Factors Influencing Investment Decision to Invest in a Stock Market: A Survey of Individual Investors across Delhi NCR Region

Sugandha Sharma[1], Dr. Bhavneet Kaur[2], Gaurav Dureja[3], Shivam Soni [4]

[1]Assistant Professor, Jagan Institute of Management Studies, Rohini.
[2]Professor, Jagan Institute of Management Studies, Rohini.
[3,4] PGDM Student, Jagan Institute of Management Studies, Rohini.

Abstract

The study aims to identify factors that influence Investment decision of individuals to invest in a stock market. Three factors i.e natural events, social factors, economic environment factor are used as independent variables while investment decision in stock market taken as dependent variable . This study is fully relied on primary sources of data and a sample of 98 individual investors has been collected through convenience sampling. The structured questionnaire survey was conducted to record which factor affects most while investing in stock market. Regression and correlation analysis was used as statistical tool. The statistically significant model obtained in this study, revealed that the independent variables accounted for 35.6% of the variation in dependent variable. Out of these, Economic Environment Factors and Social Factors turned out to be a significant on depicting influence on the dependent variable considered. Further results highlighted that natural events factors is least influencing factors. the study also a suggest a future research for investment decision making and also propose many useful practical implications to the potential investor and policy maker.

Key words: Individual investor, Investment Decision, Social Factor, Natural events, Economic environment factor, Stock Market

Introduction:

Investing in stocks means that you own a piece of a company that you buy a stock in. As the company grows, you can expect the stock to deliver a return on your investment.Historically, the stock market has delivered generous returns to investors over time, but it also goes down, presenting investors with the possibility of both profits and loss, for risk and return.According to data from the National stock exchange (NSE), there are 1.2 crore active investors in India, a country of 138 crore people, in the financial year 2022. Even though this number is rising and better from the previous data, investing in stock markets still remains as a stigma for many. There are many factors that can affect an individual's decision to invest in the equity market. One factor is risk tolerance. Some people are naturally more risk-averse than others and may be hesitant to invest in stocks or other equities because of the potential for losses. Other individuals may be more comfortable taking risks and may be more likely to invest in equities because of the potential for higher returns (Panga and Malpani 2018). Another factor is financial knowledge and experience. Individuals who have a good understanding of how the equity market works and how to analyze stocks may be more likely to invest in equities than those who lack knowledge or experience in this area (Zaidi and Tahir, 2019). Accounting information displays the true position of the company. The Accounting information published by company helps to decide whether to invest in company or not Now it become necessary to the listed company to display the accounting information monthly quarterly and yearly and In the Modern era access to the information become easy. In other words, Quality of accounting information attract many investors to invest in company and poor-quality information bring out adverse effects on investment decision on investor Adhikari (2020), Joshi and Batra (2017),Zaidi and Tahir (2019) and Somathilake (2020) found that individual investor invest more in companies which have more clear accounting information. "Nifty earnings are set to grow 25 per cent YoY in Q1FY24," says Sneha Poddar, AVP,

Research, Broking and Distribution, Motilal Oswal Financial Services. "The profitability of oil marketing companies (OMCs) is likely to surprise the market, as it is anticipated to surge to `40,500 crore during the quarter from a loss of `1.85 lakh crore a year ago," she says. Excluding OMCs, Poddar adds, Nifty companies' earnings should rise 11 per cent YoY, while the operating profit margin (excluding OMCs and financials) is likely to expand 110 basis points YoY, "driven by a sharp decline in commodity prices". According To Gill et al. (2018) and Riaz et al(.2020) both found in their studies that Economy expectation is a significant variable that has a positive influence on investment decision making in the stock market. Their findings suggest that investors should consider expectations for the future economy when making investment decisions.

As per research conducted by Singh and Yadav (2016) the variable recommendation from experts and friends turned out to be not significant Because we cannot fully rely on friends for advice because what is best suited for them may be not best suited for you . Because it is necessary to assess your needs, investment objective, risk profile, the financial goals you'readdressing.

This paper attempts to examine the various factors that can affect an individual's decision to invest in the equity market. We will explore the role of risk tolerance, financial knowledge and experience, access to information and resources, personal goals and priorities, and other key factors. We will also analyse the impact of these factors on investment decisions and explore potential strategies for increasing investment in the equity market.

Through a comprehensive literature review and data analysis, this paper aims to provide a better understanding of the complex factors that influence investment decisions in the equity market.

Literature Review

An empirical analysis of the factors influencing individual investors in the Indian stock market conducted by Kanojia et al. (2018) took independent variables as overconfidence, disposition effect, representative bias, cognitive dissonance, herd behavior, culture and mood. Kanojia et al. (2018), Cao et al. (2021) & Jain et al. (2022) took the variable herding behaviour. however only, in Cao et al. (2021) research herding behaviour turned out to be significant. However other author said that there was no influence of herding behaviour on decisions of investors.

Obamuyi (2013), Singh and Yadav (2016) took the variable Recommendation from financial experts and experts in their research study.in research study of Obamuyi (2013), Riaz et al. (2020) the variable turned out to be a significant one depicting its influence on the dependent variable, Obamuyi (2013), Riaz et al. (2020) took rumour as independent variable in their research.

However, in both the studies rumours as a variable turned out to be not significant. Obamuyi (2013), Riaz et al.(2020) considered the independent variable past performance of firm stock relevant in their research. As a result, Riazet al.(2020) research showed past performance of firm stock as a significant factor which influences the decision to invest in stock market while in Obamuyi (2013) research past performance of firm stock was not considered as a significant variable.

A study conducted by Obamuyi (2013) considered the following results indicate that the most influencing factors on investment decisions of investors in Nigeria are past performance of the company's stock, expected stock split/capital increases/bonus, dividendpolicy, expected corporate earnings and get-rich-quick. Also, the have least influencing factors include religions, rumours, loyalty to the company's products/services, opinions of members ofthe family and expected losses in other investments. This study stands that the socio-economic characteristics of investors (age, gender, marital status and educational qualifications) statistically and significantly influenced the investment decisions of investors in Nigeria. Gill et al. (2018) and Riaz et al.((2020) considered the independent variable economy expectation relevant in their research. As a result, both the research of Gill et al.(2018) and Riaz et al. (2020) showed the variable economy expectation as a significant variable. Also, this research showed that these variables have a positive influence on decision making.

According to Joshi and Batra (2017) investors prefer to invest for long term in stock market than short term investment. Their major source of investment is electronic media broker through who they used to transaction. This study also revealed that Investors used to consider financial performance of the company through P/E Ratio and EPS with company's prestige for selecting company while investing. Panga and Malpani (2018) study uses convenient sampling method to select 297 respondents fmIndore city and it was observed that the decisions to invest in financial market are influenced by some economic and behavioral factors. Joshi and Batra (2017), Zaidi and Tahirand Adhikar (2020), Considered accounting information asanin dependent variable in their research. However, in all the research accounting information turned out to be significant. Also, the research showed that accounting information influenced the most in investment decision in stock market. In Nepal a

study by Rana (2019) found that among the six factors (Earnings and Image Factors, Corporate Governance and Positioning Factors, Goodwill and Market Share Factors, Industry Competition and Size Factors, Fundamental Market Factors, and Decision-Making Factors) extracted, Fundamental Market Factors have high relative importance as perceived by the sample investors. A study connected by Pangaand Malpani (2018)considered the variable as knowledge of financial market, fear of risk, awareness, perception, andtime availability of time avenue. An empirical analysis done by Joshi and Batra (2017) tokthe factors as industrial growth rate, p/e ratio, eps, company prestige, GDP, government policy related to industry. Rana (2019) conducted research with variable asgender, marital status, academic qualification, age, group, occupation. And gender turned to be significant. Kengathan (2019) carried research with independent variables as past performance of the firm, company stability, firm goodwill, dividend paid, expected earning expected dividend, maximizing profits/return. Zaidi and Tahir (2019) went for a study including the variables as accounting information, personal financial needs, investment decision making, firm image coincidence.

A Study By Kengatharan (2019)found that socio-economic characteristics of investors (age, gender, marital status, educational qualifications and monthly income) have a statistically significant impact on the investment decisions of individual investors further thisstudy observed the least influencing factor that effect the investment decision are opinions of firm's majority stockholders, easy to obtain borrowing funds, diversification needs, friends/co-workers 'opinions, forms governing body and social status.

Zaidi and Tahir(2019) investigated the factors influencing individual investor behavior in Malaysia and study reveals that there is positive relationship between accounting- information, firm-image coincidence and personal- financial-needs in investment decision making. He also found that between these three behavioral factors, accounting- information, firm- image coincidence and personal financial-needs, the main influential factor is accounting-information.

Singh & Yadav (2016) research reveals that investors should as far as possibly try to make fundamental, technical, and financial analysis before investing in the shares. Further it also analysis gender plays an insignificant role and reveals that Investors whether male or female, should look in all avenues while investing their funds in different assets. A study by Somathilake on Factors Influencing Individual Investment Decisions in Colombo Stock Exchange (2020) reveals that both neutral information and advocate recommendation influence the individual investment decision, but they do not much consider about accounting information. Somathilake (2020) conducted research with independent variables as accounting information, neutral information, advocate recommendation.

An empirical analysis done by Caoet al. (2021) considered independent variable as Heuristic, prospect variables, market variable, and lastly herding variables.

Riaz et al.(2020)studied the Stock Market Investors' Behavior in Covid-19 (2020)and it was observed that most influencing variables are "recommendations of Brokers and Family/Friends, Opinions of majority shareholders Get rich Quick, Loss Aversion" and "Fear of losing".

Research Model

The objective of this paper is to invest in the equity market could be to identify and analyze the various factors that influence people's decision-making when it comes to investing in stocks. The paper could aim to provide a comprehensive understanding of the different variables that impact investors' behavior and their investment decisions. Overall, the objective of the research paper should be to provide a holistic view of the various factors that impact an individual's decision to invest in the equity market and to suggest strategies that can help investors make informed decisions.

The research is empirical in nature and a sample of 98 individual investors has been collected through convenience sampling. This study fully relied on primary sources of data. The structured questionnaire survey was conducted from March 15, 2023 to April 1 2023 to record the opinions, perceptions, and characteristics of investors of stock market. The survey was designed to understand the opinions of respondents as how they perceive different factors affecting their investment behavior. Both demographic and psychographic questions have been included in the questionnaire to effectively assess the intentions and attitudes of youth.

Data Analysis
Demographic profile of the respondents

Table 1 (Demographic Data: Gender)

		Frequency	Percent	Valid Percent	Cumulative
Valid	Male	81	82.7	82.7	82.7
	Female	17	17.3	17.3	100.0
	Total	98	100	100.0	

According to Table 1, out of 98 respondents, there are 81 males and 17 females.

Table 2 (Demographic Data: Age)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**18-25**	51	52.0	52.0	52.0
	26-35	34	34.7	34.7	86.7
	36-45	9	9.2	9.2	95.9
	46-60	2	2.0	2.0	98.0
	ABOVE 60	1	1.0	1.0	99.0
	LESS THAN 18	1	1.0	1.0	100.0
	Total	98	100.0	100.0	

Interpretation

From the data collected from 98 respondents, 52 % of total respondents belong to the age group of 18-25 years followed by 26-35 age group which have total of 34 respondents. (Table 2)

\

TABLE 3 (Demographic Data: Educational_Qualifications)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**LESS THAN HIGH SCHOOL**	10	10.2	10.2	10.2
	HIGH SCHOOL OR EQUIVALENT	18	18.4	18.4	28.6
	DIPLOMA	56	57.1	57.1	85.7
	HIGH DIPLOMA	13	13.3	13.3	99.0
	GRADUATE DEGREE	1	1.0	1.0	100.0
	Total	98	100.0	100.0	

_____

Interpretation

From the above table, it can be viewed that the majority of respondents are diploma holders.

Table 4 (Correlation analysis)

		EPP_Variable	SF_Variable	NE_Variable	Rate your Willingness to invest in stock market
EPP_Variable	Pearson correlation	1	.558**	.654**	.533**
	Sig. (2-tailed)		.000	.000	.000
	N	98	98	98	.98
SF_Variable	Pearson correlation	.558**	1	.497**	.487**
	Sig. (2-tailed)	.000		.000	.000
	N	98	98	98	98
NE_Variable	Pearson correlation	.654**	.497**	1	.487**
	Sig. (2-tailed)	.000	.000		.000
	N	98	98	98	98
Rate your willingness to invest in stock market	Pearson correlation	.553**	.533**	.487**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	98	98	98	98

Interpretations:
Table 4 shows that the Pearson Correlation between the variables is hovering around 0.5 or more. This represents moderate correlation between the variables . This Correlation was found to be positive and significant at 0.01.

Table 5 (Regression Analysis)
Model Summary [b]

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate	R Square Change	F Change	df1	df2	Sig F Change	Durbinwatson
1	.596[a]	.356	.335	.940	.356	17.291	3	.94	.000	2.004

    a. Predictors:(Constant), NE_VARIABLE,SF_VARIABLE,EPP_VARIABLE

    b. Dependent Variable: Rate Your Willingness To Invest in Stock Markket

Interpretations:
The Model summary shows that 33.5 % of the variation in the dependent variable is caused by the independent variables considered in this model. (Table 5)

_____

Table 6 (Regression analysis: Anova)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	45.807	3	15.269	17.291	.000[b]
Residual	83.009	94	.883		
Total	128.816	97			

Interpretation

The ANOVA table shows that the value of the adjusted R Square is Significant (.000 < .05) and hence the model is significant.

Table 7 (Coefficients[a])

Model	Unstandarlized b	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
1 (Constant)	.844	.504		1.676	.097
EPP_VARIABLE	.335	.141	.277	2.369	.020
SF_VARIABLE	.309	.132	.239	2.341	.021
NE_VARIABLE	.247	.148	.187	1.673	.098

a: Dependent variable_Rate your willingness to invest in stock market

Interpretation:

From the above table, we have concluded the EPP_Variable and SF_Variable are having a significant value of less than 0.05. Thus, we can infer that EPP_VariableandSE_Variable are significant in influencing the willingness of investors to invest in the stock market.

Table 8 (Cronbach alpha analysis)

	No.of items	Alpha variable
EPP_VARIABLE	.777	3
NE_VARIABLE	.659	3
SF_VARIABLE	.885	4

Interpretation

In the above table the Cronbach Alpha value shows that scale is strongly reliable.

Conclusion

This study was conducted to find out the factors that have an influence on the investment decision of the investors while they opt for (or do not opt for) investing in stock market. The influencing factors were filtered through literature and were built into a primary study. The investors based in geographical area of Delhi NCR was chosen. From the above table, we have concluded the EPP _variable and SF_Variable are having   a significant value of less than 0.05. Thus we can infer that EPP_Variable and SF_Variable are found to be significant.

According to Riaz et al.(2020) , Obamuyi (2013) , Singh and Yadav (2016) took the variable Recommendation from financial experts and experts which are SF_Variable in their research study. Also in research study of Riaz et al. (2020) , Obamuyi (2013) the variable turned out to be a significant one depicting its influence on the dependent variable considered. However in study of Singh and Yadav (2016) the variable Recommendation from financial experts and experts turned out to be not significant.   Also Gill et al. (2018) and Riaz et al. (2020) considered the independent variable economy which in our paper is named by EPP_Variable , relevant in their researches. As a result both the researches of Gill et al. (2018) and Riaz et al. (202) showed the variable

_____

economy expectation as a significant variable. Also, these both research showed that these variable have a positive influence on decision making.

The implications of the study extend to the various mediators in the field of stock market like brokers, venture consultants, financial advisors etc. yet the financial institutions/ monetary institutions can also be benefited from the results of this paper as they can pinch their speculation and banking items,which might incorporate control in the current and future loan cost

References
[1] Adhikari, P. L. (2020). Factors influencing investment decisions of individual investors at Nepal stock exchange. Management Dynamics, 23(1), 183-198.
[2] Cao, M. M., Nguyen, N. T., & TRAN, T. T. (2021). Behavioral factors on individual investors' decision making and investment performance: A survey from the Vietnam Stock Market. The Journal of Asian Finance, Economics and Business, 8(3), 845-853.
[3] Gill, S., Khurshid, M. K., Mahmood, S., & Ali, A. (2018). Factors effecting investment decision making behavior: The mediating role of information searches. European Online Journal of Natural and Social Sciences, 7(4), pp-758
[4] Jain, R., Sharma, S., Kaur, B., & Agrawal, L. (2022). FACTORS AFFECTING DECISION TO INVEST IN A STOCK MARKET: A SURVEY OF INVESTORS ACROSS DELHI NCR REGION. International Journal of Early Childhood Special Education, 14(5).
[5] Joshi, MC, & Batra, Y.(2017). Factors affecting Investment Decision in Stock Market. In SLS Akoijam, N. Panchal, & WC Singh (Ed.), Business and Competitive Advantage: Creating and Sustaining Ideas to solve Contemporary Issues in Recent Era, 204-209.
[6] Kanojia, S., Singh, D., & Goswami, A. (2018). An empirical analysis of the factors influencing individual investors in the Indian Stock market. Journal of Business and Management, 20(3), 30-37.
[7] Kengatharan, L. (2014). The Influence of Behavioural Factors in Making Investment Decisions and Performance: Study on Investors of Colombo Stock Exchange, Sri Lanka. Asian Journal of Finance & Accounting. 6 (1), 42-81
[8] Obamuyi, T. M. (2013). Factors influencing investment decisions in capital market: A study of individual investors in Nigeria. Organizations and markets in emerging economies, 4(07), 141-161.
[9] Panga, D. M. (2018). and Ajay Malpani, A Study of Factors Affecting Investors' Decision Towards Making Investments in Financial Market. Journal of management, 5(3).
[10] Patil, S., & Bagodi, V. (2021). A study of factors affecting investment decisions in India: The KANO way. Asia Pacific Management Review, 26(4), 197-214.
[11] Rana, S. B. (2019). Factors affecting individual investors' stock investment decision in Nepal. Tribhuvan University Journal, 33(2), 103-124.
[12] Riaz, Samina ; Ahmed, Riaz ; Parkash, Rakesh & Ahmad, Munawar Javed (2020). Determinants of Stock Market Investors' Behavior in COVID-19: A Study on the Pakistan Stock Exchange. International Journal of Disaster Recovery and Business Continuity 11 (3):977-990.
[13] Singh, J., & Yadav, P. (2016). A study on the factors influencing investors decision in investing in equity shares in Jaipur and Moradabad with special reference to gender. Amity Journal of Finance, 1(1), 117-130.
[14] Somathilake, H. M. D. N. (2020). Factors influencing individual investment decisions in Colombo Stock Exchange. *International Journal of Scientific and Research Publications (IJSRP)*, *10*(05), 579-585.
[15] Zaidi, A. Z. A., & Tahir, N. S. H. (2019). Factors that influence investment decision making among potential individual investors in malaysia. Advances in Business Research International Journal, 5(1), 9-21.