RESEARCH ARTICLE

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Behavioural Drivers and Investor Typologies in Investment Selection: Evidence from Retail Investors in Central India

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Abstract

The study explores the behavioural drivers that influence investment selection among retail investors in Central India, focusing on the interplay between psychological and financial factors. Based on responses from 508 participants, K-Means cluster analysis identified three distinct investor typologies—Aspirational Growth Seekers, Conservative High Earners, and Independent Risk Takers. Cross-tabulation and Chi-square tests confirmed significant associations between investor types, risk-taking behaviour, and investment objectives, with Cramer's V values indicating moderate to strong relationships. The findings reveal that investor behaviour often diverges from financial reality; individuals with lower income levels may pursue aggressive growth, while wealthier investors tend to prioritise capital safety. The study highlights the diverse nature of retail investor behaviour and reinforces the value of behavioural segmentation in understanding financial decision-making. The insights can help financial advisors and policymakers design more tailored investment strategies and promote informed, goal-aligned investment behaviour.

Keywords: Behavioural finance; Investor typology; Risk tolerance; Investment decision-making; Retail investors.

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Introduction

"Investing is crucial for future financial security. Poor decisions can lead to loss of hard-earned money. Therefore, you need investment knowledge and a judicious strategy. If you are unsure of how to plan your investments, consider enlisting a financial planner"

Source : Franklin Templeton India

People utilise investment as a strategy to allocate their funds with the goal of earning revenue. It is the method of generating profit from ideal laying resources by converting them into financial assets. Investment simply refers to people purchasing things for future use rather than present consumption, which is wealth creation. These assets are purchased in the hopes of generating income or profiting from their increasing value over time. Stocks, mutual funds, bonds, real estate, derivatives, jewellery, and art work are examples of investment assets. Each investment object primarily serves three goals: safety, revenue, and expansion. However, each investment tool differs in terms of risk or benefits, and investors select the one that best suits their needs. It contributes to the general development of the economy by leveraging people's savings for development and productive purposes. As per research conducted by Mahalakshmi & Anuradha (2018) the traditional finance, Humans acts rational and try to utilize best option available in the times of uncertainty. Well-organized market hypothesis states that markets are efficient, and prices reflect all the available information however this contradicts to the reality in which humans tend to behave irrational. Behavioural finance tries to find

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out the causes for such irrational behaviour among individuals. Its concentration is on the psychological features of why such irrational behaviour arises among individuals. It is assumed that psychological biases have an influence on investment decision making which leads to less returns. It is also found that lack of information and memory errors has an impact on irrational decision making. The biggest questions in the mind of many investors are How should he decide and Where should he Invest?

What are the different investment options available? This research will probably answer some of the questions as behavioural aspects will be covered.

Investment plays a pivotal role in both individual financial planning and the broader economic system. It not only enables individuals to accumulate wealth and achieve financial independence but also contributes significantly to economic growth through capital formation. The importance of investment can be viewed through several key dimensions.Investment serves as a reliable and sustainable source of regular income. One of the primary objectives of investors is to earn consistent returns in the form of interest, dividends, or periodic yields. Individuals often seek investment opportunities that offer higher returns while maintaining an acceptable level of risk. This regular flow of income provides financial stability and supports consumption needs.Another fundamental role of investment is the creation and accumulation of wealth. Through prudent investment decisions, individuals can enhance the value of their financial assets over time. By purchasing assets that appreciate in value or generate compounded returns, investors are able to achieve long-term capital growth. Wealth creation thus acts as a foundation for future financial security and prosperity.Investments also provide significant tax advantages, serving as a strategic tool for tax planning. Under Section 80C of the Income Tax Act, individuals in India can claim deductions of up to ₹1,50,000 on eligible investments. This encourages individuals to channel their savings into productive investment avenues such as provident funds, life insurance, or equity-linked savings schemes, thereby fostering both personal and national financial health.Investment activities are closely linked with the process of economic development. They facilitate the mobilisation of idle savings and their conversion into productive capital, which supports industrial expansion and job creation. By connecting surplus units (savers) with deficit units (borrowers), investment drives capital formation and contributes to the efficient allocation of resources. Consequently, investment not only benefits individuals but also strengthens the national economy. Finally, investment enables individuals to achieve a range of short-term and long-term financial goals. Whether saving for education, home ownership, or retirement, investment allows individuals to accumulate resources that ensure financial security and stability. Through long-term investment planning, people can achieve wealth appreciation, maintain financial discipline, and safeguard their standard of living in later stages of life.

Literature review

Investment behaviour has long been a subject of interest among researchers seeking to understand how individuals choose between different avenues and what influences those decisions. Over the years, several studies have explored the dynamics of investor preferences, risk perceptions, and demographic impacts on financial decisions, particularly in the Indian context.

Geetha and Ramesh (2011) conducted one of the early studies in this domain, focusing on the investment behaviour of people and the preferences they exhibit while choosing among various investment alternatives. Their research found that the majority of investors prioritize safety over returns, which often leads them to invest in traditional options such as fixed deposits and gold. The study also highlighted that investor awareness and financial literacy were limited, thereby affecting the ability to explore more dynamic and potentially rewarding investment options like equities.

Continuing this line of inquiry, Geetha and Vimla (2014) examined the perception of household individual investors towards selected financial investment avenues in Chennai city. Their findings underscored that post office savings, bank deposits, and insurance policies were the most favoured instruments, with equities and mutual funds ranking lower. The study pointed to risk aversion and lack of financial knowledge as primary reasons for the subdued interest in market-linked investment products. It was evident that personal comfort, past experiences, and social influences played a vital role in shaping investment decisions.

Joseph and Prakash (2014) offered additional insights by studying the preferred investment avenues among the general public and the key factors influencing these preferences. Their study showed that income level, age, and occupational status were critical determinants in investment decisions. They found that younger investors were slightly more inclined towards high-risk

investments like stocks and mutual funds, while older individuals preferred safer options such as real estate and gold. The authors also noted that tax benefits and the need for regular income were important drivers in selecting investment products.

A regional perspective was provided by Pandian and Thangadurai (2013), who examined investors' preferences in Dehradun district. Their research revealed that bank deposits and insurance continued to dominate among preferred investment avenues. Interestingly, the study found that awareness about stock market instruments was growing, particularly among the youth and working professionals. However, despite this growing awareness, the actual adoption of equity-based investments remained low due to trust issues and concerns about market volatility. The findings suggest that while investor knowledge may be on the rise, behavioural biases and lack of proper guidance still act as barriers.

A deeper exploration into the role of independent variables on investment decisions was undertaken by Rao and Chalam (2013). Their study focused specifically on equity retail investors and found that psychological factors, past experiences, and social interactions significantly impacted the investment choices. The research emphasized the importance of investor sentiment and behavioural aspects, arguing that these often outweigh rational decision-making models. The study also noted that even informed investors sometimes act irrationally due to herd behaviour and market rumours.

In a complementary study, Rao, Chalam, and Murty (2013) examined how demographic variables influence investment decisions among retail investors. Their scientific analysis pointed out that age, gender, income level, education, and occupation had a considerable impact on investment behaviour. They found that younger and more educated investors were more likely to invest in equities and mutual funds, while older and less educated individuals leaned towards traditional avenues. This study underscored the heterogeneity among investors and suggested that financial advisory services must be tailored accordingly to address the unique needs of different demographic groups.

Selvi (2015) explored investors' attitudes towards various investment avenues, concluding that risk perception plays a dominant role in shaping preferences. Her study indicated that emotional comfort and perceived security associated with traditional investments often outweigh the potential returns offered by newer financial products. She also highlighted the influence of family members and peer groups in shaping investment attitudes, pointing out that many first-time investors rely heavily on informal sources of advice rather than professional consultation.

The theoretical framework supporting much of this research can be traced back to Saunders et al. (2012), whose seminal work on research methods for business students outlines key tools and strategies for analysing behavioural patterns. Their discussion on qualitative and quantitative research approaches has informed many studies in the field of investment behaviour, enabling researchers to combine empirical findings with behavioural theory to gain richer insights.

Mahalakshmi and Anuradha (2018) conducted a study to assess the factors affecting investment decision-making and performance among individual investors in India. Their research revealed that knowledge, past performance, and availability of information significantly influenced both the investment decisions and the subsequent performance outcomes. They also emphasized the growing role of digital platforms and online investment tools, which have made financial products more accessible to retail investors. However, they cautioned that access to information does not always translate into informed decision-making unless supported by adequate financial literacy.

Singh and Yadav (2016) brought gender into focus by studying investment decision-making in Jaipur and Moradabad. Their study found notable differences in the investment approach of male and female investors. While men were more likely to take risks and invest in equities, women preferred secure investments such as fixed deposits and insurance. The researchers attributed this difference to varying financial goals, responsibilities, and social conditioning. They recommended that financial education initiatives should be gender-sensitive to effectively address these behavioural patterns.

Taken together, these studies paint a comprehensive picture of the investment landscape in India. There is a clear preference for traditional investment avenues across most demographic groups, primarily driven by risk aversion, lack of financial literacy, and reliance on informal sources of financial advice. However, there is also evidence of gradual change, with younger investors and those with higher education levels showing greater openness to market-linked products.Moreover, demographic factors such as age, income, education, and gender consistently emerge as significant variables influencing investment behaviour. Psychological elements, including emotional comfort, past experience,

and herd mentality, further complicate the decision-making process. The studies reviewed also highlight the importance of financial education and advisory services in helping investors make informed decisions that align with their risk appetite and financial goals. With the increasing digitization of financial services and the availability of diverse investment options, it becomes imperative to understand the nuanced preferences and behaviours of different investor segments. This understanding can guide policymakers, financial advisors, and educators in designing targeted interventions to enhance participation in financial markets and promote financial inclusion.

In conclusion, while the traditional mindset continues to dominate investor behaviour in India, shifts in demographics, exposure to financial markets, and technological advancement are gradually altering investment patterns. Future research should focus on longitudinal studies that track behavioural shifts over time, especially in the context of changing economic conditions and evolving investor needs. Integrating behavioural finance with demographic analysis will offer deeper insights and help develop strategies for fostering a more inclusive and informed investment culture.

Literature Gaps and Link to Research Objectives

The review of existing literature revealed several notable gaps that form the foundation of this study. As summarised in Table 1, earlier research has primarily concentrated on traditional aspects of investment behaviour such as preferred avenues, demographic patterns, and basic risk preferences. However, limited attention has been given to the integration of behavioural and psychological dimensions—such as money perception, financial dependency, and emotional attitudes toward risk—into a unified framework. Previous studies have also tended to examine risk appetite and investment objectives in isolation, without exploring how underlying psychological factors interact to influence investor decisions.

Moreover, past research has seldom examined the alignment between subjective intentions, such as the desire for growth, and objective realities like income and financial stability. These gaps indicate a need for a more comprehensive understanding of investor behaviour that goes beyond demographics and incorporates psychographic and emotional factors. Consequently, this study aims to develop an investor typology that captures these multidimensional behavioural traits and to explore the interrelations among psychological variables, dependency levels, and risk-taking tendencies in shaping mutual fund investment decisions. This approach offers a more holistic view of investor behaviour and contributes to the evolving discourse on behavioural finance.

Hypothesis Formulation and Rationale

The hypotheses of the study are formulated to examine the relationship between investor typology and key behavioural dimensions that influence investment decision-making, namely risk-taking behaviour and investment objectives as shown in table 2. Investor typology, derived through clustering techniques, reflects heterogeneity in investors' preferences, attitudes, and decision styles. Understanding how these typologies relate to behavioural outcomes enhances the explanatory power of behavioural finance research.

H1

proposes a statistically significant association between investor typology and risk-taking behaviour. This hypothesis is grounded in behavioural finance theory, which suggests that investors with different psychological and demographic profiles exhibit varying risk appetites. A Chi-square test is employed to assess whether observed differences in risk-taking behaviour are independent of investor typology.

H2

examines the association between investor typology and investment objectives. Investors' goals—such as capital appreciation, income generation, or capital preservation—are expected to differ across typological groups. The Chi-square test is appropriate here as both variables are categorical, enabling the identification of dependence between investor clusters and stated investment objectives.While H1 and H2 establish the presence of associations,

H3

extends the analysis by evaluating the strength of the relationship between investor typology and risk-taking behaviour. Cramer's V is used to determine whether the association is weak, moderate, or strong, thereby offering deeper insight into the behavioural relevance of investor classification.

H4

investigates the ordinal nature of the relationship between investor typology (cluster type) and investment objectives. Given that investment objectives can be meaningfully ordered (e.g., conservative to aggressive), measures such as Gamma or Somers' d are employed

Table 1: Literature Gaps and Link to Research Objectives

Literature Gap Identified	*Source(s)*	*Research Need*	*Corresponding Research Objective*
Most studies focus on investment avenues, preferences, and basic demographics, but do not integrate behavioural traits like risk response, money perception, or financial dependency into a single typology.	Geetha & Ramesh (2011); Joseph & Prakash (2014); Rao & Chalam (2013); Selvi (2015)	There is a need for behavioural investor profiling using multidimensional psychographic variables.	To develop an investor typology based on money perception, financial needs, investment goals, risk tolerance, and reaction to volatility.
Previous works address risk appetite and investment objectives independently, but rarely link them with deeper psychological indicators such as emotional perception of money or dependency on investment income.	Geetha & Vimla (2014); Singh & Yadav (2016); Mahalakshmi & Anuradha (2018)	To understand how psychological and financial dependency factors interact to shape investor behaviour.	To explore interrelations among psychological factors, financial dependency, and risk-taking tendencies in shaping mutual fund investment decisions.
Studies lack integration between subjective behavioural intentions (e.g., growth aspiration, volatility response) and objective demographic realities (e.g., income, income stability).	Rao et al. (2013); Pandian & Thangadurai (2013); Selvi (2015)	A need exists to investigate how alignment or mismatch between investor goals and financial reality influences investment behaviour.	To explore interrelations among psychological factors, financial dependency, and risk-taking tendencies in shaping mutual fund investment decisions.

Table 2: Hypotheses Formulation and Rationale

Hypothesis Code	*Statement*	*Test*
H1	There is a significant association between investor typology and risk-taking behaviour.	Chi-square
H2	There is a significant association between investor typology and investment objectives.	Chi-square
H3	Investor typology is moderately associated with risk-taking behaviour, as measured by Cramer's V.	Cramer's V
H4	There is a statistically significant ordinal association between cluster type and investment objectives.	Gamma / Somers' d

Table 3: Methodology Compendium

S.No.	*Parameter*	*Brief Note*
1	Type of Research	Descriptive cross-sectional design
2	Data collection method	Primary and Secondary (Mixed method)
3	Data Collection Time	April 2025 and June 2025
4	Research Instrument	Survey Questionnaire were sequential based for Hypothesis testing, Pilot study for validation of the Questionnaire in May 2025
5	Survey Administration	Google Form
6	Instrument Validity Testing	Cronbach's Alpha
7	Sampling Type	Convenience sampling and snowball
8	Sample Size	508

9	Analysis	Reliability Test, Cluster Analysis, Tukey's Test for Nonadditivity, Hotelling's T-Squared
10	Hypothesis Testing	Chi Square, Cramers V, Gamma / Somers' d
11	Software Tools	SPSS Version 23

Table 4: Reliability and Scale Validation

Test/Statistic	*Result*	*Interpretation*
Cronbach's Alpha	0.951	Excellent internal consistency; your 17-item scale is highly reliable. Values above 0.9 indicate excellent scale reliability.
Tukey's Test for Nonadditivity	F = 17.761, p = .000	Significant nonadditivity; the items may not be strictly additive in their contribution. However, this is expected in behavioural data and does not undermine reliability.
Hotelling's T-Squared	F = 33.11, p = .000	The item means are significantly different, indicating good item discrimination. Suggests that individual items measure different aspects of the construct.

Table 5: Final Cluster Centers (Investor Response Averages)

Variable	*Cluster 1(n=155)*	*Cluster 2(n=110)*	*Cluster 3(n=243)*
What does money mean to you? (1 = Daily need, 4 = Financial freedom)	3.14	2.75	3.30
Current income (1 = <5L, 4 = >15L)	1.72	2.67	1.57
Stability of income over 5 years (1 = Low, 3 = High)	2.29	2.35	1.72
Financial need dependency (1 = Fully Dependent, 6 = Not Dependent)	1.85	3.16	5.10
Investment objective (1 = Capital safety, 5 = Growth maximization)	4.24	1.54	4.18

Table 6: Between-Cluster Distance Matrix

	Cluster 1	*Cluster 2*	*Cluster 3*
1	–	3.18	3.31
2	3.18	–	3.56
3	3.31	3.56	–

Table : ANOVA Summary (Descriptive Purposes Only)

Variable	*F-value*	*Sig. (p-value)*
What does money mean to you?	12.91	.000
Current income	88.08	.000
Stability of income	53.90	.000
Financial need dependency	940.45	.000
Investment objective	500.33	.000

to capture both the direction and strength of the association. This hypothesis allows for a more nuanced interpretation of behavioural alignment between investor types and their investment priorities.

Collectively, these hypotheses enable a structured examination of how investor typologies are linked to behavioural traits, moving beyond descriptive profiling toward statistically supported behavioural inference.

Research Methodology

The study adopts a descriptive cross-sectional research design to examine investor typologies and their association with risk-taking behaviour and investment objectives at a specific point in time. A mixed-method approach, incorporating both primary and secondary data, was employed to ensure contextual grounding and analytical robustness. Primary data were collected

Table 8: Cluster Size Distribution

Cluster	*Description*	*Count*	*Percentage (%)*
1	Growth-Oriented Dependents	155	30.5%
2	Conservative High Earners	110	21.7%
3	Independent Risk Takers	243	47.8%
Total		508	100%

Table 9: Final Cluster Centers and Investor Typology

Cluster	*Label*	*Money Meaning (1–4)*	*Income (1–4)*	*Income Stability (1–3)*	*Financial Dependency (1–6)*	*Investment Objective (1–5)*	*Cluster Size (%)*
1	Aspirational Growth Seekers	3.14	1.72	2.29	1.85	4.24	155 (30.5%)
2	Conservative High Earners	2.75	2.67	2.35	3.16	1.54	110 (21.7%)
3	Independent Risk Takers	3.30	1.57	1.72	5.10	4.18	243 (47.8%)

Table 10 : Cross-tabulation – Cluster vs. Risk Tolerance

Risk Tolerance	*Growth-Oriented Dependents*	*Conservative High Earners*	*Independent Risk Takers*	*Total*
Intend to take maximum risk	64 (37.4%)	67 (39.2%)	40 (23.4%)	171
Will opt for moderate risk	44 (16.6%)	34 (12.8%)	187 (70.6%)	265
Always avoid taking risk	47 (65.3%)	9 (12.5%)	16 (22.2%)	72
Total	155	110	243	508

Chi-square (df = 4) = 144.434, $p < .001$; Cramer's V = .377; Gamma = .137, p = .033

Table 11: Cross-tabulation – Cluster vs. Investment Objective

Investment Objective	*Growth-Oriented Dependents*	*Conservative High Earners*	*Independent Risk Takers*	*Total*
Capital protection and sufficient income	0 (0.0%)	66 (100.0%)	0 (0.0%)	66
Income with growth	2 (5.7%)	29 (82.9%)	4 (11.4%)	35
Balanced income and growth	24 (26.4%)	15 (16.5%)	52 (57.1%)	91
Growth with safety	64 (43.5%)	0 (0.0%)	83 (56.5%)	147
Growth maximisation	65 (38.5%)	0 (0.0%)	104 (61.5%)	169
Total	155	110	243	508

Chi-square (df = 8) = 408.403, $p < .001$; Cramer's V = .634; Gamma = .120, p = .009

through a structured survey administered between April 2025 and June 2025, while secondary data were drawn from relevant academic literature, industry reports, and regulatory publications to support theoretical framing. As shown in table 3 the data collection was carried out using a survey questionnaire, which was sequentially structured to facilitate hypothesis testing. To ensure instrument reliability and clarity, a pilot study was conducted in May 2025, and internal consistency was assessed using Cronbach's Alpha. The final questionnaire was disseminated electronically via Google Forms, enabling efficient reach and data capture.

Methodology Compendium

The study utilised a non-probability sampling approach, combining convenience sampling and snowball

Table 12: Hypothesis Testing Summary

Hypothesis Code	*Statement*	*Test Used*	*Key Result*	*Supported?*	*Interpretation*
H1	There is a significant association between investor typology and risk-taking behaviour.	Chi-square	χ^2 (4) = 144.434, p < .001	Supported	A significant association exists; investor clusters differ meaningfully in their risk tolerance.
H2	There is a significant association between investor typology and investment objectives.	Chi-square	χ^2 (8) = 408.403, p < .001	Supported	Strong evidence of association; investment goals differ significantly across clusters.
H3	Investor typology is moderately associated with risk-taking behaviour, as measured by Cramer's V.	Cramer's V	V = 0.377	Supported	The relationship between cluster and risk-taking behaviour is moderate in strength.
H4	There is a statistically significant ordinal association between cluster type and investment objectives.	Gamma / Somers' d	Gamma = 0.120, p = .009	Supported	A weak but significant ordinal relationship exists between cluster type and investment goals.

Table 13: Interpretation Summary

Research Objective	Analysis Performed	Key Findings	Interpretation
To develop an investor typology based on money perception, financial needs, investment goals, risk tolerance, and reaction to volatility	K-Means Cluster Analysis (Q1–Q5)	Three distinct investor clusters identified: 1. Aspirational Growth Seekers 2. Conservative High Earners 3. Independent Risk Takers	Investor groups differ by financial stability, dependency, and investment intent. Typologies offer insight for targeted financial planning and advisory.
To explore interrelations among psychological factors, financial dependency, and risk-taking tendencies in shaping mutual fund investment decisions	Cross-tabulation and Chi-square test between Cluster Membership and Risk Tolerance (Q4)	χ^2 = 144.434, p < .001, Cramer's V = .377 Risk tolerance significantly differs across investor types	Conservative High Earners show high-risk declarations despite capital safety goals. Aspirational Growth Seekers include a large risk-averse segment despite growth objectives.
	Cross-tabulation and Chi-square test between Cluster and Investment Objective (Q3)	χ^2 = 408.403, p < .001, Cramer's V = .634 Investment goals vary significantly across clusters	Conservative High Earners exclusively seek capital protection. Independent Risk Takers align well with growth maximisation. Aspirational Growth Seekers show aspirational behaviour often disconnected from risk and income reality.

sampling, to access a diverse pool of investors. A total of 508 valid responses were obtained, providing an adequate sample for multivariate statistical analysis. Data analysis was conducted using SPSS (Version 23). Reliability analysis was followed by cluster analysis to classify investors into distinct typologies. Tukey's Test for Nonadditivity and Hotelling's T-Squared test were employed to assess data structure and multivariate differences across clusters. Hypotheses were tested using Chi-square analysis to examine associations, Cramer's V to measure the strength of relationships, and Gamma/Somers' d to evaluate ordinal associations.

This combination of analytical techniques ensured a rigorous examination of behavioural patterns across investor groups

Data Analysis

Reliability and Scale Validation

To ensure internal consistency of the behavioural constructs Table 4 used in the study, a reliability analysis was conducted. The 17-item scale yielded a Cronbach's Alpha of 0.951, indicating excellent reliability. Additionally, ANOVA with Tukey's Test for Nonadditivity showed significant nonadditivity ($F = 17.76$, $p < .001$), suggesting some interaction effects among items — a common occurrence in psychological constructs. Hotelling's T-squared test further confirmed that the item means were significantly different ($F = 33.11$, $p < .001$), demonstrating good discriminatory power among the scale items. Overall, these findings validate the internal consistency and distinctiveness of the items used in investor behavioural profiling.

Final Cluster Centers (Investor Response Averages)

Table 5 presents the final cluster centres derived from the K-Means analysis, illustrating the average responses of investors across five key behavioural and financial variables. The data reveal three distinct investor groups that differ markedly in their financial profiles and investment orientations.

Cluster 1, representing 155 respondents, shows relatively low income and high financial dependency but demonstrates strong growth-oriented objectives and a perception of money linked with financial freedom. This group reflects an aspirational mindset despite limited resources. Cluster 2, comprising 110 respondents, exhibits higher income and moderate stability, with a clear preference for capital safety and income protection. This cluster aligns with the profile of conservative investors who prioritise security over aggressive growth. Cluster 3, which includes 243 respondents, represents individuals with low income but high financial independence and a strong inclination toward growth maximisation. Their low dependency and moderate stability suggest a self-reliant and risk-accepting approach. Overall, Table 4 indicates that investor typologies are not merely defined by income or stability but are shaped by the interplay of financial perceptions, dependency, and investment motivation, confirming the presence of heterogeneous investor behaviour within the sample.

Between-Cluster Distance Matrix

Table 6 presents the between-cluster distance matrix, which measures the behavioural dissimilarity among the three investor clusters identified through K-Means analysis. The distances indicate the extent to which each cluster differs from the others across the selected behavioural and financial dimensions. The highest distance value (3.56) occurs between Cluster 2 and Cluster 3, suggesting that Conservative High Earners and Independent Risk Takers represent the most distinct behavioural profiles within the sample. This difference reflects contrasting orientations—one being safety-driven and income-focused, while the other is growth-oriented and risk-accepting

Note: Higher distances indicate greater behavioural difference between clusters.

The moderate distance between Cluster 1 and Cluster 3 (3.31) indicates some overlap in their growth aspirations but differences in financial dependency and stability. The smallest distance (3.18) between Cluster 1 and Cluster 2 suggests relatively closer alignment, possibly due to shared income or risk perceptions despite divergent investment motives. Overall, Table 5 confirms that the three clusters are behaviourally distinct, validating the robustness of the segmentation and reinforcing that investors differ meaningfully in their financial attitudes, dependency levels, and investment preferences.

ANOVA Summary (Descriptive Purposes Only)

Table 7 summarises the ANOVA results conducted to assess the statistical differentiation among the three investor clusters across the selected profiling variables. The F-values and corresponding significance levels indicate that all five variables—money perception, income, income stability, financial dependency, and investment objective—differ significantly across clusters at the 0.001 level. The highest F-values are observed for financial need dependency ($F = 940.45$) and investment objective ($F = 500.33$), implying that these two dimensions contribute most strongly to the differentiation of investor groups.

Note: These F-values demonstrate that the clusters were statistically differentiated on all profiling variables.

This suggests that variations in how investors depend on their financial resources and define their investment goals are key factors distinguishing one typology from another. Lower yet significant F-values for income and stability indicate that economic conditions also play an important role, though to a lesser degree. Overall, the ANOVA results presented in Table 6 confirm the internal

validity of the cluster solution, demonstrating that the identified investor typologies are statistically distinct in terms of both financial and behavioural characteristics.

Cluster Size Distribution

Table 8 presents the cluster size distribution, indicating the proportion of respondents within each identified investor typology. The largest segment, representing 47.8 percent of the sample, comprises the Independent Risk Takers, who demonstrate a strong preference for growth-oriented investments coupled with higher financial independence.

The Growth-Oriented Dependents form the second-largest group, accounting for 30.5 percent of respondents; these investors exhibit aspirational financial attitudes and a desire for wealth creation despite lower income and higher financial dependency. The smallest group, the Conservative High Earners, constitutes 21.7 percent of the total sample and is characterised by higher income levels but a cautious, security-driven approach to investment. Overall, Table 7 highlights a diverse distribution of investor behaviour, with nearly half of the respondents displaying a proactive and risk-tolerant investment mindset, while the remaining groups reflect varying degrees of financial caution and dependency. This composition reinforces the heterogeneity of investor attitudes within the market and underscores the importance of behaviour-based segmentation in understanding investment decision-making.

Interpretation and Analysis

Cluster 1: Aspirational Growth Seekers

- Views money as close to financial freedom (3.14).
- Low income (1.72) but relatively stable.
- Highly dependent on investment income (1.85).
- High growth objective (4.24) despite dependence.
- Risk: May overexpose to volatile assets due to mismatch between dependence and growth objective.
- Implication: Needs risk-managed investment planning.

Cluster 2: Conservative High Earners

- Views money in a balanced way (2.75).
- Highest income group (2.67), moderately stable.
- Moderate dependency on investment (3.16).
- Strong preference for capital protection (1.54).
- Implication: Likely to favor debt-oriented or ELSS funds. Advisors can recommend wealth preservation strategies.

Cluster 3: Independent Risk Takers

- Most strongly associate money with freedom (3.30).
- Lower income (1.57) and low stability (1.72).
- Least dependent on investment (5.10).
- Still, they aim for growth maximization (4.18).
- Implication: Likely younger, digital-savvy investors; may be open to equity, thematic, or SIP-based portfolios, but require risk education.

Final Cluster Centers and Investor Typology

Cross-tabulation – Cluster vs. Risk Tolerance

Table 9 illustrates the cross-tabulation between investor typologies and their stated levels of risk tolerance. The results demonstrate a significant association between cluster membership and risk-taking behaviour (χ^2 = 144.434, $p < .001$), indicating that investors' psychological profiles are meaningfully related to their approach to risk. The effect size, as measured by Cramer's V (0.377), suggests a moderate strength of association, while the Gamma coefficient (0.137, $p = .033$) indicates a weak but statistically significant ordinal relationship.

The distribution pattern reveals that Conservative High Earners are overrepresented among those who intend to take maximum risk (39.2%), a somewhat paradoxical finding given their strong preference for capital safety. In contrast, Independent Risk Takers dominate the moderate-risk category (70.6%), reflecting balanced and consistent investment behaviour aligned with their independent and growth-oriented mindset. Growth-Oriented Dependents display mixed behaviour, with a notable proportion (65.3%) claiming to avoid risk despite having ambitious investment goals. Overall, Table 9 highlights the behavioural inconsistencies and alignments among investor groups, confirming that attitudes toward risk are not always congruent with financial capacity or stated investment intentions.

Cross-tabulation – Cluster vs. Investment Objective

Table 11 presents the cross-tabulation between investor clusters and their stated investment objectives, revealing strong behavioural differentiation across the three typologies. The chi-square statistic (χ^2 = 408.403, $p < .001$) confirms a highly significant association between cluster membership and investment goals, with Cramer's V (0.634) indicating a strong effect size. The Gamma value (0.120, $p = .009$) further suggests a weak but statistically significant ordinal association,

implying that investment objectives vary meaningfully with behavioural orientation.

The pattern of responses demonstrates distinct investment motivations across clusters. All respondents prioritising capital protection and income generation belong exclusively to the Conservative High Earners segment, underlining their preference for financial security and stability. Independent Risk Takers dominate the growth-oriented categories, accounting for 61.5 percent of those aiming for growth maximisation and 56.5 percent seeking growth with safety. Growth-Oriented Dependents display an aspirational mindset, with the majority focusing on growth with safety (43.5%) and growth maximisation (38.5%), despite limited income and higher financial dependency. Collectively, Table 10 underscores that investment objectives are not uniform but shaped by investors' psychological traits, income dynamics, and dependency levels, thereby validating the behavioural segmentation approach adopted in this study.

Hypothesis Testing Summary

All four hypotheses were empirically validated through the cross-tabulation analyses. Table 12 The chi-square tests confirmed significant associations between investor typologies and both risk-taking behaviour and investment objectives.

The effect size measures (Cramer's V) and ordinal association indicators (Gamma and Somers' d) further substantiated that these relationships are statistically meaningful. While the strength of association ranged from moderate (Cramer's V = 0.377) to strong (Cramer's V = 0.634), the ordinal measures revealed that the relationships, though weaker in magnitude, are consistent and significant. These results collectively affirm that behavioural investor segmentation meaningfully captures variations in risk orientation and investment intent among individual investors

Interpretation Summary

Investor segmentation through K-Means clustering resulted in three distinct typologies. Aspirational Growth in table 13. Seekers, though low-income and highly dependent on investments, displayed a strong inclination toward aggressive growth objectives. Conservative High Earners, despite their financial security, preferred capital preservation, reflecting a risk-averse mindset. Independent Risk Takers, characterized by low dependency and moderate stability, showed alignment between risk acceptance and growth-driven goals.

Cross-tabulation of cluster membership with risk tolerance revealed that Conservative High Earners had the highest percentage intending to take maximum risk, while the majority of Independent Risk Takers preferred moderate risk. The Aspirational Growth Seekers cluster showed a split personality—seeking growth but also containing a large proportion of risk-averse individuals.

When clusters were examined against investment objectives, Conservative High Earners exclusively preferred safety and income-based objectives. Independent Risk Takers showed strong alignment with growth maximisation. Interestingly, Aspirational Growth Seekers leaned heavily toward growth, despite their income limitations and risk aversion.

These behavioural inconsistencies and alignments confirm the significance of psychological and financial factors in investment decisions. The chi-square and effect size results across both tests indicate statistically and practically significant differences among investor clusters.

Conclusion

Based on the above findings, the study concludes that individual investors exhibit distinct behavioural typologies shaped by their financial perceptions, dependency levels, and investment attitudes. The application of K-Means cluster analysis identified three meaningful and statistically distinct investor segments: Aspirational Growth Seekers, Conservative High Earners, and Independent Risk Takers. These typologies reveal the heterogeneity in investor psychology, highlighting how financial stability, income dependency, and personal goals collectively shape investment orientation and decision-making patterns.

The results of cross-tabulation and Chi-square analyses further confirmed that investor typologies significantly differ in both risk tolerance and investment objectives. A moderate association between cluster type and risk-taking behaviour indicates that not all investors act consistently with their stated financial goals. Conservative High Earners, despite their secure financial background, exhibited a surprising inclination toward high-risk declarations, possibly reflecting overconfidence or misjudged risk perception. Conversely, Aspirational Growth Seekers demonstrated ambitious growth expectations despite limited financial capacity and a tendency toward risk aversion, revealing an aspirational but cautious investor mindset. Independent Risk Takers displayed the most coherent behavioural pattern, aligning their moderate-to-high

risk tolerance with aggressive growth objectives and financial independence.

Overall, the findings emphasise that investor behaviour is not solely determined by demographic or economic factors but is profoundly influenced by psychological drivers, perceptions of money, and personal goals. The typologies developed provide an insightful framework for understanding investor diversity and can guide financial advisors, mutual fund managers, and policymakers in designing customised financial products and communication strategies. By recognising these behavioural distinctions, the financial services sector can promote more informed, realistic, and goal-aligned investment behaviour among individual

Limitations of the Study

- The study was limited to a specific sample size and demographic profile, which may not fully represent the entire investor population across different regions or income levels.
- The responses were based on self-reported perceptions and attitudes, which may be subject to personal bias or social desirability, affecting the accuracy of behavioural insights.
- The study considered a defined set of behavioural and psychological variables; inclusion of additional factors such as financial literacy, past investment experience, or market exposure could provide a more comprehensive understanding.

Suggestions and Recommendations

- Financial advisors and mutual fund managers should adopt behaviour-based profiling to tailor investment advice according to each investor's psychological orientation and financial capacity.
- Awareness programmes should focus on bridging the gap between investors' aspirations and their actual financial situations, helping them make more realistic and goal-aligned decisions.
- Investors should be encouraged to regularly reassess their risk tolerance and financial goals to ensure consistency between intent and investment actions.
- Policymakers and financial institutions could design segmented communication strategies targeting distinct investor typologies, promoting more trust and engagement in the financial system.
- Future research could expand the model by incorporating larger and more diverse samples, as well as integrating qualitative interviews to explore the emotional and cognitive aspects behind investment choices.

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