



A Study Of Investment Preferences Of Retail Investors In Katraj Area Of Pune City

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Abstract – The behavior of retail investors investing their money has gained prominence due to the quick growth of financial markets and the easy availability of investment options in India. This research paper attempts to study the investment preferences, behavior, and decision-making criteria among retail investors in Katraj area, Pune. Primary data will be collected through a questionnaire from 100 people with different occupations, incomes, and levels of education. Secondary data will be collected from journals, research papers, and financial reports. It is found that retail investors in Katraj are conservative in nature and prefer safer investment avenues like bank deposits, gold, and insurance. Younger and educated people have started showing interest in modern investment methods like mutual funds and equities. Factors like risk tolerance, income, financial literacy, expected return, and demographic characteristics play an important role in making investment decisions. Percentage, correlation, and chi-square tests are some of the statistical techniques used for analyzing the data. Financial literacy and awareness are essential for motivating investors to diversify their investments. Financial institutions must take care to conduct investor education programs and make available investor friendly financial products.

Keywords: Retail Investors, Investment Preferences, Investment Behavior, Financial Literacy, Risk Tolerance, Mutual Funds, Equities, Financial Markets, Savings, Investment Decisions.

I. INTRODUCTION

Investment can be considered as one of the most vital elements of economic development and finance management. It denotes the act of putting money in financial or non-financial assets with the hope of earning profits or income in the long run. In addition to securing the financial future of an individual by helping him to reach his financial targets, investments also play a significant role in the development of the economy. The money that gets saved through investments helps in industrialization, infrastructural development, job creation, and capital formation. Hence, the importance of investors, especially retail investors, cannot be overlooked in today's world.

Retail investors are individual investors who invest their personal savings in different types of financial products based on their financial targets, income, and capacity to bear risks. The participation of retail investors in financial markets has been increasing rapidly over the last few years owing to advancements in technology, digital banking services, online trading systems, and financial literacy. The development of investment avenues in India like equity, mutual funds, bonds, insurance, fixed deposits, gold, post office schemes, and real estate has enabled the investors to have many choices in front of them.

Over the past few years, the Indian financial market has experienced a lot of changes due to factors such as economic liberalization, digitization, financial inclusion programs, and increased access to various investment platforms through mobile phones and online facilities. Programs launched by the government, including Digital India, Jan Dhan Yojana, and awareness campaigns

organized by regulatory authorities like SEBI and RBI, have resulted in an increased participation of retail investors in financial markets. Furthermore, there has been The investment behavior of different individuals can vary greatly based on certain demographic, economic, and psychological factors. Factors like age, gender, education, occupation, salary, savings pattern, financial literacy, and risk taking are some of the crucial determinants of investment behavior. Younger people may opt to take chances and invest in risky stocks and mutual funds to gain profits, whereas older people tend to make safer investment decisions. On the other hand, financially literate and educated individuals may opt to diversify their investments and invest in modern financial instruments.

Factors Influencing Investment Decisions in a Semi-Urban Context. This analysis is important for financial institutions, policymakers, investment advisors, and scholars in formulating financial products, developing financial literacy initiatives, and encouraging investors to take part in diversified investment avenues. Additionally, this research will assist in gauging the effect of various demographic and behavioral factors on the choice of investment vehicles by retail investors.

The primary objectives of this research include an analysis of preferred investment avenues among retail investors in Katraj and the influence of certain variables like risk tolerance, anticipated gains, preference for liquidity, financial knowledge, technology access, and demographics on investment decisions. It is also intended to find out whether the investors prefer conventional low-risk investments or high-yielding market-linked investments. Through this study, we will be able to contribute to the existing literature on retail investors' behavior and financial decision making in India.



In general, this study will be instrumental in helping us understand the role played by investor awareness and financial education in healthy investment practices.

II. OBJECTIVES OF THE STUDY

The major objectives of the study are:

To identify the most preferred investment avenues among retail investors.

- To analyze factors influencing investment decisions.
- To study the impact of demographic variables on investment behavior.
- To assess awareness regarding financial instruments.
- To examine the role of risk tolerance in investment decisions.
- To understand the influence of financial advisors and digital platforms on investment behavior.

III. REVIEW OF LITERATURE

The review of literature provides a theoretical foundation for understanding the investment behaviour of retail investors. It highlights previous research studies, key findings, and trends related to investment preferences, risk perception, and financial decision-making. This section helps in identifying research gaps and framing the current study in the context of existing knowledge.

Introduction To Investment Behavior

Investment behavior can be defined as the way in which an individual invests his savings in different financial instruments to meet his financial objectives. According to researchers, there are several factors affecting investments including risk tolerance, expected returns, income, financial knowledge, and economic environment. Behavioral finance theories state that the psychology of an investor including fear, overconfidence, and herd behavior also influences the decision-making process.

Studies On Investment Preferences

Many studies have been conducted on the preferences of retail investors for different investment options. According to a study conducted by Ranganathan (2006), Indian retail investors favor traditional investment instruments like bank deposits and gold owing to their liquidity and safety aspects. In addition, the study found that risk aversion is a common characteristic among individual investors. On similar lines, Sood and Kaur (2015) identified that salaried employees are more interested in fixed deposits and insurance products whereas business-class investors have a preference for equities and mutual funds. In the study, it was observed that income and occupation are important determinants of investment choices. Moreover, according to a study conducted by Karthikeyan (2001) on small investors, financial instruments like mutual funds are not well-known to them.

Importance Of Risk And Return In Investment Decisions

Risk and return play a vital role in influencing investment decisions. According to Markowitz's Modern Portfolio Theory, investors seek maximum gains and minimum risks by diversifying their portfolio. A research by Nagpal & Bodla (2007) revealed that most retail investors opt for low risk and moderate return investments. It was concluded that security of capital is more preferred by investors than higher returns. On the other hand, young educated investors tend to take calculated risks and opt for stocks and mutual funds, according to Geetha & Ramesh (2011).

Effect Of Financial Literacy

Financial literacy has a significant effect on investment decisions. As per Lusardi & Mitchell (2014), people who are financially knowledgeable invest in diversified and high-gain investment vehicles. In the Indian context, Agarwal et al. (2015) noted that inadequate financial literacy leads to poor investment decisions and dependence on traditional savings mechanisms.

Influence Of Demographic Factors

Demographic variables like age, gender, income, and occupation play a very important role in shaping the investment behavior of individuals. The younger generation invests in riskier assets like stocks. Middle-aged people choose balanced assets like mutual funds and insurance. Older people invest in safe and stable financial instruments like fixed deposits and government securities. As per a study conducted by Barber and Odean (2001), men are more active traders than women, often taking higher risks, whereas women are more cautious and risk-averse.

Role Of Technology And Digital Platforms

In today's scenario of digitalization, online trading platforms and mobile applications have changed the dynamics of investment. According to the study done by Sharma and Pandey (2020), digitalization has provided easy access to people, which in turn increases their participation in the stock market and mutual fund investments. However, lack of proper knowledge can lead to impulsive investment decisions.

Research Gap

From the above studies, it can be concluded that there is very limited literature available on the topic of investment behavior, and the focus of most studies has been on national or metropolitan level. Very few studies have been conducted on semi-urban places like Katraj, Pune city.

IV. RESEARCH METHODOLOGY

The methodology section describes the research methodology adopted by the researcher to undertake the study of investment preferences of retail investors in Katraj region of Pune city. It discusses the research



methodology adopted to ensure that the research results are reliable and valid.

Study Duration

The study duration was kept at 2 to 3 months. There were various phases of the study such as identification of the problem, designing of questionnaires, data collection, data analysis, and result interpretation. The research duration was appropriate enough for collecting the necessary data for the study.

Study Subjects

The subjects of this study are retail investors living in Katraj region of Pune city. The subjects of the study include people from various age groups, occupations such as salaried employees, businessmen, professionals, students, and homemakers who either have invested in or have potential to invest in various financial instruments.

Instrumentation Or Measures

The main tool for data collection is the structured questionnaire that contains closed and multiple choice questions for gathering quantitative data.

- Main issues addressed by the questionnaire are:
- Demographic information (age, gender, income, occupation)
- Preferred investment options
- Degree of risk tolerance
- Financial literacy
- Objectives behind investments (safety, returns, liquidity)
- Investment sources of information

It should be noted that the questionnaire will be easy to understand for all respondents.

Procedures

The following steps were taken to conduct the research in order to collect and analyze data:

- Contacting respondents in person and via Internet and explaining the purpose of the research;
- Gathering their responses.

Research Design

The study is based on a descriptive research design, as it aims to describe the characteristics, preferences, and behavior of retail investors. This design helps in providing a clear picture of the current investment trends in the selected area.

Sampling Method

The study uses a non-probability convenience sampling method, where respondents are selected based on their availability and willingness to participate. This method is suitable due to time and resource constraints.

Sample Size

The sample size for the study consists of 100 retail investors from the Katraj area. This sample size is

considered adequate to represent the population and draw meaningful conclusions.

Data Analysis Tools And Techniques

The collected data is analyzed using quantitative techniques. The following tools and methods are used:

- Percentage Analysis – To understand the distribution of responses
- Tables and Charts – For better visualization (bar charts, pie charts)
- Cross-tabulation – To analyze relationships between variables
- Statistical Tools – Basic statistical measures such as mean and averages
- Software such as Microsoft Excel or similar tools is used for organizing and analyzing the data efficiently.

Study Limitations Related To Impact The Internal Validity Of Study Despite Careful Planning;

the study has certain limitations that may affect its internal validity:

- The study is limited to the Katraj area, so findings may not be applicable to other regions.
- The use of convenience sampling may introduce bias, as it does not represent the entire population accurately.
- The accuracy of the data depends on the honesty and understanding of respondents.
- Time constraints may have limited the sample size and depth of analysis.
- Some respondents may have limited knowledge of financial products, affecting the quality of responses.

Validation Of Study

Validity in the research is achieved by use of a well structured questionnaire that encompasses all aspects of investments including income, risks and preference of individuals. The questions posed were easy to understand hence yielding correct answers from the respondents. One hundred people from different occupations and education levels were chosen as respondents, making sure there is a representative population. Data gathered is valid since it is from primary sources. The use of right statistical methods like percentage, Pearson correlation and Chi square makes the data more reliable. Results obtained are logically consistent with objectives of the study.

V. RESULTS

Data Analysis & Interpretation

Data analysis and interpretation from the questionnaires filled out by retail investors in Katraj, Pune City is discussed in this chapter. Responses gained are analyzed and interpreted in order to yield information regarding investment preference and behavior of individuals. The



data gathered from the respondents will be analyzed using percentage method, tables and charts in order to interpret the data collected from 100 respondents in Katraj.

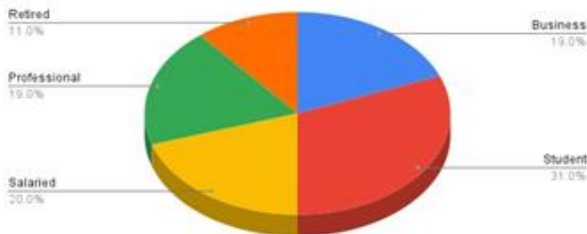
The following techniques are used:

- Percentage Analysis
- Statistical Data Analysis
- Pearson Correlation Coefficient
- Chi-square Test

What is your occupation?

Options	Number of Respondents	Percentage
Student	18	18%
Salaried	42	42%
Business	20	20%
Professional	12	12%
Retired	8	8%
Total	100	100%

Count of 1. What is your occupation?



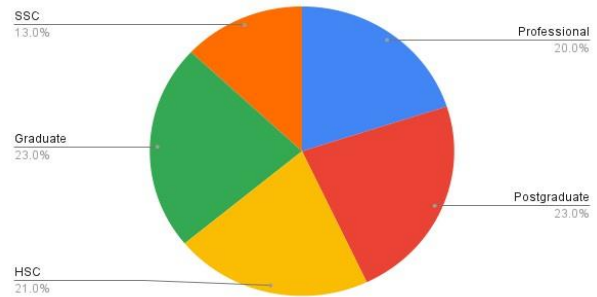
Interpretation:

The majority of respondents belong to the salaried and business class, indicating that individuals with a stable or regular income are more actively involved in investments. Students and retired individuals show comparatively lower participation due to limited income sources.

What is your education level?

Options	Number of Respondents	Percentage
SSC	10	10%
HSC	18	18%
Graduate	40	40%
Postgraduate	22	22%
Professional	10	10%
Total	100	100%

Count of 2. What is your education level?



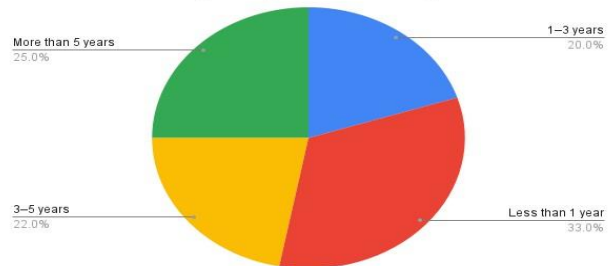
Interpretation:

Most respondents are graduates and postgraduates, suggesting that higher education levels are associated with better awareness and participation in investment activities. Educated investors tend to make more informed financial decisions.

How long have you been investing?

Options	Number of Respondents	Percentage
Less than 1 year	15	15%
1–3 years	35	35%
3–5 years	25	25%
More than 5 years	25	25%
Total	100	100%

Count of 3. How long have you been investing?



Interpretation:

A significant number of respondents have 1–5 years of investment experience, indicating moderate exposure to financial markets. This reflects growing awareness but also shows that many investors are still in the learning phase.

VI. DISCUSSION

Conclusion

In the study conducted on Investment Preferences of Retail Investors in Katraj Area of Pune City, it has been found out that retail investors have certain behavioral patterns in making investments as well as factors affecting their decision-making process. It has been found that most retail



investors have opted for investments which are considered safe and conventional such as investments in banks, gold, and insurance.

Though there is increased awareness regarding investments in mutual funds and shares, yet involvement of retail investors in such type of investments is limited owing to their riskiness. It can be attributed to poor financial literacy, risk aversion, and lack of faith in market-based instruments. Age, income level, and profession play an important role in influencing investor preferences.

On the whole, it can be said that though retail investors are evolving themselves towards diversified portfolios, they consider safety and stability as priority areas.

Suggestions

- The following suggestions can be drawn from the results of the study:
- Financial Literacy: Programs should be conducted to create awareness regarding financial instruments and their advantages.
- Use of Digital Platforms: Increase awareness and usage of online investment platforms for easy access and informed decision-making.
- Professional Guidance: Investors should seek advice from certified financial advisors before making investment decisions.
- Simplified Investment Products: Financial institutions should design simple and transparent products to attract new investors.

Recommendations For Further Research

- Future studies can be conducted in other areas of Pune or different cities to compare investment behavior across regions.
- Research can focus on specific investment instruments such as mutual funds or stock markets in detail.
- A larger sample size can be used for more accurate and generalized results.
- Studies can explore the impact of behavioral biases on investment decisions.
- Comparative studies between urban and rural investors can provide deeper insights.

Implication Of Study For Industrial Practice

- This study has practical implications for financial institutions, banks, and investment companies:
- Helps in understanding customer preferences and designing suitable investment products.
- Assists financial advisors in providing personalized investment solutions based on investor profiles.
- Enables companies to develop targeted marketing strategies for different investor segments.
- Encourages the adoption of digital financial services to increase investor participation.
- Supports policymakers in promoting financial inclusion and awareness programs.

Limitations Of The Study Related To Generalizability Of The Results

- The study is restricted to the Katraj area of Pune city, so results may not represent other regions.
- The use of a small sample size limits the ability to generalize findings to a larger population.
- The convenience sampling method may introduce bias and affect representativeness.
- The study is based on self-reported data, which may not always reflect actual behavior.
- Changing market conditions and investor sentiments may impact the relevance of findings over time.

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Annexure

What is your occupation?

- 1) Student
- 2) Salaried
- 3) Business
- 4) Professional
- 5) Retired

What is your education level?

- 1) SSC
- 2) HSC
- 3) Graduate
- 4) Postgraduate
- 5) Professional

How long have you been investing?

- 1) Less than 1 year
- 2) 1–3 years
- 3) 3–5 years
- 4) More than 5 years

What percentage of your income do you invest?

- 1) Below 10%
- 2) 10–20%
- 3) 20–30%
- 4) Above 30%

What is your primary investment objective?

- 1) Safety
- 2) Regular income
- 3) Capital appreciation
- 4) Tax saving

What is your preferred investment duration?

- 1) Short-term
- 2) Medium-term
- 3) Long-term

Which investment options do you prefer?

- 1) Bank Deposits
- 2) Mutual Funds
- 3) Stocks/Equity
- 4) Gold
- 5) Real Estate
- 6) Insurance

Which investment option gives the highest returns according to you?

- 1) Stocks
- 2) Mutual Funds
- 3) Real Estate
- 4) Gold

What is your risk tolerance level?

- 1) Low
- 2) Moderate
- 3) High

What factors influence your investment decisions?

- 1) Risk
- 2) Return
- 3) Liquidity
- 4) Tax Benefits
- 5) Advice From Others

Do you take professional advice before investing?

- 1) Always
- 2) Sometimes
- 3) Never

What is your main purpose of saving?

- 1) Retirement
- 2) Education
- 3) Wealth Creation
- 4) Emergency

Investment Mode Preference

- 1) Online
- 2) Offline

Expected Returns

- 1) Below 5%
- 2) 5–10%
- 3) 10–15%
- 4) Above 15%

How important is liquidity to you?

- 1) Not Important
- 2) Slightly Important
- 3) Important
- 4) Very Important