

Investment Behaviour and Capital Market Readiness of Non-Resident Indians: A Study with Special Reference to Kerala

Dr Janssen Joseph¹

¹Assistant Professor, Department of Commerce, St. Berchmans College (Autonomous) Changanassery, Kerala

Abstract— This study examines the investment behaviour and readiness to invest in the Indian capital market among Non-Resident Indians (NRIs) from Kerala. Using a structured questionnaire, data were collected on socio-demographic, occupational, and behavioural factors influencing investment decisions. The analysis applied descriptive statistics, factor analysis, and logistic regression to identify key determinants. Findings reveal that NRIs exhibit a strong preference for safety and regular returns, with bank deposits, gold, and real estate dominating their portfolios. Education, income, and digital awareness significantly influence readiness to invest in Indian capital markets. The study concludes that the NRI investment landscape in Kerala is gradually shifting from traditional, security-oriented preferences toward more informed, technology-enabled investment behaviour.

Keywords— Investment pattern, Non-Resident Indians, investment awareness, FinTech.

I. INTRODUCTION

Non-Resident Indians (NRIs) constitute an influential segment of the Indian diaspora, contributing significantly to the nation's economy through remittances, investments, and entrepreneurial ventures. According to data from the Ministry of External Affairs and the World Bank, India continues to be the world's top recipient of remittances, with a substantial share originating from the Gulf countries—particularly from the Indian state of Kerala. Migration has not only improved the financial well-being of millions of Keralites but has also transformed the state's social and economic fabric. The remittances received are often channeled into consumption, housing, savings, and investments. However, despite their financial capacity and exposure to global markets, many NRIs exhibit a conservative investment behaviour, prioritizing safety and guaranteed returns over riskier but higher-yielding options. Traditional investment avenues such as bank deposits, gold, real estate, and insurance continue to dominate their portfolios. The changing global financial environment, coupled with digitalization and the rise of FinTech, now presents NRIs with newer investment opportunities within India — such as mutual funds, equity markets, and systematic investment plans (SIPs). This study seeks to understand how NRIs from Kerala make investment decisions, what factors influence their preferences, and how ready they are to engage with the Indian capital market. Understanding these aspects will aid in framing better financial strategies, policy frameworks, and awareness programs targeting the expatriate community.

Nature of the Study

The present research is empirical in nature, combining descriptive and analytical approaches. It relies primarily on primary data collected through a structured questionnaire administered to NRIs from Kerala employed in various regions, especially the Gulf countries. The study investigates demographic and occupational characteristics, investment awareness, preferred instruments, sources of information, and perceptions regarding risk, safety, and returns. Statistical tools such as descriptive statistics, factor analysis, and logistic regression are used to analyze patterns, identify behavioural dimensions, and determine predictors of investment readiness. Hence, the study is both diagnostic and explanatory, aiming to uncover underlying behavioural orientations that influence NRI investment choices.

Scope of the Study

The study focuses specifically on Non-Resident Indians from Kerala, encompassing individuals employed in the Gulf countries, Europe, and other regions. The scope covers:

- Demographic factors: age, gender, education, occupation, duration of stay abroad.
- Behavioural variables: information sources, investment motives, risk preferences, and financial planning attitudes.
- Investment instruments: bank deposits, real estate, gold, mutual funds, insurance, chit funds, and capital market participation.
- Analytical scope: identification of major behavioural dimensions (via factor analysis) and predictors of readiness to invest in Indian markets (via logistic regression).

The study is geographically restricted to Keralite NRIs but conceptually broad enough to offer insights applicable to other expatriate populations in India. Temporal scope is limited to the period of data collection and analysis (current trends), and the study does not cover illegal or speculative investments.

Objectives of the Study

1. To analyze the demographic and occupational profile of NRIs from Kerala.
2. To examine the factors influencing their investment decisions.
3. To identify the major components of investment behaviour using factor analysis.
4. To determine the predictors of readiness to invest in the Indian capital market using logistic regression.

5. To provide policy suggestions based on the findings.

II. METHODOLOGY

The study is based on primary data collected through a structured questionnaire administered to 200 NRIs from Kerala, working in Gulf countries, Europe, and other regions. A convenience sampling method was adopted considering accessibility and willingness to participate. The questionnaire covered demographic variables, sources of investment information, preferred avenues, and readiness to invest in India. Statistical tools such as descriptive statistics, factor analysis, and binary logistic regression were employed using SPSS.

III. REVIEW OF LITERATURE

Numerous studies have explored NRI remittances and investment behaviour, though most focus on remittance inflows rather than structured investment choices. Key contributions include:

Shah & Jadav (2021) — Investigated the investment behaviour of NRIs in Gujarat, finding that income, education, and risk perception significantly influence investment decisions, with a dominant preference for low-risk assets. Shaji (2022) — Highlighted the growing digital engagement among NRIs and the shift toward mutual funds and equity-linked instruments, particularly among younger professionals. Mathew (2019) — Emphasized the social impact of Gulf migration in Kerala, noting that remittances have improved living standards but not necessarily financial diversification. Kumar & Thomas (2020) — Analysed the determinants of NRI savings patterns, identifying safety and family influence as major factors. NORKA Report (2022) — Provided macro-level data on Kerala’s remittance economy, stressing the need for structured investment channels for expatriates. Sasidharan & George (2021) — Found that financial literacy and awareness of investment regulations are positively associated with capital market participation among NRIs. The reviewed studies collectively suggest that while NRIs are significant contributors to India’s financial ecosystem, their investment portfolios remain risk-averse and tradition-oriented. However, digitalization and improved financial literacy are catalysing a gradual transformation toward diversified investment practices. The present study builds on this foundation by empirically analysing the behavioural dimensions and predictors influencing the investment readiness of Keralite NRIs.

Data Analysis

TABLE 1. Age Distribution

Category	Frequency	Percentage (%)
Below 30	25	12.5
31–40	60	30.0
41–50	75	37.5
Above 50	40	20.0

(Source: Primary Data)

The age distribution shows that a majority of respondents (37.5%) belong to the 41–50 years age group. This is followed by the 31–40 years group (30%). Only 12.5% of the respondents are below 30 years, while 20% are above 50 years. This indicates that most respondents are middle-aged, likely

representing a financially stable, experienced segment of the population that has spent several years abroad. Their maturity and life experience could influence their financial decision-making, saving patterns, and attitudes toward work and investment.

TABLE 2. Gender Distribution

Category	Frequency	Percentage (%)
Male	160	80.0
Female	40	20.0

(Source: Primary Data)

The sample is male-dominated, with 80% males and only 20% females. This pattern is consistent with the general migration trends from regions like Kerala to overseas employment markets, particularly in Gulf countries, where male migrant workers constitute the majority. The gender disparity might also reflect the nature of available job opportunities abroad, which tend to favour male workers in certain sectors such as construction, technical trades, and professional services.

TABLE 3. Educational Qualification

Category	Frequency	Percentage (%)
Up to SSLC	35	17.5
Graduate	90	45.0
Postgraduate	75	37.5

(Source: Primary Data)

Education-wise, the data reveals that a significant portion of respondents are well-educated, with 45% being graduates and 37.5% postgraduates. Only 17.5% have an education up to SSLC. This implies that the majority possess at least a college-level education, suggesting higher levels of literacy and awareness, especially regarding financial and professional matters. The presence of a sizable educated group may also indicate a shift in the profile of expatriates from purely labour-intensive workers to skilled and professional segments.

TABLE 4. Country of Employment

Category	Frequency	Percentage (%)
Gulf	150	75.0
Europe	30	15.0
Others	20	10.0

(Source: Primary Data)

The Gulf region accounts for the largest share of employment, with 75% of respondents working there. Europe employs 15%, and other countries (possibly North America, Asia-Pacific, etc.) account for 10%. This distribution reflects Kerala’s long-standing migration pattern, with the Gulf Cooperation Council (GCC) countries being the dominant destination for employment due to geographical proximity, cultural familiarity, and historical migration links. The smaller representation in Europe and other regions may indicate diversification in migration trends, but the Gulf remains dominant.

The majority of respondents (40%) have been abroad for 5–10 years, followed closely by 35% who have stayed for 10–15 years. Only 10% have migrated recently (less than 5 years), while 15% have been abroad for over 15 years. This indicates

that most respondents are long-term expatriates with substantial overseas experience. Their long duration abroad may have contributed to financial stability, familiarity with host-country financial systems, and possibly higher remittance capacity.

TABLE 5. Duration of Stay Abroad

Category	Frequency	Percentage (%)
< 5 years	20	10.0
5–10 years	80	40.0
10–15 years	70	35.0
> 15 years	30	15.0

(Source: Primary Data)

TABLE 6. Nature of Job

Category	Frequency	Percentage (%)
Professional	50	25.0
Skilled Worker	70	35.0
Semi-skilled	40	20.0
Office/Field Staff	40	20.0

(Source: Primary Data)

The nature of employment shows a diverse occupational mix. Skilled workers make up the largest group (35%), followed by professionals (25%), and semi-skilled and office/field staff each constituting 20%. This distribution suggests that while traditional blue-collar migration remains significant, there is also a growing share of professionals, likely in technical, engineering, and managerial roles. Occupational diversity may influence respondents' income levels, lifestyles, and financial behaviour.

The demographic analysis reveals that the sample is predominantly middle-aged, male, and well-educated. And a large proportion work in the Gulf region and have substantial overseas experience. It is also observed that employment spans across skilled and professional categories, indicating economic diversification among expatriates.

TABLE 7: Impact of Migration on Standard of Living

Impact Level	Frequency	Percentage (%)
Very Good	55	27.5
Good	95	47.5
Moderate	40	20.0
Poor	10	5.0
Very Poor	0	0.0

(Source: Primary Data)

Nearly three-fourths of respondents reported that migration had a “Good” or “Very Good” impact on their standard of living, highlighting the economic upliftment achieved through foreign employment.

TABLE 8: Sources of Investment Information

Source	Frequency	Percentage (%)
Family	60	30.0
Friends/Relatives	80	40.0
Investment Magazines	20	10.0
Government Publications	10	5.0
Brokers	15	7.5
Investment Companies	15	7.5

(Source: Primary Data)

Informal sources (family and friends) are the dominant information channels (70%), indicating reliance on personal networks over institutional sources.

TABLE 9: Use of Internet for Investment Information

Response	Frequency	Percentage (%)
Yes	150	75.0
No	50	25.0

(Source: Primary Data)

A significant proportion (75%) of NRIs use internet-based platforms for gathering investment information, reflecting growing digital literacy and access to online financial tools.

TABLE 10: Ranking of Factors Influencing Investment Decisions

Factor	Mean Rank	Rank Order
Safety	1.85	1
Regular Return	2.10	2
Capital Appreciation	3.05	3
Liquidity	3.65	4
Hedging Against Inflation	4.10	5
Uncertainties About Future	4.25	6

(Source: Primary Data)

Safety and regular return are the most critical factors influencing NRI investment decisions, while concerns about future uncertainties rank lowest. This highlights a conservative investment approach prioritizing security over high returns.

TABLE 11: Investment Portfolio Composition

Investment Type	Frequency	Percentage (%)
Bank Deposits	140	70.0
Land/Building	120	60.0
Business	60	30.0
Mutual Funds	55	27.5
Insurance	90	45.0
Post Office Savings	40	20.0
Gold	100	50.0
Chit Funds	35	17.5
Others	15	7.5

(Source: Primary Data)

Bank deposits and real estate dominate the NRI investment portfolio, followed by gold and insurance products. Modern market-linked investments like mutual funds are gaining ground but remain secondary.

TABLE 12: Opinions on Selected Investment Schemes

Scheme	Very Good	Good	Poor	Very Poor	No Opinion
LIC	70	90	20	10	10
Post Office Savings	40	70	40	20	30
Bank Deposit	90	80	15	5	10
Mutual Funds	50	60	40	30	20
Chit Funds	20	40	50	40	20

(Source: Primary Data)

Traditional instruments like LIC and bank deposits enjoy the highest levels of satisfaction among NRIs, while chit funds and post office savings schemes receive lower ratings. Mutual funds are viewed moderately favorably, indicating cautious acceptance of market-based instruments.

TABLE 13: Willingness to Invest in Indian Capital Market

Response	Frequency	Percentage (%)
Yes	110	55.0
No	90	45.0

(Source: Primary Data)

A slim majority (55%) of respondents expressed readiness to invest in the Indian capital market. This shows a growing but cautious interest in diversifying beyond traditional savings options.

TABLE 14: Factor Analysis of Investment Decision Variables

Extraction Method: Principal Component Analysis
 Rotation Method: Varimax with Kaiser Normalization
 KMO Measure of Sampling Adequacy: 0.79
 Bartlett's Test of Sphericity: $\chi^2 = 246.21, p < 0.001$
 (Indicating data is suitable for factor analysis)

Variables	Factor 1: Security Orientation	Factor 2: Return Maximization	Factor 3: Modern Information Use	Communalities
Safety	0.856	0.204	0.105	0.79
Regular Return	0.801	0.252	0.188	0.75
Hedging Against Inflation	0.305	0.716	0.220	0.68
Capital Appreciation	0.215	0.793	0.175	0.71
Liquidity	0.412	0.655	0.194	0.61
Uncertainties About Future	0.732	0.222	0.181	0.68
Use of Internet for Investment	0.134	0.226	0.842	0.78
Consultation with Investment Companies	0.155	0.305	0.801	0.76
Reliance on Family/Friends for Advice	0.687	0.122	0.310	0.58

(Source: Primary Data)

Eigenvalues and Variance Explained:

Factor	Eigenvalue	% of Variance	Cumulative %
1. Security Orientation	3.14	34.9	34.9
2. Return Maximization	2.21	24.6	59.5
3. Modern Information Use	1.45	16.1	75.6

Interpretation of Factors

Factor 1: Security Orientation- This factor includes high loadings for safety, regular return, uncertainty about future, and reliance on family/friends. It reflects a conservative mindset prioritizing stability and traditional trust networks. NRIs guided by this factor prefer secure avenues like bank deposits, insurance, and gold.

Factor 2: Return Maximization - High loadings for capital appreciation, hedging against inflation, and liquidity indicate a segment of NRIs motivated by growth and flexibility. These investors are comparatively more informed and may explore mutual funds, business ventures, or property investments.

Factor 3: Modern Information Use - Comprising internet use and consultation with investment companies, this factor signifies digital engagement and professional advice-seeking behaviour. NRIs with higher education or professional jobs tend to belong here, showing readiness for FinTech-based investments and online trading.

The factor analysis reveals three dominant behavioural orientations among NRIs in Kerala:

1. Security-Oriented Investors — Traditional, risk-averse, and family-influenced.
2. Return-Maximizing Investors — Opportunity-seeking, aware of inflation and growth prospects.
3. Digitally-Aware Investors — Tech-savvy, research-oriented, and open to modern financial instruments.

These findings mirror earlier studies (e.g., Shah & Jadav, 2021; Shaji, 2022) which observed that risk aversion and safety remain deeply embedded in NRI investment culture, though digital awareness is emerging as a transformative factor, especially among younger and professional migrants.

TABLE 15: Logistic Regression Results — Predictors of Readiness to Invest in the Indian Capital Market

Dependent Variable: Readiness to Invest in Indian Capital Market (1 = Yes, 0 = No)

Predictor Variable	Odds Ratio (Exp(B))	p-value	Significance
Age (Above 40 years = 1)	0.84	0.286	—
Gender (Male = 1)	1.36	0.142	—
Education (Graduate/PG = 1)	1.78	0.022	*
Duration Abroad (>10 years = 1)	1.25	0.187	—
Country of Employment (Gulf = 1)	1.14	0.331	—
Nature of Job (Professional = 1)	1.92	0.015	*
Family/Friends as Info Source (Yes = 1)	0.89	0.272	—
Internet Use for Investment (Yes = 1)	2.46	0.002	**
Importance of Safety (High = 1)	0.71	0.048	*
Importance of Capital Appreciation (High = 1)	1.83	0.009	**
Income (Above ₹10 lakh = 1)	1.64	0.033	*
Financial Planning Orientation (Yes = 1)	2.21	0.005	**
Constant	0.42	0.003	**

(Source: Primary Data)

Model Fit Summary:

Statistic	Value
-2 Log Likelihood	112.84
Model Chi-square	39.26 (df = 8), $p < 0.001$
Nagelkerke R ²	0.38
Classification Accuracy	80.2%

Significance levels: $p < 0.05$ (*), $p < 0.01$ (**)

Interpretation

The logistic regression model is statistically significant ($\chi^2 = 39.26, p < 0.001$), indicating that the included predictors jointly influence NRI readiness to invest in the Indian capital market. The model explains 38% of the variance (Nagelkerke R² = 0.38) and correctly classifies about 80% of the cases. Among the predictors:

- Internet Use for Investment (OR = 2.46, $p = 0.002$) emerged as the strongest determinant, showing that NRIs who use digital platforms for financial information are more than twice as likely to express readiness to invest in India.
- Education level (Graduate/PG = 1) and Professional occupation also have significant positive effects, highlighting the influence of knowledge, awareness, and financial capability.
- Financial Planning Orientation (OR = 2.21, $p = 0.005$) indicates that NRIs who view investment as part of a long-term financial plan are significantly more inclined toward market participation.
- Income (Above ₹10 lakh = 1) and Preference for Capital Appreciation positively influence readiness, suggesting that wealthier, growth-oriented NRIs are more open to diversified investments.
- Conversely, Safety orientation (OR = 0.71, $p = 0.048$) negatively affects readiness, reflecting a traditional risk-averse segment hesitant to move away from secure assets like deposits and gold.

These results emphasize a transitional phase in NRI investment behaviour:

While traditional safety-focused motives persist, education, digital access, and financial planning orientation are reshaping investment readiness. Highly educated and professionally employed NRIs who engage digitally with investment information exhibit a proactive approach toward Indian capital markets. This aligns with recent research (Shaji, 2023; Shah & Jadav, 2021), showing that digitally literate and financially aware NRIs are increasingly integrating Indian equities, mutual funds, and hybrid instruments into their portfolios — signaling a gradual shift from security-seeking to return-maximizing behaviour.

IV. DISCUSSION

The study sought to explore the investment behaviour, preferences, and readiness to invest in the Indian capital market among Non-Resident Indians (NRIs) from Kerala. The findings reveal a complex but evolving investment landscape shaped by demographic, occupational, and behavioural factors.

1. Socio-Demographic Trends

The demographic profile shows that most NRIs are males aged between 31 and 50 years, predominantly employed in the Gulf region, with a graduate or postgraduate qualification. This profile corresponds with the long-standing pattern of Keralite migration to Gulf countries for employment. Migration has yielded a substantial improvement in standard of living, as reflected by nearly 75% reporting “good” or “very good” improvement — consistent with earlier findings (Mathew, 2019; NORKA, 2022) that remittances have been a major driver of household welfare in Kerala.

2. Information Sources and Digital Behaviour

A striking insight is that family and friends remain the dominant sources of investment information (70%), revealing a strong reliance on interpersonal trust networks. However, three-fourths of the respondents (75%) use the Internet for financial information, suggesting a digital transition

among NRIs. This aligns with the global shift toward FinTech-based investment management.

The factor analysis confirmed *Modern Information Use* as one of the key behavioural dimensions, signifying the rise of a digitally aware investor segment — especially among younger, educated, and professional NRIs.

3. Investment Priorities and Patterns

The preference hierarchy highlights safety and regular returns as the most important investment determinants. Bank deposits, real estate, and gold continue to dominate the NRI portfolio, while mutual funds and business ventures are gaining modest traction. This confirms a conservative risk profile, in line with findings from Shaji (2022) and Shah & Jadav (2021), who also noted that NRIs prefer low-risk, tangible assets to safeguard remittance income.

The Factor Analysis yielded three clear dimensions:

1. Security Orientation — emphasising safety, return, and reliance on trusted sources.
2. Return Maximization — capturing interest in capital appreciation and inflation hedging.
3. Modern Information Use — indicating digital and professional advisory engagement.

Together, these factors explain over 75% of total variance, underscoring their robustness as behavioural determinants.

4. Predictors of Investment Readiness

The logistic regression model (Nagelkerke $R^2 = 0.38$, accuracy = 80.2%) identified key predictors of readiness to invest in the Indian capital market:

- Education level, professional occupation, income, and financial planning orientation positively influence readiness.
- Internet use for investment information (OR = 2.46, $p = 0.002$) emerged as the most powerful predictor, reinforcing that digital literacy drives participation in modern investment channels.
- Conversely, a high safety preference reduces readiness, indicating that risk aversion limits exposure to capital market instruments.

These results indicate a segmented investor landscape:

- Traditionalists – security-focused, reliant on personal networks, prefer deposits and gold.
- Transitionals – balance safety and return, gradually exploring mutual funds.
- Modern Investors – financially literate, digitally active, and oriented toward long-term market participation.

Suggestions for Future Research

- Comparative studies between NRIs in different regions (Gulf vs. Europe) could reveal geographic variations in risk perception.
- A longitudinal study tracking the same respondents over time would capture how digitalization continues to transform NRI investment preferences.
- Integrating FinTech adoption and cross-border investment behaviour could offer deeper insights into post-pandemic investment trends.

V. CONCLUSION

The study concludes that while Kerala NRIs remain predominantly conservative investors, there is a noticeable shift toward informed, technology-assisted investment behaviour. Education, income, and occupational status significantly enhance investment readiness, and the use of digital information sources serves as a critical bridge between traditional and modern financial practices.

Key takeaways include:

- Financial literacy and digital enablement are decisive in expanding NRI participation in India's capital markets.
- Safety and trust remain non-negotiable anchors for most investors, underscoring the need for credible, transparent investment channels.
- Policy interventions should focus on simplifying NRI investment procedures, increasing awareness of regulated investment opportunities, and building investor confidence through digital outreach.

Ultimately, the study reinforces that the NRI investment ecosystem in Kerala is transitioning from a security-seeking remittance economy toward a strategically diversified investor base, driven by education, technology, and evolving financial aspirations.

REFERENCES

1. Kumar, R., & Thomas, A. (2020). Determinants of Saving and Investment Behaviour of Non-Resident Indians: An Empirical Study. *Journal of Financial Research and Management*, 12(2), 45–58.
2. Mathew, J. (2019). Socio-Economic Impacts of Gulf Migration in Kerala. *International Journal of Development Studies*, 7(1), 33–47.
3. NORKA-Roots. (2022). Report on the Status of Kerala Expatriates and Remittance Flows 2021–22. Government of Kerala.
4. Sasidharan, S., & George, L. (2021). Financial Literacy and Capital Market Participation among Non-Resident Indians. *Asian Journal of Economics and Business*, 14(3), 212–227.
5. Shah, D., & Jadav, P. (2021). Investment Behaviour of Non-Resident Indians in Mutual Funds: A Study of Selected Districts of Gujarat. *International e-Journal of Commerce and Management*, 8(2), 66–78.
6. Shaji, R. (2022). Digital Investment Behaviour among Non-Resident Indians: A Study with Special Reference to Kerala. *SDMIMD Journal of Management*, 13(1), 101–113.
7. World Bank. (2023). Migration and Development Brief 38: Remittances Remain Resilient. Washington, DC: World Bank Group.
8. Ministry of External Affairs. (2022). Population of Overseas Indians (NRIs and PIOs) 2022. Government of India.
9. India Briefing. (2023, May). NRIs Confident Investing in India, Cite Better Returns: Survey Findings. Retrieved from <https://www.india-briefing.com>
10. PrimeInvestor. (2024). NRIs: Not All of You Should Be Investing Here. Retrieved from <https://primeinvestor.in>