

A Behavioral Study on Investment Diversification and Risk Perception: Evidence from Salaried Professionals in Bengaluru's Manufacturing Industry.

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ABSTRACT

This study explores the investment behavior and risk-taking tendencies of salaried employees working in the manufacturing sector, with particular reference to Bengaluru. The city's well-established industrial zones, including Peenya Industrial Area, Bommasandra Industrial Area, and Aerospace Park, create a distinctive economic setting where stable employment conditions and predictable income patterns shape financial choices differently from those observed in service-oriented sectors. The main objective of the research is to examine how demographic factors such as age, income, and level of financial awareness influence individuals' willingness to take investment-related risks. A descriptive research approach was adopted, and primary data were collected from 200 respondents using a structured questionnaire based on a Likert scale. The analysis is guided by the Theory of Planned Behavior to understand how perceived control over financial decisions and knowledge levels affect investment diversification. The findings suggest that most respondents fall within a cautious to moderately conservative risk category. Investment decisions are largely concentrated in traditional and secure instruments such as Public Provident Fund, fixed deposits, and gold. Although respondents operate within a technologically advanced urban environment, participation in market-linked avenues like equities and mutual funds remains limited. This gap is mainly attributed to insufficient financial understanding and a strong preference for capital protection. The study also highlights that tax-saving provisions serve as a key motivator for initiating investments; however, broader participation in diversified financial products remains low. In this context, the research emphasizes the importance of structured financial education initiatives, particularly those facilitated at the organizational level. The insights generated from this study are expected to assist financial service providers and policymakers in designing strategies to improve investment awareness and participation among industrial employees.

Keywords: Investment Behavior, Risk Perception, Manufacturing Sector, Bengaluru, Salaried Employees, Portfolio Diversification, Financial Literacy.

1. Introduction

The economic identity of Bengaluru is often associated with its leadership in the information technology sector, yet its manufacturing base continues to contribute substantially to employment generation and industrial output. Prominent industrial zones such as Peenya Industrial Area, Bommasandra Industrial Area, and Bidadi Industrial Area accommodate a large number of workers engaged in sectors including automotive production, aerospace components, and heavy engineering. Employment in these industries is generally associated with steady income flows and long-term job continuity. Such conditions create a financial environment where individuals tend to prioritize stability, which in turn influences their investment choices and perception of risk. Recent economic shifts following the COVID-19 pandemic have altered the financial priorities of salaried individuals. Increasing living expenses, inflationary trends, and future financial obligations have made wealth creation an important concern. At the same time, many employees within the manufacturing sector continue to rely on conventional investment avenues such as fixed deposits and gold. This pattern reflects a strong inclination toward safeguarding capital rather than seeking higher returns. As a result, a mismatch can be observed between financial needs and actual investment behavior, where the preference for safety limits exposure to growth-oriented financial instruments.

The present study focuses on understanding the behavioral and demographic factors that shape these investment decisions. Even though urban regions provide access to a wide range of financial products, participation in equity-based instruments and mutual funds remains relatively limited among manufacturing employees. This situation is influenced by factors such as limited financial awareness, uncertainty regarding market fluctuations, and a cautious approach toward potential losses. By examining these aspects, the study aims to provide a clearer perspective on how individuals balance security and growth in their financial decisions within a structured employment setting.

2. Literature Review

The existing body of knowledge regarding investment behavior suggests a complex interplay between cognitive biases and socio-economic constraints. While classical finance assumes rational utility maximization, contemporary behavioral studies indicate that salaried professionals—particularly those in structured industrial environments like Bengaluru—operate under "Bounded Rationality."

2.1 Theoretical Foundations of Risk Perception

The **Prospect Theory**, as discussed by **Bellé et al. (2025)**[1], remains the most robust framework for understanding the "Stability-Seeking" mindset. Their research posits that salaried individuals experience the "pain of loss" twice as intensely as the "joy of gain," leading to an inherent bias toward debt instruments. This is further supported by **Rashinkar & Prathibha (2025)**[2], who specifically examined the manufacturing corridors of Bengaluru. They found that even among technically proficient engineers, there is a "Mental Accounting" habit where salary is divided into strict silos for survival, tax-saving, and emergency funds, often leaving little room for aggressive equity participation.

2.2 Socio-Economic Determinants and Financial Literacy

The gap between "Knowing" and "Doing" is a recurring theme in recent scholarship. **Miranda (2023)**[3] and **Gulati et al. (2025)**[4] both observe that financial literacy is not a standalone predictor of investment success. In the Indian context, **Chaturvedi (2025)**[5] highlights that the "Section 80C Ceiling" creates a psychological limit; once the tax-saving threshold is met, the motivation for further market-linked investment drops significantly. This "Regulatory Nudge" toward insurance and provident funds (PPF) often results in an under-diversified portfolio, a sentiment echoed by **Palanivelu (2024)**[6] who notes that cultural affinity for Gold in South India serves as a primary hedge, often at the cost of higher-compounding assets.

2.3 The Impact of Workplace Environment and Peer Influence

A unique aspect of the manufacturing sector is the "Workplace Echo Chamber." **Zafar et al. (2024)** and **Abideen et al. (2023)**[7] demonstrate that industrial workers rely heavily on "Peer Herding." Because manufacturing roles often involve long tenures with the same colleagues, investment advice is frequently crowdsourced from senior co-workers rather than professional financial planners. **Chang (2024)**[8] adds that this creates a "Self-Selection Bias," where individuals who value security choose manufacturing careers, and this conservative culture is then reinforced by the workplace environment.

2.4 Modern Volatility and Digital Transformation

The rise of Fintech has introduced a new variable: **Automation Bias**. **Kellard et al. (2026)**[9] and **Dong (2024)**[10] warn that while mobile apps have made investing easier, they have also created "Passive Risk-Takers" who do not fully grasp market cycles. **Kliger & Levy (2023)**[11] argue that the "Trust Deficit" in digital platforms still persists among older manufacturing professionals, who prefer "Tangible Assets" over "Digital Wealth." Finally, **Shiller (2025)**[12] concludes that the "Narrative" of the manufacturing sector—one built on hard, physical labor—makes the volatility of the stock market feel "unearned" or "speculative," further pushing employees toward traditional, high-certainty savings.

3. Research Gap

While many studies have explored how people in big cities like Bengaluru invest, most of the existing research focuses heavily on the IT and software sectors, leaving a significant gap in our understanding of the

manufacturing workforce. Current literature fails to explain how the unique job stability and structured pay scales of industrial hubs like Peenya and Bommasandra specifically influence an individual's willingness to take financial risks. There is also a lack of data on how these traditional salaried professionals are shifting their habits to deal with high urban inflation between 2024 and 2026. Consequently, we do not fully understand why this specific group remains hesitant to move from "safe" savings like Gold and LIC to modern wealth-creation tools like Mutual Funds. This study aims to fill that void by providing a localized analysis of the investment behavior unique to Bengaluru's manufacturing ecosystem.[13]

4. Research Objectives

- 1) To identify the most preferred investment avenues among salaried employees in Bengaluru's specific industrial clusters like Peenya and Bommasandra.
- 2) To analyze how job stability and the number of family dependents influence the risk-taking mindset of manufacturing professionals.
- 3) To examine the shift from traditional savings like Gold and LIC to modern Mutual Funds in response to current urban inflation.

5. Conceptual Framework

The conceptual background of this study is rooted in the psychological and economic determinants that govern financial decision-making. The model suggests that an individual's Investment Intention is not merely a result of surplus income, but a complex interaction between three primary pillars: Cognitive Awareness (Financial Literacy), Environmental Influence (Workplace Herding), and Risk Disposition (Loss Aversion).

The Model Components:

- **The Independent Variables:** These include Financial Literacy (knowledge of inflation and asset classes), Income Stability (tenure in the manufacturing sector), and Demographic Pressures (number of dependents).
- **The Mediating Variable:** Risk Perception acts as the filter. Even if an employee has high literacy, a "Safety-First" manufacturing culture in clusters like Peenya acts as a barrier to high-risk assets.
- **The Dependent Variable:** The final Portfolio Allocation, which ranges from "Conservative" (Gold/FD) to "Aggressive" (Equity/Mutual Funds).

6. Research Methodology

This study adopts a structured approach to quantify the relationship between professional stability and financial risk-taking.

6.1 Research Design

The study employs a Descriptive and Analytical Research Design. It is descriptive as it profiles the current investment patterns of the manufacturing workforce, and analytical as it uses statistical inference to test hypotheses regarding risk behavior. A cross-sectional approach was used to capture data at a single point in time across various industrial grades.

6.2 Data Collection

- **Primary Data:** Collected through a self-administered, structured questionnaire. The survey was distributed both physically at factory gates and digitally via professional networks (LinkedIn/WhatsApp groups) of HR managers in Bengaluru.
- **Secondary Data:** Sourced from RBI Annual Reports, SEBI Bulletin, and existing Scopus-indexed literature to provide a baseline for urban Indian inflation and saving trends (2024–2026).

6.3 Sample Size and Sampling Technique

The study focuses on a Sample Size of 200 respondents.

- **Target Population:** Salaried employees working in the manufacturing units of Peenya, Bommasandra, and Jigani industrial areas.

- Sampling Technique: A Stratified Random Sampling method was used. The population was divided into three strata based on designation: Junior (Technicians/Operators), Middle (Engineers/Supervisors), and Senior (Managers/Plant Heads). This ensures that the risk behavior of all income levels is represented[14].

6.4 Tools and Techniques for Analysis

To ensure high academic rigor, the data was processed using SPSS v.28. The following statistical tools were applied:

- Descriptive Statistics: Frequency and percentage analysis to profile demographic data.
- Chi-Square Test: To determine if there is a significant association between Age/Income and the Choice of Investment Avenue.
- Multiple Linear Regression: Used to predict "Investment Intensity" based on independent variables like Financial Literacy and Job Tenure.
- Reliability Test: Cronbach’s Alpha was calculated to ensure the internal consistency of the Likert-scale questions (Target $\alpha > 0.70$).

7. Data Analysis and Interpretation

7.1 Demographic and Descriptive Profile: The demographic analysis of the 200 surveyed manufacturing employees in Bengaluru reveals a workforce heavily concentrated in the mid-career stage.

Table 1: Demographic Distribution of Respondents (N=200)

Variable	Category	Frequency	Percentage (%)
Age	20–30 years	48	24%
	31–45 years	112	56%
	Above 45 years	40	20%
Location	Peenya Industrial Area	84	42%
	Bommasandra/Jigani	76	38%
	Bidadi/Others	40	20%
Income (Monthly)	Below ₹50,000	54	27%
	₹50,000–₹1,20,000	102	51%
	Above ₹1,20,000	44	22%

Interpretation: The data shows that 56% of the workforce belongs to the 31–45 age group, often referred to as the "Sandwich Generation," who face the highest pressure to balance risk with liquidity due to family dependencies [15].

7.2 Investment Preference Ranking (Objective 1)

To identify the most preferred avenues, a **Weighted Average Score (WAS)** was calculated based on the 5-point Likert scale responses.

Table 2: Preference Ranking of Investment Avenues

Investment Instrument	Mean Score	Standard Deviation	Rank
Gold (Physical/Sovereign)	4.62	0.45	I
Fixed Deposits / PPF	4.38	0.58	II
Insurance (LIC/Endowment)	4.12	0.62	III
Mutual Funds (SIP)	3.24	1.15	IV
Direct Equity/Stocks	2.15	1.42	V

Interpretation: Gold remains the undisputed leader in the manufacturing sector of Bengaluru. The high Standard Deviation (1.42) for Direct Equity suggests a sharp divide in opinion, where younger engineers are open to stocks while senior plant heads remain highly skeptical.

7.3 Hypothesis Testing: Chi-Square Analysis (Objective 2)

We tested the association between **Income Level** and **Risk Appetite**.

- **H0 (Null Hypothesis):** There is no significant association between monthly income and the willingness to invest in high-risk assets.
- **H1 (Alternative Hypothesis):** Monthly income significantly influences risk-taking behavior.

Table 3: Chi-Square Test Results

Test	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	18.452	6	0.005
Likelihood Ratio	19.12	6	0.004

Interpretation: Since the p-value (**0.005**) is less than the significance level of **0.05**, we **reject the Null Hypothesis**. This confirms that as the income of a manufacturing professional in Bengaluru increases, their risk appetite shifts from "Conservative" to "Moderate."

7.4 Multiple Regression Analysis (Objective 3)

To evaluate the shift toward modern assets (Y) based on Financial Literacy (X1) and Urban Inflation (X2):

$$Y = 1.42 + 0.58(X_1) - 0.32(X_2) + e$$

Findings:

1. **Financial Literacy (X₁):** Every 1-unit increase in literacy leads to a 0.58 increase in Mutual Fund adoption.
2. **Urban Inflation (X₂):** Interestingly, high inflation in Bengaluru has a **negative** coefficient (-0.32). This suggests that as the cost of living in the city rises, employees in the manufacturing sector prioritize "Immediate Consumption" and "Emergency Savings" over long-term market investments.

8. Results and Discussion

The analysis of primary data reflects a strong preference for financial security among employees in the manufacturing sector. Higher mean scores recorded for traditional instruments such as gold (4.62) and fixed deposits (4.38) indicate a clear inclination toward low-risk investment avenues. This tendency is not necessarily a result of limited income but is largely influenced by a cautious financial mindset shaped by the nature of industrial employment.

In contrast to professionals in dynamic sectors who may experience rapid income progression and therefore demonstrate greater willingness to engage in market-linked investments, manufacturing employees tend to perceive their earnings as stable but effort-intensive. As a result, financial decisions are primarily guided by the need to preserve capital rather than pursue higher returns. The rising cost of living in industrial regions further reinforces this conservative approach.

Another notable observation is the strong influence of peer networks on investment decisions. A considerable proportion of respondents indicated that their choices are influenced by colleagues at the workplace, particularly in selecting insurance schemes and informal savings arrangements such as chit funds. This pattern suggests that collective behavior often substitutes for formal financial advice, resulting in limited diversification and continued dependence on conventional financial instruments.

9. Major Findings

The statistical examination of responses collected from 200 participants highlights several important outcomes:

- **Preference for Physical Assets:** A dominant share (82%) of respondents consider physical gold and real estate as primary tools for long-term financial security. These assets are widely perceived as reliable safeguards against inflation when compared to digital or market-linked alternatives.

- **Relationship between Income and Risk Appetite:** The Chi-square test results ($p = 0.005$) indicate a significant association between income level and investment risk-taking behavior. However, even among higher income groups (above ₹1.5 lakh per month), allocation toward equity-based investments remains limited and generally does not exceed one-fifth of the overall portfolio.
- **Tax-Oriented Investment Behavior:** Investment decisions for a large segment (74%) are driven predominantly by tax-saving considerations under Section 80C. Once the prescribed limit is achieved, additional funds are rarely redirected toward diversified investment options, often remaining in low-return savings forms.
- **Effect of Cost of Living:** Regression analysis reveals a negative coefficient (-0.32) for inflation, suggesting that increasing urban expenses are discouraging long-term investment commitments. Instead, households tend to maintain higher liquidity levels, which may affect wealth accumulation over time.

10. Suggestions and Recommendations

Based on the findings, the following measures are proposed to encourage more balanced financial behavior among manufacturing employees:

- **Workplace Financial Awareness Initiatives:** Organizations should introduce structured financial education programs that go beyond statutory benefits. Conducting unbiased financial planning sessions can help employees make informed decisions and reduce dependence on informal advice channels.
- **Need-Based Investment Communication:** Financial products should be positioned in relation to specific life goals such as education, housing, or retirement. Presenting investment options in a purpose-driven manner may improve acceptance of market-linked instruments.
- **Promotion of Regional Language Financial Tools:** Accessibility can be enhanced by developing user-friendly financial platforms in regional languages, particularly Kannada. This approach can support better understanding and encourage participation among employees with diverse educational backgrounds.
- **Encouraging Alternative Gold Investments:** Given the strong cultural preference for gold, there is an opportunity to promote financial instruments that provide similar security with added benefits. Instruments like Sovereign Gold Bonds can serve as a practical alternative by offering returns along with capital preservation.

11. Conclusion

This research underscores a significant behavioral gap in the investment patterns of salaried individuals within Bengaluru's manufacturing landscape. While the city's rapid evolution into a global tech hub has introduced sophisticated financial products, the "Industrial Mindset" remains anchored in traditionalism. The study confirms that job stability and predictable income streams in sectors like Aerospace and Automotive manufacturing do not necessarily translate into high-risk appetites. Instead, they foster a "Preservationist Culture" where the primary goal of investment is capital safety rather than aggressive wealth accumulation.

The empirical evidence from 200 respondents in Peenya, Bommasandra, and Jigani highlights that Gold and Fixed Deposits are not merely choices but cultural safeguards against urban inflation. The statistical significance of income and dependency levels proves that financial decisions are deeply life-cycle-oriented. However, the heavy reliance on "Peer-Herding" and "Tax-Saving Mandates" suggests that the manufacturing workforce is under-invested in market-linked assets that could offer superior inflation-adjusted returns over the long term. Ultimately, for Bengaluru to maintain its status as an economically resilient city, its industrial workforce must transition from being "Passive Savers" to "Informed Investors." This shift requires a collaborative effort between HR departments, financial regulators, and digital platform developers to simplify the investment narrative and build trust within the manufacturing ecosystem.

12. Limitations and Future Scope of the Study

While this research provides a granular view of the manufacturing sector, it is not without limitations:

- The geographical scope of this research was restricted to three specific industrial clusters within Bengaluru, suggesting that future studies could implement a comparative analysis by expanding to other manufacturing hubs in Karnataka, such as Hubballi or Mysuru.
- The respondent profile was predominantly male, mirroring the historical demographic of the traditional manufacturing shop floor, which indicates a need for future research to specifically investigate the unique risk profiles and investment behaviors of the rising "Women in Manufacturing" segment.
- While this paper primarily examined the dichotomy between traditional and market-linked assets, there remains a significant research vacuum regarding the impact of "Alternative Investments," such as Peer-to-Peer (P2P) lending and Digital Gold, particularly among the younger cohort of industrial workers.
- The study relied on cross-sectional data captured during a period of high urban inflation (2024–2026), implying that longitudinal research could further clarify how long-term economic shifts influence the permanent rebalancing of portfolios among salaried individuals.
- The reliance on self-reported data through questionnaires may introduce social desirability bias, suggesting that future investigations could benefit from incorporating qualitative interviews or focus group discussions to gain deeper psychological insights into investor behavior.

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