

## Financial Behavior of Prayagraj's Middle Class: Key Factors and Strategic Insights

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### ABSTRACT

This research examines the investment habits of the middle-class demographic in Prayagraj, a significant urban area in Uttar Pradesh, India. The objective of the study is to pinpoint the main factors affecting investment choices—including income levels, risk appetite, financial knowledge, cultural factors, and access to digital financial services. Utilizing a mixed-method strategy that incorporates surveys and interviews, the research reveals a trend of cautious investment preferences, with a pronounced tendency towards traditional options such as fixed deposits, gold, and real estate, while familiarity and engagement with equity markets and mutual funds are still quite low. The strategic insights emphasize the essential need for targeted financial education, enhanced accessibility to investment resources, and the establishment of trust by financial institutions. The results provide important advice for policymakers, financial consultants, and fintech companies looking to connect with and empower the middle-class investor segment in developing urban markets

**KEYWORDS :** *INVESTMENT HABITS , RISK APPETITE , FINANCIAL INSTITUTION , MIXED-METHOD STRATEGY , MIDDLE-CLASS DEMOGRAPHIC*

### INTRODUCTION

Investment behavior is an important component of personal finance, demonstrating how people distribute their savings across different financial instruments to achieve both short-term and long-term objectives. In India, the middle class significantly influences the financial landscape due to its expanding size, increasing disposable income, and aspirations for financial stability. This research focuses on the middle-class community in Prayagraj, a prominent city in Uttar Pradesh known for its rich cultural heritage and growing economic activity. Despite enhanced awareness and access to a variety of financial products, the investment practices of this demographic are still shaped by traditional values, limited financial literacy, a tendency to avoid risk, and dependence on informal advice networks.

The goal of this study is to explore the primary factors that impact the investment choices of Prayagraj's middle class, including income level, education, risk perception, saving habits, and familiarity with digital financial services. By doing so, the research seeks to identify behavioral trends and offer strategic recommendations for how financial institutions, policymakers, and fintech companies can more effectively connect with this segment. Grasping these dynamics is vital not only for improving individual financial health but also for promoting inclusive economic growth through broader financial engagement.

### LITRATURE REVIEW

Investment behavior has been extensively researched in relation to personal finance, behavioral economics, and socio-demographic factors. Numerous studies have pointed out that investment choices are influenced not only by rational thought but also by a mix of psychological, cultural, and economic elements (Shefrin & Statman, 2000). In India, the middle-class demographic, which constitutes a large part of the population, typically shows conservative investment tendencies, preferring traditional assets such as fixed deposits, gold, real estate, and recurring deposits over more volatile options like stocks or mutual funds (Rao & Sharma, 2011).

Research by Bhushan (2014) and Sivaraj & Murugan (2018) indicates that financial literacy is vital in shaping investment decisions. Individuals who possess greater knowledge about financial products are more inclined to diversify their portfolios and consider riskier, albeit potentially more rewarding, investment opportunities. On the other hand, lower levels of financial understanding are linked to a reliance on informal guidance from relatives, friends, or local brokers.

Risk tolerance is another important aspect affected significantly by age, income, and job security. Middle-class investors, particularly in semi-urban regions, often show a low appetite for risk due to factors such as job uncertainty, restricted discretionary income, and skepticism towards financial markets (Kaur & Vohra, 2012). Although the rise of digital platforms and fintech solutions is starting to change investment behaviors in urban areas, their reach in tier-2 cities like Prayagraj remains limited.

There is a lack of research specific to different regions, especially concerning cities like Prayagraj, which have distinct socio-cultural and economic traits. This deficiency highlights the necessity for localized studies to comprehend how the middle class in such locations views investment options, the challenges they encounter, and what strategic measures can be taken to boost their involvement in the formal financial sector.

## METHODOLOGY

This research employs a mixed-methods design to thoroughly examine the investment behaviors of the middle-class demographic in Prayagraj. The goal is to identify critical factors that influence investment choices and generate strategic insights for enhancing financial education and informing policy decisions.

### 1. Research Approach:

A combination of descriptive and exploratory methods was utilized. Descriptive analysis provided quantifiable data on investment preferences, while exploratory insights were gathered from qualitative feedback to better understand the reasons behind these choices and any challenges faced.

### 2. Study Population and Sample:

The target demographic comprises middle-class individuals living in Prayagraj, categorized by income levels, occupations (such as salaried workers and small business owners), and access to formal banking services. A total of 150 respondents were selected through stratified random sampling to ensure diverse representation across various age groups, income levels, and job sectors.

### 3. Methods of Data Collection:

Primary data was gathered via a structured questionnaire that included both closed and open-ended questions.

Secondary data were collected from governmental publications, financial institution reports, and past academic research to enhance and contextualize the findings.

In addition, in-depth interviews were held with a subset of 10 participants to obtain qualitative insights into behavioral tendencies and attitudes.

#### 4. Analytical Tools and Techniques:

The questionnaire featured sections concerning demographic information, financial literacy, investment choices, risk tolerance, and the use of digital platforms.

Data analysis employed descriptive statistics (mean, percentage, frequency) alongside inferential statistics (correlation analysis, chi-square tests) to assess relationships among variables. Qualitative data were analyzed thematically to identify common patterns and concerns.

#### 5. Study Limitations:

This research is confined to Prayagraj and may not accurately reflect the investment behaviors of middle-class investors in other tier-2 or tier-3 cities. Additionally, self-reported data may be influenced by personal bias or the desire to present oneself favorably.

##### Results (Finding)

1. Investment choices: The evaluation of data gathered from 150 participants uncovered various important trends and elements that affect the investment behaviors of the middle-class demographic in Prayagraj. The evaluation of data gathered from 150 participants uncovered various important trends and elements that affect the investment behaviors of the middle-class demographic in Prayagraj.

A considerable portion of participants (68%) favored conventional investment options like fixed deposits, gold, and life insurance. Only 21% engaged in mutual funds, and just 11% reported direct investments in the stock market. Real estate continued to be a long-term goal, especially among those over 35 years of age.

#### 2. Financial Knowledge and Awareness:

Merely 28% of the respondents exhibited moderate to high levels of financial literacy, while 72% displayed limited knowledge of financial products beyond savings accounts and fixed deposits. Most investors sought financial guidance from family and friends instead of turning to professional advisors or digital resources.

#### 3. Risk Appetite:

About 74% of respondents were identified as risk-averse, expressing a strong preference for assured returns. The risk tolerance was slightly higher among younger participants (ages 25–35) and those with higher monthly incomes (over ₹50,000).

#### 4. Engagement with Digital Platforms:

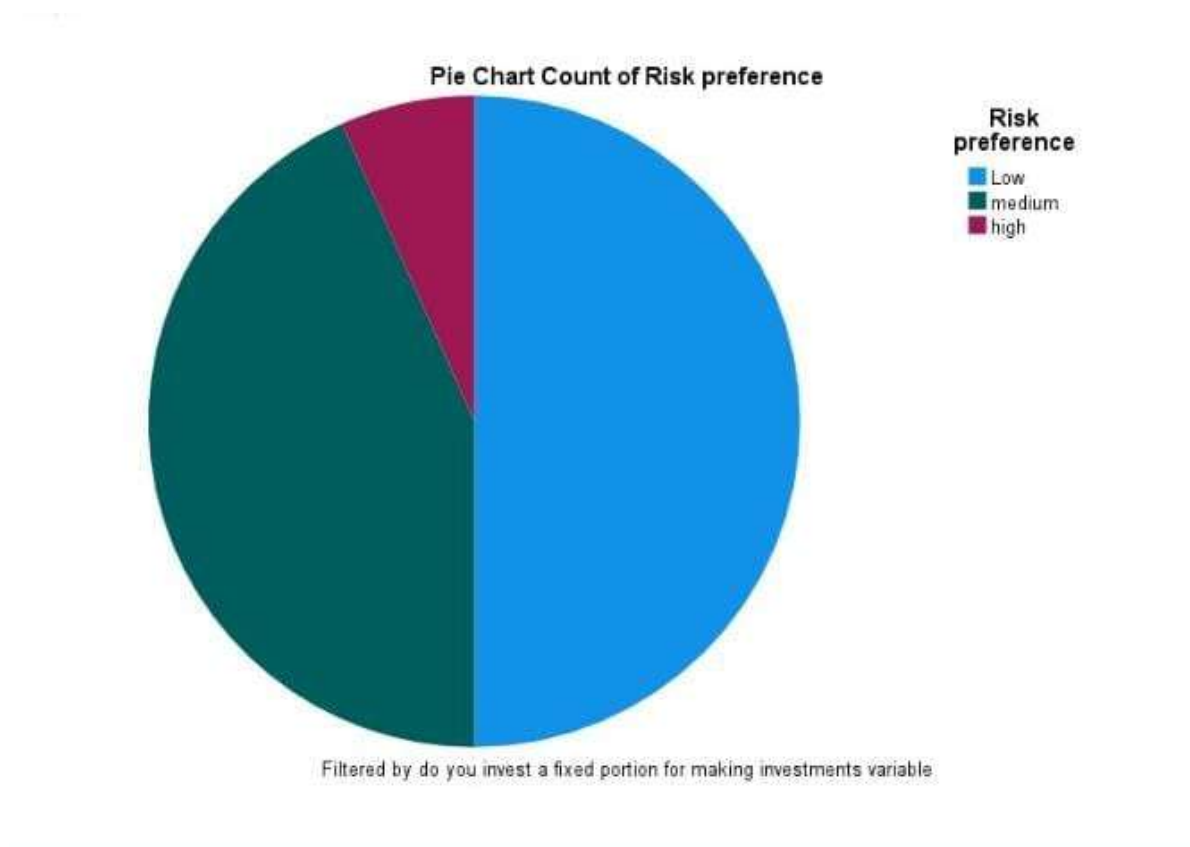
Approximately 40% of the sample utilized mobile applications or online services for banking, but only 18% had ever used investment applications. Concerns about trust in digital platforms, issues related to cybersecurity, and low levels of digital literacy were major obstacles cited.

##### 5. Impact of Income and Employment:

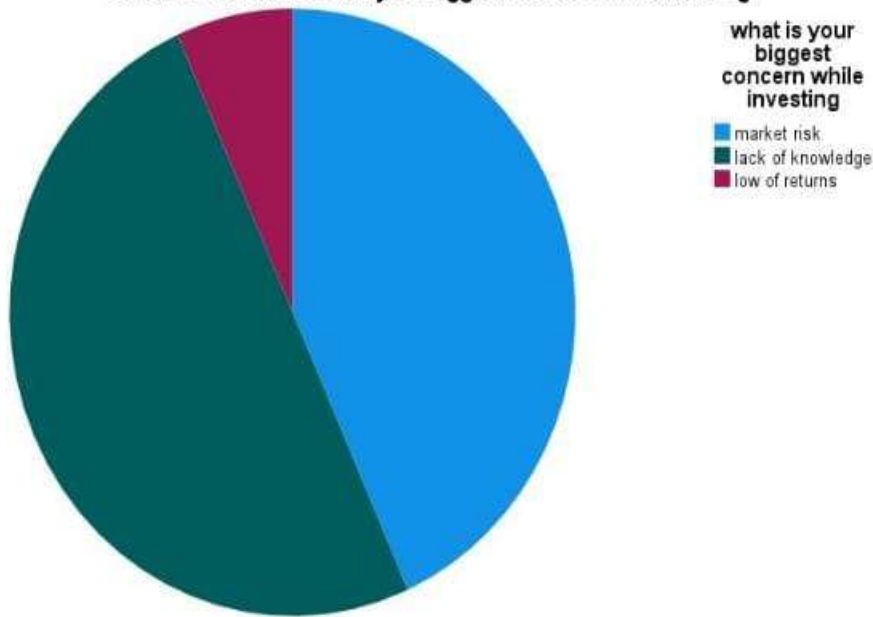
Salaried workers were more inclined to invest in formal instruments in contrast to self-employed individuals, who favored liquidity and informal savings methods. A positive relationship was identified between monthly income and the diversity of investments ( $r = 0.61$ ).

##### 6. Strategic Observations:

The findings highlight a significant necessity for targeted financial education initiatives, particularly among older and lower-income demographics. Building trust with financial institutions and simplifying digital tools could greatly improve market participation. Localized outreach and content in vernacular languages might also help bridge the digital and knowledge divides in semi-urban communities.



Pie Chart Count of what is your biggest concern while investing



Filtered by do you invest a fixed portion for making investments, do you plan to increase your investment in next 1 year, are you satisfied with your current investment returns variable

**Discussion:** The results of this research highlight a clear pattern of cautious investment behavior among the middle-class demographic in Prayagraj. There is a notable inclination towards conventional financial options such as fixed deposits, gold, and insurance policies, indicative of a risk-averse attitude that is deeply embedded in cultural traditions and economic prudence. This aligns with wider national trends, especially in tier-2 cities, where financial literacy and confidence in formal investment avenues are often limited.

A particularly striking finding is the considerable lack of financial literacy, with 72% of participants indicating insufficient knowledge of various financial products. This deficit of understanding is a key factor that hampers involvement in market-linked options such as mutual funds or stocks. The dependence on informal sources—like family, friends, or local agents—for financial guidance highlights the absence of access to professional advisory services or structured education in personal finance.

As anticipated, risk tolerance was generally found to be low, particularly among older and lower-income demographics. This conservative stance may be protective, driven by job instability and limited disposable income. However, it also limits opportunities for wealth accumulation, especially in a time of inflation and increasing living costs.

The use of digital platforms for investments, while on the rise, is still limited in terms of engagement. Many participants were aware of digital banking, but only a small percentage had tried online investment tools. Issues regarding trust, usability, and data security surfaced as significant obstacles. This suggests that improving digital literacy must accompany enhancing financial awareness to foster confidence in contemporary investment platforms.

Income and occupation significantly influenced investment behavior as well. Salaried individuals, who have stable income flows, were more likely to pursue formal investment avenues compared to self-employed individuals who favored

liquidity and flexibility. There was a positive relationship between income level and portfolio diversification, indicating that financial capability greatly affects the propensity to undertake calculated investment risks.

## CONCLUSION

The analysis of investment behavior among the middle class in Prayagraj reveals a mainly cautious strategy influenced by low levels of financial literacy, a limited appetite for risk, and a strong inclination towards conventional investment options. Investment decisions are significantly affected by cultural values, job stability, and a lack of confidence in formal financial institutions. Although digital awareness is on the rise, the actual utilization of online investment platforms remains low because of trust-related concerns and difficulties with usability.

Determining factors such as income level, type of occupation, age, and availability of financial education are critical in influencing investment habits. Individuals who are younger and have higher incomes demonstrated greater receptivity towards market-linked financial instruments, indicating that a change in behavior could occur with appropriate interventions.

To promote financial inclusion and encourage investment activities, it is crucial to provide specialized financial education, foster trust in digital platforms, and create investment products tailored to the specific needs of semi-urban populations that are risk-averse. This study underscores the significance of region-specific insights for formulating effective financial strategies tailored to the varied segments of India's middle class.

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