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"ALL RATIOS ARE GREEN, THEN WHY DIDN'T YOU INVEST?" A PRIMARY STUDY ON THE PSYCHOLOGY OF INDIAN INVESTORS

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ABSTRACT

This paper explores the paradox of investment decision-making wherein the Indian investors are reluctant to invest even though the financial ratios are favourable. The traditional financial theory is a rational behaviour premised on profitability, liquidity and solvency indicators. The behavioural finance however proposes that psychological factors play an important role in investment decisions. The study examines the hypothesis both on whether consideration of financial ratios and confidence in the profitability ratios can decrease hesitation in investment, and whether psychological hesitation varies among the age and educational qualification groups. The study uses primary survey data of Indian investors. The findings indicate that financial ratio analysis does not have strong explanatory power to minimize the level of hesitation (R 2 = 0.066), and demographic variables like age and education do not play a major role in the investor psychology. These aspects are emphasized as the findings reveal that emotional biases, risk perception, and psychological discomfort are higher than the numerical financial evaluation. The analysis is a contribution to literature on behavioural finance as it combines finance indicators with psychological predictors in the context of the Indian investment.

KEY WORDS: Investor psychology, financial ratios, behavioural finance, investment decision-making, risk perception, cognitive bias, Indian stock market.

INTRODUCTION

The conventional financial theory holds that investors are making rational choices by thoroughly examining financial ratios of profitability, liquidity, solvency, and efficiency ratios. Ideally, a company that has good financial ratios or said to have all of its ratios in green should have investors lining up to the company. Nevertheless, the assumption is not always true with regard to the real-life investment behavior. A large number of investors willingly shun the investment in financially sound companies and the question that comes to mind is the serious question: Why did not you invest even though all the ratios are positive?

This paradox underscores increased relevance of investor psychology in perception of investment decisions particularly in the context of India. Behavioral finance disputes the norm of perfect rationality and focuses on psychological factors (fear, overconfidence, herd behavior, loss aversion, past experiences, rumors and market sentiments). Indian investors especially retail investors tend to trust information spread by word of mouth, social media stories or even emotional response instead of cold financial signals. Through this, even financially good performance companies might be ignored as a result of perceiving risk, no trust or bad news on the market.

The capital market is growing very fast in India, the penetration of retail participation as well as the easy availability of financial information have further intensified this behavioral aspect. Even when there are available ratio assessment tools and recommendations of others, investors will always be reluctant or slow in making decisions when psychological incongruities prevail over numerical logic. This paper discusses the lack of correlation between the financial ratio analysis and the real investment behavior by discussing the psychological impediments that do not allow the Indian investors to respond to positive financial cues.

Through the investor psychology and conventional financial measures, the research intends to present more realistic insights about the investment decision-making. It is expected that the study meets the objectives of bridging the gap between what the numbers say and what investors actually do and that the insights gained in the study would be useful to the investors, financial advisors, and other policymakers who would want to encourage more informed and confident investment decisions in the Indian stock market.

LITERATURE REVIEW

Recent research is a robust empirical evidence that behavioural, psychological, technological, and institutional factors play a significant role in investment decision-making about Indian capital markets as opposed to pure rationality. Similar results are continually found by Singh and Dixit (2025), Jyoti et al. (2025), Nain et al. (2025), and Patel and Shah (2025), which list overconfidence, loss aversion, herding behaviour, anchoring, and confirmation bias among the most prevalent behavioural biases affecting risk perception, trading frequency, and portfolio choices of retail investors. Such results demonstrate the successful effect of the emotional and cognitive basis of investor behaviour which is heightened by peer influence and computer trading.

Hereditary behaviour is given specific attention in the works of Hajur and Thavara (2025) and Ranjan and Shukla (2026), and it is found that heuristics, fear of missing out (FOMO), and dependence on social media have a strong effect on irrational investment behaviour, particularly in the case of salaried and Generation Z investors. The increasing prominence of digitalisation is also supported by Tamilselvan et al. (2025), who show that the dimensions of service quality, especially the responsiveness and assurance, are the main focus to investor confidence, satisfaction, and retention in technology-based brokerage services.

On a portfolio and market-level, Rai and Ashraf (2025) support the use of passive investment strategies as indicated by superior risk-adjusted returns of index funds and Bhunia and Das (2025) prove that gold is an efficient safe-haven asset in times of severe market volatility. Venkatesa et al. (2025) and Chattopadhyay and Panda (2024) investigate institutional dynamics and demonstrate that institutional investors based on sentiments and domestic factors play a strong role in the market volatility and sectoral trends.

The dimensions of governance and sustainability are brought to the fore by Pandey and Kumar (2025) and Sharma and Mehta (2025) and prove that audit committee effectiveness and ESG

awareness increases investor confidence and long-term investment orientation. Arora and Sankar (2025) assume event-based efficiency in the market, whilst Tupe and Bankar (2025) describe the influence of pandemic-induced behavioural change. Altogether, these investigations highlight the urgency in terms of behavioural awareness, financial literacy, regulatory backing, and data disclosure to enhance the quality of investment decision in India.

RESEARCH GAP

Current research on the topic of investment decision-making largely focuses on the financial ratios and the market performance as the major factors influencing investor behaviour. Although there is recognition of psychological biases in the literature of behavioural finance, there has been limited empirical studies that combine the financial ratio strength and the investor psychology especially in the Indian context. The majority of Indian research examines the financial performance or the behavioural variables separately, without considering how the two are interrelated, i.e. how positive financial signal interacts with the hesitation of the investor. The research fills this gap by analysing the reasons as to why investors shun or postpone investments even after positive financial ratios, this provides a behavioural-financial approach that has not been well studied in primary survey research in India.

RESEARCH OBJECTIVES

- To examine whether consideration of financial ratios and confidence in profitability ratios significantly influence investors' hesitation to invest, even when financial indicators are favourable.
- To examine whether psychological factors influencing investment hesitation differ significantly across different age groups of Indian investors when financial ratios are favourable.
- To examine whether investor psychology significantly differs across various educational qualification groups, thereby influencing the relationship between favourable financial ratios and investment decisions.

RESEARCH METHODOLOGY

- **Research Design:** Descriptive and analytical research design.
- **Nature of Study:** Primary survey-based empirical study.
- **Population:** Indian retail investors participating in the stock market.
- **Sample Size:** 70 respondents.
- **Sampling Technique:** Convenience sampling method.
- **Data Collection Method:** Structured questionnaire using 5-point Likert scale.

Variables Studied:

Independent Variables:

- Consideration of financial ratios
- Confidence in profitability ratios
- Age
- Educational qualification

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Dependent Variable:

- Investment hesitation despite favourable financial ratios

Statistical Tools Used:

- Multiple Regression Analysis
- One-Way ANOVA

Software Used: SPSS for statistical analysis.

Level of Significance: 5% (0.05).

DATA ANALYSIS AND INTERPRETATION

H_0 (Null Hypothesis): Consideration of financial ratios and confidence in profitability ratios do not significantly influence investors' hesitation to invest when financial ratios are favourable.

H_1 (Alternative Hypothesis): Consideration of financial ratios and confidence in profitability ratios significantly influence investors' hesitation to invest when financial ratios are favourable.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.256[a]	.066	.038	1.09183

a. Predictors: (Constant), Strong profitability ratios increase my confidence in a company., I consider financial ratios before making any investment decision.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.615	2	2.807	2.355	.103[b]
	Residual	79.871	67	1.192		
	Total	85.486	69			

a. Dependent Variable: Even when financial ratios are favorable, I hesitate to invest.

b. Predictors: (Constant), Strong profitability ratios increase my confidence in a company., I consider financial ratios before making any investment decision.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.706	.533		6.949	.000
	I consider financial ratios before making any investment decision.	-.238	.124	-.234	-1.919	.059
	Strong profitability ratios increase my confidence in a company.	.182	.124	.179	1.466	.147

a. Dependent Variable: Even when financial ratios are favorable, I hesitate to invest.

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The relationship between the consideration of financial ratios and the confidence in profitability ratios and the reluctance of investors to invest was determined through a multiple regression model to determine the effect of financial ratios considering the effect on investments despite positive financial indicators. It has a fairly weak explanatory power with the model explaining 6.6 percent of investment hesitation variance ($R^2 = 0.066$). The outcome of the ANOVA ($F = 2.355$, $p = 0.103$) demonstrates that the regression model in general is not statistically significant at the 5 percent level. The only predictor is the variable I consider financial ratios before making any investment decision whose $\beta = -0.234$ $p = 0.059$ indicates that there is a negative relationship where the more one depends on ratios the less hesitation there could be but this is weakly significant. Likewise, the relationship between strong profitability ratios and hesitations is not significantly predicted by the following: Strong profitability ratios increase my confidence in a company ($\beta = 0.179$, $p = 0.147$). Thus, the null hypothesis is accepted and it shows that financial ratios are not the significant factor in hesitation when it comes to investment choices made by the Indian investors.

H_0 (Null Hypothesis): There is no significant difference among different age groups regarding psychological hesitation to invest despite favourable financial ratios.
H_1 (Alternative Hypothesis): There is a significant difference among different age groups regarding psychological hesitation to invest despite favourable financial ratios.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Even when financial ratios are favorable, I hesitate to invest.	Between Groups	2.076	3	.692	.548	.652
	Within Groups	83.410	66	1.264		
	Total	85.486	69			
I would invest more confidently if psychological fears were reduced.	Between Groups	.993	3	.331	.248	.862
	Within Groups	87.993	66	1.333		
	Total	88.986	69			

One-Way ANOVA test was performed to show whether psychological hesitation towards investment in favour of good financial ratios varies with age. For the statement "Even when financial ratios are favourable, I hesitate to invest," the ANOVA result shows $F = 0.548$ with a significance value of 0.652, which is greater than the 0.05 level of significance. Similarly, for the statement "I would invest more confidently if psychological fears were reduced," the ANOVA result shows $F = 0.248$ with a significance value of 0.862, which is also greater than 0.05. Such results mean that the age groups have no statistically significant difference in terms of psychological hesitation in investment decisions. Thus the null hypothesis is accepted which indicates that psychological investment hesitation is homogeneous among the various age groups of Indian investors and that age does not have significant effect on the psychological investment hesitation.

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H_0 (Null Hypothesis): There is no significant difference in investor psychology across different educational qualification groups.

H_1 (Alternative Hypothesis): There is a significant difference in investor psychology across different educational qualification groups.

ANOVA					
Investor Psychology Index					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.354	3	.451	1.026	.387
Within Groups	29.028	66	.440		
Total	30.383	69			

The test used was One-Way ANOVA which was performed to cheque whether there is a significant difference in the psychology of the investors in the various educational qualification groups. The findings indicate that F-value = 1.026 and the level of significance (p-value) = 0.387 is a larger number than the conventional value of significance (0.05). This means that the investor psychology of investors of various degrees of educational qualifications does not significantly differ. The null hypothesis is accepted and alternative one rejected since the p-value is greater than 0.05. Hence, the level of education is not a big determinant of investor psychology when it comes to making investment decisions depending on positive financial ratios. This would imply that psychological inclinations that influence investment behaviour are not that much different among diverse educational backgrounds.

CONCLUSION

The current research problem was on whether financial ratio consideration, faith in profitability ratios, psychological reluctance, age and educational qualification has significant effect on investor reluctance in investing despite the favourable financial indicators. The overall conclusion of the findings is that, the conventional financial measures are not very significant factors that can determine the hesitation of Indian investors in making investment.

The multiple regression model showed that the consideration of financial ratios and profitability confidence had a low explanatory power ($R^2 = 0.066$). The regression model in general was not significant ($p = 0.103$) which indicated that positive financial ratios have no significant effect in reducing investment hesitation. Even though the consideration of financial ratios depicted a negative connection with hesitation ($\beta = -0.234$, $p = 0.059$) it was a relative and not statistically significant effect. The confidence in the profitability ratios could not demonstrate a strong impact as well ($p = 0.147$). This means that investors can use other non-financial or psychological aspects other than accounting measures.

Moreover, the findings of the One-Way ANOVA test proved that the psychological hesitation does not essentially vary among age groups ($p = 0.652$ and $Sig = 0.862$), which means that behavioural intuitions are equal among the age groups. On the same note, the investor psychology was not significantly affected by educational qualification ($p = 0.387$). This implies that demographic

factors like age or education have no strong influence on investment hesitation where the financial ratios are positive.

In general, the conclusion of the study is that the underlying psychological biases, emotional, and behavioural tendencies are more decisive on investor hesitation in the Indian context, and not the careful financial ratio analysis. Despite the existence of solid financial signals, even people are reluctant to make choices, which points to the fact that the relationships between rational financial assessment and the principles of behavioural finance are complicated.

RECOMMENDATIONS.

The structured behavioural finance knowledge programs should be given to the investors to minimize the psychological reluctance and emotional bias when making investment decisions. Investor psychology assessment tools need to be combined with financial ratio analysis to provide comprehensive recommendations by financial advisors and brokerage firms. The investor education programs also need to be directed toward not only the interpretation of ratios, but also overcoming the fear, the loss aversion, as well as the uncertainty. The policymakers and financial intermediaries can also come up with confidence-building tools like open disclosures and risk simulations. Additional psychological variables like risk tolerance, loss aversion, and herd behaviour are the other psychological variables that need to be identified in future research to view the pattern of investment hesitation in India.

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