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A Study on Personal Finance and Investment Behavior among Salaried Individuals

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ABSTRACT

In the modern financial ecosystem, salaried individuals face increasing pressure to manage their income efficiently amid rising inflation, lifestyle needs, and uncertain economic conditions. This research paper investigates the personal finance practices and investment behavior of salaried individuals in India. The study focuses on how demographic variables, financial literacy, risk appetite, and financial planning affect saving and investment decisions.

Primary data was collected from 110 salaried individuals using a structured questionnaire. Quantitative methods including descriptive statistics and correlation analysis were employed to analyze patterns in financial behavior. The findings indicate that while most individuals prioritize saving, awareness of modern investment avenues remains low, and risk aversion drives investment in traditional instruments like fixed deposits and insurance.

The research highlights the need for improved financial literacy, personalized advisory services, and digital inclusion to support better financial decision-making among working professionals. The paper provides insights for policymakers, financial institutions, and educators to strengthen financial wellbeing in the salaried segment.

Keywords: Personal Finance, Investment Behavior, Salaried Individuals, Financial Literacy, Risk Appetite, Savings

1. Introduction

Salaried individuals are widely regarded as one of the most stable segments of the working population, primarily due to their consistent income streams and structured employment conditions. However, this perceived stability can be misleading when viewed through the lens of personal financial management. Despite receiving regular paychecks, salaried individuals often face significant financial constraints owing to fixed monthly obligations such as rent, loan repayments, utility bills, insurance premiums, and family expenses. These obligations reduce their disposable income, leaving limited room for discretionary spending, saving, or investment. Furthermore, the absence of diversified income sources makes them vulnerable to financial shocks such as job loss, medical emergencies, or unexpected life events. Hence, for this group, effective personal finance management is not just desirable—it is a necessity for ensuring long-term economic stability, security, and peace of mind.

In the context of the Indian economy, salaried individuals form a substantial part of the growing middle-class demographic, which plays a vital role in national savings and consumption patterns. With the rise in financial inclusion, the government and private institutions have introduced various saving and investment instruments designed to support wealth creation and risk mitigation for this group. These include traditional schemes like fixed deposits, Recurring Deposits (RDs), Public Provident Fund (PPF), and Employee Provident Fund (EPF), as well as insurance-linked products offered by Life Insurance Corporation (LIC) and private insurers. In recent years, with increasing awareness and digital penetration, newer avenues like mutual funds, Systematic Investment Plans (SIPs), equity markets, and government-backed pension schemes like the National Pension System (NPS) have also gained traction.

Despite the availability of these financial instruments, research and market surveys suggest that a significant portion of salaried individuals still rely heavily on traditional, low-risk investment avenues that offer stable but modest returns. For example, studies conducted by SEBI and the National Centre for Financial Education (NCFE) reveal that over 65% of Indian households prefer bank fixed deposits and insurance as their primary investment tools, often neglecting higher-return options due to fear of risk or lack of financial literacy. This behavior indicates a tendency towards capital preservation rather than wealth creation, influenced more by emotional and psychological factors than rational financial planning.

Behavioral finance theories suggest that several cognitive biases affect individual investment decisions. For salaried individuals, **risk aversion**—a reluctance to take risks due to fear of capital loss—plays a dominant role in shaping financial choices. Moreover, **herd behavior**, where individuals mimic the financial choices of their peers or family members, and **mental accounting**, where income is segregated into separate accounts for different purposes, can lead to inefficient allocation of funds. Coupled with limited access to professional financial advice, these behavioral tendencies can result in suboptimal financial outcomes. Even among financially literate individuals, a lack of confidence or time to monitor markets and investment

performance

In addition to personal knowledge, the structure of income and life-stage needs also influence investment patterns. Younger salaried employees may prioritize savings for short-term goals such as buying a vehicle, traveling, or paying off education loans. In contrast, middle-aged individuals are more likely to invest for children's education, home loans, or retirement planning. These shifting priorities highlight the need for **goal-based financial planning**, where saving and investment are aligned with specific life goals. However, due to a lack of formal financial education, many individuals resort to impulsive or irregular saving practices, failing to take advantage of compound interest or tax benefits.

By gathering data from a cross-section of working professionals across age, income, and education groups, the study intends to uncover behavioral trends and practical challenges in personal finance management. The insights derived from this analysis will contribute to existing academic literature and offer useful implications for banks, fintech firms, employers, and policymakers interested in improving financial inclusion and resilience. Furthermore, the study will recommend actionable strategies to bridge the gap between awareness and action—ensuring that salaried individuals are better equipped to plan for both short-term security and long-term prosperity.

2.   Review of Literature

Evolution of Personal Finance

Personal finance involves the systematic management of individual or household finances, including income, budgeting, savings, investments, debt handling, and retirement planning. According to Gitman (2008), structured personal financial planning is fundamental for achieving financial independence and long-term economic stability. Over time, the concept of personal finance has evolved from simple savings and insurance to more sophisticated tools like mutual funds, SIPs, and portfolio diversification. However, salaried individuals often face constraints in implementing long-term financial planning due to pressing short-term financial obligations such as rent, EMIs, and family responsibilities. Studies indicate that while the awareness of financial planning has grown with digitalization and fintech innovations, actual implementation remains low among the salaried population, who tend to prioritize immediate liquidity and low-risk investments over aggressive wealth-building strategies.

Investment Behavior

Investment behavior refers to the decision-making processes and psychological patterns that individuals exhibit while allocating their financial resources. Rajarajan (2000) provided an investor typology based on life stages and risk tolerance, emphasizing that investment strategies often vary according to age, income, and financial responsibilities. In the case of salaried individuals, the regularity of income does not always translate into diversified investment behavior. Instead, most prefer traditional, low-risk options such as fixed deposits, insurance, and provident fund schemes. Behavioral biases such as loss aversion, herd mentality, and mental accounting also influence how and where they invest. Numerous studies suggest that salaried professionals often lack the confidence or knowledge to explore high-return investment vehicles like equity or hybrid mutual funds, preferring safety over returns even at the cost of long-term growth.

Financial Literacy

Fiscal knowledge is defined as   the capability to understand and apply fiscal generalities similar as interest rates, affectation,   budgeting, and investment diversification. Lusardi & Mitchell (2011) found a direct correlation between financial literacy and sound financial decision-making, especially regarding savings and investments. In the Indian context, the SEBI Financial Education Survey (2020) revealed that a significant proportion of working professionals lack even basic knowledge of financial products and tax-saving options. Even among educated salaried individuals, misconceptions about mutual funds, market risks, and insurance prevail, often leading to poor investment choices. Low financial literacy also results in over-dependence on informal advice from peers or family, which may not be aligned with individual financial goals or risk profiles.

Risk Tolerance

Risk tolerance is a key determinant in investment decisions and refers to an individual's capacity and willingness to endure investment volatility. Grable and Lytton (1999) concluded that factors such as age, income, education level, and financial security greatly affect risk tolerance levels. Younger and more financially educated individuals are typically more open to risk, favoring equities or dynamic portfolios. However, salaried individuals often demonstrate low to moderate risk tolerance, preferring instruments that offer guaranteed returns. This cautious approach is primarily driven by their financial obligations, the fear of losing hard-earned money, and a lack of understanding of market instruments. Risk aversion among salaried earners can result in missed opportunities for higher returns, especially over the long term.

Research Gap

While the broader domain of investor behavior has been well-documented in financial research, limited studies have explored the **unique behavioral patterns of salaried individuals** as a standalone demographic. Existing literature often combines this group with self-employed or business professionals,

thereby overlooking the specific constraints and behavioral nuances of salaried income earners. This study seeks to fill that gap by examining the personal finance and investment choices of salaried individuals in India in isolation. By focusing on a more defined target group, the research aims to offer localized, actionable insights into their financial behavior and challenges, contributing to better financial planning policies, advisory services, and literacy initiatives tailored for the salaried class.

3. Research Methodology

3.1 Research Design

The research design provides the structural framework for the study, guiding how data is collected, analyzed, and interpreted. For this study, a **descriptive** quantitative **research design** was adopted. Descriptive research is best suited when the objective is to observe, record, describe, and analyze relationships or behaviors without manipulating the environment. It allows the researcher to understand existing financial patterns, behaviors, and preferences of salaried individuals in a natural setting.

This design is particularly useful for identifying characteristics of a particular group—in this case, salaried individuals—such as their saving habits, investment decisions, financial literacy levels, and risk preferences. The use of quantitative methods allows the researcher to measure variables numerically and apply statistical tools to draw meaningful inferences from the data. By employing a descriptive approach, this study aims to provide a clear picture of the current state of personal finance management among salaried professionals in India.

3.2 Target Population

The **target population** for this study consists of **salaried individuals working in India** across various sectors, including government, private, and semi-government organizations. The selected age range is between **21 and 60 years**, covering a wide span of career stages from early employment to pre-retirement years. These individuals typically receive a fixed monthly income and are assumed to have some level of engagement with financial decision-making, whether directly or indirectly.

The inclusion criteria focused on individuals with:
- A steady source of monthly income,
- Active bank accounts,
- At least basic awareness of saving and investment instruments such as fixed deposits, mutual funds, or provident fund schemes.

Exclusion criteria included:
- Students, retirees, and self-employed individuals,
- Salaried individuals without any savings or investment history.

The rationale behind choosing this group stems from their consistent income patterns and relatively stable financial responsibilities, making them ideal subjects for studying long-term financial behavior.

3.3 Sampling Method and Sample Size

The study used a **non-probability sampling technique**, specifically a combination of **convenience sampling** and **purposive sampling**.
- **Convenience sampling** involved collecting data from individuals who were easily accessible, such as colleagues, peers, social media contacts, and professional networks. This approach was chosen due to time and resource constraints, and it facilitated quick data collection through online platforms.
- **Purposive sampling** ensured that the participants fit the criteria of being salaried individuals actively earning a fixed monthly income. This method helped maintain the relevance and accuracy of responses by targeting those who are involved in regular financial decisions.

The **sample size** for the study was **110 respondents**, which is a reasonably sufficient number for drawing insights using descriptive and basic inferential statistical techniques. While the sample may not statistically represent the entire salaried population of India, it offers valuable trends and patterns that can inform broader discussions on financial behavior in this segment.

3.4 Data Collection Procedure

Primary data was collected using a **structured online questionnaire** created through **Google Forms**. The survey was circulated digitally via email, WhatsApp, LinkedIn, and other social media platforms, ensuring a diverse respondent pool across regions and professions.
The questionnaire was divided into five key sections:
1. **Demographic Information**
Questions about age, gender, income bracket, marital status, and educational qualification to categorize respondents and understand how demographic

factors affect financial behavior.

2. **Saving and Budgeting Habits**

Questions focused on whether respondents followed a monthly budget, how much of their income they saved, and the frequency and consistency of their saving behavior.

3. **Risk Tolerance**

Included self-assessment of risk appetite (high, moderate, low), and scenarios to evaluate how respondents perceive and react to financial risks.

4. **Investment Behavior**

Explored preferred investment instruments (e.g., FDs, mutual funds, stocks), frequency of investing, and awareness of various investment channels.

5. **Financial Awareness**

Measured understanding of key financial concepts like inflation, diversification, tax-saving instruments, and digital financial platforms.

3.5 *Data Analysis Techniques*

Collected data was coded and entered into Microsoft Excel and analyzed using SPSS (Statistical Package for Social Sciences) software to ensure rigorous statistical evaluation. The following techniques were employed:

- Descriptive Statistics: Frequencies, percentages, mean scores, and standard deviations were calculated to summarize demographic data and general patterns.

- Cross-tabulations: To explore relationships between demographic variables and platform usage or content preferences.

- Correlation Analysis: Pearson's correlation coefficients were computed to examine associations between influencer trust, engagement, and purchase behavior.

- Graphical Representation: Bar charts, pie charts, and histograms were used to visually depict key findings.

4.   Data Analysis and Interpretation

Income vs Saving Behavior

The study found that a significant portion of respondents—approximately **42%**—reported saving between **10% to 20%** of their monthly income. This suggests a moderate level of financial discipline among salaried individuals, as saving at least one-tenth of income is often recommended by financial advisors as a minimum benchmark for future security. About **23%** of participants reported saving less than 10%, while **19%** saved in the 21–30% range. Only a small fraction, around **8%**, managed to save over 30% of their monthly income.

Upon analyzing responses across different income brackets, a **positive correlation** was observed between income level and savings rate. Individuals earning above ₹75,000 per month were more likely to save a higher percentage of their income compared to those in the ₹25,000–50,000 bracket. This can be attributed to the fact that fixed household expenses often constitute a larger share of income for lower earners, leaving less room for discretionary savings. In contrast, higher earners enjoy more flexibility in managing both essential and non-essential expenses, allowing them to set aside a larger portion of their income for future goals.

Investment Preferences

When asked about preferred investment instruments, **65%** of respondents mentioned **fixed deposits (FDs)** as their go-to choice for investing surplus income. This reflects a strong inclination towards capital safety and guaranteed returns—traits commonly associated with traditional investment options. **Insurance plans**, including term and endowment policies, were selected by **53%** of respondents, suggesting that many individuals view insurance not only as a protection tool but also as a savings-cum-investment vehicle.

The popularity of **mutual funds** has increased in recent years, and this was reflected in the responses: around **38%** of participants indicated they invest in mutual funds, with **Systematic Investment Plans (SIPs)** being the most common route. **Stock market participation** stood at **24%**, with most stock investors belonging to the **younger demographic** (aged 21–35), and having higher educational qualifications or professional backgrounds in finance or technology.

Fixed deposits (40%) and Gold (20%) were the most common. Mutual funds (20%) and stocks (20%) were preferred by younger respondents.

Risk Appetite

Risk tolerance is a critical factor in shaping financial portfolios. In this study, only **18%** of respondents identified themselves as **high-risk investors**, comfortable with the volatility of instruments like equity shares or cryptocurrency. A further **34%** described themselves as **moderate-risk takers**,

preferring mutual funds or hybrid investment plans that balance safety and return potential. However, a substantial **48%** classified themselves as **low-risk investors**, opting for instruments that offer fixed returns and capital protection, such as FDs, government savings schemes, or insurance plans.

The conservative risk posture among salaried individuals is consistent with global findings in behavioral finance, which suggest that individuals with fixed monthly incomes and long-term responsibilities (such as home loans, children's education, or family care) tend to avoid high-risk investments. Furthermore, job security concerns and lack of guaranteed returns in market-linked products reinforce this conservative mindset.

Only 18% classified themselves as high-risk investors. Majority preferred low-risk instruments, indicating conservative financial behavior

Financial Literacy

One of the core objectives of the study was to assess the financial literacy levels among salaried individuals. When respondents were asked to self-rate their financial knowledge, only **27%** described their understanding as **"Good" or "Excellent"**, indicating a high level of confidence in managing personal finances and understanding various investment products. A larger share, around **49%**, rated themselves as having **"Average" knowledge**, while **24%** admitted to having **"Poor" or "Very Poor"** knowledge of personal finance.

The data analysis revealed a strong association between **educational qualification** and **financial literacy**. Respondents with professional degrees (such as MBA, CA, CFA, or engineering) exhibited greater awareness of diversified investment instruments, tax planning strategies, and market risks. These individuals were more likely to invest in mutual funds, equities, and retirement planning schemes, and less likely to rely solely on traditional savings accounts or insurance.

In contrast, those with lower financial literacy scores were predominantly dependent on advice from family, friends, or insurance agents. They often misunderstood the primary purposes of financial products—for example, viewing life insurance primarily as an investment vehicle instead of a risk management tool. Some respondents also lacked clarity on basic concepts like inflation, diversification, and compounding, which could impact their ability to plan long-term wealth.

This gap indicates an urgent need for **structured financial education programs** targeted specifically at working professionals. Despite digital platforms offering ample content on personal finance, the absence of personalized financial guidance continues to hinder the salaried class from making optimal financial decisions.

5. Recommendations

Based on the findings of this study, several practical and actionable recommendations can be made to enhance personal finance management and investment behavior among salaried individuals. These suggestions aim to address key challenges identified in the analysis, including low financial literacy, limited risk appetite, overdependence on traditional instruments, and lack of access to professional advice. The following strategies are proposed for institutions, employers, financial service providers, and policymakers.

Enhance Financial Literacy

One of the most pressing issues identified in the study is the lack of adequate financial knowledge among salaried individuals. With only 27% of respondents rating their financial literacy as "good" or "excellent," there is a clear need for structured interventions.

Recommendations:

- Employers and human resource departments should collaborate with certified financial advisors and educators to conduct **periodic workshops, webinars, and training sessions** focused on essential financial concepts such as budgeting, investing, tax planning, and retirement preparation.
- Educational institutions offering professional degrees (e.g., MBA, engineering, law) should **integrate personal finance modules** into their curriculum, preparing students before they enter the workforce.
- Government bodies such as SEBI, RBI, and NCFE should strengthen nationwide financial literacy campaigns, especially in regional languages, to reach a broader audience.
- Financial institutions can offer **interactive e-learning modules, simulations, and mobile apps** that make financial education accessible and engaging.

Increasing financial awareness will empower individuals to make informed decisions, reduce dependency on informal advice, and improve overall financial wellbeing.

Promote Goal-Based Financial Planning

A common behavioral pattern observed was the absence of structured financial planning. Most respondents lacked clearly defined financial goals, which often led to irregular saving and scattered investments.

Recommendations:

- Salaried individuals should be encouraged to **align their financial decisions with life-stage goals**, such as buying a house, funding children's education, or planning for retirement.

- Financial institutions and fintech apps can provide **automated goal-setting tools** that calculate how much one needs to save monthly to reach specific milestones.

- Employers could offer access to **customized financial planning sessions** during onboarding or annual appraisals to guide employees in setting and tracking financial goals.

- Public campaigns can use relatable real-life examples to **demonstrate the importance of goal-oriented investing** and the risks of impulsive financial decisions.

This approach helps build financial discipline and ensures that income is not only consumed but also strategically allocated for future aspirations.

Leverage Digital Platforms and Fintech Tools

Technology can play a transformative role in improving investment participation and accessibility. Many younger respondents showed an inclination towards mobile apps and online investment platforms, indicating that digital solutions are the future of financial services.

Recommendations:

- Encourage the use of SEBI-registered fintech apps and platforms that allow easy access to mutual funds, insurance, SIPs, and government schemes.

- Promote awareness of Robo-advisors—digital tools that automatically suggest portfolios based on the user's financial goals, income, and risk profile.

- Employers can integrate digital financial platforms into employee benefit portals to simplify the process of tax-saving declarations and investment tracking.

- App developers should ensure user-friendly interfaces and regional language support to cater to diverse salaried segments across urban and semi-urban regions.

Digital tools can help automate saving habits, improve transparency, and bring investment options to the fingertips of salaried individuals—regardless of their location or technical background.

Customize and Democrat ize Investment Advice

Access to reliable, professional investment advice remains limited, especially for individuals outside metro cities or those in lower income brackets. This lack of access can lead to poor financial decisions and over-reliance on unverified sources.

Recommendations:

- Financial advisory services should be **made more affordable and personalized**, using a tiered subscription or freemium model to suit various income groups.

- Fintech companies and banks should develop **AI-driven advisory systems** that provide personalized recommendations based on real-time financial data.

- Government and regulatory bodies can collaborate with NGOs and financial experts to provide **free or subsidized consultation sessions** for middle-income salaried individuals.

- Encourage **employer-sponsored financial wellness programs** where employees receive yearly access to a certified financial planner.

When individuals receive advice tailored to their financial condition, goals, and risk tolerance, they are more likely to engage with complex financial products and diversify their portfolios responsibly.

Encourage Tax-Advantaged Investing

Tax-saving is one of the most tangible motivators for salaried individuals to begin investing. However, many respondents were unaware of or underutilizing schemes like **ELSS (Equity Linked Saving Schemes), NPS (National Pension System), and PPF (Public Provident Fund)**, which offer both tax benefits and long-term returns.

Recommendations:

- Employers should conduct **pre-tax season sessions** educating employees about Section 80C and other tax-saving instruments.

- Investment platforms can incorporate **in-app tax calculators** and scheme comparisons to help users select the most efficient tax-saving options.

- Income tax departments can design **simplified guides** that explain the benefits and risks of tax-saving instruments and how they contribute to long-term wealth creation.

- Financial influencers and bloggers should focus on **clarifying misconceptions** around ELSS, NPS lock-in periods, and maturity taxation to reduce hesitation.

Promoting tax-advantaged investments not only reduces tax liability for individuals but also channels funds into productive, long-term financial instruments, contributing to the economy's capital formation.

Summary

This study highlights the need to improve financial practices among salaried individuals through focused strategies. Key recommendations include enhancing financial literacy through workshops and digital content, promoting goal-based financial planning, and leveraging fintech platforms to simplify investing. Access to affordable, personalized financial advice should be expanded, especially for middle-income earners. Additionally, greater awareness of tax-saving instruments like ELSS and NPS can help individuals make smarter, long-term investment decisions. These steps will collectively empower salaried professionals to achieve financial stability and make informed choices.

Conclusion

The primary objective of this research was to analyze and understand the personal finance practices and investment behavior of salaried individuals in India. Through a structured quantitative study involving 110 respondents from various income levels, industries, and age groups, the research aimed to explore how salaried professionals manage their income, save for future needs, choose investment avenues, and assess financial risk.

The findings of the study reveal several critical insights into the financial behavior of this important demographic segment. Despite receiving a regular and predictable monthly income, many salaried individuals display **limited financial planning and investment diversification**. The majority prefer traditional, low-risk instruments such as fixed deposits, recurring deposits, and insurance plans. While these products offer safety and stability, they often yield lower long-term returns and do not take full advantage of inflation-beating investments.

The analysis further uncovered that **saving behavior is positively correlated with income level**. Higher-income individuals tend to save a greater portion of their earnings, whereas those in lower income brackets often face financial constraints that limit their saving potential. However, saving percentages alone do not indicate effective financial management. Many individuals save without a clear financial goal or structured plan, highlighting a gap in **goal-based financial planning**.

In terms of **investment behavior**, a notable portion of respondents showed limited awareness of market-linked instruments such as mutual funds, stocks, or retirement-focused products like NPS. Younger respondents (aged 21–35) exhibited a higher degree of openness to exploring new investment options, particularly through SIPs and digital platforms. This generational difference suggests a shift in mindset, likely influenced by greater access to online financial education and investment tools.

The study also emphasizes the role of **financial literacy** in shaping sound investment decisions. Respondents with higher levels of financial awareness were more likely to invest in diversified portfolios, understand risk-return trade-offs, and make use of tax-saving options under Section 80C. Conversely, those with lower financial knowledge often depended on informal sources like friends, relatives, or social media influencers, which can lead to suboptimal or emotionally-driven financial decisions.

Risk appetite was found to be generally low among respondents, especially those with families or nearing retirement. The conservative investment behavior is primarily driven by a fear of loss, lack of understanding of risk-managed products, and past negative experiences. Only a small fraction of participants were willing to take high investment risks, and this group was predominantly younger and better informed.

The study's findings carry significant **theoretical and practical implications**. Theoretically, it supports the propositions of behavioral finance— highlighting that investment decisions are influenced not only by rational factors like income and age but also by psychological elements such as fear, confidence, and peer influence. The dominance of conservative investment behavior aligns with theories like **Prospect Theory**, which suggests individuals tend to avoid losses more than they seek gains.

From a practical standpoint, the research underlines the urgent need for **comprehensive financial literacy programs** tailored to salaried individuals. Financial institutions, employers, and policymakers must work collaboratively to educate and empower this group through seminars, webinars, apps, and one-on-one advisory sessions. Enhancing access to **goal-based planning tools, tax-saving schemes, and affordable financial advice** can bridge the gap between income potential and actual financial outcomes.

Furthermore, there is a clear opportunity to **leverage digital technology** to democratize access to investments. Robo-advisors, automated SIP platforms, and mobile-based investment tools can simplify and popularize financial planning even for first-time investors. For lasting impact, it is essential that such solutions are developed in a user-friendly, multilingual, and culturally sensitive manner.

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