ISSN No:-2456-2165

Investors from Rural Areas in India and Their Performance in the Country's Capital Markets

Shinu Thomas P, Research Scholor Bharathiyar University, Coimbatore
Dr. K Sadeesh Kumar ,Sri kaliswari College, Sivakasi , Research Guide

Abstract:- Rural Indians face unique challenges due to limited access to financial resources and socioeconomic conditions, which affect their investment habits. The study found that rural investors in India often need more awareness about investment possibilities and constraints despite the country's economic growth. The research suggests a need to develop effective strategies to improve financial literacy among rural populations.

***Keywords*:-** *Capital Market, Individual Investors.*

I. INTRODUCTION

Rural Indians face unique challenges due to limited access to financial resources and socioeconomic conditions, which affect their investment habits. The study found that rural investors in India often need more awareness about investment possibilities and constraints despite the country's economic growth. The research suggests a need to develop effective strategies to improve financial literacy among rural populations.

Capital market investment is frequently associated with urban locations and financial hubs. Fortunately, with the wide availability of technology and growing investor awareness, rural investors are beginning to participate in the capital market. The purpose of this research is to investigate rural investors' participation in capital markets and to better understand their motives, obstacles, and strategies. We can get insights into the impact of rural investors on the wider market and find possible prospects for financial inclusion and development in rural areas by knowing their distinctive characteristics.

Investment and economic development are inseparable, as investment is a key driver of economic growth and development. When investors allocate capital to productive industries, it leads to more job opportunities, better infrastructure, improvements in technology, and greater output, all of which contribute to economic development. Rural people's investment and commitment to national development are critical for enabling economic growth and dealing with their challenges.

Rural Indians' investment habits differ greatly from those of urban Indians. Rural folks frequently have unusual investment patterns due to a variety of socioeconomic conditions and restricted access to financial resources. Rural people typically prefer to invest their money in physical assets such as gold, land, and animals. These assets are considered more stable and realistic investments. Traditional savings tools such as chit funds post office savings plans, and rural cooperative banks are popular among rural residents. These institutions are more familiar and accessible to them than modern financial systems. Rural residents frequently invest in government plans tailored to their needs, such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) and the Kisan Credit Card (KCC) scheme.

II. LITERATURE REVIEW

Investors may struggle to make sound decisions when they are influenced by biases. A recent study has explored the link between availability bias and the location of individual investors, specifically whether they live in urban or rural areas. The study suggests that a person's place of residence has a strong correlation with their susceptibility to availability bias. People living in rural areas are more likely to hold prejudiced opinions based on what is readily available to them. This is a significant concern for the rural population in India, who have lower per capita incomes and less financial security against losses. Therefore, it is important to rely on trustworthy and comprehensive sources of information to minimize the impact of availability bias on investment decisions.Sachan, A., & Chugan, P.K. (2020).

Investors tend to prefer banks and chit-funds over stock markets when it comes to investing money for perks and returns. A model was built and analyzed to determine the reasons behind this preference. The results showed that stakeholders have limited knowledge and experience of stock markets. They also fear that the market may turn upside down suddenly, leaving them feeling uneasy. Additionally, their investment goal is to achieve short-term returns on their assets, which they believe can be accomplished by investing in equities. To achieve this goal, educating them about stock market movements and the convenience of investing is essential.

A study was conducted to assess investors' perceptions of the Indian capital market, with a focus on investors in the National Capital Region (NCR). The study concluded that age and educational qualifications have a significant impact on investment and tax benefits, respectively. Charges, liquidity, and investment characteristics function as moderators in investor perception. The importance of investment effects and investment benefits cannot be overstated. Age has a huge influence. Kukreja, G. (2013).

Investment opportunities and norms are often unknown to investors, especially those in rural areas. Despite the remarkable development of our economy and the rise in

ISSN No:-2456-2165

income levels, India's savings mobilization rate is slow. Rural savings are not well utilized or invested. Investment is a crucial economic activity that generates capital for various sectors of the economy. To determine the level of awareness, preferences, and financial concerns of rural investors, a study was conducted. The study found that there was no significant difference between the levels of awareness or educational qualifications of rural male and female investors. Bank savings, gold and jewellery, and real estate were the most popular investment options for the vast majority of people.. Lokhande, M.A. (2015).

Individual investment behaviour is influenced by a variety of psychological heuristics and biases. Investors often rely on heuristics, using the price of an asset as an anchor for their decisions and being overly confident in their assessments. They are also heavily influenced by representativeness and tend to engage in mental accounting when making decisions, grouping their earnings and losses. While investors do pay attention to fundamental analysis, they often dismiss difficult information at first and prefer easy-to-incorporate information. Additionally, there is an asymmetric pattern of information distribution and utilization among individual investors, which has a significant impact on their investment behaviour. Chandra, A., & Kumar, R. (2011).

The paper presents the findings from an empirical investigation of the influence of demographic characteristics on investment opportunities. It has been discovered that the respondents' investment decisions are primarily influenced by their gender, Age, and friends. It is determined that the study's respondents are conservative by nature and have little worry about money growth and liquidity. Bhanu, S.P. (2013).

Millions of rural households in developing countries are unable to make wise financial decisions due to a lack of comprehension of financial goods and an inability to digest financial information. Financial aptitude and debt literacy, the two elements of financial literacy, are predicted by cognitive ability. By concentrating on farmers in a developing nation, the results help to advance knowledge of financial literacy in such contexts and can guide the development of inclusive financial institutions that are mindful of the informational and cognitive constraints of rural households. Gaurav, S., & Singh, A.K. (2012).

According to the study, there are six categories that can be used to classify investment motives. These include the type of investment, long-term financial demands, investor traits, safety and stability, investor behaviour, and investor options. Occupation, marital status, geography, and the number of earning members are additional factors that affect investing motives. Moreover, factors such as Age and location, gender and income, and Age and income have an interaction effect on investment incentives. The study's contribution to the literature lies in its comprehensive assessment of every demographic, socioeconomic position, and investment motivation.

III. OBJECTIVES OF THE STUDY

- To study the nature of investment among capital market investors of rural area
- To Investigate the purpose of capital Market Investment

IV. RESEARCH METHODOLOGY

The nature of the research design is both descriptive and analytical. The study employs primary and secondary data, with questionnaires being used to collect primary data from customers. The study focuses on capital market investors in the Wayanad district, which heavily relies on agriculture, particularly the cultivation of coffee, tea, and spices. While the district has made significant strides in diversifying its economy, the population of interest to this study is those investors in the capital market. The sampling method chosen for this study is the snowball sampling method, which allows for the study of the entire population with a similar composition and profile. A sample size of 120 is chosen for this study, and the collected data are analyzed using simple statistical techniques such as percentages and chi-square tests.

- *Research Hypothesis:*
  - There is no significant effect of Occupation and Purpose of Investment
  - There is no significant effect on Education and Purpose of Investment

V. RESULTS AND DISCUSSION

- *Distribution of Respondents by Age*

Table 1 Distribution of respondents on the basis of Age

Demographic Variable	Category	Frequency	Percentage
Age	25-35	47	39.83
	above 45	45	38.14
	Below 25	16	13.56
	35-45	10	8.47
Gender	Male	97	82.2%
	Female	21	17.8%
Occupation	Self Employed	75	63.56%

Demographic Variable	Category	Frequency	Percentage
	Service	25	21.19%
	Professional	9	7.63%
	Retired	9	7.63%
Education	Post Graduation	46	38.98%
	Under Graduation	58	49.15%
	Secondary Education	9	7.63%
	High School	5	4.24%
Monthly income	Below 25000	57	48.31%
	25000-50000	41	34.75%
	50000-75000	13	11.02%
	75000 Above	7	5.93
Purpose of Investment	Family Needs	55	46.61%
	Wealth Creation	48	40.68%
	Children Education	15	12.71%

Table 2 Test of Significant Relationship Between Age and Purpose of Investment

Chi^2	10.85
df	6
p	.093

A Chi^2 test was performed between Age and Purpose of Investment. At least one of the expected cell frequencies was less than 5. Therefore, the assumptions for the Chi^2 test were not met. There was no statistically significant relationship between Age and Purpose of Investment, $\chi^2(6) = 10.85$, $p = .093$, Cramér's $V = 0.21$

The calculated p-value of .093 is above the defined significance level of 5%. The Chi^2 test is, therefore, not significant, and the null hypothesis is not rejected.

VI. CONCLUSION

The study found that rural investors in India often need more awareness about investment possibilities and constraints despite the country's economic growth. The research suggests a need to develop effective strategies to improve financial literacy among rural populations.

REFERENCES

[1]. Availability Bias of Urban and Rural Investors: Relationship Study of the Gujarat State of India. *CGN: Shareholders in Corporate Governance (Topic)*.
[2]. Kukreja, G. (2013). Investors' Perception for Stock Market: Evidences from National Capital Region of India.
[3]. Lokhande, M.A. (2015). A Study of Investment Awareness and Patterns of Savings and Investments by Rural Investors. *Indian*
[4]. *Journal of Finance, 9*, 22-31.
[5]. Chandra, A., & Kumar, R. (2011). Factors Influencing Indian Individual Investor Behaviour: Survey Evidence. *Behavioral & Experimental Economics eJournal*.
[6]. Bhanu, S.P. (2013). Impact of Demographics on Select Investment Avenues: A Case Study of Twin Cities of Hyderabad and Secunderabad, India. *International Journal of Marketing, Financial Services and Management Research, pp. 2*, 47–55.
[7]. A Study of Investment Awareness and Patterns of Savings and Investments by Rural Investors. *Indian Journal of Finance, 9*, 22-31.
[8]. Gaurav, S., & Singh, A.K. (2012). An Inquiry into the Financial Literacy and Cognitive Ability of Farmers: Evidence from Rural India. *Oxford Development Studies, pp. 40*, 358–380.