



A Conceptual Analysis of Factors Shaping Investment Decisions among Salaried Professionals across Occupations

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ABSTRACT

Investment decisions are crucial for salaried professionals due to their fixed income and job security concerns. Multiple factors including financial literacy, psychological, and demographic and personality traits influence and shape investment decision process individually. However, their combined effect remains underexplored particularly in the context of salaried professionals. Therefore, the paper conceptually analyzes how investment behavior is collectively shaped by above variables. It also considers the moderating role of demographics and occupation on such behaviors, focusing particularly on teachers/academicians, bankers and nurses/doctors in both government and private sectors. The study formulates an integrated conceptual framework that can assist future empirical research, helps in policy formulation and financial education/awareness programs aimed at enhancing investment decision-making process among salaried professionals.

1. Introduction

Disclaimer: The opinions, interpretations, conclusions, recommendations, analyses, and statements expressed in this research article are solely those of the author(s) and do not reflect the views, policies, or positions of the Publisher, Chief Editor, Editors, Editorial Board, Reviewers, or their affiliated institutions. The author(s) are solely responsible for ensuring the originality, authenticity, and integrity of the manuscript and for ensuring that it is free from plagiarism, AI-generated content, copyright infringement, data falsification, and any other form of academic misconduct.



A new form of need known as saving and Investment is required to survive in this dynamic, competitive and technological global world. Along with the five basic needs (food, shelter, clothing, healthcare and education) Savings and investments have become more important in present scenario for ensuring financial security and long-term economic well-being. It helps individuals grow their wealth, protect their savings from ever growing inflation, and attain significant life goals such as buying a house, funding children's education, and planning for retirement. Therefore, making informed investment decisions have become essential for every person specifically for salaried professionals as they usually rely on a fixed and limited income. Moreover teachers/academicians, bankers, and nurses/doctors employed in both government and private sectors, face different work environments, income structures, and risk exposures, which may influence how they plan and manage their investments.

According to the Efficient Market Hypothesis, financial markets are efficient, and asset prices fully reflect all available information (Fama, 1970). However, in real-life investment behavior differs and many investors do not act rationally at all times.

Behavioral finance theory discards traditional theories by explaining how psychological and emotional factors affect financial decision-making. Past studies have shown that investors are driven by behavioral biases such as overconfidence, herding behavior, and loss aversion, that often leads to irrational investment choices (Kahneman & Tversky, 1979; Barberis et al., 1998; Barber & Odean, 2001; Kumar & Goyal, 2015). In addition, personality traits such as conscientiousness (McCrae & Costa 1991), risk tolerance, self-control, and individual attitude towards uncertainty play a crucial role in shaping investment decisions (Mayfield et al., 2008; Pak & Mahmood, 2015). To illustrate, individuals with higher risk tolerance may prefer equity investments. Moreover, financial literacy, another key determinant, affects investment decisions to a great extent. Individuals having financial literacy are better able to comprehend financial products, evaluate risks, and plan for long-term financial goals (Lusardi & Mitchell, 2014).

Although previous researchers have examined the impact of above factors on investment decisions, most studies have focused only on one-two elements at a time. Fewer studies have attempted to explore their combined influence, especially in relation to salaried professionals across occupations. To bridge this gap, integrated conceptual model has been presented in this study which not only evaluates how financial literacy, behavioral biases, and personality traits together shape investment decisions but also provides a strong foundation for future empirical research and effective policy interventions.



1.1 Concept of Investment Decisions

The process which allows individuals to make choices regarding the allocation of money among different investment options in order to maximize future returns and minimize risk is investment decision (Bodie, Kane, & Marcus, 2014). Individuals should consider factors such as expected returns, risk levels, and investment duration while selecting suitable financial products.

Traditional finance theories assumes that investors are rational and logical. They analyze information related to risk and return logically and make portfolio choices that maximize returns (Markowitz, 1952). However, behavioral finance theorists explains that real-life investment decisions do not follow these assumptions while making investments. In addition, individual characteristics such as financial literacy, experience, and personal traits play an important role in shaping investment behavior (Lusardi & Mitchell, 2014).

In this study, investment decisions are understood from a behavioral point of view. Instead of seeing investment decisions as a single or one-time choice, the study uses the concept of investment behavior to explain the recurring actions, and investment patterns through which salaried professionals plan, choose, and manage their investments over time. For example, to start SIP in mutual funds is a one-time investment decision but regular investment in SIP over a long period of time even if market is volatile or decision for step-up in SIP when income increases, is an investment behavior observed over time.

Therefore, investment decision-making is not purely a one-time choice but a combination of rational analysis and behavioral factors influencing investment decisions over time.

2. Review of literature

This section reviews theoretical and empirical studies related to factors affecting investment decision-making for identifying research gaps and developing the conceptual framework of the study.

2.1 Behavioral biases and Investment Decision-Making

The following discussion reviews the existing literature examining the relationship between behavioral biases and investment decision-making.

Conceptual Overview of Behavioral Biases

Behavioral biases affect investment behavior of an individual to a larger extent (Agarwal & Singh, 2023). It denotes systematic patterns of deviation from rational judgment and decision-making, arising from cognitive limitations, emotions, and the use of mental shortcuts (heuristics) by individuals (Kahneman &



Tversky, 1974; Shefrin, 2000). For the study purpose four biases have been considered which are overconfidence, herding, loss aversion and anchoring bias. Overconfidence bias refers to an individual's tendency to overestimate their knowledge, predictive ability, or control over outcomes (Kahneman & Tversky, 1973; Barber & Odean, 2001). Herding behavior takes place when investors imitate others' actions rather than relying on their own information and analysis (Banerjee, 1992; Bikhchandani et al., 1998; Nofsinger and Sias, 1999). Loss aversion is the tendency to experience losses more intensely than gains of equal magnitude, leading to conservative or delayed decision-making (Kahneman & Tversky, 1979). Anchoring bias represents the reliance on initial information or reference points when evaluating investment choices, even when such anchors are irrelevant (Tversky & Kahneman, 1974).

Empirical Evidence on Behavioral Biases and Investment Decisions

Prior studies (Halder and Milan, 2024; Tseng & Yang, 2011; Zahera & Bansal, 2018; Gupta, 2025) confirms that cognitive biases significantly influence investment decisions and portfolio outcomes. Overconfidence bias is linked to aggressive trading (Larrick et al., 2007, Shefrin & Statman, 2000), increased risk-appetite (Shah et al., 2012) and lesser returns caused by transaction costs and poor timing (Daniel et al., 1998; Mushinada & Veluri, 2018). Earlier explorations discovered that investment decision-making process is shaped by herd mentality, which is widely observed in both developed and emerging markets during periods of market uncertainty, leading to major price distortions and volatility (Banerjee, 1992; Barberis et al., 2009). Information processing, the bandwagon effect (Coval & Tyler, 2005), and social groups or reference groups (Mahapartra & Mehta, 2015) give rise to herd mentality and has a negative effect on portfolio diversification and performance (Suresh 2021, Gavrilakis and Floros 2021). For example, investors choose popular assets to invest because others are doing it, without independent analysis. Loss aversion, a behavioral error reduces overall portfolio efficiency of an investor when he continues to hold losing assets for longer periods and sell winning assets prematurely (Kahneman & Tversky, 1979; Odean, 1998; Waweru et al., 2008). Anchoring bias (Pompian, 2006) also affects investment decisions. While evaluating investment opportunities, investors rely more on initial price levels or past performance ignoring new information completely, which often results in suboptimal valuation and delayed reactions to market information (Tversky & Kahneman, 1974; George & Hwang, 2004). Evidence from emerging markets, including India, reveals that these errors have greater influence on retail and salaried individuals, whose decisions are shaped by income stability, perception of risk, and limited time for financial analysis (Mushinada & Veluri, 2018). Additionally, demographic components, employment in the public or private sector and peer influence have been found to shape investors' risk tolerance, investment preferences and portfolio choices. Moreover, the ever-expanding digital trading platforms has reinforced biases by providing

real-time information and ease of access to markets (Nair et al., 2023, Sathya & Prabhavathi, 2024). Overall, the reviews suggests that behavioral errors have greater impact on investment behavior and financial outcomes across different investor groups.

2.2 Personality Traits and Investment Decision-Making

This section analyses the existing literature related to relationship between personality traits and investment decisions.

Conceptual Overview of Selected Personality Trait

Personality traits impacts the financial attitudes and investment behavior of an individual. It refers to those stable patterns of thoughts, emotions, and behaviors that differentiate individuals (Costa & McCrae, 1992) from one another. For the study purpose, three behavioral traits: risk tolerance, self-control and conscientiousness have been considered based on their relevance to the investment decision process of salaried investors. The readiness of an individual to accept uncertainty and potential losses in expectation of higher returns is risk tolerance (Grable, 2000). Another trait self-control is the capacity to manage emotions and delay immediate gratification in favor of long-term financial goals (Thaler & Shefrin, 1981). Conscientiousness, yet another trait which is marked by discipline, careful planning, and a strong sense of responsibility, influences investment process and financial discipline (Costa & McCrae, 1992). Together, these characteristics affect how investors perceive risk, process information, and respond to market changes.

Theoretical and Empirical Evidence on Personality Traits

Previous researchers have explored the relation between personality traits and economic behavior of individuals while making investments (Furnham et al., 2025). Higher risk tolerant investors often engage in equity investment and assumes greater financial risk, which amplifies biases such as overconfidence during favorable market conditions (Grable, 2000; Barber & Odean, 2001). Moreover, investment decision is influenced by heuristic bias and reviews also suggests that risk tolerance (Salman et al., 2020), occupational and sectoral characteristics (Baker & Ricciardi, 2014) have mediating role on investments. Long-term investors follow self-control policy while making investments which is linked to disciplined investment behavior, reduced impulsive trading, and improved portfolio outcomes (Thaler & Shefrin, 1981; Gathergood, 2012). Furthermore, conscientious individuals follow organized financial planning, have diversified portfolios, and take less emotionally driven decisions like panic selling or excessive risk-taking (Costa & McCrae, 1992; Mayfield et al., 2008). Evidence from emerging markets emphasize that behavioral traits are more relevant for salaried investors, whose steady income and time constraints shape risk appetite



and investment discipline. Overall, existing studies highlight the significance of personality traits in understanding variations in investment behavior beyond traditional demographic factors.

2.3 Financial Literacy and Investment Decision-Making

The following section reviews the existing literature related to relationship between financial literacy and investment decisions.

Conceptual Overview of Financial Literacy

Financial literacy is defined as an individual's ability to comprehend and apply financial concepts on investment decisions (Lusardi & Mitchell, 2014). It includes components like **financial knowledge** (understanding basic financial concepts), financial awareness (information of financial products and risks), and financial attitudes (individuals' perception towards saving, investment, and risk-taking). These components along with other skills help individuals make better financial decisions and achieve financial well-being (OECD, 2014). Financial literacy influences how individuals perceive financial information, evaluate risk and return, understand diversification, inflation, and interest compounding, and plan for long-term financial goals (OECD, 2018; Lusardi & Mitchell, 2014).

Theoretical and Empirical Evidence on Financial Literacy

Empirical evidence (Agarwal et al., 2015, Suresh, 2024) suggests that financial literacy and its dimensions serves a significant part in shaping investment behavior. Higher degree of **financial knowledge and awareness gives opportunity for** higher market participation, better portfolio diversification, and improved risk assessment (Van Rooij et al., 2011; Lusardi & Mitchell, 2014). Another dimension **financial attitude** is related to disciplined investment behavior and reduced impulsive decision-making (OECD, 2018). In contrast, low financial literacy across these dimensions among investors increase dependence on behavioral biases, thereby weakening salaried investors' ability to comprehend investment risk-return and make sound financial choices (*Bajo et al., 2015; Gupta 2017*). Evidence from emerging economies, including India, suggests that higher financial literacy often leads to better investment planning and stable investment outcomes (Agarwal et al., 2019; Sukanya & Thimmarayappa, 2015) among salaried investors. The literature also indicates financial literacy as a key element that moderates investment process as well as improves investment decisions-making outcomes (Saleem et al., 2023).

2.4 Role of Demographic Factors in Investment Decision-Making

The following discussion reviews the relationship between demographic factors and investment decisions.

Conceptual Overview of Demographic Factors

The study of human characteristics like age, gender, income level, education, marital status, and employment type is demography which influence investments. In this paper, these characteristics act as moderators and control variables that may influence the strength and direction of the relationship among financial literacy, behavioral biases, and personality traits thereby, forming risk perception, investment objectives, and information-processing abilities of investors.

Empirical Evidence on Demographic Factors and Investment Behavior

Prior reviews reveal that demographic factors along with personality traits affect investment behavior (Furnham & Cheng, 2013). Age and income determinants decide risk appetite as younger and higher-income investors generally invest in risky assets (Grable, 2000). Furthermore, Gender differences shows male investors exhibiting higher levels of overconfidence and trading activity compared to female investors, often resulting in lesser net returns (Barber & Odean, 2001). Education and financial experience further shape investment choices by improving knowledge and information thereby reducing reliance on heuristics. Evidence from emerging economies, including India, indicates that salaried investors are influenced by income stability, job security, and sectoral employment, which affect both risk-taking behavior and long-term investment planning (Mushinada & Veluri, 2018). These findings suggest that demographic characteristics provide important context for understanding investor behavior alongside behavioral biases, personality traits, and financial literacy.

3. Integrative conceptual framework

An integrative conceptual framework is formulated which combines different factors which affects salaried professionals' investment behavior. Behavioral biases, financial literacy and personality traits functions as independent components whereas investment decision-making as dependent variable. Based on extensive literature reviews this framework argues that financial literacy including financial components enables investors to process financial information effectively. It also asserts that behavioral biases like overconfidence, loss aversion, anchoring and herding influences emotional decision-making while personality traits such as risk tolerance, self-control and conscientiousness mold investor risk perception and discipline. Furthermore, occupational and sectoral exposures affect investment preferences. Finally demographic factors such as age, gender, income, occupation, employment type act as moderators by

strengthening or weakening the impact of these variables on investments. Figure 1 depicts a potential conceptual framework.

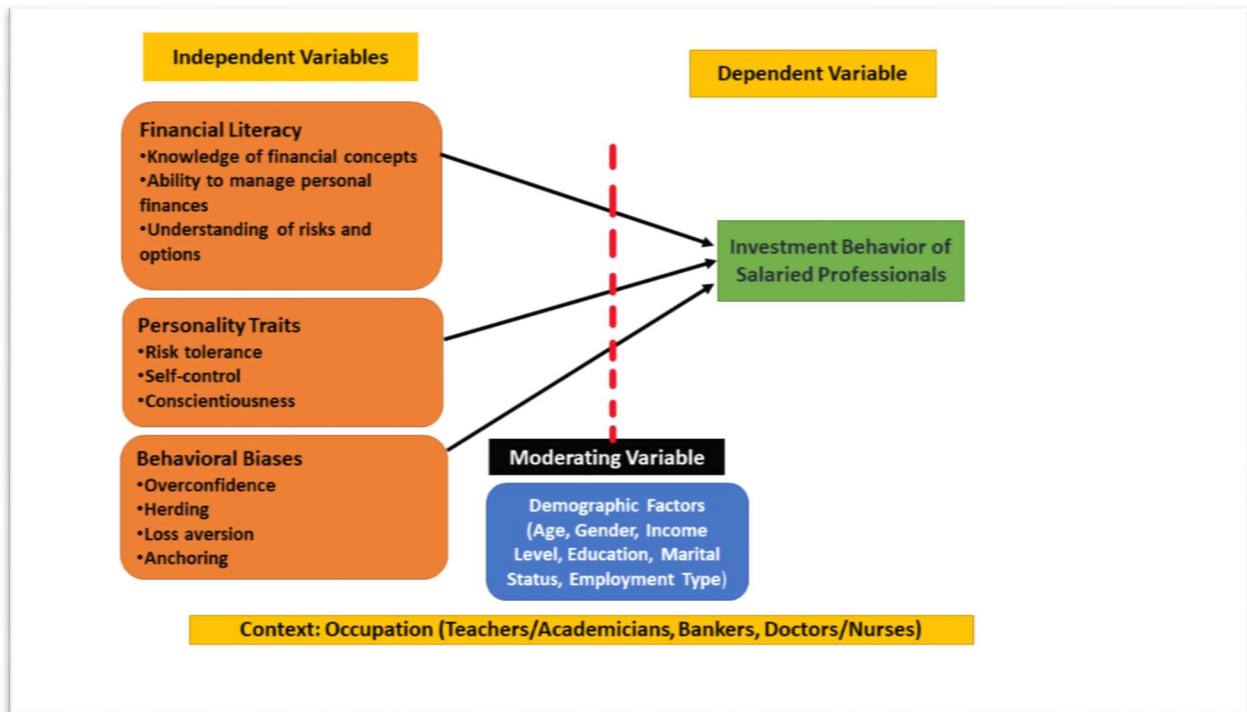


Figure1: Proposed Conceptual Framework of investment behavior of Salaried Individuals

Source: Author's Compilation

4. Research Gap

Although prior studies demonstrate that investment decision making is governed by psychological and personality related factors, most previous researchers have examined behavioral bias, personality traits, financial literacy and demographic profiles in isolation, and their combined effect remains underexplored. Therefore, this study addresses this gap and attempts to explore their combined effect on investment decisions by formulating an integrative conceptual framework for salaried investors. Additionally, the impact of different occupations across sectors on investment behavior did not get adequate attention in past studies, hence this paper also incorporates occupational differences for attaining better insights and make a significant contribution to the existing literature.

5. Research objectives



- To examine the impact of financial literacy shaping investment decisions of salaried professionals across sectors
- To analyze the role of personality traits on investment decisions making
- To assess the influence of behavioral biases on investment behavior of salaried individuals
- To explore how occupational differences (teachers/academicians, bankers, and healthcare professionals) influence investment preferences.
- To formulate an integrated conceptual framework explaining the interaction between financial literacy, behavioral biases, and personality traits in investment decision-making.

6. Research Methodology

This paper relies on an extensive review of secondary literature to examine the topic. This methodology is appropriate for the current study, as it enables better understanding of the theoretical concepts of investment decisions and their relationship with other elements used in this paper. Relevant journal articles, books, and reports related to **financial literacy, behavioral biases, personality traits, and investment decisions** were analyzed. The reviews covers both existing theories and recent evidence-based investigations to formulate an integrative conceptual framework explaining investment behavior among salaried employees across sectors after considering above variables along with demographic factors.

7. Analysis and Discussion

Analysis in this paper is based on literature synthesis and theoretical arguments which suggests that –

1. Financial literacy is essential for shaping the investment decisions of salaried individuals. Financially literate investors are better able to understand the concept of risk, return, diversification and financial planning, resulting in more informed and logical investments. Research by (A. Lusardi) highlights that adequate financial literacy significantly improves investment planning and investment behavior whereas inadequate financial knowledge not only increases dependance on biases but also results in poor portfolio choices.
2. Salaried investors are more likely to display biases namely overconfidence, loss aversion, herd behavior and anchoring which tend to result in irrational and emotionally driven decisions like overinvestment in familiar assets. Most of the time investors exhibit herd bias by following market trends and imitate others rather than relying on accurate financial information. Behavioral finance theory proposed by



Daniel Kahneman also confirms that investment behavior is shaped by psychological factors thereby challenges the traditional views.

3. Personality traits such as self-control, risk- tolerance and conscientiousness influence the economic behavior of investors making portfolio decisions. Previous research argues that personality traits are especially relevant for salaried persons whose fixed income and time constraints guide risk tolerance and investment discipline. A Risk-tolerant individuals usually prefer stocks and equity preferences while **Risk-averse personalities** prefer safer investments like fixed deposits or government securities when making investments. Demographic profiles including age, gender, income and experience also has moderating effect on investment choices of salaried employees as younger professionals prefer high risk investments.
4. Exposure to different professions such as bankers, teachers/academicians and doctors/nurses across sectors has strong impact on financial awareness and investment preferences. **Bankers demonstrate** higher financial literacy and hold more diversified portfolios **due to** their familiarity with securities markets. Individuals in teaching and academia prefer relatively safer and long-term investments while healthcare professionals often choose simple, secure and risk-free investment options due to demanding work schedules.
5. The formulated framework asserts that investment process of salaried employees' are influenced by financial literacy, personality traits, and cognitive biases not only individually but also in combination. Demographic elements like age, gender, income, and experience act as moderators that may strengthen or weaken these relationships. Additionally, occupational background and sectoral differences among teachers, bankers, and healthcare individuals also affect investment choices.

8. Research Findings

Prior reviews of conceptual framework indicates that **financial literacy** (OECD, 2018; Lusardi & Mitchell, 2014), **behavioral biases** (Kahneman & Tversky, 1973; Barber & Odean, 2001), and **personality traits** (Costa & McCrae, 1992; Thaler & Shefrin, 1981) strongly influence **financial planning and decision process of salaried individuals**. While more informed and diversified investment is possible with adequate financial literacy (Van Rooij et al., 2011; Lusardi & Mitchell, 2014), existence of strong biases results in emotionally driven choices. Moreover, personality traits define risk appetite and investment preferences of investors. For example, low level of self-control compels investors to engage in panic buying or selling when the market is uncertain (Baumeister et al., 1998; Waweru et al., 2008). Additionally, **demographic factors like age, income** moderate these relationships with younger and higher-income investors generally investing in risky assets (Grable, 2000) thereby influencing overall investment behavior. The findings based



on the reviewed literature confirm that financial literacy, cognitive biases and behavioral traits play significant role in the financial decisions of salaried individuals.

9. Conclusion

While behavioral finance theory acknowledges that investors are not always rational, this paper extends existing literature by developing an integrated conceptual framework on the basis of theoretical and empirical data for analyzing the investment decisions of salaried investors. The framework highlights the combined effect of variables like financial literacy, behavioral biases, and personality traits and concludes that these variables significantly influence the investment behavior. Additionally, the framework gives deeper insight into how income structure, employment type and demographic profiles, along with personality traits and financial literacy, shape investors' responses to behavioral biases, risk tolerance, portfolio diversification and financial preferences. Apart from developing comprehensive conceptual model this paper also guides academic researchers and policy makers with a rational, data-based foundation for future research and financial interventions.

10. Recommendations

On the basis of reviewed literature following recommendations can be suggested -

- First, financial literacy among salaried employees should be enhanced through targeted financial education programs, workshops, and awareness initiatives as improved financial knowledge enables investors to make informed and rational decisions.
- Second, investors should be made aware about the behavioral biases such as overconfidence, herd behavior, and loss aversion through programs and behavioral training to reduce panic decisions.
- Third, personality traits should be considered by financial advisors and organizations while offering investment guidance to facilitate personalized financial plans, that aligns with investors' risk tolerance and preferences.
- Furthermore, policymakers should design inclusive financial education policies and training intervention programs for salaried persons that take into account demographic, sectoral and occupational differences to encourage more rational, informed and disciplined investment behavior ensuring wider accessibility and effectiveness.

11. Scope for Future Research

This paper identifies many research areas for future explorations such as-



- This framework provides a foundation for future evidence-based research for verifying proposed relationships through primary quantitative and qualitative data.
- This study considers limited biases and personality traits therefore, future researchers can consider other cognitive biases and personality factors to produce more credible results.
- For study purpose only three occupations have been undertaken in both government and private sectors who are salaried employees therefore future researchers can consider other occupations and sectors for examining the influence on investment behavior.
- Lastly, future studies can also analyze the role of digital platforms such as fintech, trading apps, and robot-advisors on investment decision making.

12. Limitations

Despite proposing a theoretically conceptual framework, this paper has a number of limitations.

- The study is purely theoretical and does not include empirical data for validation.
- This paper considers selected biases and personality traits for analyzing salaried investors behavior representing limited scope of analysis.
- The study focuses only on teachers/academicians, bankers, and healthcare professionals which is restricting the generalizability of the findings
- The proposed framework may not fully represent investment behavior in different countries or regions as well as rapid developments in financial markets may influence investment behavior differently overtime.

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