RESEARCH ARTICLE OPEN ACCESS

A STUDY ON THE CHALLENGES OF SMALL INVESTMENT PRACTICES AMONG INDIVIDUAL INVESTORS IN WARDHA DISTRICT OF MAHARASHTRA

Saroj Dayashankar Jha, Dr. Sarita Sachin Udapurkar
Research Scholar, Department of Business and Management RTMNU, Nagpur
prof.sarojha@gmail.com
Research Guide, Department of Business and Management RTMNU, Nagpur
sarita16681@gmail.com

--************************----------------------------------

Abstract:

Abstract: Investment plays a vital role in the economic development of individuals and the nation. Small investment practices have become increasingly important among individual investors, particularly in semi-urban and rural areas such as Wardha District of Maharashtra. This study aims to examine the challenges faced by individual investors in small investment practices. The research adopts a descriptive research design and is based on primary data collected through a structured questionnaire from 165 respondents using convenience sampling. A five-point Likert scale was used to measure the perceptions of investors regarding various challenges. Statistical tools such as percentage analysis, mean, standard deviation, multiple response analysis, and One-Sample t-test were applied using SPSS software.

The findings reveal that factors such as lack of financial knowledge, complexity of investment products, fear of losing money, unreliable information, market fluctuations, and lack of trust in financial institutions significantly affect investors. However, factors such as limited surplus income and long lock-in periods were not considered major challenges. The study concludes that individual investors in Wardha District face moderate to significant challenges in small investment practices. The results highlight the need for improved financial literacy programs and better access to reliable investment information to encourage effective small investment participation.

Keywords — Small Investment Practices, Individual Investors, Investment Challenges, Financial Literacy, Wardha District.

--************************----------------------------------

I. INTRODUCTION

Investment is a crucial financial activity that helps individuals achieve long-term financial security and wealth creation. In recent years, small investment practices have gained importance among individual investors due to increasing awareness about savings, financial planning, and future security. Small investments typically include options such as bank deposits, mutual funds, shares, post office schemes, insurance, gold, and chit funds. These investment avenues are particularly popular among middle-income and small-income groups who prefer investing small amounts regularly.

India has witnessed significant growth in financial markets and investment opportunities. However, despite the availability of various investment options, many individual investors face challenges in making effective investment decisions. These challenges may arise due to lack of financial knowledge, fear of risk, complexity of financial products, limited access to professional advice, and fluctuating market conditions. Understanding these challenges is important for promoting financial inclusion and improving investment participation.

Wardha District of Maharashtra is primarily semi-urban and rural in nature, where investment awareness and financial literacy levels may vary.

Individual investors in such regions may encounter specific difficulties related to information access, trust in financial institutions, and market volatility. Studying these challenges helps in identifying gaps and suggesting measures to improve investment behavior.
Small investment practices are essential not only for personal financial stability but also for economic growth. When individuals invest their savings productively, it contributes to capital formation and overall economic development. Therefore, analyzing the obstacles faced by investors becomes important for policymakers, financial institutions, and researchers.
This study focuses on examining the challenges faced by individual investors in small investment practices in Wardha District. By identifying significant factors affecting investment behavior, the research provides insights into improving financial awareness and decision-making among investors.

II. Review of Literature:

The review of literature shows that several researchers have contributed to understanding investment behavior and decision-making. Harry Markowitz (1952) introduced Portfolio Theory, emphasizing that diversification helps in reducing investment risk. Later, William F. Sharpe (1964) developed the Capital Asset Pricing Model (CAPM), which explains the relationship between risk and return. Daniel Kahneman and Amos Tversky (1979) proposed Prospect Theory, highlighting how investors perceive risk and often fear losses more than gains. Further, Brad M. Barber and Terrance Odean (2001) found that lack of financial knowledge significantly affects investment decisions. Annamaria Lusardi (2008) emphasized the importance of financial literacy for effective investment planning. In the Indian context, Rao (2010) observed that Indian investors generally prefer safe investment options. Gupta (2012) found that risk perception plays a key role in small investment behavior. Sharma (2014) reported that rural investors face significant information gaps. Kumar (2016) stated that trust in financial institutions influences investment participation. Finally, Patil (2019) highlighted the need for financial education programs, especially in semi-urban areas.

III. Statement of the Problem:

Small investment practices are essential for encouraging savings, financial security, and long-term wealth creation among individual investors. However, many investors face several difficulties while making small investment decisions. These challenges include lack of financial knowledge, fear of losing money, market fluctuations, complexity of investment products, and lack of trust in financial institutions. Such factors may discourage individuals from actively participating in various investment avenues.
In Wardha District of Maharashtra, a significant number of investors are young and have limited investment experience. Although multiple investment options such as mutual funds, shares, gold, and bank deposits are available, investors often prefer traditional and safer alternatives. This indicates the presence of psychological and informational barriers that affect investment behavior.
Therefore, there is a need to examine and analyze the challenges faced by individual investors in small investment practices in Wardha District to understand the key factors influencing their investment decisions.

IV. Objectives of the Study:

a. To study the small investment practices of individual investors in Wardha District.
b. To identify the challenges faced by individual investors in small investments.
c. To suggest measures to overcome the challenges in small investment practices.

V. Hypothesis of the Study:

Null Hypothesis (H_0): Individual investors do not face significant challenges in small investment practices.
Alternative Hypothesis (H_1): Individual investors face significant challenges in small investment practices.

VI. Research Methodology:

The study follows a descriptive research design to examine the challenges faced by individual investors in small investment practices. The research was conducted in Wardha District of Maharashtra. Both primary and secondary data were used for the study. Primary data were collected through a structured questionnaire, while secondary data were gathered from books, journals, research articles, government reports, and websites.

The population consists of individual investors in Wardha District, and convenience sampling was used to select 165 respondents. The questionnaire included demographic details and statements related to investment challenges measured on a 5-point Likert scale. The collected data were analyzed using SPSS software with statistical tools such as Percentage Analysis, Mean, Standard Deviation, One-Sample t-test, and Multiple Response Analysis.

VII. Data Analysis and Interpretation:

Table No. 01: Demographic Profile of Respondents (N = 165)

Variable	Category	Frequency	Percent (%)	Cumulative (%)
Gender	Male	75	45.5	45.5
	Female	90	54.5	100.0
Age Group	Below 25	99	60.0	60.0
	25–35	45	27.3	87.3
	36–45	13	7.9	95.2
	Above 45	8	4.8	100.0
Occupation	Salaried	73	44.2	44.2
	Business	40	24.2	68.5
	Professional	17	10.3	78.8
	Student	35	21.2	100.0
Educational Qualification	Up to HSC	28	17.0	17.0
	Graduate	77	46.7	63.6
	Post-Graduate	39	23.6	87.3
	Professional	21	12.7	100.0
Monthly Income	Below Rs.10,000	46	27.9	27.9
	Rs.10,001–20,000	43	26.1	53.9
	Rs.20,001–30,000	34	20.6	74.5
	Above Rs.30,000	42	25.5	100.0
Investment Experience	Less than 2 years	89	53.9	53.9
	2–5 years	49	29.7	83.6
	5–10 years	17	10.3	93.9
	Above 10 years	10	6.1	100.0

Source: compiled from primary data

Interpretation

- **Gender:** Female respondents (54.5%) are slightly higher than male respondents (45.5%), indicating active participation of women in small investments.
- **Age Group:** Majority of respondents (60%) are below 25 years, showing that young investors dominate the study.
- **Occupation:** Salaried employees (44.2%) form the largest group, suggesting that individuals with regular income are more involved in investments.
- **Educational Qualification:** Most respondents are graduates (46.7%), indicating that educated individuals are more likely to participate in investment activities.
- **Monthly Income:** The largest group (27.9%) earns below Rs.10,000, but income distribution is fairly balanced across categories.
- **Investment Experience:** More than half (53.9%) have less than 2 years of experience, showing that most respondents are beginner investors.

The majority of respondents are young, educated, salaried individuals with limited investment experience, which may influence their investment behavior and challenges.

Table No. 02: Types of Small Investments Preferred by Respondents

Sr. No.	Type of Small Investments do you prefer[a]	Number of Responses (N)	Percent (%)	Percentage of Cases (%)
1	Gold & Silver	141	35.3	85.5
2	Mutual Funds	83	20.8	50.3
3	Shares	57	17.2	34.5
4	Bank Deposits	55	13.8	33.3
5	Insurance	25	6.3	15.2
6	Post Office Schemes	21	5.3	12.7
7	Chit Funds	18	4.5	10.9
	Total Responses	400	100	242.4
a. Dichotomy group tabulated at value 1.				

Source: compiled from primary data

Interpretation: The above table shows that Gold & Silver (85.5%) is the most preferred small investment option among respondents. It is followed by Mutual Funds (50.3%), Shares (34.5%), and Bank Deposits (33.3%). Insurance (15.2%), Post Office Schemes (12.7%), and Chit Funds (10.9%) are the least preferred investment options.

Table No. 03: One-Sample t-test Results on Challenges in Small Investment Practices.

Sr. No.	Challenge Statement	Mean	t-value	Sig. (2-tailed)	Decision
1	I have limited surplus income to invest regularly	2.72	-3.079	.002	Not a significant challenge
2	Lack of financial knowledge makes small investment decisions difficult	3.56	6.749	.000	Significant challenge
3	Investment products are too complex to understand	3.27	2.954	.004	Significant challenge
4	Fear of losing money discourages me from investing	3.67	6.781	.000	Significant challenge
5	I do not receive reliable information about investment options	3.39	4.010	.000	Significant challenge
6	Low returns reduce my interest in small investments	3.00	.000	1.000	Not significant
7	Market fluctuations discourage me from investing small amounts	3.25	2.484	.014	Significant challenge
8	Limited access to professional financial advice is a challenge for me	3.07	.770	.442	Not significant
9	Long lock-in periods discourage me from	2.69	-3.260	.001	Not a significant challenge

	making small investments				
10	I lack trust in financial institutions or investment agents	3.48	4.954	.000	Significant challenge

Source: compiled from primary data

Interpretation: The One-Sample t-test results reveal that lack of financial knowledge, complexity of investment products, fear of losing money, unreliable information, market fluctuations, and lack of trust are significant challenges faced by individual investors ($p < 0.05$).

Therefore, the null hypothesis is rejected, and it is concluded that individual investors face significant challenges in small investment practices.

VIII. Limitations of the Study

- The study is limited to Wardha District only.
- Sample size is limited to 165 respondents.
- Responses are based on personal opinion of investors.

IX. Suggestions:

- Organize regular workshops and training programs to improve investors' financial knowledge.
- Financial institutions should provide clear and easy-to-understand details about investment products.
- Conduct awareness drives in colleges and communities to educate young investors.
- Ensure transparency, proper regulation, and ethical practices to increase investor confidence.
- Make professional financial guidance affordable and easily available, especially for beginners.
- Encourage investors to balance traditional assets like gold with market-based investment options.

X. Conclusion:

The present study examined the challenges faced by individual investors in small investment practices in Wardha District of Maharashtra. The results of the One-Sample t-test clearly indicate that financial knowledge, fear of loss, complexity of investment products, unreliable information, market fluctuations, and lack of trust significantly influence small investment decisions. These psychological and informational barriers discourage investors from actively participating in financial markets.

The preference analysis shows that most investors prefer Gold & Silver over market-linked investment options such as mutual funds and shares. This indicates a risk-averse attitude and a strong preference for safe and traditional investment avenues. The demographic analysis reveals that the majority of respondents are young investors with limited investment experience, which may further explain the presence of fear and lack of knowledge.

Overall, the study concludes that individual investors do face significant challenges in small investment practices. Therefore, there is a strong need for financial literacy programs, awareness campaigns, and improved access to reliable financial advice. Enhancing investor education and building trust in financial institutions can encourage greater participation in diversified and productive investment avenues.

XI. References:

1] Barber, Brad M., & Odean, Terrance. (2001). Boys will be boys: Gender, overconfidence, and common stock investment. *The Quarterly Journal of Economics, 116*(1), 261–292.

2] Cochran, William G.. (1977). *Sampling techniques* (3rd ed.). John Wiley & Sons.

3] Creswell, John W.. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches* (4th ed.). SAGE Publications.

4] Gupta. (2012). Risk perception and investment behavior among small investors. *International Journal of Research in Commerce and Management, 3*(5), 45–49.

5] Hair, Joseph F., Black, William C., Babin, Barry J., & Anderson, Rolph E.. (2019). *Multivariate data analysis* (8th ed.). Cengage Learning.

6] Kahneman, Daniel, & Tversky, Amos. (1979). Prospect theory: An analysis of decision under risk. *Econometrica, 47*(2), 263–291.
7] Kothari, C. R.. (2004). *Research methodology: Methods and techniques* (2nd ed.). New Age International Publishers.
8] Kumar. (2016). Trust in financial institutions and investment participation. *International Journal of Management Studies, 6*(3), 78–84.
9] Lusardi, Annamaria. (2008). Financial literacy: An essential tool for informed consumer choice? *National Bureau of Economic Research Working Paper No. 14084*.
10] Markowitz, Harry. (1952). Portfolio selection. *The Journal of Finance, 7*(1), 77–91.
11] Patil. (2019). Financial education and investment awareness in semi-urban regions. *Journal of Commerce and Accounting Research, 8*(1), 33–39.
12] Rao. (2010). Investment behavior of Indian investors. *Indian Journal of Finance, 4*(6), 15–22.
13] Saunders, Mark, Lewis, Philip, & Thornhill, Adrian. (2019). *Research methods for business students* (8th ed.). Pearson Education.

Sharma. (2014). Information gap and investment decisions in rural areas. *Indian Journal of Applied Research, 4*(2), 112–11

