

**FACTORS INFLUENCING INVESTMENT DECISIONS OF RETAIL INVESTORS**

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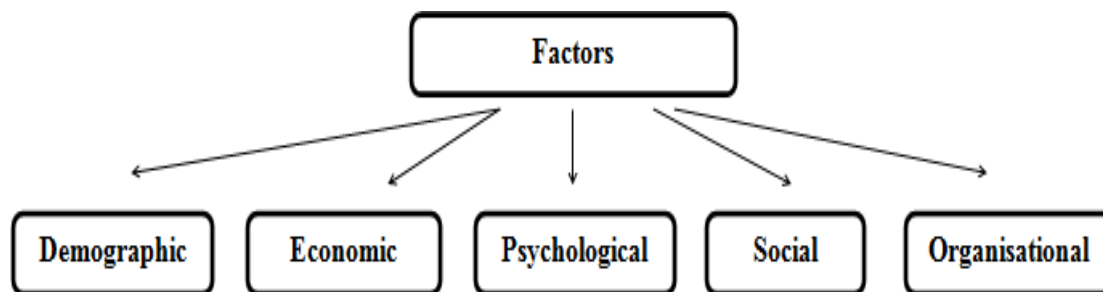
**Abstract:** As job prospects and national economic growth have both been on the upswing for some time, investment choices have taken on more weight in recent years. In particular, this has been the case throughout the course of the previous few years. The modern working population is more prepared and more ready to make financial sacrifices to amass wealth via saves and investments. Because they have just obtained a deeper comprehension of the plethora of investment opportunities now open to them. One of the primary motivations for putting money into something is the hope that someday that money will be returned to you in a better form than it was given. The main reason for investing is to achieve this. Moreover, the factors that influence an individual's choice as to whether or not to invest shift through time, differ from area to region, individual to individual, security to security, etc. There are a number of key ways in which an individual's demographic profile is relevant to their financial decisions. So, this study's overarching goal is to ascertain whether or not individual investors' views of the elements that impact investment decision making have changed over time, as well as whether or not these perceptions vary according to demographic characteristics. Moreover, this study aims to ascertain whether or not individual investors' views on the elements that impact investment decision making have evolved in light of changes in their demographical profile. The study's primary objective is to determine whether or not investors' perceptions of the elements that affect their choices over time have evolved. Fifty different people living in Hyderabad City participated in the survey and provided answers. The results indicate that the elements that impact the decision to invest differ by demographic characteristics such as age, gender, occupation, computer literacy, internet use, trading activity, and more. Investment preferences may also be affected by a person's familiarity with computers, degree of internet usage, and level of engagement in online trading.

**Key words:** occupation, Investment, income, Retail investors, alternatives.

**Introduction:** Someone may choose to invest their spare cash in the stock market, the real estate market, or any other kind of financial instrument they feel secure with. It all comes down to how much risk they are prepared to take in making this decision. Hence, a person's state of mind and the things they're doing at the time they're deciding how to spend their own money are both crucial factors to consider. The individual's demographic profile also significantly affects the individual's choice of investments and this effect may be seen in a number of important ways that are pertinent to the matter at hand. Furthermore, the individual's demographic profile significantly affects the individual's investing preferences. When it comes to managing your own money, the adage "no pain, no gain" is a truism that you should follow at all costs. While the scenario is more likely to result in a loss for you, there is still a chance that you will be able to turn a profit. In order to reduce the total amount of risk they are exposed to, investors seek for assets with a low possibility of experiencing a loss. As a result, they are able to take on less risk in the big picture.

**Influencing Factors on Investment Choices**

The following were found to be the most influential elements on retail investors' investing choices from the numerous literature evaluations. These elements were classified generally under five main headings.



## **II. Review of literature**

This research aims to better inform policymakers and regulators by illuminating the motivations, constraints, and experiences of Tanzanian equity market participants. The bulk of the information was acquired via the use of questionnaires, in-person interviews, and reviews of relevant records. The results of the survey show that all publicly traded firms put a higher value on topics like the quality of management choices, the growth of brands, and the openness of conflict resolution. To be more specific, businesses that want to improve their standing in the market should keep an eye on interest rate fluctuations and the promotional tactics used by their rivals. As Per Dr Naveen Prasadula This study provides an empirical examination of the most important influences on the stock market trading activities of individual investors in India. This study's results will be given in the form of a summary. Standardized questionnaires were used to obtain the information. Analysis and interpretation of the data show that residents of Kurumbalur are only somewhat knowledgeable about various investment alternatives, including the stock market, stocks, bonds, and debentures. After the data was analysed and understood, we came to this conclusion. Consumers of all ages, according to the study, are placing a higher value on long-term investments including IRAs, NSCS, insurance, and bank deposits.

## **THE IMPORTANCE AND IMPORTANCE OF THE STUDY**

Quite a few variables enter into the equation when deciding how to allocate capital. Investors, as is widely acknowledged, are the market's primary focus. Investor behaviour is not constant. Like with every other aspect of security, it changes depending on the setting. Hence it's important to figure out what elements play a role in people's financial choices. Knowing how people invest in securities may help policymakers and academics craft effective ideas and programme to attract more capital. In order to continue its rapid economic growth, India, like any other emerging nation, needs access to massive amounts of finance to fund a wide range of necessary development projects.

### **Study of Objectives:**

- To understand the elements that drive retail investors' investment choices
- Examine the beliefs of individual investors about various forms of capital investment.

The fact that investment decisions are influenced by so many distinct variables provides strong justification for doing this study and drawing these results. The premise that investors are the market's main focus has been around for quite some time and is widely acknowledged as true by the vast majority of its practitioners. Most investors' actions evolve and improve with time rather than staying the same. It's not merely that each establishment has its own unique security setup. So, knowing what factors affect investing decisions is crucial. Understanding how people typically invest in securities is crucial for boosting investment and developing theories and regulations that can accommodate the boost. This is because coming up with ideas and a policy suitable for greater investment is a prerequisite for doing so.

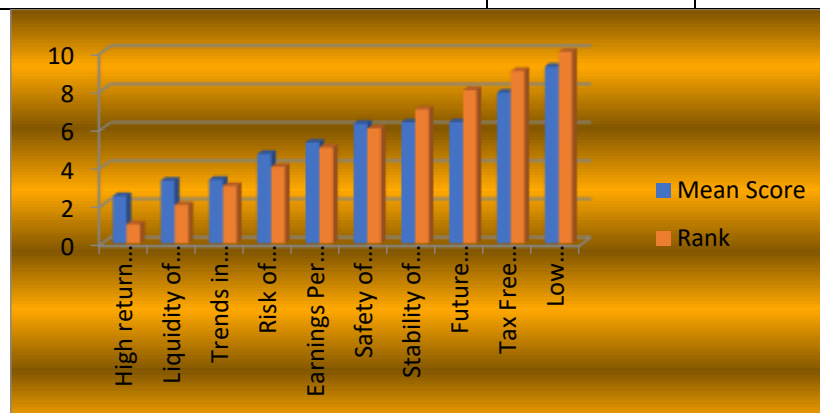
India, which is still considered a developing country despite its growing economic strength, needs a lot of money to fund its many forms of development.

### Methodology of Research

The focus is on empirical research. Data was gathered using a mixed strategy of primary and secondary sources. The Questionnaire is the methodological tool. The questionnaire is divided into two parts: a demographic profile and a list of six criteria that may have an impact on the respondent's investing decisions. Dr Naveen Prasadula Researchers in Hyderabad are examining the phenomenon. Methods of analysing data and understanding the findings: Personal characteristics including age, gender, education, employment, yearly income, computer literacy, internet experience, and online trading history have all been analysed using frequency and percentage methods. Using descriptive statistics, one may calculate the average, standard deviation, and error margin for a set of variables that affect an investor's choices.

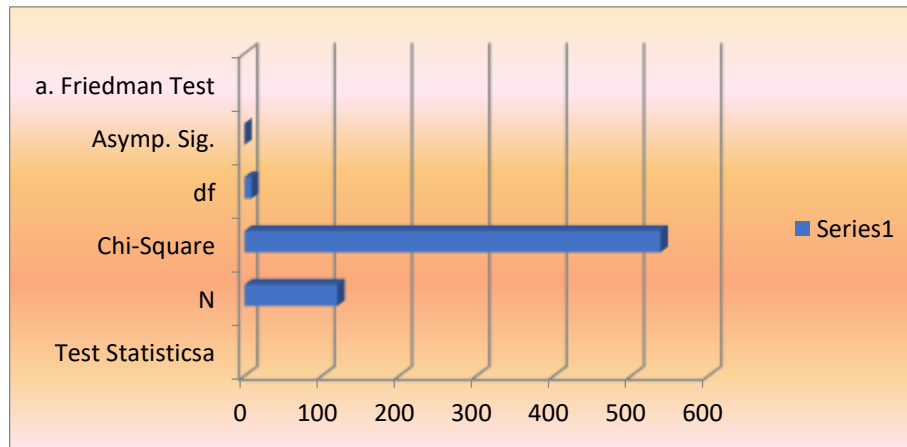
### The Role of Many Variables in Stock Market Investments

<b>“Factors Influence to invest in Stock market</b>	<b>Mean Score</b>	<b>Rank</b>
High return from investment	2.47	1
Liquidity of investment	3.27	2
Trends in financial Market	3.33	3
Risk of Investment	4.67	4
Earnings Per Share	5.27	5
Safety of investment	6.25	6
Stability of Income	6.32	7
Future prospects of company	6.33	8
Tax Free Income	7.87	9
Low Transaction Cost	9.23	10



**Table 1.2**

Test Statistics <sup>a</sup>	
N	120
Chi-Square	538.080
df	9
Asymp. Sig.	.000
a. Friedman Test	

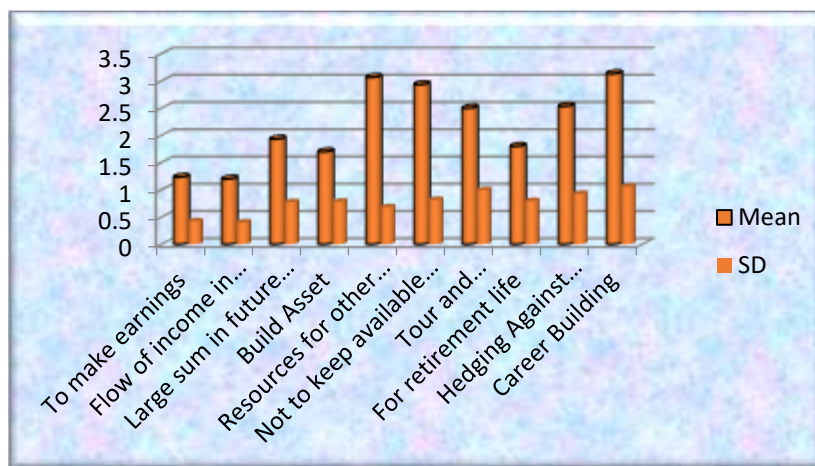


### Reasons to Invest

Individual retail investors' reasons for making investments range widely. So, research on investors' goals is more relevant. Earnings, future income streams, a significant amount at a future period, the construction of assets, the funding of other businesses, the avoidance of idle capital, holiday and entertainment, retirement security, career advancement, and protection against inflation are all listed as possible motivations. (Weights were given to each of the five options on a 5-point scale, such as very agree, agree, neutral, disagree, and strongly disagree." According to Table 1.2, the motivating elements, to create profits and Flow of income in the future, had the highest Mean Score among retail investors (Mean Score 1.23 and 1.20 respectively). Retail investors see it as neutral with regard to resources for other businesses and career development, and it has the greatest Mean Score possible (Mean Score 3.06 and 3.13 respectively). This table presents the results of our investigation.

**Table 1.3 Motives for Investment**

"Motives for Investment"	Mean	SD
To make earnings	1.2333	.42473
Flow of income in future	1.2000	.40168
Large sum in future date	1.9333	.77496
Build Asset	1.7000	.78430
Resources for other business	3.0667	.68272
Not to keep available fund idle	2.9333	.81718
Tour and Entertainment	2.5000	.99579
For retirement life	1.8000	.79494
Hedging Against Inflation	2.5333	.92521
Career Building	3.1333	1.06063

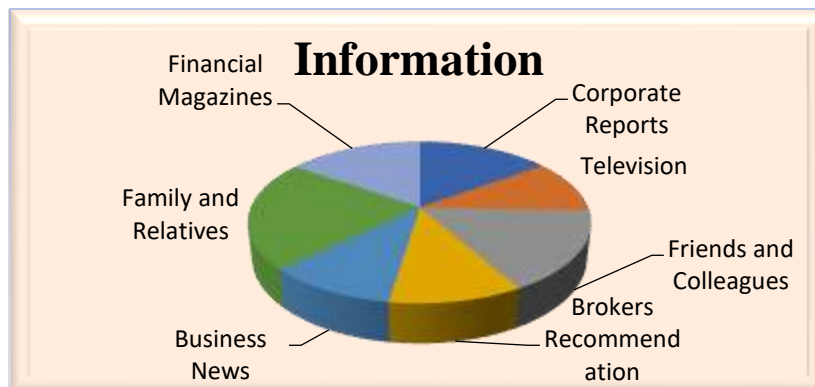


### Authentication of Informational Origin

One of the most significant aspects affecting the retail investor's choice to make an investment is the quality of the information source from which they obtained their research". Corporate reports, television, friends and colleagues, broker recommendations, business newspapers, family and relatives, financial magazines, investment advisors, independent research, the Internet, and pamphlets and brochures are just few of the many informational sources included here. (Weights were given to the sources based on how influential they were, with 1 being the least influential and 5 the most influential) As shown in Table 1.3, the sources with the lowest Mean Score have the most impact on investment decisions made by retail investors (Mean Score 1.40, 1.37 and 1.40 respectively). When it comes to average influence on retail investors, brochures and pamphlets rank best (Mean Score 4.13). This table presents the results of our investigation.

**Table 1.4Basis of Information**

"Source of Information	Mean	SD
Corporate Reports	1.9667	.83950
Television	1.4000	.76036
Friends and Colleagues	2.1333	.80891
Brokers Recommendation	1.4000	.55610
Business News Paper	1.3667	.60715
Family and Relatives	2.9000	1.11068
Financial Magazines	2.0000	.57977

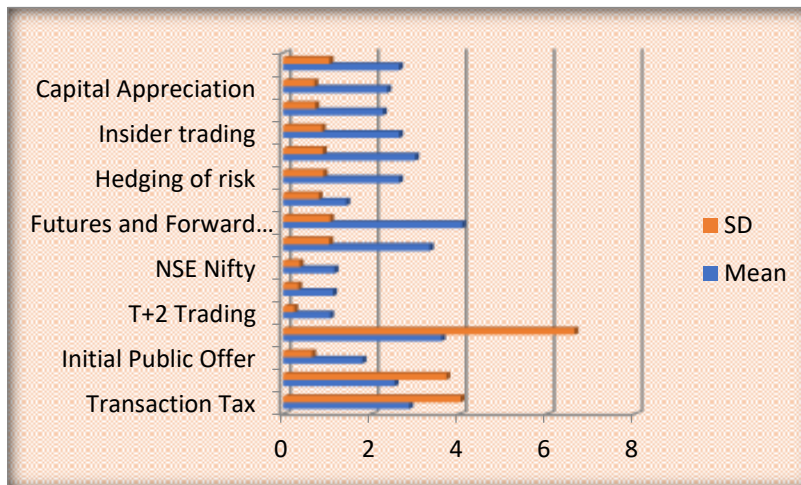


**Investors' Level of Knowledge**

The amount of familiarity that investors have with Stock Market jargon is crucial information. Transaction Tax, Brokerage Charge, Initial Public Offering, Book Building Process, T+2 Trading, BSE Sensex, NSE Nifty, Listing of Shares, Futures and Forward Contracts, Demat Account Operation, Hedging of risk, SEBI Regulations, Insider Trading, Daily Price Quotation, Capital Appreciation, and Demat Account Charges are all identified through various literature reviews. The retail investor with the lowest mean score is shown in table 1.4 below to be fully knowledgeable of T+2 trading, the BSE Sensex, the NSE Nifty, and the functioning of their demat account (Mean Score 1.06, 1.13, 1.17 and 1.43 respectively). The average retail investor knows a little bit about futures and forward contracts (Mean Score 4.06). The results of the investigation are shown in the table below.

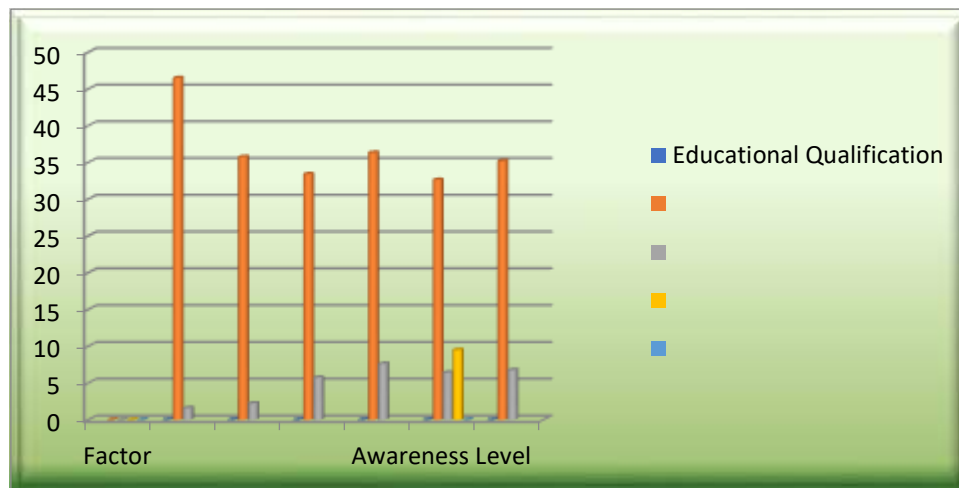
**Table 1.5**

<b>Awareness Factors</b>	<b>Mean</b>	<b>SD</b>
Transaction Tax	2.8667	4.0312 5
Brokerage Charge	2.5333	3.7099 3
Initial Public Offer	1.8000	.65594
Book Building Process	3.6000	6.6236 1
T+2 Trading	1.0667	.25049
BSE Sensex	1.1333	.34136
NSE Nifty	1.1667	.37424
Listing of Shares	3.3333	1.0478 7
Futures and Forward Contracts	4.0667	1.0669 5
Demat Account Operation	1.4333	.80683
Hedging of risk	2.6333	.91609
SEBI Regulations	3.0000	.89818
Insider trading	2.6333	.87863
Daily Price Quotation	2.2667	.73030
Capital Appreciation	2.3667	.70928
Demat Account Charges	2.6333	1.0526 7



The extent to which one is educated on the elements involved in making financial investments It is hypothesised (H0) that there is no statistically significant difference between investors' levels of knowledge and education. Sensitization and Instruction.” One-way ANOVA was conducted using the following null hypotheses to examine investors' knowledge of different investing variables and educational backgrounds.

#### Sensitization and Instruction



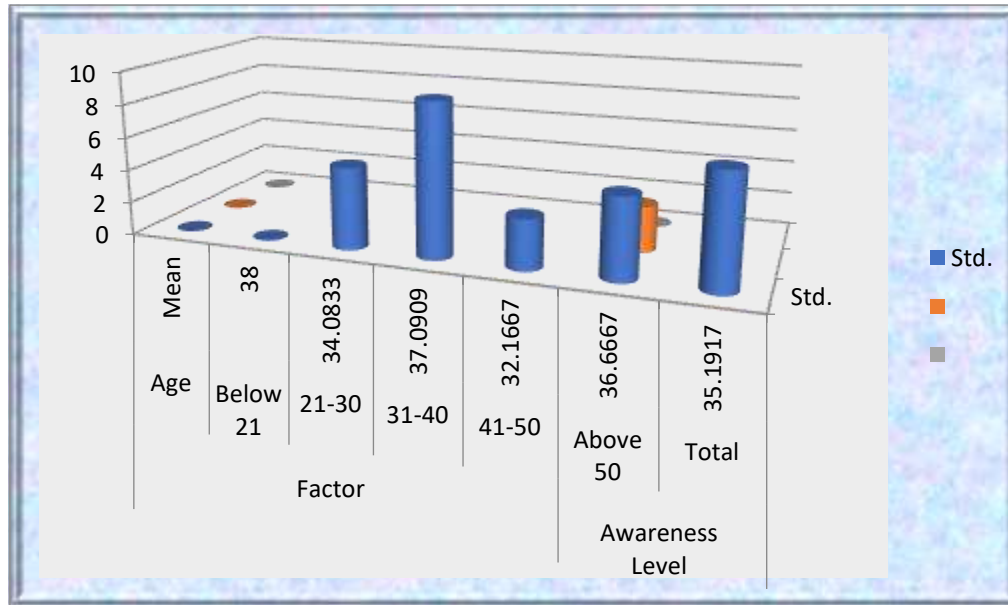
One-way ANOVA was conducted to test the following hypothesis concerning the relationship between investor age and their knowledge of the following investing factors: In terms of investor knowledge and training, there is little to no variation. Transaction tax, brokerage fee, and initial public offering are the independent factors used to assess familiarity. listing of shares (step h), futures and forward contracts (step I demat account (step j), and the book-building process (step d) Risk management (k), Securities and Exchange Board of India (SEBI) rules (l), and insider trading (m). N = Demat Account Fees; P = Capital Appreciation; O = Daily Price Quotation (On a scale from 1 (completely unaware) to 5 (completely aware), each of the following levels of awareness was assigned a different weight: Completely Aware, Aware, Some What Aware, Somewhat Aware, Not Aware. According to the data, investors under the age of 21 have the lowest level of investing knowledge (mean score = 38.00) and those between the ages of 30 and 40 have the highest level of knowledge (mean score = 37.09). “Age was shown to be a significant component in the relationship between investors' degree of knowledge about specific investing criteria and their level of knowledge overall, as determined by an analysis of variance.



**Awareness and Age**

Factor	Age	Mean	Std. Deviation	F Value	Sig.
<b>Awareness Level</b>	Below 21	38.0000	0.00000	2.773	.030
	21-30	34.0833	4.94758		
	31-40	37.0909	9.21530		
	41-50	32.1667	3.03124		
	Above 50	36.6667	4.84924		
	Total	35.1917	6.77278		

\* Source: Primary Data



### Findings

Retail investors are primarily affected by the potential for a high rate of return on their investments and the ease with which they may withdraw their money”. Most retail investors think that financial goals like "making money" and "having a steady stream of income" are important. Most retail investors learn about the market via three main channels: television, business newspapers, and broker recommendations. The brochures and pamphlets that are sent to retail investors tend to reflect their preferences to some extent. In general, retail investors have a solid grasp of the various stock market jargons. T+2 Trading, BSE Sensex, and NSE Nifty are all common trading terminology of which a thorough understanding has been acquired. They know the least about the newest developments in the stock market, such as Futures and Forward contracts. As Per Dr Naveen Prasadula Investors with an SSLC education or below are well-versed in the NSE Nifty and BSE Sensex and familiar with T+2 trading and transaction tax and brokerage fees, but they are unfamiliar with SEBI rules, Listing of shares, and Futures and Forward Contracts. Investors with a secondary school diploma or above are well-versed with T+2 trading, the BSE Sensex, the NSE Nifty, and the ins and outs of a depository account, but they have only a passing familiarity with futures and forward contracts.

### Conclusion

The Indian stock market is both huge and historic, making it one of the world's most important financial centres. Since its independence, it has developed, growing and changing rapidly throughout the 1980s



and 1990s. The main market has seen a dramatic rise in the amount of resources mobilised. The stock market has improved in all respects, in terms of the number of listed businesses and so on, as a consequence of changes undertaken as part of liberalisation initiatives in the nineties. Moreover, there has been a notable rise in the number of individual and family investors. Equity investments are a relatively new kind of investing that has quickly gained in popularity. The Indian stock market has never been more prosperous. Young, well-educated individuals and veterans of the business world are both present in this sector as observers and investors. The average retail investor is familiar with T+2 trading, the BSE Sensex, the NSE Nifty, and similar financial benchmarks. However, futures and forward contracts are not popular with capital market participants. Most small investors don't bother with frequent checks. The Indian market has been praised for its openness by foreign investors.

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