

---

**A STUDY ON FINANCIAL PLANNING FOR SALARIED EMPLOYEES****Dr. Priyada Vinod\*<sup>1</sup>, Muthumani.S\*<sup>2</sup>, Swetha.A\*<sup>3</sup>**<sup>1</sup>Algoma-Yorkville university, Toronto, Canada.<sup>2,3</sup>Department Of Management Studies, Jerusalem College Of Engineering, Chennai, India.DOI: <https://www.doi.org/10.56726/IRJMETS71698>

---

**ABSTRACT**

Financial planning is an essential aspect of managing personal finances, especially for salaried employees who have fixed incomes and specific financial goals. This study examines the financial planning practices of salaried employees, focusing on their savings patterns, investment preferences, tax planning strategies, and retirement preparedness. The research highlights how employees prioritize financial security and risk mitigation, often favoring traditional investment options such as fixed deposits, provident funds, and insurance policies. However, limited financial literacy and risk aversion prevent many individuals from exploring high-return investment avenues like mutual funds and equities. The study also explores the role of demographic factors such as age, income, and education in shaping investment decisions. Findings indicate that while employees are aware of various investment options, they often lack proper guidance in selecting the right financial instruments. Additionally, tax-saving investments are widely used, but they are frequently chosen without comprehensive evaluation. Retirement planning remains a secondary priority for many, with contributions often being minimal or unstructured.

The research underscores the need for financial literacy programs to educate salaried employees on effective financial planning strategies. Encouraging diversification, increasing awareness of modern investment opportunities, and fostering a disciplined savings culture can help employees achieve long-term financial stability. By understanding the financial behavior of salaried employees, this study provides insights that can aid policymakers, financial advisors, and employers in designing better financial education initiatives and investment solutions tailored to this demographic

---

**I. INTRODUCTION**

The project titled "A Study on Financial Planning for Salaried Employees" explores how salaried individuals manage their finances, investments, savings, and tax planning. Financial planning is a crucial process that helps individuals assess their current financial status, set future financial goals, and take appropriate steps to achieve them. It provides direction for making informed financial decisions, ensuring financial security and stability in the long run. Salaried employees in India have various investment options, including equity, which offers high-risk, high-return opportunities through stocks and mutual funds, and debt instruments, such as fixed deposits, company debentures, and government bonds, which provide stable returns. Mutual funds combine both equity and debt, making them a balanced investment choice. Additionally, employees invest in life insurance and provident funds for long-term financial security, while real estate and gold are popular for wealth creation and asset protection. The study focuses on understanding the investment behaviour of salaried employees in Chennai, identifying their financial challenges and preferences. It provides insights into different investment options available in India and helps financial institutions develop better investment products. The primary objective is to analyse financial planning among salaried employees, while the secondary objectives include studying their savings patterns, investment choices, and tax planning strategies. However, the study has certain limitations, such as being restricted to Chennai, which may not represent the entire population. The small sample size may impact the reliability of findings, and investment preferences can vary based on market conditions and individual risk tolerance. Despite these limitations, the study aims to help salaried employees make better financial decisions, leading to improved financial stability and security.

**II. REVIEW OF LITERATURE**

Geetha N. and Ramesh M. (2011): The study by Geetha and Ramesh (2011) highlights the importance of investment choices for salaried individuals. It emphasizes that individuals must carefully select investment avenues based on their financial goals and risk appetite. The study also analyzes the factors influencing

investment decisions, such as income, education, and awareness levels. The authors conclude that better financial literacy can lead to informed investment decisions and improved financial security. Bhushan P. and Medury Y. (2013) This research focuses on tax literacy among salaried employees. The study finds that many individuals lack awareness of tax-saving instruments, leading to inefficient tax planning. Bhushan and Medury suggest that financial education programs should be implemented to improve tax literacy. The study also reveals that tax literacy is significantly influenced by factors such as education, gender, and job type. Neha Agarwal (2020) Agarwal's study examines the role of tax planning in financial planning for salaried employees. The research indicates that tax planning is often overlooked, despite its potential to reduce financial burdens and increase savings. The study emphasizes the importance of awareness regarding tax deductions, exemptions, and investment-linked tax benefits. It suggests that organizations should conduct financial literacy workshops to help employees optimize their tax planning strategies. Million Assefa and Durga Rao P. V. (2018) This study investigates the relationship between financial literacy and investment behaviour among salaried employees. The findings suggest that individuals with higher financial literacy are more likely to make informed investment decisions. The study also highlights the impact of demographic factors such as age, education, and income levels on investment choices. The authors recommend that financial education should be included as part of employee training programs to enhance financial well-being. Sangeeta Gupta (2017) Gupta's research explores the connection between financial literacy and investment preferences of salaried individuals in Delhi. The study finds that while traditional investment options like fixed deposits and life insurance are popular, awareness of newer financial products such as mutual funds and stock market investments remains low. The study suggests that improving financial knowledge can lead to diversification of investments and better financial planning.

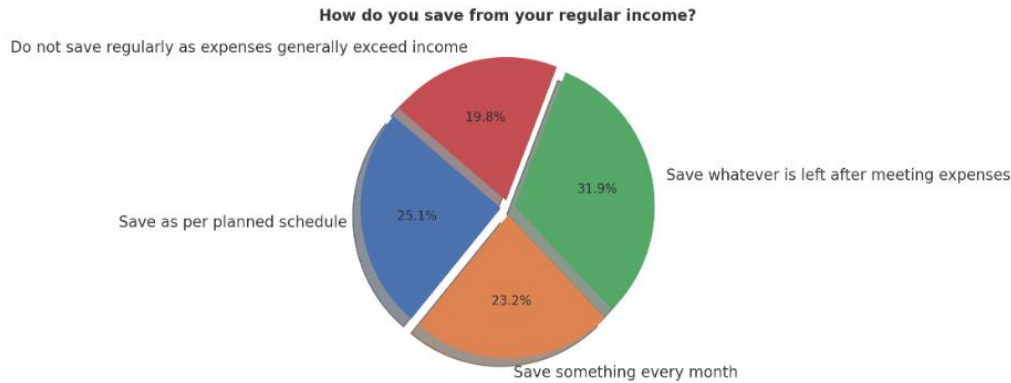
### **III. RESEARCH METHODOLOGY**

This study follows a descriptive research design to analyse financial planning among salaried employees. Descriptive research is used to collect detailed and accurate data about savings, investments, and tax planning. A structured questionnaire was designed to gather relevant information from respondents regarding their financial behaviour and decision-making processes. The study employs a non-probability sampling technique, specifically convenience sampling, to select respondents based on availability and accessibility. The sample size consists of 207 salaried employees from Chennai, covering both government and private sector employees. This method was chosen as it allows for quick and efficient data collection from individuals who meet the study's criteria. Data for this study was collected from both primary and secondary sources. Primary data was obtained through a structured questionnaire containing multiple-choice, yes/no, and demographic questions. The questionnaire was designed to capture respondents' financial habits, investment preferences, and tax planning strategies. Secondary data was sourced from books, journals, financial reports, and online publications to support the study's findings and provide context on investment trends and financial literacy. The questionnaire structure includes sections covering respondents' demographics, investment preferences, savings habits, tax planning methods, and retirement planning strategies. The questions are mostly close-ended to ensure uniformity in responses, allowing for better statistical analysis. For data analysis, various statistical tools were used, including percentage analysis, Chi-square tests, correlation analysis, and ANOVA (Analysis of Variance). These tools help in identifying patterns and relationships between different financial behaviours. The collected data was processed using MS Excel and SPSS (if applicable) to ensure accurate analysis and interpretation.

The study period spans from January 2025 to March 2025, allowing sufficient time to collect, analyze, and interpret data effectively. By using this structured methodology, the study aims to provide valuable insights into the financial planning behaviour of salaried employees and suggest improvements for better financial management.

#### IV. DATA ANALYSIS AND INTERPRETATION'S

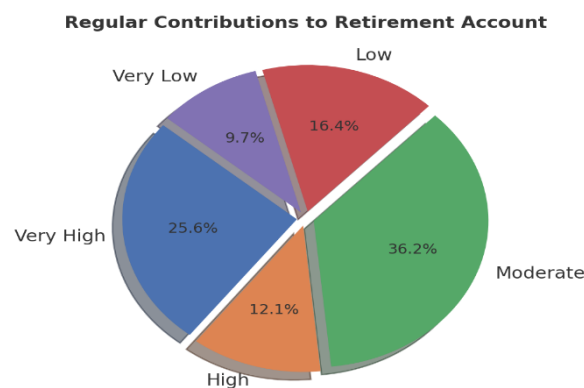
##### 1. How do you save from your regular income?



**Interpretation:-**

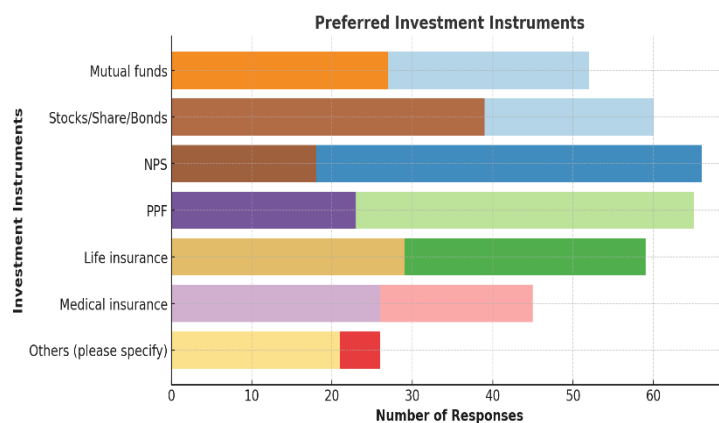
The chart highlights individuals' saving habits based on their income. About 31.9% save only after covering expenses, while 25.1% follow a planned saving schedule. Additionally, 23.2% save something every month, and 19.8% struggle to save due to high expenses. This data shows that while many aim to save, financial commitments impact their ability to do so.

##### 2. Do you make regular contributions to your retirement account?



**Interpretation;-** The survey reveals that 36.2% of respondents contribute a moderate amount to their retirement accounts, while 25.6% report a very high level of contribution. Additionally, 16.4% contribute a low amount, 12.1% have a high level of contribution, and 9.7% make very low contributions.

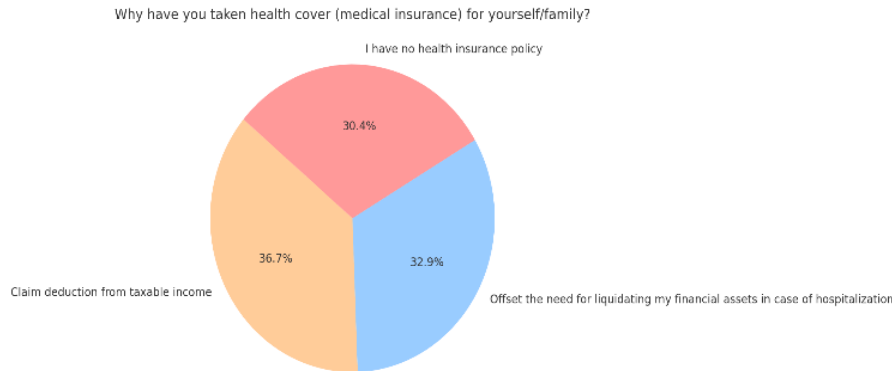
##### 3. Which investment options are most preferred (e.g., FDs, stocks, mutual funds)?



**Interpretation:-** The survey highlights individuals' investment preferences, with 31.9% favouring the National Pension System (NPS) and 31.4% preferring the Public Provident Fund (PPF). Additionally, 29% invest in

stocks, shares, or bonds, while 28.5% opt for life insurance. Mutual funds are preferred by 25.1%, and 21.7% prioritize medical insurance. Meanwhile, 12.6% selected "Others" as their preferred investment choice.

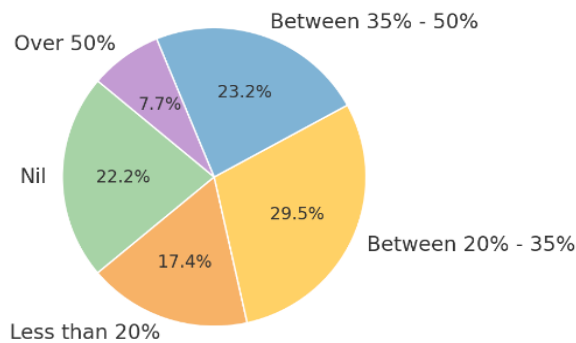
**4. Why have you take health cover for yourself/family?**



**Interpretation:** -The survey indicates that 36.7% of individuals have taken health insurance to claim deductions from taxable income, while 32.9% have it to avoid liquidating financial assets in case of hospitalization. Meanwhile, 30.4% do not have any health insurance policy.

**5. What percentage of your monthly salary is used to repay loans?**

What percentage of your monthly salary is used to repay loans?



**Interpretation:-** The chart shows the distribution of individuals' salaries allocated to loan repayments. The highest proportion, 29.5%, allocates 20% to 35% of their salary to loans, while 23.2% spend 35% to 50%, indicating high debt commitments. Additionally, 22.2% have no loan repayments, and 17.4% allocate less than 20%, suggesting manageable debt. Only 7.7% dedicate over 50% of their salary to loan repayments, highlighting financial strain for a small group.

**4.1.1 ANOVA TEST:** ANOVA is used to compare the means of three or more groups to check if there is a significant difference between them.

One-Way ANOVA:

**Null Hypothesis (H<sub>0</sub>):** There is no significant difference in the utilization of income tax benefits across different groups of tax planning strategies.

**Alternative Hypothesis (H<sub>1</sub>):** There is a significant difference in the utilization of income tax benefits among different groups of tax planning strategies.

Interpretation of ANOVA Output:

Source	Sum of Squares	df	Mean Square	F	Sig. (p-value)
Between Groups	89.341	3	29.780	25.498	0.000
Within Groups	237.094	203	1.168		
Total	326.435	206			

**Key Findings:**

1. F-value = 25.498 A high F-value indicates a strong effect of the independent variable (tax planning strategy) on the dependent variable (utilization of tax benefits).
2. p-value (Sig.) = 0.000 Since  $p < 0.05$ , we reject the null hypothesis ( $H_0$ ). This means there is a statistically significant difference in tax benefit utilization among different planning strategies.

**4.1.2 CHI SQUARE TEST: Chi-Square Test** is used to determine if there is a significant association between two categorical variables.

**Hypothesis:**

**Null Hypothesis ( $H_0$ ):**

There is no significant association between the two categorical variables.

**Alternative Hypothesis ( $H_1$ ):**

There is a significant association between the two categorical variables.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	12.505 <sup>a</sup>	6	.052
Likelihood Ratio	12.264	6	.056
Linear-by-Linear Association	7.358	1	.007
N of Valid Cases	207		
a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is 3.57.			

**Interpretation of Results:**

- Pearson’s Chi-Square Test & Likelihood Ratio Test:
  - Since the p-values are greater than 0.05, we fail to reject the null hypothesis, meaning there is no strong evidence of a significant association between the two categorical variables.
- Linear-by-Linear Association Test:
  - The p-value is 0.007 ( $< 0.05$ ), indicating a significant linear relationship between the variables.
- Chi-Square Assumption Violation:
  - Since some cells have low expected counts, the assumption of the Chi-Square test is violated.
  - A Fisher’s Exact Test may be more appropriate for more accurate results.

**V. FINDINGS**

Salaried employees often face limitations in their investment options due to their fixed monthly incomes, which restrict their ability to explore diverse financial avenues. Many employees tend to prioritize savings over investments, focusing more on financial security rather than wealth creation. A significant challenge observed is the lack of financial literacy, which results in poor investment decisions and limited awareness of available opportunities. Traditional investment options such as fixed deposits, LIC policies, and provident funds remain the most preferred choices, while modern investment vehicles like mutual funds and stock market investments are still not widely accepted due to the perception of high risk. Additionally, most employees do not engage in retirement planning at an early stage in their careers, which affects their long-term financial security. Tax-

saving investments, though popular, are often selected without proper evaluation, leading to suboptimal financial planning. Furthermore, the risk appetite of employees varies based on factors such as age, financial stability, and family responsibilities, influencing their investment choices and overall financial planning strategies.

## VI. SUGGESTIONS

Employers should take the initiative to conduct financial literacy programs to educate employees on various investment options, helping them make informed financial decisions. Employees should be encouraged to diversify their investments to achieve a balance between risk and return, rather than relying solely on traditional savings methods. Increased awareness programs on modern investment avenues like mutual funds and Systematic Investment Plans (SIPs) can help employees explore alternative ways to grow their wealth. Financial advisors should provide proper guidance on tax-saving investments, ensuring that employees choose options that align with their long-term financial goals. Additionally, the government and financial institutions should actively promote easy and accessible financial planning tools, enabling employees to plan their finances efficiently. Employers can further support their workforce by offering voluntary retirement savings schemes, ensuring financial security and stability post-retirement.

## VII. CONCLUSION

Financial planning plays a crucial role in helping salaried employees achieve financial security and long-term wealth creation. However, a lack of awareness and a tendency to avoid risk prevent many employees from exploring high-return investment options, limiting their financial growth. Proper guidance and financial education can empower employees to make well-informed investment decisions, enabling them to balance safety with potential returns. A comprehensive financial plan should incorporate savings, diverse investments, and effective risk management to ensure financial stability. Additionally, promoting financial discipline and encouraging early retirement planning can help employees secure their future and achieve long-term financial well-being.

## VIII. REFERENCES

- [1] Anand Kumar S. (2018), –Investment behavior towards different financial products||, International Journal of Innovative Knowledge Concepts, Vol. no. 6(5), pp 57-62
- [2] Avni Patel (2018), –Study of financial literacy among residents of Gujarat||, Pacific Business review International, Vol. no. 11(4), pp 97- 106
- [3] BalaSwamy M. and Priya R. (2016), –An association between financial literacy and investment behavior of salaried individuals: A study in telangana state||, IJEMR, Vol. no. 6(10) pp 1-8
- [4] Dam, Leena B and Hotwani, Malti (2017), –The relationship between age and income with financial planning – an exploratory study||, Pratibimba – The Journal of IMIS, (Indexed in Proquest) pp 7 -16.
- [5] Deepak Sood, and Navdeep Kaur (2015), –A study of saving and investment pattern of salaried class people with special reference to chandigarh||, International Journal of Research in Engineering, IT & Social Sciences, Vol. no. 5(2), pp 1-15
- [6] Dey Sanjeeb Kumar (2015), –Awareness and practices of tax planning by salaried employees: A case study of lecturers in odisha||, Indian Journals, Vol. no. 15(2), pp 150-159
- [7] Gajendra Naidu J. (2017), –Financial literacy in India: A review of literature||, International Journal of Research in Business Studies and Management, Vol. no. 4(6), pp 30-32
- [8] Geetha N. and Ramesh M. (2011), –A study on peoples preferences in investment behavior, IJEMR, Vol. no. 1(6), pp 1-10
- [9] Geethu Gopi, Priyanka D. and Preetha R. (2018), –An insight into the savings and investment pattern of salaried employees working in private sector of shipping industries at ernakulam||, International Journal of Pure and Applied Mathematics, Vol. no. 118(18), pp 1347-1363
- [10] Guna Ciemleja, Natalja Lace and Jelena Titko (2014), –Towards the practical evaluation of financial literacy: Latvian survey||, ICEM 2014, Vol. no. 156(23-25), pp 13-17