A Study on Investment Pattern of Rural Households in Bangalore Rural District

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***Abstract*—Investment decisions play a critical role in determining the financial security and economic well-being of households. In rural India, investment behaviour is shaped by socio-economic factors, income stability, risk perception, and access to financial services. This study focuses on the investment pattern and behaviour of rural households in Bangalore Rural District, aiming to understand the preferred investment avenues, factors influencing investment decisions, and the extent of participation in modern financial instruments. The research adopts a descriptive research design with a sample of 120 rural households, selected through purposive sampling across various taluks of the district. Primary data were collected using a structured questionnaire, while secondary data were reviewed from relevant literature, government reports, and previous research studies.**

The analysis employed percentage analysis, mean score analysis, and chi-square tests using SPSS software to examine investment patterns and relationships between socio-economic variables and investment behaviour. The findings reveal that traditional investment avenues such as bank deposits (76.7%), gold (61.7%), and post office schemes (56.7%) are the most preferred among rural households, reflecting a strong preference for safety, liquidity, and assured returns. Participation in modern financial instruments, including mutual funds (23.3%) and shares (15%), is relatively low, indicating limited awareness and high-risk aversion. Income and education levels were found to be significant determinants of investment behaviour, with higher-income and better-educated households showing a greater tendency to diversify and invest in formal financial products. The study also highlights the influence of social factors, such as family and community advice, on investment decisions.

Furthermore, the study identifies a gap in financial literacy and awareness, particularly regarding modern investment opportunities and digital platforms. While financial inclusion initiatives and access to banking services have improved, behavioural factors such as risk aversion, dependence on traditional investment modes, and limited understanding of complex financial products continue to dominate rural investment behaviour. The findings underscore the need for targeted financial literacy programs, awareness campaigns, and customized low-risk investment products to enhance informed decision-making among rural households.

In conclusion, the investment behaviour of rural households in Bangalore Rural District reflects a balance between traditional practices and gradual adaptation to modern financial instruments, influenced by socio-economic factors, education, income, and social norms. The study provides valuable insights for policymakers, financial institutions, and development agencies aiming to promote financial inclusion, encourage diversified investments, and strengthen the long-term financial security of rural populations.

***Index Terms*—Investment pattern, investment behaviour, Risk aversion, financial behaviour**

I. INTRODUCTION

Investment plays a crucial role in the economic development of households by enabling the effective utilization of savings and ensuring financial security for the future. In rural areas, investment decisions are closely linked with income stability, risk perception, access to financial institutions, and socio-economic conditions. Rural households traditionally rely on conservative investment avenues such as bank deposits, post office savings, gold, livestock, land, and informal lending. However, with the gradual expansion of financial inclusion initiatives, digital banking services, and government-sponsored savings schemes, the investment landscape in rural India has been undergoing a notable transformation.

Bangalore Rural District, located in the southern part of Karnataka, presents a unique setting for studying rural investment behaviour. Although predominantly rural in character, the district is geographically and economically influenced by the rapid urbanization and industrial growth of Bengaluru city. The proximity to an urban economic hub has created diversified income opportunities for rural households through agriculture, allied activities, small businesses, wage employment, and industrial work. This changing income structure has a significant impact on the saving capacity and investment preferences of rural families in the district. Despite the growing availability of formal financial products such as bank deposits, insurance policies, mutual funds, pension schemes, and government-backed investment programs, many rural households continue to exhibit a strong preference for low-risk and traditional forms of investment. Factors such as limited financial literacy, lack of awareness, fear of financial loss, irregular income patterns, and dependence on informal advice play a major role in shaping investment decisions. At the same time, younger members of rural households are increasingly exposed to digital platforms, mobile banking, and financial information, which may influence a gradual shift in investment behaviour.

Understanding the investment pattern of rural households in Bangalore Rural District is therefore essential for assessing the effectiveness of financial inclusion efforts and identifying gaps in financial awareness. A systematic analysis of investment behaviour helps policymakers, financial institutions, and development agencies design suitable financial products and educational programs tailored to rural needs. Moreover, such a study contributes to academic literature by highlighting how rural investment decisions evolve in regions experiencing urban influence while retaining traditional socio-economic characteristics.

In this context, the present study attempts to examine the investment pattern of rural households in Bangalore Rural District by analyzing their preferred investment avenues, influencing factors, risk perception, and level of awareness. The study seeks to provide insights into the behavioural aspects of rural investors and offer practical suggestions for enhancing investment participation and financial well-being among rural households.

II. REVIEW OF LITERATURE

Kaur and Vohra (2012) examined the saving and investment behaviour of rural households in India and found that safety and liquidity were the most influential factors guiding rural investment decisions. Their study revealed that rural investors largely preferred traditional investment avenues such as bank deposits, post office schemes, gold, and land due to low risk and assured returns. The authors emphasized that lack of financial literacy and limited exposure to capital market instruments restricted rural households from diversifying their investment portfolios.

Singh and Gupta (2014) analysed the investment preferences of rural households with reference to socio-economic variables such as income, education, and occupation. The study concluded that income stability and educational level significantly influenced investment behaviour. Rural households with higher education levels showed relatively greater awareness of insurance and mutual funds, whereas low-income households relied heavily on savings accounts and informal investments. The study highlighted the need for financial education programs in rural areas.

Bhatia and Jain (2016) focused on financial literacy and its impact on rural investment decisions. Their findings indicated that inadequate knowledge of financial products resulted in conservative investment behaviour among rural households. The study also pointed out that rural investors perceived modern financial instruments as complex and risky. The authors suggested strengthening the role of banks and financial institutions in spreading awareness about safe and long-term investment options.

Reddy and Naidu (2017) studied the role of financial inclusion initiatives in shaping rural investment patterns. The research revealed that schemes such as Pradhan Mantri Jan Dhan Yojana and expansion of rural banking facilities improved access to formal financial services. However, the study noted that mere access did not automatically lead to diversified investments, as behavioural factors and trust in institutions continued to influence investment choices.

Mishra and Sahoo (2018) examined investment behaviour among rural households with special emphasis on risk perception. The study found that rural investors were highly risk-averse and preferred guaranteed return instruments. Volatility in income, especially among agricultural households, further strengthened their preference for liquid and secure investments. The authors emphasized the importance of designing low-risk investment products suitable for rural income patterns.

Kumar and Rao (2019) conducted a comparative study on rural and urban investment behaviour and observed significant differences in awareness and portfolio diversification. While urban investors actively participated in equity and mutual funds, rural households remained confined to traditional investment avenues. The study concluded that proximity to urban centres had a positive influence on rural investment awareness, indicating potential changes in behaviour in peri-urban regions.

Devi and Lakshmi (2021) analysed the investment behaviour of rural women and found that women played a significant role in household savings decisions. Their study revealed a strong preference for gold, self-help group savings, and post office schemes among rural women. The authors noted that empowerment through SHGs and microfinance institutions positively influenced disciplined saving and investment habits.

Patil and Hegde (2023) examined the impact of digital banking and FinTech services on rural investment behaviour. The study found that increased use of mobile banking, UPI, and digital financial services improved awareness of formal investment avenues among rural youth. However, older rural households remained hesitant to adopt digital investment platforms due to lack of trust and technological skills. The study highlighted the emerging transition in rural investment behaviour influenced by digital exposure.

III. OBJECTIVES:

1. To examine the investment pattern of rural households in Bangalore Rural District by identifying the various investment avenues preferred and the proportion of household savings allocated to each avenue.

2. To analyse the factors influencing investment behaviour of rural households in Bangalore Rural District, including income level, education, risk perception, and level of financial awareness.

IV. DATA ANALYSIS AND INTERPRETATION:

Table 1: Preferred Investment Avenues of Rural Households

Investment Avenue	No. of Respondents	Percentage (%)
Bank Deposits	92	76.7
Post Office Schemes	68	56.7
Gold & Jewellery	74	61.7
Insurance Policies	63	52.5
Land / Property	45	37.5
Mutual Funds	28	23.3
Shares / Equity	18	15.0
Chit Funds / Informal Savings	40	33.3

(Multiple responses allowed)

Interpretation

The table clearly indicates that bank deposits (76.7%) are the most preferred investment avenue among rural households in Bangalore Rural District, reflecting a strong preference for safety and liquidity. Investments in gold and jewellery (61.7%) and post office schemes (56.7%) also remain popular, highlighting the traditional investment mindset. Participation in modern financial instruments such as mutual funds (23.3%) and equity shares (15%) is comparatively low, indicating limited awareness and higher risk aversion among rural investors.

Table 2: Average Monthly Investment Amount

Investment Amount (₹)	Respondents	Percentage (%)
Below 2,000	38	31.7
2,000 – 5,000	46	38.3
5,001 – 10,000	26	21.7
Above 10,000	10	8.3

Interpretation

A majority of respondents (70%) invest below ₹5,000 per month, indicating limited surplus income and conservative financial planning. Only a small proportion (8.3%) invest above ₹10,000, suggesting that higher investment capacity is restricted to households with stable non-agricultural income.

Table 3: Mean Score of Factors Influencing Investment Behaviour (Likert Scale: 1 = Strongly Disagree, 5 = Strongly Agree)

Factors	Mean	Std. Deviation
Safety of Investment	4.48	0.62
Assured Returns	4.31	0.71
Liquidity	4.15	0.68
Risk Tolerance	2.36	0.81
Financial Literacy	2.58	0.76
Influence of Family / Friends	3.92	0.74
Access to Financial Institutions	3.64	0.69

Interpretation
The highest mean score is observed for safety of investment (4.48), followed by assured returns (4.31), confirming that rural households are highly risk-averse. Low mean values for risk tolerance (2.36) and financial literacy (2.58) indicate reluctance toward market-linked investments. Social influence also plays a significant role in shaping investment decisions.

Table 4: Chi-Square Test between Education Level and Investment in Modern Instruments

Variable	χ^2 Value	df	Sig. (p-value)
Education vs Modern Investment	12.87	4	0.012

Interpretation
Since the p-value (0.012) is less than 0.05, there is a significant relationship between education level and investment in modern financial instruments. This implies that rural households with higher education levels are more likely to invest in mutual funds and shares compared to less educated households.

Table 5: Relationship between Income Level and Investment Amount

Income Level	Mean Investment Score
Low Income	2.14
Middle Income	3.26
High Income	4.02

Interpretation
The results indicate a positive relationship between income and investment level. Higher-income rural households invest larger amounts and show greater willingness to diversify investments, whereas low-income households focus mainly on basic savings instruments.

V. FINDINGS:

The study on the investment pattern of rural households in Bangalore Rural District reveals several important insights into the saving and investment behaviour of the respondents. The findings are derived from percentage analysis, mean score analysis, and chi-square test conducted using SPSS, in line with the stated objectives.

Firstly, the study finds that rural households strongly prefer traditional and low-risk investment avenues. Bank deposits emerge as the most dominant form of investment, followed by gold and post office savings schemes. This indicates that safety, liquidity, and assured returns are the primary considerations guiding investment decisions. Participation in market-linked instruments such as mutual funds and equity shares remains significantly low, reflecting high risk aversion and limited confidence in modern financial products.

Secondly, the investment capacity of rural households is relatively modest. A majority of respondents invest less than ₹5,000 per month, suggesting limited disposable income and irregular cash flows, particularly among agriculturally dependent households. Higher levels of investment are observed mainly among households with stable non-farm income sources, such as salaried employment or small businesses, indicating that income stability plays a crucial role in determining investment behaviour.

Thirdly, factor analysis using mean scores reveals that safety of investment and assured returns are the most influential determinants of investment decisions among rural households. Liquidity is also considered an important factor, as rural households prefer investments that can be easily converted into cash during emergencies. In contrast, low mean scores for risk tolerance and financial literacy indicate a lack of willingness to engage in high-risk or complex investment instruments.

The study further finds that education level has a significant influence on investment behaviour. The chi-square test confirms a statistically significant relationship between educational attainment and investment in modern financial instruments. Households with higher educational levels show greater awareness and participation in insurance, mutual funds, and pension schemes, whereas less educated households largely depend on conventional savings options.

Additionally, the findings highlight that income level significantly affects both the amount and diversification of investments. Higher-income rural households allocate more funds toward diversified investment portfolios, while low-income households focus primarily on basic savings for security and emergency needs. This establishes a clear positive relationship between income and investment behaviour.

Social influence also plays a notable role in shaping investment decisions. Many respondents rely on advice from family members, friends, and local agents rather than professional financial advisors. This reliance on informal sources often reinforces conservative investment behaviour and limits exposure to innovative financial products.

Overall, the study concludes that while access to formal financial institutions has improved in Bangalore Rural District, behavioural factors such as risk aversion, limited financial literacy, and income constraints continue to dominate rural investment decisions. These findings underscore the need for targeted financial education and customized investment products to enhance financial inclusion and long-term wealth creation among rural households.

Conclusion:

The study on the investment pattern of rural households in Bangalore Rural District provides significant insights into the financial behaviour, preferences, and constraints of rural investors. The analysis reveals that rural households exhibit a strong inclination toward safe, low-risk, and traditional investment avenues such as bank deposits, post office schemes, and gold. This preference highlights the dominant influence of risk aversion, liquidity needs, and the desire for assured returns in shaping investment decisions.

Income and educational levels emerge as key determinants of investment behaviour. Households with higher incomes and better educational qualifications demonstrate greater awareness of modern financial instruments such as mutual funds, insurance, and pension schemes, and are more willing to diversify their investments. Conversely, households with lower income and education levels tend to concentrate their savings in conventional and easily accessible options, reflecting limited financial literacy and restricted exposure to capital market products.

The study also underscores the role of social influence in investment decision-making, as family members and community advice significantly impact the choices of rural investors. Additionally, although access to formal financial institutions and government-backed schemes has improved in the district, the adoption of innovative and digital investment platforms remains limited, particularly among older and less literate sections of the population.

Overall, the findings suggest that while rural households in Bangalore Rural District are increasingly participating in formal financial systems, there is a critical need for targeted financial education, awareness campaigns, and the design of low-risk investment products suitable for rural income patterns. Enhancing financial literacy and providing guidance on diversified and secure investment options can empower rural households to make informed decisions, optimize their savings, and achieve long-term financial security.

In conclusion, the investment behaviour of rural households in the district reflects a careful balance between tradition and gradual adaptation to modern financial instruments. Policymakers, financial institutions, and development agencies have a vital role to play in bridging the gap between financial awareness and investment practices, ensuring inclusive growth and sustainable financial well-being among rural populations.