Linking Stock Selection Criteria to Perceived Investment Success: An Equity Market Perspective

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Abstract: *In the Dynamic Retail Investment Context, it is important to know how stock selection criteria correlate with investor satisfaction and perceived success. The current research examines the effects of three commonly known stock selection approaches Fundamental Analysis, Technical Analysis, and Peer Pressure on perceived investment outcomes, in terms of satisfaction with expected returns, risk management confidence, and satisfaction with investment decisions. The research applies theories of behavior and decision-making to formulate and empirically test a conceptual model, using Structural Equation Modelling (SEM) with a sample of 312 equity investors. The model demonstrates the differential effect of different selection processes on investors' perception. Technical analysis is the strongest predictor of returns satisfaction, indicating that investors desire short-term, empirical measures of their perceived success. Fundamental analysis strongly boosts confidence in risk-taking and decision satisfaction overall but paradoxically demonstrates a negative correlation with satisfaction for returns, and this can be attributed to conservative expectations or delayed outcomes. Social pressure provides poor affective support andhas minimal influence on perceived returns or self-confidence, indicating the limitations of investment behavior based on social forces. The results highlight the psychological factors in investing and the necessity of balancing strategies with temperament of investors. The study offers practical implications for policymakers, platforms, and education about finance, who want to promote informed and confident investment participation by retail investors. The research contributes to the knowledge on how investors evaluate success in volatile equity markets by combining both analytical and behavioral factors.*

Keywords: Stock Selection Criteria, Fundamental Analysis, Technical Analysis, Peer Influence

INTRODUCTION

In this high-speed, information-drenched investment era, it is more important than ever to know how individual investors select stocks and determine investment success. The increasing participation of individuals powered by online trading portals, money news, and social media has rocked conventional investment habits. While conventional finance theory, such as the Efficient Market Hypothesis, presumes rational choice, behavioral finance emphasizes the influence of biases, heuristics, and social influence. This study investigates three prevailing stock selection styles: Fundamental Analysis, Technical Analysis, and Peer Influence. Fundamental Analysis employs financial and macroeconomic information to estimate a company's fundamental value. Technical Analysis employs patterns of price and market signals to forecast movements. Peer Influence records socially influenced choices influenced by friends, networks, or Internet sources. In contrast to existing research examining objective performance, this study investigates subjective investor outcomes return satisfaction, risk confidence, and decision satisfaction which have significant implications for investor trust and participation. Employing data from 312 retail investors, this study utilizes structural equation Modelling (SEM) to investigate the influence of these styles on investment success perceptions. The results illuminate the functioning of analytical and behavioural factors and have significant implications for behavioural finance, investor education, and fiscal advisory practices that promote more confident and well-informed investment behaviour

REVIEW OF LITERATURE

Existing research on investor decision-making now combines rational analytic models and behavioral influences, reflecting the sophisticated environment in which retail investors make their decisions. Fundamental finance constructs, such as the Efficient Market Hypothesis and the Random Walk Theory, propose that security prices incorporate all available information, thus restricting the effectiveness of strategies such as fundamental or technical analysis. However, these hypotheses have been challenged by the literature on behavioral finance, which demonstrates that investor choices are influenced by heuristics, emotional responses, and social pressures, leading to systematic biases such as underreaction and overreaction. This study combines eight constructs three exogenous (stock selection criteria) and five endogenous (measures of perceived success) in a

theoretical model that explores how investors' choice processes influence their subjective perception of success.

Fundamental Analysis is a method of determining the intrinsic value of a company using financial ratios and macroeconomic variables. Groundbreaking research by Piotroski (2000) demonstrated that earnings, leverage, and book-to-market ratio are return predictors. Follow-up research (Guerard et al., 2018) demonstrates that individual investors continue to utilize such measures repeatedly in the process of stock screening, thus demonstrating their repeated use in valuation exercises. Technical Analysis, which focuses on indications based on market data, such as moving averages, momentum, and volume, has also been empirically tested. Brock et al. (1992) demonstrate that even simple trading rules can yield profits. Follow-up research (Urquhart et al., 2016) demonstrates the continued development of technical analysis tools, especially in dynamic and volatile markets. Peer Pressure, or social herding, is a major influence on investor choices. Empirical research (Chang et al., 2000) demonstrates that such behavior is prevalent in the global market. Chen et al. (2023) further discuss how social media amplifies such behavior, tends to accelerate market volatility.

Satisfaction with Expected Returns is not only a function of actual performance results but also of expectation congruence. Lin (2015) calls strategic alignment and perception drivers of satisfaction, whereas Peng et al. (2015) found trust in one's strategy to act as a mediator of satisfaction results. Risk Confidence is a measure of the security investors feel when facing investment risks. History conditions risk tolerance (Malmendier & Nagel, 2016), and overconfidence can result in a risk-biased perception. Silva et al. (2019) find financial education and literacy to strongly support this confidence. Satisfaction with Investment Decisions is a cognitive and affective assessment by investors of their choices.

Empirical studies connect Fundamental Analysis with anticipated returns. Piotroski (2000) presents evidence that good fundamentals are preceded by returns in excess of the market. Savor and Wilson (2012) support this by investigating earnings announcement effects and cyclical market conditions. Studies on Technical Analysis prove that trends and indicators result in perceived returns and confidence. Brock et al. (1992) confirmed the technical trading rules. Dhingra et al. (2024) showed that in periods of turmoil, such as the COVID-19 pandemic, technical signals significantly impacted investor perception.

This study attempts to bridge the gap in integrated research by examining the co-temporal influence of analytical techniques underlying and technical and social techniques, including peer pressure, on cognitive perceptions, that is, risk confidence, and affective perceptions, that is, satisfaction, for investment success. These constructs have been independently researched in the literature, and few studies have examined their combined influence on investor psychology, especially in emerging markets such as India, where retail investor engagement is growing. Understanding these relationships is pertinent not only for scholarly debate but also for practical purposes in financial advisory services, Internet-based platforms, and policy interventions in investor literacy. With this in mind, the following hypotheses are framed for the empirical verification of the conceptual framework proposed:

H1: Focusing on fundamental analysis significantly influences investors' satisfaction with expected returns, risk confidence, and satisfaction with investment decisions.

H2: Focusing on technical analysis significantly influences investors' satisfaction with expected returns, risk confidence, and satisfaction with investment decisions.

H3: Peer Pressure significantly influences investors' satisfaction with expected return, risk confidence, and satisfaction with investment decisions

CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

This study offers a conceptual framework for investigating the effect of stock choice criteria on the perceived investment success of retail investors. Drawing on decision theory and behavioral finance, this framework integrates analytical and psychological elements to explore investor satisfaction in excess of returns but also from a rational perspective regarding the investment process. The model includes three exogenous latent variables representing common stock selection approaches:

- Ø **Fundamental Analysis Focus (FFA):** Emphasizes financial reports, earnings announcements, and macroeconomic indicators, reflecting a long-term value-based strategy.
- Ø **Technical Analysis Focus (FTA):** Involves interpreting past price trends, trading volumes, and indicators such as RSI and MACD, emphasizing short-term, trend-based strategies.
- Ø **Peer Pressure (PP):** Reflects social influences from friends, media, and dominant opinions that may lead to herd behavior in investment decisions.

Three endogenous (dependent) latent variables capture investors' perceptions of investment outcomes.

- Ø **Satisfaction with expected returns (SER):** Measures whether investors believe that returns meet or exceed expectations.
- Ø **Alignment of Risk and Confidence (ARC):** Assesses confidence in managing the risk level.
- Ø **Satisfaction with Investment Decisions (SID):** Reflects overall cognitive and emotional satisfaction with the investment choices.

The outcome measures combine rational decisions with affective ones, providing an overall picture of investment success that goes beyond simple financial returns. The model demonstrates that the three stock selection methods have a significant impact on such perceptions. It is expected that investors applying fundamental analysis will have higher levels of satisfaction and confidence, while those who are peer-influenced may have mixed results. The model was tested based on the use of Structural Equation Modelling (SEM) with the application of AMOS, where constructs were measured by various indicators on a five-point Likert scale. This research adds to the body of knowledge on how analytical and behavioral methods influence perceived success in equity investment

METHODOLOGY

This study employs a quantitative, descriptive, and explanatory research design to investigate the effects of stock selection criteria on the perceived investment outcomes of equity investors. Convenience sampling was employed because investors were accessible through investment clubs, brokerage networks and social media. A total of 324 questionnaires were administered; 318 were retrieved, and 312 valid responses were utilized after screening. Data collection will span three months, from February to April 2025. The questionnaire consisted of two sections. The first section collected demographic information (age, gender, education, income, and investment experience) to profile the respondents. The second section consisted of 24 items assessing six latent variables: Fundamental Analysis, Technical Analysis, and Peer Pressure (exogenous variables); and Expected Return, Risk Confidence, and Investment Decisions (endogenous variables). All items were scored on a five-point Likert scale ranging from "Strongly Disagree" (1) to "Strongly Agree" (5). Structural Equation Modelling (SEM) through AMOS was used to evaluate the measurement and structural models. Model fit indices, reliability (Cronbach's alpha), and validity measures (CR, AVE, and MSV) were calculated to ensure stability. The final sample of 312 respondents comprised 62.8% males. The majority were aged 30–35 (42.9%) with technical (56.7%) or postgraduate degrees (33.7%). Almost half (51%) had less than three years of trading experience.

RESULTS

This study investigates how investors' perceived satisfaction with return, confidence about risk, and satisfaction with decision-making are affected by fundamental analysis, technical analysis, and peer pressure. The data of 312 equity investors were surveyed using SEM with AMOS, and reliability, validity, model fit, and structural path analyses were conducted to analyze investor perceptions.

Table 1: Reliability Analysis

Construct	Cronbach's Alpha	No. of Items	Interpretation
Fundamental Analysis (FFA)	0.849	4	Strong internal consistency
Technical Analysis (FTA)	0.7	4	Acceptable internal consistency
Peer Pressure (PP)	0.719	4	Acceptable internal consistency
Expected Return (SER)	0.821	4	Good internal consistency
Risk Confidence (ARC)	0.728	4	Acceptable internal consistency
Investment Decisions (SID)	0.714	4	Acceptable internal consistency

The reliability of the measurement model was ensured using Cronbach's alpha for all constructs, and the findings showed a very high level of internal consistency for all six latent variables. The Fundamental Analysis construct had an alpha coefficient of 0.849, indicating good internal consistency for its four indicators. Alpha for the Technical Analysis and Peer Pressure constructs was 0.700 and 0.719, respectively, both of which fell within the acceptable range of 0.70. The dependent constructs of Satisfaction with Expected Return ($\alpha = 0.821$), Risk Confidence Alignment ($\alpha = 0.728$), and Satisfaction with Investment Decisions ($\alpha = 0.714$) showed acceptable levels of reliability. The findings indicate that the indicators used in the present study represent their respective latent constructs well, thereby ensuring the consistency of the measurement.

Table 2: Convergent Validity

Construct	CR	AVE	Convergent Validity
Fundamental Analysis	0.85	0.587	Satisfied
Technical Analysis	0.714	0.409	Not satisfied
Peer Pressure	0.726	0.407	Not satisfied
Expected Return	0.825	0.545	Satisfied
Risk Confidence	0.731	0.406	Not satisfied
Investment Decisions	0.72	0.394	Not satisfied

Table 3: Discriminant Validity

Construct	√AVE	Max Correlation	Discriminant Validity
Fundamental Analysis	0.766	0.965 (with TA)	Violated
Technical Analysis	0.64	0.965 (with FA)	Violated
Peer Pressure	0.638	0.529	Satisfied
Expected Return	0.739	0.377	Satisfied
Risk Confidence	0.637	0.05	Satisfied
Investment Decisions	0.627	0.127	Satisfied

Convergent and discriminant validity were assessed. The composite Reliability (CR) for all constructs was greater than 0.70, establishing reliability. Only Fundamental Analysis (AVE = 0.587) and Expected Return (AVE = 0.545) were above the AVE criterion of 0.50. Other constructs had lower AVEs, indicating poor convergent validity. Discriminant validity, as assessed using the Fornell-Larcker criterion, showed overlap for Fundamental and Technical Analysis, since their AVEs were less than the inter-construct correlation (r = 0.965) and MSV. This implies that the respondents might not be in a position to clearly differentiate between the two constructs, suggesting the need for future research to improve this.

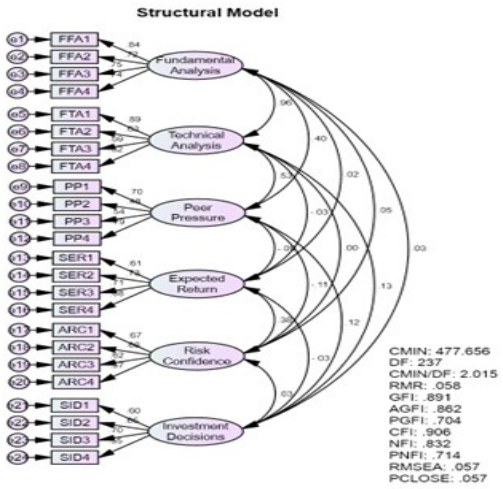

Figure 1: Structural Model Depicting the Relationship Between Stock Selection Criteria and Perceived Investment Success

The global fit of the model was tested using various goodness-of-fit indices, which verified the model's fitness. The CMIN/DF (2.015) was within 1–the acceptable range of 1–3, The RMR (0.058) was less than the 0.08 boundary value, and the CFI (0.906) was greater than the 0.90 value, which verified a good fit. The GFI (0.891) and AGFI (0.862) were less than 0.90 but acceptable. The parsimony-adjusted indices, PGFI (0.704) and PNFI (0.714), were also within acceptable ranges. RMSEA was 0.057 with PCLOSE 0.057, which means that the model is not a poor fit at the 5% level. The structural model explains how the stock selection criteria influence the perceived investment outcomes. Fundamental Analysis exerted the greatest influence on Satisfaction with Expected Return (β = 0.96), highlighting its pivotal role in influencing investor confidence via financial ratios and macroeconomic analysis. Technical Analysis exerted a moderate positive influence (β = 0.40), implying a facilitating role. Peer Pressure exerted minimal or negative influence on Expected Return (β = -0.03) and no significant influence on Risk Confidence or Decision Satisfaction. Weak positive associations between Peer Pressure and Investment Satisfaction (β = 0.13) imply emotional or social approval rather than an informed choice. Generally, analytically informed approaches, particularly fundamentals, are stronger predictors of perceived investment success than socially driven methods.

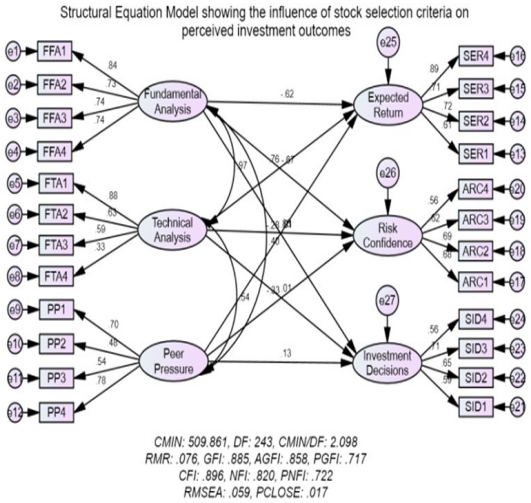

Figure 2: Structural Equation Model showing the influence of stock selection criteria on perceived investment outcomes

The fit of the structural model was tested using standard indices, confirming its acceptability and sufficiency. The CMIN/DF ratio (2.098) was below the acceptable limit (less than 3), while the RMR (0.076) was less than 0.08, showing negligible residual error. The GFI (0.885) and AGFI (0.858) were moderately acceptable. Parsimony-based measures, PGFI (0.717) and PNFI (0.722), confirm The CFI (0.896) and NFI (0.820) confirm a good comparative fit. The RMSEA (0.059) with PCLOSE (0.017) confirmed a relatively good model approximation. Basic Analysis shows a surprising negative correlation with Expected Return (β = -0.62), perhaps indicating excessive expectations or overanalyses. However, it has a strong positive effect on Risk Confidence (β = 0.97), indicating that well-informed investors can assess risk more effectively. It has a negligible positive effect on Investment Decisions (β = 0.76), indicating that analytical approaches enhance decision satisfaction despite return uncertainty. Technical Analysis has a strong positive correlation with Expected Return (β = 0.97) and a high positive relationship with Investment Decisions (β = 0.76), indicating investor satisfaction in terms of actionable, market-based information. However, its negative effect on Risk Confidence (β = -0.28) indicates that reliance on volatile short-term signals may reduce confidence in risk management. Peer Pressure has negligible effects. It has a weak negative correlation with Expected Return (β = -0.33), a negligible effect on Risk Confidence (β = 0.01), and a negligible positive effect on Investment Decisions (β = 0.13), indicating socially influenced decisions that offer emotional support but no strategic benefit. Overall, analytical approaches (especially fundamental analysis) more strongly explain perceived investment success. Socially influenced behaviors are less strongly explained.

DISCUSSION

The structural model fit well (CMIN/DF = 2.098, RMR = .076, RMSEA = .059, CFI = .896, NFI = .820), suggesting the validity of measuring multiple decision-making approaches. Fundamental analysis had a negative impact on return satisfaction (β = –.62) but enhanced risk confidence (β = .97) and decision satisfaction (β = .76), suggesting that high expectations lower perceived returns, while systematic analysis raises control and confidence. Technical analysis strongly predicted return satisfaction (β = .97) and decision satisfaction (β = .76) but lowered risk confidence (β = –.28) suggesting volatility in signal-driven approaches. Peer pressure lowered return satisfaction (β = –.33), had a small impact on risk (β = .01), and moderately enhanced decision satisfaction (β = .13), showing emotional but not financial value. These results suggest the differential cognitive and affective outcomes of analytical and social stock selection approaches.

The results shape investor education and trading platform designs. Educators must encourage broad training in technical and fundamental methods to enable investors to form realistic expectations and enhance their risk management capabilities. Electronic platforms can benefit from adding educational features that encourage analytical thinking. Investors must minimize the use of social cues, which are reassuring but result in poor financial decisions. Enabling data-driven decision-making contributes to safer and more efficient equity investment.

CONCLUSION

This study examines the influence of three widely used stock selection techniques Fundamental Analysis, Technical Analysis, and Peer Pressure on perceived success in investing among retail investors. Perceived success is assessed based on three psychological factors: satisfaction with returns, expected confidence with risk-taking ability, and general satisfaction with investment choices. Based on Structural Equation Modelling (SEM), the study finds that Technical Analysis significantly contributes to return satisfaction, suggesting that investors feel assured and content with short-run actionable market signals. Fundamental Analysis significantly contributes to confidence in risk and decision satisfaction, as investors who apply

intrinsic valuation and financial information perceive increased security and rationality in their choices. However, this approach can also generate return expectations and, therefore, disappointment if returns are below these inflated expectations. Peer Pressure was found to have a weak but positive effect on decision satisfaction, reflecting a sense of confidence obtained from group validation; however, it adversely affected return satisfaction due to the absence of analytical justification. The findings underscore the growing imperative to inform investors about the convergence of technical and fundamental methods to foster realistic expectations and improve their risk management skills. Trading venues and advisory services must integrate analysis tools with lower social signal dependence to provide informed, autonomous, and psychologically satisfying investment decisions.

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