ISSN: 2583-6129
DOI: 10.55041/ISJEM02640

Evaluating the Socioeconomic Determinants of REIT Adoption in Mumbai: Behavioral Barriers and Drivers in Investment Decision-Making

Author:- Vriti Gothi

Abstract

The study examines how socioeconomic factors along with behavioral tendencies considerably shape investors' willingness to adopt property investment trusts. Real estate investment trusts are an affordable way for investors to enter the real estate market. They can do so without directly owning the properties. Nonetheless, their employment remains restricted, specifically on individual traders. This research looks at the main factors of age, gender, education, job, and also income, with investment history using survey data and binary logistic regression analysis in JAMOVI. These findings indicate that none of the variables have a big effect on REIT investment choices, with investment experience displaying a small amount of importance ($p = 0.056$). Therefore, the null hypothesis cannot be definitively disproved in any capacity, and it can be firmly concluded that conventional socioeconomic factors may not be the single fundamental forces behind the adoption of REITs. The research points to the importance of a closer examination of psychological and financial literacy-related determinants, which might have an even greater impact in determining REIT investments.

Introduction

Real estate is a popular asset class for wealth generation, yet illiquidity and high capital requirements are hindrances. REITs were invented to offer an alternative vehicle for investment, providing investors with exposure to real estate via publicly traded securities. Even with these benefits, adoption of REITs remains below forecast, especially among retail investors.

This research examines the socioeconomic determinants shaping REIT take-up, with emphasis on financial literacy, earnings, education, and behavioral biases. Through exploring investors' perceptions and decision-making behaviors, the research seeks to determine relevant drivers and barriers impacting REIT investments.

Research Objectives

1. To examine how socioeconomic variables (age, sex, education, job, earnings) influence the decisions to invest in REIT.

2. To evaluate if behavioral biases (investment experience) affect investors' adoption of REITs.

3. To ascertain whether there is statistical proof for a substantial relationship between the above factors and REIT adoption.

International Scientific Journal of Engineering and Management (ISJEM) ISSN: 2583-6129
Volume: 04 Issue: 04 | April – 2025 DOI: 10.55041/ISJEM02640
An International Scholarly || Multidisciplinary || Open Access || Indexing in all major Database & Metadata

Research Methodology

- **Research Design**

The study adopts a quantitative research approach using a structured questionnaire to collect data from investors.

- **Sample Size and Sampling Method**

A total of 172 retail investors were considered for the study. Stratified random sampling ensured representation across different income groups, education levels, and professional backgrounds.

- **Data Collection Method**

  - **Primary Data:** Questionnaire were distributed online via google forms.
  - **Secondary Data:** Reports from financial institutions, academic research papers, and REIT market analyses were studies.

- **Data Analysis Tools**
  - Charts: Charts made by google forms based on the data collected were use to study the data.
  - Hypothesis Testing (JAMOVI): Used Binary logistic regression to validate hypotheses.

Literature Review

Agarwal (2011) also analyzed the influence of demographic variables in the investment choices of Indian households and identified how aspects such as age, income, and education contribute to financial planning. The analysis reflected on the value of custom financial guidance for bettering engagement within investing.

Ansari (1994) closely examined how the stock market moves and different ways of trading in India, contrasting futures and options against the usual Badla methods. His research underscored the varying characteristics of certain monetary trades and what those trades do to how sure and selective a given investor is.

Antony and Joseph (2017) carefully examined how behavioral biases affect investment decisions in Kerala, India; in addition, they found that overconfidence along with loss dislike were the main reasons influencing investor behavior. The group's findings stressed about the importance of investor education in preventing many forms of irrational decision-making.

Bisen and Pandey (2013) did a study into the ways that psychology affects investment decisions in Lucknow, India, finding that fear and greed greatly affect choices in monetary form. As a result of what they find, investors commonly make poor investment choices since they are likely to use mental shortcuts rather than logical thought.

Chada (2019) looked into the economic factors that cause investor aggression and found that financial issues outside of the investor, like inflation and interest rates, have an effect on risky actions. The research stressed that it is vital for those who create policy to think about mental and emotional aspects when creating financial regulations.

Dungarwal and Tollawala (2022) carefully investigated herd mentality and overconfidence bias inside investment decisions, completely showing how intense social pressures and common prior success can eventually lead investors into taking certain irrational risks. This research displays fully certain ways that social pressures can make investors take risks. On the basis of their discoveries, educational outreach as well as programs that provide instruction regarding money might help decrease these skewed perspectives to a certain degree.

Gupta and Shrivastava (2021) researched behavioral biases in multiple investment markets and found that anchoring, mental accounting, and framing effects considerably affect financial choices. The results that they have found stressed on how helpful it is to teach about behavioral finance for the sake of making better investment choices.

Kahneman and Tversky (1979) presented Prospect Theory, which describes how people view gains and losses differently and therefore behave in a risk-averse or risk-seeking manner depending on the context. This seminal work revolutionized contemporary behavioral finance by demonstrating why investors do not conform to standard rational models.

Data Analysis and Interpretation Demographic Analysis

- **Age Group:** 66.3% of the respondents are between the age of 18-25 and12.8% are between the age of 26–30.
- **Gender:** 74.1% of the respondents are Male and 43.6% are female.
- **Education Level:** 44.2% of the respondents were undergraduate and 28.5% are postgraduate.
- **Occupation:** Majority of the respondents (46.5%) are students and 20.9% are employed in Private Sector
- **Income Level:** 45.3% of the respondents earn less than INR 1,00,000 annually; since majority of the respondents are students.

Investment Preferences and Awareness

- Majority of the respondents (39.5%) prefer mutual funds, 38.4% invest in stocks, and only 24.4% of the respondents prefer REITs as an investment option.
- Around 65.1% of the respondents are aware of REITs, but only 44.2% of them invest in REITs.
- Reasons that are found out for investor’s not investing in REITs: Majority of the respondents stated that they did not have proper awareness i.e Lack of awareness (34.9%), some said that there was high risk i.e

ISSN: 2583-6129
DOI: 10.55041/ISJEM02640

perceived risk (22.9%), while some preferred physical real estate (33.3%).

Hypothesis Testing (Using JAMOVI)

- H_0 (Null Hypothesis): Socioeconomic factors and behavioral biases have no significant impact on investors' acceptance of REITs as an investment option.
- H_1 (Alternative Hypothesis): Socioeconomic factors and behavioral biases significantly influence investors' acceptance of REITs as an investment option.

Model Coefficients - Have you ever invested in REITs?

Predictor	Estimate	SE	Z	p
Intercept	0.9921	0.614	1.615	0.106
Age?	0.1979	0.167	1.188	0.235
Gender	−0.2420	0.267	−0.906	0.365
Education Level	0.2418	0.203	1.193	0.233
Occupation	−0.1739	0.192	−0.906	0.365
Annual Income (in INR or equivalent)	−0.0985	0.131	−0.750	0.453
Investment Experience (Years)	−0.3448	0.180	−1.912	0.056

Note. Estimates represent the log odds of "Have you ever invested in REITs? = 2" vs. "Have you ever invested in REITs? = 1"

According to logistic regression analysis, we examined how socioeconomic variables (Age, Gender, Education, Occupation, Income) and behavior biases (Investment Experience) influenced investors to adopt REITs. Findings are:

1. There is no statistically significant association of any socioeconomic variables (Age, Gender, Level of Education, Occupation, Yearly Income) with the adoption of REITs (p-values > 0.05).

2. Investment Experience comes closest to being significant ($p = 0.056$) and indicates that more experienced investors may be negligibly less willing to invest in REITs, but this finding is not highly conclusive.

3. As all the p-values are greater than 0.05, we do not reject the Null Hypothesis (H_0), implying there is no strong statistical basis that socioeconomic indicators and behavioral predispositions have significant effects on REIT investment.

Findings

1. Ignorance and preference for tangible property are significant deterrents.

2. Standard socioeconomic factors (age, gender, education, occupation, income) are not found to affect REIT investment choice significantly.

3. Investment experience has been found to have a weak but statistically nonsignificant relationship with REIT investment activity.

4. The findings imply that factors like financial literacy, risk attitude, and investor knowledge could potentially affect REIT adoption more strongly.

5. Improved regulatory frameworks and tax incentives can fuel greater REIT adoption.

Recommendations

1. Investor Education Programs: To raise awareness of REITs, financial literacy campaigns must be put into place.
2. Policymakers must put into effect tax reductions on behalf of property investment corporations.
3. Regulatory improvements: Improving governance and transparency in REIT operations can boost investor confidence.
4. Technology along with accessibility features can work very well. To thoroughly improve accessibility, fintech platforms need to include many REIT investment options from different providers.
5. To promote REITs aggressively, financial institutions have to use social media along with investment webinars within their awareness plus marketing campaigns.

Conclusion

As per the findings of this study's, behavioral biases and socioeconomic factors have minimum influence on REIT investment choices. Statistical analysis indicates that REIT adoption is not influenced by factors like income, education, and investment experience, despite expectations to the contrary. Futher research can be conducted on the psychological and financial literacy-related factors that might help understand and explain REIT investment behavior. Enhancing investor education and awareness of the advantages and dangers of REIT investments should be a priority of the regulatory bodies, financial institutions and the central government.

Biblography

- Agarwal, S. (2011). The impact of demographic factors on Indian households' future decisions, behavior, and investment advice. *Journal of Financial Planning and Counselling, 22*(1), 53–69.
- Ansari, M. M. (1994). Stock market changes: Futures and options versus Badla methods. *Indian Journal of Economics, 74*(1), 57–68.
- Antony, A., & Joseph, A. I. (2017). The influence of behavioural biases on investor decision-making: The case of Kerala, India. *International Journal of Management Studies, 4*(3), 75–85.
- Bisen, A., & Pandey, A. (2013). Psychological factors influencing investment decisions: A study from Lucknow, India. *Journal of Finance and Investment Analysis, 2*(4), 89–100.

- Chada, M. (2019). Analytical and macroeconomic influences on investor aggression levels. *Journal of Behavioural Finance*, *20*(2), 134–150.
- Dungarwal, D., & Tollawala, S. (2022). Herd mentality and overconfidence in investment decisions. *Journal of Behavioural Finance*, *23*(1), 45–60.
- Gupta, A., & Shrivastava, M. (2021). Behavioural biases in various investment sectors. *Journal of Financial Services Marketing*, *26*(3), 295– 309.
- Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, *47*(2), 263–291.