



## International Journal of Research in Academic World

Received: 06/April/2026

IJRAW: 2026; 5(6):92-95

Accepted: 10/May/2026

# Investment Influences and Preferences of Non-Resident Indians in Kerala: An Analytical Study with Special Reference to the Central Travancore Region

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### Abstract

Non-Resident Indians have a significant source of capital inflow to Kerala through remittances, contributing substantially to household income, consumption, and socio-economic development. Despite the considerable volume of remittances, a large proportion of NRI investments continues to be concentrated in traditional and non-productive avenues such as real estate, gold, and bank deposits. This study examines the investment patterns and preferences of NRIs in Kerala with special reference to the Central Travancore region. The study aims to identify the factors influencing investment decisions of NRIs and their investment pattern. Adopting a descriptive and analytical research design, the study employs both primary and secondary data. The theoretical foundation is drawn from the Theory of Planned Behaviour. The findings reveal that the NRIs' financial comfort, tax benefits, and the investment preference of family members constitute the primary influencers of investment sources. Similarly, the analysis on investment preference shows that NRIs possess a favorable investment orientation and actively consider Kerala as an attractive destination for their investment activities.

**Keywords:** Non-Resident Indians, Investment Behaviour, Remittances, Investment Preferences, investment pattern.

### Introduction

International migration has emerged as one of the most significant socio-economic phenomena influencing the development paths of many developing economies. Among Indian states, Kerala occupies a unique position due to its long-standing migration history and extensive dispersion in various countries, particularly in the Gulf countries such as the United Arab Emirates, Saudi Arabia, Qatar, Kuwait, Oman, and Bahrain. Since the oil boom of the 1970s, large-scale migration from Kerala has transformed the state's economic and social landscape, creating a strong migration-remittance-development nexus (Zachariah & Rajan, 2011; Kannan & Hari, 2020) [19, 5]. The continuous flow of remittances from Non-Resident Indians (NRIs) has become a notable source for the household income and economic development, contributing to poverty reduction, improved living standards and overall human development within the state (Kar, 2008; Menon, 2024). India has consistently remained the world's largest recipient of foreign remittances, receiving more than USD 125 billion in 2023 according to the World Bank (2024). Kerala accounts for a significant proportion of these inflows due to its large expatriate population. Studies indicate that remittances constitute nearly

one-fourth of Kerala's Net State Domestic Product, making it one of the most remittance-dependent regions globally (Kannan & Hari, 2020; Kerala Migration Survey, 2023) [5]. The substantial inflow of foreign earnings has strengthened household consumption, increased savings, improved housing conditions, and facilitated investments in education and healthcare, thereby contributing significantly to Kerala's impressive human development indicators (Zachariah & Rajan, 2011; Hyderali *et al.*, 2025) [19]. Despite these positive contributions, concerns have been raised regarding the utilisation pattern of remittance income. Existing research suggests that a considerable share of remittance inflows is allocated towards consumption-oriented activities such as housing construction, land acquisition, gold purchases, social ceremonies, and household expenditure rather than productive investments capable of generating employment and sustainable economic growth (Kannan & Hari, 2002; Rajan & Zachariah, 2019; Hyderali *et al.*, 2025) [4, 13, 2]. While such expenditures undoubtedly enhance household welfare and social status, they contribute only marginally to capital formation and industrial development. Consequently, Kerala faces a developmental paradox wherein high remittance inflows coexist with relatively low industrial growth, limited

entrepreneurial activity, and inadequate employment generation (Migration-Led Development in Kerala, 2023; Menon, 2024) <sup>[9]</sup>. The investment behaviour of NRIs is influenced by a complex interplay of economic, social, psychological, and institutional factors. Traditional financial theories suggest that investment decisions are primarily driven by risk-return considerations; however, behavioural finance literature argues that investors often exhibit bounded rationality and are influenced by emotions, perceptions, biases, and social norms (Kahneman & Tversky, 1979) <sup>[3]</sup>. For NRIs, investment decisions are frequently shaped by emotional attachment to their homeland, family obligations, cultural values, trust in domestic institutions, and concerns regarding investment security (Osella & Osella, 2009; Kavoori, 2019) <sup>[11, 7]</sup>. These factors often encourage investments in familiar and tangible assets such as real estate, gold, and bank deposits, which are perceived as safer and easier to monitor from abroad. Furthermore, institutional and regulatory factors significantly influence NRI investment behaviour. Issues such as bureaucratic procedures, regulatory complexity, lack of transparency, inadequate investor protection mechanisms, and limited access to reliable investment information often discourage NRIs from investing in productive sectors such as manufacturing, infrastructure, agriculture, and entrepreneurship (Tumbe, 2011; Mahajan & Shrivastava, 2025) <sup>[17, 8]</sup>. Information asymmetry and the absence of professional advisory services tailored to diaspora investors further reinforce conservative investment preferences, limiting portfolio diversification and productive capital deployment (Shah & Jadav, 2024) <sup>[16]</sup>. Recent developments in behavioural finance and migration economics highlight the importance of examining investment decisions through a multidimensional framework that incorporates economic, psychological, and institutional variables. Against this backdrop, the present study seeks to analyse the factors that influencing investment decisions and preferences of NRIs in investing Kerala with special reference to the Central Travancore region. By providing empirical insights into the investment behaviour of Kerala's diaspora, the study aims to contribute to the growing literature on migration and development while offering policy recommendations for channelizing remittance inflows into productive sectors that support sustainable economic growth and regional development.

### Statement of the Problem

Despite substantial remittance inflows from NRIs, Kerala continues to experience limited productive investment and industrial development. Most NRI investments remain concentrated in low-risk and non-productive avenues such as real estate, gold, and bank deposits. The preference for these investment options reflects risk-averse attitudes, emotional attachment to tangible assets, and concerns regarding transparency, regulatory complexity, and investment security. Although previous studies have examined remittance inflows and their macroeconomic effects, limited empirical research has integrated behavioural, socio-economic, and institutional factors to explain investment patterns among NRIs, particularly in the Central Travancore region. Therefore, this study seeks to examine the determinants of NRI investment and preferences to invest in Kerala, to facilitate better utilisation of capital for sustainable economic development.

### Review of Literature

The role of remittances in shaping Kerala's socio-economic

development has attracted considerable scholarly attention over the past several decades. Kerala's migration-driven development model is often cited as a unique example of how international migration and remittance inflows can significantly influence household welfare, consumption patterns, and regional economic growth. Kannan and Hari (2002) <sup>[4]</sup> demonstrated that remittances from expatriate Keralites contributed substantially to the state's domestic income, accounting for nearly one-fourth of Kerala's income during certain periods. Their later work further established that remittance inflows played a crucial role in enhancing household savings, increasing consumption expenditure, and improving living standards across migrant households (Kannan & Hari, 2020) <sup>[5]</sup>. Similarly, Zachariah and Rajan (2011) <sup>[19]</sup> observed that remittances contributed significantly to poverty reduction, housing development, educational advancement, and healthcare accessibility, thereby strengthening Kerala's human development achievements. Despite these positive outcomes, several studies have highlighted concerns regarding the utilisation pattern of remittances. Rather than being channelled into productive investments capable of generating employment and economic growth, remittances are predominantly utilised for consumption-oriented purposes. Hyderali *et al.* (2025) <sup>[2]</sup> reported that approximately 65 percent of remittance income is invested in housing construction, land acquisition, consumer expenditure, and real estate activities. Likewise, Menon (2024) <sup>[9]</sup> found that although remittance inflows have increased consistently over the years, their utilisation continues to remain concentrated in non-productive sectors, limiting their contribution to entrepreneurship, industrial development, and capital formation. These findings support the argument that Kerala faces a developmental paradox in which high remittance inflows coexist with relatively low industrial growth and limited productive investment opportunities. A significant body of literature has focused on the investment preferences and behaviour of Non-Resident Indians. Studies consistently reveal a strong preference for low-risk and tangible investment avenues. Nisamudheen (2023) <sup>[10]</sup> found that bank deposits, gold, insurance policies, and real estate remain the most preferred investment options among NRIs due to their perceived safety, liquidity, and stability. Similarly, Praveen (2018) <sup>[12]</sup> observed that real estate investments dominate NRI portfolios because of emotional attachment to the homeland, expectations of long-term appreciation, and the symbolic value associated with property ownership. Rajan and Zachariah (2019) <sup>[13]</sup> further argued that investment decisions among expatriates are often influenced by social prestige and family considerations rather than purely financial returns. Behavioural finance perspectives have increasingly been applied to understand NRI investment decisions. Investment behaviour is influenced not only by economic considerations but also by psychological and social factors. Shah and Jadav (2024) <sup>[16]</sup> reported that financial awareness, educational attainment, and access to reliable information significantly influence investment choices among NRIs. Their findings suggest that higher levels of financial literacy promote investment diversification and increase participation in modern financial instruments such as mutual funds and equity investments. Similarly, Shabana and Johny Rani (2024) <sup>[15]</sup> identified safety, liquidity, and regular income as the most influential determinants of investment behaviour, reflecting the risk-averse nature of many expatriate investors. Institutional and regulatory factors have also been identified as important

determinants of NRI investment behaviour. Mahajan and Shrivastava (2025) [8] examined the regulatory framework governing NRI investments and concluded that bureaucratic procedures, compliance complexities, and regulatory ambiguities often discourage investment in productive sectors. The study highlighted that procedural delays, lack of transparency, and fragmented institutional support increase transaction costs and reduce investor confidence. Likewise, Tumbe (2011) [17] emphasized that information asymmetry, regulatory uncertainty, and limited awareness regarding investment opportunities constrain the effective deployment of diaspora capital.

Recent studies have further highlighted the role of social and cultural influences in shaping investment decisions. Sajin Philip and Abraham (2024) [14] observed that family expectations, peer influence, and community norms significantly affect financial decision-making among migrants. Similarly, Osella and Osella (2009) [11] argued that investment choices among overseas Keralites are deeply embedded within cultural values and social status considerations, particularly in relation to housing and gold investments. These findings indicate that investment decisions are often guided by behavioural and socio-cultural motivations rather than purely rational financial calculations. Although existing studies provide valuable insights into remittance utilisation, investment preferences, financial awareness, and institutional constraints, studies on investment patterns and behaviour of NRIs remain limited. Hence the researcher has attempted to find the factors that influences the investment decision and the preference of the investor on investing in Kerala.

### Objectives

- i). To analyze the factors that influence the investment decision of NRIs in Kerala.
- ii). To study the investment preferences of NRIs in Kerala

### Hypotheses

**H<sub>01</sub>:** There is no significant influence of the selected factors on the investment decision of NRIs

**H<sub>02</sub>:** The mean score of investment preferences of NRIs in Kerala is not significantly different from the neutral level.

### Research Methodology

**Research Design:** The study adopts a descriptive and analytical research design. The descriptive component examines demographic characteristics, investment preferences, and preferences

**Area of Study:** The study is confined to the Central Travancore region of Kerala, characterised by a high concentration of NRI households and substantial remittance inflows.

**Sources of Data:** The study uses both primary and secondary data. Primary data are collected through a self-administered structured questionnaire. Secondary data are obtained from journal articles, government reports, Kerala Migration Surveys, and related academic studies.

**Population and Sampling:** The population comprises Non-Resident Indians originating from the Central Travancore region of Kerala. Purposive sampling, a non-probability sampling technique, was used to collect the required data from the NRIs. Totally 172 samples were collected from NRIs using Google form. Out of that 22 were found incomplete and finally 150 samples were taken for data analysis.

**Tools for Analysis:** The statistical tools used for the analysis

are mean ranking and one sample t test.

### Analysis and Discussion

**Table 1:** Mean Rank of factors influencing investment decision of NRIs

Factor	Mean	Rank
My level of financial security in abroad	6.092	1
Tax benefits and exemptions	5.967	2
Family preferences and expectations	5.697	3
Advice from financial consultants	5.677	4
Expected return on investment	5.654	5
Advice from financial consultants	5.482	6
Risk level of the investment	5.413	7
Government policies and regulations	5.156	8
Past investment experiences	5.103	9
Liquidity and ease of withdrawal	4.826	10

The ranking analysis was conducted to identify the relative importance of various factors influencing the investment preferences of NRIs in Kerala. The results indicate that the level of financial security in the country of residence abroad emerged as the most influential factor, securing the first rank with a mean score of 6.092. This suggests that financially secure NRIs are more inclined to make investments in Kerala, as they possess greater disposable income and confidence in undertaking investment activities.

Tax benefits and exemptions ranked second with a mean score of 5.967, highlighting the importance of favorable tax provisions in shaping investment decisions. Family preferences and expectations occupied the third rank (Mean = 5.697), indicating that family considerations continue to play a significant role in influencing the investment choices of NRIs.

The factor advice from financial consultants received considerable importance, ranking fourth (Mean = 5.677) and sixth (Mean = 5.482), reflecting the reliance of NRIs on professional financial guidance when making investment decisions. Expected return on investment ranked fifth (Mean = 5.654), suggesting that profitability remains a key consideration, although it is not the foremost determinant of investment preference.

Risk level of the investment secured the seventh rank (Mean = 5.413), implying that while NRIs consider investment risk, it is secondary to factors such as financial security, tax advantages, and family influence. Government policies and regulations ranked eighth (Mean = 5.156), indicating a moderate influence on investment decisions. Similarly, past investment experiences ranked ninth (Mean = 5.103), suggesting that previous investment outcomes have some impact but are not the primary drivers of investment behavior. Finally, liquidity and ease of withdrawal received the lowest rank with a mean score of 4.826, indicating that NRIs are relatively less concerned about immediate access to their invested funds. This finding suggests a preference for long-term investment avenues over highly liquid investment options. Overall, the results reveal that financial stability, tax incentives, family considerations, and professional advice are the most significant factors influencing the investment preferences of NRIs in Kerala, whereas liquidity considerations exert comparatively less influence on their investment decisions.

**Table 2:** One Sample T-Test on the Investment Preferences of NRIs in Kerala

		Statistic	df	p
Investment Preference computed	Student's t	11.460	389.000	<.001

Note.  $H_a \mu \neq 3$

Since the  $p$ -value ( $< 0.001$ ) is less than the significance level of 0.05, the null hypothesis is rejected.

The One-Sample t-test was conducted to examine whether the mean score of investment patterns and preferences among NRIs in Kerala differs significantly from the neutral value of 3. The results revealed a statistically significant difference,  $t(389) = 11.460, p < 0.001$ . Therefore, the null hypothesis was rejected. This indicates that the respondents exhibited a significantly higher level of preference towards investment opportunities in Kerala than the neutral level. The findings suggest that NRIs possess a favorable investment orientation and actively consider Kerala as an attractive destination for their investment activities.

### Finding and Conclusion

The study found that the investment decisions of NRIs in Kerala are primarily influenced by their level of financial security in the country of residence, followed by tax benefits and exemptions, family preferences and expectations, professional financial advice, and expected returns on investment. The ranking analysis revealed that financial stability and tax-related incentives play a more significant role in shaping investment decisions than factors such as government policies, past investment experiences, and liquidity considerations. The One-Sample t-test further indicated that the mean score of investment preferences was significantly higher than the neutral value ( $t = 11.460, p < 0.001$ ), demonstrating a strong positive preference among NRIs towards investing in Kerala. These findings are consistent with earlier studies by Kannan and Hari (2020)<sup>[5]</sup>, Rajan and Zachariah (2019)<sup>[13]</sup>, and Shah and Jadav (2024)<sup>[16]</sup>, which reported that financial security, family influence, and professional guidance are important determinants of NRI investment behaviour. The results suggest that NRIs perceive Kerala as a favourable investment destination and are willing to invest despite certain institutional and regulatory challenges.

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