



A Study on Investment Preference of Retail Investors in Tirupur City

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OPEN ACCESS

Article Citation:

Dr. S. Mohanapriya¹, R. Nandhini², "A Study on Investment Preference of Retail Investors in Tirupur City", International Journal of Recent Trends in Multidisciplinary Research, March-April 2026, Vol 6(02), 156-165.



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Abstract: Investment plays an important role in the financial planning of individuals as it helps in wealth creation, financial security, and future stability. Retail investors form a significant segment of the financial market as they invest their personal savings in various investment avenues such as bank deposits, mutual funds, shares, insurance, real estate, and gold. The investment decision of retail investors is influenced by several factors such as income level, risk perception, return expectation, safety, liquidity, and financial awareness. Understanding the investment preferences of retail investors is therefore essential for analyzing their behavior and identifying the factors that influence their investment decisions. The present study focuses on analyzing the investment preferences of retail investors in Tirupur City. The main objective of the study is to examine the demographic profile of investors, identify the most preferred investment avenues, and analyze the factors influencing their investment decisions. The study also attempts to understand the relationship between demographic variables such as age, gender, and educational qualification with the risk perception of investors. Primary data were collected through a structured questionnaire from retail investors in Tirupur City, and appropriate statistical tools such as percentage analysis, ranking method, and chi-square test were used for analyzing the data. The findings of the study reveal that most retail investors prefer safe and low-risk investment options and generally invest a moderate portion of their income for medium-term financial goals. The study also indicates that factors such as safety of investment, stable returns, and liquidity play a significant role in shaping the investment preferences of retail investors. The research provides useful insights into the investment behavior of retail investors and offers suggestions that may help investors make more informed financial decisions and encourage better investment planning in the future.

Keywords: Retail Investors, Investment Preference, Investment Avenues, Risk Perception, Financial Awareness, Investment Decision.

1. Introduction

Retail investors play a pivotal role in the financial markets of India, contributing significantly to market liquidity and depth. These investors, typically individuals investing their own funds rather than corporate or institutional capital, are influenced by a range of socio-economic factors, financial literacy levels, risk tolerance, and market perceptions when making investment decisions. Understanding the investment preferences of retail investors has become increasingly important,

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particularly in the context of rapid financial market expansion, the proliferation of investment products, and evolving economic conditions. Investment is the process of allocating current savings into various financial instruments with the expectation of generating future income or capital appreciation. It plays a vital role in individual wealth creation as well as in the overall economic development of a country. Retail investors, who are individual investors investing their personal funds rather than institutional funds, constitute a significant segment of the financial market. Their participation has increased considerably due to improved financial literacy, technological advancements, and regulatory support from the Securities and Exchange Board of India.

Statement of the Problem

Investment decisions of retail investors vary depending on their financial goals, income level, risk-bearing capacity, and awareness of available investment avenues. Although numerous financial instruments such as fixed deposits, mutual funds, shares, gold, insurance, and real estate are accessible, the actual preference of investors differs from region to region. Understanding these preferences is essential for analyzing how individuals allocate their savings and what factors influence their choices. Tirupur city in Tamil Nadu has a unique economic structure dominated by the textile and export industry.

Objectives of the Study

- To study the level of awareness buying pattern of retail investors.
- To identify the most preferred avenue for investment.
- To study the consumer perception on different avenues for investment choices.

Scope of the Study

The present study is confined to examining the investment preferences of retail investors in Tirupur city, located in Tamil Nadu. It focuses exclusively on individual investors who invest their personal savings in various financial instruments and does not include institutional or corporate investors. The study covers key dimensions such as the level of awareness regarding different investment avenues, factors influencing investment decisions, the most preferred investment options, and consumer perception toward various investment choices including traditional and market-linked instruments.

Research Methodology

The validity of any research depends on the systematic method of collection the data and analysing the same in a logical and sequential order. In the present study, an extensive use of both primary data and secondary data was made.

Sampling Technique

The sampling used for the study is convenient sampling. This sampling is selected by the researcher for the purpose of convenience to access.

Sampling Size

The study was conducted with 100 investors using convenience sampling method.

Method of Data Collection

Primary data

Secondary data

Primary Data

Primary data is the data is collected from the respondent for the first time, it is original in nature. For the purpose of collection of primary data, a well-structured questionnaire was framed and filled by the respondents. The questionnaire comprises of close ended as well as open ended questions. In close ended questions, checklist questions and multiple-choice questions are used.

Secondary Data

Secondary data are collected from books, magazines, web sites etc., and both open ended & close-ended questions are incorporated in the questionnaire for the collection of data.

Statistical Tools

Percentage Analysis

Simple Ranking Analysis

Chi-Square Analysis

Likert scale Analysis

Percentage Analysis

Percentage analysis is a method used to determine the proportion of respondents falling into each category within a sample. It serves as a standard for comparison.

The formula for percentage calculation is:

$$\text{Percentage} = \frac{\text{No. of respondents}}{\text{Total No. of respondents}} \times 100$$

Simple Ranking Method

Ranking is a method used to establish a relationship between a set of items, where each item is either ranked lower, equal to or higher than another. In mathematics, this is referred to as a weak or total preorder since different items can share the same rank. When two items hold the same rank, it is considered ate. By simplifying detailed measurements into a sequence of ordinal numbers, ranking allows for the evaluation of complex elements based on the criteria.

Chi-Square Analysis

The chi-square test is a statistical test used to define if there significant association between two categorical variables. It is a hypothesis – testing method in which observed frequencies are compared with expected frequencies for experimental outcomes.

$$X^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Degrees of freedom= (r-1) (c-1)

Likert Scale Analysis

Likert scale is a psychometric scale which is mostly used in surveys to measure attitudes, opinions or behaviours. It consists of a series of reports where respondents indicate their level of aware or not aware on a symmetric scale, typically ranging from 1 to 7 that are high aware to not aware.

$$\text{Likert scale} = \frac{\sum fx}{\text{Number of investors}}$$

Period of the Study

The primary data were collected for a period of limited days.

Area of the Study

The sample area chosen for conducting the study is Tirupur District.

Limitations of the Study

- The study is geographically restricted to Tirupur; therefore, the results cannot be generalized to retail investors in other regions.
- The sample size is limited, which may not accurately represent the entire population of retail investors.
- The study relies on primary data collected through structured questionnaires, and the findings depend on the accuracy and reliability of respondent’s answers.

Research Gap

Many earlier studies have examined the investment behavior and preferences of investors, but most of them focus on the general investment patterns at the national or regional level. These studies provide a broad understanding of investor behavior; however, they do not clearly explain the investment preferences of retail investors in specific cities. Investment decisions often differ from place to place due to variations in income level, awareness, financial knowledge, and local economic conditions. In recent years, digital investment platforms and online trading applications have also changed the way individuals invest their money, making the investment process easier and more accessible. At the same time, the perception of risk among retail investors has been changing because of market fluctuations and economic uncertainty.

2. Review and Literature

1. Dr. T. Anitha Kumari (2025)¹, in this study “A study on investment pattern and preferences of retail investors in the stock market”. It focuses on understanding investors’ preferences toward different investment avenues, especially mutual funds, along with their awareness, objectives, and risk profiles. A descriptive research design was used, with data collected from 120 respondents through cluster simple random sampling. The collected data were analyzed using percentage analysis, cross-

tabulation, and chi-square tests to understand factors influencing investment decisions and scheme preferences.

2. Dr Bharti (2025)², this study examines the investment preferences and decision-making behavior of retail investors in India. It focuses on how investors choose among options such as equities, mutual funds, fixed deposits, gold, and real estate. The study also analyzes the influence of demographic factors like age, gender, income, education, and occupation on investment decisions. Data were collected from 191 retail investors using a structured questionnaire and analyzed with statistical tools. The results show that investors give importance to returns, tax benefits, and safety while investing. Demographic factors strongly affect investment choices, highlighting the need for better investor awareness and guidance.

3. Preetavarma, Dr. Chinmoy Jana (JAN 2024)³, The study examines the impact of socio-economic factors on mutual fund investment patterns in India, focusing on the frequency and duration of investments made by retail investors. It also identifies key financial objectives and proposes a model to explain retail investors' investment behavior. Statistical tools such as Principal Component Analysis (PCA) and the Chi-square test were used to assess the influence of demographic variables and investors' perceptions toward mutual fund selection. The results indicate that mutual funds have emerged as a preferred investment option regardless of age or gender. Moreover, education and income levels significantly influence mutual fund investment decisions, mainly due to convenience, better returns, and relatively lower risk.

3. Overview Of Theoretical

Introduction

Investment behaviour among retail investors has become an increasingly significant area of research in the context of emerging economies like India. With rapid financial liberalization, expansion of capital markets, and growing financial inclusion, individual investors now have access to a wide spectrum of investment avenues ranging from traditional instruments such as bank deposits and gold to market-linked options like mutual funds and equities. Understanding the investment preferences of retail investors is therefore crucial for policymakers, financial institutions, and market regulators seeking to enhance participation, improve financial literacy, and ensure sustainable economic growth. Retail investors, unlike institutional investors, typically operate with limited capital, varying degrees of financial knowledge, and diverse risk appetites. Their investment decisions are influenced by multiple factors including income level, age, educational background, occupation, risk tolerance, liquidity needs, tax considerations, and socio-cultural environment.

Investment Avenues Available to Retail Investors

- Bank Deposits (Savings, Fixed, Recurring Deposits)
- Equity Shares
- Mutual Funds
- Insurance-Linked Investments and gold

Factors Influencing Investment Preference

• Income Level

Income determines the financial capacity of an individual to invest. A higher income allows investors to allocate surplus funds toward diversified investment opportunities and tolerate higher levels of risk. In contrast, individuals with limited income often prioritize capital protection and liquidity, preferring safer instruments such as fixed deposits or government-backed schemes. Thus, income directly shapes both the volume and nature of investments.

• Risk Tolerance

Risk tolerance reflects the psychological and financial ability of an investor to withstand potential losses. It varies based on personality, financial stability, and past experiences. Investors with high risk tolerance prefer market-linked instruments such as equities, while risk-averse investors select stable, low-volatility options. Understanding personal risk tolerance is essential for aligning investment choices with financial comfort and long-term goals.

• Expected Return

Return expectations significantly influence investment selection. Investors compare available alternatives and choose options that provide the best possible return for an acceptable level of risk. Some investors focus on regular income, while others aim for long-term capital appreciation. The balance between expected return and acceptable risk forms the basis of rational investment decision-making.

• Investment Horizon

The time period for which an investor plans to remain invested affects both asset selection and risk-taking capacity. Long-term investment horizons allow individuals to tolerate short-term market fluctuations and benefit from compounding and capital growth. Short-term investors, however, prioritize stability and liquidity to avoid uncertainty and preserve funds.

• Liquidity Needs

Liquidity refers to the ease with which an investment can be converted into cash without significant loss of value. Investors with uncertain financial needs prefer highly liquid assets such as savings accounts or short-term funds. Those with stable financial

conditions may choose less liquid investments, such as real estate, in exchange for potentially higher returns.

• Financial Knowledge and Awareness

Financial literacy enhances the ability of investors to evaluate risk, compare alternatives, and understand market dynamics. Well-informed investors tend to diversify their portfolios and adopt systematic investment strategies. Limited financial awareness, on the other hand, may lead to conservative choices or decisions based on incomplete information.

• Age of Investor

Age influences both financial responsibilities and risk-bearing capacity. Younger investors generally focus on long-term wealth creation and are more willing to accept market volatility. As individual's age and approach retirement, they often shift toward capital preservation and stable income-generating investments to ensure financial security.

• Economic Conditions

Macroeconomic factors such as inflation, interest rates, and economic growth significantly affect investment preferences. Rising inflation encourages investment in assets that provide higher returns to maintain purchasing power. Changes in interest rates influence borrowing costs and fixed-income returns, while economic stability or uncertainty shapes overall investor confidence.

• Tax Benefits

Tax incentives play an important role in investment planning. Instruments that provide tax deductions, exemptions, or deferred tax benefits increase net returns and reduce financial burden. As a result, investors often prioritize tax-efficient investments as part of their overall financial strategy.

• Past Experience

Previous investment outcomes strongly influence future behavior. Positive experiences build confidence and encourage continued or increased investment activity. Negative experiences, especially losses, may lead to cautious or conservative investment approaches. Behavioral responses to past outcomes significantly shape decision-making patterns.

• Social and Psychological Factors

Investment decisions are not purely rational; they are influenced by social environment and emotional responses. Advice from family, peers, and financial advisors can shape perceptions about certain investments. Psychological biases such as overconfidence, fear of loss, and herd behavior also play a major role in investment preference.

• Safety and Security of Investment

Capital protection is a primary concern for many investors. Investments that offer guaranteed returns or government backing are perceived as more reliable. The need for financial stability, especially during uncertain economic conditions, often leads investors to prioritize safety over high returns.

4. Investment Preference Trends in India

1. Growing Preference for Mutual Funds and SIPs

Mutual funds have emerged as one of the most preferred investment avenues among retail investors, particularly through Systematic Investment Plans (SIPs). Investors prefer SIPs because they allow regular and disciplined investments with relatively small amounts. This helps in reducing the impact of market fluctuations through rupee-cost averaging. Professional fund management and diversification also make mutual funds suitable for investors who seek balanced risk and return without actively managing their investments. Increasing awareness campaigns and easy digital access have further strengthened this trend.

2. Increasing Investment in Equity Markets

Retail participation in equity markets has grown significantly due to higher return potential and improved access to trading platforms. Investors are increasingly willing to accept market volatility for long-term capital appreciation. The availability of real-time market information, simplified account opening procedures, and reduced brokerage charges have encouraged more individuals to invest directly in shares. Equity investment is now widely viewed as an essential component of long-term wealth creation.

3. Continued Popularity of Bank Deposits

Bank deposits remain a dominant investment option, particularly among conservative and risk-averse investors. Fixed deposits and recurring deposits provide assured returns and capital protection, making them suitable for short-term goals and emergency funds. Even though returns are relatively lower than market-linked investments, the security and predictability of income make them highly reliable for many households.

4. Strong Demand for Gold Investment

Gold continues to be a preferred investment due to its cultural significance and role as a safe-haven asset. Investors rely on gold to protect wealth during inflation, currency depreciation, and economic uncertainty. It is commonly used as a hedge against

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financial instability and as a long-term store of value. The availability of digital and financial forms of gold has also increased accessibility.

5. Rising Interest in Digital Investment Platforms

Technology has transformed the investment environment by making financial services more accessible and efficient. Online trading platforms and mobile applications allow investors to manage portfolios, track performance, and execute transactions instantly. Low transaction costs, transparency, and convenience have attracted a large number of first-time investors, especially younger individuals.

6. Growth in Retirement and Long-Term Planning Investments

There is a noticeable shift toward long-term financial planning, particularly retirement security. Investors are increasingly allocating funds to pension schemes, long-term savings instruments, and systematic investment strategies. This reflects greater awareness of future financial needs and the importance of maintaining financial independence after retirement.

7. Diversification across Multiple Assets

Modern investors are increasingly adopting diversification as a key investment strategy. Instead of concentrating funds in a single asset, they distribute investments across equities, debt instruments, gold, and real estate. Diversification helps reduce risk exposure and ensures more stable returns over time. This reflects a more strategic and informed approach to portfolio management.

8. Increasing Interest in Alternative Investments

Alternative investment options such as exchange traded funds (ETFs) and crypto currencies are gaining popularity, particularly among younger investors. These instruments offer high return potential and exposure to new financial opportunities. However, they also involve higher risk due to price volatility and regulatory uncertainty. Their growing popularity indicates changing attitudes toward innovation and risk-taking.

9. Continued Investment in Real Estate

Real estate remains a major long-term investment due to its potential for capital appreciation and rental income. Many investors prefer property because it is a tangible asset that provides a sense of financial security. Despite high capital requirements and lower liquidity, real estate continues to be viewed as a reliable wealth-building option.

10. Preference for Tax-Saving Investments

Tax benefits significantly influence investment decisions. Investors prefer instruments that provide deductions, exemptions, or deferred taxation because they increase effective returns. Tax-efficient investment planning has become an integral part of personal financial management.

5. Simple Percentage Analysis

Awareness of investment avenues chosen by investors	No of Respondents	Percentage
Shares	22	22%
Mutual fund	21	21%
Fixed Deposit	18	18%
Gold	13	13%
Endowment plans	7	7%
Shares & Gold	5	5%
Real Estate	4	4%
Fixed deposit & Gold	3	3%
Mutual fund & Shares	1	1%
Crypto currency	1	1%
Real Estate & Crypto currency	1	1%
Fixed deposit & Mutual fund	1	1%
Shares, Real Estate & Gold	1	1%
Mutual fund & Gold	1	1%
Shares, Gold & Crypto currency	1	1%
Total	100	100%

TABLE – 1 Awareness of investment avenues
(Fixed Deposit, Mutual fund, Shares, Endowment plans, Gold, Real Estate, Crypto currency)

(Source: Primary data)

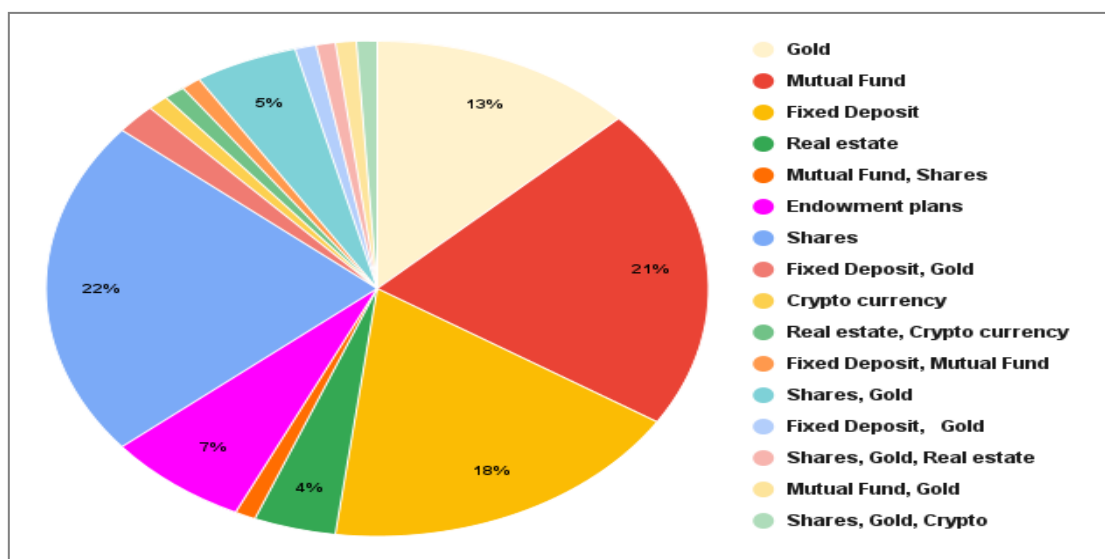
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Interpretation

The table shows that out of 100 respondents, the highest awareness is in shares (22%), followed by mutual funds (21%) and fixed deposits (18%). Awareness of gold is 13%, while other options like endowment plans, real estate, and combinations of investment avenues have comparatively lower percentages. Overall, shares are the most well-known investment avenue among respondents.

CHART – 1

Awareness of investment avenues



Chi- Square Analysis

S.No	Dependent Factor	Independent Factor	Table Value	Degree Of Freedom	Chi-Square Value	Result
1	Age	Risk Perception	12.592	6	3.420442	Accepted
2	Gender	Risk Perception	5.991	2	0.764334	Accepted
3	Educational Qualification	Risk Perception	15.507	8	6.039808	Accepted
4	Occupation	Risk Perception	15.507	8	22.32007	Rejected

Table – 2 The Chi-Square Analysis Showing the Relationship Between Demographic Factors and Risk Perception of Retail Investment

Interpretation

The Chi-square analysis shows that age, gender, and educational qualification have no significant relationship with investors' risk perception, as the null hypothesis is accepted. This indicates similar risk attitudes across these groups. However, occupation has a significant relationship with risk perception, as the null hypothesis is rejected, suggesting that occupation influences investors' risk attitudes.

Educational Qualification	Endowment Plan	Mutual Fund	Fixed Deposits	Real Estate	Crypto Currency	Gold	Shares	Result
School Level	High Growth	Professional Management	Fixed Income	Rental Income	Suitability	Store Value	Dividend Income	Accepted
Under Graduate	Term Insurance	Professional Management	Safety	Tangible Assets	Regulation And Safety	Store Value	Dividend Income	Accepted

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Post Graduate	Moderate Risk	Tax Benefits	Fixed Income	Long Term Appreciation	Portfolio Role	Cultural Significance	Dividend Income	Accepted
Professional	High Growth	Diversified Investment	Fixed Income	Hedge Against Inflation	Portfolio Role	Store Value	Dividend Income	Accepted
Others	Moderate Risk	Tax Benefits	Tax Benefits	Tangible Assets	Risk	Cultural Significance	Transparency	Accepted

Table – 3 The Chi-TSquare Analysis Between the Educational Qualification And the Investment Avenues by the Investors

Interpretation

The Chi-Square test is used to find out whether there is a significant relationship between educational qualification and the investment benefits preferred by retail investors. Based on the analysis, the calculated Chi-square value is less than the table value at the given degree of freedom. Therefore, the null hypothesis is accepted. This indicates that there is no significant association between educational qualification and the perception of benefits from different investment avenues. This result shows that investors with different educational qualifications such as school level, undergraduate, postgraduate, professional, and others have similar views regarding the benefits of various investment options like endowment plans, mutual funds, fixed deposits, real estate, crypto currency, gold, and shares. Hence, educational qualification does not significantly influence the benefits expected by retail investors while choosing different investment avenues.

Likert Scale

Factors	High Aware	Moderate Aware	Limited Aware	Low Aware	Not Aware	Total	Average
Bank Deposit	56	23	14	5	2	414	4.14
Mutual Fund	15	56	20	5	4	359	3.59
Shares	9	35	44	8	4	317	3.17
Gold	22	38	20	16	4	322	3.22
Real Estate	13	37	18	19	13	267	2.67
Crypto Currency	21	27	21	12	19	319	3.19

Table – 4

$$\text{Likert scale} = \frac{\sum fx}{\text{Number of investors}}$$

Interpretation

The likert scale table shows that bank deposit is most favourable factor which is high aware the aspect of retail investment preference for investment and real estate is the least favourable factor which aware the aspect of retail investment preference for investors.

Rank Analysis

Rank analysis is a statistical technique used in research to determine the order of preference or importance of different factors based on respondents' opinions. In this method, respondents assign ranks (such as 1st, 2nd, 3rd, etc.) to various options, and the researcher analyzes these ranks to identify which factor is most preferred or most important among the group.

Factors	1	2	3	4	5	6	7	Total	Rank
Safety	65	21	2	7	2	0	2	99	I
	455	126	10	28	6	0	2	625	
Returns	10	55	23	8	3	0	1	100	II
	70	330	115	32	9	0	1	556	

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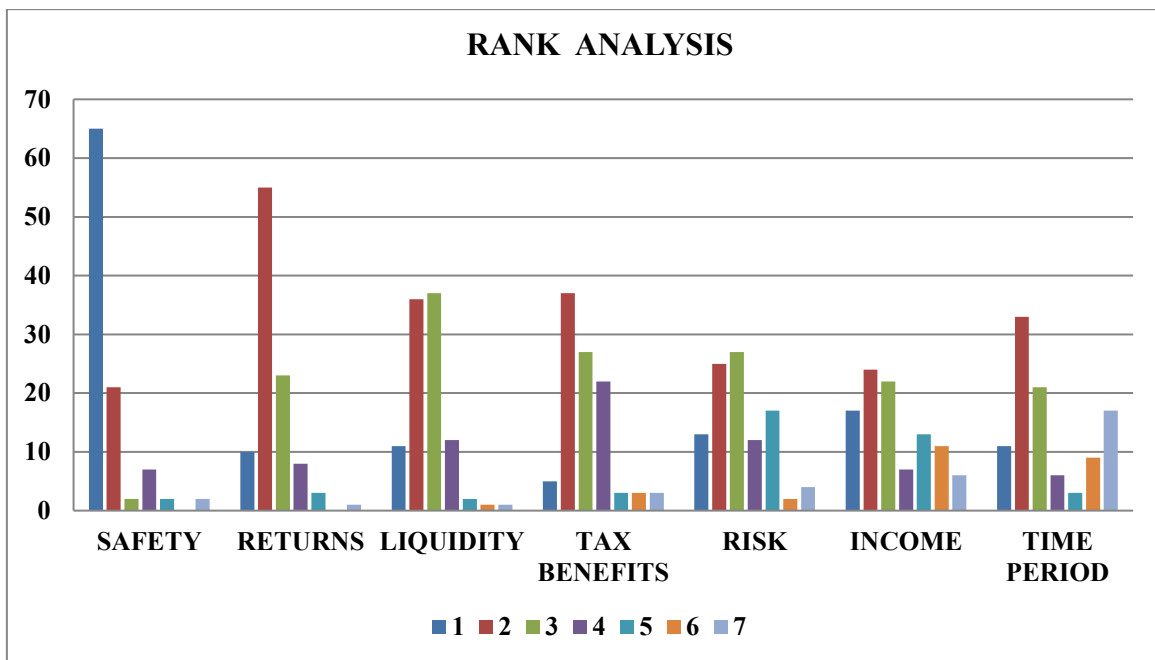
Liquidity	11	36	37	12	2	1	1	100	III
	77	216	185	48	6	2	1	532	
Tax Benefits	5	37	27	22	3	3	3	100	IV
	35	222	135	88	9	6	3	489	
Risk	13	25	27	12	17	2	4	100	V
	91	150	135	48	51	4	4	475	
Income	17	24	22	7	13	11	6	100	VI
	119	144	110	28	39	22	6	468	
Time Period	11	33	21	6	3	9	17	100	VII
	77	198	105	24	9	18	17	448	

Table 5

Interpretation

From the about table it shows the respondents ranking towards factor based on their perception it is safety ranked first, return ranked second , liquidity ranked third , tax benefits ranked fourth , risk ranked fifth , income ranked sixth and time period ranked seventh.

CHART – 5



Findings

- Majority of the respondents have an awareness of investment avenues in shares (22%).
- The Chi-square analysis shows that age, gender, and educational qualification have no significant relationship with investors' risk perception, as the null hypothesis is accepted. This indicates similar risk attitudes across these groups. However, occupation has a significant relationship with risk perception, as the null hypothesis is rejected, suggesting that occupation influences investors' risk attitudes.
- The bank deposit is most favourable factor which is high aware the aspect of retail investment preference for investment and real estate is the least favourable factor which aware the aspect of retail investment preference for investors.

Suggestions

- Retail investors should improve their financial knowledge and awareness about various investment avenues before making investment decisions.
- Retail investors are advised to diversify their investments among different financial instruments such as bank deposits, mutual funds, and other investment options.
- Retail investors should plan their investments based on their income level, savings capacity, and future financial goals.

6. Conclusion

The study on retail investors in Tiruppur city indicates that while investors demonstrate basic awareness of investment avenues, their financial knowledge remains moderate, leading to a preference for low-risk instruments and limited portfolio diversification. Investment decisions are primarily influenced by perceived benefits such as safety, returns, and tax advantages,

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along with prevailing economic conditions. The findings underscore the necessity for enhanced financial literacy and structured advisory support to promote informed and efficient investment behavior among retail investors.

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