A Peer Reviewed Journal

VIDYAPATTAN: A JOURNAL OF SOCIAL AND SCIENTIFIC RESEARCH

Available online at http://www.mbbcollege.in

Vidyapattan: A Journal of Social and Scientific Research
Volume 1, Issue, 1, pp. 80-84, June 2026

REVIEW ARTICLE

Importance of Investment Behaviour: A Review of Literature

Banpynskhembha Papang[1*] and Sentulal Debbarma[1]

[1]Martin Luther Christian University, Shillong, Meghalaya - 793006, India

ARTICLE INFO

Article History:
Received: 13.05.2026
Revised: 15.06.2026
Accepted: 23.06.2026
Published: 30.06.2026

Corresponding author:
Banpynskhembha Papang
Martin Luther Christian University, Shillong, Meghalaya, India
Email: bpapang@gmail.com

KEYWORDS
Investment Behaviour, Financial Literacy, Salaried Individual, Income, Risk Tolerance, Past experience

ABSTRACT

Investment means setting aside money to gain benefits in the future. People save aside a portion of their income for things like retirement, their kids' schooling, wedding expenses, or improving their standard of living. This paper reviews studies on how salaried earners invest. To support these findings, several studies from various literature were examined. It is found that individuals' financial risk and financial awareness are related to their investment preferences. Knowledge of and comfort with new investment strategies are mostly found among people with higher education. There are notable differences in investment behavior between mainland cities, and investors' psychological, social, and demographic traits are important indicators of their investment behavior and preferences. Rather than conducting sufficient study, investors rely on word of mouth, past returns, and perception. Investments in the country are often made on the spur of the moment without taking their long-term viability into account..

1. INTRODUCTION

This analysis examines specific evidence from journal articles about how a variety of characteristics, including age, gender, family, financial status, and social circles, affect investment behavior. Since investing is a major means for people to prepare for the future, this paper presents data demonstrating the factors that salaried income earners consider before making significant investment decisions.

Investment behavior is influenced by the interaction of two distinct concepts: behavior and investment. Benjamin Graham (2003) characterized investing in *The Intelligent Investor* as an activity that, following thorough research, guarantees principal safety and yields an appropriate return; activities that do not meet these standards are deemed speculative. Investing, in the same vein, can be described as the process of setting aside current revenue to assets that are expected to generate profits in the future (Encyclopedia Britannica, n.d.).Therefore, investment behavior refers to how individuals allocate their financial resources based on their objectives, beliefs, risk tolerance and expected returns. Levitis et al. (2009) defined behavior as the internally coordinated reactions (actions or inactions) of whole living organisms (individuals or groups) to internal and/or external stimuli, excluding responses that are easier to understand as developmental changes. Behavior in the context of finance refers to the choices people make about investing, saving, taking risks, and spending.

Therefore, Investment behaviour can be referred to as how people make decisions when they choose, assess, and manage different investment options. This conduct is influenced by various factors for salaried individuals, such as income, tolerance for risk, financial awareness, future planning, social and market awareness.

2. OBJECTIVES

1. To understand the importance of Investment Behaviour
2. To understand the role of Financial Literacy Level in investment decision-making

3. RESEARCH QUESTIONS

1. How important is it to understand Investment Behaviour in Investment Decision Making?
2. What are the factors influencing Investment Behaviour?

4. LITERATURE REVIEW

Debnath and Belho (2026) found that the most motivating factor of mutual fund investors is the possibility of a higher return. The next critical component for investors is after high returns, is portfolio diversity. It implies that investors would like to diversify risk through mutual funds. Portfolio diversity also helps investors in a bear market because stock prices across different industries won't all drop at the same time. The findings support the identity control theory by emphasizing the significance of change in variables during different life stages and experiences. The survey concludes that investors take into account various factors while selecting mutual funds. It stresses the importance of customized investment schemes considering demographic variation. Demographic variation can be considered while designing mutual funds. For example, superannuated or elderly investors may select debt funds, middle aged investors may select hybrid funds and youthful investors may select equity oriented mutual funds. Investors can also change their asset allocation as per market changes, age, income changes, and other life events.

Das, T. & Das, S. (2025) said that enhancing the financial literacy of the millennials can be beneficial for the investors of developing countries as it can enhance their financial well-being and economic stability of developing countries. This means that early financial education can be useful in strengthening the initiatives aimed at increasing investment awareness and provide young people with tools they need to make wise financial decisions. This study indicates that increasing financial literacy is critical to encourage millennials in poor countries to make more informed, sustainable and sensible investment decisions.

Vyas and Luhar (2024) found that herd behavior can cause market bubbles and crashes as investors flock in or out of specific investments. Overconfident investors can take on too much risk, possibly leading to large financial losses. Investors may avoid risky endeavors due to loss aversion, but it may also prevent them from taking advantage of potentially profitable opportunities. Anchoring may cause investors to overvalue the initial information and ignore the subsequent data, which can lead to biased decision-making.

Hooda et al. (2024) found that investment behavior differs from individual to individual in terms of risk perception and knowledge. Bank deposits are the only alternative that is mostly preferred by all classes of investors. Most of the Indian investors prefer traditional investing channels. Investors do not want to incur greater risks in order to increase returns, but they do want their investments to expand and generate more income.

Darnal and Dutta (2024) indicate that these are more important in terms of investment in making the investment decision. In terms of significance for self-decision, real estate, banking, and post office savings are the clear winners, and this is quite obvious given the demographic spread of age group and income level, and the sector of employment.

Kukreja et al. (2023) found out that investors depend mostly on the perception, word of mouth and past returns instead of doing all the necessary research. Investments in the country are mostly hurriedly done with little regard to long term sustainability. Indrodia (2019) discovered that salaried workers value stability as much as they value a high rate of return on a regular basis. Other than female speculators, respondents are aware of the investing avenues available in India. Salaried representatives consider security to be just as important as a large, measurable profit on a traditional basis. The study's characteristics include savings and investments with 40 salaried respondents through home meetings and visits utilizing a standardized survey.

Kandpal and Mehrotra (2018) revealed that behavior matters a lot when it comes to making a wise investment decision and therefore in selecting a particular investment option it requires an investors complete considers factors like goals in life, spending habits, expenses, income, perception towards investments, lifestyle changes, time period, nature towards investment, thought process, natural habits, study of one's financials, risk bearing capacity, liquidity and expected returns. Investors prioritize guaranteed profits, tax advantages, capital gains, low risk, investment safety, a secure future, child education, and daughter marriage.

Mak and Ip (2017) found that: (i) Mainland Chinese and Hong Kong investors differ significantly in their financial investment behavior; and (ii) investors' psychological, sociological, and demographic characteristics are significant predictors of their investment behavior/preferences. Investment experience, age, gender, income level, education level, and marital status are some of the factors that affect the results.

Gupta (2017) found that the awareness of financial products and the investment preferences of salaried people are influenced by the level of financial literacy. The variables of the study are salaried class people, financial products, investing preferences, and level of financial literacy.

Deshmuk and Joseph (2016) revealed that perception, motivation, incentive potential, and the magnitude of indicators are significant variables in the formation of investment goals, which influence the investors of Raipur city to decide their satisfaction with mutual funds based on the performance and growth of a particular mutual fund.

5. CONCEPTUALIZATION OF INVESTMENT BEHAVIOUR

In the broadest sense, humans have always taken 'calculated risks', says Investing. When choosing which food to hunt or gather, risk and reward are instinctively weighed. One of the dilemmas that early hunter-gatherers faced was 'Should we hunt large game, which gives more energy but at a greater risk, or should we gather root vegetables and berries, which is safer?. These kinds of economic decisions were made based on a common culture, influenced by evolution over millennia, and increasingly by information. Around 600–610 BCE, Lydia (present-day Turkey) produced the earliest documented metal coins. Investing was based on gut feeling, reputation, and intuition for centuries after money was created. Based on their experience, merchants took chances. In order to evaluate credit risk, bankers depended on relationships. The Amsterdam Stock market was founded in 1602 and is frequently considered the first formal stock market. (For commodities, it was preceded by the Antwerp bourse in 1531.) Early investors frequently followed the herd, sometimes with disastrous outcomes. Perhaps the greatest scientist of all time, Isaac Newton (1643–1727), lost a fortune in the 1720 South Sea Bubble. Newton is supposed to have remarked, "I can calculate the motions of the heavenly bodies, but not the madness of men," after the bubble burst and chaos broke out. Newton and other intellectuals of his era believed that human behavior, especially when taken as a whole, was completely distinct from that of natural bodies (Alenton, 2025).

According to National Stock Exchange of India (1999), The East India Company's securities were traded in Mumbai and Kolkata during the 18th century, marking the beginning of India's corporate securities market. For this purpose, the brokers used to congregate under a neem tree in Kolkata and a banyan tree in Mumbai. However, the introduction of joint stock firms with limited liability in the 1850s marked the true beginning. The 1860s were a time of wild speculation and securities trading. Due to this, brokers in Bombay came together in July 1875 to establish The Stock market, Mumbai, the nation's first formally organized stock market. 22 more stock exchanges in the 20th century followed the Ahmedabad stock market in 1894. Reforms have resulted in growth at a rate that is nearly unmatched in any nation's history. The amount raised from the market, the number of stock exchanges and other intermediaries, the number of listed stocks, market capitalization, trading volumes and turnover on stock exchanges, investor population, and price indices all show how rapidly the Indian securities market has expanded. The characteristics of issuers, intermediaries, and investors have also seen substantial changes.

According to Jadhav (2005) country's securities markets have undergone extensive changes in the post-liberalization era with regard to market design, technological advancements, settlement procedures, and the introduction of new instruments. Due to the markets' exceptional stability, foreign investors have made significant investments. There still is tremendous scope for improvement in both the equity market and the government securities market. However, given its significance for supplying long-term funding for development, the corporate debt market requires special attention.

6. CRITICAL REVIEW

People's awareness of financial products and investment options is influenced by their financial literacy. The study examines paid persons, investing preferences, financial goods, and financial expertise. Since many aspects of the financial sector are yet undiscovered by investors, market participants should concentrate on educating investors. Their investment decisions are closely related to their level of financial literacy. Investors should research their options, market conditions, and expectations before becoming overconfident. All pertinent information, including early and later data, should be taken into consideration. Additionally, investors must become more knowledgeable about various investing possibilities and use caution when taking risks.

Apart from female speculators, respondents are aware of the investment possibilities accessible in India. However, since female investors are less aware of these options than male investors, market participants should also pay attention to them. Higher returns require investors to be willing to take chances. Investors should perform additional research before making decisions instead than depending solely on opinions, prior profitability, or rumors. Investors are able to make wise decisions that meet their needs in this way. Prioritize long-term and short-term objectives, safety, tax advantages, and investment earnings. Due to differences in their mental, social, and demographic backgrounds, investors nationwide differ from one another.

7. CONCLUSION

Examining the documents reveals that overconfident investors may take on too much risk, which could result in large losses. The psychological, social, and demographic characteristics of investors are significant predictors of their investing behavior and preferences, and there are significant disparities in investment behavior between mainland cities. Instead of doing adequate research, investors rely on factors like "word of mouth," "past returns," and "perception." Investments in the nation are frequently made on the spur of the moment without considering their long-term viability. The knowledge of financial products and investment preferences of paid individuals are influenced by their level of financial literacy. As investors move in unison toward or away from particular investments, herding behavior can also result in market booms and crashes. Because investors may rely too much on early information and ignore later data, anchoring can lead to biased decision-making. Other than female speculators, investors are aware of India's investment opportunities. On a typical basis, salaried representatives view the security as a significant, measurable profit.

ACKNOWLEDGEMENT

First and foremost, the author is thankful to God for his blessings, to his family for their constant support in his career and to Dr. Sentulal Debbarma in particular for his guidance and constant support. The author is also thankful to the Vidyapattan Journal, MBB College, Agartala, Tripura, for considering the article for publication. The author is particularly thankful to the School of Economics, Commerce and Management, Martin Luther Christian University, Shillong and to the principal of Jaintia Eastern College, the faculties and the Department of Commerce for their support.

CONFLICTS OF INTEREST

The authors declared that there is no conflict of interest.

FUNDING STATEMENT

No funding has been received to conduct this research work.

REFERENCES

Graham, B. (2003). The intelligent investor (Rev. ed.; J. Zweig, Ed.). HarperBusiness. (Original work published 1973

Levitis, D. A., Lidicker, W. Z. Jr., & Freund, G. (2009). Behavioural biologists do not agree on what constitutes behaviour. Animal Behaviour, 78(1), 103–110.

National Stock Exchange of India. (1999).Indian securities market: A review. National Stock Exchange of India. https://nsearchives.nseindia.com/web/sites/default/files/inlinefiles/ismr1999ch1.pdf

Debnath, J., & Belho, V. (2026). Relationship between investors' socio-demographic factors and level of satisfaction for mutual funds: A study based on select districts of Northeast India. *International Journal of Accounting and Economics Studies*, 12 (8) (2025) 964-970 https://doi.org/10.14419/ddqc4990

Das, T., & Das, S. (2025). Impact of financial literacy on investment behaviour of millennial in developing countries. *Management Journal for Advanced Research,* *5*(2), 77–82. https://doi.org/10.5281/zenodo.15494185

Jadhav, N. (2005). Development of securities market: The Indian experience. Reserve Bank of India. https://www.drnarendrajadhav.info/newversion/drjadhav-data_files/Published%20papers/Development%20of%20Securities%20Market%20by%20Narendra%20jadhav.pdf

Gupta, S. (2017). To study the relationship of financial literacy and investment behaviour of salaried class individuals of Delhi. *International Education & Research Journal, 3(5)*.

Vyas, R., & Luhar, H. (2024). A study on behavioral factors influencing investment choices of salaried people in Mumbai. Library Progress International, 44(3), 1224–1228.

Hooda, J., Kanwa, A., & Gupta, S. (2024).A literature study on investment pattern and choices of salaried people. International Journal of Applied Economics, Accounting and Management (IJAEAM), 2(3), 219–228.

Indrodia, M. (2019). Study investment behavior of salaried person. International Research Journal of Commerce, Arts and Science, 10(6).

Kukreja, M., Sharma, G., & Sevukamoorthy, L. (2023). Investing behaviour in India: The importance of behavioural finance. International Journal of Scientific Development and Research (IJSDR), 8(3).

Kandpal, V., & Mehrotra, R. (2018). Role of behavioral finance in investment decision: A study of investment behavior in India. International Journal of Management Studies, 5(4[6]). https://doi.org/10.18843/ijms/v5i4(6)/06

Mak, K. Y. M., & Ip, W. H. (2017). An exploratory study of investment behaviour of investors. International Journal of Engineering Business Management, 9, 1–12. https://doi.org/10.1177/1847979017711520

Cite This Article: Papang, B. & Debbarma, S. (**2026**). Importance of Investment Behaviour: A Review of Literature. *Vidyapattan: A Journal of Social and Scientific Research*, Vol.**1,** Issue **1,** pp. 80-84.