

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

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## ABSTRACT

This study uses a qualitative case study methodology to investigate the investment methods used by High Net Worth Individuals (HNIs) in India. Understanding how HNIs allocate assets, manage risk, and make investment decisions has become increasingly important as India's wealth management landscape rapidly changes due to market volatility, digital innovation, and regulatory reforms.

This study reveals important themes, such as asset diversification, advisor reliance, risk appetite calibration, and the impact of behavioral factors on investment choices, through an analysis of four illustrative case studies that represent various HNI profiles. The results imply that a complicated interaction between financial objectives, market information, and individual risk psychology shapes HNI investment strategies. This study adds to the expanding corpus of research on emerging market wealth management and behavioral finance.

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

## INTRODUCTION

Over the past 20 years, India's financial markets have experienced a spectacular development. A dynamic investment environment has been produced by the deregulation of capital markets, the emergence of digital investment platforms, and growing global interconnectedness.

High Net Worth Individuals (HNIs), who are defined by SEBI as having investable assets greater than ₹5 crore, are a significant and strong group of market players in this environment. Over 7,97,000 HNIs lived in India as of 2024; this figure is expected to rise dramatically over the next ten years (Hurun India Wealth Report, 2024). The investment behavior and methods of Indian HNIs are still largely unexplored in academic literature, despite their economic relevance.

There is a knowledge gap regarding the complex decision-making of high-value individual investors because the majority of current research concentrates on institutional investing patterns or retail investor behavior. HNIs are in a unique position since they are smart enough to access a variety of asset classes, including real estate, overseas stocks, private equity, and alternative investment funds (AIFs). However, their choices are frequently impacted by adviser relationships, informal networks, and personal biases.

## Problem Statement

Despite the significant growth of the wealth management and financial advising sector in India, little is known about how HNIs in reality, they create their investing plans. Questions like: What influences judgments about portfolio allocation? How do HNIs react to downturns in the market? What is the difference between personal intuition and expert advice? are little addressed in the Indian setting.

## Research Objectives

This study aims to:

Examine the investing preferences and asset allocation trends of HNIs in India. Recognize how behavioral and risk perception influence HNI investment choices. Use case study analysis to find trends and themes among various HNI investing profiles.

## Significance Of the Study

Many stakeholders find this research to be important. Better guidance frameworks for wealth managers and financial advisors can be informed by insights into HNI decision-making. Understanding HNI behavior can help regulators and policymakers like SEBI create investment products and transparency standards. In terms of academics, this work contributes to the qualitative literature on investing behavior in developing nations, especially India, where financial decision-making is specifically influenced by cultural, social, and economic aspects.

## LITERATURE REVIEW

Makwana C (2024) in their article titled "Understanding Behavioural Biases Driving Equity Investors in India: A Factor Analysis Approach" stated that, the study looks at the cognitive and psychological biases that affect Indian investors' decisions to invest in equities. Overconfidence, loss aversion, anchoring, herding, and the gambler's fallacy are the five main biases influencing investment decisions, according to the study, which uses factor analysis on data gathered from 312 retail and HNI investors. The results cast doubt on the traditional notion of investor rationality by demonstrating a strong and favorable correlation between these cognitive biases and stock investment decisions. The study also shows that a key moderating factor that lessens the negative effects of behavioral biases on portfolio performance is financial literacy.

Knight Frank (2024) in their report titled "The Wealth Report 2024" stated that, the yearly flagship publication offers a thorough examination of high-net-worth and ultra-high-net-worth wealth trends in India and around the world. According to the report, India's HNI and UHNI population is expected to grow by more than 50% by 2028, making it one of the fastest-growing in the world. In addition to more conventional assets like stocks, real estate, and fixed income, the research shows a clear movement in Indian HNI asset allocation toward unconventional investments including private equity, hedge funds, art, and impact investing. demonstrates the increasing inclination of Indian HNIs for fee-based, comprehensive wealth advisory services that incorporate estate management, succession planning, tax planning, and investment advice. This reflects a development in sophistication and maturity. His work offers important insights pertinent to wealth management practice in India. Journal of Economics and Banking.

Parhi S. P& Pal M. K. (2022) in their article titled "Impact of Overconfidence Bias in Stock Trading Approach: A Study of HNI Stock Investors in India" stated that, the study looks into how overconfidence bias affects the stock trading behavior of High Net Worth Individual (HNI) investors in India. Using a structured questionnaire given to 385 HNI investors in key Indian cities, the study finds that overconfidence is a predominant cognitive bias that shows itself as overtrading, overreaction to short-term market signals, and overestimation of predicting skills. The results show that overconfident HNI investors are more vulnerable to market volatility, have under-diversified portfolios, and trade excessively. The study makes a significant contribution and is published in Benchmarking: An International Journal, 29(3), 817-834.

Saivasan R & Lokhande M (2022) in their article titled "Influence of Risk Propensity, Behavioural Biases and Demographic Factors on Equity Investors' Risk Perception" stated that, how risk propensity, behavioural biases, and demographic traits interact to influence Indian equity investors' perceptions of risk. Using structural equation modeling to analyze primary data from 420 investors, the study concludes that loss aversion is the most significant bias affecting risk perception, followed by overconfidence and herding behavior. The study also shows that the association between behavioral biases and perceived risk is considerably moderated by

demographic factors including age, income, and investment experience. Significantly, even in favorable market situations, loss-averse investors continuously underinvest in growth-oriented assets, according to the study.

## 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, over analysis, 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

The findings of this study carry three key implications. First, wealth managers should adopt a biography-led advisory model understanding the origin of an HNI's wealth before designing a portfolio, as familiarity and overconfidence biases are deeply rooted in wealth creation history. Second, financial educators and SEBI should invest in behavioral finance literacy programs specifically targeted at HNIs, who despite their sophistication remain significantly susceptible to cognitive and emotional biases that affect both their own returns and broader market stability. Third, product designers in the wealth management space should consider structuring investment products that incorporate behavioral guardrails such as automatic rebalancing, lock-in periods for

impulsive selling, and structured review mechanisms to help HNIs overcome loss aversion and overconfidence-driven decisions.

## CONCLUSION

### Summary of Findings

This study set out to explore the investment strategies of High Net Worth Individuals (HNIs) in India through a qualitative multiple case study approach. By examining four distinct HNI archetypes the first-generation entrepreneur, the inherited wealth professional, the young tech-sector executive, and the retired senior executive the research has yielded rich, contextualized insights into how India's affluent investors allocate assets, manage risk, and make financial decisions.

Four dominant themes emerged from the cross-case analysis: wealth origin shapes asset allocation; behavioral biases are pervasive across all profiles; advisory reliance correlates positively with portfolio quality; and risk-return calibration follows a discernible lifecycle pattern. These findings collectively reinforce the relevance of behavioral finance theory to the Indian HNI context and highlight the critical role of professional advisory in mitigating suboptimal investment decision-making.

### Contributions of the Study

This paper makes two primary contributions to existing literature. First, it adds a qualitative, case study-based perspective to a field dominated by quantitative and survey-based methodologies, offering a more nuanced understanding of HNI decision-making. Second, it situates HNI investment behavior within the specific economic, regulatory, and cultural context of India a rapidly growing wealth market that remains underrepresented in global behavioral finance literature.

### Future Outlook

India's HNI landscape is evolving at an unprecedented pace. The HNI population is projected to nearly double to 1.65 million by 2027, with a younger, digital-first generation increasingly driving wealth creation beyond India's major metropolitan centres (Waterfield Advisors, 2024). Deloitte India estimates a remarkable \$1.6 trillion AUM growth opportunity for wealth management service providers between FY24 and FY29, with demand for wealth management services expected to nearly double in that period (Deloitte, 2025).

Technology is becoming a massive differentiator in wealth management. Clients are growing more tech-savvy as digital penetration grows across the country and into Tier-2 and Tier-3 cities, and firms that fail to build robust technology stacks will struggle as wealth grows (Lighthouse Canton, 2025). The emergence of AI-driven portfolio analytics, robo-advisory, and real-time risk monitoring presents both an opportunity and a challenge for traditional wealth advisors.

### Recommendations for Future Research

Future research should address the limitations of this study by incorporating primary qualitative data through in-depth interviews with actual HNI investors and their wealth advisors. A longitudinal case study design tracking the same HNI profiles across multiple market cycles would yield particularly valuable insights into how behavioral biases evolve over time. Additionally, comparative studies across Indian HNI segments such as NRI investors versus resident HNIs, or metro versus Tier-2 city HNIs would further enrich the academic understanding of this important investor category.

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