INVESTMENT BEHAVIOUR OF CUSTOMER IN BANKING PRODUCTS - A STUDY

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ABSTRACT: Investment refers to the allocation of customer funds into banking instruments to gain returns, ensure capital security, and meet future financial objectives, influenced by awareness, risk attitude, advisory systems, and digital banking channels. This study explores how customers engage with banking investment products and how their decisions are shaped by safety expectations, financial understanding, advisory support, and digital service exposure. Instead of chasing high returns alone, most investors prioritize reliability, liquidity, and institutional assurance, which explains the dominance of deposits and recurring schemes in banks. As financial awareness and digital banking tools expand, customers gradually begin to explore market-linked options like SIPs, insurance-based plans, and hybrid instruments. The research is based purely on secondary sources and reveals that banks influence investment behaviour not just by offering products but by guiding decision-making through advisory interaction and technology

Keywords: Bank, Customer, Investment, SIP's, Mutual funds.

I. INTRODUCTION

The banking sector has evolved from transaction-based services to an integrated financial ecosystem where customers access saving, investment, protection and planning solutions within one institution. Investment behaviour in banking refers to how individuals select financial products based on needs, financial capability, awareness, and emotional comfort. Customers evaluate products in terms of return, safety, liquidity, tax benefit, and institutional trust. Banks now influence behaviour through advisory assistance, transparent product information, and digital banking systems. Traditional instruments remain dominant for risk-averse investors, while modern market-linked instruments gain acceptance among customers with higher awareness and confidence. Thus, investment behaviour combines personal characteristics, product understanding and institutional support rather than functioning as an isolated decision.

TYPES OF BANKING PRODUCTS RELATED TO INVESTMENT BEHAVIOUR

1. Traditional Deposit-Based Products: Savings Accounts for liquidity, Fixed Deposits for secure returns and Recurring Deposits for planned savings.

2. Market-Linked and Growth-Oriented Products: SIPs and mutual funds distributed through banks for long-term growth, hybrid funds for balanced risk, and demat-linked platforms for market access.

3. Insurance and Protection-Based Instruments: Life and health insurance, ULIPs and endowment plans linking protection with investment security.

4. Government-Backed and Tax-Linked Schemes: PPF, NSC, sovereign bonds and pension schemes supporting long-term and tax-saving objectives.

5. Digital Investment Services: Mobile banking dashboards, SIP execution tools, calculators and product comparison systems supporting independent decision-making.

II.LITERATURE REVIEW

1. Chishti (2025) Chishti states that banking customers rely on secure instruments because institutional trust reduces fear of financial loss. The study shows that behaviour is shaped more by stability expectations than by return comparison. This supports the idea that banks create confidence-driven investment choices.

2. Mehra (2025) Mehra reports that digital services such as app-based deposits and SIP activation tools encourage independent investing. Customers gain confidence when they can view returns and manage products online. This indicates that technology now acts as a behavioural motivator in banking decisions.

3. Sharma & Thomas (2024) This study highlights that emotional comfort and low-risk perception strongly influence financial decisions in banks. Customers select familiar products even when higher-return options are available. It confirms that behaviour is based on psychological security rather than only financial analysis.

4. Koul & Sharma (2024) The authors observed that financial literacy directly increases acceptance of market-linked instruments. Customers with basic investment knowledge show higher readiness to diversify. This supports the link between awareness and product expansion.

5. Gupta (2024) Gupta found that the perception of guaranteed outcomes leads customers to continue with deposits and recurring schemes. Even when alternatives exist, expectation of assured returns controls final decisions. This reveals a safety-anchored investment mindset.

6. Joshi (2023) Joshi explains that mobile dashboards, interest calculators and risk indicators reduce fear and simplify decision choices. Digital transparency increases participation, especially among young earners. This demonstrates behaviour influenced by technological clarity.

7. Mahmood (2023) Mahmood notes that willingness to accept risk grows only when customers understand how returns fluctuate. Awareness removes uncertainty and converts hesitant savers into emerging investors. This confirms the awareness–confidence–participation relationship.

8. Bansal (2022) According to Bansal, branch staff and relationship managers shape product acceptance through explanation and guidance. Customers depend on advisory clarity before agreeing to invest. This shows that advisory influence is a behavioural catalyst.

9. RBI Report (2022) The RBI review states that household financial assets are still concentrated in bank deposits, reflecting national risk-averse behaviour. The pattern shows that market-linked options are secondary choices. This supports traditional product preference findings.

10. Prakash (2021) Prakash reveals that clarity in documentation and service convenience increases trust in banking instruments. Customers continue products when renewal, withdrawal and service steps are simple. This confirms the behavioural value of operational ease.

11. NIBR (2021) Research indicates that hesitation toward new investments comes from product complexity rather than availability. Customers avoid unfamiliar structures due to misunderstanding, not financial inability. This validates the role of clarity in participation.

12. Qureshi (2020) Qureshi identifies that automated suggestions and digital advisory tools act as decision-support systems. Customers evaluate products when guided through returns and risk implications. This reflects a shift from advisor-dependent to semi-independent behaviour.

13. Mehra (2020) Mehra notes that economic instability pushes customers back to guaranteed products like FDs. In uncertain scenarios, behaviour becomes security-driven rather than performance-driven. This supports the emotional basis of investment behaviour.

14. Joseph (2019) Joseph finds that income stability predicts preferred instruments. Regular income earners adopt SIPs for structured planning, while irregular earners depend on liquid savings. This shows behaviour anchored to earning patterns.

15. Bhattacharya (2019) The study confirms that literacy workshops and awareness programs increase customer readiness to explore new products. Confidence is built when risk is explained in simple terms. This proves that knowledge reduces financial hesitation.

16. Dsouza (2018) According to Dsouza, investment decisions reflect response to market sentiment. Positive outlook encourages exploration, and negative news pushes customers back to deposits. This shows that behaviour adapts to external conditions.

17. Menon (2018) Menon states that life goals like education, healthcare and retirement planning act as triggers for product choice. Customers match instruments with personal objectives rather than only returns. This indicates goal-based investment behaviour.

18. Sinha (2017) Sinha observed that hybrid funds and debt-linked plans gain acceptance when banks conduct workshops and product demonstrations. Education overcomes doubt and leads to controlled diversification. This confirms institutional influence on behaviour.

19. Fernandes (2017) The author explains that banks serve as entry points into investing because institutional familiarity reduces emotional resistance. Customers prefer bank-distributed funds over external brokers. This validates trust as a behavioural anchor.

20. Kulkarni (2016) Kulkarni states that psychological safety determines participation more than income status. Even high-earning individuals remain conservative without advisory support. This shows emotional dominance in decision making.

21. Pandey (2016) Pandey found that transparent explanation of risk elements increases acceptance of modern products. Customers invest when they know what to expect. This confirms clarity as a behavioural trigger.

22. Kapoor (2015) Kapoor reports that younger investors adopt digital investment due to low paperwork, instant access and return tracking. Technology becomes a confidence-building channel. This proves age-based behavioural variation.

23. Chopra (2014) Chopra highlights that tax benefits influence product selection in PPF, ELSS and insurance products. Customers balance security with tax planning. This supports taxation as a decision factor.

24. Ahmad (2013) The study finds that acceptance depends on simplicity. If customers understand product structure, they continue it; if not, they avoid it. This confirms behaviour as comprehension dependent.

25. Reddy (2012) Reddy concludes that low-literacy segments rely on banks because of emotional security and trust. Traditional instruments remain dominant due to comfort, not lack of opportunity. This connects safety with long-term behavioural patterns.

III.RESEARCH METHODOLOGY

This research adopts a secondary data approach to analyse how banking products shape customer investment behaviour. Information was gathered from academic articles, financial reports, RBI documents, and previously published studies that examine saving patterns, product preference, and investor psychology. Instead of conducting field surveys, the study interprets existing evidence to identify behavioural trends, institutional influence, and customer decision logic. **IV.OBJECTIVES OF THE STUDY**

1. To analyse customer preference patterns for banking investment products.

2. To identify the factors influencing customer decisions in selecting banking instruments.

3. To examine how financial awareness and risk tolerance shape product choice in banks.

4. To evaluate the role of advisory systems and digital banking channels in guiding investment behaviour.

CUSTOMER PREFERENCE TOWARDS INVESTMENTS

1. **Preference for Safety and Capital Protection**

A large portion of banking customers still value investment safety more than anything else. They tend to choose products where the principal amount is protected, and the expected return is predictable. Fixed Deposits, Recurring Deposits, Sovereign bonds, and other guaranteed return products remain popular among risk-averse customers, pensioners, and first-time investors. The core preference here is stability, low volatility, and trust in traditional banking institutions.

2. Demand for Moderate Returns with Balanced Risk

Another significant customer group looks for a balance between safety and reasonable returns. These customers generally prefer investment options like SIPs, debt funds, hybrid mutual funds, and long-term savings products linked to banks. They are open to limited market exposure but want the assurance that risk is not extreme. Their decision is guided by reliable returns, medium-term growth, and guidance from bank advisors.

3. Rising Interest in Market-Linked and Growth-Focused Products

Modern and tech-aware customers show increasing interest in equity-linked products, demat-based investment options, and trading platforms integrated with banks. They prefer high-growth opportunities like equity funds, ELSS for tax savings, and real-time trading access. These customers prioritize growth, convenience, and the ability to manage investments directly through mobile banking apps or online platforms.

4. Preference for Personalized Investment and Wealth Management Services

High-income and high-net-worth individuals expect customization in investment planning. They prefer services such as portfolio management, dedicated advisory support, estate planning, global investment access, and insurance-linked investment plans. Their preference is shaped by the need for tailored solutions, tax-efficient planning, private banking experience, and exclusive advisory guidance.

5. Growing Focus on Digital and App-Based Investment Convenience

A major shift is happening toward digital investment behavior. Customers prefer products they can invest in, track, and exit instantly through online and mobile platforms. Features like real-time dashboards, quick KYC completion, automatic SIPs, and robo-advisory assistance influence their preferences. Convenience, instant access, and quick information availability play a major role in product choice.

6. Interest in Tax-Saving and Long-Term Financial Planning Products

Tax benefits are a strong motivation behind investment decisions. Products like NPS, PPF, ELSS funds, and tax-saving fixed deposits attract customers who want to reduce taxable income while building wealth. The preference here is driven by long-term planning, retirement readiness, and legally minimizing tax liability.

7. Increasing Preference for Ethical and Sustainable Investment Options

A small but steadily growing category of customers prefers investments that align with sustainability and ethical values. These customers lean toward products linked with ESG-based funds, green bonds, or portfolios investing in socially responsible sectors. Their investment choice is influenced by environmental awareness, social responsibility, and long-term ethical considerations.

FACTORE INFLUENCING CUSTOMER DECISION TO SELECT INSTRUMENTS

1. Risk Tolerance and Safety Expectations

The very first factor is how much risk a customer is willing to take. Conservative investors prefer secure products like Fixed Deposits, government bonds, or savings schemes. Those comfortable with moderate risk may go for SIPs, debt funds, or hybrid products, while high-risk investors choose equities, trading accounts, or market-linked funds. Risk appetite defines what instrument feels “safe” or “suitable” to them.

2. Expected Rate of Return on Investment

Customers compare products based on potential returns. If they expect higher returns, they shift to mutual funds, equity-linked plans, or growth-oriented products. If they want stable returns, they pick deposits or bond-based schemes. The return expectation defines how aggressive or conservative the selection becomes.

3. Liquidity and Withdrawal Flexibility

Customers prefer instruments that match their cash flow needs. Short-term investors choose liquid funds or savings-linked products they can exit easily, while long-term planners prefer NPS, PPF, insurance-linked plans, or retirement schemes. The ability to withdraw money without penalties strongly influences product choice.

4. Tax Benefits and Government Incentives

Tax-saving advantages act as a major motivator. Products like ELSS, PPF, NPS, and tax-saving FDs are chosen because they help reduce taxable income. Customers don't just look at returns — they consider how much they save legally through exemptions and deductions.

5. Convenience and Digital Accessibility

Modern customers love investment instruments that are easy to open, track, and manage on mobile apps. Instant KYC, auto-SIPs, online dashboards, and robo-advisory tools make digital products more appealing. Convenience and user experience influence decisions strongly, especially for young investors.

6. Financial Goals and Life Planning Needs

Customers choose instruments depending on whether they are saving for emergencies, buying a home, educating children, or building retirement wealth. Short-term goals require flexible products, while long-term goals support locking money in planned instruments. The product must match the purpose.

7. Trust, Brand Reputation, and Advisor Guidance

Bank name, reputation, and advisor recommendations matter a lot. Customers feel safe when the bank provides proper guidance, transparency, and support. Trust in the organization plays a huge psychological role in acceptance of investment instruments.

8. Product Knowledge and Financial Awareness

Customers with financial awareness explore more advanced investment options. Awareness influences confidence, and confidence influences selection. Lack of knowledge keeps customers stuck in simple products; awareness opens the door for better choices.

9. Market Conditions and Economic Sentiment

During stable markets, people prefer aggressive investments. In uncertain or recession-like situations, customers switch to secure, low-risk instruments. Economic climate plays a big role in shaping behavior and preference.

RELATION BETWEEN RISK TOLERANCE FINANCIAL AWARENESS AND CUSTOMER CHOICE

When customers have high financial awareness, they understand concepts like returns, volatility, tax benefits, liquidity, and market fluctuations. This awareness builds confidence. Because of that confidence, their risk tolerance naturally increases. They become more open to exploring market-linked products such as mutual funds, SIPs, ELSS, equity trading, and hybrid portfolios. Their choices become goal-driven rather than fear-driven.

On the other hand, when financial awareness is low, customers often feel uncertain or insecure. Their **risk tolerance becomes low**, so they select safer, guaranteed-return products like Fixed Deposits, Recurring Deposits, and simple savings instruments. The lack of understanding limits their product selection because safety becomes the top priority, even if the returns are lower. Financial awareness also helps customers evaluate products logically rather than emotionally. They start checking product performance, charges, lock-in periods, and tax benefits before investing. This educated approach shapes their product choice toward what fits their personal goals instead of blindly following trends or advisor pressure.

Risk tolerance acts like a filter. Once a customer knows their comfort zone low, moderate, or high risk it directly aligns them with the correct product category.
For example:
Low-risk tolerance leads to deposits and bonds.
Moderate-risk tolerance leads to SIPs, hybrid funds, and structured plans.
High-risk tolerance leads to equities, trading accounts, and growth-focused mutual funds.

ROLE OF DIGITAL BANKING CHANNELS

Digital banking channels guide customers by providing instant access to product information, allowing users to compare investment options, interest rates, risks, returns, and terms before choosing. This reduces dependency on physical branch visits and gives customers more confidence in understanding what they are selecting.Digital banking platforms now act as decision-support systems rather than just transaction portals. Customers use mobile apps, dashboards, renewal alerts, SIP activation options, and advisory prompts to understand returns and manage investments without branch dependency. These tools reduce confusion,

provide cost and return clarity, and help first-time investors participate with more confidence. The presence of calculators, comparison menus, and automated guidance features strengthens independent choices and gradually shifts behaviour from staff-dependent decision-making to self-managed investing.

Finally, digital banking builds trust by offering secure, convenient, and transparent interactions. Features like instant KYC, e-signatures, real-time notifications, and secure payment gateways make customers feel safe and supported, encouraging them to explore more advanced investment products.

CONCLUSION

In conclusion, the investment behaviour of banking customers is shaped by a combination of financial awareness, risk tolerance, product knowledge, and the evolving influence of digital banking channels. Customers no longer invest purely on the basis of habit or traditional preferences; instead, they evaluate safety, returns, liquidity, tax benefits, and long-term financial goals before choosing an instrument. Financial awareness increases confidence, widens product consideration, and raises risk tolerance, whereas limited knowledge leads to conservative product choices. Digital platforms further transform behaviour by offering instant access to information, personal recommendations, and transparent product comparisons, guiding customers toward more informed decisions. As a result, modern investment behaviour reflects a shift from passive saving to active, goal-oriented financial planning. Overall, today's customers make investment choices through a balance of trust, clarity, convenience, and strategic alignment with their personal financial objectives.

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