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A Study on the Perception of Indian Investors on Financial Instruments

Dr. A Chiranjeevi[1], A. Vijaya Kumara[2], Viswa Pawan[3]
[1]*Assistant Professor, School of Commerce and Management, Mohan Babu University, Tirupati, Andhra Pradesh. Pin 517102*
[2, 3]*MBA Students of School of Commerce and Management, Mohan Babu University, Tirupati, Andhra Pradesh. Pin 517102*

Abstract: ***This study examines the perception of Indian investors towards various financial instruments, including equities, mutual funds, fixed deposits, bonds, and emerging investment avenues. The research aims to understand the factors influencing investment decisions, such as risk tolerance, return expectations, financial literacy, and market awareness. Data is collected through structured questionnaires and analysed using statistical tools to identify patterns in investor behaviour. The findings reveal that traditional instruments like fixed deposits continue to be preferred by risk-averse investors, while younger and financially aware individuals show a growing inclination towards market-linked instruments such as equities and mutual funds. The study also highlights the role of digital platforms and financial education in shaping investment choices. Overall, the research provides insights into investor attitudes and offers recommendations for policymakers and financial institutions to enhance participation in diversified financial markets in India.***

Keywords: Investor Perception, Financial Instruments, Indian Investors, Risk and Return, Financial Literacy, Equity Investment, Investment Decision-Making.

I. INTRODUCTION

Investment plays a crucial role in the economic development of a country as well as in the financial security of individuals. In India, the investment landscape has undergone significant transformation over the past few decades, driven by economic liberalization, technological advancements, and increased access to financial information. Today, investors can choose from a wide range of financial instruments such as equities, mutual funds, bonds, fixed deposits, insurance products, and other emerging avenues.

Despite the availability of diverse investment options, the choice of financial instruments among Indian investors varies widely based on factors such as income level, risk tolerance, financial literacy, age, and awareness. Traditionally, Indian investors have shown a strong preference for safe and secure investment options like fixed deposits and gold. However, with the growth of capital markets and digital investment platforms, there has been a noticeable shift towards market-linked instruments such as stocks and mutual funds, especially among younger investors. Investor perception plays a vital role in determining investment behaviour. It reflects the attitudes, beliefs, and understanding of individuals towards different financial instruments. Perception is often influenced by past experiences, market trends, peer influence, and the level of financial knowledge. Understanding these perceptions is essential for financial institutions, policymakers, and advisors to design suitable products and promote better investment practices.

This study aims to analyse the perception of Indian investors towards various financial instruments and to identify the key factors influencing their investment decisions. By examining investor preferences and behaviour, the research seeks to provide insights that can help enhance financial inclusion, improve investment awareness, and encourage more informed decision-making among investors in India.

II. REVIEW OF LITERATURE

1) Vincent Paul S. & Dr. Raju G. (2025), *Digital Investment: A Systematic Literature Review on Investors' Behaviour in the Indian Stock Market*, International Journal of Business & Management Science.The study reviewed research published between 2005–2025 to understand investor behaviours in the Indian stock market. It concluded that behavioural biases, financial literacy, technological advancement, and digital investment platforms significantly influence investment decisions. The paper also highlighted the increasing participation of young investors through online trading applications and fintech platforms.
2) Ananya Sharma & Vivek Mehta (2025), Artificial Intelligence and Retail Investors' Decision-Making in the Indian Stock Market, Journal of Financial Services Research. The study explored how artificial intelligence-based investment tools, robo-advisors, and predictive analytics influence retail investors in India. The findings showed that AI-driven platforms improve investment accessibility and decision-making efficiency, but excessive dependence on automated recommendations may increase speculative behaviour and market volatility among inexperienced investors.

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3) Study on Investor Sentiment and Indian Stock Market (2024), Does Investor Sentiment Affect the Indian Stock Market? Evidence from Nifty 500 and Selected Sectoral Indices.The research concluded that investor sentiment and speculative behaviour significantly affect stock prices and sectoral indices in India. Positive and negative sentiments were found to create volatility and influence market returns beyond fundamental factors.
4) Rahul Verma & Sneha Kapoor (2024), Impact of social media on Retail Investors' Behaviour in India, International Journal of Financial Studies.The study analysed the role of social media platforms, financial influencers, and online communities in shaping investment decisions. The findings showed that online financial content significantly influences young investors' trading behaviour, risk-taking attitude, and short-term investment decisions in the Indian stock market.
5) Yamini Yadav & Pramod Kumar Naik (2023), Investors' Irrational Sentiment and Stock Market Returns: A Quantile Regression Approach Using Indian Data.The research focused on the role of irrational investor sentiment in determining stock market returns. The findings revealed that emotions, overconfidence, speculation, and behavioural biases influence stock prices and market performance, especially during periods of high volatility.
6) Amit Kumar Nag & Janil Shah (2022), An Empirical Study on the Impact of Gen Z Investors' Financial Literacy to Invest in the Indian Stock Market, Indian Journal of Finance, Vol.16, Issue-10.The study examined the influence of financial literacy on Gen Z investors' stock market investment decisions in India. It found that financial literacy, social factors, subjective norms, and perceived behavioural control significantly influence investment intentions among young investors. The paper concluded that financially literate investors show greater confidence and participation in stock market investments.
7) Behavioural Finance Related Study (2021), Herding Behaviour in the Indian Stock Market: An Empirical Study, Indian Journal of Finance, Vol. 15, Issue 5–7. The study examined the herding behaviour of investors in the Indian stock market and found that investors often make decisions by following market trends and the actions of other investors rather than relying on fundamental analysis. The research concluded that psychological factors, fear of missing out (FOMO), and market uncertainty significantly influence trading behaviour and stock price movements in India.
8) Prasanna Chandra & Research on Retail Investors' Behaviour in India (2020), Behavioural Biases and Investment Decisions in the Indian Stock Market. The study analysed how behavioural biases such as overconfidence, herding behaviour, loss aversion, and risk perception influence retail investors in India. The findings showed that emotional and psychological factors significantly affect investment decisions, often leading investors to deviate from rational financial decision-making. The study also observed increased participation of retail investors through online trading platforms and digital financial services during the period.
9) Priyanka Sharma & Rajeev Bansal (2019), Behavioural Biases Affecting Investment Decisions of Indian Retail Investors, International Journal of Management Studies. The study analysed behavioural biases including overconfidence, herding behaviour, anchoring bias, and loss aversion among Indian investors. The findings showed that psychological and emotional factors strongly influence investment decisions, often leading investors to make irrational choices during market fluctuations.
10) M. K. Jain & S. Gupta (2019), Impact of Financial Literacy on Investment Decisions in the Indian Stock Market, Indian Journal of Commerce and Management Studies.The research focused on the relationship between financial literacy and investment behaviour among retail investors in India. The study concluded that investors with higher financial literacy are more confident, better at Risk assessment, and more likely to participate actively in stock market investments.

III. OBJECTIVES OF THE STUDY

1) To analyse the awareness and perception of Indian investors towards various financial instruments.
2) To identify the key factors influencing investment decisions such as risk, return, safety, and liquidity.
3) To study the investment preferences and behaviour of Indian investors during the period 2020 –2025.

A. Research Design

The study adopts a descriptive and analytical research design.

1) Descriptive Research: Descriptive research is used to describe the awareness, perception, and behaviour of Indian investors towards financial instruments.
2) Analytical Research: Analytical research is used to examine relationships between factors like risk, return, and investment decisions.

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IV. COLLECTION OF DATA

The data for this study is collected from both primary and secondary sources. Primary data is gathered through a structured questionnaire from Indian investors to understand their perception, awareness, and investment behaviour. Secondary data is collected from books, journals, research articles, financial websites, and reports to support and strengthen the study.

1) Sampling Size and Design: The sampling design refers to the method used to select respondents for the study. In this research, a suitable sample of Indian investors is selected to represent the entire population.

2) Sample Size: Total sample Size: 100

A. Needs of the Study

The study is needed to understand the perception of Indian investors towards various financial instruments and their investment behaviour. It helps to identify the key factors influencing investment decisions such as risk, return, safety, and liquidity. The study also provides insights into the level of awareness and preferences among different groups of investors. Further, it helps in analysing the impact of demographic and behavioural factors on investment choices. It is useful for improving financial literacy and guiding investors in making better investment decisions. Additionally, the study can assist financial institutions and policymakers, including organizations like the Reserve Bank of India and Securities and Exchange Board of India, in developing better financial products and policies.

The Securities and Exchange Board of India (SEBI) is the statutory authority regulating India's securities and capital markets. Established in 1992 under the SEBI Act, it oversees stock exchanges, intermediaries, and listed companies, ensuring investor protection, market integrity, and orderly development of the financial system. SEBI is headquartered in Mumbai and functions under the Ministry of Finance.

B. Scope of the Study

The study focuses on understanding the perception of Indian investors towards a wide range of financial instruments such as equities, mutual funds, fixed deposits, bonds, gold, and insurance. It includes respondents from different age groups, income levels, educational backgrounds, and occupations to provide a comprehensive view of investor behaviour. The study examines key factors influencing investment decisions, including risk, return, safety, liquidity, and financial awareness.

Statement of the Problem: The rapid growth of fintech has transformed financial services, but its adoption varies across different age groups and levels of digital literacy. This study aims to analyse usage patterns and identify key barriers affecting the effective use of fintech services.

V. DATA ANALYSIS

Table 0.1

Category	Option Category	Count	Percentage (%)
Gender	Male	65	65
	Female	35	35
	Total	100	100
Age	Below 25	13	13.3
	25-35	21	21.3
	36-45	32	32.0
	46-60	25	24.7
	Above 60years	9	8.7
	Total	100	100
Educational Qualification	School	1	1.4
	Graduate	28	27.9
	Post Graduate	30	29.9
	Professional	41	40.8
	Total	100	100

Sources of Data: Primary data.

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Interpretation: The survey data reveals that the majority of respondents are female (65%), while males constitute 35%, indicating a female-dominated sample. In terms of age distribution, most participants fall within the 36 - 45 years category (32%), followed by 46–60 years (24.7%) and 25–35 years (21.3%), suggesting that middle-aged individuals form the core of the study. Younger respondents below 25 years (13.3%) and those above 60 years (8.7%) are comparatively fewer. Regarding educational qualifications, a significant proportion of respondents are professionally qualified (40.8%), followed by postgraduates (29.9%) and graduates (27.9%), with only a minimal percentage having school-level education (1.4%). Overall, the data indicates that the survey is largely influenced by educated, middle-aged female respondents, which may shape the perspectives and outcomes of the study.

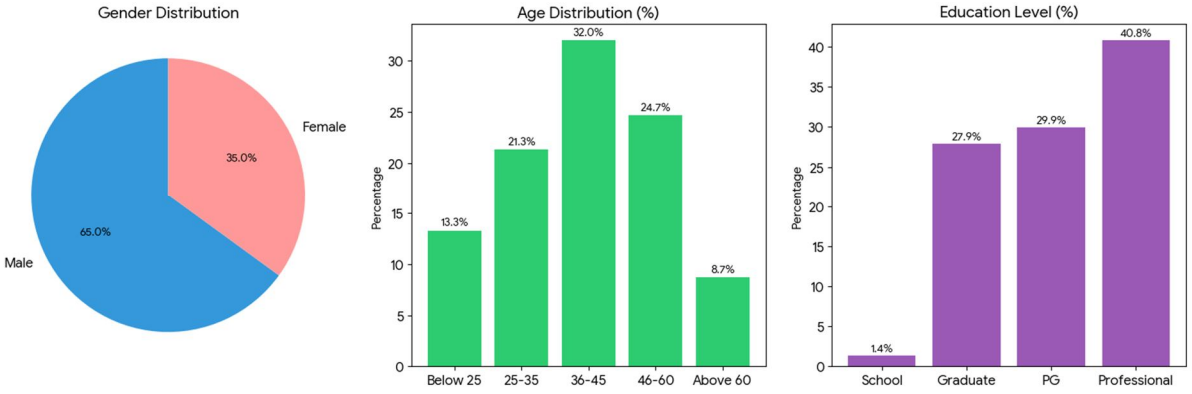


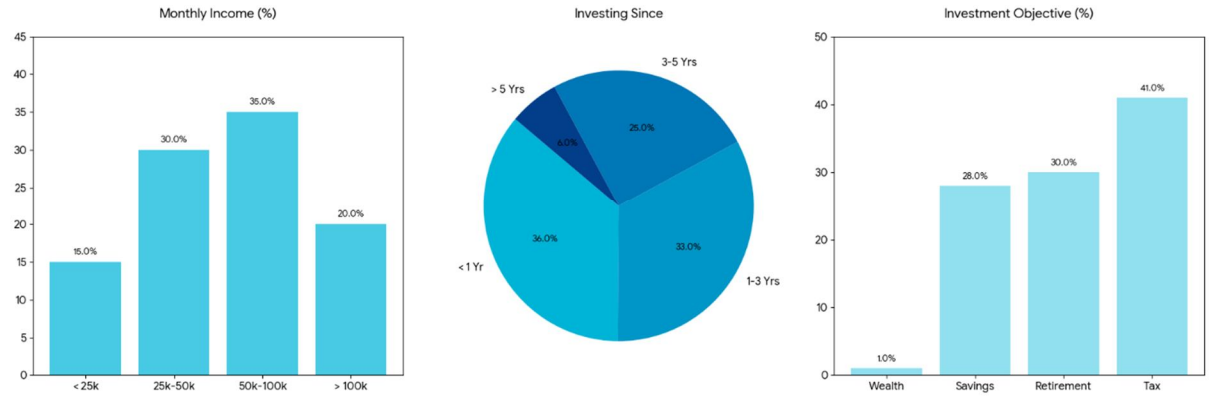
Table - 2

Category	Option Category	Count	Percentage (%)
Monthly income level of investors	Below 25,000	15	15.0
	25,000 – 50,000	30	30.0
	50,000 – 100,000	35	35.0
	Above 100,000	20	20.0
	Total	100	100
How long have you been investing	Less than 1 year	36	13.3
	1 – 3 years	33	21.3
	3 – 5 years	25	32.0
	More than 5 years	6	24.7
	Total	100	100
What is your primary objective of investment	Wealth Creation	1	1.4
	Savings	28	27.9
	Retirement	30	29.9
	Tax Benefits	41	40.8
	Total	100	100

Sources of Data: Primary data.

Interpretation: The investor profile reveals a predominantly middle-income demographic, with 65% of respondents earning between ₹25,000 and ₹100,000 monthly. This group is characterized by a high influx of new participants, as 69% have been investing for three years or less, reflecting the recent surge in retail participation in India. Despite their entry into the market, these investors maintain a conservative and utility-based mindset; the primary drivers for investment are tax benefits (41%) and retirement planning (30%), while aggressive wealth creation remains a negligible priority at 1%. Overall, the findings suggest that the modern Indian investor is educationally qualified and technologically savvy, yet continues to perceive financial instruments primarily as a means for long-term security and tax efficiency rather than speculative growth.

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Findings1. Highly Qualified Demographic: A significant 70.7% of respondents are either Post Graduates or Professionals, indicating that the sample consists of highly educated individuals who likely make informed investment decisions.

1) Middle-Aged Core: The study is centred around the 36–45 age group (32%), representing individuals in their peak earning years.
2) New Market Entrants: There is a notable "freshman" trend in investing, with 69% of participants having less than 3 years of experience, likely influenced by the post-pandemic digital investment boom.
3) Conservative Objectives: Despite high education levels, the mindset remains security-oriented. 71% of investors prioritize Tax Benefits and Retirement, while only 1% focus on aggressive Wealth Creation.
4) Middle-Income Dominance: 65% of the participants earn between ₹25,000 and ₹100,000, representing the vital middle-class retail investor segment in India.

VI. SUGGESTIONS

1) Financial Literacy Programs: Since a large portion of the sample (69%) are new investors, financial institutions should focus on "hand-holding" through educational webinars to help them transition from short-term tax saving to long-term wealth creation.
2) Customized Tax-Saving Products: Given that 41% prioritize tax benefits, there is a high potential for marketing ELSS (Equity Linked Savings Schemes) as a hybrid tool that provides both tax relief and the wealth creation they currently lack.
3) Retirement Planning Tools: With 30% focusing on retirement, advisors should offer diversified pension plans that include equity exposure to ensure returns outpace inflation over the long term.
4) Incentivizing Women Investors: As the study shows significant female participation, brokerage firms could offer lower transaction fees or specialized financial literacy workshops tailored for women.

VII. CONCLUSION

He studies concludes that the modern Indian investor is educationally well-equipped and possesses a steady middle-class income, yet remains largely risk-averse. While there is a massive surge in new participants entering the financial markets, their primary motivation is "protection" (tax saving and retirement) rather than "growth" (wealth creation). This highlights a gap between market participation and market maturity. For the Indian financial ecosystem to evolve, the focus must shift from promoting investments solely as tax-saving instruments to positioning them as essential tools for compounding and long-term capital appreciation.

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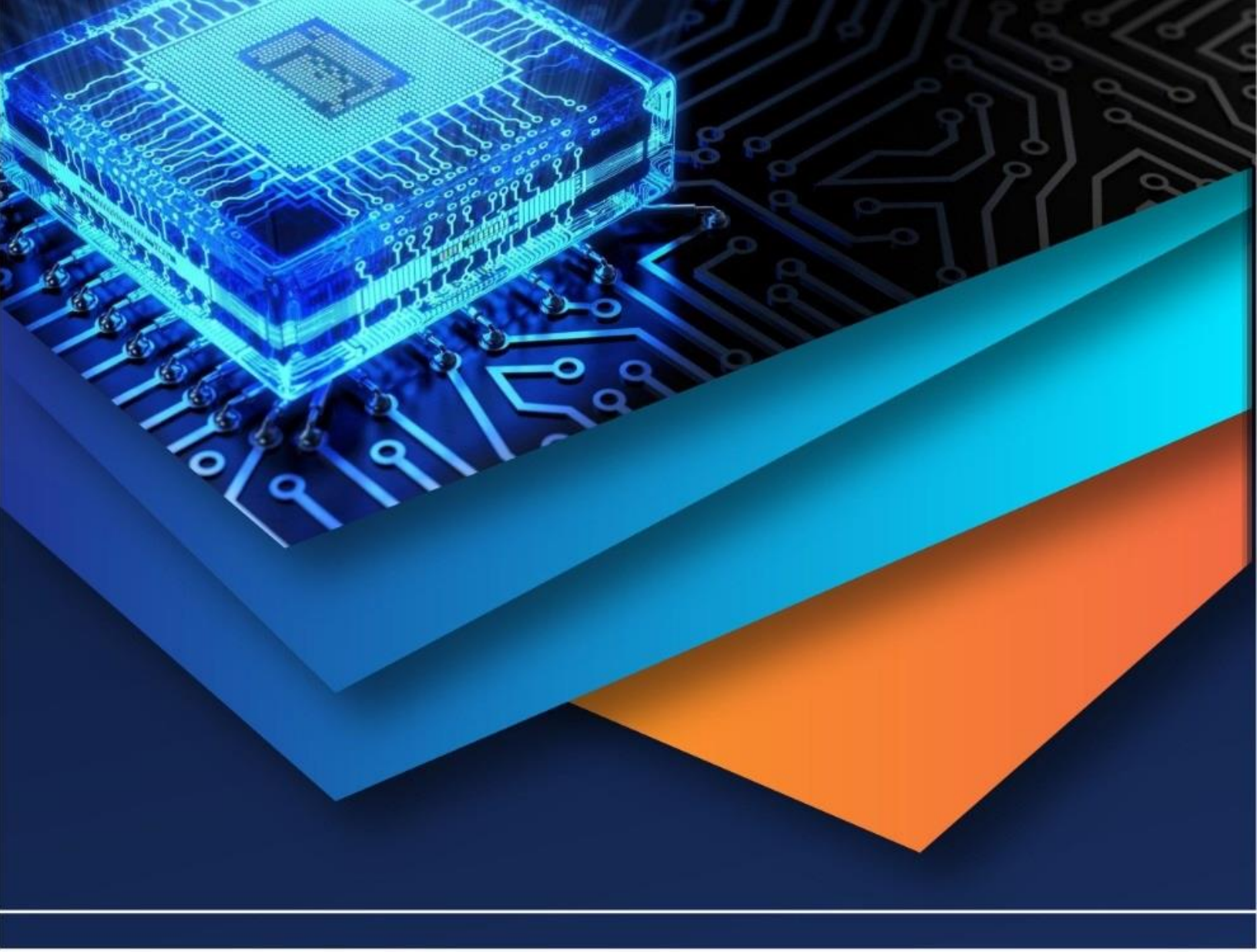
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