



# A Study on Investment Pattern of Retail Investor

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**Abstract** – This research paper examines the investment patterns of retail investors with a focus on their preferences, behavior, and key decision-making factors influencing their choices. The study aims to understand how individual investors allocate their funds across various investment avenues such as mutual funds, shares, fixed deposits, and other financial instruments. It also explores the impact of demographic variables like age, income, education, and occupation on investment decisions. The research is based on primary data collected from 104 respondents through a structured questionnaire, supported by secondary data from journals, articles, and financial reports. Analytical tools such as percentage analysis and graphical representation are used to interpret the data effectively. The findings reveal that a majority of retail investors prefer investing in mutual funds and shares due to their potential for higher returns, while still maintaining a moderate risk profile. At the same time, traditional investment options like fixed deposits and gold continue to attract risk-averse investors. The study also highlights that financial literacy, income level, and individual risk perception are significant determinants of investment behavior. Furthermore, the research indicates that increasing awareness of digital investment platforms has influenced investment patterns, making investing more accessible and convenient. However, a lack of in-depth financial knowledge still limits optimal decision-making among some investors.

**Keywords:** Retail Investors, Investment Patterns, Investment Preferences, Investor Behavior

## I. INTRODUCTION

Investment is a critical aspect of financial planning and wealth creation, as it enables individuals to grow their income, achieve financial security, and meet long-term goals. In an increasingly uncertain economic environment marked by inflation, changing interest rates, and evolving market dynamics, the importance of making informed investment decisions has become more pronounced than ever. Effective investment strategies not only help individuals preserve their purchasing power but also allow them to build a sustainable financial future.

Retail investors play a significant role in the functioning of financial markets by channeling their savings into various investment avenues such as mutual funds, equity shares, bonds, fixed deposits, gold, and other financial instruments. Their participation contributes not only to personal wealth generation but also to overall economic development by providing capital for businesses, supporting market liquidity, and fostering financial inclusion. As the number of retail investors continues to grow, their collective influence on market trends and investment patterns has become increasingly substantial.

In recent years, the rapid growth of digital platforms and financial technology has transformed the investment landscape, making investing more accessible, convenient, and efficient. Mobile applications and online trading platforms have simplified the investment process, offering real-time data, analytical tools, and personalized recommendations. These advancements have reduced entry barriers and empowered a wider segment of the population to participate in financial markets, including young and first-time investors.

However, despite these technological advancements, several challenges persist. A lack of financial literacy, limited awareness, and an inadequate understanding of the risk-return relationship continue to influence investor behavior. Many retail investors still rely on traditional investment options or make decisions based on hearsay, market speculation, or incomplete information. Behavioral biases such as overconfidence, herd mentality, and risk aversion further impact investment choices, often leading to suboptimal outcomes.

Therefore, enhancing financial literacy and promoting investor education have become essential to ensure that individuals can make rational and well-informed investment decisions. Understanding different asset classes, evaluating risk tolerance, and adopting a long-term perspective are crucial components of successful investing.

## II. REVIEW OF LITERATURE

### 1. Barber & Odean (2000) – Trading Behavior of Individual Investors

Brad M. Barber and Terrance Odean analyzed the trading patterns of retail investors and found that individuals tend to trade excessively. This overtrading is often driven by overconfidence and results in significantly lower net returns after accounting for transaction costs. Their study highlights that frequent buying and selling is generally detrimental to long-term wealth creation.

### 2. SEBI (2019) – Financial Literacy in India

Securities and Exchange Board of India reported that financial literacy significantly affects retail investor participation in capital markets. Lack of awareness remains a major barrier in India.



### 3. Odean (1998) – Investor Biases in Stock Trading

Terrance Odean found empirical evidence that retail investors exhibit systematic biases, particularly the tendency to hold losing stocks longer than winning ones. This confirms the presence of emotional decision-making rather than rational analysis.

### 4. Bogle (1999) – Long-Term Investment Strategy

John C. Bogle argued that retail investors benefit more from passive investment strategies like index funds rather than active trading. He showed that minimizing costs and maintaining long-term discipline leads to better returns.

## III. RESEARCH METHODOLOGY

### Primary Data-

The research design is descriptive in nature. Data is collected through structured questionnaires.

Sample Size: 104 respondents

Sampling Method: Convenience sampling Tools Used: Excel, percentage analysis, charts

### Research Design

The research design for this study is descriptive in nature, as it aims to understand and analyze the investment patterns of retail investors. A descriptive study helps in identifying trends, preferences, and factors influencing investment decisions without manipulating any variables. Sampling Method: Convenience sampling is used in this research, where respondents are selected based on their easy availability and willingness to participate. The target population of the study consists of retail investors, who actively participate in various investment avenues such as equities, mutual funds, fixed deposits, and other financial instruments.

Data Collection Tools: Data has been collected using a structured questionnaire, which includes simple, close-ended questions.

Tools for Data Analysis: The collected data has been analyzed using: Percentage analysis Graphical tools such as pie charts These methods assist in presenting the data in a simplified and interpretable form for better understanding.

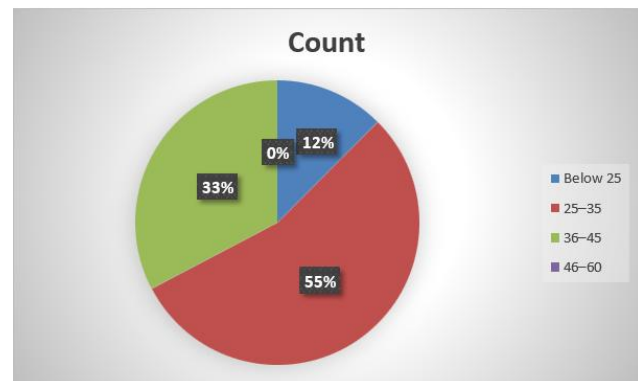
Scope of the Study: The scope of this study is focused on analyzing and understanding the investment patterns of retail investors, specifically looking at their preferences for various financial instruments and the behavioral factors that influence their decision-making. The research examines individual investors across urban and semi-urban areas to gather a comprehensive understanding of how demographic variables such as age, income, education, and occupation shape investment choices. A key component of the study involves exploring the awareness and adoption of modern financial tools, including digital platforms, mutual fund applications, and online investment resources.

Limitations of the Study: The study is limited to a sample of 104 respondents, which may not fully represent the broader population of investors. It primarily focuses on a restricted group of individual investors, excluding a wider and more diverse audience. Additionally, the sample is not gender-balanced and mainly consists of young and middle-aged individuals, which may influence the overall findings. The data collected is based on self-reported responses, making it susceptible to personal bias and inaccuracies. The research also has limited geographical coverage, further restricting the generalizability of the results. Moreover, the findings are subject to change with fluctuations in market conditions. Lastly, the study does not consider institutional investors, which limits the scope of insights into the overall investment landscape.

## IV. DATA ANALYSIS & INTERPRETATION

### What is your age group?

Options	Count	Percentage
Below 25	13	12.5%
25–35	57	54.81%
36–45	34	32.69%
46–60	0	0%
Total	104	100%



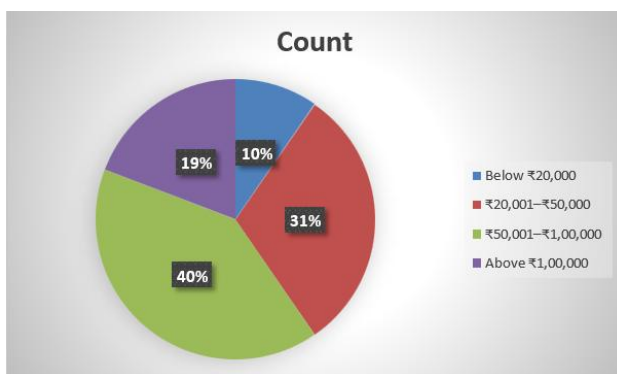
### Interpretation-

The data shows that the majority of respondents belong to the 25–35 age group, accounting for 54.81% of the total sample. This indicates that most participants are young adults, likely in their early or mid-career stage. The 36–45 age group also represents a significant portion at 32.69%, suggesting a fair presence of experienced individuals. A smaller percentage (12.5%) falls below 25, indicating limited participation from younger respondents. Notably, there are no respondents in the 46–60 age group, showing a lack of representation from older individuals in the survey.



**What is your monthly income?**

Options	Count	Percentage
Below ₹20,000	10	9.62%
₹20,001–₹50,000	32	30.77%
₹50,001–₹1,00,000	42	40.38%
Above ₹1,00,000	20	19.23%
Total	104	100%



**Interpretation-**

The data shows that the largest group of respondents (40.38%) falls in the ₹50,001–₹1,00,000 income range, indicating a strong middle-income segment. Around 30.77% earn between ₹20,001–₹50,000, reflecting a significant lower-middle-income group. A smaller proportion (19.23%) earns above ₹1,00,000, representing higher-income individuals. Only 9.62% fall below ₹20,000, showing limited representation from the lowest income group. Overall, the sample is largely concentrated in the middle-income category.

**Which of the following investment avenues do you prefer?**

Options	Count	Percentage
FD	18	17.31%
Mutual Funds	45	43.27%
Shares	32	30.77%
Bonds	9	8.65%
Total	104	100%

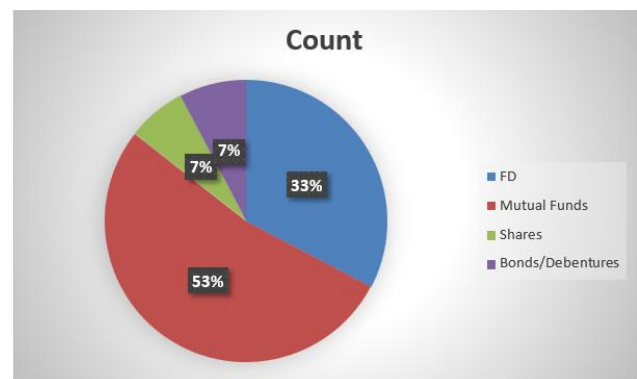
**Interpretation**

The data indicates that mutual funds are the most preferred investment avenue, chosen by 43.27% of respondents, suggesting a strong inclination toward market-linked investments with moderate risk. Shares are the second most preferred option at 30.77%, reflecting interest in higher-risk, higher-return opportunities. Fixed deposits account for 17.31%, showing that a smaller group still

prefers safe and stable returns. Bonds are the least preferred at 8.65%, indicating limited awareness or interest. Overall, respondents show a clear preference for investment options that offer better returns compared to traditional savings.

**Which investment avenue do you consider the safety?**

Options	Count	Percentage
FD	34	32.69%
Mutual Funds	55	52.88%
Shares	7	6.73%
Bonds/Debentures	8	7.79%
Total	104	100%

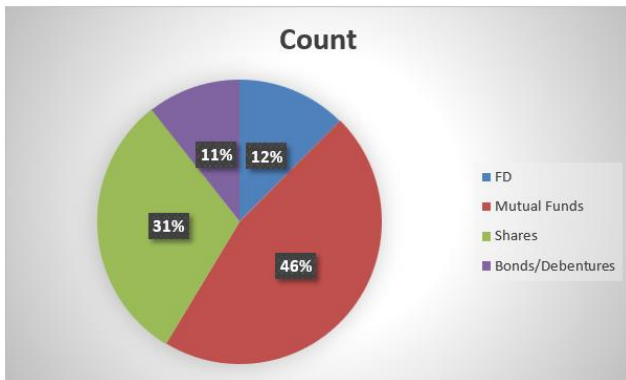


**Interpretation-**

The data shows that a majority of respondents (52.88%) consider mutual funds as the safest investment avenue, indicating a strong level of trust in professionally managed funds. Fixed deposits are viewed as safe by 32.69% of respondents, reflecting continued confidence in traditional low-risk options. A small proportion considers bonds/debentures (7.79%) and shares (6.73%) as safe, suggesting lower perceived security in these instruments. This distribution indicates that respondents associate safety not only with guaranteed returns but also with managed investment options. Overall, mutual funds are perceived as the most secure choice among the participants.

**Which investment avenue do you consider most profitable?**

Options	Count	Percentage
FD	13	12.50%
Mutual Funds	48	46.15%
Shares	32	30.77%
Bonds/Debentures	11	10.58%
Total	104	100%



The data indicates that mutual funds are considered the most profitable investment avenue by 46.15% of respondents, showing strong confidence in their return potential. Shares are the second most preferred at 30.77%, reflecting belief in high returns despite higher risk. Fixed deposits are seen as profitable by 12.50%, indicating limited expectations of high returns from traditional options. Bonds/debentures account for 10.58%, showing relatively lower profit perception. Overall, respondents associate higher profitability with market-linked investments like mutual funds and shares.

#### IV. CONCLUSION

The study concludes that retail investors generally exhibit a balanced and cautious approach toward investment decisions. While there is a growing inclination toward market-linked instruments such as mutual funds and equity shares, investors continue to prioritize safety, capital protection, and stable returns. This indicates that although risk-taking capacity is improving, it remains measured and controlled.

The findings suggest that key factors such as income level, financial awareness, and individual risk perception significantly influence investment behavior. Investors with higher income levels and better financial knowledge tend to diversify their portfolios and explore a wider range of investment avenues. At the same time, increased awareness of digital platforms and modern financial instruments reflects a positive shift toward more structured, informed, and accessible investment practices. Despite these advancements, a conservative mindset still prevails among many retail investors. A considerable number prefer to allocate only a limited portion of their income to investments and remain hesitant to engage in high-risk options. This cautious approach may limit the potential for higher returns but also reflects a preference for financial stability and risk minimization.

Overall, the study highlights a gradual transition from traditional investment patterns toward more diversified and planned strategies. While the shift is evident, it is not absolute, suggesting that continued efforts in financial education and awareness are necessary to help investors

strike a better balance between risk and return and to fully leverage emerging investment opportunities.

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