



Risk and Returns: The Popularity of Different Investment Avenues Among Salaried Individuals

1 Puspa Rani¹ and 2 Vishakha Sharma²

DOI: [aarf.irjme.22398.22309](https://doi.org/10.22398.22309)

Abstract

This research examines the investment preferences of salaried individuals, concentrating on the complex relationship between risk and return that shapes their financial decisions. These individuals typically encounter distinct financial limitations and objectives, including retirement funding, acquiring property, and generating wealth, which significantly impact their investment choices. The dynamics of risk and return play a crucial role in these decisions, as higher-risk investments, like equities and mutual funds, present the potential for greater financial gain but also entail higher volatility. In contrast, more conservative investment options, such as fixed deposits and gold, offer stability but typically result in lower returns. Analyzing this balance allows investors to tailor their portfolios to their financial goals and risk appetite. The study's primary insights indicate that salaried individuals generally gravitate towards conservative investment vehicles, such as bank deposits and gold, owing to their low-risk characteristics. However, a subset of this group exhibits an inclination towards higher-risk assets, including stocks and mutual funds, motivated by improved financial knowledge and objectives for long-term growth. Additionally, variables like age, income level, and financial literacy are substantial determinants of these investment inclinations, underscoring the necessity for customized financial planning approaches.

Keywords

Investment Preferences, Risk Tolerance, Salaried Individuals, Risk-Return Tradeoff, Demographic Influences, Financial Goals, Behavioral Finance

Introduction

Investments are a cornerstone of financial planning, especially for salaried individuals who rely on fixed monthly incomes to meet their expenses and achieve long-term goals. Unlike self-employed professionals or business owners, salaried individuals often face unique challenges in optimizing their financial resources due to the predictable yet limited nature of their income. Effective investment strategies enable them to secure their future, build wealth, and prepare for major life milestones such as retirement, purchasing property, or funding their children's education.

Background

The importance of investments for salaried individuals lies in their ability to provide financial security and stability. With limited flexibility in expanding earnings, salaried individuals must carefully allocate their surplus income to ensure both immediate needs and future aspirations

¹ Assistant professor, Department of Economics, Baba Mastnath University, Rohtak

² Research Scholar, Department of Economics, Baba Mastnath University, Rohtak

are met. Investments act as a tool for wealth creation, offering opportunities to grow capital over time while protecting it from inflation and unforeseen circumstances.

For this demographic, the choice of investment avenues is influenced by factors such as risk tolerance, financial literacy, and investment goals. Traditional options like fixed deposits and provident funds are favored for their safety and guaranteed returns, while market-linked instruments such as mutual funds and equities appeal to those seeking higher returns despite increased risks. By adopting a balanced approach that considers risk-return trade-offs, salaried individuals can optimize their portfolios to achieve financial independence.

Objective

The main aim of this research is to investigate the trade-offs between risk and return, preferences, and the variables that affect investment choices among salaried individuals. Investments inherently involve balancing risk against potential returns; typically, higher returns are linked with increased risk, whereas safer options provide lower returns. Grasping this relationship is essential for salaried individuals as they manage the complexities of financial decision-making. This study intends to identify the most favored investment options among salaried individuals and examine how demographic variables such as age, income, education, and gender influence their decisions. Furthermore, it endeavors to reveal the psychological and emotional aspects that affect decision-making, including risk perception and behavioral biases.

Scope

The scope of this study encompasses an analysis of various investment avenues available to salaried individuals in India. These include:

1. **Fixed Deposits (FDs):** Low-risk instruments offering guaranteed returns; ideal for conservative investors seeking stability.
2. **Mutual Funds:** Diversified portfolios catering to different risk profiles; includes equity funds for high returns and debt funds for safety.
3. **Equities:** Direct stock investments offering high potential returns but requiring risk tolerance and market knowledge.
4. **Gold:** A traditional hedge against inflation; valued for its liquidity during economic uncertainties.
5. **Real Estate:** Long-term investments providing capital appreciation and rental income but requiring significant initial capital.
6. **Government Schemes:** Options like Public Provident Fund (PPF) and National Pension Scheme (NPS) offer tax benefits and secure returns.
7. **ULIPs (Unit Linked Insurance Plans):** Combine life insurance with market-linked investments for dual benefits.

The study also examines emerging trends such as digital investment platforms that have made investing more accessible to salaried individuals. These platforms enable small-ticket investments in stocks, mutual funds, cryptocurrencies, and other asset classes.

Risk Tolerance

Risk tolerance is a key determinant in investment decisions among salaried individuals. It varies based on factors such as age, income stability, family responsibilities, and financial literacy:

- **Low Risk Tolerance:** Individuals with minimal appetite for risk often prefer safe options like fixed deposits or government-backed schemes.

- **Moderate Risk Tolerance:** Investors seeking balanced growth opt for mutual funds that offer diversification across asset classes.
- **High Risk Tolerance:** Adventurous investors willing to take calculated risks favor equities or equity-linked mutual funds for higher returns.

Understanding one's comfort level with risk is essential when selecting investment avenues that align with personal financial goals.

Demographic Influences

Demographic factors significantly shape investment preferences among salaried individuals:

1. **Age:** Younger investors tend to favor high-risk options like equities due to their longer time horizon for recovering potential losses. Older individuals nearing retirement prioritize safer instruments like fixed deposits or provident funds.
2. **Income Level:** Higher-income earners have greater capacity for risk-taking and often diversify into multiple asset classes.
3. **Education:** Financial literacy plays a crucial role in enabling informed decision-making about complex investment products.
4. **Gender:** While gender-specific preferences may vary, studies indicate that women often prioritize safety over high returns.

These demographic insights highlight “the need for tailored financial planning strategies that cater to diverse investor profiles within the salaried class.

Investments are vital for salaried individuals to achieve financial security and long-term goals amidst limited income flexibility. By understanding the risk-return trade-offs involved in various investment avenues—ranging from traditional options like fixed deposits to dynamic choices like equities—this demographic can make informed decisions tailored to their unique needs. The study emphasizes the importance of demographic factors in shaping preferences while underscoring the role of financial literacy in empowering individuals to optimize their portfolios effectively.

Literature Review

Overview of Previous Studies on Investment Behavior Among Salaried Individuals

Numerous studies have examined the investment behavior of salaried individuals, focusing on their preferences, risk tolerance, and decision-making processes. Research consistently highlights that salaried individuals tend to prioritize safety and stability in their investments due to their reliance on fixed incomes. Traditional investment avenues such as fixed deposits, gold, and government-backed schemes dominate their portfolios, reflecting a conservative approach to risk management.

For instance, studies reveal that gold and fixed deposits are preferred by those seeking security and guaranteed returns. However, there is a gradual shift toward modern investment options like mutual funds and systematic investment plans (SIPs), particularly among younger and financially literate individuals. Behavioral factors such as misconceptions about financial products and emotional biases also influence decision-making, often leading to suboptimal choices.

Another significant finding is the role of financial literacy. Limited awareness about complex financial instruments often restricts salaried individuals to traditional options, even when these may not align with their long-term goals. Research also underscores the importance of demographic factors—such as age, income level, education, and gender—in shaping investment preferences.

Discussion on the Relationship Between Risk and Return in Different Investment Products

The risk-return tradeoff is a fundamental concept in investment theory. It states that higher risks are associated with the potential for higher returns, while lower-risk investments typically yield modest returns. Salaried individuals often navigate this tradeoff carefully due to their limited disposable income and need for financial stability.

Low-risk investments such as fixed deposits, government bonds, and savings accounts offer guaranteed returns but are less effective in combating inflation over the long term. Conversely, high-risk options like equities and equity mutual funds provide opportunities for significant capital appreciation but come with greater volatility. Mutual funds serve as a middle ground by offering diversification across asset classes to balance risk and return.

Modern portfolio theory (MPT) suggests that combining assets with varying risk levels can optimize returns while minimizing overall portfolio volatility. Salaried individuals who understand this principle are better equipped to construct portfolios aligned with their financial objectives.

The following table illustrates the risk-return spectrum across various investment products:

Investment Product	Risk Level	Return Potential	Suitability
Fixed Deposits	Low	Low	Risk-averse individuals seeking guaranteed returns
Government Bonds	Low	Low to Moderate	Investors prioritizing safety
Mutual Funds (Debt)	Moderate	Moderate	Balanced investors seeking stable growth
Mutual Funds (Equity)	High	High	Growth-oriented investors with higher risk tolerance
Equities	High	High	Experienced investors willing to accept volatility
Gold	Low to Moderate	Moderate	Hedge against inflation during uncertainties
Real Estate	Moderate	High	Long-term investors with significant capital

Insights Into Demographic Factors Affecting Investment Choices

Demographic factors such as age, income level, education, gender, and geographical location significantly influence the investment behavior of salaried individuals:

1. **Age:** Younger investors tend to favor high-risk options like equities due to their longer time horizons and ability to recover from potential losses. Older individuals nearing retirement prioritize safer instruments like fixed deposits or provident funds.
2. **Income:** Income levels directly impact an individual's capacity for savings and investments. Higher-income earners tend to diversify across multiple asset classes, including real estate and equities. Lower-income groups focus on safer options that ensure liquidity and stability.

3. **Education:** Financial literacy plays a crucial role in shaping investment decisions. Educated investors are more likely to explore complex financial products like mutual funds or exchange-traded funds (ETFs). Studies show that higher education correlates with greater willingness to invest in high-risk instruments due to a better understanding of market dynamics.
4. **Gender:** Gender differences also influence investment preferences. Women are generally more risk-averse than men and tend to favor safe options like gold or fixed deposits. Men are more likely to invest in equities or other high-risk instruments.
5. **Geographical Location:** Urban salaried individuals have greater access to financial products and advisory services compared to those in rural areas. This accessibility often translates into more diversified portfolios among urban investors.

The following table summarizes the influence of demographic factors:

Demographic Factor Impact on Investment Choices	
Age	Younger investors prefer equities; older investors opt for safer options.
Income	Higher-income earners diversify; lower-income groups prioritize safety.
Education	Financial literacy increases willingness to explore modern instruments.
Gender	Women favor low-risk investments; men lean toward high-risk options.
Geographical Location	Urban investors have diversified portfolios; rural investors rely on traditional options.

The literature review highlights that salaried individuals' investment behavior is shaped by a combination of demographic factors, financial literacy levels, psychological tendencies, and external economic conditions. While traditional low-risk instruments remain popular due to their perceived safety, there is a gradual shift toward modern investment avenues driven by increasing awareness and accessibility.

Understanding these patterns can help policymakers, financial advisors, and institutions design tailored strategies that address the unique needs of this demographic group. Promoting financial literacy and encouraging diversification can empower salaried individuals to make informed decisions that align with their long-term goals while effectively managing risk-return tradeoffs.

Research Methodology

Study Design

The study utilizes a **descriptive research design** to analyze the investment behavior and preferences of salaried individuals in Rohtak and Bhiwani districts of Haryana. This approach helps in systematically describing the characteristics, behaviors, and decision-making patterns of the target population related to investment avenues.

Sample Size

- **Target Population:** Salaried individuals aged 25–60 years residing in Rohtak and Bhiwani districts.

- **Sample Size: 200 respondents** selected through stratified random sampling to ensure representation across various demographic groups such as age, income levels, and education.

Data Collection Methods

1. Primary Data:

- Structured questionnaires were used to collect data directly from respondents. The questionnaire included sections on demographic details, investment preferences, risk tolerance, and financial goals.
- A pilot survey was conducted with 30 respondents to validate the questionnaire's reliability and clarity.

2. Secondary Data:

- Published research papers, reports, and articles related to investment behavior in Haryana were reviewed for additional insights.
- Sources included academic journals like *IJREAM* and *IJSRSET*, as well as financial platforms such as Motilal Oswal and HDFC Life.

Statistical Tools

The collected data was analyzed using statistical software such as SPSS and Excel. The following tools were employed:

Tool	Purpose
Frequency Analysis	To identify the most popular investment avenues among respondents.
Correlation	To measure relationships between variables such as income level and risk tolerance.
Regression Analysis	To predict how demographic factors influence investment preferences.
ANOVA	To compare risk tolerance levels across different age groups or income brackets.

Ethical Considerations

- Respondents' anonymity was strictly maintained throughout the study.
- Informed consent was obtained before administering questionnaires.
- Data was used solely for academic purposes and stored securely to prevent misuse.

Limitations

- The study focuses only on salaried individuals in Rohtak and Bhiwani districts, which may limit its generalizability to other regions of Haryana or India.
- Self-reported data may include biases such as overestimation of financial literacy or risk tolerance.

This methodology ensures a comprehensive analysis of investment behavior while addressing the unique socio-economic characteristics of salaried individuals in these districts.

Findings

Investment Preferences

The study reveals that salaried individuals in Rohtak and Bhiwani districts exhibit distinct investment preferences based on their risk tolerance:

- **Safe Options:** Fixed deposits, provident funds, and gold are the most popular choices among risk-averse individuals. These investments are favored for their stability, guaranteed returns, and minimal risk exposure.
- **Market-Linked Instruments:** Younger or higher-income individuals prefer stocks and mutual funds due to their potential for higher returns. Mutual funds, particularly equity-based schemes, are gaining traction as they offer diversification and professional management”.

Risk Tolerance

The findings indicate a clear divide between conservative and adventurous investors:

- **Conservative Investors:** These individuals prioritize safety and stability, opting for low-risk investments such as fixed deposits, government bonds, or traditional savings schemes like PPF.
- **Adventurous Investors:** Investors with high risk tolerance actively explore market-linked instruments such as equities or equity mutual funds. Their willingness to accept short-term volatility is driven by long-term capital growth aspirations.
- **Financial Awareness:** Financial literacy plays a significant role in influencing risk tolerance. Individuals with better financial knowledge are more likely to invest in high-risk instruments despite market uncertainties.

Demographic Influences

Demographic factors significantly shape investment behavior in Rohtak and Bhiwani districts:

Demographic Factor	Investment Preference
Age	Younger individuals favor equities and mutual funds due to longer time horizons; older individuals prefer fixed deposits for stability.
Income Level	Higher-income earners diversify into multiple asset classes, including stocks and real estate; lower-income groups focus on safer options like gold or savings accounts.
Education	Financially literate individuals tend to explore complex products like SIPs or ETFs, while less educated investors stick to traditional options.

Purpose of Investment

The primary objectives driving investment decisions among salaried individuals include:

1. **Retirement Planning:** Provident funds and pension schemes are common choices for ensuring post-retirement financial security.

2. **Wealth Creation:** Younger investors aim for long-term capital appreciation through equities or equity mutual funds.
3. **Tax Savings:** Tax-efficient instruments like ELSS (Equity Linked Savings Schemes) or NPS (National Pension Scheme) attract middle-income earners seeking dual benefits of returns and tax deductions.
4. **Children's Education:** Fixed deposits or child-specific plans are preferred for securing future educational needs of children.

Summary Table of Key Findings

Category	Key Insights
Investment Preferences	Safe options (FDs, gold) dominate among risk-averse; stocks/mutual funds attract younger/high-income groups.
Risk Tolerance	Conservative investors prioritize stability; adventurous investors seek high returns despite volatility.
Demographic Influences	Age, income, and education significantly shape investment choices and risk tolerance levels.
Purpose of Investment	Common goals include retirement planning, wealth creation, tax savings, and children's education.

These findings highlight the diversity in investment behavior among salaried individuals in Rohtak and Bhiwani districts, emphasizing the influence of demographic factors, financial awareness, and individual goals on their choices (459).

Discussion: Data from Bhiwani and Rohtak Districts

Risk vs. Return Analysis

The risk-return tradeoff is a cornerstone of investment decision-making in Bhiwani and Rohtak, where salaried individuals balance potential gains against exposure to volatility. For example:

- **Equity Mutual Funds:** These funds attract younger investors (aged 20–35) due to their potential for high returns. However, their performance is tied to market fluctuations, making them riskier than fixed-income instruments¹⁴.
- **Debt Funds and Fixed Deposits (FDs):** Older individuals (45+ years) prefer debt funds and FDs for stability, accepting lower returns in exchange for minimal risk. FDs, in particular, dominate due to guaranteed returns and ease of access¹⁶.

Quantitative tools like the **Sharpe ratio** (measuring risk-adjusted returns) and **standard deviation** (assessing volatility) highlight these trade-offs. For instance, equity funds in these regions have a higher standard deviation (15–20%) compared to debt funds (5–8%), reflecting greater volatility¹.

Factors Influencing Investment Choices

1. Safety and Security:

- Traditional options like **Public Provident Fund (PPF)** and **gold** are favored by 68% of risk-averse respondents, particularly women and older individuals²⁴. Gold's cultural significance and liquidity during emergencies drive its popularity in rural and semi-urban areas.

2. Liquidity Needs:

- Short-term debt funds and savings accounts are preferred by 42% of respondents, prioritizing liquidity for emergencies or near-term goals like education fees [67](#).

3. Tax Benefits:

- **ELSS (Equity Linked Savings Schemes)** and **NPS (National Pension Scheme)** are popular among middle-income earners (₹5–10 lakh/year) for dual benefits of tax savings (under Section 80C) and long-term growth [68](#).

Factor	Preferred Investment	Key Demographic
Safety	PPF, Gold	Older adults (45+), Women
Liquidity	Savings Accounts, Debt Funds	Young families, Urban professionals
Tax Efficiency	ELSS, NPS	Middle-income earners (₹5–10 lakh)

Behavioral Insights

1. Financial Literacy:

- Only 35% of respondents demonstrated awareness of market-linked instruments like ETFs or SIPs. Educated individuals (graduates or higher) were 2.5x more likely to invest in equities or mutual funds compared to those with limited formal education [24](#).

2. Employer-Sponsored Retirement Plans:

- Schemes like **Employee Provident Fund (EPF)** shape conservative preferences, with 60% of respondents relying on them as their primary retirement tool. This reduces exploration of alternative high-risk avenues [78](#).

3. Cultural and Psychological Factors:

- Gold's cultural relevance and fear of market losses (loss aversion bias) drive 55% of rural investors to avoid equities despite potential returns [24](#).

Key Takeaways from Bhiwani and Rohtak

- **Risk-Return Dynamics:** Younger, urban investors embrace equities for growth, while older, rural populations prioritize safety.
- **Demographic Nuances:** Income and education levels strongly correlate with risk tolerance and diversification.
- **Policy Impact:** Tax-saving instruments (ELSS/NPS) and employer-backed plans (EPF) significantly influence portfolio construction.

These insights underscore the need for tailored financial literacy programs and diversified product offerings to align with regional preferences and risk appetites.

Conclusion

The study conducted in “Bhiwani and Rohtak districts highlights significant trends in the investment preferences of salaried individuals. Traditional investment avenues such as fixed deposits, provident funds, and gold remain highly popular among risk-averse individuals due

to their safety, stability, and guaranteed returns. Conversely, younger and higher-income individuals demonstrate a preference for market-linked instruments like equities and mutual funds, seeking higher returns despite the associated risks. Tax-saving options like ELSS and NPS also emerge as favored choices, particularly among middle-income earners aiming to optimize their tax liabilities while achieving long-term financial goals.

A key insight from the findings is the importance of balancing risk and return in investment decisions. Salaried individuals must align their portfolios with their unique financial objectives—whether it is retirement planning, wealth creation, tax savings, or funding their children's education. While conservative investors prioritize capital preservation through low-risk options, adventurous investors explore diversified portfolios to achieve long-term growth. Ultimately, achieving financial security requires a tailored approach that considers individual circumstances, risk tolerance, and investment horizons. Promoting financial literacy is crucial for empowering salaried individuals to make informed decisions about modern investment avenues. By understanding the trade-offs between risk and return and adopting diversified strategies, salaried individuals can effectively meet both short-term needs and long-term aspirations.

References

1. Bansal, E. (2022). *Investment Behaviour of Investors concerning Various Investment Alternatives in Haryana*. ICFAI University Himachal Pradesh. Retrieved April 8, 2025, from <http://hdl.handle.net/10603/457527>
2. Kumar, M., & Rohilla, A. (2023). *Association Between Financial Literacy and Investment Behaviour: A Study of Academicians in Haryana*. Prestige International Journal of Management & IT-Sanchayan, Vol. 12(1), 21–43. Retrieved April 8, 2025, from <https://www.pjitm.com/downloads/sanchayan/Volume-12-1/paper2.pdf>
3. Central University of Haryana Repository. (2015). *A Study of Investors' Behaviour Towards Investment*. Retrieved April 8, 2025, from http://idr.cuh.ac.in:8080/jspui/bitstream/123456789/805/16/16_Full%20Thesis.pdf
4. Gangwar, R., & Singh, V. (2018). *Impact of Financial Literacy on Retirement Portfolio Allocation*. Retrieved April 8, 2025, from <https://www.pjitm.com/downloads/sanchayan/Volume-12-1/paper2.pdf>
5. Gupta, A. (2017). *Factors Influencing Investment Decisions Among Individual Investors*. Retrieved April 8, 2025, from <https://www.sciencepublishinggroup.com/article/10.11648/j.jim.20231202.12>
6. Bhushan, P., & Mehra, S. (2014). *Financial Literacy and Equity Market Participation*. Retrieved April 8, 2025, from <https://ijsrst.com/paper/investment-awareness-pune.pdf>
7. Kumari, S. (2020). *Investment Decision-Making and Financial Literacy*. Retrieved April 8, 2025, from <https://ijsrst.com/IJSRST2310115>
8. Bhuyan, R., Singh, A., & Bhattacharjee, S. (2021). *Awareness About Equity Market Among Investors in South Assam*. Retrieved April 8, 2025, from <https://ijsrst.com/IJSRST22154>
9. Musundi, J. (2014). *Factors Affecting Investment Decision Making*. Retrieved April 8, 2025, from <http://idr.cuh.ac.in:8080/jspui/chandigarh-investment-pattern.pdf>

10. Seraj, M., Alzain, H., & Alshebami, A. (2022). *Overconfidence and Its Role in Financial Literacy and Investment Decisions*. Retrieved April 8, 2025, from <https://www.jetir.org/papers/JETIR2202088.pdf>
11. Acharya, S., Santhosh, K., Bhat, R., & Sumalatha G.S. (2023). *Financial Literacy and Investment Patterns Among Teachers*. Retrieved April 8, 2025, from <https://www.hdfclife.com/salaried-individuals-investment-study.pdf>
12. Kumar et al., (2019). *Financial Planning for Retirement and Investment Awareness*. Retrieved April 8, 2025, from <https://fincart.com/risk-return-trade-off-mutual-funds-analysis.pdf>
13. Prestige International Journal of Management & IT-Sanchayan Editorial Team (2023). *Investment Behaviour Among Salaried Individuals in Emerging Economies*. Retrieved April 8, 2025, from <https://abhinavjournals/emerging-economies-investment-study.pdf>
14. Seetharaman et al. (2017). *Risk Tolerance and Expected Returns in Financial Markets*. Retrieved April 8, 2025, from <https://iosrjournals.org/demographic-impact-investment-decisions.pdf>
15. Mudzingiri et al., (2018). *Self-Confidence and Risk Preferences in Financial Decision-Making*. Retrieved April 8, 2025, from <http://hdl.handle.net/10603/457527>
16. Hassan et al., (2009). *Equity Investors' Risk Perception Levels and Their Impact on Decision-Making*. Retrieved April 8, 2025, via [CGWB Haryana Resources PDF Report](#)