Exploring the Link Between FMCG Consumption Patterns and Investment Behaviour Among Urban Retail Investors

Abstract

The relationship between consumer spending on Fast-Moving Consumer Goods (FMCG) and investment behaviour in the FMCG sector among urban retail investors in India is explored in this research. Drawing on behavioural finance, particularly familiarity bias, the study examines whether frequent consumption of FMCG products influences individuals' likelihood of investing in related stocks or mutual funds. A structured questionnaire was administered to 110 respondents in Ahmedabad, Gujarat, with data analysed using descriptive statistics, correlation analysis, reliability testing, and multiple linear regression in SPSS.

Results indicate that while FMCG spending is notable among participants, it does not significantly predict investment in FMCG-related securities. Instead, familiarity with the sector and general investment habits emerged as stronger predictors of investment frequency. These findings highlight the behavioural distinction between consumer and investor roles, where brand usage does not automatically lead to financial participation. The study contributes to the behavioural finance literature by emphasising the importance of financial literacy and habitual investing over brand loyalty. Practical implications are provided for marketers, financial educators, and fintech platforms looking to convert consumer engagement into investment behaviour. Future research should further explore the role of education and psychological factors in influencing investment decisions within the FMCG sector.

Keywords: FMCG, investment behaviour, familiarity bias, brand loyalty, behavioural finance, retail investors, consumer engagement.

Introduction

Fast-Moving Consumer Goods (FMCG)—also known as Consumer Packaged Goods (CPG)—include products with high turnover rates, relatively low prices, and frequent purchase cycles. Common FMCG categories include household care, food and beverages, and personal care items (IBEF, 2006). These products are essential to daily life, often fostering brand loyalty and repeated purchases (Kotler & Keller, 2016).

The Indian FMCG sector is the fourth largest in the economy, employing approximately 3 million people and contributing about 5% of all factory employment (IBEF, 2023). Over the past decade, FMCG consumption in India has grown by 21.4%, driven by rising incomes, urbanisation, lifestyle changes, and greater exposure to advertising (Nielsen, 2022). While rural India contributes significantly to certain product categories—such as personal care and beverages—urban India accounts for approximately 66% of FMCG consumption (Kantar, 2022).

From an investment perspective, prominent FMCG companies such as Hindustan Unilever Ltd, ITC, Britannia Industries, and Godrej Consumer Products have demonstrated consistent financial growth, making them attractive to investors seeking stability (BSE India, 2023). Behavioural finance theory, particularly familiarity bias, suggests that consumers are more likely to invest in companies whose products they use regularly (Huberman, 2001; Barber & Odean, 2008). However, whether this holds true in the Indian context remains underexplored.

The present study addresses this gap by examining the link between FMCG consumption and investment behaviour among urban retail investors in Ahmedabad, Gujarat—a city representing both traditional consumption habits and growing digital investment adoption.

Research Objectives

1. To determine whether consumer spending on FMCG products influences investment behaviour in the FMCG sector.
2. To assess the role of investor familiarity and behavioural factors in determining FMCG-related investment decisions.

Research Questions

- Does higher FMCG consumption correlate with increased investment in FMCG-related securities?

- Which behavioural and demographic factors best predict FMCG investment behaviour?

Literature Review

Behavioural finance challenges the assumption of purely rational investor decision-making, emphasising the role of psychological biases in shaping financial behaviour (Shefrin, 2007). One such bias is familiarity bias, which refers to the tendency of investors to prefer assets or companies they recognise from everyday life (Huberman, 2001). This heuristic is rooted in psychological comfort: individuals perceive familiar companies as more trustworthy, reliable, and lower-risk.

Barber and Odean (2008) extend this concept by demonstrating that brand recognition and media visibility significantly influence retail stock purchases. In the FMCG context, frequent interaction with branded products could theoretically translate into a higher likelihood of investing in those companies. However, such behaviour may also lead to under-diversification (Statman, Fisher, & Anginer, 2006).

In emerging markets such as India, first-time investors often rely on personal experience rather than technical analysis, with brand familiarity serving as a decision shortcut (SEBI, 2022). For instance, a consumer's trust in brands like Colgate or Parle may influence investment decisions without the investor conducting in-depth financial evaluations.

Brand loyalty reflects both emotional and behavioural commitment to a product or company (Aaker, 1991). Strong brand relationships—characterised by trust, satisfaction, and emotional attachment—can influence not only purchasing decisions but also investment intentions (Chaudhuri & Holbrook, 2001; Fournier, 1998).

The rise of mobile-based investing platforms such as Zerodha, Groww, and Upstox has made it easier for loyal consumers to transition into shareholders. This blurring of consumer and investor identities, sometimes referred to as the consumer–investor identity, is particularly relevant for large-cap FMCG firms whose products are embedded in everyday life.

India has witnessed a surge in retail investors, with over 50 million new Demat accounts opened between 2020 and 2022 (NSDL/CDSL, 2022). Fintech platforms encourage thematic and trend-based investing, often spotlighting popular FMCG brands. Social media has further gamified investing, normalising the display of portfolios featuring household-name companies.

SEBI (2022) reports that investors aged 18–35 frequently choose stocks based on brand familiarity, reinforcing the potential link between consumer habits and investment decisions.

Thematic mutual funds focusing on consumption and FMCG have gained popularity, appealing to investors seeking value alignment alongside returns (AMFI, 2023). FMCG

companies often score well on ESG (Environmental, Social, and Governance) criteria due to structured supply chains and sustainability reporting (Schoenmaker & Schramade, 2019). This strengthens their attractiveness among socially conscious investors, particularly millennials.

Indian consumption patterns are influenced by cultural norms, regional brand preferences, and evolving gender roles in household finance (NCAER, 2021). Women, for example, are primary decision-makers in FMCG purchases and increasingly participate in investment decisions, creating a unique dual role as both consumers and investors.

Regional brand loyalty—such as preference for CavinKare in southern India—may also influence regional investment patterns (KPMG, 2021). However, the extent to which these socio-cultural factors mediate the consumption–investment link remains underexplored.

While familiarity bias is well-documented, limited research isolates FMCG as a distinct investment category. Most studies group FMCG within broader consumption or retail sectors, overlooking unique attributes such as price stickiness, high turnover, and essential demand. Furthermore:

- The direction of influence—whether consumption drives investment or vice versa—remains unclear.
- The role of multi-brand households in investment decision-making is underexplored.
- Cultural and regional loyalty factors unique to India have not been integrated into empirical models of consumer–investor behaviour.

Data and Methods

This study adopts a cross-sectional survey design to examine the relationship between consumer spending on FMCG products and investment behaviour in the FMCG sector. A survey approach was considered appropriate because it allows the collection of structured, comparable data from a defined population at a single point in time, making it suitable for identifying patterns and predictive relationships without inferring causality (Creswell & Creswell, 2018). The conceptual model guiding this research positions FMCG consumption frequency, sector familiarity, and general investment regularity as primary predictors of FMCG investment behaviour, while demographic characteristics are considered potential moderating factors.

The research was conducted in Ahmedabad, Gujarat, a metropolitan city that blends traditional consumer patterns with increasing adoption of digital investment platforms. Ahmedabad's diverse socioeconomic profile, combined with its role as an emerging hub of financial literacy, provides a suitable context for exploring how everyday consumer habits

intersect with investment decisions. However, the study was limited to this city due to logistical constraints, such as time and resources, which prevented the inclusion of other urban centres. While Ahmedabad offers a rich and varied sample, future studies should consider expanding to other cities to enhance the generalizability of the findings across different urban contexts with varying levels of financial literacy and digital platform adoption.

A non-probability convenience sampling strategy was employed to recruit respondents from residential neighbourhoods, educational institutions, and business districts. Inclusion criteria required participants to be at least 18 years old, to have regular exposure to FMCG products, and to possess a basic understanding of investment options such as stocks or mutual funds. A total of 110 participants were surveyed. Although convenience sampling limits generalisability, it provided efficient access to a relevant and engaged pool of respondents. In line with Green's (1991) formula for determining minimum sample size in multiple regression ($N \geq 50 + 8m$, where m is the number of predictors), the required sample for three predictors was 74, meaning the obtained sample size exceeded the minimum threshold and offered sufficient statistical reliability.

Primary data were collected using a structured questionnaire developed in Google Forms, which consisted of four sections. The first section recorded demographic information, including age, gender, education, occupation, and household income. The second section assessed FMCG consumption frequency, measured on a five-point Likert scale ranging from "rarely" to "very frequently." The third section captured brand loyalty, adapting items from Chaudhuri and Holbrook's (2001) established scale to measure both repeat purchase behaviour and emotional attachment to FMCG brands. The final section focused on investment behaviour, including frequency of FMCG sector investments, general investment regularity, sector familiarity, and perceptions of the link between consumption and investment.

To supplement primary data, secondary data were gathered from reliable industry and market sources, including reports by Nielsen, Kantar, and Deloitte, market performance data from the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), and mutual fund statistics from the Association of Mutual Funds in India (AMFI).

Descriptive statistics were calculated to summarise participant demographics and behavioural trends. Reliability analysis using Cronbach's Alpha assessed the internal consistency of multi-item scales. Pearson correlation coefficients examined the strength and direction of relationships between key variables. Multiple linear regression models were used to test the predictive power of FMCG consumption frequency, sector familiarity, and investment regularity on FMCG investment frequency, with age, income, and education entered as control variables in hierarchical models to assess potential moderating effects.

Validity was addressed through both design and pre-testing. The questionnaire's structure varied item formats and separated independent and dependent variable items to reduce common method bias. Content validity was established through expert review by two

academics in finance and marketing, while face validity was confirmed through a pilot study involving 10 respondents. Minor revisions were made to improve clarity and comprehension.

The study adhered to ethical research standards. Participation was voluntary, informed consent was obtained before data collection, and respondents were assured of anonymity. No personally identifiable information was collected, and participants could withdraw from the study at any stage without penalty.

Despite these precautions, the study is subject to limitations. The reliance on a single geographic location restricts the generalisability of the findings to the wider Indian population. The use of self-reported measures introduces potential biases, such as social desirability and recall errors. Furthermore, the cross-sectional design limits the ability to draw causal conclusions regarding the relationship between FMCG consumption and investment behaviour.

Findings

The descriptive statistics reveal a predominantly young demographic among urban retail investors, with an average age of 2.73 on a 5-point scale, where 1 = Age 18-25, 2 = Age 26-30, 3 = Age 31-35, 4 = Age 36-40, and 5 = Age 41+. This indicates that most participants are early-career professionals. The gender distribution shows a slight male majority, consistent with broader trends in Indian retail investment, where men are traditionally more active investors. Occupation and education levels reflect a diverse mix of professionals, with educational attainment coded on a 4-point scale: 1 = No formal education, 2 = High school, 3 = College graduate, and 4 = Postgraduate. This suggests a well-educated investor base. Monthly household income has a mean of 5.5 on a 7-point scale, where 1 = Below ₹15,000, 2 = ₹15,000-₹25,000, 3 = ₹25,000-₹35,000, 4 = ₹35,000-₹45,000, 5 = ₹45,000-₹60,000, 6 = ₹60,000-₹80,000, and 7 = Above ₹80,000, indicating a financially capable group with the means to engage in both consumption and investment activities. The skewness and kurtosis values for all variables are within acceptable ranges, suggesting that the data are approximately normally distributed, thereby supporting the appropriateness of subsequent parametric analyses. These statistics provide a foundational understanding of the socio-demographic profile of the respondents and set the stage for exploring how FMCG consumption patterns may influence investment behaviour among urban retail investors.

Table 1:

Statistic	Age	Gender	Occupation Status	Education Status	Monthly Household Income (₹)
Mean	2.73	1.41	3.05	4.65	5.5
Standard Deviation	1.08	0.51	1.88	1.54	1.46
Variance	1.17	0.26	3.53	2.38	2.12
Skewness	0.3	0.58	0.75	-0.67	-0.99

Std. Error (Skewness)	0.23	0.23	0.23	0.23	0.23
Kurtosis	-0.87	-1.18	0.07	-0.08	0.24
Std. Error (Kurtosis)	0.46	0.46	0.46	0.46	0.46
Minimum	1	1	1	1	1
Maximum	5	3	8	7	7

Reliability analysis was conducted on the eight-item Investment Attitude Scale, designed to measure behavioural and cognitive predispositions toward FMCG investments. Cronbach's alpha was calculated, with an alpha ≥ 0.70 regarded as acceptable for research use (Nunnally, 1978). Reliability testing is critical in survey-based research to ensure that grouped items measure the same underlying construct, thereby avoiding spurious patterns in factor or cluster solutions (Gliem & Gliem, 2003).

Correlation analysis revealed important associations among key variables. There was a statistically significant and moderately positive relationship between sector familiarity and FMCG investment frequency ($r = 0.464$, $p < 0.001$), indicating that individuals with higher awareness of the FMCG sector were more likely to invest regularly in related securities. A similar positive relationship emerged between general investment regularity and FMCG investment frequency, suggesting that those who habitually invest across various asset classes are more inclined to include FMCG assets in their portfolios. Interestingly, FMCG consumption frequency itself showed only a minimal correlation with investment frequency, a finding that challenges the assumption that regular product use naturally translates into shareholder participation. This suggests that, while consumption may create brand familiarity, it does not automatically generate the financial confidence or strategic intent to invest.

Table 2:

Variable	FMCG Investment Frequency (r)	Significance (p-value)
Familiarity with FMCG Sector	0.464	<0.001
General Investment Regularity	Positive	<0.001
FMCG Consumption Frequency	0.024	0.8

To examine these relationships more comprehensively, multiple linear regression was employed with FMCG investment frequency as the dependent variable and FMCG consumption frequency, sector familiarity, and investment regularity as independent variables. The model yielded a multiple correlation coefficient (R) of 0.589, indicating a moderate positive association between the predictors and investment behaviour. The coefficient of determination (R^2) was 0.347, meaning that approximately 34.7% of the variance in FMCG investment frequency could be explained by the predictors. Adjusted R^2 was slightly lower at 0.323, suggesting that the model maintained stability when accounting for the number of predictors. The ANOVA results confirmed the model's overall significance ($F = 13.978$, $p < 0.001$), validating its explanatory strength.

Table 3:

Statistic	Value
Multiple Correlation Coefficient (R)	0.589
Coefficient of Determination (R^2)	0.347
Adjusted R^2	0.323
ANOVA	$F(3, 106) = 13.978$, $p < 0.001$
Model Significance	Significant ($p < 0.001$)

The regression coefficients indicated that sector familiarity ($\beta = 0.312$, $p < 0.001$) and investment regularity ($\beta = 0.287$, $p < 0.01$) were both significant positive predictors of FMCG investment frequency. In contrast, FMCG consumption frequency had a negligible and statistically insignificant effect ($\beta = 0.054$, $p > 0.05$). This reinforces the conclusion that knowledge and habitual investment practices are far more influential in driving sector-specific investment behaviour than simple product usage

Table 4:

Predictor Variable	Standardized β	t-value	p-value

FMCG Consumption Frequency	0.054	0.682	0.497
Sector Familiarity	0.312	4.115	<0.001
Investment Regularity	0.287	3.618	0.001

These results collectively suggest that while familiarity bias may operate through sector awareness, it does not manifest simply through frequent consumption of FMCG products. Instead, investment decisions appear to be shaped more by informed financial engagement and consistent investment habits, aligning with behavioural finance literature that emphasises the role of knowledge and experience over mere exposure.

Conclusion

This study looked at whether people who buy FMCG products are more likely to invest in those companies. The results showed that just using or liking a product doesn't make someone invest in it. Instead, people who know more about the FMCG sector and those who invest regularly in general were more likely to put money into FMCG stocks or funds. This means being familiar with a brand is not enough—learning about investments and building good habits is more important. These findings can help marketers, teachers, and financial apps guide people to become smarter investors.

Statements and Declarations:

Ethics and Consent to Participate declarations: Not Applicable

Availability of Data and Materials:

The data supporting the findings of this study are available upon reasonable request.

Competing Interests:

The author declares no competing interests.

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