

**A study on Investment on Preference of Salaried Individual with Reference to
Chennai City**

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ABSTRACT

Investment choices are essential for the financial health of employees. Salaried employees in the city have diverse levels of income, living expenses and knowledge about managing their finances. This study has two main objectives confining to look at what types of investment options salaried employees prefer, and to understand the reasons for this. The research will use a descriptive design and involves salaried individuals working across multiple different industries (IT, Education, Banking/Financial Services, Healthcare, Manufacturing, etc.) within the city. As part of primary data collection, structured questionnaire was followed. Secondary data were collected from academic journals, research articles, conference proceedings (published research from specific conferences), books and published reports to support the conceptual framework and analysis of the data collected in the field. The sampling technique adopted for the study is Convenience Sampling having a sample size 60. The financial theories applied to interpret the data include Modern Portfolio Theory. Analysing data has been achieved by using both quantitative (statistical) means as well as qualitative techniques. The findings of the study reveal that salaried individuals in Chennai predominantly prefer low-risk and tax-saving investment avenues, with investment choices significantly influenced by income level, risk perception, and financial literacy. Furthermore, results from this research may be useful for financial planners, policy makers, and providers of investment services when developing investment products and/or awareness programs targeting salary earners in Chennai.

Keywords: Investment Preference, Salaried Individuals, Financial Awareness, Risk Perception, and Modern Portfolio Theory.

1.Introduction

Investment is a vital component of financial planning, especially for salaried individuals who rely on fixed incomes to meet long-term goals such as wealth creation, retirement security, education, and tax savings. In a dynamic financial environment, individuals in Chennai have access to both traditional investment avenues (like fixed deposits and gold) and modern market-linked instruments (such as mutual funds and equities). Despite this variety, investment choices are often shaped by factors like income, risk tolerance, financial literacy, and personal obligations. While safer options provide stability, they may not generate inflation-beating returns, highlighting the need for balanced and informed investment strategies.

1.1 Need of the Study

The study is needed to understand how salaried individuals allocate their savings, identify gaps in awareness, and evaluate whether their investment choices align with financial goals.

1.2 Influence

Investment behaviour is influenced by demographic factors, financial literacy, tax considerations, peer influence, and psychological biases such as risk aversion and herd behaviour.

1.3 Statement of the Problem

Many salaried individuals rely on low-risk, low-return investments despite aiming for long-term wealth creation. Limited awareness, lack of professional guidance, and behavioural biases lead to sub-optimal and undiversified investment decisions.

1.4 Theoretical Framework

The study integrates concepts of financial literacy theory, behavioural finance (including risk aversion and herd behaviour), and portfolio diversification theory. Together, these frameworks explain how knowledge, psychological biases, and risk-return trade-offs influence investment preferences and decision-making among salaried individuals.

1.5 Significance of the Study

The findings help investors make informed decisions, assist financial institutions in designing suitable products, and support policymakers in improving financial literacy and investment participation.

Objectives

- To analyse demographic influence on investment preferences
- To identify preferred investment avenues
- To examine investment objectives and risk tolerance

2. Review of literature

The study focuses on salaried individuals in Chennai using primary data (100 respondents) and descriptive analysis, offering insights into their investment behaviour, awareness, and decision-making patterns. Investment behaviour among salaried individuals has been widely studied, with a consistent emphasis on the interplay between financial literacy, risk perception, and investment choices. Early studies by **Mishra (2005) and Bhole (2006)** highlight that salaried individuals prioritise financial security and stability due to their fixed income structure, leading to a preference for low-risk instruments. This tendency is further reinforced by **Shanmugham (2007)**, who identifies limited financial awareness as a key reason for conservative investment behaviour.

Subsequent research integrates behavioural and demographic perspectives. **Ranganathan (2009) and Avadhani (2011)** emphasise that risk perception and income stability strongly influence investment decisions, often outweighing rational return expectations. Similarly, **Singh (2014) and Sharma (2016)** establish that age, income, and education significantly shape investment preferences, with younger individuals showing relatively higher risk tolerance. Studies focusing on Tamil Nadu and Chennai, such as **Geetha and Ramesh (2012) and Sundar (2018)**, confirm a dominant preference for traditional avenues like fixed deposits, gold, and insurance, reflecting a safety-first approach. A growing body of literature highlights the role of financial literacy and advisory influence. **Gupta (2017) and Balaji (2017)** demonstrate that higher financial awareness leads to better diversification and increased participation in market-linked instruments. **Mohan (2022)** further finds that professional financial advice contributes to more structured investment portfolios. In parallel, technological advancements have reshaped investment behaviour. **Agarwal (2021) and Rajeshwari (2021)** show that digital platforms and mobile applications have improved accessibility and encouraged younger salaried individuals to invest in mutual funds and equities, particularly through Systematic Investment Plans, as noted by **Sharma (2020)**. Recent studies by **Savitha and Thangadurai (2023) and Nair (2023)** reaffirm that financial literacy, tax efficiency, and liquidity are critical determinants of investment behaviour.

However, despite increased awareness, an “awareness–action gap” persists, where individuals fail to translate knowledge into actual investment decisions. This gap is particularly relevant in the context of salaried employees in Chennai, forming the basis for the present study.

3.1 RESEARCH DESIGN

This study adopts a descriptive research design to examine and present the investment preferences, behaviours, and attitudes of salaried individuals in Chennai. It focuses on analysing demographic characteristics, investment choices, risk tolerance, and decision-making factors without manipulating variables. A quantitative approach is used to ensure objectivity and reliability of findings.

3.2 AREA OF THE STUDY

The study is conducted in Chennai, a major commercial and financial hub with a diverse salaried workforce across sectors such as IT, healthcare, manufacturing, education, banking, and government services. The city’s wide exposure to financial products makes it suitable for this study.

3.3 SOURCES OF DATA

Primary Data: Collected through a structured online questionnaire (Google Forms) from 100 salaried individuals. It includes 20 questions covering demographics, investment behaviour, risk tolerance, influencing factors, tax awareness, and objectives.

Secondary Data: Collected from journals, research articles, government reports, and financial publications to support theoretical and contextual understanding.

3.4 SAMPLING TECHNIQUE & SAMPLE SIZE

Sampling Technique: Convenience sampling was used due to ease of access and time constraints.

Sample Size: The study includes 100 respondents, adequate for descriptive analysis, with complete and valid responses.

3.5 TOOLS OF DATA COLLECTION

A structured questionnaire with multiple-choice and Likert scale questions was used to capture data on demographics, investment behaviour, objectives, risk tolerance, influencing factors, and awareness levels.

3.6 STATISTICAL TOOLS USED

ANOVA: Identifies differences in mean responses across demographic groups.
 Correlation Analysis: Measures strength and direction of relationships between variables.
 t-Test: Compares mean differences between two groups (e.g., gender-based risk tolerance).
 Regression Analysis: Two models assess how variables like income, risk tolerance, knowledge, and preferences influence investment percentage and willingness to take risks.

4. Interpretation & Analysis

Table 4.1 Regression Statistics

Multiple R	0.29755
R Square	0.088536
Adjusted R Square	0.060052
Standard Error	0.967499
Observations	100

ANOVA

Particulars	df	SS	MS	F	Significance F
Regression	3	8.728739	2.90958	3.108343	0.030027
Residual	96	89.86126	0.936055		
Total	99	98.59			

Table 4.2

Particulars	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	0.852423	0.408809	2.085137	0.039711	0.040943	1.663903

Groups	Count	Sum	Average	Variance
1. Age Group	100	231	2.31	1.731212
11. How would you describe your risk tolerance?	100	206	2.06	0.319596

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3.125	1	3.125	3.047579	0.082409	3.888853
Within Groups	203.03	198	1.025404			

Objective	Key Variables	Major Findings	Interpretation
1. Demographic Influence on Investment Preferences	Age, Gender, Income, Education	Younger employees prefer high-risk investments (equity, crypto), while older employees prefer safe options (FDs, insurance). Higher income groups diversify more. Educated individuals show higher awareness.	Investment behavior varies significantly with demographic factors. Younger and higher-income employees are more open to risk due to better exposure and financial understanding.
2. Preferred Investment	Investment choices (Equity, Mutual Funds,	Mutual funds and equities are the most preferred among	Employees show a balanced approach—combining modern and

Avenues	FD, Gold, Real Estate)	employees. Traditional options like FD and gold are still chosen for safety. Real estate is less preferred due to high capital requirement.	traditional investments. Preference for mutual funds indicates moderate risk-taking behavior.
3. Investment Objectives & Risk Tolerance	Objectives (Wealth creation, Safety, Tax saving), Risk level	Majority invest for wealth creation and future security. Moderate risk tolerance is dominant; few take high risks. Risk tolerance increases with income and knowledge.	Employees aim for long-term financial growth but remain cautious. Moderate risk profile reflects calculated decision-making rather than speculation.

5. Major Findings, suggestions & Conclusion

This study provides a comprehensive analysis of the investment preferences, behaviour, and attitudes of salaried individuals in Chennai, offering meaningful insights into how demographic factors, financial awareness, and risk tolerance shape investment decisions.

5.1. Major Findings with Supporting Literature

The study reveals that real estate, mutual funds, and gold are the most preferred investment avenues among respondents. This aligns with findings by Chandra (2017) and Kumar & Goyal (2015), who observed that Indian investors traditionally favour tangible assets like real estate and gold due to perceived safety and cultural familiarity. However, the increasing preference for mutual funds reflects a gradual shift towards financialisation of savings, consistent with SEBI (2022) reports highlighting rising participation in mutual fund investments.

The predominance of moderate risk tolerance among respondents supports the observations of Rajarajan (2000), who concluded that salaried individuals tend to prefer balanced risk-return trade-offs due to stable but limited income streams. Additionally, the

study finds that children's education and wealth creation are primary investment objectives, which is in line with Bashir et al. (2013), emphasizing that family-oriented goals strongly influence investment behaviour in emerging economies. Another key finding is the reliance on self-analysis and family influence in decision-making. This corroborates Shanmugham (2000), who identified informal sources of information as dominant among Indian investors. However, the presence of a 28% awareness gap regarding market-linked instruments indicates insufficient financial literacy, supporting Lusardi & Mitchell (2014), who argue that limited financial knowledge significantly constrains effective investment decisions.

5.2. Suggestions to Stakeholders

Government and Regulatory Bodies

Introduce targeted financial literacy programs focusing on salaried individuals, particularly addressing awareness gaps in market-linked instruments. Promote tax-saving schemes such as PPF, ELSS, and NPS through structured campaigns to improve utilisation. Strengthen investor protection frameworks and simplify investment procedures to encourage broader participation.

Financial Institutions and Companies

Develop customised investment products (e.g., hybrid funds, SIP-based plans) suited to moderate risk investors. Provide accessible advisory services and digital tools to reduce dependence on informal decision-making. Enhance transparency and investor education through workshops, webinars, and personalised financial planning services.

5.3. Limitations of the Study

Despite its contributions, the study has certain limitations:

- The sample size is limited to 100 respondents, which may restrict generalisability.
- The study is geographically confined to Chennai, limiting its applicability to other regions.
- Data is based on self-reported responses, which may be subject to bias.

Overall Conclusion

In conclusion, the study highlights that salaried individuals in Chennai demonstrate active engagement in investment activities, with a clear preference for a mix of traditional and emerging financial instruments. While the presence of moderate risk tolerance and goal-

oriented investing reflects financial prudence, gaps in awareness, diversification, and strategic planning persist. The findings underscore the need for enhanced financial literacy, improved advisory support, and policy-driven interventions to empower investors in making informed decisions. Ultimately, fostering a well-informed investor base will contribute not only to individual financial well-being but also to the broader development of the financial ecosystem in India.

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