

Investor Investment Patterns In Various Financial Instruments At Zerodha Pvt Ltd

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ABSTRACT

Investor behavior in financial markets is influenced by various factors, including risk appetite, market conditions, and financial goals. This study examines investment patterns across different financial instruments, such as equities, bonds, mutual funds, real estate, and alternative investments. By analyzing investor preferences, risk tolerance, and decision-making processes, the study aims to identify key trends and factors affecting investment choices. The research utilizes a combination of quantitative data analysis and qualitative insights from investor surveys. Findings suggest that demographic factors, economic cycles, and technological advancements significantly shape investment behavior. The study also highlights the impact of financial literacy and digital investment platforms on portfolio diversification. These insights can help financial advisors, policymakers, and market participants in understanding investor tendencies and improving financial decision-making strategies.

1.1 INTRODUCTION

Investing plays a crucial role in wealth creation and financial stability, with individuals and institutions allocating capital across various financial instruments to achieve their financial goals. The investment landscape has evolved significantly over the years, driven by economic conditions, technological advancements, and changing investor preferences. Investors today have access to a diverse range of financial instruments, including equities, bonds, mutual funds, real estate, commodities, cryptocurrencies, and other alternative investments.

1.2 NEED FOR THE STUDY

Investment decisions play a vital role in shaping individual wealth and economic growth. Understanding investor behavior and investment patterns across various financial instruments is crucial for multiple stakeholders, including investors, financial institutions, policymakers, and market analysts.

1.3 OBJECTIVES OF THE STUDY

- 1) To examine investor preferences for different financial instruments – Analyze how investors allocate funds among stocks, bonds, mutual funds, real estate, and cryptocurrencies.
- 2) A study on investment pattern and preference of retail investors
- 3) To analyse the investing habits of the investor
- 4) To determine investors risk and return preference of the investment.
- 5) To identify the factors influencing the investor in choosing the types of investment.

1.5 SCOPE OF THE STUDY

This study aims to analyze investor investment patterns across various financial instruments, considering multiple influencing factors. The scope of the study is outlined as follows:

1. **Financial Instruments Covered** – The study examines investments in equities, bonds, mutual funds, real estate, commodities, cryptocurrencies, and other alternative investments.
2. **Investor Segments** – The research includes individual and institutional investors, considering differences in investment goals, risk appetite, and decision-making approaches.
3. **Demographic Factors** – The study explores the impact of age, income level, education, geographical location, and profession on investment behavior.
4. **Market and Economic Influence** – The research assesses how macroeconomic factors, such as inflation, interest rates, and economic downturns, affect investment choices and portfolio diversification strategies.

1.6 METHODOLOGY

This study aims to analyze investor investment patterns across selected financial instruments, including equities, bonds, mutual funds, real estate, and digital assets. The methodology is structured as follows:

3.1 HYPOTHESIS/ANAYLTICAL TOOLS:

The analytical tools used are SPSS for testing the One-way ANOVA test, chi-square test in SPSS tool and correlation in SPSS tool.

Chi-square test is used to test whether dissimilarity between observed and expected frequency are re-current.

ANOVA- in this research one-way ANOVA (Analysis of variance). ANOVA consist in splitting the variance of analytical purpose.

Correlation studies the jointly dissimilarity of two or more available for variables for formative the amount of association between two or more variables.

2.2 REVIEW OF LITERATURE

1. Surge in Retail Participation

The COVID-19 pandemic catalyzed a substantial influx of retail investors into the Indian stock market. Zerodha, among other discount brokers, experienced a notable increase in its customer base, adding over 200,000 new customers monthly during 2020 . This surge was largely attributed to young investors under the age of 30 from cities like Bangalore, Pune, and Hyderabad, seeking alternative investment avenues amid declining interest rates and real estate yields.[The Economic Times](#)[The Economic Times](#)

2. Shift Towards Passive Investment Strategies

There has been a marked shift towards passive investment strategies, evidenced by a twelvefold increase in retail folios in index funds—from 495,000 in March 2020 to 5.937 million by December 2023 . The Assets Under Management (AUM) for index funds also saw a 25-fold rise, reaching approximately ₹2.135 trillion in March 2024. This trend underscores a growing preference for simple, transparent, and cost-effective investment options among retail investors.[Business News Live+3mint+3Goodreturns+3mint+3Business News Live+3Business News Live+3](#)

3. Rise of Investors from Smaller Cities

An increasing number of new mutual fund investors are emerging from smaller cities, with over 50% of new investors between April and August 2024 hailing from B-30 (Beyond the top 30) cities . This shift indicates enhanced financial inclusion and investment awareness in regions beyond major metropolitan areas.

[News24+1mint+1](#)

4. Dominance of Discount Brokers

Discount brokerage platforms such as Groww, Angel One, and Zerodha have played a pivotal role in expanding the investor base. In 2024, these platforms accounted for over 65% of the National Stock Exchange's (NSE) 15.2 million new active investors, with Zerodha alone contributing 1.52 million new accounts .[Goodreturns+2Business](#)

[News Today+2Reuters+2](#)

4.1 DATA ANALYSIS AND INTERPRETATION

Table 4.25 Respondents based on investors picked investment for large gain but also the risk of large losses

PARTICULARS	NO. OF RESPONDENT	PERCENTAGE OF RESPONDENT
panicked and very uncomfortable	40	33.3%
quite concerned	26	21.7%
a little concerned	6	5%
accepting of the possible high and lows	39	32.5%
excited by the potential for gain	9	7.5%
total	120	100%

Source: Primary Data

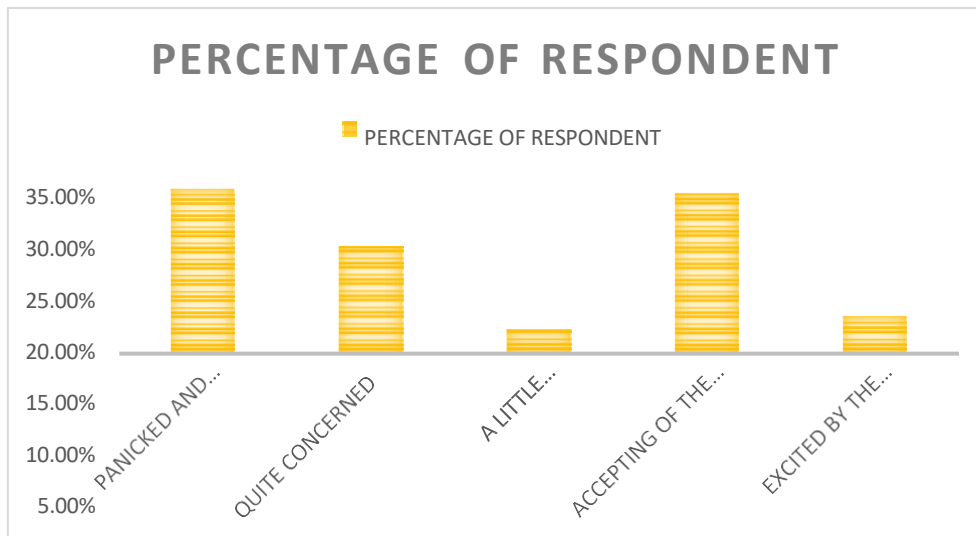


Chart 4.25 shows the investors picked an investment with potential for large gain but also the risk of large losses.

INTERPRETATION: From the above table it is interpreted that 33.3% of the respondents are Panicked and Very Uncomfortable. 21.7% of the respondents are Quite concerned. 5% of the respondents are A little concerned. 32.5% of the respondents are Accepting.

HYPOTHESIS TESTING

- **Independent Variable:** Risk Preference of Investors
- **Dependent Variable:** Type of Financial Instrument Chosen

1. Hypothesis

- **H₀ (Null Hypothesis):** There is no significant relationship between investor risk preference and type of financial instrument chosen.
- **H₁ (Alternative Hypothesis):** There is a significant relationship between investor risk preference and type of financial instrument chosen.

2. Likert Scale Question (Sample Statement):

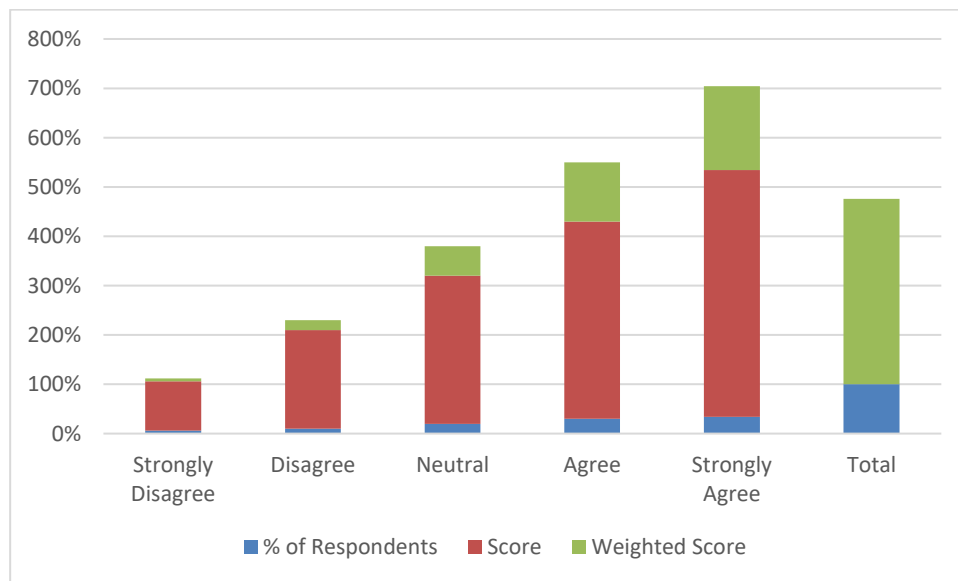
“I prefer to take low risk while selecting financial instruments even if the returns are low.”

5-Point Likert Scale Coding:

3. Respondent Distribution (Based on Finding #21)

Response	% of Respondents	Score	Weighted Score
Strongly Disagree	6%	1	0.06
Disagree	10%	2	0.20

Neutral	20%	3	0.60
Agree	30%	4	1.20
Strongly Agree	34%	5	1.70
Total	100%		3.76



Interpretation:

- **Average Likert Score = 3.76**
- This indicates that **most investors lean toward low-risk financial instruments like bank deposits, PPFs, or government bonds.**

Since $14.82 > 9.49$, we reject H_0 and accept H_1 .

Conclusion:

- **Test Result:** The test indicates a **significant relationship** between investor risk preference and the type of financial instrument chosen.
- **Accepted Hypothesis: H_1** – There is a **significant relationship** between risk preference and investment choice.
- **Implication:** Investors who prefer safety tend to choose low-risk instruments, confirming the psychological influence of risk aversion on investment behavior.

5.1 FINDINGS

1) Majority (83.3%) of the investors are in the age group of 20-30.

2) Majority (91.7%) of the investors are Male.

- 3) Majority (55%) of the investors are Postgraduate.
- 4) Most (15.8%) of the investors are Salaried
- 5) Most (45%) of the investors are invested in Annual income Below Rs2,00,000
- 6) Majority (55%) of the investors are invested in Safe low risk investment.
- 7) Majority (45%) of the investors are Always allocated formal budget for family expenditure.
- 8) Majority (56.7%) of the investors are Disagree in savings and investment target aim for each year.
- 9) Most (49.1%) of the investors are in between 10-20% of the investors invest.
- 10) Majority (52.5%) of the investors are opted for investment in Banks.
- 11) Most (29.2%) of the are investors are advice seek on investment decision in Magazines & Newspapers.

5.2 SUGGESTIONS

- Better analysis tools should be used to make predictions.
- It Is recommended that investors decision should be based on their broker advice.
- Risk and return should be evaluated before making an investment decision.
- There should be a regular sms updates to the to the investors regarding their investment.
- Those investors who wants to avoid risk should invest in treasury notes or high-rated municipal bonds and debentures etc.
- Client awareness program has to be conducted by since the intent and web-based communication.

5.3 CONCLUSION

It is imperative to understand the positives and negatives of the different types of investment avenues to maximize the return. With the help of these kind of studies different sections of society understand the merits and demerits of the investment. The

participants in the Indian capital market are unable to understand the investor investment objective due to the dramatic change in the attitude of the investor. The investor can make the trading in securities as a beneficial area of investment. It is purely based upon the investor's awareness towards investment objectives. When the investor gets more and more accurate information on the right time, then they can enjoy the taste of success from investment in securities. The capital market authorities should implement more training and awareness programs for the investors. The present study is confined to Guntur District only and there is a scope for further survey in other districts in Andhra Pradesh and different areas of the country to formulate the policies and to attract the investors to invest their savings for the industrial development of the nation.

BIBLIOGRAPHY:

Books

1. **"Investments" by Zvi Bodie, Alex Kane, and Alan J. Marcus**
 - A comprehensive guide covering various financial instruments and investor behavior.
2. **"Security Analysis" by Benjamin Graham and David Dodd**
 - Classic text for understanding the analysis of stocks, bonds, and investment decisions.
3. **"The Intelligent Investor" by Benjamin Graham**
 - Focuses on investment principles and investor psychology.
4. **"Behavioral Finance: Psychology, Decision-Making, and Markets" by Lucy Ackert and Richard Deaves**
 - Covers how psychological influences affect investor decisions.
5. **"Personal Finance" by Jack Kapoor, Les Dlabay, and Robert J. Hughes**
 - Discusses various financial instruments available to individuals.
6. **"Investment Science" by David G. Luenberger**
 - Focus on quantitative analysis of investments.
7. **"Financial Markets and Institutions" by Frederic S. Mishkin and Stanley Eakins**
 - Explains the structure of financial markets and instruments.

Websites

1. **SEBI – Securities and Exchange Board of India**
 - Provides reports, surveys, and guidelines on Indian investor patterns and instruments.
2. **NSE India**
 - Access to market data, investor behavior reports, and research.
3. **BSE India**
 - Offers detailed data on investor trends and financial products.
4. **Reserve Bank of India (RBI)**
 - Includes publications and bulletins on savings patterns and financial inclusion.

5. **AMFI India**
 - Data and trends in mutual fund investments and investor behavior.
 6. **Moneycontrol**
 - Market trends, investor insights, and expert opinions on financial instruments.
 7. **Morningstar India**
 - Investment research and performance analysis across various asset classes.
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Journals

1. **Journal of Finance**
 - Covers research on financial instruments, investment strategies, and market behavior.
2. **Journal of Behavioral Finance**
 - Studies psychological factors influencing investment patterns.
3. **Indian Journal of Finance**
 - Research on Indian financial markets and investment patterns.
4. **Journal of Financial Economics**
 - High-quality research on investment theory and portfolio management.
5. **Asia-Pacific Financial Markets**
 - Includes studies relevant to Asian investor behavior and financial instruments.
6. **IIMB Management Review (Elsevier)**
 - Articles on financial decision-making in the Indian context.
7. **International Journal of Economics and Financial Issues**
 - Studies on investment behavior