



# A Study on Investment Patterns and Preferences of Retail Investors in Bengaluru City

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## ABSTRACT

*This study aims to investigate the investment patterns and preferences of retail investors in Bengaluru city. With the growing participation of retail investors in the financial markets, understanding their investment behaviors and choices becomes increasingly important. The research will analyze factors such as investment objectives, risk tolerance, investment products preferences, and sources of investment information among retail investors in Bengaluru. A mixed-methods approach will be utilized, incorporating both quantitative surveys and qualitative interviews to gather comprehensive insights into the investment patterns and preferences of retail investors. The findings of this study will provide valuable information for financial institutions, policymakers, and investors to better understand and cater to the needs of retail investors in Bengaluru city.*

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## 1. INTRODUCTION

Funding is the work of assets with the thing of undertaking extra salary or development in esteem. The simple nature of project is that, it includes pausing' for a reward. It includes the determination of property that have been spared or secured from modern-day utilization with the expectation that a few benefits will accumulated in destiny. Challenge is the distribution of cash associated assets to resources which are relied upon to yield a few choose out up or fantastic pass again over a given time frame.

Investments are both essential and beneficial near show day situations. A few elements that have settled on task selections step by step essential are longer destiny or getting geared up for retirement, growing charges of prices, excessive financing fees, and excessive fees of swelling, larger wages and accessibility of a thoughts boggling type of investment shops.

Retail investors are the opposite of institutional investors, known for their large-scale, professional management of funds. Instead, retail investors are non-professional individuals who trade stocks in smaller increments. Broadly speaking, they are anyone with disposable income interested in stock market investments, typically using traditional online brokers for relatively small transactions.

Despite their modest individual investments, retail investors wield significant influence. With an estimated 100 million participating on Wall Street, their collective actions can drive notable market movements. Consequently, retail investors constitute a substantial portion of popular market indices.

Although their investments may not rival those of institutional investors individually, retail investors collectively shape market dynamics. Their participation is integral to the stock market ecosystem. Retail investors, also known as individual investors, trade securities or funds containing a variety of assets, such as mutual funds and exchange-traded funds (ETFs).

Retail investors significantly influence market sentiment, reflecting the overall mood in financial markets. Indicators of investor sentiment include mutual fund flows, IPO first-day performance, and survey data from organizations like the American Association of Individual Investors, which gauges retail investors' market expectations.

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## 2. REVIEW OF LITERATURE

**Dr. Makarand S. Wazal and Sharma Sudesh (2017)** have stated that the retail Investors in India are estimated to be 4.45% of the total Indian Population and if compared with the world, India comes among the lowest country having less number of retail investors. As per the paper the 50% of the Retail Investors are skewed towards the western Zone of India.

**Gupta et al. (2001)** studied the preferences, future intentions and experiences of Indian family investors and discovered that bonds were considered an investment for retired individuals but had little attraction to young individuals. For all age groups, the market penetration attained through mutual funds was discovered to be significantly smaller than equity shares.

**Gupta and Jain (2008)** according to the study of 1463 homes, investor preferences were discovered among the main classifications of economic assets, such as share investment, indirect investment through multiple kinds of mutual fund schemes, other kinds of investment, such as exchange-traded gold funds, bank deposits and public savings schemes. The research offers interesting data on how the attitude of investors towards different kinds of investment is linked to their revenue and age, their practices of portfolio diversification, and the general quality of market regulation seen by the investors themselves.

**Verma (2008)** studied the impact of demographics and personality on Indian investor investment choices and discovered that mutual funds were common among practitioners, students and self-employed people. By not investing in mutual funds and equity shares, retirees exhibited their risk aversion. It was also discovered that the level of comprehension of investment complexities was greater in higher education. Graduates and above preferred to invest in both equity and mutual funds.

**Pinto Praksh & Munshi MM (2016)** have stated that the general retailers in India would prefer to go for very safe investments. This may be due to their risk adversity factor, and their investment in the security market may also be determined by the type of knowledge they have.

**Mark K Y Mak (2017)** have stated that the financial product providers are able to predict the marketability of their product as in the study it has been concluded that the demographic, sociological and psychological factors influence the choice of investments made by the investors. The planning and launch of the product is an outcome of the factor analysis.

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### 3. RESEARCH GAP

The study "Investment Patterns and Preference of Retail Investors in Bengaluru City" has a number of research gaps. First, there might be a geographical gap since Bengaluru's unique characteristics may not be adequately covered by the literature that is already in existence. Moreover, there is a gap in the examination of certain investment instruments, such stocks or real estate, in order to identify the subtle preferences of city retail investors. Another possible gap is related to demographics, such as age, income, and education, which calls for research on how these factors affect investment decisions in the Bengaluru city.

Furthermore, given the emergence of online platforms and robot advisers, there is probably a study gap on how technology affects investing behaviors. Understanding the risk perception and tolerance of individual investors in Bengaluru city is an additional undiscovered area that bears significance for informed decision-making.

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### 4. OBJECTIVE OF THE STUDY

- To analyze the investment pattern and preference of retail investors.
- Analyzing the impact of economic factors of investors in making investment decisions.

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### 5. HYPOTHESES

**H0:** There is no significant difference in investment patterns and preferences and age of the retail investors.

**H1:** There is a significant difference in investment patterns and preferences and age of the retail investors.

**H0:** Economic factors do not have a significant impact on the investment decisions of retail investors in Bengaluru.

**H2:** Economic factors have a significant impact on the investment decisions of retail investors in Bengaluru.

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### 6. LIMITATIONS OF THE STUDY

- Reluctance among respondents to provide comprehensive information about themselves can potentially impact the validity of the responses.
- Limited customer knowledge about financial instruments could pose a significant limitation.
- The small sample size relative to the population may not fully represent the entire demographic.
- This study focuses on analyzing investment patterns rather than comprehensively considering all factors relevant to investing decisions.

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### 7. DATA AND METHODOLOGY

The data used for the present research work is principally primary data. Primary data, by contrast, are collected by the investigator conducting the research. Primary data refer to demographic and socio-economic characteristics of the investors, behavior and opinion of investors, their awareness and knowledge. The data is collected by use of questionnaire. The study being quantitative in nature makes use of certain statistical tools for analysing the data. Some of the tools and models which are used for this study are Chi Square Test and Two Way ANOVA Test are used wherever necessary to illustrate the theory and findings

## 8. SAMPLE DESIGN

Non-probability sampling is used in this research paper, as this is a type of sampling in which not every member of the population has an equal chance of being selected for the sample. Non-probability sampling methods are often used in exploratory research or when it is difficult or expensive to obtain a list of the entire population.

### Sample Design

The total sample size for respondents will consist of 112 individuals. Questionnaires will be distributed randomly, and the sample for this study will be selected from the data collected through the survey questionnaire.

## 9. DATA ANALYSIS AND INTERPRETATION

### CHI SQUARE TEST

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	35.429 <sup>a</sup>	16	.003
Likelihood Ratio	38.277	16	.001
Linear-by-Linear Association	10.901	1	.001
N of Valid Cases	112		

a. 20 cells (80.0%) have expected count less than 5. The minimum expected count is .88.

### Interpretation:

In this case, since the p-value is less than the significance level of 0.05, we reject the null hypothesis and accept the alternative hypothesis (H1).

Therefore, based on the analysis, there is a significant difference in investment patterns and preferences among retail investors in Bengaluru City. This significantly means that the age of the retail investors significantly affects the type of investment preferences based on the data that was analyzed.

This implies that age plays a role in shaping how individuals choose their investments. For example, younger investors may have different risk tolerances or investment goals compared to older investors, leading to differences in the types of investments they prefer.

Overall, the significant chi-square test result underscores the importance of considering age as a factor when analyzing investment patterns and preferences among retail investors in Bengaluru City.

### TWO WAY ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	13.997	5	2.799	4.637	.001
Within Groups	63.994	106	.604		
Total	77.991	111			

### Interpretation:

The one way ANOVA test shows that the F-value of 4.637 with a corresponding p-value of 0.001 indicates that the impact of economic conditions on investment strategy is statistically significant at the 5% level. This implies that annual income significantly affects investors' choice of investment strategy in response to economic conditions. So, we reject the null hypothesis, and accept the alternative hypothesis.

To conclude based on the ANOVA results, while economic conditions may not affect investment decisions equally among different income groups, they significantly shape investment strategies, especially concerning varying income levels.

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## CONCLUSION

The overall conclusion of this study is that a variety of factors, like as individual preferences and economic situations, influence the investment decision-making of retail investors in Bengaluru. While age and income alone may not be sufficient to fully explain investors' preferences for risk and return, other factors, such annual income, may have a substantial impact on investing strategies in reaction to economic conditions. The study draws attention to the intricacy of investor behavior and emphasizes the value of thorough investigation that takes into account both quantitative and qualitative elements in order to create customized investment strategies that satisfy the various needs of Bengaluru investors.

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