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Rural Investors: Factors Affecting Investment Intentions in North Karnataka

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Abstract— The digital era, spurred by globalization and economic liberalization, has significantly transformed India's business landscape. This shift has driven business expansion, industrial growth, and infrastructure development. With increased foreign investment and personal financial assets, a wide range of investment opportunities has emerged across sectors, offering an appealing environment for investors willing to take risks to grow their wealth. This expansion has opened up numerous avenues for small investors in India, including the stock market, gold, real estate, insurance, post office schemes, and mutual funds, among others. However, making informed investment decisions in this dynamic environment requires a thorough understanding of each platform and its associated risks. Strategic planning is crucial to meet financial goals. It is unrealistic, however, to expect all investors—particularly those from rural areas with limited resources, education, and income—to have an in-depth understanding of investment principles. Therefore, it is essential to study the preferences and tendencies of rural investors when selecting investment options. This insight can help tailor investment education and support to better meet their unique needs. Extensive research in various rural regions of Karnataka has been analyzed to assess rural investors' conceptual understanding of available investment options, their preferences, and the factors influencing their investment decisions. This research can benefit academics, market researchers, institutional investors, traders, distributors, and potential investors by shedding light on the investment behavior of rural communities.

I. INTRODUCTION

Savings and investments are integral parts of financial planning in everyone's life. Investment involves the use of money with the intention of earning favorable returns in the future. Simply put, it is the process of utilizing money today with the expectation of earning more money in the future. Investor decision-making involves both quantitative and qualitative factors, which vary based on the financial service or investment product. Analyzing the complexity of investment behavior is challenging, as it is influenced by numerous determinants, including past experiences and personal preferences. Risk, whether low or high, is an inherent element in investment decisions, as they are based on future predictions that carry uncertainty.
Rural investment plays a pivotal role in a country's economic growth by contributing to the pool of capital in the form of financial savings such as currency, bank deposits, shares, bonds, mutual funds, life insurance, etc. According to the Working Group on Savings' report for India's 11th Five-Year Plan, investment in financial assets has decreased while investment in physical assets has increased. Only 5% of savings are currently invested in capital markets. Low household participation in financial markets impedes economic growth, with a shift towards physical assets such as real estate and gold.

Household saving behavior, which is influenced by factors like income, education, culture, inflation, occupation, and awareness, differs significantly between urban and rural populations. Given that over 70% of India's population resides in rural areas (Census 2011), rural savings are crucial for fueling investments in both the public and private sectors, contributing to increased GDP and economic growth. Rural income growth, driven by economic development, increases both income levels and savings rates.

With advancements in digital platforms, rural investors are increasingly able to explore various investment options from the comfort of their homes. However, this shift requires considerable knowledge and strategic planning. To address these gaps, this research aims to understand and analyze the investment behavior of rural investors in Karnataka.

II. REVIEW OF LITERATURE

Singh & Mittal (2021) found that rural households in Haryana’s Bhiwani district preferred banks and post office schemes due to perceived safety but lacked awareness of other investment options like securities, insurance, and gold. Similarly, Verma (2019) in Himachal Pradesh's Chamba district noted that rural families did not fully understand how to optimize their investment portfolios. They relied heavily on traditional options like bank deposits and life insurance, with limited knowledge of newer platforms. Sharma & Singh (2017) observed similar trends in Odisha’s Cuttack district, where rural households, mainly engaged in agriculture, favored banks and post offices and had little awareness of industrial securities and mutual funds.

Bhatt (2017) highlighted that rural households in Telangana's Nizamabad district prioritized government bank offerings, gold, and jewelry, while real estate, postal schemes, and insurance were also preferred. Reddy (2020) in Andhra Pradesh’s Nellore district found that rural investors valued the safety of their capital and returns, showing limited interest in corporate investment opportunities but knowledge of conventional options like bank deposits, small savings schemes, insurance, and gold.

In Rajasthan’s Chittor district, Narayana (2007) found that rural households preferred precious metals and bank deposits, with chit funds being a popular option. Maity & Sahu (2021) identified low levels of financial inclusion in Assam, which lagged behind other parts of India. Jena & Eichir (2018) emphasized the need for better financial inclusion in Arunachal Pradesh, suggesting that banks play a crucial role in increasing investment awareness in rural areas.

In conclusion, these studies reveal that rural households across India tend to favor traditional, safe investment options like bank deposits, post offices, and gold. However, limited awareness of diverse investment opportunities and low financial inclusion remain barriers in many regions, underscoring the need for targeted financial education and inclusion efforts.

III. OBJECTIVE OF THE STUDY

- To understand rural investors' conceptual understanding of available investment options.
- To examine the factors influencing the investment intentions of rural investors in Karnataka.

IV. METHODOLOGY

This study is based primarily on primary data, although secondary data from published and unpublished journal reports, newspapers, standard textbooks, magazines, etc., is also used to enhance conceptual understanding. Primary data was collected through pre-structured questionnaires using a non-random convenience sampling method. A total of 150 questionnaires were distributed in various rural areas of the Koppal district, Karnataka, of which 120 valid responses were considered for analysis.

The data collection was conducted via an online survey using Google Forms. Data was analyzed using statistical tools such as the Garrett ranking analysis technique, with SPSS software (version 28) employed for further analysis.

V. DATA ANALYSIS

Garrett ranking techniques have been used to analyze the factors influencing the investment intentions of rural investors in Karnataka. The results, as presented in Table 1, highlight key factors such as socioeconomic status (including financial literacy), financial self-efficacy, risk tolerance, social influence, and government policies or incentives that shape rural investor behavior. According to the Garrett scores in Table 1, the highest-ranked factor is socioeconomic status and financial literacy, scoring 78.99 percent, followed by financial self-efficacy (62.68), risk tolerance (58.13), and lack of social influence (52.37). The lowest-scoring factor, considered the least significant, is social prestige, with a score of 32.38. Financial Literacy: This refers to the knowledge and skills necessary to make informed financial decisions. Rural investors with higher financial literacy are more likely to have positive investment intentions. Financial Self-Efficacy: This is the confidence in one's ability to manage personal finances. Rural investors with greater financial self-efficacy are more inclined to invest. Risk

Tolerance: Risk tolerance reflects an investor's willingness to accept risk in exchange for potential higher returns. Rural investors tend to have lower risk tolerance compared to urban investors, although individual risk tolerance varies based on personal circumstances and financial goals. Social Influence: This is the effect that others have on financial decisions. Rural investors are more likely to be influenced by the investment choices of family, friends, and neighbors. Personal Traits: Characteristics such as age, gender, education, and income also affect investment intentions. For example, younger investors typically display a more positive investment outlook than older investors.

GARRETT RANKING TECHNIQUE

SL. NO	Factors	Rank scale value	I	II	II	IV	V	VI	VII	VII	IX	Total	Garrett Mean score	Mean Rank
		x	81	69	62	56	50	44	38	31	19			
1	Socioeconomic factors / Financial literacy	f	104	9	8	0	0	0	0	0	0	121	78.99	I
		fx	8424	621	434	0	0	0	0	0	0	9479		
2	Financial self-efficacy	f	0	77	5	11	24	1	0	0	3	121	62.68	II
		fx	0	5313	310	616	1200	44	0	0	38	7521		
3	Lack of Social influence	f	0	0	44	21	10	35	6	3	2	121	52.37	IV
		fx	0	0	2728	1176	500	1540	228	93	19	6284		
4	Social prestige	f	0	1	2	12	4	3	35	20	44	121	32.83	IX
		fx	0	69	124	672	200	88	1330	620	836	3939		
5	Technological adoption and innovation	f	0	0	0	0	10	26	14	58	13	121	34.76	VII
		fx	0	0	0	0	450	1144	532	1798	247	4171		
6	Access to credit and financial resources	f	0	0	2	3	2	12	50	18	34	121	33.02	VIII
		fx	0	0	62	168	100	528	1900	558	646	3962		
7	Government policies and incentives	f	5	7	2	17	26	28	9	15	12	121	45.58	VI
		fx	405	483	62	952	1300	1232	342	465	228	5469		
8	Access to financial information and services	f	0	0	20	38	39	7	2	6	9	121	50.18	V
		fx	0	0	1240	2128	1950	308	38	186	171	6021		
9	Risk tolerance	f	4	33	40	18	6	9	4	0	5	121	58.13	III
		fx	324	2277	2480	1008	300	396	190	0	95	6975		

CONCLUSION

The analysis of factors influencing the investment intentions of rural investors in Karnataka, using the Garrett ranking technique, has revealed several critical insights. It is clear from the study that rural investors are influenced by a complex combination of socioeconomic factors, financial literacy, self-efficacy, risk tolerance, and social influence, all of which shape their investment decisions. Financial literacy stands out as a key driver of positive investment intentions among rural investors. This finding highlights the necessity of educational programs and initiatives aimed at improving financial knowledge in rural areas. Likewise, promoting financial self-efficacy—empowering individuals to confidently manage their finances—can lead to more informed and effective investment decisions among rural populations. Understanding rural investors' risk tolerance is equally important. Given that they tend to be more risk-averse compared to urban investors, offering tailored investment options that align with their risk preferences could encourage greater participation in investment activities. Additionally, the influence of social networks—family, friends, and neighbors—plays a significant role in shaping rural investors' decisions. This emphasizes the need for community-based education and awareness campaigns that account for these social dynamics and promote responsible investment behaviors. The study also highlights other critical factors, such as access to financial information and services, the availability of suitable investment products, and government policies promoting financial inclusion. These elements can either enable or impede rural investment. As such, policymakers and financial institutions must work to eliminate barriers and create a more supportive environment for rural investors.

In summary, this analysis provides valuable insights for policymakers and financial institutions. By recognizing the multifaceted factors that influence rural investment intentions, they can develop more targeted strategies. Efforts to improve financial literacy, enhance financial self-efficacy, offer customized investment products, and foster a supportive investment ecosystem are crucial steps toward encouraging rural investors to engage in wealth-building activities. Ultimately, these actions can contribute to the economic development of rural areas and enhance the financial well-being of their residents.

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