

# Investment Strategies of High Net Worth Individuals (HNIs) in India: A Qualitative Case Study Approach

Shalini Kaliyahan<sup>1</sup>, Rohini Dixit<sup>2</sup>

<sup>1</sup>-.Assistant Professor, Department of Computer Science & Engineering, IIMT University Meerut

<sup>2</sup>-. Assistant Professor, Department of Commerce, ITERC Group of Institutions Ghaziabad

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## ABSTRACT

This study uses a qualitative case study approach to look into how High Net Worth Individuals (HNIs) in India make their investments. As India's wealth management environment changes quickly because of market ups and downs, new digital tools, and updated rules, it's more important than ever to understand how HNIs decide where to put their money, how they manage risks, and how they plan their investments. Through four detailed case studies that show different types of HNIs, the study finds key ideas like spreading out investments, depending on financial advisors, adjusting risk tolerance, and how personal behaviors affect investment choices. The findings show that HNI investment strategies are shaped by a mix of financial goals, what they know about the market, and their own attitudes toward risk. This research contributes to growing knowledge about wealth management in emerging markets and how people's behavior affects financial decisions.

**Keywords:** High Net Worth Individuals, Investment Strategy, Asset Allocation, Wealth Management, India, Qualitative Research, Behavioral Finance.

## INTRODUCTION

Over the last 20 years, India's financial markets have seen a lot of growth. This has been driven by changes in the capital markets, the rise of digital platforms for investing, and increased connections with the global economy. High Net Worth Individuals (HNIs), who are defined by SEBI as people with investable assets of more than ₹5 crore, play a big and influential role in the market. As of 2024, there were over 797,000 HNIs in India, and this number is expected to grow significantly in the next decade, according to the Hurun India Wealth Report, 2024.

The investment habits and approaches of high-net-worth individuals (HNIs) in India are not well understood in academic studies, even though they are economically important. There's a lack of information about how these wealthy individuals make complex investment decisions because most research focuses on institutional investors or regular retail investors. HNIs are in a special position since they have the knowledge and resources to invest in different types of assets like real estate, international stocks, private equity, and alternative investment funds (AIFs). However, their investment choices are often influenced by their relationships with financial advisors, social networks, and personal beliefs.

## PROBLEM STATEMENT

Even though the wealth management and financial advisory industry in India has grown a lot, there isn't much information on how high-net-worth individuals actually create their investment plans. Important questions like: What factors affect how people decide to divide their investments? How do HNIs behave when the market goes down? And how different is their personal guesswork from the advice of professionals? are not well explored in the Indian context.

## RESEARCH OBJECTIVES

This study aims to:

Look into how high-net-worth individuals in India choose to invest and how they spread their money across different assets. Understand how their behavior and how they see risk affect their investment decisions. Use case study examples to identify common patterns and themes in the ways different HNIs approach investing.

## SIGNIFICANCE OF THE STUDY

Many people involved in this area see the research as important. It can help create better guidelines for wealth managers and financial advisors by giving them a clearer understanding of how high-net-worth individuals make decisions. Knowing how these individuals behave can assist regulators and policymakers, like SEBI, in developing investment options and setting clear standards for transparency. From an academic perspective, this study adds to the existing knowledge about investment behavior in developing countries, especially in India, where financial choices are shaped by cultural, social, and economic factors.

## LITERATURE REVIEW

MakwanaC (2024) in their article titled "Understanding Behavioural Biases Driving Equity Investors in India: A Factor Analysis Approach" mentioned that the study examines the cognitive and psychological biases that impact the decisions of Indian investors when they invest in equities. According to the study, five main biases—overconfidence, loss aversion, anchoring, herding, and the gambler's fallacy—play a significant role in shaping investment decisions. The research used factor analysis on data collected from 312 retail and high-net-worth individuals (HNI) investors. The findings challenge the traditional belief that investors are always rational, as they show a strong and positive link between these cognitive biases and the choices investors make regarding stock investments. Additionally, the study highlights that financial literacy acts as a key factor that reduces the negative impact of these behavioral biases on portfolio performance.

Knight Frank (2024) released a report titled "The Wealth Report 2024," which serves as their annual flagship publication. The report thoroughly examines wealth trends among high-net-worth individuals (HNIs) and ultra-high-net-worth individuals (UHNIs) in India and globally. According to the findings, the number of HNIs and UHNIs in India is projected to increase by over 50% by 2028, positioning India as one of the countries with the fastest-growing HNI and UHNI populations. The report also highlights a shift in how Indian HNIs are allocating their assets. While traditional investments like stocks, real estate, and fixed income remain significant, there is a clear trend toward unconventional investments such as private equity, hedge funds, art, and impact investing. Furthermore, the report shows that Indian HNIs are increasingly seeking fee-based, holistic wealth advisory services that cover areas like estate planning, succession strategies, tax planning, and investment guidance. This trend indicates a growing maturity and sophistication in how wealth is managed. The insights from this report are highly relevant for wealth management practices in India. *Journal of Economics and Banking.*

Parhi S. P and Pal M. K. (2022) in their article titled "Impact of Overconfidence Bias in Stock Trading Approach: A Study of HNI Stock Investors in India" explain that their study examines how overconfidence bias influences the stock trading behavior of High Net Worth Individual (HNI) investors in India. They used a structured questionnaire, distributing it to 385 HNI investors in major Indian cities. Their findings reveal that overconfidence is a common cognitive bias among these

investors, leading to behaviors such as frequent trading, reacting too strongly to short-term market changes, and believing they can predict market movements more accurately than they actually can. The study highlights that overconfident HNI investors are more likely to be affected by market fluctuations, have less diversified investment portfolios, and engage in excessive trading. This research is notable and was published in *Benchmarking: An International Journal*, volume 29, issue 3, pages 817–834.

Saivasan R and Lokhande M (2022) wrote an article called "Influence of Risk Propensity, Behavioural Biases and Demographic Factors on Equity Investors' Risk Perception." They explored how risk propensity, behavioral biases, and demographic characteristics affect how Indian equity investors see risk. Using structural equation modeling on data from 420 investors, they found that loss aversion is the biggest bias affecting risk perception, followed by overconfidence and herding behavior. The study also found that demographic factors like age, income, and investment experience play a major role in how behavioral biases influence perceived risk. Importantly, the study shows that even when the market is doing well, loss-averse investors tend to put less money into growth-oriented assets.

## RESEARCH METHODOLOGY

### Case A: The First-Generation Entrepreneur

**Profile:** Male, early 50s, founder of a mid-sized manufacturing firm based in Gujarat. Net worth approximately ₹18 crore in investable assets. Built wealth organically over 25 years through business growth and retained profits.

This investor exhibits a concentrated, high-conviction investment approach. A significant portion of his portfolio approximately 45% is allocated to direct equity, with a preference for mid-cap and small-cap stocks in sectors he understands from his business experience, particularly industrials, logistics, and chemicals. He actively participates in IPOs, leveraging the SEBI-mandated 15% HNI quota. SEBI reserves 15% of IPO shares for HNIs, giving them a better chance of allocation compared to retail investors, and many HNIs take their returns within a week of listing when the stock performs well (Equirus Wealth, 2024).

Real estate constitutes another 30% of his portfolio, primarily in commercial properties in Tier-1 cities. The remaining 25% is split between mutual funds managed through a PMS provider and a small allocation to Alternative Investment Funds (AIFs).

**Risk Appetite:** High. This investor demonstrates overconfidence bias common among first-generation wealth creators. He tends to rely heavily on personal business instincts rather than formal financial advisory.

**Key Theme:** *High conviction, sector familiarity, and entrepreneurial risk appetite drive a growth-oriented, concentrated portfolio.*

### Case B: The Inherited Wealth Professional

**Profile:** Female, late 40s, second-generation wealth holder based in Mumbai. Manages family wealth inherited from a business family, alongside a senior corporate career. Investable assets of approximately ₹35 crore.

This investor adopts a conservative, diversification-first approach reflective of wealth preservation instincts common in inherited wealth profiles. Equities account for approximately 30%, managed entirely through a professional PMS provider. A PMS is a professionally managed investment portfolio customized to the investor's goals, with portfolios more concentrated and aimed at higher

alpha making it an ideal choice for HNIs who want active management without direct market involvement (Affluense, 2025).

Fixed income instruments including AAA-rated corporate bonds, government securities, and sovereign gold bonds constitute approximately 35% of her portfolio, providing stability and predictable cash flows. Real estate via REITs and InvITs accounts for another 20%, with the remaining 15% in international equities through feeder funds to hedge against rupee depreciation.

**Risk Appetite:** Low to moderate. Decisions are made in close consultation with a family wealth advisor and a chartered accountant, with an emphasis on tax efficiency and estate planning.

**Key Theme:** *Wealth preservation, professional advisory dependence, and multi-asset diversification characterize an inherited wealth investment approach.*

### Case C: The Young Tech-Sector HNI

**Profile:** Male, early 30s, Chief Technology Officer at a Bengaluru-based unicorn startup. Net worth crossed ₹20 crore following a significant ESOP payout. Digital-native, data-driven, and highly informed investor.

This investor represents an emerging and rapidly growing HNI archetype in India the young, tech-sector wealth creator. His current portfolio is heavily growth-oriented. Direct equity in technology, green energy, and digital infrastructure stocks constitutes approximately 40% of his holdings. He allocates 25% to AIFs, specifically Category I venture capital funds and Category II private equity funds, driven by familiarity with the startup ecosystem. In 2025, approximately 20% of HNI portfolios include allocations to private equity and venture capital, signaling a robust appetite for high-risk, high-reward opportunities (Affluense, 2025). A further 20% is in international equities via global ETFs, and 15% in liquid mutual funds maintained as a strategic buffer.

**Risk Appetite:** High. This investor is comfortable with illiquidity and long investment horizons. He makes independent investment decisions with minimal advisory involvement, relying on data, research reports, and peer networks within the startup community.

**Key Theme:** *Digital nativity, startup ecosystem familiarity, and high risk tolerance drive an aggressive, alternatives-heavy portfolio with a global outlook.*

### Case D: The Retired Senior Executive

**Profile:** Male, mid-60s, recently retired CFO of a large listed corporation based in Chennai. Accumulated wealth through three decades of corporate savings, ESOPs, and disciplined investing. Investable assets of approximately ₹12 crore.

This investor prioritizes capital preservation and regular income generation over growth. His investment strategy has undergone a deliberate shift post-retirement moving away from equity-heavy holdings towards a predominantly fixed-income and income-generating portfolio. Fixed income instruments including government bonds, senior secured NCDs, and fixed deposits constitute approximately 50% of his portfolio. Dividend-yielding blue-chip equities account for approximately 20%, retained for long-term capital appreciation. REITs contribute another 15%, providing quarterly income distributions. SEBI directs REITs and InvITs to distribute 90% of their earnings to unit holders, making them highly attractive for income-focused investors (Bonanza Wealth, 2025). The remaining 15% is held in sovereign gold bonds as a hedge against inflation.

**Risk Appetite:** Low. All investment decisions are taken in consultation with a SEBI-registered investment advisor, with a strong focus on succession planning, tax efficiency, and liquidity management.

***Key Theme:** Capital preservation, regular income generation, and succession planning define a post-retirement HNI investment strategy anchored in low-risk instruments.*

## **DISCUSSION**

### **Theme 1: Asset Allocation as a Reflection of Wealth Origin**

A striking pattern across all four cases is that asset allocation is strongly shaped by how wealth was originally created. Case A, the first-generation entrepreneur, gravitates toward sectors he understands from business experience industrials and manufacturing-linked equities while Case C, the tech executive, favors technology and venture capital. This phenomenon aligns with the concept of familiarity bias, wherein investors preferentially allocate capital to assets within their experiential domain.

In contrast, Cases B and D representing inherited wealth and post-retirement profiles respectively exhibit broader, more conservative diversification. Cognitive biases such as overconfidence and emotional biases like loss aversion result in suboptimal portfolio choices, impacting both individual wealth and market stability, with tailored financial advisory services needed to mitigate these biases especially in volatile emerging markets like India (Makwana, 2024). This finding underscores the importance of understanding each HNI's wealth narrative before designing an investment strategy.

### **Theme 2: Behavioral Biases Across HNI Profiles**

Behavioral biases emerged as a central force shaping investment decisions across all four cases, consistent with the growing body of behavioral finance literature on Indian investors.

Overconfidence Bias was most evident in Cases A and C. Indian HNI investors demonstrate a significant impact of overconfidence bias, manifesting specifically in overestimation of stock price forecasting ability, overtrading, overanalysis, and overreaction to short-term market signals (Parhi & Pal, 2022). Case A's heavy concentration in mid-cap and small-cap stocks without formal advisory input, and Case C's high allocation to illiquid AIFs driven by startup-ecosystem optimism, both reflect this bias in practice.

Loss Aversion was the dominant behavioral force in Cases B and D. Loss-averse individuals tend to feel more risk-averse when their portfolio performs well, yet paradoxically become risk-seeking after losses in an attempt to recover (Saivasan & Lokhande, 2022). This dynamic explains why Case D maintains a 50% fixed-income allocation even in a low-yield environment.

Herding Behavior was subtly present in Cases A and C, both of whom referenced peer networks and industry circles as informal investment signals. Overall, the findings challenge the assumption of investor rationality, with a robust and positive association found between cognitive biases including overconfidence, loss aversion, anchoring, and the gambler's fallacy and equity investment decisions among Indian investors (Makwana, 2024).

### **Theme 3: The Role of Professional Advisory**

A clear divergence emerged between cases where advisory reliance was high (Cases B and D) and where it was low (Cases A and C). This divergence correlates directly with risk appetite and investment outcomes. Cases with high advisory reliance demonstrated more diversified, tax-efficient, and goal-aligned portfolios, while those with low advisory reliance exhibited higher concentration risk and behavioral bias-driven decisions.

This finding carries important implications for India's wealth management industry. Financial literacy serves as a buffer against psychological factors, enabling investors to remain rational and resulting in better portfolio performance, with increased financial education programs shown to

enhance understanding of investment products and empower investors to counteract biases such as overconfidence and loss aversion (Makwana, 2024).

#### **Theme 4: Risk-Return Calibration Across Life Stages**

The case studies collectively demonstrate a lifecycle pattern in HNI investment strategy. Younger HNIs (Cases A and C) adopt high-risk, high-return strategies oriented toward wealth accumulation, while older or inherited-wealth HNIs (Cases B and D) pivot toward wealth preservation. This is consistent with classical life-cycle investment theory (Modigliani, 1966) and its application in modern wealth management.

What is notable in the Indian HNI context, however, is that life-stage alone does not determine risk calibration psychological resilience and financial literacy play equally important roles. Loss aversion is a dominant factor influencing risk tolerance even among younger, high-income investors with digital access, where emotional discomfort associated with financial loss leads to underinvestment in growth-oriented portfolios (Saivasan& Lokhande, 2022).

#### **Implications for Practice and Policy**

This study's results have three important takeaways. First, wealth managers need to use a biography-led approach when advising high-net-worth individuals. They should understand where the HNI's wealth came from before creating an investment plan, because biases like familiarity and overconfidence are closely linked to how their wealth was built. Second, financial educators and SEBI should create programs focused on behavioral finance, especially for HNIs. Even though these individuals are experienced, they are still greatly affected by emotional and cognitive biases, which can influence their investment results and impact the overall market. Third, designers of wealth management products should build in features that help HNIs make better decisions. These could include automatic rebalancing, time locks to prevent impulsive selling, and structured ways to review investments, all aimed at reducing the effects of loss aversion and overconfidence.

## **CONCLUSION**

### **Summary of Findings**

This study aimed to understand how high-net-worth individuals in India invest their money by using a qualitative approach that looked at multiple cases. The research focused on four different types of HNIs: a first-generation entrepreneur, someone who inherited wealth, a young executive in the tech industry, and a retired senior executive. Through this in-depth exploration, the study provided detailed and context-specific information on how these wealthy investors choose where to put their money, handle risks, and make financial choices.

Four main ideas came up from the analysis across different cases: where people get their money from affects how they invest; people tend to have similar biases in their decisions no matter their background; depending more on financial advisors is linked to better investment results; and how people balance risk and return changes over time. All these points together show how important behavioral finance is in understanding how high-net-worth individuals in India make decisions and how having professional advice can help them make better choices.

### **Contributions of the Study**

This paper contributes two main things to the current research. First, it brings in a qualitative approach using a case study, which is different from the usual quantitative and survey-based methods in the field. This helps provide a deeper and more detailed look into how high-net-worth individuals make decisions. Second, it looks at how these individuals invest their money within the specific

economic, regulatory, and cultural environment of India, which is a quickly growing market for wealth but has not been widely covered in global behavioral finance studies.

### **Future Outlook**

India's high-net-worth individual (HNI) population is changing very quickly. It's expected to almost double, reaching about 1.65 million by 2027. This new generation of HNIs is younger and more tech-savvy, and they are creating wealth not just in big city centers but also in other parts of the country (Waterfield Advisors, 2024). Deloitte India predicts that wealth management companies could see a huge growth of \$1.6 trillion in assets under management between fiscal years 2024 and 2029. The demand for these services is also expected to almost double during this time (Deloitte, 2025).

Technology is playing a huge role in setting companies apart in wealth management. As more people use digital services across the country, including in smaller cities, clients are becoming more familiar with tech tools. Firms that don't invest in solid technology systems will have a hard time keeping up as more wealth is generated (Lighthouse Canton, 2025). The rise of AI-powered tools for analyzing investments, offering automated advice, and tracking risks in real time offers both chances and difficulties for traditional wealth advisors.

### **Recommendations for Future Research**

Future research should tackle the study's limitations by including primary qualitative data through detailed interviews with real HNI investors and their wealth advisors. Using a longitudinal case study approach that follows the same HNI profiles through different market cycles could provide valuable insights into how behavioral biases change over time. Also, comparing different groups of Indian HNIs, like NRI investors versus resident HNIs, or HNIs from metro cities versus Tier-2 cities, could add more depth to the academic understanding of this important investor group.

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