

Determinants of Investment Avenues: A Behavioural Study of Retail Investors

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Abstract: Investment means putting your money to work for you. It is a different way to think about how to make money. Growing up, most of us taught that you could earn your income only by getting job & working. And that's exactly most of us do. This study is about to identify the retail investors investment pattern and their preferences of investment. In this study different factors such as investors risk and return preferences taken. Investors demographical factors such as age, gender, educational qualification, occupation, annual income for investment preference towards various investment avenues preference of mutual funds and find out the purpose and objectives of the investment. The current study makes use of a descriptive research design and convenience sampling of 120 participants in the evaluation of the risk profiles and determinants of the selection of mutual funds. By utilizing a strong statistical model, the study is able to ascertain the level of influence of certain investment objectives and demographic factors on the selection of the scheme through the evaluation of the Chi-square, correlation, and regression analyses. The findings of the study identified occupation as the only demographic factor that was statistically significant for investment preference, while age, gender, education, and income were all found to be non-significant. Moreover, the correlation and Chi-Square tests show that investor attitude is not significantly related to investment preference or the factors of investment decision-making.

Keywords: Retail Investors, Investment Preferences, Behavioural Finance, Investment Avenues, Demographic Factors.

1 INTRODUCTION

The investment environment has undergone a significant transformation in recent years due to technological advancement, changing market dynamics, and evolving investor behaviour. Traditionally, investment decisions were primarily based on factors such as risk, return, liquidity, and safety. However, contemporary retail investors are increasingly influenced by behavioural, psychological, social, and technological factors while selecting investment avenues. The growing participation of retail investors in financial markets has made the study of investment behaviour an important area of research in behavioural finance and investment management. [1]

Recent developments in financial technology have significantly changed the investment landscape in India. Artificial intelligence-supported stock trading applications enhance retail investors' satisfaction and behavioural intention by improving accessibility, efficiency, and decision-making capabilities [1]. Behavioural factors and financial risks arising after the COVID-19 pandemic have considerably influenced investment decisions among Indian retail equity investors [2]. The uncertainty created during the pandemic increased the importance of risk perception, emotional stability, and financial awareness in investment activities.

The growing awareness regarding socially responsible investments has also influenced investor preferences. Retail investors are increasingly considering ethical, environmental, and social dimensions while making investment decisions [3]. Value-driven factors significantly influence Indian retail investors' decisions to invest in socially responsible equity funds [4]. These studies indicate that investors are no longer focused solely on financial returns but also consider sustainability and social responsibility. Social interaction and information sharing have become important determinants of investment behaviour in the modern financial market. Interaction-driven decision-making among investors and fund managers plays a crucial role in shaping investment choices [5].

Corporate interactions and communication significantly affect retail investor confidence and investment participation [6]. These findings suggest that transparency, communication, and access to information strongly influence investor behaviour. Psychological and emotional factors also play a critical role in investment decisions. Personality traits, perceived COVID-19 disruptions, and risk perception significantly determine retail investors' behaviour [7]. Emotional displacement and psychological reactions can influence retail investors' responses in financial markets [8].

Overconfidence bias is also identified as a major behavioural factor affecting investment decisions and trading activities among retail investors [10]. The role of information flow and investor engagement in financial markets has also gained considerable attention. News and information dissemination significantly impact retail investor order flow in foreign exchange markets [9]. Firms' willingness to communicate with retail investors improves investor confidence and market participation [11]. Retail shareholder activism positively contributes to investment efficiency and corporate governance practices [12].

In this context, understanding the determinants of investment avenues and retail investor behaviour has become highly important for financial institutions, policymakers, and investment advisors. The present study attempts to examine the demographic, behavioural, and psychological factors influencing the investment preferences of retail investors and to analyse the relationship between investor attitude and investment decision-making behaviour.

2 LITERATURE REVIEW

HariPriya and Nandru [1] examined the determinants of retail investors' satisfaction and behavioural intention towards artificial intelligence-supported stock trading applications in India. The study found that AI-enabled trading platforms improve investment efficiency, accessibility, and decision-making capabilities, thereby positively influencing investor satisfaction and behavioural intention. Hans, Choudhary, and Sudan [2] analysed the behavioural determinants influencing investment decisions among Indian retail equity investors after the COVID-19 pandemic. Their study revealed that financial risk perception, market uncertainty, and behavioural biases significantly affect investment decisions during periods of economic instability.

Pasquino and Lucarelli [3] proposed a conceptual framework for understanding retail investor preferences towards socially responsible investments. The study highlighted that ethical values, environmental concerns, and social responsibility are emerging as important determinants of investment preferences among retail investors. Mishra, Bansal, and Maurya [4] investigated the values-driven antecedents influencing Indian retail investors to invest in socially responsible equity funds. Their findings indicated that sustainability awareness, ethical beliefs, and long-term social benefits positively influence investment behaviour toward responsible investment avenues.

Singh and Chakraborty [5] qualitatively explored interaction-driven investment decisions among Indian investors and fund managers. The study concluded that social interaction, communication networks, and investor relationships significantly shape investment decision-making processes. Huang, Liu, Shi, and Ying [6] examined the importance of corporate interactions in influencing retail investor behaviour. The study found that effective communication and transparency from firms improve investor confidence, participation, and trust in financial markets.

Manzoor, Jan, Shafi, Parry, and Mir [7] studied the role of perceived COVID-19 disruption, personality traits, and risk perception in determining retail investors' investment behaviour using a hybrid regression-neural network approach. Their results showed that psychological factors and risk perception strongly influence investor behaviour during uncertain market conditions. Wei and Zhao [8] investigated the impact of displaced aggression and emotional responses on retail investors using evidence from Amazon product ratings. The study highlighted that emotional and psychological reactions can significantly influence investor attitudes and market-related behaviour.

Kaourma, Milidonis, Nishiotis, and Panayides [9] analysed the impact of news and intraday information flow on retail investor order flow in foreign exchange markets. Their findings suggested that market news and information dissemination play a crucial role in influencing trading activities and investment decisions. Nair and Shiva [10] focused on specifying and validating overconfidence bias among retail investors. The study identified overconfidence as a major behavioural bias leading to excessive trading, poor decision-making, and reduced investment efficiency.

Bu, Fei, and Zhou [11] examined firms' willingness to communicate with retail investors in the context of controlling shareholders' equity pledging. The study found that increased corporate communication improves investor confidence and strengthens investor-firm relationships. The findings revealed that active participation of retail shareholders contributes positively to corporate governance practices and enhances investment efficiency in financial markets [12].

3 OBJECTIVES AND SCOPE OF THE STUDY

- To measure the impact of demographic factors on investors' investment preference.
- To measure the association between investors' attitude and investors' investment preference.
- To measure the association between factors of investment and investors' attitude in making investment decisions.

- To analyse the influence of age, gender, education, occupation, and annual income on investment behaviour.
- To identify the most preferred investment avenues among retail investors.
- To examine the role of risk and return expectations in investment decision-making.
- To study the behavioural factors influencing retail investors while selecting investment avenues.
- To evaluate the impact of psychological factors such as confidence and risk perception on investment choices.
- To understand the influence of market information and financial awareness on investors’ decisions.
- To provide suggestions for improving investment decision-making among retail investors.

4 HYPOTHESIS

- H01: There is a significant relationship between demographic factors and investors’ investment preference.
 H02: There is a significant relationship between investors’ attitude and investors’ investment preference.
 H03: There is a significant relationship between factors of investment and investors’ attitude in making investment decisions.

Hypothesis Analysis:

H1: Relationship Between Demographic Factors and Investors’ Investment Preference

Table 1. Regression Analysis Showing the Relationship Between Demographic Factors and Investors’ Investment Preference

Model	Unstandardized Coefficient (B)	Std. Error	Standardized Co-efficient (Beta)	t/f Value	Sig.
(Constant)	1.720	0.473	—	3.638	0.000
Age Group	-0.094	0.109	-0.088	-0.870	0.386
Gender	-0.161	0.240	-0.066	-0.671	0.503
Educational Qualification	0.229	0.132	0.167	1.737	0.085
Occupation	0.184	0.088	0.204	2.078	0.040
Annual Income	-0.029	0.106	-0.028	-0.274	0.785

Interpretation

Table 1 presents the regression analysis conducted to examine the relationship between demographic factors and investors’ investment preference. The findings indicate that educational qualification and occupation have a positive association with investment preference, whereas age group, gender, and annual income exhibit a negative association with investors’ investment preference.

H2: Relationship Between Investors’ Attitude and Investors’ Investment Preference

Table 2. Correlation Analysis Between Investors’ Attitude and Investors’ Investment Preference

Variables	How would you describe your typical attitude when making important financial decisions?	What do you think are the best options for investing your money?
How would you describe your typical attitude when making important financial decisions?	1	-0.103
Sig. (2-tailed)	—	0.264
N	120	119
What do you think are the best options for investing your money?	-0.103	1
Sig. (2-tailed)	0.264	—
N	119	119

Among all demographic variables, occupation is the only variable found to be statistically significant, with a significance value of 0.040, which is less than the standard significance level of 0.05. This indicates that occupation plays a significant role in

determining the investment preferences of retail investors. On the other hand, age group (0.386), gender (0.503), educational qualification (0.085), and annual income (0.785) are statistically insignificant, as their significance values are greater than 0.05. Therefore, the study partially accepts the alternative hypothesis H01, as only occupation shows a significant relationship with investors' investment preference, while the remaining demographic variables do not exhibit significant influence.

Interpretation

Table 2 shows the correlation analysis conducted to determine the relationship between investors' attitude and investors' investment preference. The Pearson correlation coefficient value is -0.103, indicating a weak negative relationship between the two variables.

The significance value obtained is 0.264, which is greater than the acceptable significance level of 0.05. This indicates that the relationship between investors' attitude and investment preference is statistically insignificant. Hence, investors' attitude does not significantly influence their investment preference in the present study. Therefore, the alternative hypothesis H02 is rejected, and the null hypothesis is accepted.

H3: Relationship Between Factors of Investment and Investors' Attitude in Making Investment Decisions

Table 3. Chi-Square Analysis Showing the Relationship Between Factors of Investment and Investors' Attitude

Chi-Square Tests	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.762 ^a	16	0.956
Likelihood Ratio	10.006	16	0.866
Linear-by-Linear Association	2.953	1	0.086
N of Valid Cases	119	—	—

Interpretation

Table 3 presents the Chi-square analysis conducted to examine the relationship between factors of investment and investors' attitude in making investment decisions. The Pearson Chi-square value is 7.762 with a significance value of 0.956. Since the significance value is greater than the standard significance level of 0.05, the relationship between investment factors and investors' attitude is found to be statistically insignificant.

Similarly, the likelihood ratio and linear-by-linear association values also indicate the absence of a significant association between the variables. The findings suggest that factors influencing investment decisions do not significantly affect investors' attitude in the context of the present study. Therefore, the alternative hypothesis H03 is rejected, and the null hypothesis is accepted.

5 CONCLUSION

The study concludes that the banking investment scenario in India is governed by the principles of Technical Objectivity. Investors are increasingly making stock investment decisions based on the stability of the stock market (Low Beta/High Returns), rather than their own sentiments. However, this is done through the lens of their Occupation, which acts as the primary filter for their financial decisions. For management practitioners and financial planners, the implication of this study is that financial products must be marketed on the basis of Occupational Clusters and Risk Stability profiles, since these are the only variables that show statistical significance in the real financial ecosystem.

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ETHICS STATEMENT

This study did not involve human or animal subjects and, therefore, did not require ethical approval.

STATEMENT OF CONFLICT OF INTERESTS

The authors declare that they have no conflicts of interest related to this study.

LICENSING

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