

## A Study on Risk Appetite on Investment Behaviour of Young Investors at HDFC

Kuthadi Deepika<sup>1</sup>, Tipparthi Vijayasri<sup>2</sup>, Bhaskar Cheerikala<sup>3</sup>, Siddem Akshay<sup>4</sup>,  
Ms. R. Swapna<sup>5</sup>

<sup>1-4</sup> MBA (Finance), Aurora's PG College Hyderabad, Telangana

<sup>5</sup> Assistant Professor, Department of Business Administration, Aurora's PG College Hyderabad, Telangana

Email: [swapna9959@gmail.com](mailto:swapna9959@gmail.com)

**Abstract**—Investment behaviour among young investors is shaped significantly by their risk appetite—the degree of financial uncertainty they willingly accept in pursuit of returns. HDFC Bank, India's largest private sector bank, serves a rapidly growing cohort of young retail investors through its investment products spanning mutual funds, equities, fixed deposits, and insurance-linked instruments. This paper investigates how risk appetite influences investment decision-making among young investors (aged 20–35 years) associated with HDFC Bank across Hyderabad. A mixed-methods approach combining structured questionnaire data from 100 respondents with secondary analysis of HDFC investment product literature reveals that risk tolerance is strongly correlated with income level, financial

literacy, and investment horizon. Findings indicate that high-risk appetite investors gravitate toward equity mutual funds and direct equities, while risk-averse young investors prefer fixed deposits and recurring deposits despite lower real returns. The study identifies financial literacy gaps, peer influence, and loss aversion as key behavioural drivers. Recommendations include personalised robo-advisory services, risk profiling at account opening, and financial literacy programmes to align investment choices with individual risk profiles.

**Keywords:** *Risk appetite, investment behaviour, young investors, HDFC Bank, financial literacy, mutual funds, equity investment, behavioural finance, risk tolerance, retail investors.*

### 1. INTRODUCTION

India's financial landscape has witnessed transformative growth in retail investment participation over the past decade. The proliferation of mobile banking applications, zero-commission brokerage platforms, and digital payment ecosystems has democratised access to capital markets for a generation of young investors. HDFC Bank, with over 88 million customers and a comprehensive suite of investment products, occupies a pivotal position in shaping the investment habits of urban and semi-urban youth.

Risk appetite—defined as the level of risk an investor is willing to accept in the pursuit of financial returns—is the fundamental parameter distinguishing investment behaviour across demographic segments. Young investors, characterised by longer investment horizons and lower immediate financial obligations, theoretically possess capacity for higher risk tolerance. However, behavioural finance research demonstrates that actual risk-taking frequently diverges from theoretically optimal behaviour due to cognitive biases, emotional responses, and financial literacy constraints.

HDFC Bank's investment product portfolio encompasses equity mutual funds, hybrid

funds, systematic investment plans (SIPs), fixed maturity plans, recurring deposits, and insurance-linked investment products. Understanding how young investors navigate these options based on their risk appetite enables financial institutions to design appropriate advisory frameworks, improve suitability assessments, and reduce mis-selling incidents.

This study investigates risk appetite determinants among young HDFC Bank investors in Hyderabad, examines how risk tolerance levels map onto investment product preferences, and identifies behavioural factors moderating the risk–return relationship. The study contributes to the behavioural finance literature on emerging market retail investors and provides practical recommendations for personalised investment advisory services.

## 2. OBJECTIVES OF THE STUDY

- Assess risk appetite levels among young investors (aged 20–35) associated with HDFC Bank.
- Examine relationship between demographic variables and risk tolerance levels.
- Analyse investment product preferences across varying risk appetite categories.
- Identify behavioural and psychological factors influencing investment decisions.
- Evaluate the role of financial literacy in shaping risk appetite and investment outcomes.
- Recommend personalised advisory strategies aligned with young investor risk profiles.

## 3. LITERATURE REVIEW

[1] Markowitz (1952) established Modern Portfolio Theory (MPT), demonstrating that rational investors can optimise returns for a given level of risk through diversification. His risk–return framework underpins quantitative risk profiling tools used by investment advisors at HDFC Bank.

[2] Kahneman and Tversky (1979) introduced Prospect Theory, showing that individuals weight potential losses more heavily than equivalent gains (loss aversion coefficient  $\sim 2.25$ ). This asymmetry significantly explains conservative investment behaviour among young first-time investors despite high theoretical risk capacity.

[3] Shefrin and Statman (1985) identified the Disposition Effect—investors' tendency to sell winning investments prematurely and hold losing investments too long—creating suboptimal portfolio outcomes that financial advisors must address through systematic investment plans.

[4] Gupta and Jain (2008) studied Indian retail investor behaviour, finding that income level, educational qualification, and age are significant predictors of equity market participation. Investors with postgraduate qualifications showed 2.3 times higher equity allocation than undergraduates.

[5] Annamalah (2013) examined risk tolerance determinants among Malaysian young investors, identifying gender, marital status, and income as primary predictors. Male investors demonstrated 18% higher risk appetite scores than female investors across all income brackets.

[6] SEBI (2015) investor survey documented that only 7% of Indian household savings were invested in capital markets, with fixed deposits and real estate capturing 65% of household financial assets—highlighting persistent risk aversion in the Indian retail investment context.

[7] Mittal and Vyas (2016) classified Indian investors into five behavioural types: Confident, Cautious, Anxious, Impulsive, and Informed. Young urban investors predominantly fell in the Confident and Impulsive categories, characterised by high risk appetite but low analytical rigour.

[8] Sahi (2017) found financial literacy to be the strongest predictor of diversified investment behaviour in India, with financially literate investors showing 40%

lower portfolio concentration risk. HDFC Bank's investor education initiatives showed measurable improvement in diversification behaviour.

[9] Chitra and Sreedevi (2019) studied investment preference patterns of young IT-sector professionals in Hyderabad, finding that SIP-based mutual fund investments were preferred by 62% of respondents for their risk-averaged return profile and systematic discipline.

[10] AMFI (2022) data reported SIP inflows crossing ₹13,000 crore monthly, with first-time investor accounts growing 34% year-on-year—affirming increasing young investor participation driven by digital platforms and financial awareness campaigns.

#### 4. RESEARCH METHODOLOGY

A mixed-methods research design was adopted, combining quantitative survey analysis with secondary review of HDFC Bank investment product literature and regulatory publications. The approach enables comprehensive mapping of risk appetite profiles against actual investment behaviour patterns among young investors.

##### 4.1 Research Design

Descriptive research design documents risk appetite distribution and investment preference patterns. Analytical design examines correlations between demographic variables, risk tolerance scores, and investment product selection. Data collection spanned October 2023 to February 2024 across HDFC Bank branches and digital customer segments in Hyderabad.

##### 4.2 Data Sources

Primary Data: Structured questionnaire administered to 100 young HDFC Bank customers (aged 20–35) through in-branch and digital survey modes. Questionnaire comprising 35 items covered demographic profile, income and savings details, financial literacy self-assessment, risk tolerance scenarios, investment product holdings, and

decision-making behavioural factors. Validated Risk Tolerance Scale (Grable & Lytton, 1999) adapted for Indian investment context.

Secondary Data: HDFC Bank Annual Reports (2022–2024), SEBI investor survey publications, AMFI monthly SIP inflow data, RBI household financial savings statistics, and peer-reviewed academic literature on behavioural finance and retail investment in India.

##### 4.3 Sample Size

Purposive sampling targeted young investors actively engaged with HDFC Bank investment products. Final sample: 100 respondents drawn from Hyderabad branches and digital survey panels. Age distribution: 20–24 years (28%), 25–29 years (42%), 30–35 years (30%). Gender: Male (58%), Female (42%). Income distribution: Below ₹3L (18%), ₹3–6L (34%), ₹6–10L (31%), Above ₹10L (17%).

##### 4.4 Tools for Analysis

- Descriptive statistics: mean, median, standard deviation for risk tolerance scores and investment allocation data.
- Frequency distribution and percentage analysis for demographic and investment preference patterns.
- Pearson correlation analysis between financial literacy scores and risk appetite levels.
- Chi-square test for association between demographic variables and risk tolerance categories.
- One-way ANOVA to test mean risk appetite score differences across income groups.
- Weighted Average Method for ranking investment product preferences.

#### 5. DATA ANALYSIS AND INTERPRETATION

##### 5.1 Risk Appetite Distribution

Respondents were classified into three risk appetite categories based on standardised Risk Tolerance Scale scores. Table I

presents the distribution across categories and corresponding investment preferences.

Risk Category	Score Range	Respondents	%	Preferred Instruments
High Risk	70–100	28	28%	Equities, Equity MF, ELSS
Moderate Risk	40–69	49	49%	Hybrid MF, SIP, Balanced Funds
Low Risk	0–39	23	23%	FD, RD, PPF, Debt MF

Table I: Risk Appetite Classification – 100 Young HDFC Investors

## 5.2 Demographic Correlates of Risk Appetite

Chi-square analysis reveals statistically significant associations between income level and risk appetite category ( $\chi^2 = 18.42$ ,  $df = 4$ ,  $p < 0.01$ ). ANOVA confirms significant mean risk score differences across income groups ( $F = 12.67$ ,  $p < 0.001$ ). Gender difference in risk appetite is statistically significant ( $p < 0.05$ ), with male respondents averaging 58.3 versus female respondents averaging 49.7 on the 100-point risk tolerance scale.

Variable	Category	Mean Risk Score	Significance
Gender	Male	58.3	$p < 0.05$
Gender	Female	49.7	$p < 0.05$
Income	< ₹3 Lakh	38.2	$p < 0.01$
Income	₹3–6 Lakh	51.6	$p < 0.01$
Income	₹6–10 Lakh	62.4	$p < 0.01$
Income	> ₹10 Lakh	71.8	$p < 0.01$

Table II: Demographic Variables and Mean Risk Appetite Scores

## 5.3 Investment Product Preference Analysis

Investment product preferences by risk category confirm theoretical risk–return alignment with notable behavioural anomalies. Table III presents weighted preference scores across six product categories.

Product	High Risk %	Moderate %	Low Risk %
Equity Direct	64.3%	18.4%	4.3%
Equity Mutual Fund	71.4%	42.9%	8.7%
Hybrid / Balanced MF	35.7%	67.3%	26.1%
Debt Mutual Fund	14.3%	38.8%	56.5%
Fixed Deposit / RD	10.7%	32.7%	82.6%
SIP (Any Fund)	78.6%	75.5%	43.5%

Table III: Investment Product Preference by Risk Category

## 5.4 Financial Literacy and Risk Appetite Correlation

Pearson correlation coefficient between financial literacy score and risk appetite score:  $r = 0.67$  ( $p < 0.001$ ), indicating strong positive association. Investors scoring above 70 on the financial literacy assessment allocated 45% more of their portfolio to growth-oriented instruments than low-literacy counterparts. This supports Sahi (2017) findings in the Indian context.

Literacy Level	Literacy Score	Avg Risk Score	Equity Allocation %
High	70–100	64.8	52.3%
Moderate	40–69	53.2	31.6%

Literacy Level	Literacy Score	Avg Risk Score	Equity Allocation (21%)
Low	0–39	37.4	18.9%

Table IV: Financial Literacy vs Risk Appetite vs Equity Allocation

This aligns with AMFI (2022) data showing SIP participation nationally.

### 5.5 Behavioural Factors Influencing Investment Decisions

Survey responses identified seven primary behavioural factors influencing investment decisions. Table V ranks these by frequency of citation as 'very significant' or 'significant' among respondents.

Behavioural Factor	% Significant	Impact Direction
Peer/Social Influence	72%	Increases risk-taking
Loss Aversion	68%	Reduces risk-taking
Herd Behaviour	61%	Amplifies market trends
Overconfidence Bias	54%	Increases risk-taking
Recency Bias	49%	Chases past returns
Mental Accounting	43%	Suboptimal allocation
Status Quo Bias	38%	FD preference persistence

Table V: Behavioural Factors in Young Investor Decision-Making

### 5.6 SIP Adoption and Systematic Investment Behaviour

SIP adoption rates are high across all risk categories (Table III), confirming that systematic investment habits transcend risk appetite differences. Among 100 respondents, 73% had active SIPs as of the survey date. Average monthly SIP amount: ₹4,820. Primary motivation for SIP: rupee cost averaging (48%), disciplined saving habit (31%), and tax benefits under ELSS

## 6. FINDINGS AND SUGGESTIONS

### 6.1 Key Findings

- Moderate risk appetite dominates (49%) among young HDFC investors, with balanced and hybrid mutual funds as the preferred vehicle, reflecting awareness of diversification principles.
- High-income young investors (> ₹10 lakh p.a.) exhibit significantly higher risk appetite (mean score 71.8), gravitating toward direct equity and equity mutual funds.
- Financial literacy is the strongest predictor of risk-adjusted investment behaviour ( $r = 0.67, p < 0.001$ ); high-literacy investors achieve superior equity allocation despite similar income levels.
- Loss aversion (68%) and peer influence (72%) are dominant behavioural moderators, frequently causing deviation from theoretically optimal risk-return investment decisions.
- SIP adoption spans all risk categories (73% adoption rate), suggesting systematic investment habits as a robust financial planning tool independent of risk appetite.
- Female investors demonstrate 17% lower mean risk appetite scores, primarily linked to lower self-reported financial literacy and shorter prior investment experience, not inherently lower risk capacity.
- Fixed deposit preference persists among 82.6% of low-risk investors despite inflation-adjusted negative real returns in 2022–23, evidencing strong status quo bias.
- Young investors aged 20–24 exhibit highest overconfidence bias scores (62% rate themselves 'above average')

investors) yet demonstrate lowest portfolio diversification.

## 6.2 Suggestions

- Deploy AI-powered risk profiling at account opening, dynamically updating investor risk appetite scores based on transaction history, market participation patterns, and life event triggers (salary changes, marriage, first home purchase).
- Develop targeted financial literacy programmes for female and first-time investors, focusing on real return calculations, inflation impact, and equity investment demystification to close the gender risk appetite gap.
- Introduce Behavioural Nudges via HDFC Bank mobile app: automated alerts when portfolio concentration exceeds optimal diversification thresholds and goal-tracking dashboards reducing recency bias.
- Implement Goal-Based Investing (GBI) frameworks linking investment product recommendations to specific life goals (education fund, home down payment, retirement corpus), enabling risk-appropriate product selection without requiring deep financial expertise.
- Offer structured investment workshops in partnership with corporate employers for salaried young professionals, leveraging peer group settings to channel social influence positively toward diversified investment habits.
- Create a Robo-Advisory pathway within HDFC NetBanking for young investors preferring self-directed investment, providing personalised asset allocation recommendations based on validated risk profiles and reducing reliance on branch visits.

## 7. CONCLUSION

This study comprehensively examined risk appetite determinants and their influence on investment behaviour among young investors at HDFC Bank, Hyderabad. Evidence from 100 respondents confirms

that risk tolerance is not uniformly distributed among young investors; instead, it is a complex construct shaped by income level, financial literacy, gender, and age—with behavioural biases acting as significant moderating variables.

The dominant moderate-risk profile (49%) among respondents suggests that HDFC Bank's young investor base is not uniformly risk-averse but open to growth-oriented instruments when appropriate guidance and financial literacy support are provided. The strong SIP adoption rate (73%) across all risk categories presents a strategic opportunity for HDFC Bank to deepen engagement through goal-based investing frameworks that align systematic savings behaviour with personalised risk-return objectives.

Financial literacy emerges as the critical lever: investors with high literacy scores allocate nearly three times more to equity instruments than low-literacy peers, substantially improving long-term wealth creation prospects. Behavioural factors—particularly loss aversion and peer influence—require systematic intervention through technology-enabled nudges and advisory frameworks rather than product-centric sales approaches.

HDFC Bank's investment in digital advisory infrastructure, combined with targeted financial education and personalised risk profiling, positions it to transform young investor potential into sustained, risk-appropriate portfolio participation—contributing to both individual financial wellness and broader capital market deepening in India.

## 8. REFERENCES

- [1] H. Markowitz, 'Portfolio Selection,' *Journal of Finance*, vol. 7, no. 1, pp. 77–91, 1952.
- [2] D. Kahneman and A. Tversky, 'Prospect Theory: An Analysis of Decision under Risk,' *Econometrica*, vol. 47, no. 2, pp. 263–291, 1979.



- [3] H. Shefrin and M. Statman, 'The Disposition to Sell Winners Too Early and Ride Losers Too Long,' *Journal of Finance*, vol. 40, no. 3, pp. 777–790, 1985.
- [4] L. Gupta and C. Jain, 'The Changing Investment Preferences of Indian Household Investors,' *Society for Capital Market Research and Development*, New Delhi, 2008.
- [5] S. Annamalah, 'Determinants of Individual Investors' Risk Tolerance Level,' *Journal of Business and Management*, vol. 8, no. 3, pp. 60–67, 2013.
- [6] Securities and Exchange Board of India, 'Investor Survey 2015,' SEBI, Mumbai, 2015.
- [7] M. Mittal and R. K. Vyas, 'Personality Type and Investment Choice: An Empirical Study,' *The ICFAI University Journal of Behavioral Finance*, vol. 5, no. 3, pp. 6–22, 2016.
- [8] S. K. Sahi, 'Psychological Biases of Individual Investors and Financial Satisfaction,' *Journal of Consumer Behaviour*, vol. 16, no. 6, pp. 511–535, 2017.
- [9] K. Chitra and E. R. Sreedevi, 'Investment Preferences of Young Professionals in Hyderabad,' *International Journal of Management*, vol. 10, no. 3, pp. 145–154, 2019.
- [10] Association of Mutual Funds in India, 'AMFI Monthly Data – SIP Inflows December 2022,' AMFI, Mumbai, 2022.
- [11] Reserve Bank of India, 'Household Finance Committee Report,' RBI, Mumbai, 2017.
- [12] J. E. Grable and R. H. Lytton, 'Financial Risk Tolerance Revisited: The Development of a Risk Assessment Instrument,' *Financial Services Review*, vol. 8, no. 3, pp. 163–181, 1999.
- [13] HDFC Bank Limited, 'Annual Report 2023–24,' HDFC Bank, Mumbai, 2024.
- [14] HDFC Bank Limited, 'Annual Report 2022–23,' HDFC Bank, Mumbai, 2023.
- [15] SEBI, 'Circular on Risk-o-meter for Mutual Funds,' SEBI/HO/IMD/DF3/CIR/2020/197, SEBI, Mumbai, 2020.