



A Comparative Study of Investors Preference Towards Banking and Stock Market

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Article Info

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126-133**Corresponding Author:**
Aditya Amage***Abstract:***

Investment is crucial in economic development and individual financial growth. Every investor looks to get the maximum return with least risk. This research paper compares investment preferences of people between banking instruments and the stock market, discussing factors affecting investment decisions such as income, age, education, occupation, risk tolerance, and awareness. Investment is one of the most crucial components of financial planning and economic development. Every individual, organization, or institution seeks to allocate their financial resources in a way that ensures safety, stability, and returns. Among the various avenues available for investment, banking instruments such as fixed deposits, recurring deposits, and savings accounts, and stock market instruments such as equity shares, mutual funds, and bonds, have remained the most popular choices among investors. This research paper titled "A Comparative Study of Investors' Preference Towards Banking and Stock Market" aims to analyse, compare, and interpret the preferences, perceptions, and behaviours of investors when choosing between the traditional banking sector and the dynamic stock market as their investment options. The study recognizes that investment decisions are not made in isolation but are influenced by multiple factors such as income level, risk appetite, age, occupation, education, awareness level, financial goals, and market conditions. Traditionally, banks have been considered safe and secure for savings and investments due to guaranteed returns and low risk. On the other hand, the stock market offers higher returns but involves higher risks, volatility, and uncertainty. Hence, understanding the psychological, economic, and social determinants behind investors' choices becomes essential for financial planners, policymakers, and institutions to design products that match investor expectations.

Keywords: Investors Preference.

1. Introduction

Investment is the deployment of money into various assets, with expectations of returns in the future. Investment decisions depend on an individual's financial goals, risk-taking ability, and knowledge about available investment options.

In general, there are two major fields where investors invest:

1. Banking Sector: Savings account, fixed deposit (FD), recurring deposit (RD), and other bank-related financial products are included. These are considered safe because the return they provide is assured with very low risk.

2. Stock Market – This is the purchasing and selling of shares in companies. The stock market is dynamic, with a possibility of high returns; however, it also has higher risks since its prices continue to fluctuate.

Most investors in India have conventionally opted for banking investments due to the security they guarantee. However, with financial reforms, growing digital access, and improved financial literacy, many people now explore options like the stock market, which can yield better returns.

The present study aims at comparing and analyzing how and why investors choose between these two forms of investment.

Problem Statement

Investment decisions play a crucial role in shaping an individual's financial stability and economic growth. With so many available options for investment, such as banking instruments like fixed deposits, savings accounts, recurring deposits, and stock markets offering shares and mutual funds, investors get confused about which avenue to choose for their money.

The majority of people in India still prefer investment in banks due to the fact that these investments are secure and returns are guaranteed, whereas for people who can withstand a little risk, the stock market provides better returns along with wealth creation opportunities. But due to lack of awareness, fear of loss, and limited financial knowledge, many investors are reluctant to invest in the stock market.

Therefore, it will be of utmost importance to understand and evaluate the preference of investors for either banking or stock market investments. This study will establish why investors prefer one to the other, and which variables influence their preference, such as age, income, education, or risk tolerance, among others, and how their perception of risk and return affects their choice.

Objectives of the Research

The main purpose of the study is to understand and establish how investors make their choice between investments in banking and the stock market. The objectives of the study are:

1. To study the investment preferences of investors towards banking and stock market options.
2. To find out the factors that influence investors' decisions, such as age, income, education, occupation, and risk-taking ability.
3. To compare the level of risk and return in banking investments and stock market investments.
4. The awareness and knowledge of investors regarding both investment avenues.
5. To analyze the level of satisfaction of investors concerning the safety, liquidity, and profitability of their investments.

6. To recommend appropriate measures to enhance investors' awareness and to assist them in making better financial choices.

Hypothesis of the Study

A hypothesis is an assumption or a statement of the researcher that can be tested through data collection and analysis. It helps in finding out whether there is any relationship between different factors affecting the investors' choices.

Main Hypotheses:

1. H_0 → Null Hypothesis: There is no significant difference in the investors' preference between banking and stock market investments.
2. H_1 (Alternative Hypothesis): There is a big difference in investors' preference between banking and stock market investments.

Supporting Hypotheses:

1. An investor's age and his investment preference are related.
2. There is relation between investor's income level and his risk-taking aptitude.
3. There is a relationship between the investor's education level and their awareness of investment options.

Significance of the Study

The importance of this study is that it will establish how and why investors make a choice between investing in banking and the stock market. This would definitely provide useful insights into their behavior, attitudes, and awareness regarding investment options.

Key Points of Significance:

1. Understanding Investor Behavior:

It helps to know how investors make their decisions based on safety, return, and risk.

2. Useful for Financial Institutions:

This information can be used by banks, brokerage firms, and other financial advisors in developing better investment plans and services for different types of investors.

3. Assists Policymakers:

The findings can help the government and financial authorities like RBI and SEBI to create policies that encourage balanced and safe investment practices.

4. Encourages financial awareness:

The study spreads awareness among people regarding the benefits and risks of banking and stock market investments.

5. Academic Value:

This research provides an addition to already existing knowledge in investment behavior and can be useful in future studies on finance and economics.

2. Review of Literature

A literature review involves studying and summarizing earlier research, articles, books, and reports related to your topic. It helps the understanding of what other researchers have already found about the behaviors and preferences of investors.

Brief Review:

1. Past Studies on Investor Behavior:

Many researchers studied investors' decision-making behavior. The majority of the studies reported that safety, liquidity, and return are the major factors for investment decisions.

2. Banking Preferences:

Studies indicate that people who have a low-risk tolerance and want to receive fixed returns usually invest their money in banks through fixed deposits, recurring deposits, or savings accounts. Most elderly and middle-aged investors use this avenue for financial security.

3. Stock Market Preferences:

Studies show that young, educated investors are more likely to invest in the stock market due to a desire for higher returns and a greater risk tolerance. Their financial understanding, technological advancements, and awareness of markets are factors driving such decisions.

4. Factors Influencing Investment Decisions:

Empirical evidence has shown that age, income, occupation, education level, and risk tolerance are the most robust drivers of investor choices between banking and stock market alternatives.

5. Comparative Findings:

Previous studies indicate that, while investments in banking are favored for their safety and stability, the stock market appeals to investors desiring growth and the creation of long-term wealth.

6. Research Gaps:

Though various studies exist, not many have directly compared the two kinds of investments in a particular region or among the same group of investors. This study sets out to fill this gap.

3. Proposed Methodology

Methodology is an explanation of how the research will be carried out: how data will be collected, analyzed, and interpreted in order to meet the objectives of the study.

1. Type of Research:

The nature of this study is descriptive and comparative. It describes the behavior, preferences, and attitudes of investors and compares their choices between banking and stock market investments.

2. Data Sources:

- Primary Data: Collected directly from the investors through questionnaires, interviews, or surveys. The questions will include details like age, income, education, preferred investment, reasons for choice, and risk-taking ability.
- Secondary Data: Collected from books, journals, newspapers, research articles, and official websites like RBI, SEBI, NSE, and BSE.

3. Sample Design:

- Sampling Method: Random Sampling
- Sample Size: Approximately 50 to 100 investors with diverse age brackets and professions from a chosen area (for example, your city or district).
- Respondents: Individual investors who have invested in banking instruments or the stock market.

4. Data Collection Method:

A structured questionnaire will be utilized to gather the responses; both closed and open-ended questions will be used in the questionnaire to understand investors' opinions.

5. Tools for Analysis:

Data analysis will be done using:

- Percentage method
- Bar charts and pie charts
- Comparative tables to represent the difference in preference between banking and stock market

6. Duration of Study:

The study is going to take a duration of 1-2 months, depending on the availability of respondents and the time taken for data collection.

As I walked through, one thing stood out above all else: a section in the exhibition hall that I'd seen in pictures.

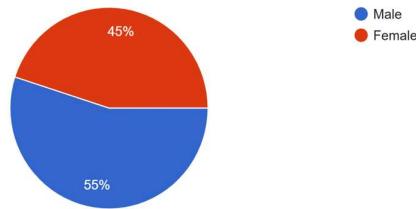
7. Limitations of the Methodology:

- The study has a very limited sample size.

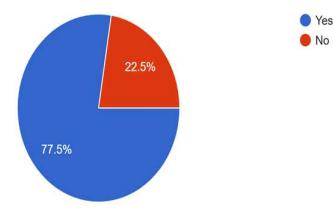
- Results may vary in different regions or with time.
- Although the number of samples is sufficiently representative, some respondents might not be willing to disclose their actual financial information.

4. Result and Discussion:

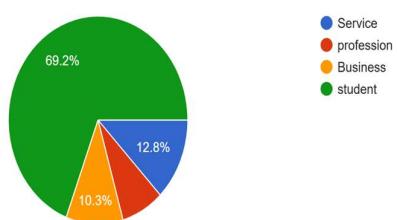
Q.3 Gender
40 responses



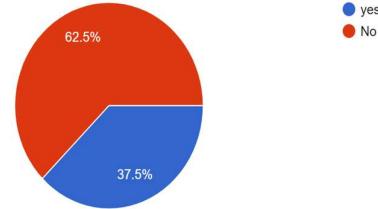
Q.7 Do you known about market?
40 responses



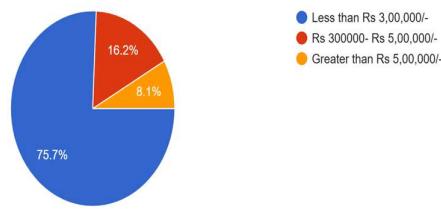
Q.4. Occupation:
39 responses



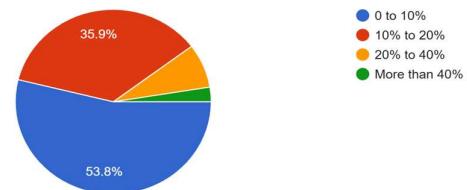
Q.8. Do you invest in share market?
40 responses



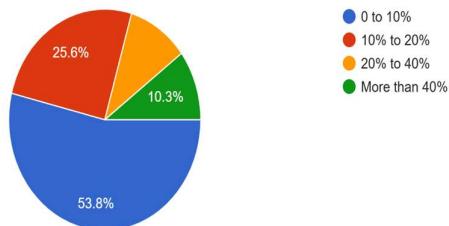
Q.5. Income:(per annum)
37 responses



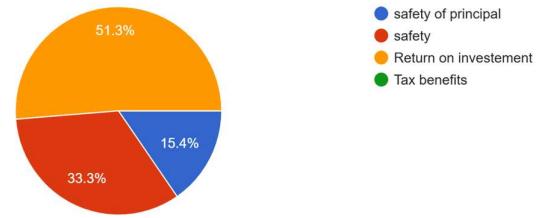
Q.9. What percentage of your annual income do you invest in share market?
39 responses



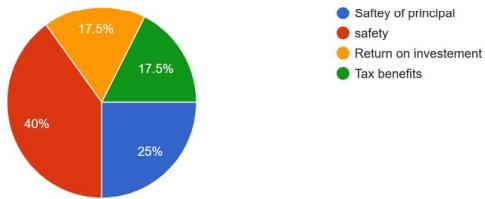
Q.10. what percentage of your annual income do you invest in bank?
39 responses



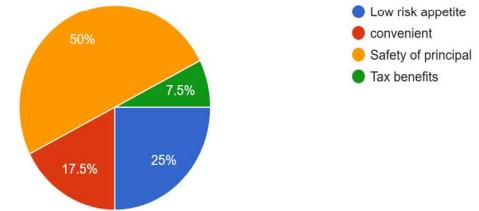
Q.11. While investing in share market you are mostly concerned about?
39 responses



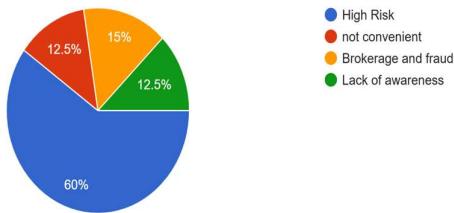
Q.12. While investing in bank you are mostly concerned about?
40 responses



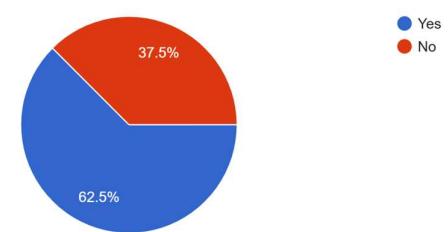
Q.13. Why do you prefer bank for your investment
40 responses



Q.14. Why you do not prefer share market for your investment
40 responses



Q.15. Did you know the procedure how to investment in stock market?
40 responses



5. Conclusion

The study concludes that the investment preference for either banking or stock markets depends largely on factors such as age, income, education, occupation, and risk-taking ability.

Most investors still prefer banking investments in the form of fixed deposits and savings accounts because they are safe, stable, and assured of return. These options are especially popular among middle-aged and older investors who are risk-averse.

On the contrary, the stock market attracts young and educated investors who are willing to take risks for higher returns; they are more financially enlightened and therefore use technology to invest and monitor market trends.

The study also highlights that a lack of awareness and fear of losses are two significant factors that keep people away from investment in stock markets. Therefore, an increase in the number of financial education and awareness programs will support investors in making informed decisions.

Both are important in their own ways: banks provide safety and liquidity, while the stock market has opened avenues for growth and wealth creation. Balanced investments between both sectors would facilitate investors in achieving better financial stability and returns.

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