

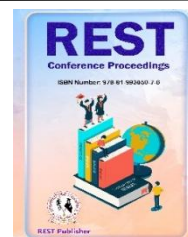


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A Study on Increasing Participation of Retail Investors in the Stock Market in Amravati City

Isha Popli, S. A. Chourasia

SIPNA C.O.E.T., Amravati, Maharashtra, India.

Abstract: Retail investors are increasingly becoming significant contributors to the Indian stock market's depth and liquidity. However, cities like Amravati still lag behind in active retail participation compared to metros. This study explores the behavioural, demographic, psychological, and technological factors influencing retail investor participation in Amravati City. By employing a descriptive and quantitative research design, data was collected from 100 respondents using stratified random sampling. Tools such as SPSS, chi-square tests, and correlation analyses were used for interpretation. The study finds that while platforms like Sargodha and Grow have increased accessibility, core challenges such as low financial literacy, risk aversion, and trust deficits persist. Only 38% of respondents demonstrated basic financial understanding, while 60% preferred traditional instruments like FDs over equity. Peer influence, lack of formal advisory, and intimidation by technology further hinder participation. A significant gender gap also exists, with women participating far less due to lower exposure and risk perception. Hypothesis testing confirms a strong link between financial literacy and stock market participation. The paper concludes that while digital platforms have lowered barriers, structured financial education, localized support, and targeted awareness campaigns are essential to deepen engagement. The study recommends practical steps including integrating financial literacy into educational curricula, developing simplified user interfaces in local languages, hosting community-level workshops, and designing gender-specific financial inclusion programs. Such interventions can empower Amravati's residents to participate more actively in wealth-building through the capital markets.

Keywords: Retail Investors, Stock Market, Participation Barriers, Financial Literacy, Amravati, Investor Behavior, Risk Appetite, Digital Platforms

1. INTRODUCTION

India's capital markets have undergone significant transformation in the past decade, marked by growing digitization, regulatory reforms, and heightened public interest in financial investments. Among the diverse segments of market participants, retail investors—individuals who invest their own capital—play a pivotal role in enhancing the liquidity, vibrancy, and democratization of wealth through equity markets. As stock markets become increasingly accessible through mobile apps and online trading platforms, there has been a noticeable uptick in retail participation, especially in metropolitan and urban centers. However, this upward trend in retail investment remains uneven across the country. While metros like Mumbai, Delhi, and Bangalore report robust investor engagement, smaller cities and tier-2 towns, such as Amravati in Maharashtra, exhibit significantly lower levels of participation. Amravati, despite being an educational and commercial hub in Vidarbha, has not witnessed a corresponding surge in retail investor activity. This discrepancy underscores the need for localized studies that explore the social, economic, and behavioural dynamics influencing investor behaviour in smaller urban centers. Retail investors contribute not only to market liquidity but also to economic inclusivity. Their widespread participation ensures broader wealth distribution and promotes financial inclusion. Nevertheless, these benefits are hampered by persistent challenges—ranging from low financial literacy and limited access to credible information, to technological apprehensions and systemic mistrust. Retail investors in cities like Amravati often rely on informal sources such as friends or social media, rather than professional financial advice, thereby increasing their exposure to misinformation and suboptimal decisions. The emergence of user-friendly trading platforms like Sargodha, Grow, and Upton has removed several traditional barriers to entry, enabling even novice investors to access equity markets with ease. Yet, convenience

alone has not translated into confidence. Many potential investors remain on the sidelines, hindered by fear of loss, lack of foundational knowledge, or negative experiences. There is also a distinct digital divide wherein certain demographics—particularly older individuals and women—find these technologies difficult to navigate, further exacerbating the participation gap. In addition to individual-level deterrents, systemic and infrastructural issues also contribute to this stagnation. Financial education remains peripheral in mainstream academic curricula. Local institutions rarely offer targeted programs to cultivate investment literacy. Furthermore, brokerage firms, though digitally advanced, often lack region-specific support mechanisms that could aid first-time investors in smaller cities. Understanding these barriers requires a multi-dimensional approach that incorporates psychological, technological, demographic, and socio-economic perspectives. It also calls for empirical inquiry into the motivations and constraints of current and potential investors. By studying these aspects in the context of Amravati, this research aims to fill a critical knowledge gap. Such localized insights are vital for designing policy interventions and educational programs tailored to the unique needs of tier-2 city residents. The objective of this study, therefore, is not merely to assess current levels of retail investor participation in Amravati but to identify and analyze the key drivers and inhibitors influencing this behaviour. Through structured surveys and statistical tools, the research explores how factors like financial literacy, trust in market intermediaries, digital competence, income levels, and risk appetite shape investment decisions. The study also seeks to develop actionable recommendations for increasing participation, enhancing investor confidence, and ultimately promoting a more inclusive financial ecosystem. In summary, the significance of retail investors in the capital market ecosystem cannot be overstated. However, realizing their full potential requires targeted initiatives that address both perceptual and practical barriers to participation. By focusing on Amravati—a representative tier-2 city—this study contributes to the broader discourse on inclusive financial development and highlights the urgent need for systemic reform and grassroots engagement.

2. REVIEW OF LITERATURE

Lusardi and Mitchell (2011) emphasized that financial literacy is vital for making informed investment decisions. The SEBI (2020) report notes that new investors in tier-2 cities often rely more on peers than on professional advice. Technology, while enabling access, can intimidate less tech-savvy individuals (RBI, 2021). Behavioural biases, such as herd mentality and risk aversion, further complicate participation (Stamen, 2000). The literature consistently points to a combination of psychological, technological, and educational barriers to retail investment in non-metro cities. Addressing these can significantly improve participation and market outcomes.

Objectives of the study

The study has been undertaken with the following objectives:

- 1) To measure the current level of stock market participation among retail investors in Amravati.
- 2) To explore the impact of awareness, trust, technology, income, and risk behaviour on investment decisions.
- 3) To propose actionable strategies to enhance retail participation.

3. RESEARCH METHODOLOGY

Research Design: Descriptive and quantitative

Sample Size: 100 respondents

Sampling Technique: Stratified random sampling based on age and occupation

Data Sources:

- Primary: Structured questionnaires (closed and open-ended)
- Secondary: Reports from SEBI, RBI, journals, and market surveys

Tools Used: SPSS, Chi-square tests, correlation analysis, and descriptive statistics

4. DATA ANALYSIS & INTERPRETATION

Demographic Distribution:

- Age: 40% between 25-35 years
- Gender: 65% Male, 35% Female
- Occupation: 50% Private sector, 20% Students, 15% Business owners, 15% Government employees

- Investment Experience: 45% new (<2 years), 35% mid-level, 20% experienced

Key findings

- Financial Literacy: Only 38% answered basic questions correctly
- Risk Appetite: 60% preferred FDs over equity
- Trust Issues: 48% distrusted brokers or online platforms
- Technology Use: 55% used apps but lacked confidence
- Information Sources: 45% relied on friends/social media

Hypothesis testing

H0: No significant relationship between financial literacy and stock market participation

H1: Significant relationship exists

Chi-Square Result: $16.82 > 3.841$ (critical value) → Reject H0

Interpretation: Financial literacy strongly correlates with participation.

Findings

- Lack of structured financial education is the biggest barrier
- Peer influence often drives investment decisions
- Fear of capital loss discourages participation
- Digital divide hinders effective app usage
- Gender gap persists with lower female participation

5. CONCLUSION

Retail investor engagement in Amravati is improving, but key barriers remain. Financial literacy, fear, and technology access are the main challenges. While digital tools have democratized market entry, they must be coupled with educational and support frameworks. A holistic, localized approach is required to unlock the city's investment potential.

Recommendations

- **Local Campaigns:** Conduct investor workshops and seminars
- **Simplify Interfaces:** Ensure app UIs are user-friendly and multilingual
- **Education Integration:** Embed financial literacy in school/college curricula
- **Advisory Support:** Establish local help lines and guidance centres
- **Women-Centric Programs:** Promote tailored initiatives for female investors

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