

An Empirical Study on Investment Preferences Among Salaried Individuals in Chennai

DR. A. SAMUEL¹, DR. C. ARUN KUMAR²

¹Department of Commerce, SRM Institute of Science and Technology, Chennai

²Department of Commerce (IAF), SRM Institute of Science and Technology, Chennai

Abstract- Investment decisions play a crucial role in ensuring the financial well-being and long-term economic security of salaried individuals. Employees differ considerably in terms of income levels, expenditure patterns, financial goals, and investment awareness, which significantly influence their investment behaviour. This study aims to examine the investment preferences of salaried employees in Chennai and identify the key factors influencing their investment choices. The research adopts a descriptive research design and focuses on salaried employees working across diverse sectors, including Information Technology, Education, Banking and Financial Services, Healthcare, and Manufacturing. Primary data were collected through a structured questionnaire, while secondary data were gathered from academic journals, research articles, conference proceedings, books, and published reports to support the conceptual framework and empirical analysis. A Convenience Sampling technique was employed, and data were collected from 60 respondents. The study is grounded in Modern Portfolio Theory (MPT), which provides a framework for understanding investment decisions based on risk-return trade-offs and diversification principles. Data analysis was carried out using both quantitative statistical techniques and qualitative methods to gain comprehensive insights into investment behaviour. The findings indicate that salaried employees in Chennai predominantly prefer low-risk and tax-efficient investment avenues. Furthermore, investment decisions are significantly influenced by factors such as income level, risk perception, financial literacy, and investment objectives. The study also highlights the growing importance of informed financial planning among salaried individuals. The insights derived from this research can assist financial planners, policymakers, and investment service providers in designing suitable investment products, financial literacy initiatives, and awareness programmes tailored to the needs of salaried employees in Chennai.

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

I. INTRODUCTION

Investment constitutes a fundamental aspect of personal financial planning, particularly for salaried individuals who depend on fixed and regular incomes to achieve long-term financial objectives such as wealth accumulation, retirement planning, children's education, and tax optimization. With the rapid development of financial markets and investment products, salaried employees in Chennai have access to a wide range of investment avenues, including traditional instruments such as fixed deposits, insurance policies, and gold, as well as market-linked options like mutual funds, equities, and exchange-traded funds.

However, investment decisions are influenced by several factors, including income level, risk appetite, financial literacy, investment horizon, and personal financial commitments. While traditional investment avenues are often preferred for their safety and stability, they may not always generate returns sufficient to combat inflation and meet future financial requirements. Conversely, market-linked investments offer higher return potential but involve greater risk and uncertainty. Therefore, understanding the investment preferences of salaried individuals and the factors influencing their choices is essential for promoting informed financial decision-making and encouraging effective wealth management practices. This study seeks to examine the investment preferences of salaried employees in Chennai and analyse the key determinants shaping their investment behaviour in the contemporary financial landscape.

1.1 Need of the Study

The study is significant in understanding the investment behaviour of salaried individuals and the

manner in which they allocate their savings across various investment avenues. It seeks to identify the factors influencing investment decisions, assess the level of awareness regarding available financial instruments, and examine whether investment choices are aligned with individuals' financial goals and risk preferences. The findings of the study will provide valuable insights into the financial planning practices of salaried employees and help identify areas where financial literacy and investment awareness can be enhanced. Furthermore, the study will be beneficial to financial advisors, policymakers, and investment service providers in designing appropriate financial products and educational initiatives that cater to the needs of salaried individuals.

1.2 Influence

Investment behaviour is shaped by a combination of demographic, financial, and psychological factors. Variables such as age, income, educational background, and occupation significantly influence investment decisions and preferences. Financial literacy plays a crucial role in enabling individuals to evaluate investment alternatives and make informed choices. Additionally, tax benefits and savings incentives often motivate investors to select specific financial instruments. Social factors, including peer influence and recommendations from family, friends, or financial advisors, also affect investment behaviour. Furthermore, psychological biases such as risk aversion, overconfidence, and herd behaviour can impact investment decisions, often leading individuals to favour familiar or perceived safer investment avenues. Understanding these factors is essential for analysing investment preferences and promoting effective financial planning among salaried individuals.

1.3 Statement of the Problem

Despite aspiring to achieve long-term financial goals such as wealth creation, retirement security, and financial independence, many salaried individuals continue to prefer low-risk and low-return investment avenues. While these options offer safety and stability, they may not generate adequate returns to meet future financial requirements or counter the effects of inflation. Limited awareness of diverse

investment opportunities, insufficient financial literacy, lack of professional financial guidance, and inadequate understanding of risk-return dynamics often constrain investors from making informed decisions. Additionally, behavioural biases such as risk aversion, familiarity bias, and herd behaviour contribute to conservative and undiversified investment patterns. As a result, many salaried individuals fail to optimize their investment portfolios, potentially affecting their long-term financial growth and wealth accumulation.

1.4 Theoretical Framework

The study is grounded in the principles of Financial Literacy Theory, Behavioural Finance Theory, and Portfolio Diversification Theory. Financial Literacy Theory emphasizes the importance of financial knowledge and awareness in enabling individuals to make informed investment decisions and effectively manage their financial resources. Behavioural Finance Theory highlights the role of psychological factors and cognitive biases, such as risk aversion, herd behaviour, and overconfidence, in influencing investment choices and investor behaviour. Portfolio Diversification Theory advocates the allocation of investments across different asset classes to minimize risk and optimize returns. Collectively, these theoretical frameworks provide a comprehensive understanding of how financial knowledge, behavioural tendencies, and risk-return considerations shape the investment preferences and decision-making processes of salaried individuals.

1.5 Significance of the Study

The findings of the study provide valuable insights into the investment preferences and decision-making patterns of salaried individuals. These insights can help investors make more informed and rational investment decisions aligned with their financial goals and risk tolerance. The study also assists financial institutions in developing and offering investment products that better meet the needs and expectations of salaried employees. Furthermore, the findings can support policymakers and regulatory authorities in formulating strategies to enhance financial literacy, promote investment awareness, and encourage greater participation in diversified and productive investment avenues. Ultimately, the study

contributes to fostering sound financial planning and improving the overall financial well-being of salaried individuals.

1.6 Objectives

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

II. 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.

III. RESEARCH DESIGN

This study employs a descriptive research design to systematically examine and analyse the investment preferences, behaviours, and attitudes of salaried individuals in Chennai. The research seeks to provide a comprehensive understanding of how demographic factors, investment choices, risk tolerance levels, and various decision-making determinants influence investment behaviour. As the study aims to describe and interpret existing phenomena without manipulating any variables, a descriptive approach is considered most appropriate. Furthermore, a quantitative research methodology is adopted to facilitate the collection, measurement, and analysis of numerical data, thereby ensuring greater objectivity, reliability, and accuracy in the findings. This approach enables the study to draw meaningful conclusions regarding the investment patterns and preferences of salaried employees.

3.1 AREA OF THE STUDY

The study is conducted in Chennai, one of India’s commercial and financial centres, characterized by a diverse and dynamic salaried workforce. The city hosts professionals employed across various sectors, including Information Technology, healthcare, manufacturing, education, banking and financial

services, and government institutions. Chennai's growing economic development, increasing financial awareness, and widespread access to a variety of investment avenues make it an ideal setting for examining investment preferences among salaried individuals. Furthermore, the city's exposure to both traditional and modern financial products provide a comprehensive environment for understanding investment behaviour, decision-making patterns, and risk perceptions among employees from different occupational backgrounds.

3.2 SOURCES OF DATA

Primary Data: Collected through a structured online questionnaire (Google Forms) from 60 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.

3.3 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.

ANOVA					
Group	df	SS	MS	F	Sig. F
Regression	3	34.0855	11.3618	9.8420	1.01E-05
Residual	96	110.824	1.15442		
Total	99	144.91			

3.4 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.

3.5 STATISTICAL TOOLS USE

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.

IV. INTERPRETATION & ANALYSIS

Table 4.1 Regression Statistics

Multiple R	0.2975
R Square	0.0885
Adjusted R Square	0.0600
Standard Error	0.9674
Observations	100

Particulars	df	SS	MS	F	Sig. F
Regression	3	8.728	2.90958	3.10	0.0300
Residual	96	89.861	0.936		
Total	99	98.59			

Table 4.2

Groups	Count	Sum	Average	Variance
Age Group	100	231	2.31	1.7312
How would you describe your risk tolerance?	100	206	2.06	0.3195

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	Investment behavior varies significantly with demographic factors. Younger and

		older employees prefer safe options (FDs, insurance).	higher-income employees are more open to risk due to better exposure and financial understanding.
2. Preferred Investment Avenues	Investment choices (Equity, Mutual Funds, FD, Gold, Real Estate)	Mutual funds and equities are the most preferred among employees. Traditional options like FD and gold are still chosen for safety.	Employees show a balanced approach combining modern and 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.	Employees aim for long-term financial growth but remain cautious. Moderate risk profile reflects calculated decision-making rather than speculation.

V. 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

I. 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.

II. 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.

III. Employers / Corporates

- Offer financial wellness programs and workplace seminars to improve employee investment knowledge.
- Facilitate access to retirement planning and tax-saving investment options through payroll-linked schemes.

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.
- The use of descriptive analysis techniques (percentage and Likert scale) limits deeper statistical inference.
- Time constraints prevented a longitudinal analysis of changing investment behaviour.

5.4. 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.

REFERENCES

- [1] Balaji, K. (2017). Financial literacy and investment behaviour among salaried employees. *International Journal of Management Research and Review*, 7(5), 560–567.
- [2] Bashir, T., Azam, N., Butt, A. A., Javed, A., & Tanvir, A. (2013). Are behavioral biases influenced by demographic characteristics? Evidence from Pakistan. *European Scientific Journal*, 9(29), 277–293.
- [3] Bhole, L. M. (2006). *Financial institutions and markets: Structure, growth and innovations*. Tata McGraw-Hill.
- [4] Chandra, P. (2017). *Investment analysis and portfolio management* (5th ed.). McGraw Hill Education.
- [5] Geetha, N., & Ramesh, M. (2012). A study on people's preferences in investment behaviour. *International Journal of Engineering and Management Research*, 2(2), 37–42.
- [6] Gupta, L. C. (2017). Investor behaviour in financial markets: A review. *Indian Journal of Finance*, 11(6), 7–15.
- [7] Kumar, S., & Goyal, N. (2015). Behavioural biases in investment decision making – A systematic literature review. *Qualitative Research in Financial Markets*, 7(1), 88–108. <https://doi.org/10.1108/QRFM-07-2014-0022>