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# Household Income Allocation and Investment Behavior in India: Insights from SEBI Investor Survey 2025

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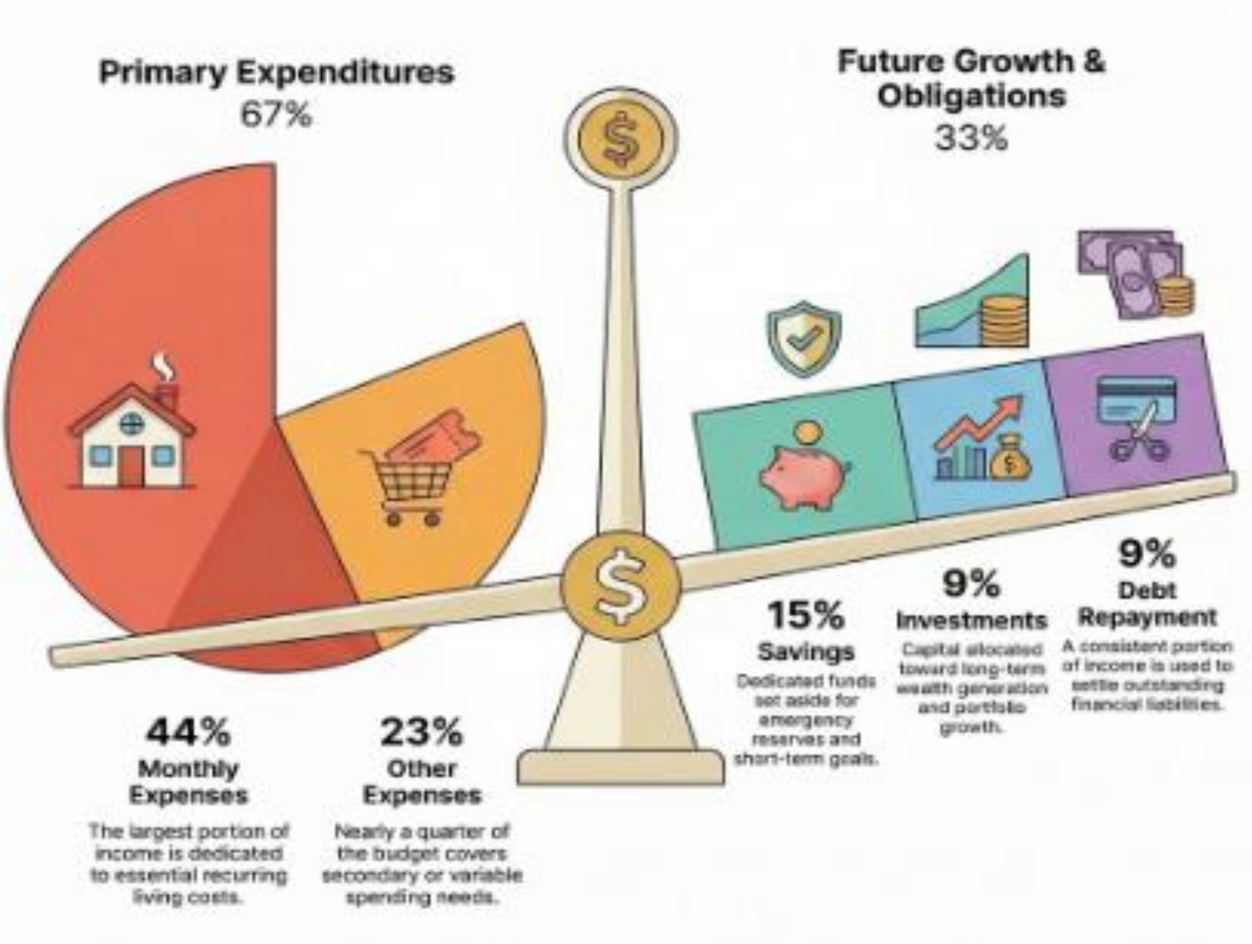
## ABSTRACT

The **SEBI Investor Survey 2025** highlights the financial behavior of Indian households, revealing a significant gap between awareness and actual investment participation. While households demonstrate moderate awareness of financial products and institutions, only a small proportion of income is allocated toward investments. This article analyzes income allocation patterns, investment preferences, financial goals, and awareness levels, offering insights into the evolving investment landscape in India.

**Keywords:** SEBI Investor Survey 2025, Household Finance, Investment Behavior, Financial Awareness, Fixed Deposits, Mutual Funds, India Savings Pattern, Financial Inclusion




## INTRODUCTION

The Securities and Exchange Board of India (SEBI) plays a pivotal role in regulating and promoting investor protection in India. Its 2025 investor survey provides a comprehensive overview of how Indian households allocate income and approach investments.

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Despite increasing financial literacy and expanding access to financial products, traditional saving instruments continue to dominate. This reflects a cautious investment mindset shaped by risk aversion, economic uncertainty, and cultural preferences.

## LITERATURE REVIEW

Household finance has emerged as an important area of research that examines how individuals and families manage income, savings, investments, borrowing, and financial planning. Early studies by Campbell, John Y. (2006) established household finance as a distinct field, emphasizing that financial decisions are influenced not only by income and wealth but also by behavioral and psychological factors. The study argued that households often deviate from rational financial behavior because of limited financial knowledge, cognitive biases, and imperfect access to financial information. These findings laid the foundation for understanding investment behavior at the household level.

Financial literacy has consistently been recognized as one of the most significant determinants of investment decisions. Lusardi, Annamaria and Mitchell, Olivia S. (2014) demonstrated that financially literate individuals are more likely to save regularly, diversify investments, participate in financial markets, and plan effectively for retirement. Their research revealed that higher financial knowledge improves decision-making and reduces dependence on informal or traditional saving mechanisms. However, developing countries continue to face challenges in achieving adequate levels of financial literacy, limiting participation in market-linked investment products.

Behavioral finance provides further insights into household investment decisions by challenging the assumptions of traditional finance. Kahneman, Daniel and Tversky, Amos (1979), through the development of Prospect Theory, demonstrated that individuals tend to be loss-averse and generally perceive losses more intensely than equivalent gains. Consequently, investors often prefer low-risk financial instruments even when higher-return alternatives are available. This theory explains the continued popularity of fixed deposits, insurance products, and government-backed savings schemes among Indian households.

Investment decision-making is influenced by multiple socio-economic and demographic factors. Studies indicate that age, education, occupation, income, family responsibilities, and financial awareness significantly affect investment choices. Investors with higher education and stable incomes generally exhibit greater willingness to invest in equities, mutual funds, and other market-linked products. In contrast, households with limited financial knowledge and lower incomes generally prefer secure and liquid investment avenues that minimize financial risk.

Risk perception is another important determinant of investment behavior. Research by Grable, John E. and Lytton, Ruth H. (1999) found that financial risk tolerance varies according to demographic, psychological, and economic characteristics. Individuals with higher risk tolerance are more likely to invest in stocks and mutual funds, whereas risk-averse households favor bank deposits, insurance, gold, and government securities. Their findings suggest that perceived risk, rather than actual market performance, often determines investment preferences.

In the Indian context, several studies have reported a strong preference for traditional savings instruments despite increasing financial inclusion. Research conducted by the Reserve Bank of India indicates that Indian households continue to allocate a significant proportion of their financial savings to bank deposits and other low-risk instruments. Similarly, surveys conducted by the Securities and Exchange Board of India show that awareness of capital market products has improved gradually, yet participation in equity and mutual fund investments remains relatively low.

The findings of the **SEBI Investor Survey 2025** reinforce these observations by demonstrating that Indian households allocate only a small share of their income to investments, while the majority prefer traditional financial instruments because of safety, liquidity, and capital preservation. The survey also highlights relatively low awareness of market institutions such as SEBI, stock exchanges, and mutual fund organizations, suggesting that financial literacy remains an important challenge. Furthermore, household investment goals are largely family-oriented, focusing on children's education, family welfare, and home ownership rather than retirement planning or long-term wealth creation.

Overall, the literature suggests that household investment behavior is shaped by the combined influence of financial literacy, behavioral biases, socio-economic characteristics, and risk perception. While considerable research has examined these factors individually, there remains a need for empirical studies that integrate household income allocation, investment preferences, financial awareness, and behavioral factors using recent evidence. The present study addresses this gap by analyzing household income allocation and investment behavior in India using insights from the SEBI Investor Survey 2025.

**Objectives of the Study**

a) To examine the household income allocation patterns in India based on the findings of the SEBI Investor Survey 2025.

b) To analyze the investment preferences of Indian households across traditional and market-linked financial instruments.

c) To identify the major financial goals that influence household investment decisions.

d) To assess the level of awareness of Indian households regarding key financial institutions such as RBI, SEBI, BSE, NSE, and AMFI.

e) To evaluate the relationship between financial awareness and investment behavior among Indian households.

f) To identify the factors contributing to the preference for low-risk investment avenues over market-linked investments.

g) To suggest measures for improving financial literacy, promoting long-term investment culture, and enhancing participation in capital markets in India

## RESEARCH METHODOLOGY

The present study adopts a **descriptive and analytical research design** to examine household income allocation and investment behavior in India using the findings of the **SEBI Investor Survey 2025**. The study aims to understand how Indian households allocate their income, their investment preferences, financial goals, and awareness of financial institutions.

**Research Design:**

The study is descriptive in nature as it describes the existing pattern of household financial behavior and analytical as it interprets the relationships between income allocation, investment choices, financial awareness, and risk perception.

**Data Source:**

The study is based entirely on **secondary data** collected from:

- Securities and Exchange Board of India (SEBI) Investor Survey 2025
- Reserve Bank of India (RBI) reports on household financial savings
- Association of Mutual Funds in India (AMFI) reports
- National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) publications

- Relevant research articles, journals, and published literature on household finance and financial literacy.

**Data Collection Method:**

Secondary data were collected from published reports, official publications, and academic literature. The SEBI Investor Survey 2025 serves as the primary source of statistical information used in this study.

**Analytical Tools:**

The collected data were analyzed using:

- Percentage analysis
- Descriptive statistical interpretation
- Comparative analysis
- Tables and graphical presentation (where applicable)
- Qualitative interpretation of survey findings

These tools were used to evaluate household income allocation, investment preferences, investment goals, and financial awareness.

**Scope of the Study:**

The study focuses on the financial behavior of Indian households as reported in the SEBI Investor Survey 2025. It examines:

- Household income allocation
- Investment preferences
- Investment objectives
- Financial literacy and awareness
- Risk perception influencing investment decisions.

**Limitations of the Study:**

- The study relies exclusively on secondary data and findings reported in the SEBI Investor Survey 2025.
- The analysis is limited to the variables covered in the survey.
- The findings may not capture recent changes in investor behavior after the survey period.
- Primary data were not collected to validate the survey findings.

This methodology is appropriate for your paper because it aligns with the study's objective of analyzing and interpreting household investment behavior using nationally published survey data.

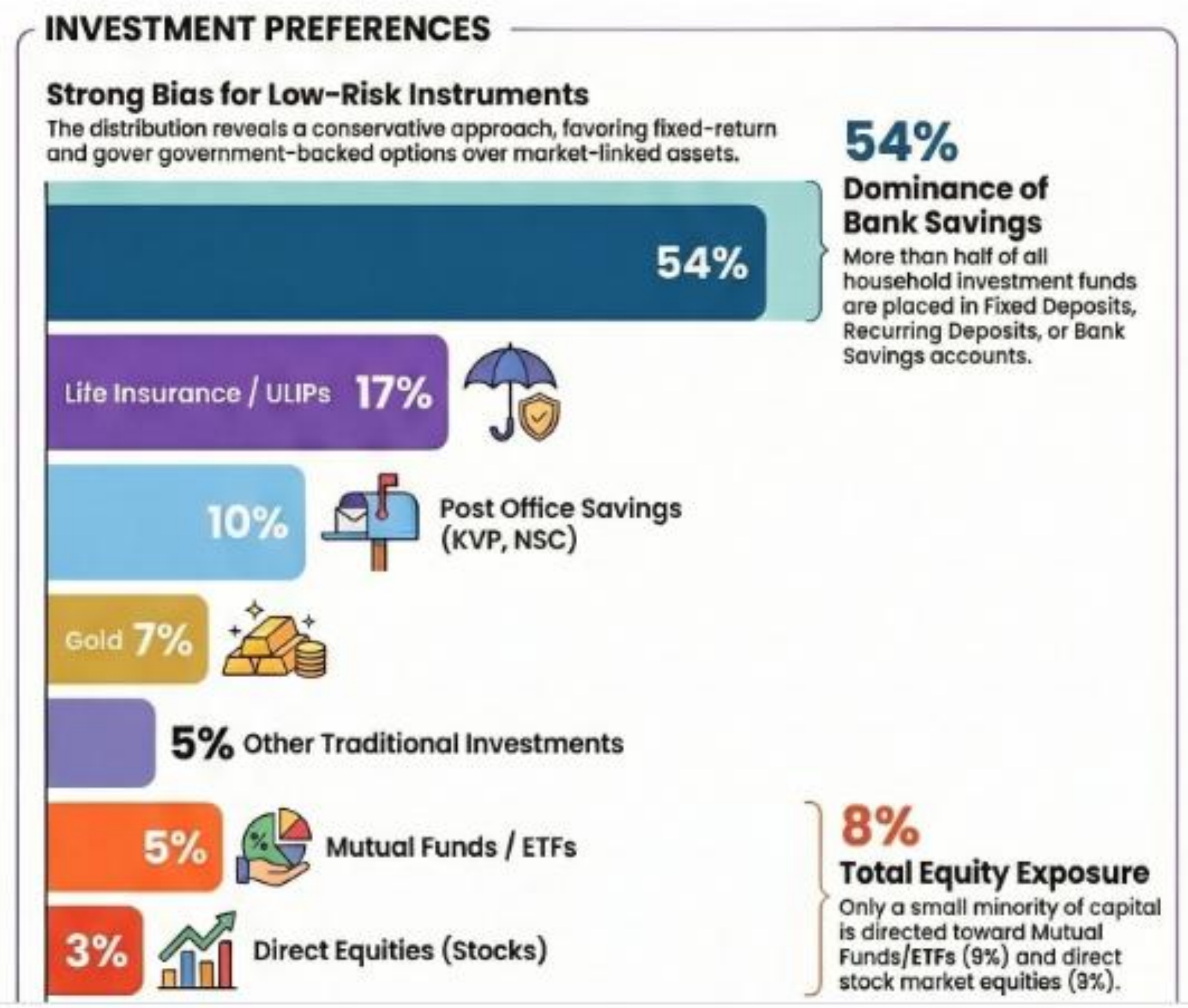
**Statistical Analysis Report**

**1. Monthly Income Allocation**

The survey reveals the following distribution of household income: The monthly income allocation shows how households distribute their earnings across different needs and priorities. A major portion, **44%**, is spent on monthly expenses, which include essential costs such as rent, food, utilities, transportation, and basic healthcare; this indicates that nearly half of the income is required to maintain daily living, which is generally reasonable. Another **23%** goes toward other expenses, which are mostly non-essential or discretionary, such as entertainment, dining out, shopping, and travel, suggesting that a significant share of income is used for lifestyle and comfort, though it should be monitored to avoid overspending. The allocation of **15% to savings** reflects a good financial habit, as it helps build emergency funds and supports short-term goals, aligning well with recommended saving practices. Meanwhile, **9% is invested** in wealth-generating options like stocks, mutual funds, or retirement plans, indicating some focus on future financial growth, although increasing this share could further strengthen long-term financial security. Lastly, **9% is used for debt repayment**, covering obligations like loans or credit card payments, which appears manageable and suggests that debt levels are under control. Overall, this distribution represents a fairly balanced financial approach with stable spending, decent savings, and controlled debt, though reducing discretionary expenses and increasing investments could improve long-term financial stability and wealth creation.

**2. Investment Preferences**

Among households that invest, the distribution reflects a clear bias toward low-risk instruments:




**Interpretation:**

The investment preferences of Indian households, as highlighted in the survey, clearly indicate a strong inclination toward safety and capital preservation. A majority share—about 54%—is allocated to traditional banking instruments such as fixed deposits, recurring deposits, and savings accounts, which are perceived as secure and stable despite offering relatively lower returns. Insurance-linked products, including life insurance and ULIPs, account for 17%, reflecting a dual preference for protection and modest investment growth.

Another 10% is directed toward post office savings schemes like Kisan Vikas Patra (KVP) and National Savings Certificate (NSC), which continue to attract investors due to government backing and guaranteed returns. Gold, a culturally significant asset in India, comprises 7% of investments, serving both as a hedge against inflation and a store of value. Additionally, 5% is invested in other traditional avenues, further reinforcing the conservative nature of household portfolios. In contrast, modern market-linked instruments receive comparatively limited attention, with mutual funds and ETFs accounting for only 5%, and direct equity investments making up just 3%. Overall, the distribution reflects a cautious investment approach, where minimizing risk takes precedence over maximizing returns.

**Investment Goals**

Households prioritize security-driven goals:**Investment Goals Table**

| **Investment Goal** | **Percentage (%)** |
|---|---|
| Children's Education | 20% |
| Family Support | 16% |
| Wealth Creation | 11% |
| Home Purchase | 11% |
| Emergency Fund | 9% |
| Children's Marriage | 8% |
| Retirement | 4% |

**Observation:**

The investment goals of households clearly reflect a strong preference for **security and family-oriented priorities**. The highest allocation, **20%**, is directed toward children's education, indicating that families consider education a crucial investment for future stability and success. This is followed by **16% for family support**, showing the importance placed on meeting the needs and well-being of dependents and extended family members. **Wealth creation and home purchase**, each receiving **11%**, highlight a balanced focus on both building financial assets and achieving long-term stability through property ownership. Additionally, **9% is allocated to emergency funds**, which demonstrates awareness of the need for financial preparedness in unexpected situations. **Children's marriage accounts for 8%**, reflecting cultural and social responsibilities that households plan for in advance. However, only **4% is dedicated to retirement**, suggesting that long-term personal financial security after working years is given relatively less importance. Overall, the distribution emphasizes immediate and family-related financial goals over individual long-term planning, indicating a conservative and security-driven investment approach.

**4. Awareness of Financial Institutions**

Awareness levels vary significantly across institutions:

- **73%**: Reserve Bank of India (RBI)
- **24%**: Bombay Stock Exchange (BSE)
- **22%**: National Stock Exchange (NSE)
- **21%**: SEBI

- **13%**: Association of Mutual Funds in India (AMFI)

**Insight:**

The awareness of financial institutions among households shows a clear variation, with the highest recognition for the **Reserve Bank of India (RBI)** at **73%**, indicating that most people are familiar with the country's central banking authority due to its prominent role in regulating monetary policy and the banking system. In contrast, awareness of market-related institutions is significantly lower, with only **24% aware of the Bombay Stock Exchange (BSE)** and **22% aware of the National Stock Exchange (NSE)**, suggesting limited exposure to stock market operations among the general population. Similarly, just **21% of respondents recognize the Securities and Exchange Board of India (SEBI)**, which is responsible for regulating and protecting investors in the securities market, indicating a gap in understanding of investor protection mechanisms. The lowest awareness is observed for the **Association of Mutual Funds in India (AMFI)** at **13%**, highlighting limited knowledge about mutual fund-related institutions and investment avenues. Overall, the pattern suggests that while people are well aware of the central banking system, there is comparatively low awareness of financial market institutions, pointing to a need for improved financial literacy and education.
**Highlights**

- Indian households invest **less than 10%** of their income.
- **Traditional instruments dominate** investment portfolios (over 80%).
- **Equity participation remains minimal (3%)**, despite potential for higher returns.
- Financial goals are **family-centric rather than retirement-focused**.
- Awareness is highest for banking institutions but **low for market regulators and mutual fund bodies**.

## CONCLUSION

The SEBI Investor Survey 2025 underscores a conservative financial ecosystem in India, where safety and liquidity are prioritized over growth. Despite increasing financial awareness, behavioral inertia and risk aversion continue to limit participation in capital markets.

To bridge this gap, policymakers and institutions must focus on:

- Enhancing financial literacy programs
- Promoting long-term investment culture
- Increasing trust in market-linked instruments
- Encouraging retirement planning

A shift from savings to strategic investing will be essential for improving household wealth creation and strengthening India's financial ecosystem.

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