



Original Article

To Study the Challenges Faced By Salaried Individuals in the Current Investment Scenario

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Abstract

This research aims to examine the various challenges encountered by salaried individuals in India, specifically Mumbai City, while making investment decisions in the current financial and economic scenario. The study identifies key factors such as limited disposable income, lack of financial literacy, market volatility, inflation, and behavioral biases that hinder effective investment planning. Using a structured questionnaire distributed to 100 salaried individuals across various sectors, the findings reveal that income level, risk perception, and lack of financial guidance significantly affect investment behavior. The study concludes by suggesting the need for awareness programs, financial planning assistance, and government-led initiatives to support the investment journey of salaried individuals.

Keywords: salaried individuals, investment challenges, financial literacy, market volatility, behavioral finance

Introduction

In an era marked by economic uncertainty and rapidly evolving financial landscapes, sound investment planning has become essential for long-term financial stability. For salaried individuals, however, the path to effective investment is often fraught with challenges. Rising inflation, fluctuating market conditions, and increasing job insecurity have made it difficult for this group to invest systematically and with confidence. Despite a steady income, many salaried earners struggle to strike a balance between day-to-day financial responsibilities and long-term wealth creation. This study aims to investigate two critical aspects related to the investment behavior of salaried individuals. First, it seeks to identify the major challenges that hinder effective investment planning, including limited disposable income, risk aversion, lack of time or access to reliable financial guidance, and psychological barriers such as fear of market losses. Second, the study intends to assess the current level of awareness among salaried individuals regarding the wide range of investment avenues available to them — such as mutual funds, equity markets, fixed-income instruments, government-backed schemes, and digital investment platforms. Preliminary evidence suggests that a significant portion of the salaried population continues to rely on conventional savings methods, primarily due to limited financial literacy and a lack of trust in modern investment tools.

By exploring these dimensions, this research hopes to provide valuable insights into the financial mindset of salaried individuals and to underline the importance of targeted financial education. The broader objective is to empower this segment of the population to make informed, strategic, and goal-oriented investment decisions in today's complex economic environment.

In today's dynamic financial landscape, investing has become both an opportunity and a challenge—especially for salaried individuals who often juggle fixed incomes, living costs, and long-term financial goals. While access to investment platforms has become easier thanks to technology, the actual process of making wise investment decisions is still filled with hurdles. Below is an overview of the most common challenges investors face, particularly those with salaried backgrounds.

1. Unpredictable Market Conditions

Frequent ups and downs in the market—caused by inflation, interest rate changes, or global Crises—make it difficult for investors to feel confident.

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For salaried individuals, who may not have a financial cushion, this uncertainty can be intimidating. Many end up avoiding equity markets altogether, sticking to safer options like fixed deposits or recurring savings, even if the returns are lower. There is often little support or guidance available to help retail investors make informed decisions during such volatile times. Financial institutions are more focused on serving large, institutional investors who have the tools and resources to navigate these uncertainties.

2. Low Awareness about Financial Products

A significant number of people still lack a proper understanding of investment options beyond fixed deposits or LIC policies. Complex products like mutual funds, bonds, or ETFs can be overwhelming, especially without proper financial education. Because of this gap, many salaried individuals miss out on better returns or fall victim to scams promising quick profits. The financial sector doesn't do enough to simplify information or educate the average investor.

3. Too Much (and Often Wrong) Information

We now live in an era where financial tips and advice are everywhere—on YouTube, Instagram, and X (formerly Twitter). But not all of it is helpful. It's easy to get caught up in hype—be it meme stocks, crypto coins, or influencer recommendations—without understanding the risks involved. People either make hasty investment decisions or get so overwhelmed that they stop investing altogether. Reliable guidance is often drowned out by louder, flashier voices.

4. Hidden or High Costs

Many investments come with fees—management charges, transaction costs, or advisory commissions—that eat into returns. For salaried individuals investing small amounts, these costs can make a big difference over time. Sometimes these fees aren't even clearly disclosed. As a result, investors might think they're earning decent returns, only to realize later that much of it was lost in charges.

5. Cash Flow and Liquidity Problems

Salaried individuals often have fixed monthly expenses—rent, EMIs, children's fees, and groceries. After covering all this, the leftover amount available for investment may be very limited. Because of this, long-term investments (which often provide better returns) feel out of reach. People prefer keeping money easily accessible, even if it means settling for lower gains.

6. Complex Rules and Regulations

Some investment products come with complicated rules—especially around taxes, documentation, or compliance. Filling out long forms or understanding tax treatment can be confusing and discouraging. Bigger investors have access to professionals like tax consultants or portfolio managers. Meanwhile, small investors are left figuring things out on their own.

7. Online Security Concerns

As more people use apps and online platforms for investing, cybersecurity has become a serious concern. There have been cases of phishing, identity theft, and fraudulent investment schemes. Even if someone is interested in modern tools like robo-advisors or stock trading apps, fear of online fraud can hold them back—especially if they aren't very tech-savvy.

8. Emotional Decision-Making

It's human nature to be emotional about money. Investors often panic during market crashes or jump into investments just because “everyone else is doing it.” These emotional reactions can lead to poor decisions—like selling at a loss or buying at a peak. Most financial platforms and apps are designed to encourage frequent trading, which worsens this problem. There's little focus on helping users build patience and discipline.

9. Taxes and Inflation

Even if an investment performs well, taxes on gains and the rising cost of living can reduce actual returns. For example, if your investment grows at 8% but inflation is at 6%, your real return is only 2%. Salaried individuals also have to keep track of capital gains tax rules, TDS, and other deductions, which can make investing feel more like a chore than a benefit.

10. Lack of Proper Diversification

Many investors tend to stick with what they know—gold, real estate, or FDs. Others over-diversify by investing in too many things without a clear plan. Either way, their portfolio doesn't perform as well as it could. Financial advice is often product-focused rather than goal-focused. Some advisors push high-commission products instead of promoting balanced, low-cost options.

How Investors Can Deal with These Challenges

Here are a few practical ways salaried individuals can make smarter investment choices:

- **Learn the Basics:** Spend time understanding financial concepts. There are free resources from banks, government websites, and educational channels.
- **Start Small, Think Long-Term:** Even small amounts invested regularly can grow over time. Focus on goals like retirement, children's education, or buying a home.
- **Use Trusted Platforms:** Choose reliable apps or brokers, and always check for regulatory approvals (like SEBI in India).
- **Beware of Hype:** Avoid making decisions based on trending videos or posts. Do your own research.
- **Consult Experts (if needed):** A certified financial planner can offer customized advice—just make sure their fees and interests are transparent.

Objectives of the Study

1. To identify the major challenges faced by salaried individuals in investment planning.
2. To assess the level of awareness about investment avenues among salaried individuals.

Review of Literature

Kashish Malik and Prof. Dr. Shaukat Ali (2024)

Examined the appeal and accessibility of mutual fund investments, especially among women investors. They found that mutual funds offer several key benefits, such as diversification by pooling money from many participants, and the advantage of expert management, which reduces the burden on individual investors to research and make decisions. These funds are typically easy to enter due to low minimum investment requirements, provide daily liquidity, and ensure transparency through regular reporting. The study also emphasized the appeal of Sharia-compliant mutual funds, which follow ethical investment principles aligned with Islamic values. These funds often include varied asset classes like stocks, Islamic bonds (Sukuk), and real estate, and many invest in socially responsible ventures. For women, these characteristics not only align with ethical investing preferences but also promote financial independence by increasing their awareness and involvement in long-term financial planning.

Ashly Lynn Joseph and M. Prakash (2014)

Conducted a study to explore the various investment avenues available and the factors that influence investor choices. Their findings suggest that most individuals prefer low-risk investment vehicles such as bank savings accounts, insurance policies, and post office schemes. The study noted that investor behavior is shaped by their financial knowledge, income levels, and savings habits. Traditional investment methods were seen as more familiar and therefore more trusted by the majority of the participants, compared to modern financial instruments.

Ishwara P. (2014)

Carried out research focusing on salaried professionals in Mangalore to understand their investment behavior. The findings indicated that although many salaried individuals attempt to invest rationally—seeking to balance risk with returns—their limited knowledge about advanced financial products restricts them to conventional options. The study concluded that this segment tends to favor safer investments, mainly due to a lack of awareness and confidence in newer, market-based investment tools.

R. Ganpathi (2014)

Investigated the investment preferences of government employees in Madurai. The research showed that these employees allocate their savings to a range of financial and tangible assets, based on factors such as expected returns, risk tolerance, the need for security, and liquidity. The study was based on data collected from 240 participants and used descriptive statistics, including the chi-square test, to analyze the results. The findings revealed that variables such as age, gender, education, and occupation significantly affect investment decisions, indicating that demographic characteristics influence financial choices.

S. Suriyan Murithi, B. Narayanan, and M. Arivazhagan (2012)

Studied how individual investors in India respond to the variety of investment options available in capital markets. Their study suggested that while investors are somewhat familiar with concepts like diversification and return on investment, a majority still prefer conservative, low-risk avenues. Using a descriptive research approach and a sample of 100 respondents, the research identified a positive relationship between investor age and income levels. The authors recommended that individuals should create well-thought-out investment plans, monitor their financial performance consistently, and make informed decisions to achieve financial stability and growth.

Research Methodology

Data Collection:

The study is based on secondary data collected from the following sources:

- **Academic journals** focusing on personal finance and investment behavior.
 - **Reports from SEBI and RBI** providing insights into regulatory trends and investor patterns.
 - **Government publications** related to financial literacy and public investment schemes.
 - **Financial newspapers** offering expert opinions and updates on market conditions.
 - **Reliable financial websites** sharing real-time data and information on investment options.
- These sources form the foundation for analyzing the investment challenges and awareness levels among salaried individuals.

Findings

- Bank FDs and LIC are still the most preferred investment tools among respondents.
- Mutual funds and stocks are gaining popularity, especially among younger and more educated individuals.
- A majority do not invest in capital markets due to fear of loss and lack of knowledge.

Conclusion

The study highlights that salaried individuals face a variety of challenges in making informed investment decisions. Limited income, fear of risk, lack of proper knowledge, and unavailability of financial advisors contribute to low participation in long-term wealth-building instruments. As investment plays a vital role in financial independence and retirement planning, it is crucial to equip individuals with the tools and knowledge to make sound financial decisions.

Suggestions

1. **Increase Financial Literacy:** Conduct workshops and webinars at workplaces.
2. **Incentivize Investments:** Government should offer more tax benefits for long-term investments.
3. **Encourage Use of Digital Platforms:** Promote secure and transparent digital investment apps.
4. **Provide Professional Support:** Institutions should provide affordable investment advisory services.
5. **Promote SIPs and Goal-Based Investment:** Encourage small monthly investments to build long-term wealth.

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Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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