ORIGINAL RESEARCH ARTICLE

J. F. Mkt. Gov. (2025) Vol. 4, Issue. 2
DOI: https://doi.org/10.54728/JFMG.202504.00112

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Keywords:
Investment Decision, Capital Market, Emerging Economy, Behavioral Finance, Fixed Deposit Receipt

JEL Classification:
D53, D91, G11, G41

Manuscript number
JFMG-202504-00112

Received: 08 June, 2025
First Revision: 04 April, 2026
Accepted: 27 April, 2026
Published Online: 10 May, 2026
Published in Print: 20 May, 2026

ISSN (Online): 2958-9290
ISSN (Print): 2958-9282

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Factors modelling individual investment decision: Insights from an emerging economy

Investors' preferences shape individual investment decisions, which ultimately influence economic patterns and market actions. This paper intends to investigate the factors influencing individual investment decisions in an emerging economy. The study was based on primary data collected from 426 investors selected using convenience sampling. A pretested questionnaire containing 28 informational items was used to collect the data. Based on the Weighted Average Score (WAS), the ranking of selected factors indicates that high returns, return stability, and principal safety are, respectively, the first, second, and third factors influencing investment in stocks. Whereas stability of returns, safety of principal, and future financial needs are, respectively, the first, second, and third factors driving investment in Fixed Deposit Receipt (FDR). However, religious views have been found to be irrelevant in stock market investment in Bangladesh, a Muslim-majority country. This study has found clear differences among the variables influencing decisions concerning investment avenues between stocks and FDR. The t-test results also show significant differences in the importance of various factors influencing investor decisions. The findings deliver value to individual investors by revealing the principal components that guide their investment decisions, thus allowing them to make more strategic investment choices.

1. Introduction

Any investment decision depends on numerous financial, psychological, social, and economic aspects. Individuals rely on their assessments, based on experience and knowledge, for investment decisions. However, stock market investment decisions depend heavily on investors' anticipated returns, risk appetite, market environment, and macroeconomic factors (Statman & Thorley, 2003). Some investors select investment methods focusing on maximizing returns, while others emphasize security of investment through diversification and following ethical standards along with religious compliance (Shefrin, 2002). Nowadays, investment decision analysis has reached a new height through behavioral finance. Unlike traditional financial models, behavioral finance accepts that market participants make choices influenced by mental flaws alongside emotional reactions and agree with outside influences (Abubakar Zik-Rullahi et al., 2023). Many people make poor investment

choices because they follow herd opinions while fearing losses or believing too highly in their abilities. Thus, behavioral patterns create essential consequences for financial institutions, market analysts, and policy-makers because they shape both market activity and investment patterns (Baker et al., 2016).

Moreover, return on investment (ROI) and capital appreciation, together with portfolio diversification, form the essential basis for investment decisions. Investors pursue financial opportunities that meet their wealth objectives and tolerance for investment risk (Prado et al., 2022). Macroeconomic factors, such as interest rates, the state of inflation, and government actions, also have a substantial effect on investors' decisions. Positive economic environment motivates investors to participate in investments, but negative policy transformations along with market uncertainty force them to become cautious with their funds (Khan et al., 2025).

Further, social and psychological forces have an influence on directing investment choices. A large number of investors make their investment choices based on the advice obtained from family members, relatives, and peers. Moreover, financial news and market analysis available on digital platforms cause information to have a greater impact on how investors make their decisions. Social factors remain essential because people tend to duplicate investment methods that match the success of their admired figures (Jabeen et al., 2020). The aforesaid factors form a general guide to investment in a natural setting. However, it is of great interest to know whether those factors are also common in Bangladesh, a country with a weak form of efficiency and many other differences from regional and international contexts.

Despite having a history of over sixty years, the stock market of Bangladesh has several structural and functional weaknesses. These include its relatively small size, inconsistent and low liquidity, minimal foreign participation, an underdeveloped regulatory framework, and a stagnant bond market (Habibullah & Hossain, 2017; Rahman et al., 2017). Additionally, issues such as information asymmetry, limited expertise among market participants, inadequate use of risk management practices, poor financial literacy, and a lack of diverse financial products further hinder its growth (Chowdhury et al., 2024; Habibullah & Hossain, 2017; Lusardi & Mitchell, 2008). During the last six decades, the market faced two major downturns—first in 1996 and then in 2010–2011 (Rahman et al., 2017). Such events significantly eroded investor confidence and underscored the need for reforms aimed at enhancing transparency and accountability. Moreover, the lack of adequate corporate governance standards, coupled with limited investor protection laws, creates an environment where insider trading and financial irregularities remain undetected (Chowdhury et al., 2024).

Another feature of the Bangladesh stock market is that it is heavy dominated by retail investors, who have low levels of financial literacy and are influenced by such factors as market rumors, media hype, and herd behavior (Habibullah & Hossain, 2017; Rahman et al., 2017). Unlike institutional investors, retail investors usually function on a smaller scale, have little access to modern financial tools and market research, and are more inclined to behavioral biases due to a lack of proper financial literacy (Gunathilaka & Fernando, 2021). The investment decisions of retail investors is multifaceted and influenced by both rational variables, such as income levels and financial literacy, and irrational or psychological variables, such as emotions and cognitive biases (Jabeen et al., 2020). On the other hand, Abubakar Zik-Rullahi et al. (2023) identified overconfidence, herding, and disposition effect as three common behavioral issues influencing investment decisions. These behaviors

can result in unexpected investment outcomes and increased market volatility.

Despite several insights, existing literature shows a lack of comprehensive empirical studies that simultaneously examine financial, behavioral, and socio-economic factors within the context of an emerging economy like Bangladesh. Furthermore, prior studies rarely provide any comparative analysis of how these factors influence investment decisions across distinct financial instruments, such as stocks and Fixed Deposit Receipts (FDR). This gap limits a holistic understanding of investor behavior in structurally constrained and behaviorally driven markets.

In the aforesaid context, the current study aims to examine the principal components that direct individual investment decisions between investment avenues, such as stocks and FDR, from the Bangladesh context. Beyond previous studies, this paper particularly investigates the relevance of religious views in taking investment decisions in Bangladesh, a Muslim-majority country. The current study has important implications in the domains of behavioral finance, together with investment management and policy formulation. Understanding how investors behave creates essential value for financial advisors in customized investments, while policymakers need this insight to develop protective regulations. The research findings deliver value to individual investors because they reveal the principal components that influence their investment decisions, thus allowing them to make more strategic investment choices. The research outcomes will help develop both deeper insights into investment habits and educational initiatives for investors and product development for financial markets.

The rest of this paper is organized under several sections: Section 2 presents a review of relevant literature and the development of a hypothesis. The research methodology, including the explanation of survey design as well as description of data collection methods and analytical techniques, is discussed in Section 3. Section 4 presents an analysis of the collected data and findings of the variables proving most significant in investment decisions, followed by discussions. Section 5 concludes the research by summarizing major findings while exposing the limitations and providing future research directions.

2. Literature review and hypothesis development

The process of making investment decisions has long been a central subject in the field of finance, particularly in the context of individual investors. These decisions are influenced by a complex interplay of factors, including psychological biases, demographic characteristics, market information, and external advice (R. Jain et al., 2023). Understanding these factors is crucial as they can significantly shape investor behavior, especially in volatile and dynamic markets. This section reviews the key factors that influence individual investment decisions, with particular emphasis on behavioral biases, the role of neutral information, and the effects of demographic factors like gender.

2.1 Information needs by investors

Investors rely on a wide range of information to guide their decisions, including economic, social, and political (Bhimani & Langfield-Smith, 2007; Rus, 2014). While financial information and market performance remain crucial, behavioral information also plays a significant role in investment decisions (Ismail & Chandler, 2005). Economic, political, and social factors can cause fluctuations in stock markets, making it essential for investors to incorporate both quantitative and qualitative analyses into their decision-making processes (Haritha & Uchil, 2020). Although measuring qualitative information is challenging due to its non-numeric and behavioral nature, it has been found to significantly affect investor choices (Adil et al., 2022). Therefore, understanding inves-

tors' sentiment and its relationship with the broader economy is vital in comprehending the complexities of investment decisions in emerging markets. On the other hand, quantitative methods are often employed to analyze investment behavior by focusing on measurable variables, such as income, return expectations, or risk tolerance.

However, qualitative methods capture dimensions, such as trust, fear, overconfidence, and social influence, which are not easily quantifiable. Psychological and emotional factors are particularly relevant in investment decisions because investors are not purely rational actors; instead, they are influenced by cognitive biases, heuristics, and affective states that can alter their perception of risk and expected outcomes (Kahneman & Tversky, 1979; Shefrin, 2002). For instance, loss aversion and overconfidence—two well-documented behavioral biases—may lead investors to hold onto losing stocks for too long or to engage in excessive trading, respectively, neither of which can be fully understood through quantitative modeling. Similarly, emotional triggers such as anxiety during market downturns or euphoria during booms can shape investment behavior beyond what standard financial metrics predict. Consequently, integrating qualitative insights allows for a more comprehensive understanding of investor decision making, as it acknowledges the interplay between rational calculation and psychological experience.

2.2 Neutrality of information

Neutral information, often seen as unbiased and provided by independent sources, plays a key role in shaping investors' decisions (Nagy & Obenberger, 1994). Neutral information includes economic indicators, market movements, and media coverage (Sachdeva et al., 2023). In many emerging markets, investors do not rely on formal valuation models; instead, they focus on economic factors, such as gross domestic product, inflation rates, and market news (Iqbal & Usmani, 2009). Media coverage can significantly influence investor sentiment, leading to overreaction in stock prices (Tetlock, 2007). The impact of recent price movements is particularly notable, as investors often base their decisions on current trends rather than long-term fundamentals (Haritha & Uchil, 2020; Zhang et al., 2018). This indicates that external information, particularly media and economic indicators, plays a dominant role in shaping investors' behavior, frequently overshadowing more rational decision-making (Kadiyala & Rau, 2004).

2.3 Advocate recommendations

Investors often seek advice from trusted sources, including financial advisors, friends, and family members, to guide their investment decisions. Hoffmann (2007) suggests that social interactions and recommendations can reduce uncertainty and help investors make more informed decisions. While the study of Brijlal (2007) shows that financial experts' recommendations are linked to higher returns, other research suggests that personal advice is not as influential as media coverage and formal financial reports (Al-Tamimi, 2006; Sultana & Pardhasaradhi, 2012). Despite this, the role of social connections and trust in personal recommendations remains crucial, particularly in markets where formal financial information is limited or difficult to interpret (Chong & Lai, 2011).

2.4 Personal financial needs

Personal financial needs, such as getting quick returns and ease of borrowing funds, risk tolerance, capital preservation, and the desire for diversification, are fundamental drivers of investment decisions (Aggarwal et al., 2012; Sindhu et al., 2014). Investors typically balance the need for high returns with an assessment of risk (Shahzad et al., 2024). Risk aversion often guides these decisions, with some investors prioritizing capital preservation over high returns. This inclination is especially evident in the context of emerging

markets, where market volatility is a significant concern (Chibba, 2009). In addition, diversification strategies play a critical role in reducing risk, with investors spreading their investments across various assets to minimize exposure to individual investment failures (Cohen et al., 2015). Diversification helps to stabilize portfolios and mitigate the impact of market fluctuations (Aggarwal et al., 2012).

2.5 Financial information

Financial information, including financial statements, earnings reports, and market performance, is essential in making informed investment decisions (Chang & Cheng, 2015; Das, 2012). Investors rely heavily on financial indicators, such as earnings per share, dividend payout ratios, and ROI, to assess the viability of investments (Sastry & Thompson, 2019). Al-Tamimi (2006) has highlighted accounting information as the most influential factor in investment decisions, with financial statements providing a reliable and objective basis for evaluating a company's prospects. Furthermore, investors consider past performance and marketability to predict future returns and make financial information a cornerstone of investment decision-making (Drover et al., 2018; Guay et al., 2016).

2.6 Gender as a moderator

Researchers have found that men and women exhibit different investment behaviors, particularly in terms of risk tolerance, confidence, and financial knowledge (Dickason-Koekemoer & Ferreira, 2019; Glenzer et al., 2014). Men generally demonstrate higher financial knowledge and confidence, which leads them to make more aggressive investment decisions (Hira & Loibl, 2008). This difference in behavior is particularly relevant in emerging markets, where financial literacy may be lower overall, and gender dynamics may influence investment choices (Bucher-Koenen & Lusardi, 2011).

2.7 Behavioral biases

The behavioral economic decision-making process has nowadays garnered significant attention as a means to understand the socio-psychological factors influencing investment behavior (Lacalle, 2019; Raut, 2020). Unlike traditional financial theories, which view individuals as rational decision-makers focused on optimizing outcomes (Schiffman & Kanuk, 2007), behavioral economics highlights the inherent irrationality and unpredictability of human decision-making. Bounded rationality, cognitive dissonance, and prospect theory suggest that individuals often make decisions based on limited information, emotions, and cognitive biases rather than rational calculation (Raut, 2020). Investors are often driven by a desire for satisfaction rather than optimal choices, and their decisions tend to be inconsistent and influenced by various psychological biases (Kahneman & Tversky, 1979; Tomer, 2016). Behavioral biases play a critical role in shaping investment decisions (Costa et al., 2019). Researchers have categorized investors' behavior into two key segments. The first segment focuses on biases and overreaction to market conditions (J. Jain et al., 2020; Sahi, 2017), while the second examines the individual factors that drive investment choices (Khawaja & Alharbi, 2021; Naveed et al., 2020; Sachdeva et al., 2023). Thus, understanding how investors settle on their decisions, influenced by biases and emotional tendencies, is crucial (Pompian, 2011).

2.8 Loss aversion

Loss aversion, a core concept in prospect theory (Kahneman & Tversky, 1979), plays a significant role in shaping investment choices. Investors exhibit a stronger emotional reaction to losses than gains, which may lead them to make suboptimal decisions (Banerji et al., 2020). For example, investors might sell winning stocks too early out of fear that prices might fall,

neglecting potential future gains (Massa & Simonov, 2006; Valaskova et al., 2019). This tendency to hold onto losing investments and sell winning ones is commonly observed in the behavior of investors (Bailey et al., 2011; Dar & Hakeem, 2015).

2.9 Herding behavior

Herd behavior, where investors copy the decisions of others rather than relying on their analysis, is another common behavioral bias (Caparrelli et al., 2004). Investors often feel safer following the actions of the majority in uncertain market conditions (Dar & Hakeem, 2015). This behavior can result in inflated asset prices that deviate from their true value, leading to market bubbles (Dewan & Dharni, 2019). Herding behavior is particularly common among retail investors, who are more likely to follow the crowd than institutional investors (Goodfellow et al., 2009). In emerging markets, herding behavior tends to be more pronounced during market downturns (Poshakwale & Mandal, 2014), where fear of losses drives widespread panic and irrational selling.

2.10 Fear of missing out (FOMO)

FOMO bias occurs when investors make hasty decisions driven by the fear that they will miss lucrative opportunities (Abel et al., 2016). FOMO can cause individuals to act impulsively, ignoring solid financial reasoning in favor of participating in trending investments (Dennison, 2018; Kang et al., 2020). This bias has been shown to influence retail investors significantly, especially when they observe others profiting from particular investments (Shiva et al., 2020). In the context of FOMO, investors often fail to assess risks properly and may end up with overexposed or poorly performing portfolios (Hershfield, 2020).

2.11 Anchoring bias and overconfidence

Anchoring bias involves investors relying too heavily on initial information (Kahneman & Tversky, 1979). This can lead to poor decision-making when subsequent data contradicts the initial information (Bucchianeri & Minson, 2013; Kudryavtsev & Cohen, 2010; Leung & Tsang, 2013). Overconfidence, on the other hand, involves individuals overestimating their knowledge and ability to predict market outcomes (Ackert & Deaves, 2010). Overconfident investors may ignore important signals and make excessive trades, leading to suboptimal portfolio performance (Statman & Thorley, 2003).

2.12 Representativeness bias and overreaction

Representativeness bias occurs when investors make decisions based on stereotypes or prior experiences (Ritter, 2003), often leading them to overreact to new information. For instance, investors might assume that a company that performed well in the past will continue to do so in the future, leading to overvalued stock prices (Kartini & Nahda, 2021). This bias can cause investors to ignore significant changes or risks that might affect future performance, increasing the likelihood of making poor investment choices (Marsden et al., 2008).

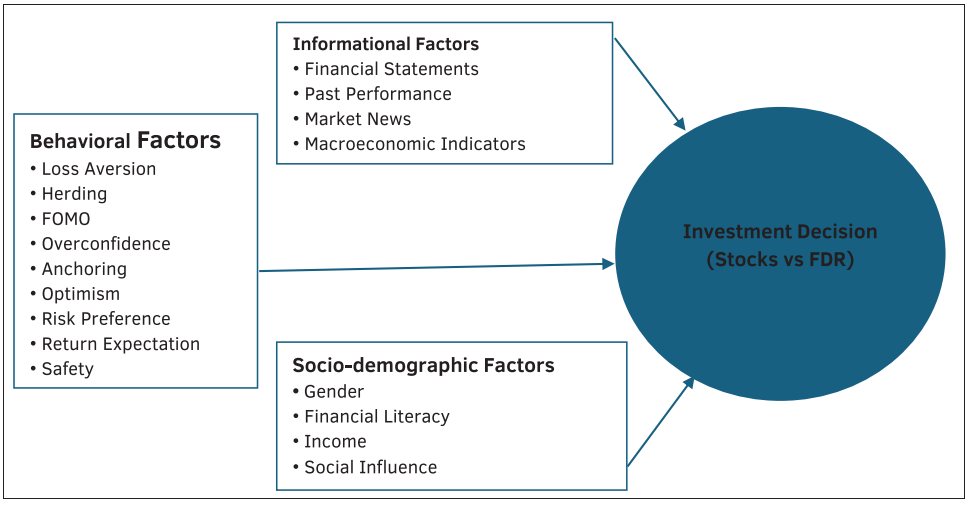
2.13 Optimism bias

Optimism bias refers to the tendency to expect favorable outcomes but to underestimate potential risks (Shefrin, 2002). Optimistic investors are more likely to make risky investment decisions, believing that their portfolios will outperform the market (Pompian, 2011). This bias can spur excessive trading activity and lead to inflated expectations of returns (Hoffmann et al., 2013). In some cases, optimism bias may cause investors to ignore warning signs, resulting in higher exposure to risk (Ullah et al., 2017).

2.14 Investors' behavior in emerging markets

Based on the above literature review, a conceptual framework, as shown in Figure 1, has been developed in the context of an

emerging country. Emerging markets, characterized by a high degree of market volatility, lower financial literacy, and limited access to reliable information, present unique conditions for the expression of these behavioral biases (Godi, 2024; Shevate & Prabhakar, 2024). In emerging markets, overconfidence bias is particularly relevant, as many investors tend to overestimate their abilities or knowledge due to a lack of experience (Odean, 1999). Overconfident investors often engage in more frequent trading, believing their decisions are superior, which can lead to poor investment outcomes (Toma, 2015; Ullah et al., 2017). Bakar and Yi (2016) found that overconfidence biases are gendered, with male investors often displaying higher levels of overconfidence compared to female investors. Adiputra (2021) revealed that behavioral biases, such as overconfidence and mental accounting, play a significant role in investment decisions in Indonesia. Similarly, Sachdeva et al. (2023) found that investors in India are strongly influenced by external factors, such as firm image. In contrast, Mathew and Kumar (2022) focused on individual investors in the Indian stock market and identified that the primary considerations for investors were returns, risk, and the historical performance of stocks.



Source: Developed by the authors

Figure-1 Conceptual framework of factors influencing investment decision

Jain et al. (2023) found that overconfidence, loss aversion, and herd behavior were the primary behavioral biases influencing individual investment decisions in emerging markets. However, financial literacy was identified as a key factor in mitigating these biases, as investors with higher levels of knowledge were better able to avoid the pitfalls of irrational decision-making. Al-Rafayah (2024) highlighted that economic factors such as inflation and growth rates significantly impact investment decisions in both developed and emerging markets. However, the lack of political and economic stability in many emerging economies exacerbates investor uncertainty and amplifies behavioral biases, especially during times of crisis. In addition, the rapid adoption of technology in emerging markets has provided investors with greater access to market information, but this also increases the risk of exposure to herd behavior and FOMO, particularly in the age of social media and online trading platforms (Prajapati & Swongamikha, 2024).

Apart from psychological biases, socio-economic and cultural factors also shape investment decisions. In emerging markets, investors' behaviors are often influenced by cultural norms, family expectations, and local social networks. For instance, Massa and Simonov (2006) observed that investors in emerging markets are more likely to invest in stocks they are familiar with, often driven by geographical proximity or professional ties. Such behavior, though beneficial in terms of acquiring information, can limit diversification and expose investors to higher risks. Additionally, economic instability in emerging markets, such as inflation, currency fluctuations, and political uncertainty, often results in a more conservative investment approach. The limited access to capital markets in many emerging economies also restricts investors' participation and contributes to the prevalence of emotional decision-making rather than data-driven, rational investment choices (Krishnan & Booker, 2002).

However, based on accessible literature, there is a lack of concrete evidence about individual investment choices from emerging economies' perspectives. Based on previous studies, this quantitative research identified 18 variables under three broad categories (informational, behavioral, and Socio-demographic factors) that potentially influence investment decisions between stock and FDR in the context of Bangladesh. Combining those variables, the current study proposes the following null hypothesis:

H_0: There is no statistically significant difference between the variables influencing investment preferences for stocks compared to FDR.

This broad null hypothesis can be broken down into three sub-hypotheses as follows:

H_{01}: There is no statistically significant difference in the influence of informational factors on investment preferences for stocks compared to FDR.

H_{02}: There is no statistically significant difference in the influence of behavioral factors on investment preferences for stocks compared to FDR.

H_{03}: There is no statistically significant difference in the influence of socio-demographic factors on investment preferences for stocks compared to FDR.

3. Methodology

The current study has applied the quantitative research approach to determine the factors influencing investors' decisions between stocks and FDR. A self-developed questionnaire was used to collect primary data from investors. The questionnaire consisted of two parts; the first part comprised 10 demographic questions, whereas the last or main part consisted of 18 statements related to investment decisions. Based on previous studies, this research categorizes the 18 variables that potentially influence investment decisions into three major domains: behavioral, informational, and demographic. To assess behavioral factors, Prospect theory (Kahneman & Tversky, 1979), Overconfidence theory (Odean, 1999), and Herding behavior (Caparrelli et al., 2004) were used. These theories explain such biases as loss aversion, risk association, anchoring bias, overconfidence, optimism bias, herd behavior (peer advice, family opinion), FOMO, and religious views. To measure informational factors, the study used signaling theory (Klein et al., 2002), which includes financial statements, past performance, macroeconomic indicators, and business news. The population related to the study consists of people who have either a Beneficiary Owner's (BO) account or an investment in FDR.

The responses were categorized on a five-point Likert scale ranging from the most important (five) to the least important (one). The respondents were asked to rate the level of influence on each of the 18 statements regarding investing in stock as well as FDR. Following the convenience sampling technique, a total of 439

responses were gathered, among them 426 were found valid and thus used in the study. Among the 426 respondents, 241 preferred investments in stock, and the remaining 185 respondents preferred investment in FDR. All the sample respondents were considered for the paired sample T-test to know investors' preferences in investment decisions. Confidentiality and anonymity of the respondents were assured to avoid social desirability bias, whereas a reverse question was used to avoid acquiescence bias in the gathered data through the survey. However, the reverse question was not finally included in the analysis.

Cronbach's Alpha was applied to examine the reliability of the dataset. The result belongs to the moderate reliability range, which was considered sufficient for this analysis. Cronbach's Alpha of 0.778 expresses fairly strong internal consistency. Also, the outcome suggests that the questions measured the same construct reasonably well. Dropping none of the questions can improve the result, which also testifies to the significance of each question. Hence, the value of Cronbach's Alpha for this research was fairly reliable, and the questions were justified to examine individual investment decision-making.

As the paper intended to measure the influence of various factors in investment decision-making, it was necessary to check the validity of the constructs. Kaiser-Meyer-Olkin (KMO) and Bartlett's Test were used to assess the validity of the measurement tools. KMO measures the adequacy of the sample size, where a value of 0.895 indicates that the sample size was adequate for the study. Further, the Bartlett's Test yields a significant p-value (0.0000 < 0.05), which indicates that the variables used were not orthogonal and thus a factor analysis was appropriately done. Both the reliability and validity tests proved that the data set was consistent and constructed to find the reference regarding the individual investment decision on emerging markets like Bangladesh.

Previous studies have widely adopted WAS for ranking purposes due to its simplicity and interpretability. For instance, Al-Tamimi and Kalli (2009) used weighted scoring techniques to evaluate the relative importance of financial and non-financial factors affecting individual investors in the UAE.

4. Analysis and discussion

4.1 The Weighted Average Scores (WAS)

Previous studies have applied WAS for the ranking of different factors because of its simplicity and interpretability. It is useful to convert Likert scale qualitative data into quantitative form. WAS was applied to identify and rank the most and least influential variables in investing decisions—stock and FDR. WAS follows the following criteria: most important/important (if WAS $\geq$ 3.25), indifferent (if 2.25<WAS<3.25), and unimportant/least important (if WAS $\leq$ 2.25).

Table 1 shows that respondents found the majority of the variables most important or important in the stock purchase decision, except for family members' opinion. Interestingly, higher returns, stability of returns, and safety of principal are found to be the most significant factors in terms of stock investment. Here, the top-ranked variables have shown very close WAS values that indicate similar perceived importance. On the other hand, religious considerations received a comparatively lower ranking (14), indicating that financial factors may outweigh religious considerations in connection with investment decisions in Bangladesh, a Muslim majority country.

Table-1 Ranking of the variables influencing investment in stock

Variables	Frequency (N=241)					WAS	SD	Rank
	MI	IM	ID	UN	LI			
High Returns	118	101	8	12	2	4.34	0.82	**1**
Stability of Return	112	96	31	1	1	4.33	0.71	**2**
Tax Benefit	115	94	24	7	1	4.32	0.78	5
Safety of Principal	140	64	14	20	3	4.33	0.98	**3**
Capital Growth	102	121	12	5	1	4.32	0.69	4
Confidentiality	110	87	27	12	5	4.19	0.96	10
Diversification	100	103	25	12	1	4.20	0.85	8
Risk Association	93	117	18	13	0	4.21	0.80	6
Religious Views	85	73	56	20	7	3.86	1.08	14
Expert's Recommendation	91	113	30	5	2	4.18	0.80	11
Family Members' Opinion	27	87	59	53	15	**3.24**	1.10	18
Peer Advice	25	102	58	42	14	3.35	1.06	17
Financial and Business News	92	117	23	5	4	4.19	0.82	9
Macro-economic Variables	94	121	11	11	4	4.20	0.85	7
Past Performance	76	136	17	12	0	4.14	0.76	12
Future Financial Needs	53	95	49	32	12	3.60	1.12	16
Performance of International Markets	53	111	43	31	3	3.75	0.98	15
Impact of Government Policy	93	99	36	11	2	4.13	0.87	13

Source: Authors' calculation

Note: MI = Most important; IM = Important; ID = Indifference; UN = Unimportant; LI = Least important.

Respondents believe that the performance of the international market is not so closely linked with the Bangladesh market. It is also worth mentioning that respondents believe government policy has an impact on the market performance. Tax benefits are perceived as one of the important factors to choose stock investment over the FDR. Financial and business news and macroeconomic variables may have an impact on the investment in stocks. Respondents seem to be less influenced by the future financial needs as well as peer advice. Overall, respondents are influenced by almost all the factors with very little variance. However, contradictory views have been observed in future financial needs, family members' opinions, and peer advice. Variables from rank one to five have WAS differences not more than 0.01, which reveals the significance of each of the top-ranked variables. However, comparatively higher standard deviations for variables such as family opinion (1.10) and future financial needs (1.12) indicate greater variability in respondents' views.

Table 1 indicates that most financial variables, such as high returns, stability of returns, safety of principal, and capital growth, are perceived as highly important (WAS > 4.0) in stock investment decisions. These findings are consistent with traditional investment theory, which emphasizes risk-return trade-offs. However, variables such as family members' opinions (WAS = 3.24), peer advice (3.35), and future financial needs (3.60) exhibit comparatively lower importance, suggesting that social and behavioral influences are less dominant in this context.

Interestingly, religious considerations received a relatively low ranking (WAS = 3.86), indicating that financial motivations may outweigh religious concerns among respondents. Additionally, the relatively high standard deviations for certain variables, such as family opinion and future financial needs, suggest heterogeneity in investor behavior.

The top-ranked variables show very close WAS values; however, these small difference

do not necessarily indicate statistically significant differences in importance. Overall, the findings suggest that investors prioritize financial returns and security over social and behavioral factors when making stock investment decisions.

Table-2 Ranking of the variables influencing investment in FDR

Variables	Frequency (N=185)					WAS	SD	Rank
	MI	IM	ID	UN	LI			
High Returns	13	13	10	79	70	2.03	1.16	16
Stability of Return	121	28	13	12	11	4.28	1.20	**1**
Tax Benefit	21	11	18	67	68	2.19	1.30	6
Safety of Principal	101	55	7	16	6	4.24	1.08	**2**
Capital Growth	17	12	16	100	40	2.29	1.16	4
Confidentiality	17	11	24	66	67	2.16	1.24	7
Diversification	14	14	25	60	72	2.12	1.23	10
Risk Association	8	16	10	61	90	1.87	1.13	18
Religious Views	15	11	29	82	48	2.26	1.15	5
Expert's Recommendation	11	15	15	74	70	2.04	1.15	15
Family Members' Opinion	5	12	41	62	65	2.09	1.03	12
Peer Advice	5	12	49	47	72	2.10	1.08	11
Financial and Business News	12	12	11	63	87	1.92	1.17	17
Macro-economic Variables	15	9	25	77	59	2.16	1.17	8
Past Performance	11	20	17	56	81	2.05	1.23	13
Future Financial Needs	40	50	24	24	47	**3.06**	1.51	**3**
Performance of International Markets	3	9	55	44	74	2.05	1.02	12
Impact of Government Policy	19	13	12	73	68	2.15	1.27	9

Source: Authors' calculation

Note: MI = Most important; IM = Important; ID = Indifference; UN = Unimportant; LI = Least important.

Table 2 ranks the variables influencing the decisions in investing FDR based on WAS. According to the table, a contradictory picture of the mindset of the investors who prefer to invest in the stock market in comparison to FDR. In an emerging economy, the safety of principal is highly expected by the investors. The respondents are most influenced by the stability and safety of return, which are common characteristics of FDR. Risk association is the least important variable while investing in FDR. Moreover, the study found that financial and business news is not so important for the FDR investment. It is also surprising that factors like capital growth are just above the unimportant class. Furthermore, respondents believe that government policy would not cause any variation in preferences for FDR. Respondents were indifferent to elements like future financial needs and religious aspects. According to Table 2, thirteen variables are either unimportant or least important for the investors while investing their money in FDR. This finding implies that the investors are quite stable in their investment behavior while choosing FDR and place trust in the banking system.

4.2 Paired sample t-test

This statistical tool measures the significance of influences among the variables while making investment choices, either in stocks or in the FDR. The research will test the significance of differences in investment preferences between high-risk and low-risk investments in the emerging market context. The current study applied a paired sample t-test to examine the hypothesis developed earlier in the paper.

Table-3 Summary of the paired sample t-test

Variables	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)	Null Hypothesis
High Returns	2.438	1.362	0.066	36.94	425	0.000	Rejected
Stability of Return	-0.119	1.563	0.076	-1.57	425	0.118	**Accepted**
Tax Benefit	2.265	1.511	0.073	30.93	425	0.000	Rejected
Safety of Principal	-0.141	1.479	0.072	-1.97	425	0.06	**Accepted**
Capital Growth	2.189	1.403	0.068	32.19	425	0.000	Rejected
Confidentiality	2.157	1.497	0.073	29.69	425	0.000	Rejected
Diversification	2.162	1.413	0.068	31.61	425	0.000	Rejected
Risk Association	2.638	1.266	0.061	43.01	425	0.000	Rejected
Religious Views	1.659	1.492	0.072	22.99	425	0.000	Rejected
Expert's Recommendation	2.265	1.379	0.067	33.88	425	0.000	Rejected
Family Members' Opinion	1.335	1.378	0.067	19.93	425	0.000	Rejected
Peer Advice	1.384	1.414	0.069	20.19	425	0.000	Rejected
Financial and Business News	2.497	1.356	0.066	38.00	425	0.000	Rejected
Macro-economic Variables	2.216	1.322	0.064	34.63	425	0.000	Rejected
Past Performance	2.081	1.463	0.071	29.34	425	0.000	Rejected
Future Financial Needs	-0.022	2.080	0.101	-0.22	425	0.826	**Accepted**
Performance of International Markets	1.697	1.373	0.067	25.49	425	0.000	Rejected
Impact of Government Policy	2.324	1.423	0.069	33.68	425	0.000	Rejected

Source: Authors' calculation

As shown in Table 3, the paired sample t-test identifies that 15 out of 18 variables have significant differences in influencing the decisions concerning investment in stocks and FDR. The test divulges that stability of returns, safety of principal, and future financial needs have a similar effect for both investment options—FDR (carrying low-risk) and stock (carrying high-risk). Putting equal weightage on return stability as well as the safety of principal is an example of a classic risk aversion attitude of the investors. The analysis also discloses the fact that investors' decision-making process follows a generic pattern in Bangladesh.

It is evident from the analysis that investors perceive differently in the case of return expectations between stocks and FDR. Tax advantage is a major area of concern for investors; thus, it has a significant influence on the investment alternatives. The t-statistic of risk association is the highest (28.348) among variables, which indicates that risk tolerance for low-risk (FDR) and high-risk (stocks) investments is significantly different. Religious values differ significantly between the investment options, which is expected in Muslim-majority nations like Bangladesh. Expert's recommendation, family members' opinion, and peer advice were also found to be significantly different between investment possibilities. Further, the test unveils that financial and business news, macroeconomic variables, and past performance have a significantly different influence on investment decisions in stocks and FDR investments. Interestingly, variables like the performance of international markets and the impact of government policy influence significantly differently between the alternative investor groups.

The findings of this study carry significant implications for policymakers, regulators, and financial institutions in Bangladesh as follows. First, regulatory authorities, such as the BSEC and Bangladesh Bank, should prioritize strengthening investor protection

mechanisms. Transparent corporate disclosure requirements, stricter monitoring of listed firms, and stronger enforcement against market manipulation can enhance investor confidence in the stock market. A perception of safety and stability is crucial to attract risk-averse individuals who otherwise rely heavily on fixed-return instruments like FDRs.

Second, the banking and non-banking financial institutions (NBFIs) should innovate in designing products that blend the safety of fixed deposits with the growth potential of equity-linked instruments. Such hybrid and tailored products that align with investor preferences—such as guaranteed minimum returns combined with profit-sharing opportunities—can expand the investment base while meeting the diverse needs of Bangladeshi households.

Third, financial literacy initiatives should be institutionalized at a national level. Since individual investors rely heavily on perceived security and returns, awareness campaigns and training programs can equip them with the skills to evaluate risks, diversify portfolios, and align investment choices with long-term financial goals. This is particularly critical in Bangladesh, where a substantial amount of household savings is channeled into unproductive or low-yield assets. Finally, the findings emphasize the necessity of policy alignment between capital market development and national savings mobilization strategies. While FDRs continue to dominate due to their perceived security, policies incentivizing equity investments—through tax benefits, dividend protection schemes, and market-stabilizing funds—could redirect a portion of savings into productive capital markets, thereby supporting industrial growth and employment generation in the country.

5. Conclusion

This study examines the principal factors that direct individual investment decisions in Bangladesh. Based on the WAS, the ranking of factors indicates that high returns, stability of return, and safety of principal are, respectively, the first, second, and third factors influencing the investment in stocks. Whereas, stability of return, safety of principal, and future financial needs are respectively the first, second, and third factors inducing the investment in FDR. All null hypotheses were rejected except those relating to stability of returns, safety of principal, and future financial needs, indicating significant differences in how these factors influence investment choices between stocks and FDR. The t-test also implies significant differences among factors influencing investors' decisions in Bangladesh.

Although this study provides valuable insights about the factors affecting individual investment decisions in Bangladesh, it has a few limitations. Firstly, the use of convenience sampling limits the representativeness of the sample, potentially affecting the generalizability of the results. Secondly, the study was based on the self-reported data collected through a Likert-scale questionnaire that may be susceptible to social desirability and recall biases, which may lead to over- or under-reporting of certain attitudes or behaviors. Thirdly, although the quantitative method allows for statistical rigor, it may not fully capture the nuanced psychological and emotional foundations of investment behavior that a qualitative approach could explore. Lastly, in response to macroeconomic fluctuations or policy changes, the cross-sectional nature of the study limits the ability to assess how investor preferences and behaviors evolve over time. Future research may benefit from longitudinal designs and mixed-method approaches to provide a more comprehensive understanding of investor decision-making processes in emerging countries.

Authors' contribution statement

The authors contributed to this study in a collaborative and complementary manner. Md. Habibullah conceptualized the research, developed the questionnaire, conducted the survey, and drafted portions of the manuscript. Md. Tahidur Rahman designed the methodology, contributed to questionnaire development and data analysis, ensured compliance with journal standards, managed correspondence, and addressed reviewers' comments. Md. Yousuf Ahammed performed the formal statistical analyses and interpreted the results. Tawhid Ahmed Chowdhury conducted the literature review and contributed to drafting several other sections of the manuscript. All authors critically reviewed and approved the final version of the manuscript and agreed to be accountable for all aspects of the work.

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Appendix

Questionnaire

Dear Respondent,

You are kindly requested to participate in research titled *"Factors Modeling Individual Investment Decision: Insights from an Emerging Economy."* The purpose of this survey is to understand the factors influencing individual investment preferences in Bangladesh. Your responses will be kept strictly confidential and used solely for academic purposes. There are no right or wrong answers. Thus, respond honestly based on your personal views and experiences please. Your valuable participation is highly appreciated.

Part A: Demographic information

1.1 Respondent's Name
1.2 Contact No
1.3 Home District
1.4 Employment Sector
1.5 Religion
1.6 Educational Qualification (Last Degree)
1.7 Gender
1.8 Age
1.9 Monthly Income
1.10 Do you have a Beneficiary Owner's (BO) Account?
1.11 If you have a BO account, write the name of the brokerage house.

Part B: Questions related to investment decision

[Please put tick mark in the appropriate column in the Five Points Likert scale questions, where 5 = Strongly Agree (SA), 4= Agree (A), 3 = Neutral (N), 2= Disagree (D), and 1=Strongly Disagree (SD)]

Statements Relating to the Factors Influencing Investment Decisions	SA(5)	A(4)	N(3)	D(2)	SD(1)
2.1 High yield (return) is an important factor.					
2.2 Investment must offer a constant/fixed return.					
2.3 Investment is to get rebate (e.g. tax etc.).					
2.4 Safety of principal is the priority.					
2.5 Capital gain is an important consideration.					
2.6 Confidentiality of investment information is preferred.					
2.7 Diversification of portfolio is the prime focus.					
2.8 Potential risk attached to an investment is an important factor.					
2.9 Permissibility in religion is an important factor.					
2.10 Expert's advice is taken into consideration.					
2.11 Family members' opinions are taken into consideration.					
2.12 Friends' (peer) endorsement (advice) is highly considered.					
2.13 Financial and businessnews affects investment decision.					
2.14 Macro-economic variables, such as interest rate, are important catalysts.					
2.15 Past performance/return of similar investment helps make current investment decision.					
2.16 Fulfilling future financial needs is the prime goal of investment.					
2.17 Performance of international stock markets has an impact on investment decision.					
2.18 Government policy (monetary policy, budget, etc.) affects my investment decision.					