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Factors Shaping Investment Decisions of Individual Stock Market Investors in Vishakhapatnam

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Abstract- This study aims to identify key determinants and examine their correlation with investor behavior in the Indian stock market. Utilizing a convenience sampling method, data were collected from 384 respondents through structured questionnaires. Analytical tools such as decision tree analysis and chi-square tests were employed to derive meaningful insights. The findings highlight two pivotal factors shaping investment decisions: the investor's net worth and personal market knowledge. The results suggest that investors with higher net worth tend to exhibit a greater propensity toward risk-taking, while those with substantial market knowledge make more informed and strategic decisions. Other influential elements include friends' opinions, expected returns, and the past performance of companies. The study underscores the importance of personal and fundamental analysis factors in guiding investment behavior. Personal characteristics such as age, gender, risk tolerance, and psychological traits significantly affect decision-making processes. Meanwhile, fundamental analysis parameters like company stability, dividend policies, and interest rates provide essential cues for sharing selection. By integrating these diverse determinants, this research contributes to a holistic understanding of investor psychology and market dynamics. It offers valuable insights for financial advisors and individual investors aiming to optimize portfolio performance.

Keywords: Individual investors, net worth of the investor, stock market, decision tree analysis.

I. INTRODUCTION

The stock market is one of the attractive places for investment decisions among Indian individual investors (Sakshi Jain, 2021). Investment decisions differ from investor to investor because investment choices depend on individual investor goals, the risk tolerance of the investor, individual investor personality, age, sex, and experience in the stock market field (Jeet Singh & Preeti Yadav, 2016). The investment decision typically depends on the personal factors of the investor, the fundamental analysis and the technical analysis of the financial statements of the company. The individual investor made his or her own investment decision or demonstrated professional judgment (Marcel Piotrowski & Christian Bunnings, 2022). The end goal of each investor is to optimize the return on his or her portfolio. Individual investment choices are influenced by a number of factors (Selim Aren & Sibel Dinc Aydemir 2015). These are two types of factors, including personal factors such as investor net worth, individual market knowledge, friends' opinions and return expectations (Le Phuoc Luong & Doan Thi Thu Ha 2011). Second, the fundamental analysis factors are the past performance of the company, the stability of the company, the payment of the company's dividends and current interest rates (Rosemary & Bitrus, 2016; Chavali & Mohanraj, 2016). Prior to investing in the share market, the individual investor must analyze the different types of factors to be taken into account for sharing selection (Letkiewicz & Fox, 2014).

The following are the different types of factors affecting individual investors on investment decisions.

1. Net worth of the investor: The net worth corresponds to the total income of the investor, less the total expenses of the investor or the wealth of the family. The investor's net worth is an important factor in the investment decision, as high net worth means good financial stability for the individual investor. Low net worth refers to low financial stability among investors.
2. Individual Market Knowledge: Market knowledge refers to our ability to evaluate the whole stock market and options from a macroeconomic level (M Rakesh, 2014). Better market knowledge enables us to avoid wrong decisions and optimize our right decisions.

3. Friend's Opinion: The opinion of friends or relatives influences individual investors in-stock selection and stock purchasing behaviour (Megha Batola, 2019; Kadariya, 2012; Sivarajan, 2018).
4. Return expectations: Risk and return are directly linked to one another. Where the investor expects a high return, the investor takes a high risk (Divya Verma Gakhar & Deepti Prakash, 2013; Sivarajan, 2018; Hussein A. H, 2007). If the investor expects a low yield, the investor takes a low risk (Divya et al., 2013). Return is purely risk-based.
5. Past performance of the company: The past performance of the company is used in the basic analysis of the company's financial statements (Obamuyi, 2013; Hussein A. H, 2007; Hoguet, 2005; Talha et al., 2015). No individual investor can invest without analyzing a company's past performance (Mutswenje, 2009; Lingesiya Kengatharan, 2019; Hoguet, 2005; Talha et al., 2015). Past performance provides a clear indication of the company's operations and growth rate from period to period. Thus, the investor, before the investment decision, the past performance of the company has to be considered (Grinblatt & Moskowitz, 2004; Fama et al.,
6. Company stability: The stability of the company is discovered on the basis of the ratio analysis (Baker & Haslem, 1973). Ratio analysis is a quantitative approach that provides a better understanding of a company's liquidity, operational efficiency and profitability by looking at its financial statements (Lingesiya Kengatharan, 2019). It is helpful for investors to estimate the company's future earnings.
7. Dividend payment by the company: The dividend affects the investor's interest in the investment (Azam & Kumar, 2011). Investors continue to expect high dividends from the business. If the company is able to meet investors' expectations, investors are ready to invest (Lingesiya Kengatharan, 2019; Baker & Haslem, 1973)). In this way, the company's dividend payment also influences the investment decision factor.
8. Current interest rates: The interest rate represents the expense incurred for utilising another individual's capital. Elevated interest rates are expected to adversely affect the stock market. Contemporary interest rates influence an individual's investment choices. (Megha Batola, 2019).

II. REVIEW OF LITERATURE

In one of the early and foundational studies, Al-Tamimi (2005) examined the behavioural patterns of individual investors in the UAE financial markets. The study identified six dominant determinants shaping investment decisions, such as the allure of get-rich-quick schemes, marketability of stocks, historical performance, government holdings, and the presence of organised financial markets. These findings highlighted how psychological expectations, combined with market structure, influence investment preferences in emerging financial environments. Expanding the lens to South Asia, Kadariya (2012) conducts a study on the determinants influencing investor decision-making in the Nepalese capital market. The researcher chose a sample of 185 investors and employed the investor survey methodology. The research indicated that capital structure and average pricing techniques significantly influence investment decisions. Secondly, interest from political entities and the media. The third factor is confidence in fortune and financial literacy, while trend analysis constitutes the fourth aspect of stock market movements. It is therefore argued that both tangible and intangible knowledge are essential for success in the Nepalese capital market. Similarly, in the Nigerian context, Obamuyi (2013) conducted a study involving 297 investors to understand the interaction between socio-economic attributes and investment decisions. His findings underscored the influence of firm-specific factors such as historical share performance, expected bonuses, dividends, and corporate profitability, along with socio-demographic factors like age, gender, marital status, and educational qualifications.

A growing interest in the demographic influences on investment behaviour further enriched this discourse. For instance, Sadiq and Ishaq (2014) analysed how demographics affected investor risk tolerance in Pakistan, concluding that education, income, and investment experience played a significant role, while gender, occupation, and family size were less influential. In Sri Lanka, Udeepa (2014) investigated investor behaviour within the Colombo Stock Exchange; a total of 162 respondents was chosen by a convenience sampling approach, and data were collected using a structured questionnaire. The historical success of the company's shares, anticipated profitability, dividend policy, rapid wealth accumulation, and the company's marketability were recognised as the most significant aspects. This study also identified some less influential elements, including religious motivations, gossip, brand loyalty, government ownership of the corporation and insider information. This study shown that the demographic features of investors—such as age, gender, marital status, monthly income, and educational qualifications—significantly impacted the investing decisions of individual investors. Further contributions came from Nepalese researchers like Pokharel (2018), investigated the determinants affecting the investing choices of individual investors in the Nepalese stock market. This study employs the methodology utilised to gather data from the investor opinion survey. This analysis demonstrated that broker recommendations and fluctuations in the NEPSE index are the most significant determinants. Daily news and market mood are regarded as the least impactful aspects. Sarbabidya and Saha (2018), conducted a study on factors affecting investing decisions in the Bangladesh stock market. This study analysed 25 elements that affect the choice to invest in the stock market in Bangladesh. This study finally found that out of 25 criteria, risk tolerance, true accounting information, historical and present stock performance, earnings per share, GDP and macroeconomic difficulties have highly significant effects on investing decisions in the Bangladesh stock market. Kengatharan (2019) added to the Sri Lankan perspective by studying investors in the Northern Province. The research encompasses five districts, with data gathered from a sample of 272 individual investors. The study reaffirmed the significant influence of socioeconomic characteristics—highlighting the consistent role of personal demographics in shaping investment attitudes across diverse socio-political contexts.

More recently, Adhikari (2020) analysed the determinants affecting the investment choices of individual investors at the Nepal Stock Exchange. The research encompassed all 214 replies from retail investors. The findings of this study indicate that accounting information is paramount, followed by branding, promotional information, neutral information, and personal financial requirements as significant influencing variables for individual investors.

III. PROBLEM OF THE STATEMENT

The stock market is the place where individual and institutional investors come together to purchase and sell shares in a public place. There are many stock exchanges in India. But out of these Bombay Stock Exchange and National Stock Exchange are popular. Nowadays, those exchanges exist as electronic platforms. An investor is anyone or entity that engages capital in the hope of receiving financial returns. Investors are generally classified into two categories: risk-tolerant investors and risk-averse investors. Risk is almost the same as investing, particularly in the stock market. However, not everyone can handle the same risk, and this could lead to unfortunate outcomes, such as the sale of securities at the wrong time, creating panic. As such, individuals should have a concrete understanding of their risk tolerance prior to making investments of any kind. Risk-tolerant investor means the willingness and ability of a person to undergo short-term volatile market conditions (Davey, 2006; Garman & Forgue, 2011; Grable, 1997). If an investor chooses higher yields to the detriment of the security of the investment amount, he/she has a high-risk tolerance (M. Kannadhasan, 2015). Risk-averse investors are those who prefer lower returns with known risks rather than higher returns with unknown risks. As a matter of fact, both types of investors are at risk. So, any investor, before investing in the stock exchange, must analyze certain factors. This research paper helps those who invest in the stock market.

IV. OBJECTIVES OF THE STUDY

1. To ascertain the principal elements that affect individual investors' investing decisions in the Vishakhapatnam stock market in India.
2. To provide recommendations and insights for individual investors, financial advisors, and policymakers based on the study's findings.

V. HYPOTHESISES OF THE RESEARCH

H_{01}: There is no significant relationship between marital status and Individual Market Knowledge.

H_{02}: There is no significant relationship between marital status and Net worth of the Investor.

VI. METHODOLOGY

The present study utilized both primary and secondary data to achieve its objectives. Primary data were collected through a well-structured questionnaire, which consisted of two sections: one focused on demographic questions and the other on factors influencing investment decisions. The researcher approached full-time investors of various ages and genders, either in person or electronically, and invited them to participate in the survey. The study was conducted in Visakhapatnam City. Since the shareholders of the city is infinite or unknown, the researcher selected a sample size of 384. The minimum required sample calculation is provided below.

Sample calculation when the population is infinite

When the population is uncountable, then, $n = \frac{N \times z^2 \times \hat{p}(1-\hat{p})}{\epsilon^2(N-1)+z^2(\hat{p}(1-\hat{p})}$

Where,

N = 100000

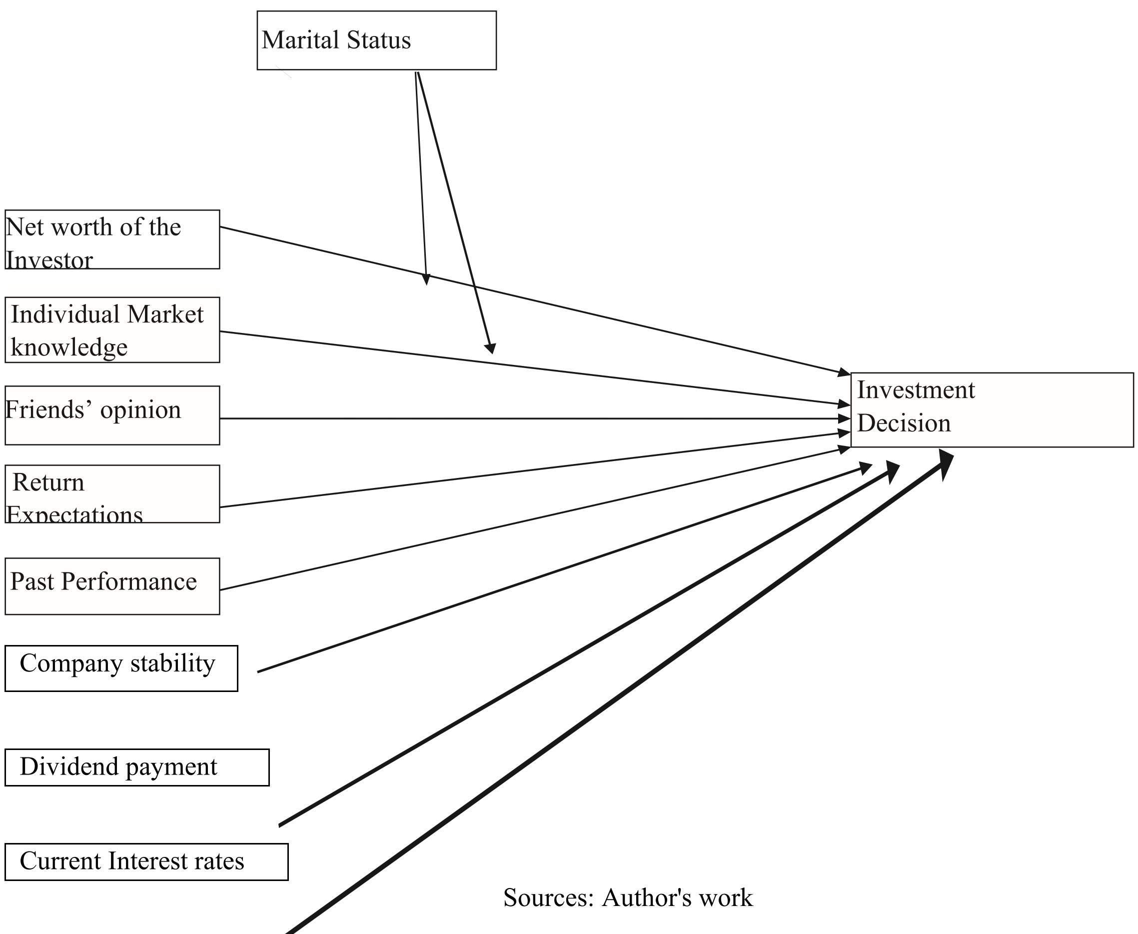
z is the z score = 1.96 for 95% confidence level

$\hat{p}$ is the population proportion = 0.5

ϵ is the margin of error = 0.05

$$\text{Then } n = \frac{100000 \times 1.96^2 \times 0.5\ (1-0.5)}{0.05^2(99999)+1.96^2 \times 0.5\ (1-0.5)} = 384$$

The primary data were gathered using a convenient sampling technique. Additionally, secondary data were sourced from websites, journals, and books. To analyze the data, the researcher employed a decision tree model and the chi-square test using SPSS software. This study posits marital status as a moderator in the proposed conceptual model as depicted in Figure 1.



Sources: Author's work

Figure 1: Conceptual model of the study

VII. DISCUSSIONS

7.1. Demographical Characteristics of the Respondents

The demographical characteristics of the respondents in the Vishakhapatnam city are presented in Table 1 below.

Table 1. Investors' Demographical Characteristics

Variable	Investors' Grouping (n=384)	Frequency	Percent
Gender	Male	282	73.5
	Female	102	26.5
Age	Up to 25 years	73	19.0
	26-35 years	221	57.5
	36-45 years	59	15.3
	46-55 years	18	4.6
	56 years and more	13	3.3
Marital status	Single	278	72.3
	Married	106	27.6
Educational Qualification	SSC	13	3.3
	Intermediate	84	21.8
	UG	137	35.6
	PG and	119	30.9
	Ph.D and others	31	8.0
How much money do you earn per month	Up to 25,000	149	38.8
	25,000-50,000	154	40.1
	50,000-1,00,000	59	15.3
	Above 1,00,000	22	5.7

Sources: Primary data

The demographic analysis reveals that the majority of investors in the study are male (73.5%), with females comprising only 26.5% of the sample. Most investors fall within the age group of 26-35 years (57.5%), followed by those aged up to 25 years (19%). This indicates that younger individuals, particularly men, are more engaged in full-time investment activities. Additionally, a significant portion of the respondents (72.3%) are single, which suggests that financial independence or fewer family obligations might contribute to active investment participation.

In terms of education, 66.5% of investors have completed undergraduate or postgraduate studies, highlighting the influence of higher education on investment decisions. Income levels show that a majority of the respondents earn between ₹25,000 and ₹50,000 per month (40.1%), followed by those earning up to ₹25,000 (38.8%). This suggests that middle-income groups are the most active in investments, likely balancing financial goals with day-to-day expenses. Overall, the findings emphasize the need to encourage investment participation among women, older age groups, and individuals with lower income or education levels.

7.2. Results of the Decision tree and Chi-square of Factors Affecting Investors' Investment Decisions

Table 2 displays the descriptive statistics for the study variables. The factors affecting investor's investment intention variables are based on a five-point scale (1 strongly disagree; 5 strongly agree).

Table 2-Decision tree and Chi-square of Factors Affecting Investors' Investment Decisions

Tree Table													
	Married		Single		Total				Primary Independent Variable				
Node	N	Percent	N	Percent	N	Percent	Predicted Category	Parent Node	Variable	Sig.	Chi-Square	df	Split Values
0	106	27.6%	278	72.4%	384	100.0%	Single						
1	92	100.0%	0	0.0%	92	24.0%	Married	0	Individual Market Knowledge	.000	317.304	1	4.0
2	14	4.8%	278	95.2%	292	76.0%	Single	0	Individual Market Knowledge	.000	317.304	1	5.0
3	0	0.0%	141	100.0%	141	36.7%	Single	2	Net worth of the Investor	.002	13.731	1	4.0
4	14	9.3%	137	90.7%	151	39.3%	Single	2	Net worth of the Investor	.002	13.731	1	5.0
Growing Method: QUEST Dependent Variable: Marital Status													

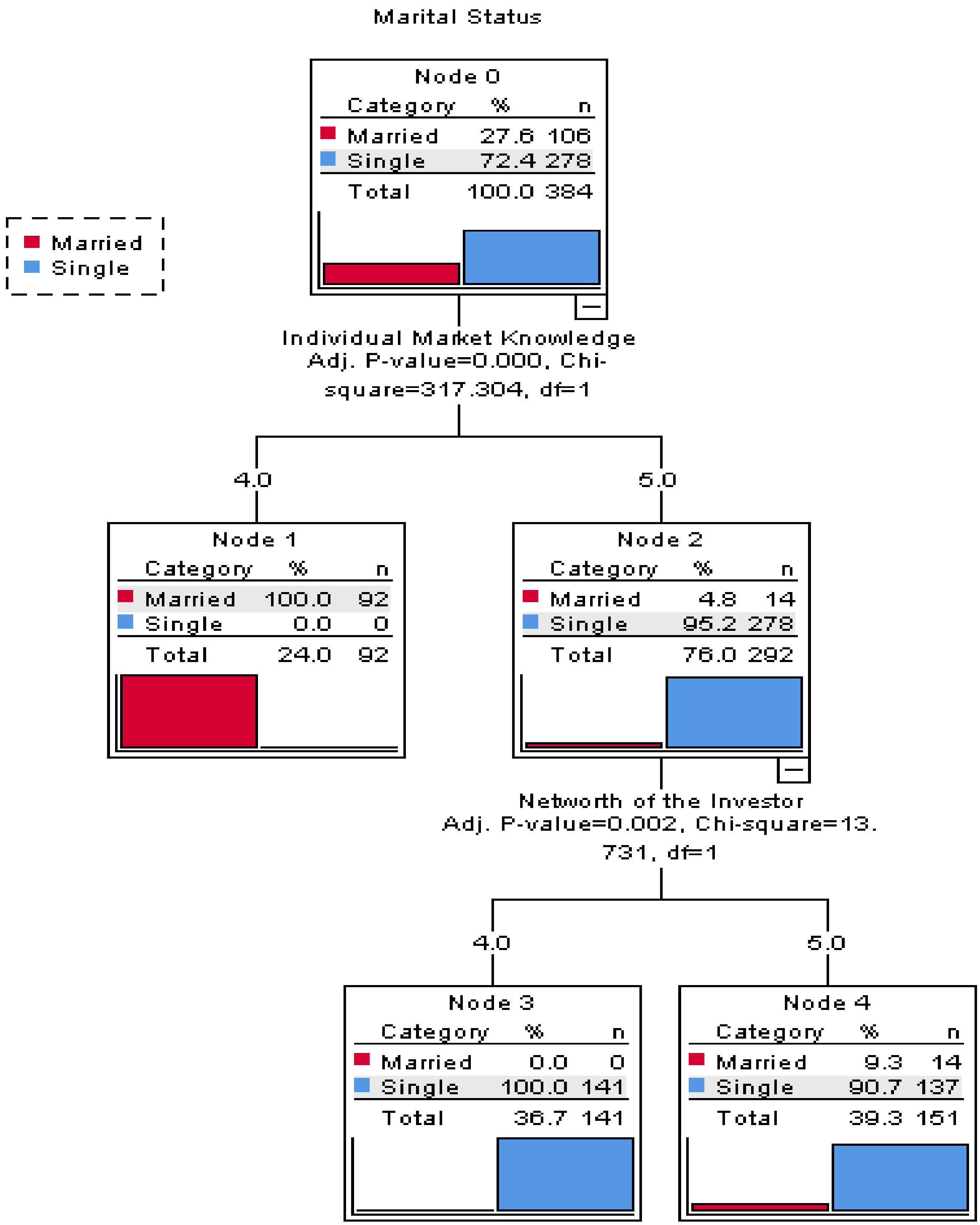
Sources: Primary data

The QUEST method's decision tree analysis provides insights into the relationship between marital status and key independent variables. The dependent variable, marital status, is categorized as "Married" and "Single." The study reveals that out of the 384 respondents, 27.6% (106) are married, while 72.4% (278) are single.

The decision tree splits the data based on the primary independent variable, Individual Market Knowledge, which is highly significant ($p = .000$, Chi-Square = 317.304, df = 1). The first node divides the population, with Node 1 consisting entirely of married individuals (100%), while Node 2 contains 95.2% single investors. Further splits at Node 2 are influenced by the Net Worth of the Investor ($p = .002$, Chi-Square = 13.731, df = 1), creating two branches: Node 3, where all investors (100%) are single, and Node 4, where 90.7% are single, and 9.3% are married. These splits highlight the significant role of market knowledge and net worth in determining investment behavior based on marital status.

Decision Tree Representation of Findings

The decision tree presented in the figure provides a logical flow of the analytical insights discussed above. It visually captures the segmentation process and highlights the progressive role of variables like Individual Market Knowledge and Net Worth in distinguishing between marital groups. By examining the splits and their corresponding proportions in the nodes, the figure reinforces the statistical outcomes and aids in understanding how these predictors shape marital status as a dependent variable. This visual representation enhances the clarity and accessibility of the analysis, bridging the gap between numerical results and practical interpretation.



Sources**:** Primary work in SPSS

Figure 2. Decision Tree of Factors Influencing Investors' Investment Decisions

This decision tree highlights the hierarchical relationships and significance of factors like Individual Market Knowledge and Net worth of the Investor in predicting marital status. In the decision tree provided, only two independent variables (Individual Market Knowledge and Net worth of the Investor) were used in the splitting process to predict the dependent variable (marital status). The remaining independent variables were either:

1. Not significant: These variables did not show a statistically significant relationship with the dependent variable (marital status) at any stage of the decision-making process. As a result, they were not included in the tree.
2. Less impactful: These variables might have been relevant but contributed less to the predictive power of the model compared to Individual Market Knowledge and Net worth of the Investor. Decision tree algorithms typically choose the most impactful variable for each split based on metrics like Gini impurity or entropy.

VIII.. CONCLUSION

This study reveals the complex and multidimensional nature of investment behavior among retail investors. The analysis underscores that investment choices are profoundly emphasizes that individual investment decisions are shaped by a range of personal characteristics, including net worth, financial literacy, risk tolerance, and demographic factors such as age and investment experience (Barber & Odean, 2001; Statman, 2004). The research findings emphasize that among these, the net worth and personal market knowledge of investors emerged as the most influential factors. Investors with higher net worth tend to exhibit greater confidence and risk-bearing capacity, which often translates into more diversified and proactive investment strategies (Grable & Joo, 2004). In contrast, individuals with limited financial awareness tend to adopt conservative approaches, favouring low-risk assets or traditional investment avenues (Lusardi & Mitchell, 2014).

Furthermore, this research contributes to the growing body of literature emphasizing the necessity of personalized financial planning and investor profiling (Van Rooij, Lusardi, & Alessie, 2011). This paper holds substantial implications for the development of region-specific financial literacy programs in semi-urban markets like Visakhapatnam. While national-level policy efforts exist to improve financial inclusion, localised interventions such as workshops, community-based investor awareness programs, and vernacular content on stock market fundamentals could be more effective in empowering investors. As a limitation, this research relied on cross-sectional data, offering a snapshot of investor behaviour at a single point in time. Future research can build on this work by incorporating longitudinal studies to track how investor behaviour evolves in response to macroeconomic shifts, technological advancements (such as algorithmic trading or mobile investment platforms), and changing personal circumstances.

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