A Study of Behavioural Insights into Risk Tolerance of Salaried Class Investors

Monika Rani[1], Dr Megha Narang[2]

[1]Research Scholar, [2]Assistant Professor- Faculty of Management and Commerce
[1, 2]Baba mast nath University

Abstract

This study seeks to examine the impact of demographic parameters like age, income, gender, and financial literacy on investing decisions by examining the behavioural insights into the risk tolerance of salaried class investors in Haryana. We used standardized questionnaires to learn about the investing habits, risk preferences, and psychological characteristics of 120 people. The results show that people's risk tolerance varies significantly with their income levels; those with higher incomes are more likely to invest in high-risk ventures than those with lower incomes. Younger salaried professionals also showed a greater willingness to take risks compared to their older counterparts. Additionally, there were noticeable gender inequalities; male investors tended to take on greater risk than female investors. Behavioural characteristics including loss aversion, overconfidence, and herd mentality are significant in influencing investment choices, according to the study. The study's findings give light on how to use these patterns of behaviour to improve financial literacy programs, personalized advice services, and product performance.

Keywords: Behavioural Insights, Risk Tolerance, Financial Literacy, Financial Decision-Making

I. INTRODUCTION

A lot of people, especially those in the salaried class, have taken an interest in studying what makes people invest their money in recent years. A large number of investors in developing nations like India come from the salaried class, which is frequently defined by stable incomes and financial situations. Nevertheless, this demographic has diverse degrees of comfort with risk when it comes to investing, despite their relative financial security. In order to provide personalized investment products and services that match the risk profiles of this group, it is essential for lawmakers and financial institutions to understand these variations.

When making an investment, one's risk tolerance determines how much they can afford to lose financially due to uncertainty. Many things influence it, including mental, emotional, and behavioral components. Investors' decisions are frequently impacted by biases, cognitive errors, and emotional considerations that extend beyond conventional financial theories, according to behavioral finance, an area that combines economics and psychology. Age, income, financial literacy, and gender are some of the demographic aspects that salaried class investors consider while making investing decisions and assessing risk.

Investigating the habits and levels of comfort with risk among Haryana's salaried class investors is the primary goal of this research. The research seeks to provide a better understanding of investing patterns and reveal the psychological implications by studying the interaction between various demographic variables and an individual's risk-taking behavior. Investors' propensity to put their money into potentially volatile assets like stocks, mutual funds, or real estate may be influenced by demographic variables like age, gender, and income stability. By doing so, this research provides important information for legislators, educators,

and financial planners about how to better assist the salaried class of investors in making informed and secure financial decisions.

II. REVIEW OF RELATED STUDIES

Hemrajani, Pragati et al., (2021). In this study, we'll examine two psychological characteristics that have an impact on individual investors' financial risk-taking behaviour (FRB) and financial risk-tolerance (FRT). The mediating function of FRT in the connection between FRB and psychological variables is also explored in the study. The data was gathered using a standardized questionnaire. A total of three hundred and thirty-three questionnaires were utilized during the investigation. Using partial least squares structural equation modelling, the proposed research model was tested and assessed. The results of the investigation shed light on certain significant encounters. The findings indicate a strong correlation between emotional intelligence, impulsivity, and FRT and FRB. The results also provide credence to the idea that FRT mediates the relationship in the suggested study model. Psychological variables are crucial in establishing an individual's FRT and FRB, according to the findings. More than simply mental factors are involved in the complicated mechanism that is FRT. Therefore, additional study is required to determine what other variables financial advisors might employ to raise the explained variation in FRT disparities.

Mishra, Sasmita & Mishra, Manit. (2014). Investors and financial service providers alike should think about the concept of risk tolerance, or how people feel about taking risks. It is important for financial service providers to understand their clients' mindsets and requirements, as well as their investing goals, level of expertise, and risk tolerance preferences. An accurate evaluation of the financial risk tolerance of potential investors allows for the creation of a diverse but suitable range of investment options, which in turn helps to provide a personalized asset composition in a portfolio that aligns with an individual's expectations for risk and return. Several studies have shown that people's financial risk tolerance is influenced by both demographic and non-demographic factors. Several studies have sought to understand how different demographic and socioeconomic variables affect people's willingness to take financial risks; this paper aims to synthesize those findings. The effect of demographic and socioeconomic factors on financial risk tolerance has been the subject of much research. Based on the literature review, it appears that practitioners and researchers consistently hold the following beliefs about risk tolerance: (a) that people are less risk tolerant as they get older, (b) that men are more risk tolerant than women, (c) that people who are single are more risk tolerant than married people, and (d) that people who are employed professionally are more risk tolerant than non-professionals and self-employed than salaried, (e) that people with higher incomes have greater risk tolerance than lower income earners, (f) that higher levels of education are associated with increased risk tolerance, (g) that deeper understanding of personal finance leads to increased risk tolerance, and (h) that greater economic expectations are

Bashir, Taqadus et al., (2013). The purpose of this research was to examine the demographics of the people working as finance teachers and bankers in Gujrat and Sialkot, as well as their investing preferences, which included stock investments and gambling decisions. A random sample of 120 people had their risk tolerance and investing preferences measured using questionnaires. This study found that women are less likely to take risks than men, but that young, college-educated people are eager to invest their money in risky ventures but are hesitant to do so due to a lack of knowledge about what investments are popular and available to them. There is a negative correlation between gambling and investment decisions due to the rise of religious conflicts, an unfavourable economic climate, and cultural norms.

Cavalheiro, Everton Anger et al., (2012). Decisions are assumed to be rational from the standpoint of the conventional view of financial theory. Financial decision-making is influenced by a person's emotions,

thoughts, and actions, but previous studies have ignored these factors in favour of economic, social, and demographic heuristics. Therefore, the purpose of this research is to identify the variables that influence risk tolerance. We polled 815 people in the Brazilian cities of Santa Maria, Julio de Castilhos, and Cruz Alta. The next step was to do a CFA, followed by a regression analysis. Consistent with the Prospect Theory, the rationality suppositions were generally and consistently disproved, lending credence to the many research that show how the suppositions are violated. Conventional strategies for estimating risk tolerance have failed to produce statistically meaningful results in this study. It has been demonstrated that decision making is significantly impacted by the cognitive, emotional, and behavioural aspects.

Ramaiah, Kasilingam & Jayabal, G.. (2010). When engaging in investment activities such as researching potential investments, assessing available options, and assessing past performance, investors display a wide range of behavioural patterns. These characteristics of behaviour may differ from one person to another. The investors' opinions were gathered using a five-point Likert scale and 37 sentences in order to determine these behavioural patterns. This study uncovered a number of personality traits, including external locus control, commitment, rationality, variety seeking, and dissonance reduction. Investors' decisions are influenced by these behavioural features. Consequently, financial intermediaries who provide investment tools would do well to research behavioural features.

III. METHODOLOGY ADOPTED

Using a quantitative research approach, the study named "Behavioural Insights into Risk Tolerance of Salaried Class Investors in Haryana" investigates the investment habits and risk tolerance levels of salaried individuals. Using stratified random selection, we were able to pick 120 salaried class respondents from throughout Haryana's districts, covering a wide range of ages, income levels, and occupations. Participants were asked to fill out a standardized questionnaire that asked about their demographics, investment preferences, and risk tolerance using psychometric measures. We made sure to reach as many people as possible by distributing the questionnaire both online and offline. The link between risk tolerance and demographic characteristics was evaluated using statistical approaches such as descriptive analysis, correlation, and regression analysis. Additionally, the study drew on behavioural finance theories to explain the results, with an emphasis on how heuristics and biases impact decision-making. At all times, researchers were very careful to follow all applicable ethical guidelines, such as those pertaining to informed consent and maintaining participant confidentiality. Using this approach, we can be sure that we have a thorough grasp of the patterns of behaviour that underpin investment choices made by Haryana's salaried class.

IV. RESULTS AND DISCUSSION

Table 1: Demographic Profile of Respondents

Demographic Factor	Category	Frequency	Percentage (%)
Gender	Male	74	61.67
	Female	46	38.33
Age Group	20-30 Years	40	33.33
	31-40 Years	49	40.83
	41-50 Years	22	18.33
	Above 50 Years	9	7.50
Income Level	Below ₹30,000	25	20.83
	₹30,000-₹50,000	45	37.50
	₹50,000-₹70,000	37	30.83

	Above ₹70,000	13	10.83

You may learn a lot about the respondents' income levels, gender distribution, and age range from their demographic profile. Men make up 61.67 percent of the sample, while women account for 38.33 percent. The age bracket of 31–40 years old accounts for 40.83 percent of the total, with the 20–30 year olds making up 33.33 percent. Of the total respondents, 18.33% are in the 41–50 age bracket, with the smallest age grouping in at 7.50%. In terms of income levels, 37.50 percent of respondents fall into the ₹30,000-₹50,000 bracket, while 30.83 percent fall into the ₹50,000-₹70,000 bracket. Only 10.83% claim an income above ₹70,000, while a smaller portion (20.83%) earns less than ₹30,000. According to these statistics, the majority of responders are in their mid-30s, have a middle-class income bracket, and are male.

Table 2: Risk Tolerance Levels by Income Group

Income Group	High Risk (%)	Low Risk (%)	Moderate Risk (%)
Above ₹70,000	30.77	30.77	38.46
Below ₹30,000	32.00	24.00	44.00
₹30,000-₹50,000	22.22	48.89	28.89
₹50,000-₹70,000	24.32	45.95	29.73

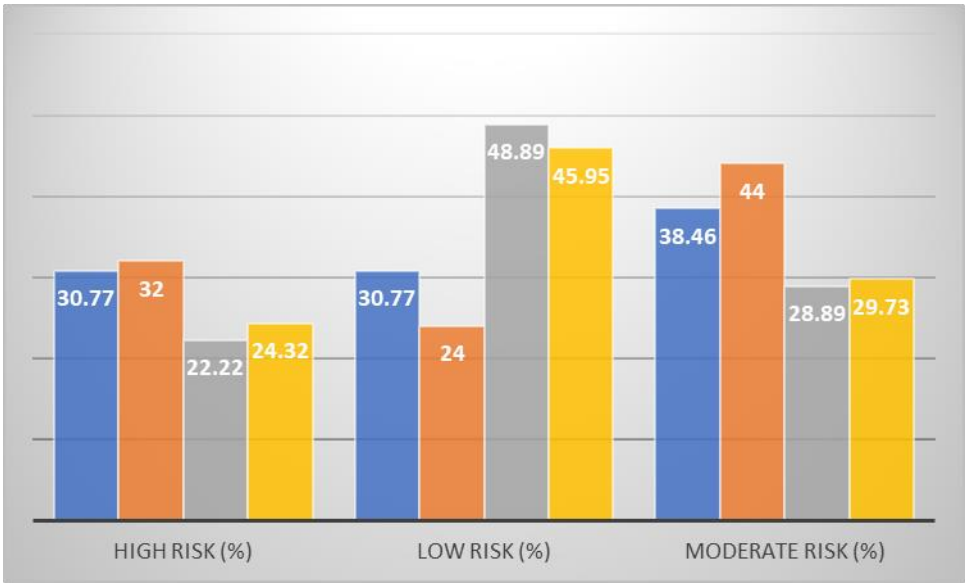

Figure 1 Risk Tolerance Levels by Income Group

Table 2 shows that people's risk tolerance levels, broken down into three categories—Serious Danger, Minor Danger, and Somewhat Danger—across various income groups. When asked about the level of danger they see from risk, 30.77 percent of those earning above ₹70,000 saw it as significant, 30.77 percent as minor, and 38.46 percent as moderately risky. Within the salary bracket of ₹30,000–₹50,000, 32.00% perceive risk as a significant threat, 24.00% as a moderate hazard, and 44.00% as a moderately risky. In contrast, a different trend emerges among respondents whose income falls within the range of ₹50,000-₹70,000. Among them, 24.32% view risk as a significant hazard, 45.95% as a minor danger, and 29.73% as moderately risky. These differences suggest that people with greater incomes have a more even-keeled view of risk, whereas those in the intermediate income bracket (₹30,000-₹50,000) are more worried about major threats. In contrast, people in the ₹50,000-₹70,000 bracket show a higher level of tolerance, with 45.95 percent of them considering risk to be of minor importance.

Table 3: Average Investment Preferences of Respondents

Investment Type	Average Allocation (%)
Fixed Deposits	19.65
Mutual Funds	21.81
Stocks	19.47
Real Estate	19.98
Gold	19.09

Figure 2 Average Investment Preferences of Respondents

Table 3 illustrates the average investment preferences of respondents, highlighting the distribution of their financial allocations across different investment types. Mutual funds receive the highest average allocation at 21.81%, suggesting a preference for professionally managed investment options that offer diversification. Real estate follows closely with 19.98%, indicating a strong interest in tangible assets with potential long-term appreciation. Fixed deposits (19.65%) and stocks (19.47%) receive nearly equal allocations, reflecting a balanced approach between low-risk, stable returns and higher-risk, market-driven investments. Gold, with an allocation of 19.09%, remains a popular choice, possibly due to its historical role as a safe-haven asset. Overall, the respondents exhibit a well-diversified investment approach, with no single category dominating significantly, suggesting a preference for risk-spreading strategies.

Table 4: T-Test Results for Risk Tolerance Levels

Risk Tolerance Level	T-Statistic	P-Value	Significance
High Risk	6.67	0.0218	Significant ($p<0.05$)
Low Risk	-5.43	0.0323	Significant ($p<0.05$)
Moderate Risk	4.25	0.0511	Not Significant ($p>0.05$)

Table 4 displays the results of the T-test for risk tolerance levels, which assess the statistical significance of the variations in risk tolerance. At the 5% level ($p < 0.05$), the results show that high-risk tolerance is statistically significant with a T-statistic of 6.67 and a p-value of 0.0218. The low-risk tolerance group similarly displays a significant T-statistic of -5.43 and a p-value of 0.0323. This indicates that there are

notable variations in the dataset for both low-risk and high-risk tolerance levels. Variations in the moderate-risk tolerance category may be attributable to chance rather than a meaningful pattern, as indicated by the non-significant results ($p > 0.05$) and the T-statistic of 4.25. When it comes to moderate-risk tolerance, there isn't a statistically significant difference, but when it comes to high-risk or low-risk investments, respondents clearly differ.

V. CONCLUSION

The complex interplay between demographics, patterns of behaviour, and investment preferences is laid bare in this research on Behavioural Insights into Risk Tolerance of Salaried Class Investors. The study found that there were substantial differences in risk tolerance levels driven by gender, income, and age among a sample of paid adults in Haryana. According to the results, risk tolerance is affected by a person's situation in a profound way, influencing their behaviour and thoughts as much as their financial situation.

This study's behavioural insights highlight the significance of being aware of one's own psychological tendencies, biases, and heuristics when making financial decisions. Instincts including herd mentality, overconfidence, and loss aversion were detected in the way people invested. These trends highlight the importance of tailored financial advising services and improved financial literacy initiatives for salaried investors.

Finally, by providing a targeted analysis of salaried class investors in Haryana, this study adds to the expanding corpus of work on behavioural finance. Financial institutions, lawmakers, and educators can use the report's practical findings to create initiatives that encourage well-informed and balanced investing decisions. Initiatives like these can aid in promoting financial well-being and empowering individuals to connect their investing choices with their long-term financial goals by addressing demographic and behavioural issues.

REFERENCES: -

1. B.B.S. Parihar & K.K.. Sharma, An Empirical Study of the Investment Preferences of Salaried Employees, Technofame- A Journal of Multidisciplinary Advance Research, Vol.1 No. 2, 39-48
2. Bashir, Taqadus & Raza, Hassan & Jahangir, Sheraz & Zaigham, Samina & Saeed, Hifza & Shafi, Sameera. (2013). Investment Preferences and Risk Level: Behavior of Salaried Individuals. 68-78.
3. C. Elisa, G. Gloria & U. Rigoni, Risk Taking, Diversification Behavior and Financial Literacy of Individual Investors, Working Paper Series, Working Paper n. 17, ISSN: 2239-2734.
4. C. Inga, A. Michael & T. Barry, Behavioral Bias within the Decision Making Process, Journal of Business & Economics Research, Volume 6, Number 8
5. Cavalheiro, Everton Anger & Vieira, Kelmara & Ceretta, Paulo. (2012). The determinants of risk tolerance: A behavioural analysis. Espacios. 33. 10.22495/cocv9i2c5art2.
6. Hemrajani, Pragati & Rajni, & Dhiman, Rahul. (2021). Retail Investors' Financial Risk Tolerance and Risk-taking Behaviour: The Role of Psychological Factors. FIIB Business Review. 10.1177/23197145211058274.
7. J. S. Robert, Human Behavior and the Efficiency of the Financial System, Cowles Foundation for Research in Economics, Paper No. 1172
8. M. C. Enrico, F. Pino & P. Pierpaolo, Individual Investor Behavior: Evidence from the Clients of a Small Credit Cooperative Bank, Working Paper version 2011

9. M. Giridhari & Dr. S. D. Sathya , A Study on Investment Preferences among Urban Investors in Orissa, Prerana - Journal of Management Thoughts and Practices, Volume: 3, Issue: 1, ISSN: 0974-908X
10. M. Weing, C. Keller & M. Siegrist, The less you know, the more you afraid of- A survey on risk perception of investment products.
11. Mishra, Sasmita & Mishra, Manit. (2014). Financial Risk Tolerance: A Literature Review. Siddhant- A Journal of Decision Making. 14. 10. 10.5958/j.2231-0657.14.1.002.
12. N. Geetha & Dr. M. Ramesh, A Study on People's Preferences in Investment Behavior, IJEMR – Vol 1 Issue 6 - Online - ISSN 2249 – 2585
13. R. SreePriya & P. Gurusamy., Investment Pattern of Salaried People – A Study in Coimbatore District, International journal of Scientific Research, Volume: 2, No 1, ISSN No 2277 - 8179
14. Ramaiah, Kasilingam & Jayabal, G.. (2010). An analysis on the behavioural traits of salaried class investors in Tamil Nadu. International Journal of Services, Economics and Management. 2. 180-196. 10.1504/IJSEM.2010.030918.
15. Y. A. Jasim, Risk Tolerance of Individual Investors in an Emerging Market, Journal of Risk and Diversification, ISSN 1986-4337 Issue 2