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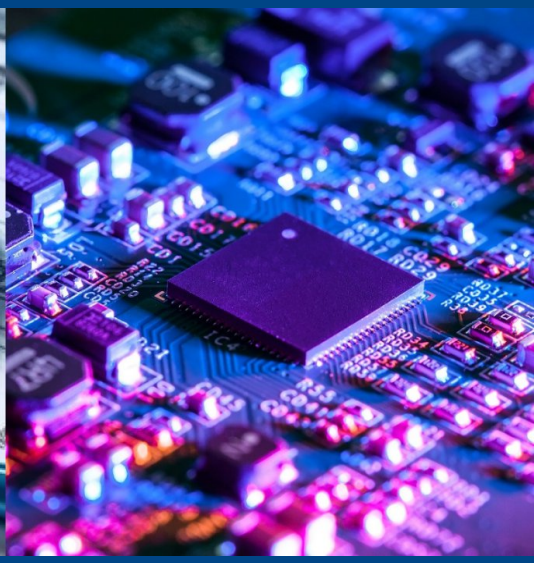

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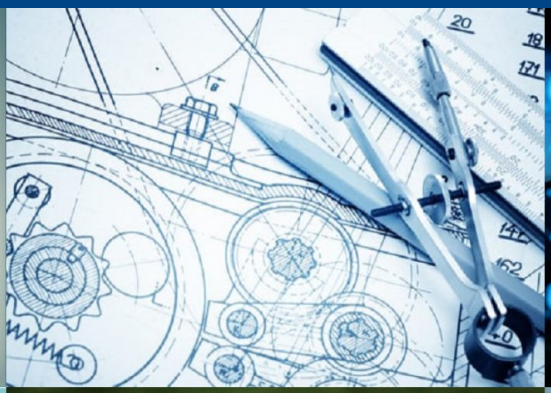

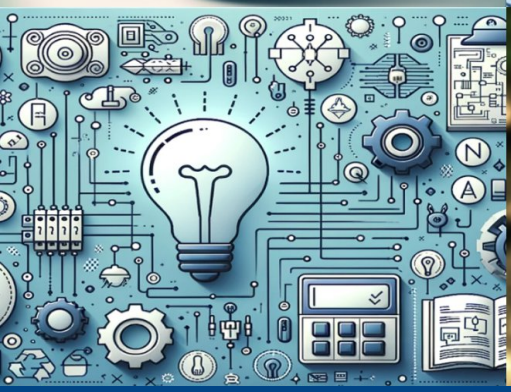

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A Comparative Study of Fundamental and Technical Analysis in Investment in Decision Making

Amrutha B, Dr. Shalu Singh

Department of MBA, Semester IV, CMS Business School, JAIN (Deemed-to-be University),

Bengaluru, Karnataka, India

Assistant Professor, Faculty of Management Studies, CMS Business School, JAIN (Deemed-to-be University),

Bengaluru, Karnataka, India

ABSTRACT: Investment decision-making is a complex and multidimensional process influenced by analytical frameworks, behavioural factors, and market dynamics. Among the most widely used methodologies in equity markets are Fundamental Analysis (FA) and Technical Analysis (TA), which differ significantly in their principles and applications. This study adopts a quantitative, descriptive, and comparative research design to evaluate the effectiveness of these approaches using primary data collected from 50 investors in the Indian equity market.

The findings indicate that Fundamental Analysis is more effective for long-term wealth creation, while Technical Analysis is more suitable for short-term gains and entry and exit timing. The results also reveal that a combined approach is widely adopted and yields better investment outcomes. Statistical analysis confirms significant differences in effectiveness across various dimensions. The study concludes that FA and TA are complementary approaches, and their combined use enhances investment decision-making.

I. INTRODUCTION

1.1 Background of the Study

Investment decision-making plays a central role in financial markets by influencing how capital is allocated across sectors and assets. Investors constantly seek reliable strategies to maximize returns while managing risk. The effectiveness of investment decisions largely depends on the analytical framework adopted. Fundamental Analysis focuses on evaluating the intrinsic value of securities through financial and economic factors, whereas Technical Analysis relies on historical price movements and market trends to forecast future price behaviour. These approaches differ in philosophy but are both widely used by investors.

1.2 Indian Capital Market Context

The Indian capital market has undergone significant transformation in recent decades due to regulatory reforms, technological advancements, and increased retail participation. The establishment of regulatory frameworks and the introduction of electronic trading have improved transparency and efficiency. As a result, the market now consists of a diverse group of investors with varying levels of knowledge and analytical preferences. Understanding how these investors use FA and TA is essential in evaluating their effectiveness in the Indian context.

1.3 Problem Statement

Despite extensive research on Fundamental and Technical Analysis, there is limited empirical evidence comparing their effectiveness using primary data in the Indian market. Most studies are based on developed economies, which differ in structure and investor behaviour. Additionally, the rise of retail investors and technological advancements has led to increased adoption of hybrid approaches, making it necessary to reassess traditional distinctions between FA and TA.

1.4 Objectives of the Study

The primary objective of the study is to conduct a comparative analysis of Fundamental Analysis and Technical Analysis in investment decision-making. The study also aims to analyse investor behaviour and preferences, examine

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the relationship between analytical approaches and investment horizon, compare returns across different methods, and provide practical recommendations for investors.

II. LITERATURE REVIEW

2.1 Fundamental Analysis

Fundamental Analysis is a traditional method of evaluating securities based on financial performance and economic conditions. It was formalized by early scholars and focuses on determining the intrinsic value of a stock through analysis of financial statements, industry conditions, and management quality. This approach is widely used for long-term investment decisions as it emphasizes value and sustainability.

2.2 Technical Analysis

Technical Analysis is based on the study of price movements, trading volume, and market trends. It operates on the assumption that all relevant information is reflected in stock prices and that historical patterns tend to repeat. Tools such as moving averages and momentum indicators are commonly used to identify trends and predict future price movements.

2.3 Comparative Studies

Previous research indicates that Fundamental Analysis is more suitable for long-term investment decisions, while Technical Analysis is effective for short-term trading. These studies suggest that both approaches have distinct roles and are often used together by investors.

2.4 Role of Technology

Technological advancements such as artificial intelligence and machine learning have significantly influenced investment analysis. These technologies are increasingly integrated with traditional analytical methods to improve prediction accuracy and decision-making efficiency.

2.5 Behavioural Finance Perspective

Behavioural finance highlights the role of psychological factors in investment decisions. Investors often exhibit biases such as overconfidence and herd behaviour, which can affect market outcomes. These behavioural elements influence the effectiveness of both FA and TA.

2.6 Efficient Market Hypothesis

The Efficient Market Hypothesis suggests that markets fully reflect all available information, making it difficult to consistently achieve excess returns. However, market inefficiencies observed in practice support the continued relevance of analytical approaches like FA and TA.

2.7 Research Gaps

Existing literature reveals a lack of studies focused on the Indian market using primary data. There is also limited research on hybrid analytical approaches and the influence of behavioural factors on investment decisions.

III. RESEARCH METHODOLOGY

This study adopts a descriptive and comparative research design using a quantitative approach. The research is cross-sectional in nature, with data collected at a single point in time to capture current investor behaviour.

Primary data was collected through a structured questionnaire administered to 50 respondents, including retail investors, traders, finance professionals, and students. The questionnaire included sections on demographic details, investment behaviour, and preferred analytical approaches. It also measured perceived effectiveness across multiple dimensions using a five-point Likert scale.

Secondary data was obtained from academic journals, research papers, and industry reports to support the theoretical framework. A purposive sampling method was used to select respondents with relevant market experience.

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The independent variable in the study is the type of analytical approach, while dependent variables include perceived effectiveness and self-reported returns. Control variables such as age, experience, and investment horizon were also considered.Data analysis was conducted using descriptive statistics, paired sample t-tests, Chi-square tests, and one-way ANOVA. All statistical tests were performed at a 95 percent confidence level.

IV. DATA ANALYSIS AND INTERPRETATION

The analysis is based on responses collected from 50 investors representing diverse categories. Retail investors constitute the largest segment, followed by finance professionals, students, and traders. This diversity ensures a broad perspective on investment behaviour.

The results indicate a clear relationship between investment horizon and analytical approach. Investors with a long-term perspective tend to prefer Fundamental Analysis due to its focus on intrinsic value and growth potential. In contrast, short-term investors rely more on Technical Analysis for market timing and trend identification.
Fundamental Analysis is rated higher in terms of long-term wealth creation and risk management, reflecting its strength in providing stable and sustainable returns. Technical Analysis, on the other hand, is more effective in entry and exit timing and short-term gains.

The analysis also reveals no significant difference between FA and TA in terms of overall profit generation and decision confidence. Statistical testing supports the hypotheses that FA is more effective for long-term investment and TA is better suited for short-term trading.The results of the Chi-square test indicate a significant association between analytical approach and investment horizon. The ANOVA results show that investors who use a combination of FA and TA achieve higher average returns compared to those who rely on a single method.

V. FINDINGS

The study reveals that Fundamental Analysis is preferred for long-term wealth creation, while Technical Analysis is more effective for short-term trading. Investor preferences are strongly influenced by investment horizon. The findings also indicate that both approaches are equally effective in terms of overall profitability. The most significant outcome is that a combined approach leads to better investment performance, highlighting the advantages of integrating both methods.

VI. CONCLUSION

The study concludes that neither Fundamental Analysis nor Technical Analysis can be considered universally superior. Each approach has its own strengths and limitations, and their effectiveness depends on the investment context. Fundamental Analysis is more suitable for long-term investment decisions, while Technical Analysis is effective for short-term market timing.The increasing adoption of a hybrid approach suggests that investors benefit from combining both methods. A flexible and integrated strategy that aligns with individual objectives, risk tolerance, and market conditions is recommended for effective investment decision-making.

VII. LIMITATIONS OF THE STUDY

The study is limited by its small sample size, which may affect the generalizability of the findings. The use of self-reported data may introduce bias, as respondents may not accurately report their perceptions or returns. The research is also limited to the Indian equity market and does not consider other asset classes. Additionally, behavioural and macroeconomic factors are not extensively analysed.

VIII. SCOPE FOR FUTURE RESEARCH

Future research can expand the sample size and include a wider range of investors to improve reliability. Comparative studies across different countries can provide additional insights into market behaviour. Further research can also explore the role of advanced technologies such as artificial intelligence in investment analysis. In addition, greater emphasis can be placed on behavioural finance to understand the psychological factors influencing investment decisions.

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