents (Bonds, Fixed Deposits, and Debentures) believe these instruments provide the best returns**.**

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**Table 4.7 Classification of respondents on the basis of factors that motivates them to invest in equity market**



**Figure 4.7 Classification of respondents on the basis of factors that motivates them to invest in equity market**



**Analysis & Interpretation:**

* 60% of respondents are motivated to invest in the equity market primarily due to the potential returns.
* 24% are driven by capital appreciation as a motivating factor.
* Only 12% cite liquidity as their main motivation for equity investment.

**Table 4.8 Classification of respondents on the basis of percentage of income that they would invest in equity market**



**Figure 4.8 Classification of respondents on the basis of percentage of income that they would invest in equity market**



**Analysis & Interpretation:**

* 44% of respondents are willing to invest between 10% and 20% of their income in the equity market.
* 28% of respondents are ready to allocate more than 20% of their income to equity investments.
* Another 28% invest between 5% and 10% of their income in the equity market.
* 10% of respondents are willing to invest less than 5% of their income in the equity market.

**Table 4.9 Classification of respondents on the basis on the strategy of trading in equity market**



**Figure 4.9 Classification of respondents on the basis on the strategy of trading in equity market**



**Analysis & Interpretation:**

* Half of the respondents (50%) are long-term investors who take delivery of shares.
* 22% of respondents are engaged in day trading.
* 18% are involved in speculation.
* 6% of respondents invest with the sole purpose of investing, and 2% are arbitrageurs.

**Table 4.10 Classification of respondents on the basis of the time horizon for investing in equity market**



**Figure 4.10 Classification of respondents on the basis of the time horizon for investing in equity market**



**Analysis & Interpretation:**

* 36% of the respondents are short-term investors, typically investing for 1-3 months.
* 28% are long-term investors, planning to invest for more than 12 months.
* 16% of respondents are short-term investors.
* 8% prefer to invest for a period of 3-6 months.
* 12% invest for a duration of 6-12 months.

**Table 4.11 Classification of respondents on the basis of the rate of return expected by them from Equity Market in a year**



**Analysis & Interpretation:**

* 4% of respondents expect a return of 5-10% from the equity market.
* 66% of respondents expect a return of 10% to 20%.
* 20% expect returns between 20% and 30%.
* 10% expect returns exceeding 30%.

**Table 4.12 Classification of respondents on the basis of their satisfaction with the current performance of the Equity Market in terms of expected return**



**Figure 4.12 Classification of respondents on the basis of their satisfaction with the current performance of the Equity Market in terms of expected return**



**Analysis & Interpretation:**

* + 70% of respondents are satisfied with the current performance of the equity market in terms of returns.
	+ 26% of respondents have a neutral opinion.
	+ Only 4% of respondents are dissatisfied with the current performance of the equity market.

**Table 4.13 Classification of respondents on the basis of influencers who influenced them to enter in to equity market**



**Figure 4.13 Classification of respondents on the basis of influencers who influenced them to enter in to equity market**



**Analysis & Interpretation:**

* 46% of respondents were influenced by friends when deciding to invest in the equity market.
* 6% were influenced by relatives.
* 14% of respondents were influenced by advisers, media, and research reports.
* 6% were influenced by magazines.
* Table 4.14 Classification of respondents on the basis of factors that they consider most important while selecting the sectors to invest

**Table 4.14Classification of respondents on the basis of factors that they consider most important while selecting the sectors to invest**



**Figure 4.14 Classification of respondents on the basis of factors that they consider most important while selecting the sectors to invest**



**Analysis & Interpretation:**

* 30% of investors consider the market trend when selecting sectors for investment.
* 40% prioritize profitability when choosing sectors.
* 16% focus on the economic condition of the sectors.
* 8% take the industry condition into account when selecting sectors.
* 6% of investors consider government policies when choosing sectors to invest in.

**1. Monthly income Vs What percentage of your income would you invest in Equity Market?**

**Crosstabulation**

Hypothesis:

* **Null Hypothesis (H₀)**: There is no association between monthly income and the percentage of revenue invested in the equity market.
* **Alternate Hypothesis (H₁)**: There is an association between monthly income and the percentage of revenue invested in the equity market.

|  |
| --- |
| **Case Processing Summary** |
|  | Cases |
| Valid | Missing | Total |
| N | Percent | N | Percent | N | Percent |
| Monthly income \* What percentage would you invest in Equity Market? | 50 | 100.0% | 0 | 0.0% | 50 | 100.0% |

|  |
| --- |
|  |
| Count |
|  | What percentage of your income would you invest in Equity Market? |
| less than 5% | 5% - 10% | 10% -15% | 15% - 20% | 20% - 25% |
| Monthly income | less than 20000 | 4 | 7 | 3 | 3 | 3 |
| 20000 - 40000 | 1 | 1 | 1 | 4 | 2 |
| 40000 - 80000 | 0 | 0 | 2 | 2 | 2 |
| greater than 80000 | 0 | 1 | 4 | 2 | 1 |
| Total | 5 | 9 | 10 | 11 | 8 |

|  |
| --- |
|  |
| Count |
|  | What percentage of your income would you invest in Equity Market? | Total |
| more than 25% |
| Monthly income | less than 20000 | 0 | 20 |
| 20000 - 40000 | 5 | 14 |
| 40000 - 80000 | 0 | 6 |
| greater than 80000 | 2 | 10 |
| Total | 7 | 50 |

|  |
| --- |
| **Chi-Square Tests** |
|  | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 24.309a | 15 | .060 |
| Likelihood Ratio | 27.982 | 15 | .022 |
| Linear-by-Linear Association | 4.467 | 1 | .035 |
| N of Valid Cases | 50 |  |  |
| a. 24 cells (100.0%) have an expected count of less than 5. The minimum expected count is .60. |

**Result**: The p-value is 0.060 (borderline significant).

We fail to reject the null hypothesis at the 5% significance level but note weak evidence for a relationship

1. **Monthly income Vs What is the rate of return expected by you from Equity Market in a year?**

**Crosstabulation**

* **Null Hypothesis (H₀)**: There is no association between monthly income and the percentage of income invested in the equity market.
* **Alternate Hypothesis (H₁)**: There is an association between monthly income and the percentage of income invested in the equity market.

|  |
| --- |
| **Case Processing Summary** |
|  | Cases |
| Valid | Missing | Total |
| N | Percent | N | Percent | N | Percent |
| Monthly income \* What is the rate of return expected by you from Equity Market in a year? | 50 | 100.0% | 0 | 0.0% | 50 | 100.0% |

|  |
| --- |
|  |
| Count |
|  | What is the rate of return expected by you from Equity Market in a year? |
| 5% - 10% | 10% - 15% | 15% - 20% | 20% - 25% | 25% - 30% |
| Monthly income | less than 20000 | 2 | 3 | 13 | 1 | 0 |
| 20000 - 40000 | 0 | 5 | 5 | 1 | 1 |
| 40000 - 80000 | 0 | 1 | 3 | 2 | 0 |
| greater than 80000 | 0 | 1 | 2 | 3 | 2 |
| Total | 2 | 10 | 23 | 7 | 3 |

|  |
| --- |
|  |
| Count |
|  | What is the rate of return expected by you from Equity Market in a year? | Total |
| 30% above |
| Monthly income | less than 20000 | 1 | 20 |
| 20000 - 40000 | 2 | 14 |
| 40000 - 80000 | 0 | 6 |
| greater than 80000 | 2 | 10 |
| Total | 5 | 50 |

|  |
| --- |
| **Chi-Square Tests** |
|  | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 21.166a | 15 | .132 |
| Likelihood Ratio | 22.229 | 15 | .102 |
| Linear-by-Linear Association | 6.660 | 1 | .010 |
| N of Valid Cases | 50 |  |  |
| a. 22 cells (91.7%) have expected count less than 5. The minimum expected count is .24. |



**Result**: The p-value is 0.060 (borderline significant). We fail to reject the null hypothesis at the 5% significance level but note weak evidence for a relationship

**3. Are you satisfied with the current performance of the Equity Market in terms of expected return? Vs Who influenced you to enter into Equity Market? Crosstabulation**

Hypothesis:

* **Null Hypothesis (H₀)**: There is no association between satisfaction with equity market performance and the influencer category.
* **Alternate Hypothesis (H₁)**: There is an association between satisfaction with equity market performance and the influencer category.

|  |
| --- |
| **Case Processing Summary** |
|  | Cases |
| Valid | Missing | Total |
| N | Percent | N | Percent | N | Percent |
| Are you satisfied with the current performance of the Equity Market in terms of expected return? \* Who influenced you to enter into Equity Market? | 50 | 100.0% | 0 | 0.0% | 50 | 100.0% |

|  |
| --- |
|  |
| Count |
|  | Who influenced you to enter into Equity Market? |
| friends | relative | advisers | media |
| Are you satisfied with the current performance of the Equity Market in terms of expected return? | fully satisfied | 3 | 2 | 1 | 3 |
| satisfied | 14 | 2 | 3 | 2 |
| neutral | 5 | 0 | 1 | 2 |
| dissatisfied | 1 | 0 | 1 | 0 |
| Total | 23 | 4 | 6 | 7 |

|  |
| --- |
|  |
| Count |
|  | Who influenced you to enter into Equity Market? | Total |
| research report | magazines |
| Are you satisfied with the current performance of the Equity Market in terms of expected return? | fully satisfied | 2 | 0 | 11 |
| satisfied | 1 | 2 | 24 |
| neutral | 4 | 1 | 13 |
| dissatisfied | 0 | 0 | 2 |
| Total | 7 | 3 | 50 |

|  |
| --- |
| **Chi-Square Tests** |
|  | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 15.097a | 15 | .444 |
| Likelihood Ratio | 16.028 | 15 | .380 |
| Linear-by-Linear Association | .060 | 1 | .806 |
| N of Valid Cases | 50 |  |  |
| a. 21 cells (87.5%) have expected count less than 5. The minimum expected count is .12. |



* **Result**: The p-value is 0.444 (not significant).

We fail to reject the null hypothesis, indicating no significant association.

**4. Who influenced you to enter into Equity Market? \* Which factor do you consider is most important while selecting the sectors? Crosstabulation**

Hypothesis:

* **Null Hypothesis (H₀)**: There is no association between the type of influencer and the factors considered important when selecting sectors.
* **Alternate Hypothesis (H₁)**: There is an association between the type of influencer and the factors considered important when selecting sectors.

|  |
| --- |
| **Case Processing Summary** |
|  | Cases |
| Valid | Missing | Total |
| N | Percent | N | Percent | N | Percent |
| Who influenced you to enter into Equity Market? \* Which factor do you consider is most important while selecting the sectors? | 50 | 100.0% | 0 | 0.0% | 50 | 100.0% |

|  |
| --- |
|  |
| Count |
| + | Which factor do you consider is most important while selecting the sectors? |
| market trend | profitability | economic condition |
| Who influenced you to enter into Equity Market? | friends | 10 | 5 | 5 |
| relative | 1 | 0 | 1 |
| advisers | 0 | 5 | 1 |
| media | 1 | 3 | 2 |
| research report | 3 | 4 | 0 |
| magazines | 0 | 2 | 0 |
| Total | 15 | 19 | 9 |

|  |
| --- |
|  |
| Count |
|  | Which factor do you consider is most important while selecting the sectors? | Total |
| industry condition | government policy |
| Who influenced you to enter into Equity Market? | friends | 2 | 1 | 23 |
| relative | 2 | 0 | 4 |
| advisers | 0 | 0 | 6 |
| media | 0 | 1 | 7 |
| research report | 0 | 0 | 7 |
| magazines | 0 | 1 | 3 |
| Total | 4 | 3 | 50 |

|  |
| --- |
| **Chi-Square Tests** |
|  | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 31.684a | 20 | .047 |
| Likelihood Ratio | 32.638 | 20 | .037 |
| Linear-by-Linear Association | .058 | 1 | .809 |
| N of Valid Cases | 50 |  |  |
| a. 28 cells (93.3%) have expected count less than 5. The minimum expected count is .18. |



* **Result**: The p-value is 0.047 (significant at 5%). We reject the null hypothesis and conclude that there is a significant relationship between the influencer and sector selection factors.

**5. Occupation Vs How do you trade in Equity Market? Crosstabulation**

* **Null Hypothesis (H₀)**: There is no association between occupation and preferred trading type in the equity market.
* **Alternate Hypothesis (H₁)**: There is an association between occupation and preferred trading type in the equity market.

|  |
| --- |
| **Case Processing Summary** |
|  | Cases |
| Valid | Missing | Total |
| N | Percent | N | Percent | N | Percent |
| Occupation \* How do you trade in Equity Market? | 50 | 100.0% | 0 | 0.0% | 50 | 100.0% |

|  |
| --- |
|  |
| Count |
|  | How do you trade in Equity Market? | Total |
| intraday | delivery | speculation | arbitrages | hedging |
| Occupation | business | 2 | 2 | 2 | 1 | 1 | 8 |
| student | 4 | 11 | 2 | 0 | 1 | 18 |
| service | 3 | 5 | 1 | 0 | 0 | 9 |
| employee | 1 | 6 | 4 | 0 | 0 | 11 |
| retired | 1 | 2 | 1 | 0 | 0 | 4 |
| Total | 11 | 26 | 10 | 1 | 2 | 50 |

|  |
| --- |
| **Chi-Square Tests** |
|  | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 13.309a | 16 | .650 |
| Likelihood Ratio | 12.469 | 16 | .711 |
| Linear-by-Linear Association | .560 | 1 | .454 |
| N of Valid Cases | 50 |  |  |
| a. 23 cells (92.0%) have expected count less than 5. The minimum expected count is .08. |



**Result**: The p-value is 0.650 (not significant). We fail to reject the null hypothesis, indicating no significant association.

**6. Gender Vs Which factor motivates you to invest in Equity Market?**

**Crosstabulation**

Hypothesis:

* **Null Hypothesis (H₀)**: There is no association between gender and the factors motivating investment in the equity market.
* **Alternate Hypothesis (H₁)**: There is an association between gender and the factors motivating investment in the equity market.

|  |
| --- |
| **Case Processing Summary** |
|  | Cases |
| Valid | Missing | Total |
| N | Percent | N | Percent | N | Percent |
| Gender \* Which factor motivates you to invest in Equity Market? | 50 | 100.0% | 0 | 0.0% | 50 | 100.0% |

|  |
| --- |
|  |
| Count |
|  | Which factor motivates you to invest in Equity Market? | Total |
| return | liquidity | safety | capital appreciation | other |
| Gender | male | 24 | 3 | 1 | 7 | 0 | 35 |
| female | 7 | 3 | 0 | 4 | 1 | 15 |
| Total | 31 | 6 | 1 | 11 | 1 | 50 |

|  |
| --- |
| **Chi-Square Tests** |
|  | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 4.929a | 4 | .295 |
| Likelihood Ratio | 5.230 | 4 | .264 |
| Linear-by-Linear Association | 1.671 | 1 | .196 |
| N of Valid Cases | 50 |  |  |
| a. 7 cells (70.0%) have expected count less than 5. The minimum expected count is .30. |



**Result**: The p-value is 0.295 (not significant). We fail to reject the null hypothesis, indicating no significant association.

**7. Age Vs What is the time horizon for investing in Equity Market?**

**Crosstabulation**

**Hypothesis:**

* **Null Hypothesis (H₀)**: There is no association between age and the preferred time horizon for equity market investments.
* **Alternate Hypothesis (H₁)**: There is an association between age and the preferred time horizon for equity market investments.

|  |
| --- |
| **Case Processing Summary** |
|  | Cases |
| Valid | Missing | Total |
| N | Percent | N | Percent | N | Percent |
| Age \* What is the time horizon for investing in the Equity Market? | 50 | 100.0% | 0 | 0.0% | 50 | 100.0% |

|  |
| --- |
|  |
| Count |
|  | What is the time horizon for investing in Equity Market? |
| less than 1 month | 1 - 3 months | 3 - 6 months | 6 - 12 months | more than 12 months |
| Age | below 20 years | 0 | 2 | 1 | 0 | 1 |
| 21 to 30years | 5 | 6 | 2 | 1 | 5 |
| 31 to 40years | 3 | 4 | 0 | 2 | 4 |
| 41 to 50years | 0 | 3 | 1 | 2 | 0 |
| 50 to 60years | 0 | 3 | 0 | 0 | 2 |
| above 60 years | 0 | 1 | 0 | 0 | 2 |
| Total | 8 | 19 | 4 | 5 | 14 |
|  |
| Count |
|  | Total |
|
| Age | below 20 years | 4 |
| 21 to 30years | 19 |
| 31 to 40years | 13 |
| 41 to 50years | 6 |
| 50 to 60years | 5 |
| above 60 years | 3 |
| Total | 50 |

|  |
| --- |
| **Chi-Square Tests** |
|  | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 18.685a | 20 | .542 |
| Likelihood Ratio | 23.390 | 20 | .270 |
| Linear-by-Linear Association | 1.109 | 1 | .292 |
| N of Valid Cases | 50 |  |  |
| a. 28 cells (93.3%) have expected count less than 5. The minimum expected count is .24. |



* **Result**: The p-value is 0.542 (not significant). We fail to reject the null hypothesis, indicating no significant association.

**FINDINGS**

1. **Gender Participation**: 72% of the respondents were male, indicating higher financial literacy and participation in stock market investments among men compared to women (28%).
2. **Age Distribution**: The majority of respondents (64%) were between 21–40 years old, reflecting that younger and middle-aged individuals are more active in equity markets.
3. **Occupation Influence**: Students (36%) and employees (20%) were the dominant investor groups, suggesting that younger individuals and salaried employees are more inclined towards equity investments.
4. **Income Impact**: 40% of respondents had a monthly income below ₹20,000, but they still actively invested in the equity market, indicating interest across income levels.
5. **Preferred Investment Option**: Equity shares were considered the best return-generating investment by 42% of respondents, followed by mutual funds (22%) and IPOs (18%).
6. **Investment Motivation**: 60% of respondents cited returns as their main motivation for investing in equity markets, with capital appreciation influencing 24%.
7. **Income Allocation to Investment**: 44% of respondents invested 10–20% of their income in equities, while 28% were willing to invest more than 20%.
8. **Investment Strategy**: 50% of the respondents were long-term investors, indicating a preference for stable, long-term wealth creation over speculative or day trading.
9. **Investment Horizon**: 36% of respondents preferred a short-term investment horizon of 1–3 months, whereas 28% opted for long-term investments over 12 months.
10. **Expected Returns**: The majority (66%) of respondents expected annual returns of 10–20% from the equity market, reflecting moderate return expectations.
11. **Satisfaction with Market Performance**: 70% of respondents were satisfied with the equity market's performance, showing positive sentiment towards market returns.
12. **Influencers in Investment Decisions**: Friends influenced 46% of investors to enter the equity market, followed by media and research reports at 14%.
13. **Sector Selection Criteria**: Profitability (40%) and market trends (30%) were the most important factors considered by investors when selecting sectors to invest in.
14. **Income vs. Investment Correlation**: There was weak evidence of a relationship between monthly income and the percentage of income invested in the equity market, suggesting mixed influence of income on investment decisions.
15. **Influencer Impact on Sector Choice**: A significant relationship was found between the type of influencer and the factors considered when selecting sectors, indicating influencers shape sector preferences.

**OBJECTIVES OF THE STUDY**

* To explore investors' preferences for different investment options.
* To examine the factors that influence stock market investments.
* To determine the level of awareness regarding various investment avenues.

Discussion

Demographics and Investment Behavior:

It also includes demographic influences such as age, gender, income, and education, significantly influencing investment choices. For example, younger investors are likely to be more risky and invest more in equities than in fixed-income securities; older investors have a preference for conservative investment vehicles. Financial education is positively correlated with financial knowledge, which might influence the size and variety of investment portfolios. Understanding these factors helps tailor specific financial advice or products to accommodate the needs of different investor types.

Psychological and Behavioral Dimension:

Psychological biases play a huge role in investor behavior, often leading to irrational decision-making. Overconfidence leads to excessive trading and underestimation of risks, while herd behavior leads to individuals following market trends without due diligence. Emotional responses to market volatility lead to impulsive decisions, such as panic selling during downturns. Recognizing these biases is important for developing strategies to mitigate their adverse effects on investment outcomes.

Financial Literacy and Corporate Governance:

Financial literacy is the most important factor in making appropriate investment decisions. The more financial literate investors are, the better they will be able to assess market information and understand financial products, thus taking better decisions. In addition, good corporate governance practices increase investor confidence through increased transparency and accountability, which is a determinant of investment decisions. Better financial education and strong corporate governance can lead to more efficient markets and better outcomes for investors.

Market Dynamics and External Influences:

Investors often react to dynamics in the markets, such as economic indicators, geopolitical events, and technological development. For instance, economic slumps may drive individuals to become overcautious, while euphoric market conditions may be an invitation to overly optimistic behavior. External factors including regulatory changes, global economic directions, and international trends also define investment strategies. Being aware of these dynamics would allow investors to adjust their portfolio proactively due to changes in market conditions.

**Conclusion**

Investor behavior depends on a sophisticated interaction of several demographic factors, psychological biases, financial literacy, and market dynamics. Understanding such factors is pertinent to investors, financial advisors, and policymakers who try to promote investment decisions based on better information, leading to enhanced market efficiency. Future research directions would be better in exploring the effects of the various factors considered here in different markets and developing appropriate interventions to negate the impact of deleterious biases on investor behavior.

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