

# A Study on Factors Affecting Investment Decisions Among Rural Investors: A Special Reference to Surat District

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## Abstract

Investment decisions among rural investors have gained increasing attention as financial inclusion and economic participation spread to semi-urban and rural regions of India. This study aims to identify and analyse the key factors that influence investment decisions among rural investors in Surat District. Using a structured questionnaire administered to 102 respondents, data were collected on socio-economic variables, awareness, risk perception, financial literacy, and behavioural factors. Statistical tools such as descriptive statistics, correlation, and regression analysis were applied to test hypotheses. The findings reveal that education level, income, and financial literacy significantly influence investment behaviour, while occupation and gender have limited effects. The study provides recommendations for policy interventions and investor education programs targeting rural populations.

**Keywords:** Investment decisions, Rural investors, financial literacy, Risk perception, Behavioural finance

## INTRODUCTION

Investment decisions refer to the process through which individuals allocate their savings into various financial instruments such as shares, bonds, mutual funds, insurance, or real estate. In rural areas, these decisions are influenced by a blend of economic, social, psychological, and informational factors. With the expansion of financial inclusion initiatives by the Government of India and the growing penetration of digital banking, rural investors now have increased access to formal financial products.

However, rural investors often differ from their urban counterparts in terms of income levels, education, exposure, and risk tolerance. The district of Surat, though known for its industrial and commercial growth, also has a significant rural population dependent on agriculture and small-scale enterprises. Understanding the determinants that drive or deter investment decisions in this segment is essential for policymakers, financial institutions, and educators.

This research, therefore, explores the factors affecting investment decisions among rural investors in Surat District, focusing on socio-economic, psychological, and informational aspects.

Surat District, being one of the fastest-growing regions in Gujarat, has witnessed increasing rural participation in the financial market through savings, insurance, mutual funds, and gold investments. However, the extent to which these investors make informed investment decisions remains underexplored. This study seeks to identify and analyse the factors influencing investment decisions among rural investors in Surat District.

## REVIEW OF LITERATURE

**Joshi (2023)** in his study titled “Digital Financial Inclusion and Investment Decisions in Rural Gujarat” evaluated how digital banking impacts rural investment patterns. Using mixed methodology and a sample size of 200, tools such as regression and correlation were applied. The findings indicated a positive relationship between digital access and investment participation, especially among younger rural investors.

**Patel & Shah (2022)** “Investment Awareness and Decision-Making among Rural Investors in South Gujarat” conducted a primary study of 160 investors using chi-square analysis. The study found that awareness programs and mobile banking usage improved rational investment decisions.

**Joshi & Patel (2021)** “Impact of Demographic Variables on Investment Preferences in Gujarat” employed correlation and chi-square tests on 180 samples. They found that income and education had a strong positive relationship with investment in mutual funds and insurance.

**Singh & Kaur (2020)** “Financial Literacy and Investment Behaviour of Rural Women” analysed 100 respondents using descriptive analysis. The study concluded that low financial literacy limits participation in formal financial instruments.

**Rajesh & Thomas (2020)** “Socio-Economic Factors Influencing Investment Pattern of Rural Investors in Kerala” used a descriptive design with 200 respondents. The study revealed that financial literacy and social influence play crucial roles in investment behaviour.

**Priti Sharma (2019)** “Determinants of Investment Behaviour among Rural Households” studied investment choices in rural Madhya Pradesh. Using a sample of 120 households and multiple regression analysis, she found that education and income significantly affected investment preferences, while age and gender had minimal impact.

**Mehta, A. (2018)** “Investment Decision Behaviour in Emerging Rural Markets” examined psychological factors affecting rural investors. Using ANOVA and regression on 150 samples, the study found that risk perception and peer influence were major determinants.

**Banerjee (2018)** “Behavioural Aspects of Investment Decisions in Rural India” found that psychological biases and herd behaviour influence decisions more than income levels, based on a survey of 200 respondents.

**Deshmukh & Reddy (2017)** “Socio-Economic Status and Investment Decisions” used a regression approach on 250 respondents. They reported that occupation and education influence risk appetite and preference for long-term assets.

## PROBLEM STATEMENT

Despite increasing financial inclusion initiatives in India, rural investors still exhibit limited participation in formal investment avenues. Their investment decisions are often influenced by socio-economic conditions, financial awareness, perceived risk, and accessibility to financial services. In Surat district, where rural economic activities are rapidly expanding, understanding these influencing factors becomes crucial. Hence, this study seeks to identify and analyse the major factors affecting investment decisions among rural investors in Surat district.

## OBJECTIVES OF THE STUDY

- To study the demographic profile of rural investors in Surat district.
- To identify the key factors influencing investment decisions among rural investors.

- To analyse the relationship between financial literacy and investment decisions.

### METHODOLOGY OF THE STUDY:

The study is based on a Descriptive research design and primary data has been collected through a well-structured questionnaire from 102 rural investors. Also, the study is based on secondary data which is collected from trading websites, journals, articles, books, and annual reports.

### SAMPLING

Sampling frame: For this study sampling unit is Individual rural investors located in the villages of Surat district

Sample technique: Non-probability convenient sampling technique and random sampling.

Research instrument: Structured questionnaire

Sample size: 102 respondents

### TOOLS FOR DATA ANALYSES

For analysis of data frequency tables & pie-chart has been used. The coding of the questionnaire is done by the Excel.

### SCOPE FOR FUTURE RESEARCH

This study focuses on selected rural areas of Surat District; future research can expand the scope to cover multiple districts or states for broader comparisons. Researchers may use advanced analytical models such as SEM or machine learning to predict investment behaviour more accurately. Future studies can also explore digital financial literacy, fintech adoption, behavioural finance biases, and the role of government schemes in rural investment patterns. Longitudinal studies can assess how financial inclusion initiatives change investment decisions over time. There is also scope to study gender-specific investment behaviour in rural settings.

### HYPOTHESIS

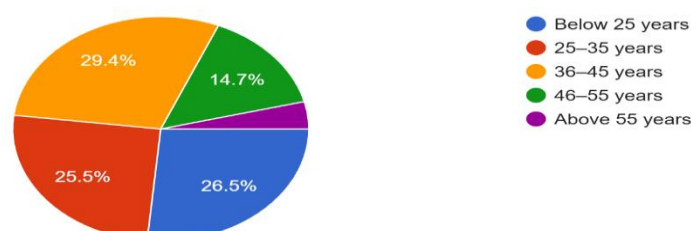
H<sub>1</sub>: There is a significant relationship between financial literacy and investment decisions among rural investors.

H<sub>2</sub>: Risk perception significantly affects investment choices among rural investors.

H<sub>3</sub>: Social influence affects investment decisions.

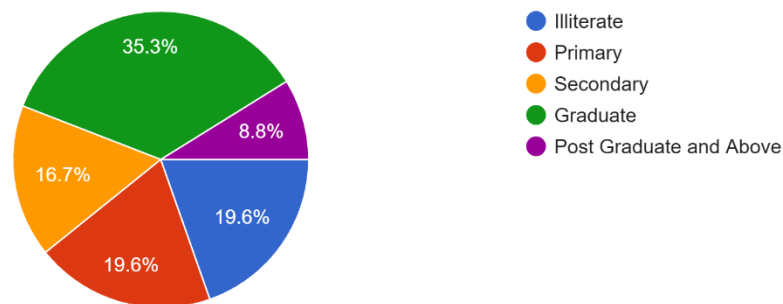
### DATA ANALYSIS

Age  
102 responses



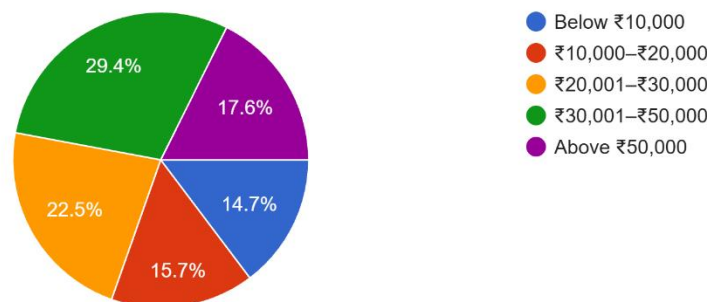
The age distribution of the respondents shows a well-balanced representation across different age groups, indicating diverse participation in the survey. The largest proportion of respondents falls in the 36–45 years category, accounting for 29.4%, suggesting that middle-aged individuals form a significant segment of rural investors in Surat district. The 46–55 years group represents 14.7% of the sample, while only a small proportion, approximately 4%, is from the above 55 years category. Overall, the distribution indicates that investment-related decisions in rural areas are primarily influenced by individuals in the working-age population, with relatively lower participation from senior citizens.

Education Level  
102 responses



The largest group comprises graduates, representing 35.3% of the sample, indicating that a substantial portion of rural investors are well-educated and likely more aware of financial products and investment opportunities. Respondents with secondary education account for 16.7%, while primary-level educated and illiterate individuals each constitute 19.6% of the sample, suggesting that nearly 40% of rural investors still fall into lower education categories. Additionally, 8.8% of the respondents are postgraduates or above, highlighting a smaller but notable segment with higher academic qualifications. Overall, the distribution suggests that educational background among rural investors is fairly diverse, with a strong presence of graduates, which may positively influence the level of financial awareness and decision-making capability in the region.

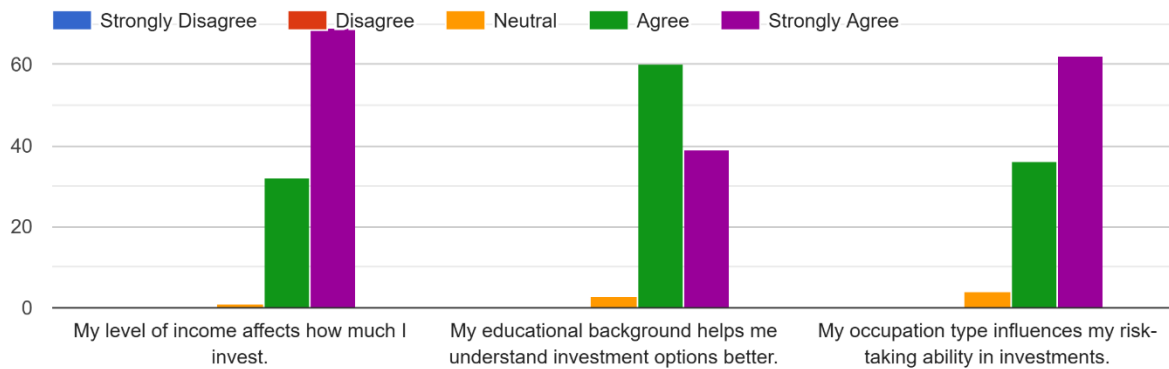
Monthly Income (Approximate)  
102 responses



The monthly income distribution of the respondents indicates that rural investors in Surat district belong to varied income brackets, reflecting financial diversity within the sample. The highest proportion of respondents, 29.4%, falls within the income range of ₹30,001–₹50,000, suggesting a strong presence of

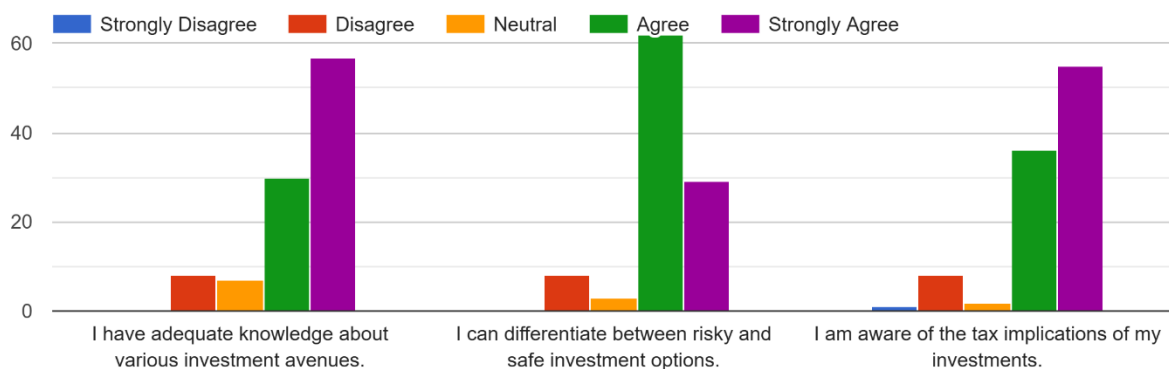
middle-income individuals who may have greater disposable income for investments. Additionally, 17.6% earn above ₹50,000, representing the higher-income group with stronger investment potential. Overall, the income distribution suggests that investment participation in rural areas is not limited to high-income individuals but includes a balanced mix of low, middle, and upper-income households.

#### Socio-Economic Factors



A significant majority of respondents strongly agree or agree that their income level affects how much they invest, with very few expressing disagreement or neutrality. This indicates that income is a major determinant of investment capacity among rural investors. Similarly, responses to the statement “My educational background helps me understand investment options better” show a strong positive inclination. Overall, the responses reflect that socio-economic factors—particularly income, education, and occupation—have a noticeable and positive impact on how rural investors in Surat district make investment decisions.

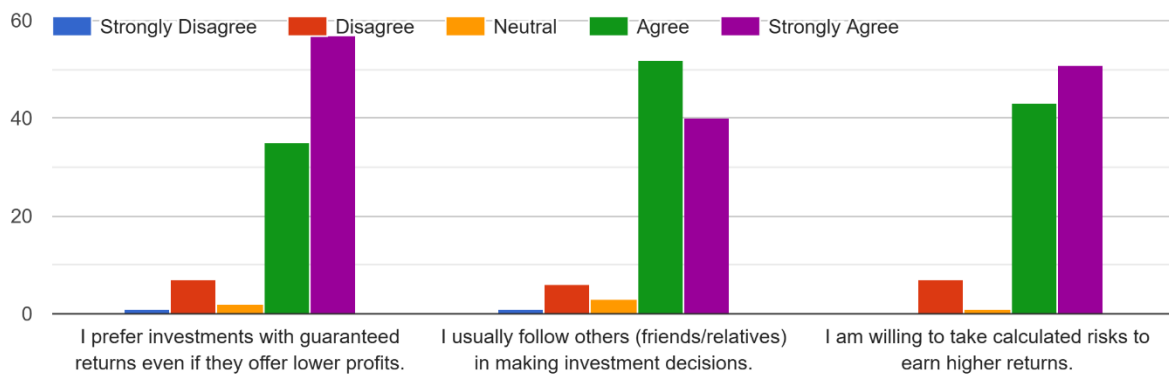
#### Financial Literacy



For the statement “I have adequate knowledge about various investment avenues,” most participants either agreed or strongly agreed, suggesting that they feel confident about their general investment knowledge. Similarly, for “I can differentiate between risky and safe investment options,” the highest responses fall under agree, showing that investors are largely capable of distinguishing between different risk levels,

although a notable portion strongly agreed as well. Additionally, responses to “I am aware of the tax implications of my investments” reveal that many participants strongly agreed, indicating strong awareness of taxation in investment decisions. Overall, the distribution of responses demonstrates that the investors surveyed generally have good financial literacy, with very few expressing disagreement or uncertainty across all three statements.

Risk Perception



For the statement “I prefer investments with guaranteed returns even if they offer lower profits,” a large number of respondents *strongly agreed* or *agreed*, indicating a strong preference for safety over high returns. Interestingly, for the statement “I am willing to take calculated risks to earn higher returns,” most respondents *agreed* or *strongly agreed*, showing that while investors prefer safety, they are still open to taking well-evaluated risks when necessary. Overall, the graph reflects that investors tend to be risk-averse but show readiness to take calculated risks, especially when potential returns justify it.

## FINDINGS

1. Financial literacy has a strong impact on rural investors' ability to select diversified investment avenues.
2. Risk perception remains high, causing investors to prefer safe options such as gold, insurance, and savings accounts.
3. Social influence plays a major role—many rural investors rely on informal recommendations.
4. Income levels significantly determine investment frequency and investment amount.
5. Accessibility to financial institutions and advisors greatly affects investment participation.
6. Rural investors show interest in modern investments but lack adequate awareness and guidance.

## CONCLUSION

The study concludes that investment decisions of rural investors in Surat District are shaped by financial literacy, risk perception, social influence, income, and accessibility to financial services. Despite growing economic development, rural investors still prefer traditional investments due to low awareness and high perceived risk. Strengthening financial literacy programs, improving access to financial markets, and promoting professional advisory services can significantly enhance rural investment participation. Policymakers and financial institutions must develop targeted strategies to improve financial inclusion in

rural areas. The analysis of demographic, socio-economic, and behavioural factors reveals that rural investors in Surat district represent a diverse yet predominantly working-age population with varying levels of education and income. Most respondents fall within the younger to middle-aged groups, indicating that investment decisions in rural areas are largely driven by economically active individuals. Educational levels are also varied, with a strong presence of graduates, suggesting an encouraging foundation for financial awareness and informed decision-making. Income distribution further highlights that investment participation is not restricted to higher-income groups, as individuals from low to middle-income categories also actively invest.

## RECOMMENDATION

Financial institutions should conduct targeted financial literacy programs in rural villages to improve awareness about diversified investment options. Local agents must be trained to provide transparent advice, and digital platforms should be simplified for rural users. Government schemes should be promoted through village-level seminars to enhance participation. Encouraging youth involvement and providing incentives for first-time investors will help foster long-term investment behaviour. Strengthening trust through community-based financial education can significantly improve the quality of investment decisions.

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