

A Study of Strategies Adopted by Investors for Investment Management in the Share Market

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Abstract

This study explores the strategies adopted by individual investors for managing investments in the share market. Through a survey of 51 respondents, various strategies, decision-making tools, and risk management approaches were analyzed. The findings suggest a predominant preference for long-term investment strategies, with significant reliance on both fundamental and technical analysis. The study also highlights the critical factors influencing investment decisions and the varied responses of investors to market volatility. These insights provide a valuable foundation for understanding investor behavior in the share market.

INTRODUCTION

The share market has always been a focal point for investors seeking to grow their wealth. However, the strategies and tools investors use to navigate the complexities of the market can vary widely. This study aims to identify and analyse the primary strategies adopted by investors for managing their investments, the tools they use for decision-making, and how they manage risk. Understanding these factors is crucial for both investors and financial advisors to improve investment outcomes and develop more effective strategies.

Literature Review

- (C. Murugesan, 2016) According to this study "Investment in Stock Market: Fundamental and Technical Analysis" Fundamental analysis does not require one to be a financial analyst so as to detect high risk assets or assets with a good return in the future. Technical analysis uses historical stock statistics, usually price and volume data, to forecast future prices. Fundamental analysis tries to predict a stock's intrinsic value, and looks for opportunities where the live price deviates from the calculated intrinsic price.
- (Nilam Panchal, 2022) According to this study on Major Investment Preferences of Indian Investors in this study was to analyse the preferences of investors in the Indian share market and other investment options available in the market. Many factors including risk awareness,

investment time horizon, mode of trading, objectives of investment, usage of fundamental & technical analysis before investment, sources of information, etc. which affect the investment decisions are analysed. Fixed deposit is the most preferred investment option according to the respondents.

- **(Ahmad, 2017)** Explained in his study entitled "Factors Influencing Individual Investors' Behavior: An Empirical Study of Pakistan Financial Markets" In this study the factors which influencing the behavior of Pakistani investors was examined. Following factors were found to be the most influencing factors. The least influencing factors in order of importance were religious reasons, political party affiliation, environmental record, perceived ethics of the firm and family member opinion.
- **(Nadanan, 2014)** stated in his study entitled "A Study on The Personal Finance Pattern of Informed Investors in Bangalore with Special Focus on Mutual Fund as an Investment Option". He reveals present study to know the investment patterns, awareness of mutual funds products among investors and correlation between different age groups. After conducting his study, he reveals that majority of investors still prefer traditional investment patterns like bank deposits, assets like gold, silver and land instead of modern investment patterns like mutual funds and share market.
- **(Harpreet Singh, 2018)** stated in his study entitled "Personal Finance Management of Indian Working Professionals: An Empirical Study" The growing popularity of Personal Financial Management has piqued the curiosity of many in the financial services sector. People are investing their own assets and personal income wisely in order to assure their economic stability. The ageing population, together with higher life expectancy, emphasizes the necessity for as well as significance of well-planned Personal Finance Management.

The literature on investment strategies highlights a range of approaches, from long-term strategies like "Buy and Hold" to more active methods such as "Technical Analysis." Previous studies have shown

that investor behavior is influenced by market conditions, individual risk tolerance, and access to financial information. The role of technology and social media in shaping investment decisions has also become increasingly significant in recent years. This study contributes to the existing literature by providing insights into the specific strategies and tools currently favoured by investors.

Objective of the Study

To identify the key strategies adopted by selected investors in managing their investments in the stock market.

RESEARCH METHODOLOGY

This research adopts a quantitative approach through a survey conducted among 51 individual investors. The survey included questions related to the primary investment strategies, tools or methods used for decision-making, factors influencing stock buying or selling decisions, portfolio diversification, use of stop-loss orders, reactions to market volatility, and methods for managing risk. The data was collected and analysed to identify trends and preferences among the respondents.

Data Analysis and Interpretation

Primary Strategies for Investment Management

The survey data revealed that "Buy and Hold" is the most popular strategy, with 39.2% of respondents adopting this approach (see Chart 1). This indicates a strong preference for long-term investment strategies among the respondents. "Technical Analysis" follows with 21.6%, showing a significant reliance on market data and trends. "Value Investing" and "Growth Investing" are employed by 13.7% each, indicating a balanced interest in both conservative and aggressive investment strategies.

Decision-Making Tools and Methods

When it comes to decision-making, 43.1% of respondents use "Fundamental Analysis," making it the most popular tool (see Chart 2). A close second is "Technical Analysis" at 39.2%, followed by reliance

Which of the following strategies do you primarily use for investment management?
51 responses

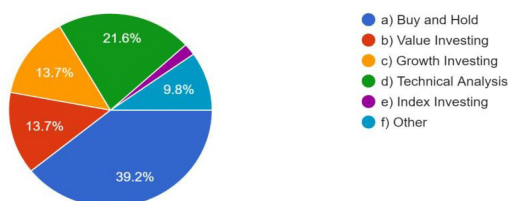


Chart 1: Primary strategies for investment management

Do you use any of the following tools or methods for decision-making?
51 responses

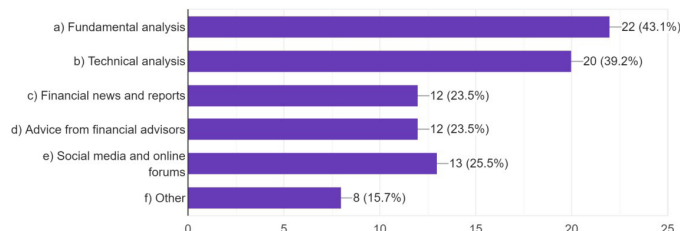


Chart 2: Decision-making tools and methods

What factors influence your decision to buy or sell a stock?
51 responses

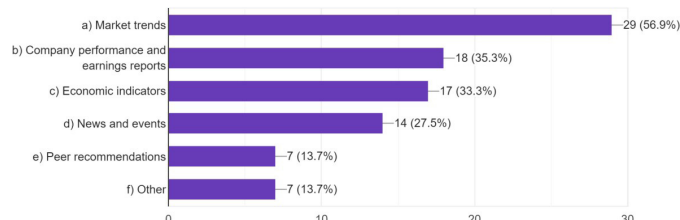


Chart 3: Factors influencing stock buying or selling decisions

Do you use stop-loss orders to manage risk?
51 responses

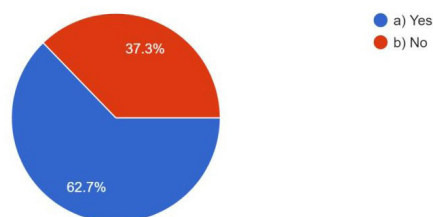


Chart 4: Use of Stop-Loss Orders

on “Financial News and Reports” and “Advice from Financial Advisors” at 23.5% each. The use of “Social Media and Online Forums” is notable at 25.5%, reflecting the growing influence of digital platforms on investment decisions.

Factors Influencing Stock Buying or Selling Decisions

“Market Trends” are the most influential factor for 56.9% of respondents, followed by “Company Performance and Earnings Reports” at 35.3%. “Economic Indicators” also play a crucial role for 33.3% of the respondents (see Chart 3). The relatively lower influence of “Peer Recommendations” (13.7%) suggests that investors prioritize data-driven decisions over anecdotal advice.

Portfolio Diversification

A majority (66.7%) of respondents have diversified portfolios, indicating a strategic approach to risk management by spreading investments across multiple sectors and asset classes. However, 33.3% of respondents do not diversify, which may expose them to higher risks (see Chart 4).

Use of Stop-Loss Orders

The survey shows that 62.7% of respondents do not use stop-loss orders, suggesting either a higher risk tolerance or a lack of familiarity with this risk management tool (see Chart 5). The remaining 37.3% who do use stop-loss orders likely have a more disciplined approach to limiting potential losses.

Reaction to Market Volatility

In response to market volatility, 52.9% of respondents stay calm and stick to their strategy, indicating a

How do you react to market volatility?
51 responses

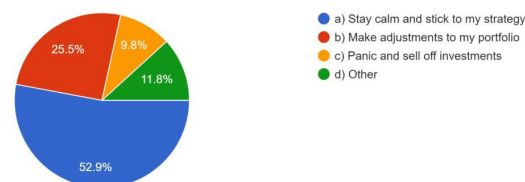


Chart 5: Reaction to market volatility

What is your primary method for managing risk in your portfolio?
51 responses

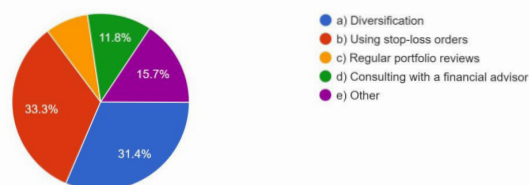


Chart 6: Risk management methods



disciplined long-term approach. About 25.5% make adjustments to their portfolio, showing a more active management style, while 9.8% panic and sell off investments, reflecting a minority with low risk tolerance (see Chart 6).

Risk Management Methods

"Diversification" is the most common risk management method, employed by 33.3% of respondents, followed by "Using Stop-Loss Orders" at 31.4%. "Regular Portfolio Reviews" (15.7%) and "Consulting with Financial Advisors" (11.8%) are less frequently used, suggesting that not all investors actively manage or seek external advice for their portfolios (see Chart 7).

DISCUSSION

The findings of this pilot study provide valuable insights into the investment strategies and behaviors of individual investors in the share market. The preference for long-term strategies like "Buy and Hold" reflects a conservative approach to wealth accumulation. The reliance on both fundamental and technical analysis underscores the importance of data-driven decision-making. The varied responses to market volatility and risk management methods indicate that investor behavior is influenced by both personal risk tolerance and the availability of decision-making tools.

CONCLUSION

This study highlights the diverse strategies and tools employed by investors in managing their investments in the share market. The findings suggest that while long-term strategies and data-driven decision-making are prevalent, there is also a significant portion of investors who actively manage their portfolios in response to market conditions. These insights are crucial for understanding investor behavior and can inform the development of more effective investment strategies and educational resources.

RECOMMENDATIONS

- **Investor Education:** There is a need for increased education on the benefits of using stop-loss orders and diversification to manage risk effectively.
- **Tool Accessibility:** Financial advisors and platforms should ensure that investors have easy access to both Fundamental and Technical Analysis tools to enhance decision-making.
- **Behavioral Insights:** Further research should explore the psychological factors that influence investor reactions to market volatility, to better understand how to support investors in maintaining a disciplined approach.

LIMITATIONS AND FUTURE RESEARCH

This study is limited by its small sample size and the fact that it is a pilot study. Future research should involve a larger, more diverse sample to validate these findings. Additionally, qualitative research could provide deeper insights into the reasons behind investors' strategy choices and risk management behaviors.

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