
A STUDY ON RETAIL INVESTORS' INVESTMENT PREFERENCES IN EQUITY MARKETS AND THE DETERMINANTS OF THEIR DECISION-MAKING

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ABSTRACT

Retail investors play a significant role in the development and efficiency of capital markets, particularly in emerging economies where participation in equity investments is steadily increasing. This study aims to analyze the preferences of retail investors toward equity investments and to identify the key factors influencing their investment decision-making process. Retail investors typically invest their personal savings in financial instruments such as stocks, mutual funds, and other market-linked securities with the objective of wealth creation and capital appreciation. However, their investment decisions are influenced by a combination of financial, demographic, psychological, and market-related factors.

The research examines how factors such as expected returns, risk perception, market information, financial literacy, and company performance influence the investment choices of retail investors. Demographic characteristics—including age, income level, education, and occupation—also play a significant role in shaping investment behavior and preferences. In addition, behavioral aspects such as investor sentiment, psychological biases, and social influence may affect the rationality of investment decisions, as suggested by behavioral finance theories.

The study adopts a descriptive research design and relies on both primary and secondary data sources. Primary data may be collected through structured questionnaires distributed among retail investors to assess their awareness, risk tolerance, and investment patterns in the equity market. Statistical tools and analytical techniques are applied to interpret the collected data and identify the most influential factors affecting decision-making.

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I. INTRODUCTION

Equity investment has become an important part of modern financial planning, especially for retail investors who seek higher returns compared to traditional savings options. With the growth of stock markets, digital trading platforms, mutual fund awareness, and financial literacy programs, individual participation in equity markets has increased significantly. Retail investors are no longer passive savers; they actively analyze market trends, company performance, risk factors, and economic conditions before making investment decisions. However, their choices are often influenced by a mix of rational analysis and psychological factors.

Retail investors differ from institutional investors in terms of investment capacity, risk tolerance, access to information, and decision-making approach. Their preferences towards equity investments are shaped by various elements such as expected return, risk perception, market volatility, liquidity, dividend policy, company reputation, and past performance of stocks. In addition to financial factors, behavioral aspects like herd mentality, overconfidence, fear of loss, and influence of social media, friends, and financial advisors also play a crucial role in shaping their investment behavior.

Understanding the preferences of retail investors is essential for policymakers, financial institutions, brokerage firms, and

corporate managers. It helps in designing suitable investment products, improving financial advisory services, and enhancing investor protection mechanisms. Moreover, studying these preferences provides insights into how demographic factors such as age, income, education, occupation, and investment experience affect equity investment decisions. In emerging economies, where financial markets are expanding rapidly, analyzing retail investors' behavior becomes even more significant. It not only supports the development of efficient capital markets but also promotes financial inclusion and wealth creation among individuals. Therefore, a comprehensive study on retail investors' preferences towards equity investments and the factors influencing their decision-making is necessary to understand investment patterns, risk attitudes, and the overall participation of individuals in the equity market.

NEED OF THE STUDY

The need for this study arises from the growing participation of retail investors in equity markets and the increasing complexity of investment choices available to them. Unlike institutional investors, retail investors often have limited financial knowledge, lower risk-bearing capacity, and are more vulnerable to market fluctuations and behavioral biases. Understanding their preferences and the factors influencing their investment decisions is essential to identify how they perceive risk, return, liquidity, and market information. This study helps in examining the role of demographic variables such as age, income, education, and investment experience in shaping equity investment behavior. It also highlights the impact of psychological influences, market trends, and external advice on retail investors' decision-making. The findings will be useful for financial advisors, brokerage firms, and policymakers to design appropriate investment products, improve financial literacy programs, and strengthen investor protection measures. Ultimately, the

study supports better investment planning, informed decision-making, and increased confidence among retail investors in the equity market.

OBJECTIVES OF THE STUDY

- To examine retail investors' preferences toward equity investments across demographic segments, risk profiles, and investment horizons to identify dominant patterns in stock selection and portfolio allocation behavior.
- To analyze key factors influencing decision-making, including risk tolerance, financial literacy, market information sources, behavioral biases, past performance, and macroeconomic conditions.
- To evaluate the impact of advisory services, digital trading platforms, social media, and peer influence on retail investors' equity investment choices and overall portfolio strategies.

SCOPE OF THE STUDY

The scope of the study focuses on analyzing the preferences of retail investors towards equity investments and identifying the key factors that influence their decision-making process. It covers various aspects such as risk tolerance, expected return, investment objectives, time horizon, liquidity needs, and awareness about stock market operations. The study also examines the influence of demographic variables like age, gender, education, income level, and occupation on investment behavior. In addition, the research considers behavioral factors such as market perception, past investment experience, peer influence, financial advice, and the role of digital trading platforms in shaping investment choices. The study is limited to retail investors who actively participate in equity markets and does not include institutional investors. It aims to understand investment patterns, stock

selection criteria, and the level of financial knowledge among individual investors. The findings will help in providing insights for financial institutions, advisors, and policymakers to improve investment strategies, promote financial literacy, and enhance retail participation in equity markets.

II. RESEARCH METHODOLOGY

Research methodology provides a structured framework for systematically investigating retail investors' preferences toward equity investments and the factors influencing their decision-making. It outlines the research design, data collection techniques, sampling methods, and analytical tools used to ensure reliable, valid, and objective findings in the study.

Primary Data

Primary data refers to first-hand information collected directly from retail investors through structured questionnaires and surveys. It captures their preferences, risk tolerance, investment objectives, and decision-making factors, ensuring specific, relevant, and up-to-date data aligned with the research objectives.

Secondary Data

Secondary data consists of information gathered from existing sources such as journals, books, research articles, stock market reports, financial websites, and official publications. It helps understand theoretical concepts, previous findings, market trends, and supports the interpretation of primary data results.

Sampling Method

In this study, simple random sampling is used to select respondents. Every retail investor in the target population has an equal chance of being chosen, ensuring fairness, minimizing bias, and improving the representativeness of the sample.

Sample Size

The sample size for the study consists of 100 retail investors, selected to obtain reliable and comprehensive insights into their preferences

and decision-making factors regarding equity investments

LIMITATIONS OF THE STUDY

- Study is limited to selected retail investors and may not represent overall population due to geographical and sample size constraints.
- Findings are based on self-reported data which may include personal bias, inaccurate responses, and differences in individual understanding levels.
- Market conditions during data collection period may influence investor opinions, limiting generalization across different economic and market situations.
- Behavioral factors are complex and difficult to measure precisely, which may affect accuracy in interpreting psychological influences on investment decisions.
- Time constraints restricted deeper analysis of long-term investment behavior and comparison with institutional investor preferences and strategies.

III. LITERATURE SURVEY

Faisal Mahmood (2023) This study compares Pakistani textile manufacturers' financial performance before and after COVID-19. Firm performance was assessed by ROE and ROA. Purposive sampling identified fourteen textile enterprises, and financial documents, annual reports, and the Pakistan Stock Exchange provided data. ROA and ROE were tested by Wilcoxon Signed Rank and Paired Sample t-tests. During the outbreak, Azgard Nine Limited, AN Textile Mills, and Ahmad Hassan Textile Mills prospered, whereas others on the PSX suffered. The ROA and ROE show that Pakistan's textile manufacturers' financial performance before and after the COVID-19 outbreak differed significantly.

Soniya Maheshkumar Raval (2023) Indian textiles are globally recognised and growing rapidly. Textile investment has grown during

the last five years. It also takes steps to manufacture export-oriented commodities, attracting local and foreign investment. Indian textile and garment sales are expected to reach US\$190 billion by 2025–2026, growing 10%. 4% of worldwide textile and garment commerce is from India. The research examined the financial performance and analysis of the top five textile industries (Trident Ltd., Arvind Ltd., Welspun Ltd., Vardhman Ltd., Raymond Ltd.). It predicted the trend value of a select set of textile firms. This research compares the financial performance and soundness of the selected textile enterprises during a five-year period (2019–2023). Based on growth rate, trend analysis, and efficiency position, the research found that textile industries' financial performance has differed widely. Arvind Ltd. leads textile firms in growth, followed by Trident, Welspun, Vardhman, and Raymond Ltd. These firms have maintained a superior position by keeping their assets above their liabilities. This study would benefit shareholders, investors, politicians, managers, researchers, and financial decision-makers.

Mohammad Rashid (2022) Indian textiles are labour-intensive and dispersed. Small and medium-sized firms and the unorganised sector dominate the textile industry. Foreign textile investors are few, which is concerning. The tax law and government regulations hurt this business. The highly competitive textile sector needs enterprises to compare their products to the best internationally and enhance quality and production practices. The report illuminates the Indian textile sector. The article describes India's textile industry.

Oindrila De (2022) This paper compares the textile industry of India to China and Vietnam using revealed comparative advantage, value index, and compound annual growth rate. It also examines the Indian textile industry's export competitiveness (EC) using time series analysis. Based on harmonised system (HS-2), World Integrated Trade Solution (WITS) data

shows the RCA for 13 items from HS-50 to HS-63. RBI reports, annual survey of industries, and central statistics organisation data from 1990-1991 to 2020-2021 were utilised for ER, REER, CPI, and EC. India has acquired comparative advantage, but Vietnam has improved dramatically in textile goods from 2 to all from 2005 to 2019. China has increased its comparative advantage from 9 to all items, and EC is a problem to maintain in the international market because to its fluctuating trend in both categories. The Granger causality test shows unidirectional causation from ER to EC in both groups. Long-term cointegration is discovered for chosen variables. For REER, no causation exists between REER and EC. The research revealed that the Indian textile sector has huge global prospects since most goods have exhibited significant export development and ER is a key factor of EC. Exporters may stay competitive in global marketplaces by lowering their profit mark-up when currencies rise.

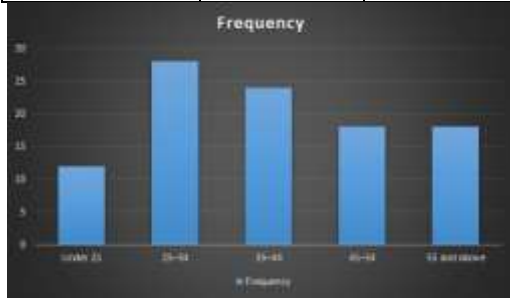
Dr.N. Krishnan (2022) This research examines Indian textile and apparel sector development from 2015-16 to 2019-20. This research uses secondary data from Indian Ministry of Textiles annual publications. The obtained data is utilised for statistical analysis using percentage and CAGR. The present study aims to study the Indian Textile Industry and apparel industry between 2015-16 and 2019-20, analyse its growth, examine the impact of Covid-19 on the industry, and draw conclusions. India's textiles sector can manufacture a broad range of items for domestic and international markets.

IV. DATA ANALYSIS & INTERPRETATION

1. What is your age group?

Age Group	Frequency	Percentile
Under 25	12	12%
25–34	28	28%

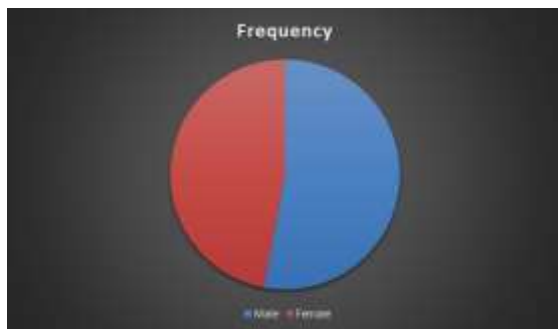
35–44	24	24%
45–54	18	18%
55 and above	18	18%
Total	100	100%



INTERPRETATION: - The age distribution shows that the largest group of respondents (28%) falls within the 25–34 age range, followed by 24% in the 35–44 group. Younger participants under 25 account for 12%, while older respondents aged 45–54 and 55+ each represent 18%. This indicates that the survey reached a balanced mix of younger and older participants, though it is slightly dominated by young adults in their late twenties and early thirties, reflecting a diverse but youth-leaning demographic structure.

2. What is your gender?

Gender	Frequency	Percentile
Male	53	53%
Female	47	47%
Total	100	100%

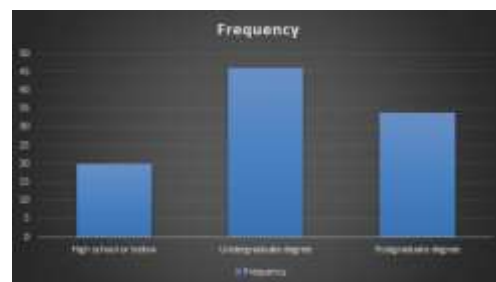


INTERPRETATION: - The gender distribution shows a fairly balanced sample,

with 53% male and 47% female respondents. The slight majority of male participants indicates a small gender gap, but overall, the representation is almost equal. This balance enhances the reliability of the study, as both male and female perspectives are well-reflected, reducing the chances of gender bias in the findings and ensuring broader applicability of the results.

3. What is your highest educational qualification?

Qualification	Frequency	Percentile
High school or below	20	20%
Undergraduate degree	46	46%
Postgraduate degree	34	34%
Total	100	100%

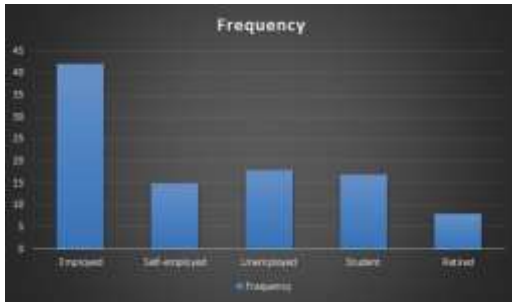
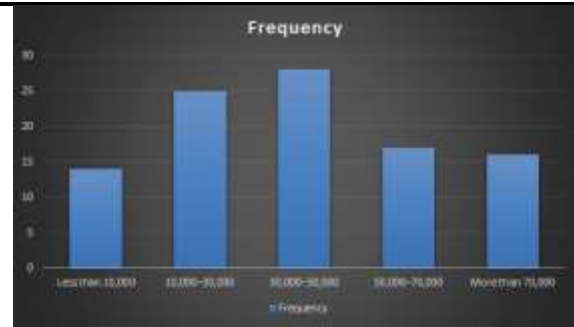


INTERPRETATION: - The education profile reveals that most respondents hold an undergraduate degree (46%), followed by 34% with postgraduate qualifications, and 20% with only high school or below. This indicates that the sample is largely educated, with a strong representation of higher education levels. The dominance of graduates and postgraduates suggests that the respondents are likely to have better financial awareness and decision-making skills, which may influence their investment preferences and overall behavior in financial activities.

4. What is your employment status?

Employment Status	Frequency	Percentile
Employed	42	42%

Self-employed	15	15%
Unemployed	18	18%
Student	17	17%
Retired	8	8%
Total	100	100%



INTERPRETATION: - The employment status data shows that the majority of respondents (42%) are employed, followed by 18% unemployed and 17% students. Self-employed individuals make up 15%, while retired respondents account for 8%. This mix reflects a diverse group, with working professionals forming the largest segment. The presence of unemployed and student groups also highlights the inclusion of individuals at different career stages, offering a balanced perspective on financial behavior across varying economic conditions.

5. What is your approximate monthly income?

Monthly Income	Frequency	Percentile
Less than 10,000	14	14%
10,000–30,000	25	25%
30,000–50,000	28	28%
50,000–70,000	17	17%
More than 70,000	16	16%
Total	100	100%

INTERPRETATION: - The income distribution shows that the largest group of respondents (28%) earn between ₹30,000–50,000 monthly, followed by 25% in the ₹10,000–30,000 range. Higher-income groups include 17% earning ₹50,000–70,000 and 16% above ₹70,000, while 14% earn less than ₹10,000. This indicates that most respondents fall in the middle-income bracket, with a fair share from both lower and higher income levels. Such diversity provides a balanced view of financial behavior across different earning capacities.

V. FINDINGS, SUGGESTION, CONCLUSION

FINDINGS

- Majority of respondents belong to the 25–34 age group (28%), followed by 35–44 (24%), showing dominance of young to mid-aged investors.
- Gender distribution is almost balanced (53% male, 47% female).
- Most respondents are graduates (46%) or postgraduates (34%), reflecting a well-educated sample.
- In terms of employment, 42% are employed, followed by students (17%) and unemployed (18%).
- Income-wise, most belong to the ₹30,000–50,000 range (28%), indicating a middle-income majority.
- 62% have made investments, while 38% have never invested, highlighting a moderate participation rate.
- Only 45% diversify across multiple assets, while 55% remain concentrated, showing limited diversification practices.

- 48% prefer high-risk, high-return options, while 30% are risk-averse.
- 54% regularly monitor investments, showing active involvement.
- 55% feel confident making independent decisions, but nearly half still seek expert advice.
- Stocks (27%) are the most preferred, followed by real estate (24%) and mutual funds (21%).
- Cryptocurrencies (11%) attract interest but remain less popular compared to traditional assets.
- Majority favor long-term (26%) and very long-term (29%) horizons, reflecting a future-oriented mindset.
- The primary reason is wealth creation (35%), followed by retirement planning (22%).
- Most respondents invest 10–30% of income, with 17% contributing more than 40%, indicating strong saving habits among some investors.
- 60% avoid investments they don't understand, reflecting cautiousness.
- 56% are influenced by market news/trends, showing trend-following behavior.
- 50% are open to emerging options like crypto/NFTs, suggesting gradual adoption of modern investments.
- Risk-return balance (32%) is the top factor, followed by expert advice (22%) and past performance (19%).
- Research is mainly done through online apps (30%) and financial news (29%), highlighting digital reliance.
- Most prefer self-directed platforms – 28% trading platforms and 27% mobile apps, showing a digital shift.
- 21% rely on advisors and 16% on banks, showing traditional channels are still relevant.

SUGGESTIONS

- **Encourage Diversification**
Investors should be guided to spread

their investments across multiple asset classes instead of focusing on a single option. This will help reduce risk and improve portfolio stability.

- **Strengthen Financial Literacy**
Awareness programs and workshops should be conducted to educate investors about emerging investment avenues, risk management, and long-term wealth creation strategies.
- **Promote Long-Term Planning**
Since many investors already prefer long-term horizons, financial advisors should emphasize disciplined investing and systematic plans to build sustainable wealth.
- **Use of Digital Platforms**
Given the growing use of online apps and trading platforms, efforts should be made to ensure secure, user-friendly, and transparent digital investment solutions.
- **Professional Guidance**
While many investors feel confident, expert advice should still be encouraged to avoid impulsive or trend-driven decisions, especially for high-risk assets.
- **Awareness on Tax and Liquidity**
Investors should be educated about the importance of tax planning and liquidity considerations to make well-informed financial choices.

CONCLUSION

The study concludes that retail investors' preferences towards equity investments are influenced by a combination of financial, demographic, and behavioral factors. Most retail investors are attracted to equities due to the potential for higher returns and long-term wealth creation, but their investment decisions are strongly guided by risk perception, market volatility, liquidity, and company performance. Demographic variables such as age, income, education, and investment experience play a significant role in

determining investment patterns and risk tolerance levels.

The study also reveals that behavioral aspects like herd behavior, overconfidence, fear of loss, and reliance on friends, media, and financial advisors affect stock selection and timing decisions. Limited financial knowledge and emotional reactions to market fluctuations often lead to short-term decision-making among retail investors. Therefore, improving financial literacy, providing reliable market information, and strengthening investor protection measures are essential to support informed investment decisions. Overall, understanding retail investors' preferences helps financial institutions and policymakers design better investment products, enhance participation, and promote stable growth in equity markets.

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