AN EMPIRICAL STUDY OF THE UNDERLYING FACTORS THAT DETERMINE THE INVESTMENT DECISIONS OF INDIVIDUAL INVESTORS IN INDIA

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ABSTRACT
Household finance and the behavioural aspects affecting individuals’ economic decision-making have received increased attention in recent times. Saving and investment by the individuals are not only of utmost importance for personal financial well-being but also for a country’s economic growth. Investment decision-making process is considered to be a critical decision for every investor. It is a cognitive process which results in the selection of a course of action from several alternatives. Every decision-making process produces a final choice.

This study is an attempt to investigate the underlying factors that determine the investment decisions of individual investors in India. This study endeavors to link the saving and investment pattern of individuals to the demographic factors like age, educational background, family structure, marital status and income. This study tries to examine the financial awareness of the individual investors, the preference of individual investors for different investment products and also to identify how trust and optimism impact their investment decisions.

This study illustrates the relevance of using theoretical insights and methods from various fields like behavioural finance, consumer behaviour, marketing research, etc. to explain and understand individual investors’ behaviour.

The findings of this study will help the practitioners to provide better suggestions related with investment decisions to their clients. This study also has very important implications for the personal financial counselors and planners to understand the socio-economic characteristics of the individual investors as the outcome of this study will highlight certain interesting and intriguing facets of individual investors.

KEY WORDS: Household finance, behavioural finance, saving, investment, investment decision, individual investors, investment pattern, demographic factors, financial awareness, investment products, trust, optimism, individual investors’ behaviour, socio-economic characteristics.