

A Study on Investor Buying Behavior in Response to Interest Rate Changes

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Abstract- Interest rates play an important role in influencing individual investment decisions by affecting the attractiveness of different investment avenues and investors' perceptions of risk and return. This study examines the buying behaviour of individual investors in response to changes in interest rates. A descriptive research design was adopted, and primary data were collected through a structured questionnaire from 187 individual investors using convenience sampling. The collected data were analysed using Microsoft Excel. Simple Linear Regression was used to examine the influence of interest-rate changes on investor behaviour, while Pearson Correlation was used to examine their relationship. The regression results indicate a significant positive influence, with $R = 0.616$, $R^2 = 0.380$ and $p < 0.001$. Pearson Correlation also revealed a significant weak positive relationship ($r = 0.246$, $p \approx 0.0007$). The findings indicate that changes in interest rates are significantly associated with individual investors' investment decisions and buying behaviour.

I. INTRODUCTION

Investment is a way for people to keep and grow their money. People who invest have a lot of options like stocks, mutual funds, fixed deposits, bonds, gold and real estate. When people choose where to put their money, they think about how they might get back how much risk is involved what they want to achieve with their money and what is happening in the economy.

Interest rates are a factor that can change how people invest. When interest rates go up or down it can affect how much it costs to borrow money how money people can make from deposits what is happening in the market and which investment options are more attractive. So when interest rates change people may think again about where they want to put their money. When interest rates are going up people might prefer to put their money in investments that pay interest. When interest rates are

low people might be more likely to invest in things that could make them more money.

In India what happens with interest rates is closely connected to what the Reserve Bank of India decides. These decisions can affect what is happening in the markets and what people think about investing. People do not all react the same way to changes in the economy. Their experience with investing what they want to achieve with their money and how risk they are willing to take can all make a difference in how they respond to changes in interest rates.

It is important to understand how people react to changes in interest rates because it can affect not where they choose to invest but also whether they are willing to change their investment decisions. Looking at how people respond to changes in interest rates can help us understand better how individual investors react to what's happening in the economy and can contribute to a bigger conversation about how people invest in India.

This study looks at how individual investors make decisions about buying investments when interest rates are changing. It pays special attention to how changes, in interest rates are connected to investment decisions and what people prefer to invest in.

II. LITERATURE REVIEW

(Verma & Sharma, 2026) The author analysed the behaviour of the investor with regard to changes in the level of interest rates, affecting the behaviour of their investments. It can be observed from the findings that the retail investors chose conservative investments, such as fixed deposits and bonds, as the interest rate levels increased. It can further be noticed that the risky behaviour of the investor declines with monetary tightening.

(Mishra & Patel, 2022) The researcher analysed how inflation along with a change in interest rate affects investment decisions. The study concluded that during the period of economic instability, investors prefer to park their money in secure investment avenues. The researcher further stated that macroeconomic factors such as inflation and interest rates affect investment behaviour to a great extent.

(Kumar & Singh, Impact of Interest Rate Changes on Investment Decisions of Individuals, 2020) The researcher studied the investment decision-making process of an individual towards the stock market. The researcher concluded that there are changes in attitude and approach towards the portfolio on the occurrence of a change in the interest rate. Thus, the researcher stated that there occurs a shift in preference towards fixed deposits on the rise in rates. The researcher explained the prevalence of macro factors in the decision-making process of individuals. (Rao & Menon, 2021) The analysis revealed that the impact of change in repo rate on the stock market and investor behaviour. The researcher concluded that any hike in this rate adversely impacts the sentiments of investors and their willingness to participate in the stock market. Investors behave differently towards monetary tightening and monetary easing, which affects the market significantly. The study further stressed the importance of announcement made by the monetary policy makers.

(Brown & Taylor, 2019) The findings indicated that to determine the expectations of investors about future prospects of interest rates. The author concluded that an increase in this indicator will cause their transition to safe investments while a decrease in the money market rate will stimulate the demand for equity. The author also revealed the significance of financial literacy in the context of investment activity.

III. OBJECTIVES

Objective 1

To examine the influence of changes in interest rates on the buying behaviour of individual investors.

Objectives 2

To establish the relationship between changes in interest rates and the buying behaviour of individual investors.

IV. HYPOTHESIS

H01: Changes in interest rates do not significantly influence the buying behaviour of individuals investors.

H11: Changes in interest rates significantly influence the buying behaviour of individual investors.

H02: There is no significant relationship between changes in rates and the buying behaviour of individual investors.

H12: There is a significant relationship between changes in interest rates and the buying behaviour of individual investors.

V. RESEARCH METHODOLOGY

5.1 Research Design

The study adopts a descriptive research design to examine individual investors buying behaviour in response to changes in interest rates. The design is appropriate because the study focuses on understanding investors perceptions, preferences and decision-making patterns. It helps describe how investors respond when interest rates increase. The study also examines the relationship between interest-rate changes and investor buying behaviour using quantitative analysis.

5.2 Sources of Data

The study uses both primary and secondary sources of data. Primary data were collected directly from individual investors through a structured questionnaire. Secondary information was obtained from research papers, academic journals, books, reports and other relevant sources. Secondary sources were mainly used to establish the conceptual background and support the interpretation of the findings.

5.2.1 Primary Data

Primary data form the main source of information for the study. Data were collected directly from individual investors using a structured questionnaire. The questionnaire was designed to obtain information regarding respondents' investment characteristics, perceptions of interest-rate changes and investment behaviour. The responses obtained from the participants were coded and analysed quantitatively using Microsoft Excel.

5.2.2 Secondary Data

Secondary data were used to provide theoretical and contextual support to the study. Relevant information was collected from research papers, academic journals, books, reports and other credible sources. These sources helped in understanding the relationship between interest rates, monetary policy and investment behaviour. They also supported the development of the literature review and conceptual framework.

5.3 Sampling Design

The sampling design defines the population and method used to select respondents for the study. The study focuses on individual investors who have experience or awareness of investment decisions. Respondents were selected based on their accessibility and willingness to participate in the survey. The sampling approach was adopted considering the practical limitations of reaching the wider investor population.

5.3.1 Target Population

The target population comprises individual investors who participate in or have knowledge of investment activities. The study focuses on their perceptions and responses to changes in interest rates. Individual investors were considered appropriate because interest-rate movements can influence their investment preferences and financial decisions. The responses of these investors form the basis for examining investor buying behaviour.

5.3.2 Sampling Technique

The study uses convenience sampling to select respondents. Under this technique, participants were approached based on their accessibility and

willingness to provide responses. The method was considered suitable for collecting primary data within the available time and resources. Although it may not fully represent the entire investor population, it enables the study to obtain relevant responses from accessible individual investors.

5.4 Sample Size

A total of 187 valid responses were obtained and considered for the analysis. The respondents represent individual investors who participated in the structured questionnaire survey. The collected responses were coded and organised in Microsoft Excel before applying the selected statistical techniques. The sample provides the required observations for examining the relationship between interest-rate changes and investor buying behaviour.

5.5 Data Collection Instrument

A structured questionnaire was used as the primary data collection instrument. The questionnaire consisted of demographic questions and statements related to interest-rate changes and investor behaviour. Relevant statements were measured using a five-point Likert scale, ranging from low to high levels of agreement. The responses were coded numerically and used for statistical analysis in Microsoft Excel.

5.6 Variables of the Study

The study considers interest-rate changes as the Independent Variable (IV) and investor buying behaviour as the Dependent Variable (DV). The independent variable represents investors' responses to changes in interest rates and related monetary-policy conditions. The dependent variable represents investors' investment decisions and buying behaviour. These variables form the basis for testing the proposed hypotheses.

5.7 Statistical Tools Used

The primary data were coded and analysed using Microsoft Excel. Simple Linear Regression was used to examine the influence of interest-rate changes on investor buying behaviour under Objective 1. Pearson Correlation was used to determine the direction and strength of the relationship between the selected interest-rate variable and investor buying behaviour

under Objective 2. The hypotheses were evaluated at the 5% significance level.

VI. HYPOTHESIS TESTING

6.1 Simple Linear Regression

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.616274572
R Square	0.379794348
Adjusted R Square	0.376441885
Standard Error	0.867959681
Observations	187

ANOVA

	df	SS	MS	F	Significance F
Regression	1	85.34608614	85.34608614	113.2881557	6.07901E-21
Residual	185	139.3704914	0.753354008		
Total	186	224.7165775			

Variable	Coefficient (B)	t-value	p-value
Constant	1.442	7.427	<0.001
Interest rate changes	0.531	10.644	<0.001

Analysis-Simple Linear Regression

The regression analysis shows a moderate positive relationship between interest-rate changes and investor behaviour, with $R = 0.616$. The R^2 value of 0.380 indicates that approximately 38.0% of the variation in the dependent variable is explained by interest-rate changes. The regression model is statistically significant ($F = 113.29$, $p < 0.001$), while the interest-rate coefficient is positive ($B = 0.531$, $p < 0.001$). Therefore, H_{01} is rejected and H_{11} is accepted, indicating that interest-rate changes significantly influence investor behaviour.

Interpretation

The regression results show a positive relationship between interest-rate changes and investor behaviour, with Multiple $R = 0.616$. The R^2 value of 0.380 indicates that approximately 38.0% of the variation in the dependent variable is explained by interest-rate changes. The model is statistically significant ($F =$

113.29 , $p < 0.001$), and the coefficient for interest-rate changes is positive ($B = 0.531$, $p < 0.001$). Therefore, H_{01} is rejected and H_{11} is accepted, indicating that interest-rate changes significantly influence investor behaviour.

6.2 Pearson Correlation

Result	Value
Pearson r	0.246
Direction	Positive
Strength	Weak positive
p-value	≈ 0.0007
Significance level	0.05
Decision	Rejected H_{02}

Analysis- Pearson Correlation

The Pearson correlation analysis was conducted to examine the relationship between interest-rate changes and investor buying behaviour. The results

show a positive correlation ($r = 0.246$), indicating a weak positive relationship between the variables. The p-value of approximately 0.0007 is below the 0.05 significance level, confirming that the relationship is statistically significant. Therefore, H_{02} is rejected and H_{12} is accepted, indicating that interest-rate changes have a significant positive relationship with investor buying behaviour.

Interpretation

The Pearson correlation analysis shows a weak positive relationship between interest-rate changes and investor buying behaviour, with a correlation coefficient of $r = 0.246$. The relationship is statistically significant as the p-value (≈ 0.0007) is lower than the 0.05 significance level. Therefore, H_{02} is rejected and H_{12} is accepted. This indicates that changes in interest rates have a significant positive relationship with investor buying behaviour.

VII. KEY FINDINGS

- The study found a significant positive influence of interest-rate changes on investor behaviour, with $R = 0.616$ and $R^2 = 0.380$. This indicates that approximately 38.0% of the variation in the dependent variable is explained by interest-rate changes.
- The regression model was statistically significant ($F = 113.29$, $p < 0.001$), and the interest-rate coefficient was positive ($B = 0.531$, $p < 0.001$). Hence, H_{01} was rejected.
- Pearson Correlation showed a weak positive relationship between interest-rate changes and investor buying behaviour ($r = 0.246$).
- The relationship was statistically significant at the 5% significance level ($p \approx 0.0007$). Therefore, H_{02} was rejected.
- Overall, the findings indicate that interest-rate changes are an important factor associated with individual investors' investment decisions and buying behaviour.

VIII. CONCLUSION

The study concludes that changes in interest rates have a significant association with the buying behaviour of individual investors. The regression

analysis demonstrates a significant positive influence of interest-rate changes, while the Pearson Correlation confirms a statistically significant positive relationship. These findings suggest that interest-rate movements can influence investors' investment decisions and preferences. Therefore, understanding changes in interest rates is important for interpreting individual investment behaviour in India.

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