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Original Article

A Study Of Investors Behaviour In The Indian Stock Market

Smita V. Samudre*

Department of M.B.A., Late Sau. K. B. Jain College of Engineering, Chandwad, Maharashtra

ABSTRACT

The Indian stock market has experienced significant growth in recent years due to economic development, technological advancement, digital trading platforms, and increasing awareness about financial investments. Retail investors have become an important part of the Indian capital market. However, investment decisions are not always based only on rational financial analysis. They are also influenced by demographic characteristics, risk perceptions, emotions, behavioural biases, social influence, market information, and previous investment experience. The present study examines the behaviour of individual investors in the Indian stock market and identifies the factors influencing their investment decisions. The study focuses on demographic characteristics such as age, gender, education, occupation, and income. It also examines investment experience, preferred investment avenues, investment objectives, investment frequency, decision-making methods, risk tolerance, the influence of rumours and tips, emotional behaviour, investment horizon, satisfaction with returns, and willingness to recommend stock market investment. The study adopts a descriptive research design and is based on primary and secondary data. Primary data were collected from 102 respondents through a structured questionnaire using purposive sampling. Secondary data were obtained from books, journals, research papers, financial reports, and other published sources. The data were analysed using frequency analysis, percentage analysis, tables, and descriptive interpretation. The findings show that the majority of respondents are young, educated, and relatively new to stock market investment. Wealth creation is the primary investment objective, while equity shares and Systematic Investment Plans (SIPs) are the preferred investment avenues. A majority of respondents use self-analysis for making investment decisions, although friends and family continue to influence some investors. Most respondents have low or moderate risk tolerance. The study also highlights the significant role of emotions, as fear and greed influence the investment decisions of a large proportion of respondents. The study concludes that investor behaviour in the Indian stock market is influenced by a combination of demographic, financial, psychological, emotional, and social factors. Improving financial literacy, promoting awareness of behavioural biases, encouraging disciplined investment, strengthening research-based decision-making, and developing emotional discipline can help investors make more informed financial decisions and improve their investment outcomes.

Keywords: Investor Behaviour, Indian Stock Market, Retail Investors, Behavioural Finance, Risk Tolerance, Financial Literacy, Emotional Investing.

INTRODUCTION

The stock market plays an important role in the economic development of a country. It provides a platform through which companies can raise capital for expansion and development, while investors receive opportunities to participate in the growth of businesses and create wealth. In India, the stock market has developed significantly over the years due to economic reforms, technological innovation, improved market infrastructure, and greater participation by individual investors.

The availability of online trading platforms and mobile investment applications has made stock market participation easier than ever before. Investors can open trading and demat accounts, access market information, buy and sell securities, and monitor investment portfolios through digital platforms. As a result, the number of young investors participating in the financial market has increased.

Investment behaviour refers to the way individuals make decisions regarding the selection, purchase, holding, and sale of investment instruments. It

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includes decisions related to the amount to be invested, the type of investment selected, the level of risk accepted, and the expected return. Investor behaviour is influenced by financial knowledge, personal objectives, income, age, education, occupation, market conditions, and psychological factors.

Traditional financial theories generally assume that investors behave rationally and make decisions based on complete information. According to this approach, investors carefully compare risk and return before selecting an investment. However, actual investor behaviour does not always follow this assumption. Investors are human beings, and therefore emotions, personal experiences, social influence, and psychological biases often affect their decisions.

Behavioural finance has developed as an important field for understanding these non-rational aspects of investment decisions. It examines how psychological and emotional factors influence financial behaviour. Investors may become overconfident about their ability to predict market movements. They may follow the investment decisions of other people because of herd behaviour. They may also avoid selling loss-making investments due to loss aversion.

Emotions such as fear and greed play an especially important role in stock market behaviour. During periods of market growth, investors may become highly optimistic and invest without proper analysis. During market declines, fear may cause them to sell investments quickly. Such decisions may not always be based on long-term financial objectives.

Demographic factors are also important in understanding investor behaviour. Age can influence investment experience, financial objectives, and risk tolerance. Younger investors may have a longer investment horizon and may be more willing to explore market-linked investments. Income affects the financial capacity of investors and the amount they can allocate for investment. Education can improve awareness and understanding of financial products, while occupation can influence income stability and financial planning.

The present study examines these different dimensions of investor behaviour in the Indian stock market. The research is based on responses collected from 102 participants. It analyses the demographic profile of respondents along with their investment preferences, objectives, risk-taking ability, investment experience, emotional behaviour, and satisfaction with investment returns.

The study is important because a better understanding of investor behaviour can help individual investors make more informed decisions. It can also assist financial institutions, investment advisors, educational institutions, and regulators in developing suitable investor education programs.

2. Objectives of the Study

1. To study the behaviour of investors in the Indian stock market.
2. To examine the demographic characteristics of investors, including age, gender, education, occupation, and income.
3. To understand the influence of age, income, and education on investment behaviour.
4. To examine the preferred investment avenues of respondents.
5. To study the major objectives of investment.
6. To analyse the investment experience and frequency of investors.

3. Research Methodology

Research Design

The present study uses a descriptive research design. The purpose of descriptive research is to understand and describe the characteristics, attitudes, preferences, and behaviour of respondents.

The descriptive approach is suitable because the study examines demographic and behavioural factors influencing investment decisions.

4 Population and Sample

The population of the study includes retail investors and individuals who have invested or are interested in investing in the Indian stock market.

The final analysis is based on responses collected from **102 respondents**.

The respondents include individuals from different age groups, genders, educational backgrounds, occupations, and income levels.

5. Sampling Technique

The study uses purposive sampling. Respondents were selected on the basis of their relevance to the research topic and their involvement or interest in investment activities.

6. Data Collection

The study uses both primary and secondary data.

Primary Data:

Primary data were collected through a structured questionnaire. The questionnaire included questions relating to demographic characteristics, investment preferences, investment objectives, risk tolerance, investment decision-making, emotions, satisfaction, and investment behaviour.

Secondary Data:

Secondary data were collected from books, research journals, research articles, financial reports, stock market publications, and other relevant sources.

7. Limitations of the Study

- The study is based on a relatively limited sample of 102 respondents.
- The sample is dominated by young respondents and students.
- Purposive sampling limits the generalization of findings to the entire Indian investor population.

8. Data Analysis

The collected data were analysed using:

- Percentage analysis
- Descriptive interpretation

The purpose of the analysis was to identify patterns and major trends in investor behaviour.

9. Demographic Factors Influencing Investor Behaviour

1 Age and Investment Behaviour

Age is an important factor influencing investment decisions. Investors at different stages of life have different financial responsibilities, objectives, income levels, and risk-taking capacities.

The findings of the study show that the majority of respondents belong to the 21–25 years age group. Out of 102 respondents, 66 respondents, representing 64.4%, belong to this age category. Another 27 respondents, or 26.7%, belong to the 26–30 years age group. Only 9 respondents, representing 8.9%, are between 31 and 40 years of age.

The results show that the respondent group is dominated by young investors. This indicates growing interest in the stock market among young adults. Increased access to smartphones, digital trading platforms, online financial information, and investment applications may have encouraged younger individuals to participate in the financial market.

Young investors may also be more willing to experiment with different investment options. However, young age does not necessarily mean that investors possess adequate financial knowledge. Many young investors may require proper guidance regarding risk management, diversification, and long-term financial planning.

2 Gender and Investment Participation

Gender is another demographic factor considered in the study. Among the 102 respondents, 60 respondents, or 57.7%, are female, while 42 respondents, or 42.3%, are male.

The slightly higher representation of female respondents reflects the increasing participation of women in financial and investment activities. Women are becoming more financially independent and are increasingly taking responsibility for investment decisions.

The growth of digital financial platforms and greater access to financial information may also support this trend. Financial education programs should continue to promote equal participation and provide practical knowledge about investment opportunities and risks.

3 Education and Financial Awareness

Educational qualification can influence financial awareness and investment behaviour. In the present study, the majority of respondents are graduates.

Out of 102 respondents, 67 respondents, representing 67%, are graduates. A further 32 respondents, or 29.9%, are postgraduates, while 3 respondents, representing 3.1%, possess professional qualifications such as CA, CMA, or CS.

The findings indicate that the respondent group is relatively well educated. Education can improve awareness of investment concepts and financial products. However, general education is different from financial literacy. An individual may possess a college degree but still have limited knowledge about investment risk, financial analysis, portfolio diversification, or market volatility.

Therefore, financial education should be promoted separately through practical courses, workshops, and investor awareness programs.

3. Investment Experience and Income Characteristics

3.1 Occupational Profile

The study shows that students form the largest occupational category. Out of 102 respondents, 84 respondents, representing 80.4%, are students. Seventeen respondents, or 18.5%, are salaried employees, while one respondent, or 1%, is retired.

The large number of students is consistent with the age profile of the respondents. It indicates that interest in stock market investment is developing among young people at an early stage.

Young investors may have the advantage of a longer investment horizon. However, many students may not have stable personal income. Therefore, they may depend on small investments or funds received from other sources.

3.2 Monthly Income

The income profile of respondents shows that 49 respondents, representing 44.8%, reported that monthly income was not applicable. Another 40 respondents, or 41.7%, earned below ₹25,000 per month.

Seven respondents, representing 7.3%, earned between ₹25,000 and ₹50,000, while six respondents, or 6.2%, earned between ₹50,000 and ₹1,00,000.

The high proportion of respondents without a regular income is mainly related to the large student population in the sample. Nevertheless, the findings demonstrate that interest in stock market investment is not limited to high-income groups.

Digital platforms have reduced barriers to investment and made it possible for individuals to begin with relatively small amounts.

3.3 Investment Experience

The study reveals that most respondents are relatively new to stock market investment. Fifty-nine respondents, representing 57.6%, have been investing for less than one year. Twenty-six respondents, or 25.3%, have one to three years of investment experience.

Eleven respondents, representing 11.1%, have three to five years of experience, while only six respondents, or 6.1%, have more than five years of investment experience.

The findings indicate that the sample consists mainly of beginner investors. This is significant because new investors may have limited experience of market volatility and financial risk.

Investor education should therefore focus particularly on beginner investors. They should be taught about risk management, portfolio diversification, realistic return expectations, and the importance of avoiding impulsive investment decisions.

4. Investment Preferences and Objectives

4.1 Preferred Investment Avenues

Investment preference is influenced by risk, expected return, liquidity, financial objectives, and investor knowledge. The present study examined the investment avenues preferred by respondents.

The largest group of respondents, 45 investors or 44.5%, preferred equity shares. SIPs were preferred by 36 respondents, representing 35.3%. Mutual funds were preferred by 21 respondents, or 20.2%.

The preference for equity shares indicates a strong interest in direct participation in the stock market. Equity investment provides opportunities for capital appreciation, but it also involves market risk.

The substantial preference for SIPs reflects the growing importance of disciplined investment practices. SIPs allow investors to invest regularly and may help reduce the tendency to make emotional decisions based on short-term market movements.

Mutual funds are preferred by a smaller proportion of respondents. These investments can provide professional management and diversification, which may be useful for investors with limited market knowledge.

4.2 Investment Objectives

The primary investment objective of respondents is wealth creation. Sixty-one respondents, representing 60.6%, identified wealth creation as their main objective.

Regular income was selected by 24 respondents, or 23.2%. Retirement planning was selected by 10 respondents, representing 10.1%, while tax saving was selected by 7 respondents, or 6.1%.

The strong focus on wealth creation indicates that respondents consider investment an important tool for long-term financial growth. Young investors may be particularly interested in accumulating wealth over time.

Goal-based investing should be encouraged because it helps investors select suitable investment products according to their financial objectives.

4.3 Investment Frequency

The study indicates that 59 respondents, representing 58.2%, invest monthly. The data also report quarterly and occasional investment categories.

The preference for monthly investing may be associated with SIPs and the development of systematic investment habits. Regular investment can support financial discipline and reduce dependence on market timing.

However, some respondents invest occasionally. Irregular investing may depend on the availability of funds or changing market conditions.

5. Investment Decision-Making Behaviour

5.1 Self-Analysis and Independent Decisions

The study reveals that self-analysis is the most common method of investment decision-making. Out of 102 respondents, 63 respondents, representing 62.9%, reported making investment decisions through self-analysis.

This result suggests that many respondents prefer independent decision-making. The availability of online financial information, company reports, financial news, and investment applications may encourage investors to conduct their own analysis.

However, self-analysis should be based on reliable information and appropriate financial knowledge. Overconfidence without sufficient understanding can result in poor investment decisions.

5.2 Influence of Friends and Family

Twenty-six respondents, or 24.7%, reported relying on advice from friends and family members.

This indicates that social influence continues to play an important role in investment behaviour. Friends and family may provide useful support, but their advice may not always be based on professional analysis.

Investors should therefore evaluate such advice carefully before taking investment decisions.

5.3 Role of Financial Advisors and Media

Only 7 respondents, or 7.2%, reported relying on financial advisors. Six respondents, representing 5.2%, depended on media or social media.

The relatively low use of professional financial advisors may be related to the young age and limited income of respondents.

Social media has become an important source of financial information, but unverified information can create risks. Investors should distinguish between reliable educational content and rumours or speculative advice.

6. Risk Tolerance and Behavioural Factors

6.1 Risk Tolerance

Investment decisions are closely related to risk-taking ability. The study found that 51 respondents, representing 48.4%, have low risk tolerance.

Thirty-four respondents, or 34.8%, have moderate risk tolerance, while only 17 respondents, representing 16.8%, are willing to take high risks.

The findings show that most respondents are relatively risk-averse. This may be related to limited investment experience, young age, low income, or uncertainty about market behaviour.

A low risk tolerance is not necessarily negative. However, investors should select investments according to their actual risk capacity and financial objectives.

6.2 Investment Based on Rumours and Tips

The study also examined whether respondents had invested based on market rumours or tips. According to the reported results, 75.5% of respondents did not rely on rumours or tips, while 24.5% admitted that they had invested based on such information.

The findings suggest that most respondents prefer to avoid speculative or unverified information. However, the fact that almost one-fourth of respondents have acted on rumours or tips demonstrates the continuing influence of informal information sources.

Investors should verify information through reliable sources before making investment decisions.

6.3 Emotional Influence on Investment Decisions

The role of emotions is one of the most important findings of the study. Fifty-nine respondents, representing 59.4%, stated that emotions such as fear and greed always affect their investment decisions.

Thirty-six respondents, or 33.3%, reported that emotions sometimes influence their decisions. Only 7 respondents, representing 7.3%, reported that emotions do not affect their investment decisions.

The results clearly demonstrate that emotional factors play a significant role in investor behaviour.

Fear can cause investors to sell investments during market declines, even when the long-term fundamentals remain strong. Greed can encourage investors to take excessive risks or invest during periods of market optimism.

Developing emotional discipline is therefore essential for successful investing.

7. Investment Horizon and Investor Satisfaction

7.1 Investment Time Horizon

The study examines whether respondents prefer long-term or short-term investments. Based on the reported interpretation, a larger proportion of respondents prefer short-term investment, while the remaining respondents prefer long-term investment.

The preference for shorter investment horizons may be related to the young age and limited experience of many respondents. New investors may be attracted to quick gains and frequent market activity.

However, investors should select the investment horizon according to their financial objectives and risk capacity. Long-term investment may be more suitable for goals such as retirement, wealth accumulation, and future financial security.

7.2 Satisfaction with Investment Returns

The findings show a generally positive level of satisfaction among respondents.

Forty-six respondents, representing 44.6%, are satisfied with their investment returns. Thirty-four respondents, or 33.6%, are highly satisfied.

Thirteen respondents, representing 12.9%, are neutral, while only 9 respondents, or 8.9%, are dissatisfied.

Overall, 78.2% of respondents are satisfied or highly satisfied with their investment returns.

This indicates that most respondents have a positive perception of their investment experience. However, satisfaction may be influenced by recent market performance and should not be considered a direct indicator of long-term investment success.

7.3 Willingness to Recommend Stock Market Investment

The study reveals a strong positive perception toward stock market investment. Eighty-eight respondents, representing 86%, stated that they would recommend stock market investment to others.

Only 14 respondents, or 14%, stated that they would not recommend it.

The findings suggest that most respondents view stock market investment positively. Satisfaction with returns, wealth creation opportunities, and greater awareness of market participation may contribute to this perception.

However, recommendations should always consider the risk profile and financial circumstances of the individual investor.

10. Major Findings

The major findings of the study are as follows:

- The majority of respondents are between 21 and 25 years of age.
- Female respondents constitute a slightly higher proportion of the sample.
- Most respondents are graduates or postgraduates.
- Students form the largest occupational category.
- A large proportion of respondents have no regular income or earn below ₹25,000 per month.
- Most respondents have less than one year of stock market investment experience.
- Equity shares are the most preferred investment option, followed by SIPs.
- Wealth creation is the primary objective of investment.
- Self-analysis is the most common method of investment decision-making.
- Friends and family continue to influence the decisions of a significant number of respondents.
- Most respondents have low or moderate risk tolerance.
- A majority of respondents report avoiding market rumours and tips.
- Fear and greed strongly influence investment decisions.
- Most respondents are satisfied or highly satisfied with their current investment returns.
- A large majority of respondents would recommend stock market investment to others.

11. Suggestions

11.1 Strengthen Financial Literacy

Educational institutions and financial organizations should conduct regular financial literacy programs. Young and beginner investors should receive practical knowledge about risk, return, diversification, and financial planning.

11.2 Promote Research-Based Investment

Investors should be encouraged to make decisions based on financial analysis and reliable information rather than rumours, tips, or social media trends.

11.3 Create Awareness of Behavioural Biases

Investor education programs should explain behavioural biases such as overconfidence, herd behaviour, loss aversion, and emotional investing.

11.4 Encourage Goal-Based Investing

Investments should be connected to specific financial goals such as wealth creation, retirement, education, and income generation.

11.5 Develop Emotional Discipline

Investors should avoid making immediate decisions during periods of fear or market excitement. A written investment plan can help maintain discipline.

11.6 Promote Regular Investment Habits

Systematic investment methods can help investors develop financial discipline and reduce emotional decision-making.

11.7 Encourage Diversification

Investors should avoid placing all their funds in a single investment. Suitable diversification can reduce overall investment risk.

11.8 Promote Professional Guidance

Beginner investors should seek reliable professional guidance where appropriate, especially when making complex financial decisions.

11.9 Integrate Financial Education into Academic Programs

Basic concepts of saving, investment, risk, return, budgeting, and financial planning should be introduced in educational programs.

11.10 Promote Continuous Investor Education

The financial market changes continuously. Investors should regularly update their knowledge through reliable sources and educational programs.

CONCLUSION

Investor behaviour is an important area of study because investment decisions directly influence individual financial well-being and the development of the capital market. The present study examined the behaviour of investors in the Indian stock market by analysing demographic characteristics, investment preferences, investment objectives, risk tolerance, decision-making methods, emotional factors, and satisfaction with investment returns.

The findings show that the respondent group is dominated by young and educated individuals, with students forming the largest occupational category. Most respondents are relatively new to stock market investment. This indicates growing interest among young individuals in financial markets and investment opportunities.

Wealth creation is the main investment objective, while equity shares and SIPs are the preferred investment avenues. The popularity of these investments indicates a shift toward market-linked investment opportunities.

The study also demonstrates that investor behaviour is influenced by more than financial factors. Although most respondents report using self-analysis, social influence remains important. Advice from friends and family affects a significant proportion of investors.

Risk tolerance among respondents is generally low to moderate. This indicates a preference for balancing investment opportunities with financial safety.

The influence of emotions is particularly significant. Most respondents admit that fear and greed affect their investment decisions. This finding supports the importance of behavioural finance in understanding real investor behaviour. Investors may possess financial information but still make irrational decisions because of emotional reactions.

The study further shows that most respondents are satisfied with their investment returns and have a positive perception of stock market investment. A large majority are willing to recommend stock market investment to others.

Overall, the study concludes that investor behaviour in the Indian stock market is influenced by demographic, economic, psychological, emotional, and social factors. Improving financial literacy alone may not be sufficient. Investors also require awareness of behavioural biases, emotional discipline, risk management skills, and the ability to distinguish reliable information from speculation.

Continuous investor education, disciplined investment practices, diversification, goal-based financial planning, and research-based decision-making can help investors improve their financial behaviour and achieve better long-term investment outcomes.

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