

# A Study on Investment Behaviour and Preferences of Rural Households in Udumalpet

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## ABSTRACT

Investment behaviour and preferences of rural households play a crucial role in promoting financial inclusion and economic development. This study examines the investment behaviour and preferences of rural households in Udumalpet, focusing on their awareness, attitudes, and choice of investment avenues. The research aims to identify the factors influencing investment decisions, such as income level, education, risk perception, and access to financial institutions. The data has been collected through structured questionnaire and analysed. The research methodology employed in this study includes the percentage analysis and chi-square test. The study revealed that a majority of rural households prefer traditional and low-risk investment options such as bank deposits, post office savings schemes, gold, and insurance, while participation in market-linked investments like mutual funds and shares remains limited due to lack of awareness and fear of risk. The findings also indicate that financial literacy significantly influences investment choices and long-term planning. The study concludes that improving financial awareness and accessibility to formal financial services can encourage rural households to diversify their investment portfolios.

**Keywords**-Investment behaviour, preferences, investment decisions, investment portfolios, rural households.

## INTRODUCTION

Investment plays a vital role in the economic development of individuals as well as the nation. It refers to the allocation of surplus income into various financial and non-financial assets with the objective of earning returns and ensuring future financial security. For households, especially in rural areas, investment decisions are influenced by several factors such as income level, education, occupation, awareness, risk perception, and socio-economic conditions. Rural households form a significant segment of the Indian economy, contributing substantially to savings and capital formation. In recent years, increased financial inclusion, expansion of banking facilities, and government initiatives have enhanced access to various investment avenues for rural populations. Despite these developments, rural households often prefer traditional and low-risk investment options such as bank deposits, gold, land, and savings schemes due to limited financial literacy, risk aversion, and irregular income patterns. The research area, Udumalpet, predominantly rural region, represents a unique socio-economic environment where agriculture and allied activities are the main sources of livelihood. The investment behaviour of rural households in this area is shaped by demographic factors such as age, gender, education, income, and family size, along with external factors like market conditions and availability of financial institutions. Understanding their investment behaviour and preferences is essential for policymakers, financial institutions, and planners to design suitable financial products and awareness programs. This study aims to analyse the demographic profile of rural households in Udumalpet and examine the factors influencing their investment decisions. It also seeks to identify the various investment avenues preferred by the respondents. The findings of the study will help in understanding the investment patterns of rural households and provide insights to promote better financial planning and inclusive growth in rural areas.

## REVIEW OF LITERATURE

**Drishya. S. Raj, et al (2024)**<sup>1</sup> in the study “Investment pattern and behaviour of rural households on investment avenues with special reference to Ernakulam district”. The objective of the study is to gain insights into their

preferred investment avenues and their level of understanding regarding various investment options. It is found from the study that the rural investors are hesitant to invest due to lack of knowledge about effectively managing their portfolios to maximize returns and minimize risks.

**Neena Therasa.P. J (2022)<sup>2</sup>** studied the “Investment pattern of salaried people with reference to Coimbatore city”. The objective of the study is to know the factors that influence investment behaviour of the salaried people and the awareness level regarding investment avenues. The study revealed that the factors that influence investment are regular income and secured future. The self-awareness about the investment avenues is high among the salaried class people.

**Purnima.D, et al (2021)<sup>3</sup>** carried out a study on “An analysis of investment pattern of salaried employees – A case study of Visakhapatnam”. The objective of the study is to know the factors influencing investment behaviour and the level of risk involved in investment schemes. The study concluded that most of the investors prefer secured regular income on investment, so safety is considered as an important factor influencing investment behaviour. The level of risk is very high in the stock market with a percentage of 81.67 percent.

**Sudarshini, et al (2021)<sup>4</sup>** studied the “Saving and investment pattern of teaching professionals: with reference to Mangalore University”. The objective of the study is to know the savings and investment pattern and preferred investment avenue of college teachers at Mangalore University. The study revealed that most of the respondents save and invest on monthly basis. The children education is the main objective of saving. Bank deposits is the most preferred investment avenue.

**Pavithra.S (2020)<sup>5</sup>** conducted research on the topic “A study on investment pattern towards salaried employees in Coimbatore city”. The objective of the study is to know the awareness level of salaried class investors towards the nature of investment and the factors influencing the investor in choosing the type of investments. The study concluded that the employees are aware and following good investment policies and are satisfied with the investment practices. The factor influencing the investor while selecting the type of investment is future expenses.

**Sidhant Lodaya, et al (2020)<sup>6</sup>** studied the “Saving and Investment pattern of youth in Mumbai”. The objective of the study is to know the factors that affect the investment decisions and the problems faced by the youth in Mumbai. The study concluded that the rate of return is the most important factor that affect the investment decisions and most of the youth are not able to save due to spend thrifty nature.

**Gazala Ahmad (2019)<sup>7</sup>** studied the “Savings and Investment pattern of employees serving in public and private sector – A study of their decision-making process”. The objective of the study is to know the level of savings, the factors that determine the level of savings and the choice of investment avenues by the employees. The study revealed that most of the employees save a very low percentile of the income. Provisions for the future is the main factor that determines the level of savings. Majority of the employees prefer bank deposits and post office savings as the investment avenues.

**Chitra.S, et al (2019)<sup>8</sup>** studied the “Householder savings and investment behaviour in Theni district”. The objective of the study is to know the householder’s satisfaction level in savings and investment behaviour and the factors affecting householder savings and investment. The study concluded that the householder’s savings and investment is highly satisfied with the wealth creation and the first rank in the factors affecting the householder savings and investment is given to low income and under-Employment.

**Bharathi.G (2019)<sup>9</sup>** carried out research on “A study on investment behaviour of rural investors with special reference to Sirkali taluk”. The objective of the study is to find out the savings and investment pattern of rural investors. The study revealed that rural people prefer safety and return from their investment, so they invest in local chit fund, post office deposit, investment in gold, bank deposits and insurance.

**Rupinder Kaur Ghuman (2017)<sup>10</sup>** conducted research on the topic “Emerging saving and investment pattern among youngsters – A case study”. The objective of the study is to know the saving practices and investment

avenues adopted by young married couples. The study concluded that the Systematic Investment Plan is the respondent's short-term saving/investment avenue, and GPF/CPF is the long-term saving/investment avenue.

### Statement of Problem:

Investment behaviour of households plays an important role in achieving financial security and economic stability. In rural areas, investment decisions are often influenced by factors such as low income, limited financial awareness, traditional attitudes, and risk aversion. Although various investment avenues are available, rural households tend to prefer conventional and low-risk options. Udumalpet is a predominantly rural area where households largely depend on agriculture and allied activities for their livelihood. The seasonal and uncertain nature of income affects their saving and investment patterns. Moreover, demographic factors such as age, education, occupation, and family size may significantly influence investment behaviour and preferences. Despite government initiatives promoting financial inclusion, there is limited understanding of the investment behaviour and preferred investment avenues of rural households in Udumalpet. Hence, the present study attempts to analyse the factors influencing investment decisions and the investment preferences of rural households in the study area.

### Objectives:

- To study the demographic profile of households in rural Udumalpet.
- To find out the factors affecting the investment decisions.
- To identify the investment avenues preferred by the respondents.

### Hypothesis:

- **H<sub>01</sub>:** There is no significant association between educational qualification and preference for financial/security investments.
- **H<sub>02</sub>:** There is no significant association between occupation and preference for financial/security investments.
- **H<sub>03</sub>:** There is no significant association between educational qualification and factors influencing family investment decisions.
- **H<sub>04</sub>:** There is no significant association between occupation and factors influencing family investment decisions.

## RESEARCH METHODOLOGY

The study adopts an analytical method of research to analyse the investment behaviour and preferences of rural households in Udumalpet. The sample has been collected from 160 respondents adopting convenient sampling method. The primary data required for the study was collected through structured questionnaire. Secondary data were collected from the journals, published reports, books and websites. Percentage analysis and Chi-square test were used to analyse the data.

### Data Analysis and Interpretation

Table 1 Socio - demographic profile of the respondents

Variables	Classification	Percentage
Age	Up to 15	0

	16-30	35	
	31-45	36.88	
	46-60	26.25	
	Above 60	1.88	
<b>Gender</b>	Male	41.25	
	Female	58.75	
<b>Marital Status</b>	Married	65	
	Unmarried	30.63	
	Single parent	1.25	
	Divorced	3.13	
	Widow/Widower	0	
<b>Educational qualification</b>	Up to school	36.25	
	Undergraduate	35	
	Postgraduate	16.88	
	Professional	6.25	
	Diploma	0	
	Doctoral degree and above	0.63	
	Illiterate	5	
<b>Occupation</b>	Self-Employed/Business	13.75	
	Salaried	37.50	
	Professional	10.63	
	Retired	2.50	
	Agriculturist	6.88	
	Home maker	16.88	
	Student	11.88	
	Others	0	
<b>Monthly income</b>	Up to 15000	43.13	
	16000-30000	36.88	

	31000-45000	14.38	
	46000-60000	5.63	
<b>Number of members in the family</b>	2	1.88	
	3	31.88	
	4	43.13	
	5	23.13	
<b>Number of earning members in the family</b>	1	37.50	
	2	58.75	
	3	3.75	

(Source: Primary data)

It is interpreted that nearly 37 percent of the respondents belong to the age group of 31-45 years, 58.75 percent of the respondents were Female, 65 percent number of the respondents were married, nearly 37 percent of the respondent's educational qualification was up to school, 37.50 percent of the respondents were salaried, 43.13 percent of the respondent's monthly income was up to Rs 15000, 43.13 percent of the respondents have 4 members in the family and 58.75 percent of the respondents have 2 earning members in the family.

Table 2. Sources of Income of the Respondents

Sources	Number of Responses	Percentage of Responses
Wages/Salary	80	50
Rental income	2	1.25
Agricultural income	14	8.75
Interest on deposits	0	0
Dividend	0	0
Business income	20	12.50
Pension	4	2.50
Capital Gains	0	0
No income	41	25.63

(Source: Primary data)

It is noted from the above table that 50 percent of the respondent's source of income was wages/salary, 25.63 percent of the respondents have no source of income, 12.50 percent of the respondent's source of income was business income, 8.75 percent of the respondent's source of income was agricultural income, 2.50 percent of the respondent's source of income was pension and 1.25 percent of the respondent's source of income was rental income.

Table 3. Preference for Terms of Investment

Terms of Investment	Highly Prefer	Prefer	Neutral	Don't Prefer	Highly Don't Prefer	Total Score
	5	4	3	2	1	
Short - term investment (up to 1 year)	82	78	0	0	0	722
Long - term investment (above 1 year)	45	115	0	0	0	685

(Source: Primary data)

It is noted from the above table that majority of the respondent's preferred short – term investment (722), long – term investment (685) was also preferred by the respondents. Nearly 50 percent of the respondent's source of income was wages/salary.

Majority of the respondent's preferred short – term investment (722).

Table 4. Factors Affecting Family Investment Decisions

Factors	Highly Influential	Influential	No Difference	Not Influential	Highly Not Influential	Total Score	Rank
	5	4	3	2	1		
Liquidity	8	152	0	0	0	648	7
Returns	155	4	1	0	0	794	1
Safety	154	6	0	0	0	794	1
Tax savings	79	59	22	0	0	697	6
Capital appreciation	2	9	146	3	0	490	9
Hedge against inflation	4	31	122	3	0	516	8
Secured future	149	11	0	0	0	789	4
Retirement	112	48	0	0	0	752	5
Meet emergency	151	9	0	0	0	791	3

(Source: Primary data)

This table indicates the various factors affecting family investment decision. Majority of the respondents have given first rank to Safety (794) and Returns (794) factors respectively, To meet emergency factor was given third rank (791), Secured future was ranked as fourth (789), Retirement was given fifth rank (752), sixth rank was

given to Tax savings (697), seventh rank was given to Liquidity (648), Hedge against inflation was given eighth rank (516) and nineth rank was given to Capital appreciation (490).

Safety and Returns were the major factors affecting family investment decision.

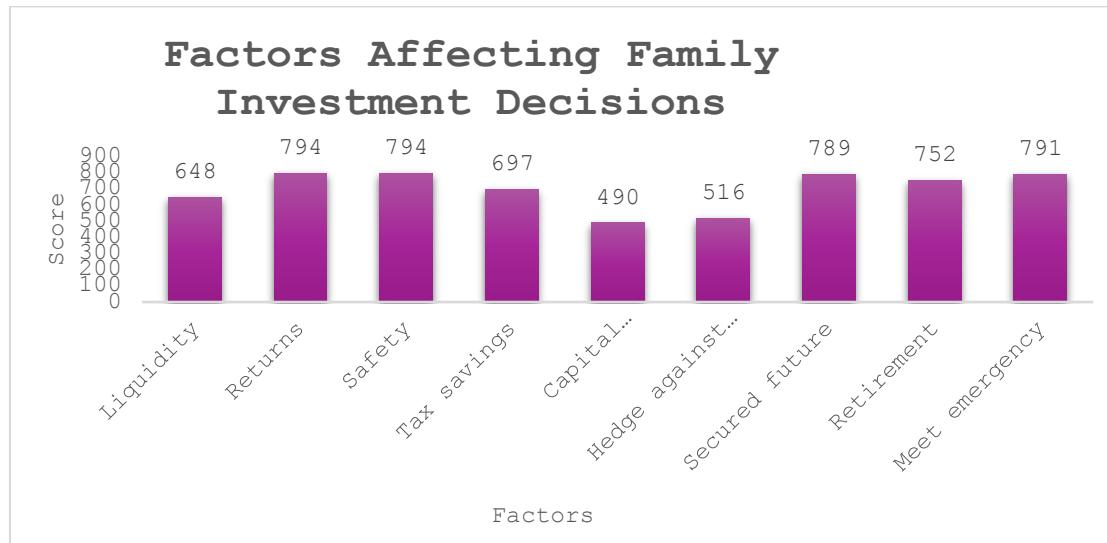


Table 5. Percentage of Conversion of Family Savings into Investment

Percentage	No of Respondents	Percentage of Respondents
0%	1	0.63
1 - 20 %	140	87.50
21 - 40 %	18	11.25
41 - 60%	1	0.63
<b>Total</b>	<b>160</b>	<b>100</b>

(Source: Primary data)

It is observed that majority 87.50 percent of the respondent's percentage of conversion of family savings into investment was between 1-20 percent, 11.25 percent of the respondent's percentage of conversion of family savings into investment was between 21-40 percent and 0.63 percent of the respondent's percentage of conversion of family savings into investment was between 41-60 percent and 0 percent respectively.

Majority, (87.50 percent) of the respondent's percentage of conversion of family savings into investment was between 1-20 percent.

Table 6. Preference for Financial / Security Investments

Financial / Security Investments	Highly Preferred	Preferred	Neutral	Not Preferred	Highly Not Preferred	Total Score	Rank
	5	4	3	2	1		
Bank deposits	120	40	0	0	0	760	1
Post office Schemes	20	134	3	3	0	651	2

e - Gold / e Silver	1	3	23	132	1	351	8
Insurance	3	117	23	17	0	586	3
Deposits in NBFCs	0	0	5	153	2	323	11
Mutual fund	0	3	8	148	1	333	9
Shares & Stocks	0	12	10	137	1	353	6
Government Securities	1	3	24	131	1	352	7
Commodity derivatives	0	0	5	154	1	324	10
Chits	0	109	35	16	0	573	4
Pension schemes	0	32	105	23	0	489	5

(Source: Primary data)

The above table indicates the preference for financial/security investments of the family. Majority of the respondents have given first rank to Bank deposits (760), Post office schemes was ranked second (651), third rank was given to Insurance (586), fourth rank was given to Chits (573), fifth rank was given to Pension schemes (489), Shares and stocks was ranked sixth (353), seventh rank was given to Government securities (352), eighth rank was given to e Gold/ e Silver (351), Mutual funds was given a rank of nine (333), tenth rank was given to Commodity derivatives (324) and Deposits in NBFCs was given eleventh rank (323) as shown in exhibit no.3.

Majority of the respondent's preference for financial/security investments was bank deposits (760), followed by Post office schemes (651).

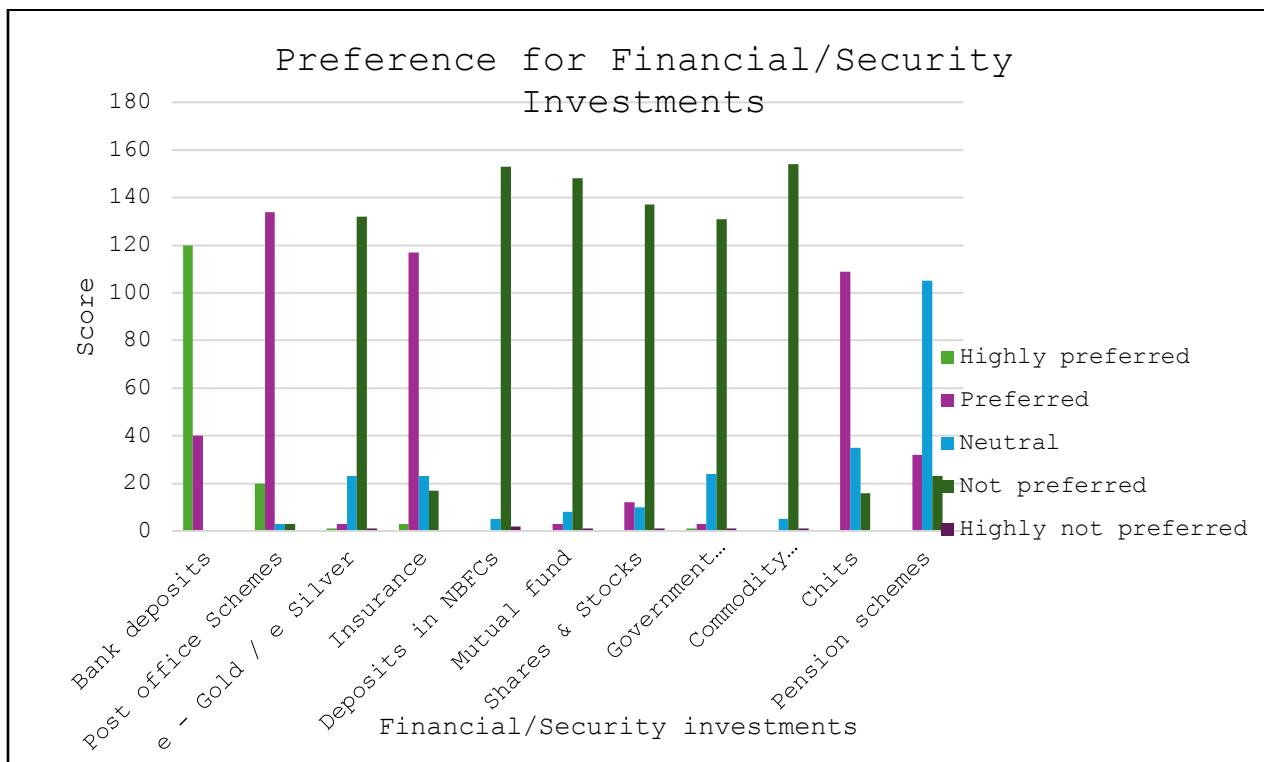


Table 7. Preference for Non-Security Form of Investments

Non-Security Form of Investment	Highly Preferred	Preferred	Neutral	Not Preferred	Highly Not Preferred	Total Score	Rank
	5	4	3	2	1		
Gold/Silver/Diamond	44	113	2	1	0	680	1
Vehicle	7	123	24	6	0	611	2
Real Estate (Buildings, Land, etc)	2	41	108	9	0	516	3
Antiques	0	1	37	122	0	359	4

(Source: Primary data)

The above table indicates the preference for non-security form of investments. Majority of the respondents have given first rank to Gold/Silver/Diamond (680), Vehicle was ranked second (611), third rank was given to Real Estate (516) and fourth rank was given to Antiques (359).

Majority of the respondent's preference for non-security form of investments was Gold/Silver/Diamond (680).

Table 8. Purpose Behind Investment Decision

Purpose	No of Responses	Percentage of Responses
Children's education	117	73.13
Retirement	53	33.13
Home/Real estate purchase	98	61.25
Repay loan	71	44.38
Healthcare	160	100
Long term growth	29	18.13
Self/Child's marriage	152	95
Festival needs	56	35

(Source: Primary data)

The above table indicates the purpose behind investment decision. All the respondents stated that the purpose behind investment decision was Health care, 95 percent of the respondents stated that the purpose behind investment was Self/Child's marriage, 73.13 percent of the respondents purpose behind investment was Children's education, 61.25 percent of the respondents purpose behind investment was Home/Real estate purchase, 44.38 percent of the respondents purpose behind investment was Repay loan, 35 percent of the respondents purpose behind investment was Festival needs, 33.13 percent of the respondents purpose behind investment was Retirement and 18.13 percent of the respondents purpose behind investment was Long term growth.

Majority, (100 percent) of the respondent's purpose behind investment decision was Health care, followed by Self/Child's marriage (95 percent).

Table 9. Results of Hypotheses Testing

<b>Hypotheses</b>	<b>Chi-square test</b>		<b>Degrees of freedom</b>	<b>Result</b>
	<b>Chi-square value</b>	<b>P Value</b>		
H <sub>01</sub> : Educational qualification and preference for financial/security investments	<b>15.5</b>	<b>0.114</b>	<b>10</b>	Accepted
H <sub>02</sub> : Occupation and preference for financial/security investments	<b>10.4</b>	<b>0.582</b>	<b>12</b>	Accepted
H <sub>03</sub> : Educational qualification and factors influencing family investment decisions	<b>4.34</b>	<b>0.501</b>	<b>5</b>	Accepted
H <sub>04</sub> : Occupation and factors influencing family investment decisions	<b>5.33</b>	<b>0.503</b>	<b>6</b>	Accepted

#### **(5% level of significance)**

From the results of the hypotheses testing, it is clear that there is no significant association between educational qualification and preference for financial/security investments, occupation and preference for financial/security investments, educational qualification and factors influencing family investment decisions, occupation and factors influencing family investment decisions.

## **FINDINGS**

The findings from the study are:

- Most of the respondent's (50 percent) source of income was wages/salary.
- Majority of the respondents preferred short – term investment.
- Safety and Returns were the major factors affecting family investment decision.
- Majority, (87.50 percent) of the respondents' percentage of conversion of family savings into investment was between 1-20 percent.
- Majority of the respondents' preference for financial/security investments were bank deposits and Post office schemes.
- Majority of the respondents' preference for non-security form of investments was Gold/Silver/Diamond.
- Majority of the respondents purpose behind investment decision were health care and self/child's marriage.

## **SUGGESTIONS**

- The investment approach of households has been overly conservative; this approach needs to be changed, and people should gain a better understanding of the share market.
- Households should create a well-structured plan to guide their short-term and long-term investment decisions.

- Financial institutions should design **rural-friendly products** — for example, flexible deposit schemes, micro-SIPs, or agriculture-linked savings plans that match rural earning cycles.
- Promote simple, technology-based investment tools (like apps, e-KYC, and online advisory) while engaging community ambassadors, local leaders, and success stories to build trust and confidence in diversified investing among rural households and reduce their apprehension about modern financial markets.

## CONCLUSION

The study on the investment behaviour and preferences of rural households in Udumalpet reveals important insights into how rural investors perceive and manage their savings and investments. The findings indicate that the majority of rural households prefer safe and low-risk investment avenues, reflecting their cautious approach towards financial decision-making. Traditional investment options such as bank deposits, post office savings schemes, insurance policies, gold, and land continue to dominate their investment portfolios due to assured returns, liquidity, and long-term security. Lack of financial literacy, fear of risk, and limited access to financial institutions act as major constraints in adopting modern investment instruments such as mutual funds, shares, and bonds. In conclusion, the study underscores the importance of enhancing financial literacy and awareness programs tailored to rural households to encourage informed investment decisions. Strengthening access to formal financial institutions, promoting digital banking, and educating rural investors about diversified and risk-adjusted investment options can significantly improve their financial well-being. The findings of this study may serve as a valuable reference for policymakers, financial institutions, and researchers aiming to design inclusive financial products and strategies for rural investors in Udumalpet.

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