

A Study on Investment Pattern and Risk Perception among Retail Investors in India

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Abstract: Retail investors are individuals who invest their personal savings into various financial instruments such as bank deposits, gold, shares, mutual funds, insurance policies, and real estate. In recent years, India has seen a significant increase in retail investor participation due to digital investment platforms, mobile trading applications, and financial awareness campaigns. Despite this growth, many investors still prefer safer investment avenues because they fear financial losses and uncertainty in the market. This study examines the investment patterns and risk perception of retail investors in India using secondary data sources such as research journals, government reports, and academic publications. The study highlights that financial literacy, income level, age, and awareness play an important role in shaping investment decisions. It concludes that improving financial education can help investors make rational and diversified investment choices.

Keywords: investment patterns and risk perception

I. INTRODUCTION

Investment refers to the process of allocating savings into assets with the objective of earning future returns or increasing capital value. Retail investors are common individuals who invest their own money rather than investing on behalf of institutions. In India, the traditional investment culture has been conservative, with most households preferring fixed deposits, gold, and real estate. However, technological development and simplified KYC procedures have made investing in stock markets and mutual funds easier than ever before. Even though participation is increasing, Indian investors are generally risk-averse. They prioritize capital protection over high returns. Understanding how retail investors perceive risk is important for financial institutions, policymakers, and regulators to design better investment products and awareness programs.

II. REVIEW OF LITERATURE

Various studies have examined the behavior of retail investors in India. Research shows that demographic factors such as age, income, education level, and occupation significantly influence investment choices. Higher-income individuals are more likely to invest in market-linked instruments such as equities and mutual funds. Behavioral finance studies highlight that psychological biases such as overconfidence, herd behavior, anchoring, and loss aversion strongly influence investment decisions. Many investors follow market trends without proper analysis, which sometimes leads to poor financial outcomes. Research also suggests that financial literacy improves risk tolerance and encourages diversification. Investors who understand basic financial concepts are more confident and willing to participate in capital markets.

III. OBJECTIVES OF THE STUDY

- To study the investment pattern of retail investors in India.
- To analyze risk perception among retail investors.
- To identify major factors influencing investment decisions.
- To examine the role of financial literacy in shaping investment behavior.



- To understand investor preference toward various investment avenues.

IV. RESEARCH METHODOLOGY

This study is descriptive and analytical in nature.

It is entirely based on secondary data collected from published research journals, SEBI reports, government publications, financial research papers, and online academic databases.

The study synthesizes existing literature to understand patterns and draw conclusions regarding retail investor behavior in India.

V. INVESTMENT PATTERN OF RETAIL INVESTORS IN INDIA

Retail investors distribute their savings among different investment avenues depending on their financial goals, income level, and risk tolerance. The most commonly preferred investment options include:

- Bank Fixed Deposits – Safe and guaranteed returns.
- Gold and Precious Metals – Traditional and trusted asset
- Real Estate – Long-term wealth creation.
- Mutual Funds (especially SIPs) – Diversified and professionally managed.
- Equity Shares – Higher return potential but higher risk.
- Insurance and Pension Schemes – Financial security and retirement planning.

After the COVID-19 period, retail participation in stock markets increased significantly due to digital trading platforms. Young investors are increasingly choosing SIPs and equities as long-term wealth creation tools.

VI. RISK PERCEPTION AMONG RETAIL INVESTORS

Risk perception refers to how investors understand and react to uncertainty and possible financial loss. Retail investors can be broadly classified into three categories based on their attitude toward risk:

- Risk-Averse Investors – Prefer fixed deposits and gold.
- Moderate Risk Investors – Prefer mutual funds and balanced portfolios.
- Risk-Seeking Investors – Invest heavily in equities and market-linked securities.

Behavioral biases such as fear of loss and herd mentality strongly influence decisions. Financial education increases awareness and reduces irrational decision-making.

VII. FINDINGS OF THE STUDY

- Indian retail investors largely prefer low-risk investment avenues.
- Equity and mutual fund participation is increasing gradually.
- Risk perception varies according to income, education, and awareness level.
- Behavioral biases significantly impact investment decisions.
- Financial literacy improves diversification and confidence.

VIII. SUGGESTIONS

- Expand financial literacy programs across urban and rural areas.
- Encourage diversification across asset classes.
- Promote awareness about risk-return trade-off.
- Provide investor education tools on digital platforms.
- Encourage long-term disciplined investment strategies.



IX. CONCLUSION

The study concludes that retail investment behavior in India is gradually shifting from traditional savings instruments toward modern financial assets. However, risk perception continues to influence decisions significantly. Improved financial awareness, transparent regulations, and investor protection measures can increase participation in capital markets. Developing financially informed investors will contribute positively to India's economic growth and financial stability.

