



Mutual Fund Investment Behaviour Among Salaried Individuals In India: A Review

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Abstract

Mutual funds have become a favored investment option for salaried people in India because of their benefits of diversification, professional oversight, and alignment with long-term financial objectives. Over the last two decades, several studies have examined the awareness, preferences, risk perception, and decision-making behaviour of salaried mutual fund investors. The review paper assesses existing academic literature on mutual fund investment behaviour among salaried individuals in India. The study identifies key determinants influencing investment decisions such as financial literacy, income level, risk tolerance, tax benefits and the role of digital platforms. It also highlights major research gaps and suggests directions for future research. The review aims to provide a consolidated understanding of how salaried individuals perceive and adopt mutual fund investments with respect to Indian context.

1.0 Introduction

The Indian mutual fund industry has experienced a transformation over the last decade. Recent industry data indicate that the Indian mutual fund sector has expanded rapidly, with salaried investors contributing a large share through regular SIP inflows (Paloli & Chavan, 2025). Salaried households characterised by predictable cash flows, mandatory provident fund deductions and rising disposable incomes have become the factors for such growth. Between 2018 and 2024, the share of retail SIP accounts held by salaried individuals increased from 42 % to 61 %, underscoring the transition from physical assets (for gold and real estate) to financial assets (mutual funds) among wage earners (Asumtha, Fernandez & Xavier, 2024).

Several macro and institutional factors have converged to accelerate the adoption of mutual funds by salaried investors. First, the ongoing rationalisation of expense ratios by the Securities and Exchange Board of India (SEBI), the launch of direct plans, and the categorisation and streamlining of mutual-fund schemes have diminished information asymmetry and enhanced product comparability. Second, the Digital India initiative and the JAM trinity (Jan-Dhan, Aadhaar, Mobile) have lowered transaction costs, enabling fintech platforms such as Groww, Zerodha Coin, and Paytm Money to onboard millions of first-time salaried investors through zero-cost SIP onboarding and paperless e-KYC (Kumawat & Parkar, 2020). Third, tax incentives under Section 80-C (Equity-Linked Savings Schemes), coupled with the New Pension System (NPS) and voluntary provident-fund opt-outs, have nudged salaried employees toward market-linked instruments that promise inflation-beating returns over long horizons (Ramanujan & Chinadevi, 2012).

Despite these tail winds, behavioural and demographic heterogeneity continue to shape investment outcomes. Empirical evidence reveals that risk perception, financial literacy, and peer influence mediate mutual-fund participation more decisively than pure return expectations (Bhushan, 2014). For instance, salaried investors in the 31–40 age cohort exhibit the highest SIP discontinuance rates (27 %) when markets turn volatile, indicating moderate risk tolerance and limited capital-market experience (Nag, Chakraborty & Dey, 2022). Similarly, female salaried employees—who now constitute 28 % of new SIP registrations—display stronger preference for hybrid funds and tax-saving ELSS, but are under-represented in mid- and small-cap categories, reflecting both income constraints and perceived complexity (Ananthasuresh, Devendran & Radhikaashree, 2023).

The regional dimension is equally salient. Metro-centric studies (Mumbai, Bengaluru, Delhi-NCR) report saturated awareness levels (> 90 %) and digital adoption (> 80 %); however, emerging evidence from tier-II and tier-III cities indicates that only one-third of salaried respondents can correctly distinguish between growth and dividend options, and less than 20 % utilise direct plans, resulting in annual excess fees estimated at Rs 1,800 crore (Paloli & Chavan, 2025). These disparities highlight the urban-rural literacy gap and the need for workplace financial-wellness programmes that go beyond product push to conceptual clarity.

Consequently, understanding how salaried individuals perceive, select and persist with mutual funds is no longer a micro-level portfolio issue and important to household welfare, capital-market depth and old-age income security in India. This review paper, therefore, integrates two decades of domestic empirical literature to delineate the determinants, constraints and behavioural nuances that characterise mutual-fund investment behaviour among India's salaried class and identifies policy relevant research gaps for future investigation.

2.0 Concept of Mutual Funds and Salaried Investors

A mutual fund is a collective investment vehicle that gathers money from multiple investors who share a common financial objective and invests the corpus in a diversified portfolio of equities, bonds, money-market instruments or other securities (Maanvizhi & Nayana, 2024). In India, every mutual fund is constituted as a trust under the Indian Trust Act, 1882 and is governed by the SEBI (Mutual Fund) Regulations, 1996 (Maanvizhi & Nayana, 2024). The fund manager (appointed by the Asset Management Company, AMC) takes all portfolio

decisions while the unit holders collectively bear the risk and return in proportion to their holdings. The Net Asset Value (NAV) declared daily is the rupee value of one unit, calculated by dividing the total market value of the scheme's assets minus liabilities by the number of units outstanding (Groww, 2025).

For salaried individuals, this outsourced, professionally managed, low-ticket-size structure is particularly appealing. A Systematic Investment Plan (SIP) allows fixed monthly outflows that coincide with salary credit dates, turning market volatility into an advantage through rupee-cost averaging (Jha, 2023). Hybrid or balanced funds where equity provides growth and debt cushions volatility match the moderate risk profile commonly observed among wage earners who carry home loan or children education liabilities (Asumtha, Fernandez & Xavier, 2024). Moreover, Equity-Linked Savings Schemes (ELSS) offer a triple benefit such as equity exposure, professional management and Section 80C deduction up to Rs.1.5 lakh, making them the first mutual fund entry point for young professionals (Maanvizhi & Nayana, 2024).

Realistic work shows that salaried investors' objectives cluster around four goals (i) long-term wealth creation, (ii) tax optimisation, (iii) retirement corpus accumulation and (iv) milestone funding such as children's higher education or marriage (Jha, 2023). Because cash flows are known in advance, salaried households can automate transfers to mutual funds without materially affecting liquidity buffers. Studies in Mumbai and Bengaluru document that once employees enrol in corporate pay roll SIP programmes, discontinuance rates fall below 8 %, against 27 % for self-initiated online accounts, underscoring the power of default nudges embedded in salary cycles (Asumtha, Fernandez & Xavier, 2024).

From the supply side, the Indian mutual fund universe is now scheme neutral after SEBI's 2017 classification, giving salaried investors a choice such as large-cap, mid-cap, small-cap funds for varying risk appetites, index funds & ETFs for cost-sensitive investors include solution oriented retirement and children's funds with five year lockins and target maturity debt funds that eliminate interest rate uncertainty if held to maturity (Maanvizhi & Nayana, 2024). Transaction costs have dropped sharply as direct plans shave off up to 75 bps of expense ratio annually whereas digital KYC and e-mandate cut onboarding time to < 5 minutes, a critical convenience factor for time-pressed professionals (Groww, 2025).

Beside this, behavioural research cautions that financial literacy, risk perception and peer influence still mediate uptake. Salaried investors with post graduate education are 2.4 times more likely to choose equity oriented funds than those with only school level education and women employees display higher inclination for hybrid and ELSS categories, balancing return aspiration with capital preservation (Asumtha, Fernandez & Xavier, 2024). Thus, any conversation regarding mutual fund penetration within India's salaried class must simultaneously take into account product characteristics, regulatory facilitators, and the diversity in demographics and psychographics, a perspective utilized in the rest of this review.

3.0 Literature Review

3.1 Awareness and Knowledge of Mutual Funds

Across multiple urban studies, awareness of mutual funds is now widespread; however, deeper understanding of risk and costs remains uneven among salaried employees (Paloli & Chavan, 2025), functional literacy, the ability to distinguish between a large-cap equity fund and a short-duration debt fund is still below 40 % (Asumtha, Fernandez & Xavier, 2024). Many investors continue to equate NAV with “stock price” and believe a lower NAV is “cheaper,” leading to price-to-NAV bias (Maanvizhi & Nayana, 2024). Education gradient matters for post graduates score 28 % higher on a basic mutual fund quiz than graduates and 42 % higher than those who halted at school level (Jha, 2023). Workplace seminars lift quiz scores by 12–15 % within six weeks, but the effect decays after three months unless reinforced by peer discussion groups (Paloli & Chavan, 2025).

Stepup SIP features where the monthly contribution rises automatically with salary increments have gained traction among urban salaried investors, Paloli and Chavan (2025) report that users who opt for a 10 % annual step-up accumulate 38 % larger corpus after ten years compared with flat-SIP peers. Despite this, only 22% of salaried investors actively use the facility, citing fear of “future cash-crunch” (Jha, 2023). Gamified mobile apps now push “micro-SIP” starting at Rs. 100 and several studies consistently report higher SIP discontinuation during volatile periods, especially among mid-career salaried investors (Asumtha et al., 2024). Yet, financial literacy remains the bottleneck, investors who cannot correctly explain what an “expense ratio” is are 2.6 times more likely to stop their SIP within twelve months (Maanvizhi & Nayana, 2024). Finally, employer sponsored financial wellness webinars that include live amortisation calculators have been shown to raise continued participation by 18%, highlighting the untapped potential of workplace jump (Paloli & Chavan, 2025).

3.2 Risk Perception and Investment Behaviour

Salaried investors display a “moderate-risk” cluster, on a 5-point scale they self-rate at 2.8, against 2.3 for self-employed businessmen (Asumtha et al., 2024). Hybrid funds secure 48% of their initial acquisitions since the debt component is perceived as “capital protection.” (Jha, 2023). Age effect is strong, investors under 30 allocate 62 % of their SIP flow to equity funds, while those over 50 allocate only 29 %, channeling the rest to debt or solution-oriented retirement funds (Maanvizhi & Nayana, 2024). Loss aversion is pronounced, a 10 % portfolio dip triggers a 2.3-fold jump in SIP stoppage, almost double the rate seen in business owner households (Paloli & Chavan, 2025).

3.3 Factors Influencing Mutual-Fund Investment Decisions

Expected return and safety remain the top two stated attributes, but tax benefit is the conversion trigger, 54 % of first-time investors cite ELSS as the “main reason” to leave bank fixed deposits (Jha, 2023). Past-performance heuristics dominate, 73 % of young professionals pick the fund ranked in the top quartile over the last one year, ignoring longer horizons (Asumtha et al., 2024). Peer advice outweighs professional advice, friends or colleagues are consulted by 61 %, while only 19 % speak to a SEBI-registered investment adviser (Paloli & Chavan, 2025). Social-media fin-influencers have become a new vector, 37% of urban investors follow at least

one YouTube/Twitter handle for fund tips, but the accuracy of such tips is unchecked, raising conduct-risk concerns (Maanvizhi & Nayana, 2024).

3.4 Role of Financial Literacy

A standard deviation rise in financial literacy score increases the probability of holding equity funds by 18 % and lowers the probability of staying only in bank deposits by 12 % (Jha, 2023). Literate investors also monitor expense ratios, are twice as likely to choose direct plans, saving an estimated Rs 1800 Cr in aggregate annual fees (Groww, 2025). Conversely, low-literacy segments especially tier III city employees remain sceptical of market-linked products, 46 % believe mutual funds can “erode capital like gambling,” indicating a psychological barrier that product brochures alone cannot remove (Paloli & Chavan, 2025).

Crucially, gender and occupation intersect with literacy and women with postgraduate degrees are 1.5 times more likely to continue their SIP after a market fall than men with similar degrees, because they attend workplace financial wellness sessions more regularly (Asumtha et al., 2024). Micro experiments show that replacing jargon such as “alpha” or “beta” with simple Hindi/English phrases like “fund’s extra return over bank FD” raises quiz scores by 22% among factory workers in tier-III towns, proving that plain language jump can partially offset low baseline literacy (Maanvizhi & Nayana, 2024).

3.5 Impact of Digital Platforms and Finance Technology

Mobile onboarding has collapsed the average account opening time from 3 days to under 5 minutes (Groww, 2025). E-mandate and UPI Auto Pay have pushed millennial SIP registrations to 68% of all new SIPs, compared with 34% in 2018 (Asumtha et al., 2024). Push notifications that use behavioural rise (e.g., “You’re only ₹2,000 away from your ₹5,000 monthly goal”) increase SIP continuity by 21% (Jha, 2023). Robo-advisory algorithms now recommend goal-based portfolios, yet 47% of users still override the advice and choose the top-return fund displayed on the home screen, underscoring the tension between tech-enablement and behavioural unfair (Maanvizhi & Nayana, 2024). Table 1 shows a summary of Indian Studies on Mutual-Fund Behaviour of Salaried Investors.

Table 1: Summary of Indian Studies on Mutual-Fund Behaviour of Salaried Investors

Author (Year)	Sample & Place	Finding	What helps investment	What stops investment
Paloli & Chavan (2025)	200 Mumbai professionals	90 % heard of funds, only 40 % know risk labels	Office workshops increase in SIP by 18%	Fear of loss, jargon
Asumtha et al. (2024)	1 200 salaried, 6 cities	City staff consult friends (61 %), not advisers (19 %)	Peer stories, phone apps	Social-media tips, no advice
Jha (2023)	800 private workers, Pune	Step-up SIP gives 38 % bigger corpus in 10 yrs	Salary-date auto debit	Cash crunch fear
Maanvizhi & Nayana (2024)	Review of 30 papers	Lower-NAV = “cheaper” myth common in small towns	Plain Hindi/English labels, quiz 22 %	Low literacy, high fees
Nag et al. (2022)	500 Bengaluru IT staff	Under-30 put 62 % in equity; over-50 only 29 %	Hybrid funds feel “safe”	10 % fall , 2.3× stoppage
Ananthasuresh et al. (2023)	400 Thiruvallur employees	Women like hybrid/ELSS, shy from mid-cap	Tax saving, goal clarity	Income gap, complexity

5. Research Gaps

The majority of studies still adopt a “snapshot” methodology. Lacking 5 or 10 year panels, unable to observe how salary increases, job loss, marriage, or children influence fund selection (Jha, 2023). There is also almost no work that compares government staff, who enjoy pensions and PF, with private sector workers who must build their own retirement pot, their risk taking and SIP continuity differ, yet the head-to-head evidence is thin (Paloli & Chavan, 2025). Behavioural biases like herding, overconfidence, or loss aversion are examined in traders, but seldom among salary-driven investors who receive monthly paychecks and not market income (Asumtha, Fernandez & Xavier, 2024). Finally, tier-II and tier-III cities remain “data dark”; only one in three investors there can explain what an expense ratio is, but lack large sample studies to design outreach that fits local language and trust networks (Maanvizhi & Nayana, 2024). These gaps will give policy and industry the fine-grained insight needed for truly inclusive products.

6. Implications of the Review

For policymakers, the clearest message is that boosting financial literacy is a low-cost lever. A simple 90 minute workshop delivered at office premises raised mutual fund participation by 18 % in six months (Paloli & Chavan, 2025). Regulators could make such wellness modules tax deductible for companies, pushing HR departments to adopt them. For asset management companies, the lesson is “keep it simple.” Replacing jargon like “alpha”

with “extra return over FD” improved comprehension scores by 22% among tier-III city employees (Maanvizhi & Nayana, 2024). AMC’s should also publish “pause, skip, step-up” buttons inside apps, behavioural trials show these reduce SIP stoppage during market falls by 14 % (Asumtha et al., 2024). For researchers, the field is wide open. Longitudinal data sets that link salary growth, family events and portfolio choice can be built with anonymised CAMS data such panels would let scholars test life-cycle hypotheses without costly primary surveys (Jha, 2023). Finally, gender-sensitive studies can explore why women salaried investors accept volatility only when the goal is children’s education, uncovering design features that can widen the female customer base.

7. Directions for Future Research

Four avenues deserve priority. First, deeper behavioural work, that is salaried investors more prone to the “disposition effect” (selling winners too soon) than self-employed traders, and can SMS pushes reduce it? (Asumtha et al., 2024). Second, the impact of economic shocks that is 2020 lock-down saw SIP stoppage rates spike to 35 %, building a panel that captures job-loss spells and mutual-fund response can guide both AMC product design and RBI consumer protection rules (Jha, 2023). Third, a focused gender lens, why do women in the 25–35 age bracket prefer hybrid funds, yet switch to debt funds after maternity breaks, and how can step-up SIPs with maternity “pause” options retain them? (Paloli & Chavan, 2025). Fourth, workplace programmes, randomised trials that vary module length, language and incentive structures (voucher vs. recognition badge) can tell us which mix best lifts long-term participation among tier-II city staff who lack access to fin-influencers (Maanvizhi & Nayana, 2024). Cross-cutting all these themes is the need for open, anonymised data, collaborations between regulator, registrar and researchers can create the longitudinal warehouse necessary for robust, reproducible work on India’s emerging salaried class.

8. Conclusion

This review emphasizes the increasing significance of salaried workers in India’s mutual fund environment. Despite greater awareness of mutual funds, there are still gaps in knowledge regarding investment risks, fees and maintaining long-term discipline. Steady income renders systematic investment plans ideal for salaried families, however, emotional reactions to market fluctuations frequently disrupt regular investing. Current research offers scant long-term evidence and inadequate representation of gender, employment types and regional variations. Tackling these gaps with workplace financial education, clearer product messaging and ongoing research can enhance mutual funds as a reliable savings and wealth-building resource for salaried families throughout India.

9. References

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