



# Investment Behaviour of Indians: A Comparative Analysis with Global Trends.

*Soham Hemant Page, Dr. Rajendra Jarad, Prof. Dhananjay Bhavsar, Prof. Mahendra Yadav, Prof. Nilambari Moholkar, Dr. Praveen Suryawanshi*

Post Graduate Student of Department of MBA Dr. D.Y. Patil Institute of Technology, Pimpri, Pune.

## ABSTRACT:

This research paper examines the investment behavior of Indian investors by analyzing secondary data, such as published reports, financial surveys, and market analyses. The goal is to understand how Indian investment behavior has changed in response to economic growth, technological advancements, and shifting demographic profiles. The paper compares Indian investment patterns with global trends, emphasizing preferences for asset classes, risk tolerance, and the influence of technology. By utilizing a secondary data-driven approach, this study offers insights into the similarities and differences in investment behavior in India and around the world.

Keywords: Finance, Investment, Economics, Analysis, Investors, FDI, Portfolio, Returns, Mutual Funds, Capital, Assets, Policy, SEBI etc.

## 1. Introduction:

Investment behavior involves the choices people make about where and how to invest their money. In India, this behavior has historically been influenced by cultural factors, economic circumstances, and restricted access to various investment options. However, as financial literacy improves, technology advances, and the economy grows, there has been a clear trend towards more diverse and risk-taking investment strategies. This paper examines secondary data to explore the investment preferences of Indian investors and how they align with global investment trends. By utilizing secondary data sources like financial reports, surveys, and market research studies, we gain valuable insights into the evolving landscape of investment behavior both in India and globally. Investing, the act of committing money or capital to an endeavour with the expectation of obtaining an additional income or profit, is a cornerstone of personal finance and a key driver of economic growth. Understanding the nuances of investment behaviour has become increasingly important in an increasingly interconnected and complex financial world for individuals, financial institutions, and policymakers. This is particularly true in the context of rapidly developing economies like India, where a burgeoning middle class, coupled with technological advancements, is reshaping the investment landscape. India is a fascinating case study in investment behavior because of its unique cultural, economic, and demographic characteristics. The country has a high savings rate, an increasing appetite for market-linked investments, and a deep-rooted affinity for traditional assets like gold and real estate. However, despite rapid strides in financial inclusion, equity market participation remains relatively low compared to developed economies, and financial literacy levels vary significantly across different segments of the population. This paper explores the distinction of investment behavior in India by making a comparison with global trends to determine what features make it unique. We try to answer the following key research questions:

What are the preferred investment avenues for Indian investors compared to global investors?

How do factors like age, income, education, and gender affect investment choices in India?

Do Indian investors exhibit a different risk appetite compared to global investors?

How do cultural factors and financial literacy impact investment decisions in India?

## 2. Investments in Indias:

### Stock Market Investors:

**Demat Accounts:** While there are over 127 million Demat accounts (needed for holding shares), this number includes duplicates, so it doesn't represent unique individuals.

**Unique Investors:** As of late 2023, the National Stock Exchange (NSE) estimated around **80 million unique investors** in the Indian stock market. This translates to roughly **17% of Indian households** directly participating in the stock market.

**Mutual Fund Investors:**

**Unique Investors:** Around 39 million unique individuals invest in mutual funds in India. This is a smaller portion compared to direct stock market investors.

**Mutual Fund Folios:** Similar to Demat accounts, the number of folios (over 154 million) is higher due to individuals holding multiple folios.

**Overall Investment Landscape:**

**Household Savings:** A significant portion of Indian household savings is still directed towards physical assets like real estate (51%) and gold (15%).

**Financial Assets:** Bank deposits remain the most popular financial asset (14%), followed by insurance and pension funds (6% each). Only 5% of household wealth is invested in stocks.

---

**3. Methodology:**

The research methodology employed in this study relies entirely on secondary data analysis. Data is gathered from reputable reports, industry publications, market surveys, and academic studies. The sources include.

- Reports from financial institutions (e.g., World Gold Council, Reserve Bank of India, National Stock Exchange, SEBI, AMCs)
- Market surveys (e.g., Global Investment Trends Survey, PwC reports)
- Academic studies and research papers
- Government publications and official economic data

A comparative analysis of global trends in investment behaviour is conducted using similar secondary data sources, highlighting the similarities and differences with Indian investment patterns.

---

**4. Investment Preferences in India:****4.1 Traditional Investments:**

Historically, Indian investors have favored traditional investment vehicles such as gold, real estate, and fixed deposits due to cultural preferences and a cautious approach to risk.

**Gold:** India is recognized as one of the largest consumers of gold in the world, as reported by the World Gold Council. Gold is viewed not only as a safe-haven asset but also as a symbol of status. Even with the ups and downs in gold prices, many Indian households persist in investing in physical gold, such as jewellery and coins, which makes up a substantial part of their savings.

**Real Estate:** Real estate has consistently been a favored investment choice for Indians. It is seen as a long-term, stable asset class that provides significant capital appreciation. Even with challenges such as regulatory hurdles and elevated property prices, the real estate sector remains a magnet for substantial investments. The India Brand Equity Foundation (IBEF) projects that the Indian real estate market will hit \$1 trillion by 2030, indicating ongoing investor confidence in the sector.

**Fixed Deposits (FDs):** Fixed deposits are among the most favored investment choices for Indian investors. They are viewed as low-risk options that offer guaranteed returns, making them a reliable choice for those who prefer a conservative approach. The Reserve Bank of India (RBI) reports that the fixed deposit market is still expanding, even with the rise of more dynamic investment alternatives such as equities and mutual funds.

**4.2 Emerging Investment Trends:**

In recent years, the Indian investment landscape has begun shifting toward more diversified and higher-return asset classes, particularly equities and mutual funds.

**Equities and Mutual Funds:** According to the Association of Mutual Funds in India (AMFI), there has been a significant increase in assets under management (AUM) in mutual funds, driven by a growing number of retail investors entering the equity markets. As of 2023, mutual fund assets have surpassed ₹40 lakh crore (around \$500 billion), indicating a rising interest in equity-based investments. The emergence of platforms like Zerodha and Groww has further facilitated this trend by simplifying the process for individuals to trade stocks and mutual funds.

**Exchange-Traded Funds (ETFs):** ETFs are becoming more popular in India, particularly among young, tech-savvy investors. The Nifty 50 ETF and various index-based ETFs are increasingly recognized as affordable investment options. The National Stock Exchange (NSE) reports that the volume of ETF transactions in India has experienced significant growth over the past decade.

### ***4.3 Technology's Role in Investment Behaviour:***

The role of technology in transforming Indian investment behavior cannot be overstated. Digital platforms, mobile applications, and robot-advisors have made investing more accessible to a wider demographic.

**Online Trading Platforms:** Online brokerage firms and stock trading apps such as Zerodha, Upstox, and Groww have made investing in India more accessible than ever. These platforms offer affordable and easy-to-use access to stock markets and mutual funds, especially appealing to millennials and Generation Z investors. A report by PwC highlights that digital trading volumes in India have surged dramatically, showcasing the wider trend of technology-driven financial inclusion.

**Robo-Advisors:** Robo-advisory services like Kuvera and Scripbox are becoming increasingly popular with investors seeking automated, algorithm-driven financial advice. These platforms assess individual preferences, risk tolerance, and financial objectives to build tailored portfolios, enabling even beginner investors to make well-informed choices.

**AI-powered Insights:** Artificial intelligence is being used to analyse vast amounts of data and provide investors with more sophisticated insights and predictions.

Overall, technology plays a crucial role in shaping modern investment behavior, offering both opportunities and challenges. By staying informed and using technology responsibly, investors can leverage its power to achieve their financial goals.

---

## **5. Global Investment Trends:**

### ***5.1 Asset Diversification and Risk Appetite:***

Investors around the world have been diversifying their portfolios more than ever, incorporating a variety of asset classes like stocks, bonds, real estate, and alternative investments. In developed markets, there's a greater appetite for risk as people seek out higher returns. PwC's "Global Investment Trends Survey 2023" highlights a rising interest in riskier assets, such as cryptocurrencies and private equity, as investors aim to take advantage of better yields.

**Cryptocurrency and Blockchain:** The global rise of cryptocurrency investments highlights a trend toward high-risk, high-reward assets. Bitcoin, Ethereum, and other digital currencies have attracted significant attention, with institutional investors also entering the market. The total market capitalization of cryptocurrencies reached over \$1 trillion in 2023, as per data from CoinMarketCap

### ***5.2 Sustainable and Impact Investing:***

Sustainable investing, which takes into account environmental, social, and governance (ESG) factors, is becoming a major trend worldwide. In Europe and North America, there has been a notable increase in ESG-focused investments as more people recognize the importance of climate change and corporate governance. A report from Morningstar on sustainable investing (2023) indicates that ESG funds experienced record inflows globally, highlighting a growing preference for investments that reflect ethical values and promote long-term sustainability.

### ***5.3 Technological Advancements in Global Markets:***

The impact of technology on global investment behavior is significant, as artificial intelligence (AI), machine learning, and algorithmic trading are transforming the operations of financial markets. In both the U.S. and Europe, AI is utilized to develop predictive models for stock prices, enhance portfolio optimization, and refine trading strategies.

#### **Algorithmic and High-Frequency Trading:**

Global financial markets, particularly in the U.S., have seen the widespread use of algorithmic trading, which involves using complex algorithms to execute trades at optimal prices. This has led to greater market efficiency but also raised concerns about market volatility.

---

## **6. Comparative Analysis: India vs. Global Trends:**

### ***6.1 Investment Preferences:***

#### **India:**

Indian investors still show a strong preference for traditional investment vehicles like gold and real estate, while global investors have increasingly diversified into equities, bonds, and alternative assets like cryptocurrencies. However, Indian investors are gradually shifting toward equity-based investments, mirroring global trends.

**Gold:** As mentioned earlier, gold holds a significant place in the Indian investment portfolio. For centuries, gold has been considered a safe store of value and a hedge against inflation. Even in modern times, Indians continue to prefer physical gold in the form of jewellery, coins, and bars, with a portion of

household savings being allocated to this asset class. According to the World Gold Council, in 2023, India was the second-largest consumer of gold globally, which underscores the cultural affinity toward this metal.

**Real Estate:** Real estate investments have always been popular in India, partly due to the country's growing urbanization, rising middle class, and the belief that real estate appreciates over time. Although real estate prices have surged in recent years, many Indians still prefer investing in property, as it provides both utility (homes) and investment returns. Data from the India Brand Equity Foundation (IBEF) shows that the real estate market in India is expected to continue growing, despite regulatory challenges and market volatility.

**Fixed Deposits (FDs):** FDs are one of the safest investment vehicles in India, and they remain popular among conservative investors who prioritize security and guaranteed returns. The Reserve Bank of India (RBI) reports that FDs remain one of the most commonly used savings instruments in the country, even as newer investment options become available.

However, there is a noticeable shift as younger investors, particularly those in urban areas, begin to look for higher returns through equities and other market-linked instruments. This change in preference is part of a broader trend toward diversification.

#### **Global Trends:**

Globally, investment preferences have shifted significantly over the past few decades, especially in developed markets such as the United States, Europe, and parts of Asia.

**Equities and Bonds:** Globally, equities (stocks) are the most commonly preferred investment vehicle, particularly in the United States and Europe. Institutional investors, as well as individual investors, allocate a significant portion of their portfolios to stocks, both domestic and international. Bonds, especially government and corporate bonds, are also widely used to balance risk and generate fixed income. According to a report by PwC, global equity markets have experienced substantial growth, driven by increased participation from retail investors and institutional investors seeking higher returns.

**Alternative Investments:** Investors in developed markets are increasingly diversifying into alternative investments like private equity, venture capital, real estate investment trusts (REITs), and even cryptocurrencies. According to a study by Bain & Company, the share of global assets allocated to alternatives has been rising, with venture capital and private equity particularly appealing to those looking for higher returns. Cryptocurrencies like Bitcoin and Ethereum have also attracted a growing number of institutional and retail investors due to their high volatility and potential for large returns.

**Sustainable and Impact Investments:** Another prominent trend is the increasing preference for sustainable investing, which integrates environmental, social, and governance (ESG) factors. Investors, especially in Europe and North America, are increasingly seeking to align their investments with their values, such as prioritizing companies that focus on renewable energy, social responsibility, and good governance practices. According to Morningstar's 2023 report, sustainable investments saw record inflows globally, with ESG mutual funds and ETFs becoming a growing part of investors' portfolios.

Thus, while traditional investments still dominate in India, globally, there is a significant trend toward equities, bonds, and alternative investments, with a strong focus on diversification and sustainability.

### **6.2 Risk Appetite:**

#### **India:**

Indian investors, especially those from older generations, tend to be risk-averse. Several factors contribute to this risk-averse behavior:

**Economic Volatility:** India's economy has experienced high levels of inflation, currency fluctuations, and periods of economic uncertainty. As a result, many Indian investors prefer low-risk investments like fixed deposits and gold, which are perceived to provide a stable return regardless of economic conditions.

**Cultural Factors:** Culturally, Indian families have long viewed wealth preservation as a priority, and this mindset has influenced investment behavior. Gold, real estate, and other tangible assets are seen as safe bets, while equities and more volatile assets are often considered risky, particularly among older generations.

**Limited Exposure to Riskier Investments:** Despite a growing interest in equities, mutual funds, and ETFs, the proportion of Indian retail investors in the stock market is relatively low. A study by the National Stock Exchange (NSE) found that less than 5% of the Indian population actively participates in the stock market, which is significantly lower than the global average.

However, younger investors (millennials and Generation Z) are displaying an increasing appetite for riskier investments, driven by a greater understanding of equities, financial markets, and long-term wealth creation. With the rise of digital trading platforms and the increasing availability of mutual funds, there is growing participation in riskier, high-return investments.

#### **Global Trends:**

Globally, investors in developed markets tend to have a higher risk tolerance, seeking higher returns through riskier asset classes.

**Higher Risk Appetite:** In the U.S., Europe, and other developed markets, investors tend to diversify into higher-risk assets such as stocks, private equity, venture capital, and even cryptocurrencies. The rise of cryptocurrencies, for instance, is evidence of the growing willingness among global investors to embrace high volatility in pursuit of potentially significant returns.

**Long-Term Investment Horizon:** Investors in many developed economies also tend to have a long-term investment horizon. This enables them to withstand market volatility, particularly in equities, and capitalize on long-term growth potential.

**Institutional vs. Retail Investors:** Institutional investors, including pension funds and insurance companies, typically have a high-risk tolerance as they focus on long-term growth, while retail investors are increasingly engaging with alternative investment assets like cryptocurrencies and tech stocks, which are known for their high volatility but also high reward potential.

Thus, globally, there is a clear distinction in risk appetite, with developed markets showing a greater willingness to invest in volatile and high-return assets, compared to the more cautious Indian investor.

### **6.3 Role of Technology in Investment Behavior:**

#### **India:**

Technology has played a transformative role in shaping investment behavior in India over the past decade. The rise of digital platforms has made investing more accessible to a larger section of the population.

**Digital Platforms and Mobile Trading:** The emergence of low-cost online platforms like Zerodha, Groww, and Upstox has made stock trading more accessible to retail investors. According to a report by PwC, the number of retail investors in India's equity markets has risen significantly, driven by ease of access through mobile applications. These platforms provide user-friendly interfaces, educational content, and low brokerage fees, making them attractive to younger investors.

**Robo-Advisors:** Robo-advisors, such as Kuvera, Scripbox, and ETMoney, have gained popularity in India. These platforms offer algorithm-driven, personalized financial advice based on an individual's risk tolerance and financial goals. Robo-advisors are especially appealing to younger, tech-savvy investors who seek a more automated approach to managing their investments.

**Financial Literacy Initiatives:** Technology has also played a role in improving financial literacy in India. Various fintech platforms and government initiatives aim to educate the population about investment options, retirement planning, and wealth management, thereby increasing the overall awareness and participation in the investment ecosystem.

**Digital Wealth Management and Personalized Advisory:** Robo-advisory platforms in India are gaining traction due to their ability to offer personalized investment advice without the need for human financial advisors. These platforms use algorithms to analyse an investor's financial situation, goals, and risk appetite, recommending portfolios that suit their needs. Companies like Scripbox, ETMoney, and Kuvera use AI and data analytics to offer tailored portfolio suggestions, making wealth management more accessible and cost-effective for retail investors. This trend towards personalized advisory through technology is also helping to bridge the knowledge gap for less financially literate individuals.

**Peer-to-Peer (P2P) Lending Platforms:** The rise of P2P lending platforms in India is another key development in the digital investment space. Platforms like Faircent and Lendbox connect individual lenders to borrowers, offering a way to earn attractive returns by investing in loans directly. This alternative investment class allows Indians to diversify their portfolios and access new investment opportunities, bypassing traditional financial intermediaries. According to a report by the RBI, P2P lending is growing rapidly in India, driven by the ease of use and the potential for higher returns compared to conventional savings instruments.

#### **Global Trends:**

Globally, technology has revolutionized the investment landscape, particularly in developed markets.

**Algorithmic and High-Frequency Trading:** In the U.S. and Europe, algorithmic trading and high-frequency trading are dominant. These technologies use complex algorithms to execute trades in fractions of a second, optimizing investment strategies and improving market efficiency. While this has led to more efficient markets, it has also raised concerns about market stability and the impact of high-speed trading on price volatility.

**Robo-Advisors and AI:** Globally, robot-advisors and AI-driven investment tools have become increasingly popular. AI is being used to personalize investment strategies and optimize portfolios for individual investors. Companies like Wealth front, Betterment, and Personal Capital provide automated financial planning, further reducing the barriers for novice investors to participate in global financial markets.

**Blockchain and Cryptocurrencies:** Blockchain technology, which underpins cryptocurrencies like Bitcoin and Ethereum, has been another significant technological advancement shaping global investment behavior. Investors are exploring blockchain for its potential to revolutionize financial transactions, security, and transparency. According to data from CoinMarketCap, the total market capitalization of cryptocurrencies surpassed \$1 trillion in 2023, highlighting the widespread interest in these digital assets.

**Artificial Intelligence and Predictive Analytics:** AI and machine learning are increasingly being used to analyse large datasets and predict market trends. AI-driven platforms are being used to make real-time investment decisions, optimize portfolios, and improve asset management. For instance,

platforms like Wealth front and Betterment leverage AI to recommend investment strategies based on market conditions and individual risk profiles. AI is also used in hedge funds and investment banks to create predictive models and forecast stock market movements, giving institutional investors a competitive edge.

**ESG and Impact Investing Platforms:** Globally, there has been an explosion of interest in ESG (Environmental, Social, Governance) and impact investing, which aligns financial goals with social and environmental outcomes. Platforms like Sustainalytics and MSCI provide ESG ratings for companies, helping investors select stocks that meet their ethical or sustainability criteria. In addition, companies like BlackRock and Vanguard have launched ESG-focused funds, catering to a growing demand for socially responsible investments. This trend is particularly strong in Europe and North America, where consumers are increasingly seeking investments that align with their values and long-term sustainability.

---

## 7. Results

### Global vs. Indian Financial Literacy and Investor Behavior

#### India:

**Financial Literacy:** Financial literacy in India remains relatively low compared to global standards. A 2023 report by Standard & Poor's revealed that only 27% of Indian adults were financially literate, which is much lower than the global average of 34%.

**Improvement via Technology:** Fintech platforms are helping bridge the knowledge gap. Platforms like Groww and Zerodha have integrated educational content, webinars, and tutorials to guide first-time investors through the process of investing in equities, mutual funds, and other financial products.

#### Global:

**Higher Financial Literacy:** Financial literacy rates are higher in developed countries like the U.S. and the UK, where approximately 60-70% of adults are financially literate (Source: OECD). This contributes to a higher level of investor participation in equity markets and the widespread adoption of complex investment strategies.

**Digital Financial Education:** In developed markets, digital platforms have become crucial in educating investors. For example, U.S.-based platforms like Robinhood offer easy-to-understand content to educate their users about investing, and the rise of financial influencers (Finfluencers) on social media has made financial education more accessible.

---

## 8. Conclusion and Key Insights:

The comparative analysis between Indian and global investment behavior reveals several key findings:

**Investment Preferences:** While Indian investors have traditionally favored low-risk, tangible assets like gold and real estate, there is a noticeable shift towards equities, mutual funds, and other market-linked instruments, especially among younger investors. In contrast, global investors have embraced a broader range of assets, including stocks, bonds, and alternative investments like private equity, cryptocurrency, and ESG funds.

**Risk Appetite:** Indian investors are generally more conservative compared to their global counterparts. However, the younger demographic in India is becoming more risk-tolerant, largely driven by the accessibility of digital platforms and educational resources. Globally, there is a greater willingness to invest in volatile assets like cryptocurrencies and tech stocks, particularly in developed markets.

**Role of Technology:** Technology has played a transformative role in both India and global markets, with digital platforms, robot-advisors, and cryptocurrency exchanges making investing more accessible. While India is catching up in terms of fintech adoption, especially in mobile trading and robot-advisory services, global markets have already embraced advanced technologies like algorithmic trading, AI-driven investments, and social trading.

**Financial Literacy:** The gap in financial literacy between India and developed countries remains significant. However, the rise of digital tools and educational platforms in India is helping improve financial literacy, making investing more accessible to a broader population.

---

## 9. References:

List all the material used from various sources for making this project proposal

- World Gold Council, "Gold Demand Trends," 2023.
- Reserve Bank of India, "Annual Report on Financial Literacy," 2023.
- Association of Mutual Funds in India (AMFI), "Industry Statistics," 2023.
- PwC, "Global Investment Trends Survey," 2023.
- Morningstar, "Global Trends in Sustainable Investing," 2023.
- National Stock Exchange of India (NSE), "ETF Trading Data," 2023.

- India Brand Equity Foundation (IBEF), "Indian Real Estate Market," 2023.