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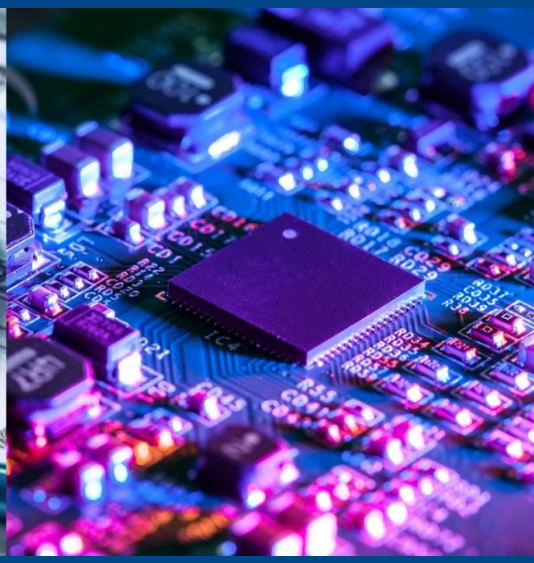

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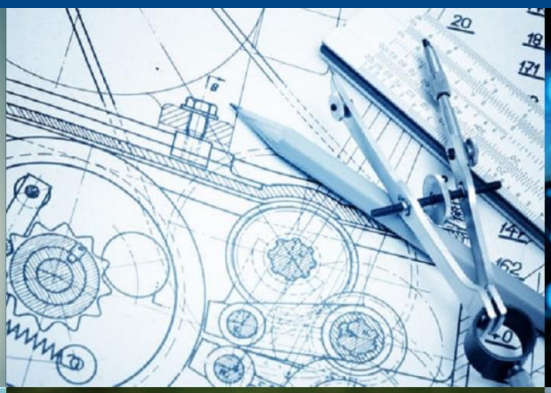

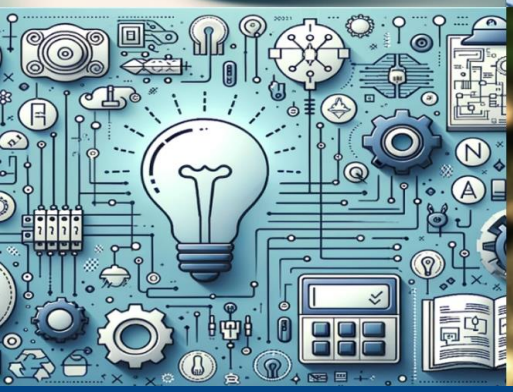

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Investment Preferences and Factors Influencing Investment Decisions in Coimbatore: A Study of Individual Investors

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ABSTRACT: This study examines investment preferences and factors influencing investment decisions among individual investors in Coimbatore. Primary data were collected from 115 respondents using a structured questionnaire. Percentage analysis, ranking method and chi-square tests were used for analysis. The findings reveal that gold is the most preferred investment avenue, while mutual funds are the least preferred due to perceived complexity and risk. The results also indicate moderate financial literacy with many respondents unaware of the risk–return trade-off. The study highlights the need for improved investor education, better financial awareness programmes and simplified communication of financial

KEYWORDS: investment preferences; financial literacy; behavioural finance; retail investors; Coimbatore

I. INTRODUCTION

Investment decision-making is central to personal financial planning, guiding how individual savings are allocated across traditional avenues—bank deposits, gold, real estate—and market-linked or digital instruments. Each option varies in risk, return, liquidity, and safety, making investment choices complex and consequential. Decisions are influenced by demographics, socio-economic factors, financial literacy, risk tolerance, and behavioural biases such as herd mentality and loss aversion. Coimbatore, a major industrial and textile hub with a diverse investor base of business owners, professionals, students, homemakers, and retirees, remains understudied. Understanding its investors' preferences and decision frameworks is vital for designing localised financial products, shaping investor-protection policies, and tailoring literacy programmes. This study provides systematic, region-specific evidence on the multidimensional factors shaping investment behaviour in Coimbatore, enriching India's behavioural finance literature.

1.1 Problem Statement

While national and global studies on investment behaviour are extensive, region-specific evidence for tier-2 Indian cities, particularly Coimbatore, is limited. Coimbatore's investment landscape reflects unique socio-cultural preferences, notably a strong inclination toward gold and tangible assets, diverse occupations, and varying levels of financial education. These local factors may produce patterns that differ from national trends but remain unobserved in macro studies. This gap limits financial institutions, policymakers, and investor-education initiatives from tailoring products, protections, and literacy programmes effectively. Moreover, the impact of socio-economic, demographic, and behavioural determinants on investment decisions in this context remains unquantified. Hence, this study explores: What are the investment preferences of Coimbatore's individual investors, and which factors most influence their decisions?

1.2 Objectives of the Study

The study pursues the following specific objectives:

1. To identify the most preferred and most currently held investment avenues among individual investors in Coimbatore.

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2. To assess the level of financial literacy and risk tolerance across different demographic and occupational groups.
3. To examine the influence of socio-economic and behavioural factors on investment decisions and to test for statistically significant associations using the chi-square test.

II. LITERATURE SURVEY

The theoretical and empirical foundations of investor behaviour draw on a rich interdisciplinary tradition spanning behavioural economics, personal finance, and financial psychology.

Bharti (2025). conducted a questionnaire-based survey of 191 retail investors in India and found that return potential and tax benefits are the two most powerful motivators of investment decisions, eclipsing factors such as liquidity and safety for this cohort. The study underscores the importance of post-tax return communication by financial intermediaries and is directly relevant to understanding preference hierarchies among retail investors in the present study.

Gupta (2025). employed regression analysis on data from 192 investors in Bengaluru and established that herding behaviour and overconfidence significantly distort individual investment decisions, particularly in equity markets. These behavioural biases are theoretically applicable to the Coimbatore context and provide a lens through which to interpret the conservative preferences observed in the present study's data.

Hassan et al. (2023). conducted a systematic review of 28 international studies on investment intention and decision-making, synthesising evidence that personal factors (risk tolerance, income), social factors (peer influence, family norms), and market-level factors (information access, media) collectively determine investment behaviour.
Collectively, the reviewed literature confirms that investment behaviour is multi-dimensional, and that region-specific studies are necessary to capture local socio-cultural investment patterns not visible in aggregated national data.

III. METHODOLOGY / APPROACH

3.1 Scope of the Study

The study focuses on individual retail and potential investors aged 18 and above in urban and suburban areas of Coimbatore. It examines investment preferences across traditional avenues such as bank deposits, gold, and real estate, as well as market-based instruments including equities, mutual funds, and insurance. Institutional investors are excluded. The study adopts a cross-sectional approach, capturing investment behaviour at a single point in time, and the literature review primarily covers studies from the past decade.

3.2 Research Design and Sampling

The study employs a descriptive research design to analyse existing investment behaviour and decision-making patterns. Primary data were collected through a structured questionnaire distributed both online and offline. The questionnaire included sections on demographic profile, investment awareness and preferences, factors influencing investment decisions, and risk perception. Convenience sampling was used, resulting in a sample of 115 respondents. Secondary data were obtained from academic journals, institutional reports, and financial publications.

3.3 Analytical Framework

The collected data were coded, classified, and analysed using statistical tools such as percentage analysis, ranking method, and the chi-square test of independence. Percentage analysis was used to present demographic and response distributions, ranking method identified the most and least preferred investment avenues, and the chi-square test examined associations between demographic variables and investment-related factors. The analysis was conducted using Microsoft Excel.

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3.4 Demographic Profile of Respondents

Table 1 presents the demographic composition of the 115 respondents surveyed.

Table 1: Demographic Profile of Respondents (N = 115)

Variable	Category	Respondents (n)	Percentage (%)
Gender	Female	65	56.52
	Male	47	40.87
	Prefer not to say	3	2.61
Age Group	25–35 years	32	27.83
	18–25 years	31	26.96
	36–45 years	25	21.74
	46–55 years	23	20.00
	Above 55 years	4	3.48
Marital Status	Unmarried	58	50.43
	Married	57	49.57
Occupation	Business / Self-employed	30	26.09
	Student	25	21.74
	Professional	21	18.26
	Salaried Employee	19	16.52
	Homemaker	14	12.17
	Retired	6	5.22
Education	Postgraduate	35	30.43
	Undergraduate	31	26.96
	Professional Qualification	30	26.09
	Higher Secondary	18	15.65

The sample is predominantly female (56.52%), young (the 25–35 and 18–25 age cohorts together account for 54.79%), and nearly equally split between married and unmarried respondents. Business/self-employed individuals form the largest occupational group, consistent with Coimbatore's entrepreneurial character, while postgraduate holders constitute the largest educational cohort, suggesting a relatively well-educated investor sample.

3.5 Investment Preferences: Ranking Analysis

Table 2 presents the ranking of investment avenues by current holding and stated preference.

Table 2: Ranking of Investment Avenues — Current Holdings and Preferences

Investment Avenue	Currently Held (n)	Rank (Held)	Preferred (n)	Rank (Preferred)	Non-Preferred (n)	Rank (Non-Pref.)
Gold	43	I	45	I	28	II
Mutual Funds	29	II	14	VI	33	I
Equity Shares	28	III	33	II	27	III
Bank Deposits	23	IV	23	IV	25	IV
Real Estate	20	V	29	III	19	V
Insurance	15	VI	20	V	15	VI

Gold ranks first in both current holdings (n = 43) and investor preference (n = 45), reflecting strong cultural trust in tangible assets. Mutual funds show a notable paradox, ranking second in current holdings (n = 29) but last in preference (n = 14) and most non-preferred (n = 33), likely due to perceived complexity and risk. Insurance is consistently ranked last among non-preferred avenues (n = 15), indicating its acceptance as a stable and necessity-based financial product.

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3.6 Financial Literacy and Behavioural Indicators

Table 3 presents key financial literacy and behavioural indicators from the survey.

Table 3: Financial Literacy and Behavioural Indicators (N = 115)

Indicator	Dominant Response	n	%	Lowest Response	n	%
Financial Knowledge Level	Moderate	34	29.57	Very High	7	6.09
Risk–Return Awareness	Not Aware (No)	52	45.22	Fully Aware (Yes)	22	19.13
Avoids Unclear Investments	Yes	51	44.35	Sometimes	24	20.87
Risk Tolerance Level	Moderate	54	46.96	Low Risk	28	24.35
Age Affects Low-Risk Pref.	Yes	63	54.78	No	52	45.22
Media Affects Decisions	Sometimes	37	32.17	Always	8	6.96
Guidance Reduces Hesitation*	Prof. Advice	43	37.39	Digital Awareness	16	13.91

3.7 Chi-Square Test Results

Three chi-square tests of independence were conducted. Table 4 summarises the results.

Table 4: Summary of Chi-Square Test Results

Variable 1	Variable 2	χ^2 Value	Df	p-value	Decision (α = 0.05)
Age Group	Risk–Return Awareness	5.68	8	0.6832	Fail to Reject H_0
Occupation	Financial Knowledge Level	26.73	20	0.1431	Fail to Reject H_0
Education Level	Impact of Awareness Programmes	7.18	12	0.8453	Fail to Reject H_0

All three chi-square tests failed to reject the null at the 5% level. The lack of association between age and risk-return awareness ($p = 0.6832$) indicates financial literacy gaps are uniform across age groups. Similarly, occupation showed no significant effect on financial knowledge ($p = 0.1431$), suggesting deficits are systemic rather than profession-based. Finally, education did not influence perception of awareness programmes ($p = 0.8453$), highlighting limitations in content and delivery rather than audience characteristics.

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IV. RESULTS & DISCUSSION

4.1 Key Findings

1. Gold is the dominant investment avenue both in current holdings (n = 43) and stated preference (n = 45), reflecting the cultural and psychological primacy of tangible assets among Coimbatore investors.
2. Mutual funds present a paradox — held by 29 respondents but preferred by only 14 — making them the most non-preferred avenue, driven primarily by perceived complexity and risk aversion.
3. 45.22% of respondents lack awareness of the risk-return relationship, the single most significant financial literacy gap identified by this study.
4. Moderate risk tolerance dominates (46.96%), indicating a desire for balanced portfolios, yet conservative actual behaviour suggests a disconnect between stated tolerance and enacted choices.
5. Professional financial advice (37.39%) is the intervention most likely to reduce investment hesitation, highlighting demand for accessible, trustworthy advisory services.
6. 51.3% of respondents believe financial institutions are not providing sufficient information to alleviate investor fear and confusion, signalling a major institutional communication deficit.
7. Chi-square analysis confirms that financial literacy gaps are systemic, not confined to specific demographic subgroups — age, occupation, and educational attainment do not predict significant differences in financial knowledge or awareness programme perceptions.

4.2 Actionable Suggestions

S1. Financial institutions should design and deploy risk-return literacy workshops targeting all demographic segments, not only the young or educated, given that awareness deficits are cross-cutting.
S2. Mutual fund distributors and asset management companies should invest in simplified, vernacular-language investor education campaigns that demystify product structures and historical risk-return profiles.
S3. Regulatory bodies such as SEBI should mandate standardised investor communication formats that translate complex financial instruments into accessible metrics (e.g., plain-language risk ratings, goal-based illustrations).
S4. Government and industry bodies should expand access to certified financial planners and registered investment advisors in tier-2 cities, reducing dependence on informal networks and peer advice.
S5. Investor awareness programmes in Coimbatore should overhaul their content and delivery modalities (e.g., digital, interactive, workplace-based) to improve perceived impact across all education levels.

V. CONCLUSION

This study provides a granular, empirically grounded portrait of investment behaviour among individual retail investors in Coimbatore, filling a meaningful gap in the regional behavioural finance literature. The overarching finding is clear: investment behaviour in Coimbatore is predominantly conservative and safety-driven, anchored by a deep cultural preference for gold and fixed-income instruments, and constrained by moderate-to-low financial literacy and widespread unawareness of the risk-return trade-off. These patterns are not driven by a single demographic variable — age, occupation, and educational attainment were all statistically non-significant predictors — suggesting that the roots of conservative investment behaviour lie in broader systemic factors: insufficient investor education infrastructure, limited access to trustworthy financial advice, and inadequate institutional communication. The practical implications are significant. Policymakers should integrate region-specific investor education targets into SEBI's investor awareness roadmap. Academics and researchers are encouraged to build on this work through longitudinal designs and larger, probability-based samples. Ultimately, elevating the financial literacy and investment sophistication of India's tier-2 city populations is not merely a micro-level financial planning objective — it is a macroeconomic imperative with implications for domestic capital formation, household wealth accumulation, and long-term economic resilience.

The following references are cited in APA 7th Edition format. Active URLs are provided where available.

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