

INVESTMENT DECISION DETERMINANTS IN INDIAN CAPITAL MARKET; AN EMPIRICAL PERCEPTIVE

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ABSTRACT

The Indian capital market has undergone substantial expansion owing to economic liberalisation, technical progress, and heightened investor engagement. Investment decisions in the capital market are shaped by various factors including risk and return expectations, market awareness, demographic attributes, economic conditions, liquidity, and investment safety. This study seeks to examine the primary elements that determine investment decisions among investors in the Indian capital market and to comprehend the impact of demographic variables on investor perception. The research examines the behavioural and economic factors that influence investing choices and financial decision-making. Data obtained from investors indicate that financial literacy, market information, economic stability, and investment security substantially affect investment behaviour. The results indicate that investors' choices for investing vary based on age, income, education, and experience. The research underscores the increasing significance of investor awareness and technological accessibility in the contemporary financial landscape. The research offers significant insights for governments, financial institutions, investment advisors, and academics to develop effective investment strategies and investor education initiatives.

Keywords: Investment Decisions, Indian Capital Market, Investor Perception, Risk and Return, Market Awareness, Liquidity and Economic Conditions.

INTRODUCTION

The capital market is essential for a nation's economic development as it mobilises savings and directs them into productive ventures. The capital market in India has experienced significant growth in recent decades, driven by globalisation, financial reforms, digitalisation, and heightened involvement from regular investors. The Indian capital market comprises several financial products, including equities, bonds, mutual funds, derivatives, and exchange-traded funds, offering investment options for both people and institutions. Investors engage in the capital market to generate returns, accumulate wealth, and attain financial security. Investment decisions are affected by several economic, psychological, demographic, and market-related aspects. Investment behaviour is frequently influenced by investors' perceptions of risk and return, financial literacy, market awareness, income level, and economic conditions. Younger investors may favour high-risk, high-return investing alternatives, whereas senior investors typically pursue secure and stable options. The growing accessibility of internet trading platforms and digital financial services has altered investment behaviours in recent years. Investors currently possess enhanced access to market data, financial news, and investment instruments that substantially impact their decisions. The Indian capital market has become increasingly active due to technical advancements and regulatory changes implemented by the Securities and Exchange Board of India (SEBI). These advancements have enhanced transparency, safeguarded investors, and increased market efficiency. Notwithstanding these developments, numerous investors continue to encounter difficulties pertaining to financial literacy, market volatility, disinformation, and

economic instability. Consequently, comprehending the factors influencing investment decisions is crucial for fostering successful investment practices and enhancing investor trust. Investment decisions are impacted not just by financial returns but also by behavioural and emotional considerations. Elements include loss aversion, self-assurance, social influence, and market mood impact investment decisions. Investors frequently depend on market trends, professional analyses, and personal experience when choosing investing options. Economic factors, including inflation, interest rates, and governmental regulations, significantly impact investment decisions in the capital market. This study seeks to analyse the primary factors influencing investment decisions in the Indian capital market from an empirical standpoint. The study examines the impact of demographic variables, market awareness, economic conditions, liquidity, and safety concerns on investor perception and decision-making. The study's findings will expand the comprehension of investor behaviour and offer valuable insights for financial institutions, governments, and investment advisors in formulating strategies to improve investor engagement and financial inclusion.

RESEARCH BACKGROUND

Investment behavior has become one of the most widely researched areas in financial studies due to the increasing participation of investors in the capital market. Traditional financial theories assume that investors make rational decisions based on available information and expected returns. However, modern studies in behavioral finance reveal that investment decisions are often influenced by psychological, social, and demographic factors. In the Indian context, the capital market has evolved significantly after economic liberalization and financial sector reforms, leading to greater investor involvement and diversification of investment opportunities.

The growth of the Indian stock market has attracted investors from different age groups, educational backgrounds, occupations, and income levels. The introduction of online trading platforms, mobile applications, and digital payment systems has made investing easier and more accessible. As a result, retail investor participation in the Indian capital market has increased rapidly in recent years. Despite this growth, investor behavior remains highly influenced by market volatility, economic uncertainty, and financial literacy levels.

Several studies have identified risk and return expectations as key determinants of investment decisions. Investors generally evaluate the relationship between expected return and associated risk before selecting investment alternatives. Demographic variables such as age, gender, education, occupation, and income also influence investment preferences. Younger investors are usually willing to take higher risks, while older investors focus more on safety and liquidity. Similarly, educated investors with financial knowledge tend to make more informed investment decisions compared to less informed investors.

Market information and awareness play an important role in shaping investor behavior. Access to timely and accurate financial information helps investors understand market trends and investment opportunities. Economic factors such as inflation, interest rates, government policies, and economic growth also influence investor confidence and market performance. Investors often respond to changes in economic conditions by adjusting their investment portfolios and strategies.

The Indian capital market is regulated by SEBI, which has introduced several measures to improve transparency, investor protection, and financial awareness. Investor education programs and technological advancements have contributed to increased market participation. However, irrational behavior, emotional decision-making, and lack of financial literacy continue to affect investment outcomes. Therefore, there is a need for empirical studies that

analyze the determinants influencing investment decisions in the Indian capital market. This study contributes to existing literature by examining investor perception and identifying the factors that significantly affect investment behavior.

RESEARCH GAP

Although several studies have examined investor behavior and investment patterns in the capital market, limited research has focused on the combined influence of demographic, economic, and behavioral determinants on investment decisions in the Indian context. Many previous studies concentrated mainly on risk and return analysis, while less attention was given to factors such as market awareness, liquidity preferences, economic conditions, and investor perception across different demographic groups. In addition, rapid technological advancement and increased digital participation have changed investment behavior significantly, creating the need for updated empirical studies. Existing literature also lacks comprehensive analysis regarding how investors from different age groups respond to market conditions and investment opportunities. Therefore, this study attempts to bridge the research gap by analyzing multiple determinants influencing investment decisions in the Indian capital market through an empirical perspective.

IMPORTANCE OF THE STUDY

The study is important because investment decisions play a crucial role in the growth and stability of the Indian capital market. Understanding the determinants influencing investor behavior helps financial institutions, policymakers, and investment advisors design effective investment strategies and awareness programs. The study provides insights into how demographic factors, market awareness, economic conditions, and liquidity preferences influence investment decisions among investors. It also helps identify the challenges faced by investors while making investment choices in a volatile market environment. The findings of the study are useful for improving investor education and promoting financial literacy among retail investors. Moreover, the research contributes to academic literature by providing empirical evidence regarding investor perception in the Indian capital market. The study also supports policymakers in framing regulations that strengthen investor confidence and encourage greater participation in financial markets.

STATEMENT OF THE PROBLEM

Investment decisions in the Indian capital market are influenced by numerous factors such as risk perception, market awareness, demographic characteristics, economic conditions, liquidity, and safety of investments. Despite the rapid growth of the capital market and increasing investor participation, many investors continue to face difficulties in making rational and informed investment decisions. Market volatility, lack of financial literacy, misinformation, and economic uncertainty often affect investor confidence and investment outcomes. Investors from different demographic backgrounds may have varying perceptions and preferences regarding investment opportunities. Understanding these determinants is essential for identifying the factors that influence investor behavior and for developing strategies to improve investment decision-making. Therefore, the present study seeks to analyze the major determinants influencing investment decisions in the Indian capital market and to examine how demographic variables affect investor perception and behavior.

Major Determinants of Investment Decision in the Indian Capital Market

- 1. Economic Conditions and Liquidity and Safety of Investment:** Economic conditions and the liquidity and safety of investments significantly influence investors' perceptions and financial behavior. Changes in inflation, interest rates,

employment opportunities, and market stability affect investment decisions across different age groups. The study reveals that middle-aged respondents showed higher concern toward economic conditions, while older respondents gave greater importance to liquidity and safety of investments. Older investors generally prefer secure and easily accessible investment options to minimize financial risk. The statistical analysis shows a significant difference among age groups regarding economic conditions, whereas perceptions related to liquidity and safety of investment do not differ significantly among respondents.

- 2. Risk and Return Expectations:** Risk and return expectations play a vital role in shaping investment decisions among investors. Different age groups perceive investment risk and expected returns differently based on their financial responsibilities, income level, and investment experience. Younger investors generally prefer high-return investments despite higher risks, while middle-aged and older investors tend to balance risk with financial security. The analysis indicates that middle-aged respondents showed relatively higher mean ranks regarding risk and return expectations. However, the statistical result reveals that there is no significant difference among the age groups, implying that respondents across all age categories possess similar perceptions regarding investment risk and expected returns.
- 3. Market Information and Awareness:** Market information and awareness influence investors' ability to make informed financial decisions. Access to accurate market updates, financial knowledge, and investment awareness helps investors evaluate opportunities and risks effectively. The findings show that middle-aged respondents demonstrated higher awareness levels compared to young and old respondents. This may be due to their active participation in financial planning and investment activities. Nevertheless, the Chi-square result indicates that the difference among age groups is not statistically significant. Therefore, it can be concluded that all age groups possess a relatively similar level of perception regarding market information and awareness in the investment decision-making process.

OBJECTIVES

The present study aims to examine the determinants influencing investment decisions in the Indian capital market with special reference to gender-based perception differences among investors. The study provides empirical evidence regarding how male and female investors perceive investment opportunities and make investment decisions in the dynamic capital market environment.

FINDINGS AND RESULTS

The Indian capital market plays a significant role in mobilizing savings and channelizing them into productive investments, thereby contributing to economic growth and financial development. In recent years, increasing financial literacy, technological advancements, and the expansion of investment opportunities have encouraged individuals to participate actively in the capital market. Investment decisions are influenced by several determinants such as risk perception, return expectations, market information, demographic characteristics, psychological behavior, and socio-economic conditions.

Among the demographic variables, gender has emerged as an important factor affecting investment behavior and financial decision-making. Male and female investors often differ in their attitude toward risk, investment preferences, financial awareness, and confidence in

market participation. Understanding these differences is essential for financial institutions, policymakers, and investment advisors to design suitable financial products and strategies.

Table 1: Perception according to the Gender

Perception			Z	Sig.
Gender	Female	Male		
N	105	95	-6.540	0.000
Mean rank	1.5714	2.2316		

Table 1 presents the perception differences between male and female investors regarding investment decisions in the Indian capital market. The total number of female respondents was 105, while the number of male respondents was 95. The mean rank of male respondents (2.2316) is higher than that of female respondents (1.5714), indicating that male investors exhibit a comparatively stronger perception or involvement toward investment decisions in the capital market.

The Z-value obtained is -6.540, and the significance value is 0.000, which is less than the standard significance level of 0.05. Hence, the result reveals that there is a statistically significant difference between male and female respondents with respect to their perception of investment decisions in the Indian capital market.

Therefore, the null hypothesis stating that there is no significant difference in perception according to gender is rejected. The findings suggest that gender significantly influences investment decision behavior among investors in the Indian capital market.

Table 2: Perception according to Age group

Perception	Age group	N	Mean Rank	Chi-Square (df-2)
Risk and Return Expectations	Young	83	93.88	2.483
	Middle	80	105.92	
	Old	37	103.44	
Market Information and Awareness	Young	83	76.98	2.167
	Middle	80	133.83	
	Old	37	76.56	
Demographic Factors	Young	83	86.61	11.801
	Middle	80	108.04	
	Old	37	116.01	
Liquidity and Safety of Investment	Young	83	118.78	3.886
	Middle	80	71.92	
	Old	37	125.65	
Economic Conditions	Young	83	90.66	10.105
	Middle	80	121.98	
	Old	37	72.07	
	Total	200		

Table 2 presents the perception of respondents according to different age groups with respect to various investment-related factors. The mean rank values and Chi-square test results indicate whether there is a significant difference among the age groups.

For Risk and Return Expectations, the middle-aged respondents recorded the highest mean rank (105.92), followed by old-aged respondents (103.44) and young respondents (93.88). However, the Chi-square value of 2.483 indicates that there is no significant difference among the age groups regarding their perception of risk and return expectations.

In the case of Market Information and Awareness, middle-aged respondents obtained the highest mean rank (133.83), while young respondents (76.98) and old respondents (76.56) showed comparatively lower perceptions. The Chi-square value of 2.167 reveals that the difference among the age groups is not statistically significant.

Regarding Demographic Factors, old respondents recorded the highest mean rank (116.01), followed by middle-aged respondents (108.04) and young respondents (86.61). The Chi-square value of 11.801 is significant at the 5 percent level, indicating that there is a significant difference among the age groups with respect to demographic factors influencing perception.

For Liquidity and Safety of Investment, old respondents showed the highest mean rank (125.65), followed by young respondents (118.78), whereas middle-aged respondents reported the lowest mean rank (71.92). However, the Chi-square value of 3.886 indicates that the variation among the age groups is not statistically significant.

With respect to Economic Conditions, middle-aged respondents secured the highest mean rank (121.98), followed by young respondents (90.66), while old respondents recorded the lowest mean rank (72.07). The Chi-square value of 10.105 is significant at the 5 percent level, showing that there is a significant difference among the age groups regarding the perception of economic conditions.

Overall, the analysis reveals that age group has a significant influence on perceptions related to demographic factors and economic conditions, whereas no significant differences were found in risk and return expectations, market information and awareness, and liquidity and safety of investment.

Implications for the Study

The study has significant implications for investors, financial institutions, policymakers, and researchers. The findings help investors understand the factors that influence investment decisions and encourage them to make informed financial choices. Financial institutions and investment advisors can use the results to design customized investment products and advisory services based on investor preferences and demographic characteristics. Policymakers can utilize the findings to develop effective financial literacy and investor awareness programs that promote responsible investment behavior. The study also contributes to improving transparency and investor confidence in the Indian capital market. Academic researchers may use the findings as a foundation for further studies related to behavioral finance and investor perception. Furthermore, the research highlights the importance of economic stability, market awareness, and technological accessibility in shaping investment decisions and enhancing financial inclusion among investors.

RECOMMENDATIONS AND SUGGESTIONS

Investors should improve their financial literacy and market awareness before making investment decisions in the capital market. Financial institutions and regulatory bodies should

organize regular investor education and awareness programs to help investors understand market risks, investment opportunities, and financial planning strategies. Investment advisors should provide reliable and transparent information to investors regarding different financial instruments and market trends. Policymakers should strengthen regulations that ensure market transparency and investor protection to increase confidence in the capital market. Investors should diversify their investment portfolios to minimize risk and improve long-term returns. Digital financial platforms should also provide user-friendly tools and educational resources that assist investors in making informed decisions. Special attention should be given to educating young and first-time investors about risk management and investment planning. Furthermore, continuous monitoring of economic conditions and market developments is essential for improving investment decisions and enhancing the overall efficiency of the Indian capital market.

CONCLUSION

The Indian capital market has emerged as an important platform for mobilizing savings and promoting economic growth through investment activities. Investment decisions in the capital market are influenced by a combination of demographic, economic, psychological, and market-related factors. The present study examined the major determinants affecting investment decisions among investors from an empirical perspective. The findings indicate that risk and return expectations, market information and awareness, demographic factors, economic conditions, liquidity, and safety of investment significantly influence investor perception and behavior.

The study reveals that investors from different age groups and demographic backgrounds exhibit varying investment preferences and attitudes toward risk. Younger investors are generally more willing to take risks for higher returns, while older investors prioritize safety and liquidity. Market awareness and financial knowledge also play a crucial role in enabling investors to make informed and rational decisions. Economic conditions such as inflation, interest rates, and market stability strongly affect investor confidence and investment choices.

The rapid growth of digital technology and online trading platforms has transformed investment behavior by improving accessibility and availability of financial information. However, challenges such as market volatility, misinformation, and lack of financial literacy continue to affect investment outcomes. Therefore, investor education and awareness programs are essential for enhancing financial literacy and promoting responsible investment behavior.

The study provides valuable implications for policymakers, financial institutions, and investment advisors in developing strategies that improve investor confidence and participation in the capital market. Strengthening regulatory mechanisms, promoting transparency, and encouraging financial inclusion can contribute to the long-term growth and stability of the Indian capital market. Overall, understanding the determinants of investment decisions is essential for improving investment practices, supporting economic development, and creating a more efficient and investor-friendly financial system in India.

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