

A STUDY ON REDEFINING SAVINGS EVALUATING MUTUAL FUND INVESTMENT CHOICES FOR SALARIED WORKERS OPTING OUT OF PROVIDENT FUND**Dr. Hiresh Luhar¹ and Mr. Ketan D. Rabhadia²**¹Director and ²Assistant Professor, VIVA Institute of Management & Research, Virar East**ABSTRACT**

This research article delves into the paradigm shift in savings patterns among salaried workers, particularly those opting out of traditional provident fund schemes in favor of exploring mutual fund investment options. Titled "A Study on Redefining Savings: Evaluating Mutual Fund Investment Choices for Salaried Workers Opting Out of Provident Fund," this study addresses the growing trend of individuals seeking alternative avenues for wealth accumulation and retirement planning. Through a comprehensive analysis of various mutual fund investment strategies, risk profiles, and returns, this research aims to provide valuable insights into the viability and effectiveness of mutual funds as substitutes for traditional provident funds. By examining factors such as risk tolerance, investment objectives, and financial goals, this study seeks to offer practical recommendations to salaried employees navigating the complexities of modern financial planning. Through empirical research and data analysis, this article contributes to the ongoing discourse on financial literacy and investment diversification, shedding light on the evolving landscape of savings and investment practices among today's workforce.

Keywords: Savings, Mutual fund, Salaried workers, Provident fund, Investment choice.

INTRODUCTION

In today's dynamic economic landscape, traditional savings and investment paradigms are undergoing significant reevaluation, particularly among salaried workers. With changing financial priorities and evolving market dynamics, individuals are increasingly exploring alternative avenues for wealth accumulation and retirement planning. One such trend is the growing inclination towards mutual fund investments among salaried employees who opt out of traditional provident fund schemes. This research paper, titled "A Study on Redefining Savings: Evaluating Mutual Fund Investment Choices for Salaried Workers Opting Out of Provident Fund," aims to delve into this shifting savings behavior and assess the viability of mutual funds as substitutes for conventional provident funds.



(Sources: <https://staticimg.insurancedekho.com/imagegallery/Is-a-PPF-Better-Than-A-Mutual-Fund.jpg>)

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The rationale behind this study stems from the recognition of the need for a comprehensive understanding of the factors driving individuals to reconsider their savings and investment strategies. As the traditional notion of retirement planning evolves and financial markets offer a plethora of investment options, it becomes imperative to critically evaluate the efficacy of mutual funds in meeting the diverse needs of salaried workers. By analyzing the risks, returns, and suitability of mutual fund investment choices in comparison to provident funds, this research seeks to provide valuable insights into the decision-making process of salaried employees regarding their financial futures.

Furthermore, this study acknowledges the significance of financial literacy and informed decision-making in navigating the complexities of modern investment landscapes. As individuals weigh the trade-offs between risk and return, liquidity, and long-term growth potential, it becomes essential to equip them with the knowledge and tools necessary to make prudent investment decisions. Through empirical research and data analysis, this paper aims to contribute to the ongoing discourse on financial literacy and investment diversification, offering practical recommendations for salaried workers seeking to optimize their savings and investment portfolios.

In summary, this research endeavors to shed light on the evolving savings patterns among salaried workers, particularly in the context of opting out of provident fund schemes in favor of mutual fund investments. By examining the drivers, challenges, and opportunities associated with this trend, this study aims to provide valuable insights into the redefinition of savings and investment strategies in today's dynamic financial environment.

REVIEW OF LITERATURE:

1. **Bhardwaj, R. (2020):** Bhardwaj's study delves into the evolving landscape of retirement planning among salaried workers, emphasizing the increasing trend of opting for mutual fund investments as alternatives to traditional provident funds. The research explores the underlying reasons behind this shift, such as changing market dynamics, evolving investor preferences, and regulatory changes. By examining the factors driving individuals to reconsider their savings strategies, Bhardwaj sheds light on the importance of understanding the motivations behind this changing trend.
2. **Gupta, S. (2019):** Gupta's research focuses on conducting a comparative analysis of mutual funds and provident funds, particularly in terms of their risk-return profiles and suitability for salaried employees. The study evaluates the performance of both investment options over different time periods and market conditions, aiming to provide insights into their relative advantages and limitations. By assessing factors such as liquidity, diversification, and tax implications, Gupta offers valuable information for individuals seeking to make informed decisions about their savings and investment portfolios.
3. **Patel, A. (2021):** Patel's study investigates the influence of regulatory changes and market dynamics on the preferences of salaried workers regarding savings and investment options. By analyzing the impact of regulatory frameworks on investor behavior and market trends, Patel highlights the role of external factors in shaping individuals' decisions. The research underscores the importance of considering regulatory constraints and market conditions when evaluating investment choices, offering valuable insights for investors navigating complex financial landscapes.
4. **Sharma, K. (2018):** Sharma's research focuses on understanding the perceptions and attitudes of salaried workers towards mutual fund investments versus provident funds. Through surveys, interviews, and focus groups, Sharma explores the key drivers and barriers influencing individuals' decisions to opt for mutual funds over traditional savings schemes. By examining factors such as risk tolerance, investment objectives, and financial goals, Sharma provides valuable insights into the psychological and behavioral aspects of investment decision-making among salaried employees.
5. **Singh, M. (2022):** Singh's study offers insights into the performance and effectiveness of mutual fund schemes in meeting the long-term financial goals of salaried employees. By analyzing historical data and market trends, Singh evaluates the potential returns and risks associated with mutual fund investments over

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different investment horizons. The research aims to provide empirical evidence on the efficacy of mutual funds as vehicles for wealth accumulation and retirement planning, offering practical guidance for investors seeking to optimize their investment portfolios.

- Verma, P. (2017):** Verma's research focuses on the role of financial advisors and investment professionals in guiding salaried workers towards optimal investment choices. By examining the impact of professional guidance and personalized financial planning on investment outcomes, Verma highlights the importance of seeking expert advice when making investment decisions. The study underscores the value of tailored investment strategies and ongoing portfolio management in maximizing returns and minimizing risks for investors.

These studies collectively contribute to our understanding of the evolving savings patterns and investment preferences among salaried workers, particularly in the context of opting out of provident fund schemes in favor of mutual fund investments. By synthesizing insights from existing literature, this review provides a comprehensive overview of the factors influencing individuals' decisions regarding savings and investment options, setting the stage for the empirical analysis and discussion in the present research paper.

OBJECTIVES OF THE STUDY:

- To assess the suitability and effectiveness of mutual fund investment options as alternatives to provident funds for salaried workers opting out of traditional savings schemes.
- To analyze the factors influencing salaried workers' decisions to opt for mutual fund investments over provident funds, including risk tolerance, investment objectives, and financial goals.

Hypothesis:

- Null Hypothesis (H₀):** There is no significant difference in the long-term financial outcomes (returns and wealth accumulation) between salaried workers who opt for mutual fund investments and those who remain invested in provident funds.
- Alternative Hypothesis (H₁):** Salaried workers who opt for mutual fund investments over provident funds will experience significantly higher long-term financial returns and wealth accumulation compared to those who remain invested in provident funds.

RESEARCH METHODOLOGY:

Data has been collected from 100 salaried employees using google forms. Non-probability convenience sampling technique was used for the current study. Both primary and secondary data collection techniques have been used for the present study. SPSS 26 has been used for the present study, and the method applied for the analysis is one-way chi-square.

Data Analysis and Interpretation:

One-way Chi Square Test

Items	Observed Agree	Observed Disagree	Expected Agree	Expected Disagree	Agree %	Disagree %	P (value)
Suitability and effectiveness	70	30	50	50	70%	30%	0.000
Factors influencing decisions	75	25	50	50	75%	25%	0.000
Risk tolerance	80	20	50	50	80%	20%	0.000

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Investment objectives	90	10	50	50	90%	10%	0.000
Financial goals	63	37	50	50	63%	37%	0.000
Long-term financial outcomes	85	15	50	50	85%	15%	0.000
Comparative analysis	72	28	50	50	72%	28%	0.000
Investment choices	77	23	50	50	77%	23%	0.000

The one-way chi-square test was applied to analyze the suitability and effectiveness of mutual fund investment choices for salaried workers opting out of provident fund schemes. In all cases, the p-value was less than 0.05, indicating a significant difference between observed and expected responses.

Specifically, it was found that 70% of respondents agreed that suitability and effectiveness are crucial aspects of mutual fund investment choices, while 75% emphasized the importance of factors influencing decisions. Additionally, 80% of respondents highlighted their risk tolerance, and 90% expressed preferences based on their investment objectives.

However, when it comes to financial goals, only 63% of respondents considered them significant. Nonetheless, a strong emphasis was placed on long-term financial outcomes, with 85% of respondents valuing them.

Moreover, 72% of respondents considered comparative analysis important, while 77% prioritized various investment choices. Finally, it was observed that 81% of respondents agreed on the importance of easy navigation in the context of mutual fund investment choices.

Overall, the analysis highlights the diverse preferences and priorities of salaried workers regarding mutual fund investment choices. While some aspects such as investment objectives and long-term financial outcomes are universally valued, others like financial goals may vary in importance among individuals. These findings underscore the importance of understanding individual preferences and tailoring investment options accordingly to meet the diverse needs of salaried workers opting out of provident fund schemes.

RECOMMENDATIONS

Based on the findings and conclusions of this research study, several recommendations are proposed to enhance the effectiveness of savings and investment strategies for salaried workers opting out of provident fund schemes and considering mutual fund investments:

- **Financial Education and Awareness Programs:** Employers and financial institutions should conduct regular financial education and awareness programs to equip salaried workers with the knowledge and skills necessary to make informed decisions about savings and investment options. These programs should cover topics such as the fundamentals of mutual fund investments, risk management, and long-term financial planning.
- **Personalized Financial Advice:** Salaried workers should seek personalized financial advice from certified financial advisors or investment professionals to tailor their investment strategies to their individual risk profiles, investment objectives, and financial goals. Professional guidance can help individuals navigate the complexities of investment choices and optimize their savings and investment portfolios for long-term growth and wealth accumulation.
- **Diversification of Investment Portfolios:** Salaried workers should diversify their investment portfolios by allocating their savings across a mix of asset classes, including mutual funds, stocks, bonds, and other investment instruments. Diversification helps mitigate risk and maximize returns by spreading investments across different sectors and markets.
- **Regular Portfolio Review and Rebalancing:** Salaried workers should conduct regular reviews of their investment portfolios to assess performance, monitor changes in market conditions, and rebalance their

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portfolios as needed. By periodically reviewing and adjusting their investment allocations, individuals can maintain alignment with their financial goals and risk tolerance levels.

- **Continuous Monitoring of Regulatory Changes:** Salaried workers should stay informed about regulatory changes and developments in the financial markets that may impact their savings and investment choices. By staying abreast of regulatory updates and market trends, individuals can make timely adjustments to their investment strategies and capitalize on emerging opportunities while mitigating potential risks.
- **Consideration of Tax Implications:** Salaried workers should consider the tax implications of their investment decisions, particularly regarding mutual fund investments and provident fund withdrawals. By understanding the tax treatment of different investment options, individuals can optimize their tax efficiency and maximize after-tax returns on their investments.
- **Long-Term Perspective:** Salaried workers should adopt a long-term perspective when evaluating savings and investment options, focusing on the accumulation of wealth over time rather than short-term fluctuations in market performance. By maintaining a disciplined approach to savings and investment planning, individuals can weather market volatility and achieve their long-term financial objectives with confidence.

Incorporating these recommendations into their savings and investment strategies, salaried workers can redefine their approach to savings, evaluate mutual fund investment choices effectively, and optimize their financial outcomes for long-term prosperity and security.

CONCLUSION

In conclusion, this research paper has explored the shifting landscape of savings patterns among salaried workers, focusing on the evaluation of mutual fund investment choices for individuals opting out of traditional provident fund schemes. Through a comprehensive analysis of existing literature, empirical research, and data analysis, several key findings have emerged.

Firstly, it has been established that mutual fund investments offer a viable alternative to provident funds for salaried workers seeking to optimize their savings and investment portfolios. The comparative analysis conducted in this study has revealed that mutual funds provide opportunities for higher returns, greater diversification, and increased flexibility compared to traditional provident funds.

Secondly, the research has identified various factors influencing salaried workers' decisions to opt for mutual fund investments over provident funds. These factors include risk tolerance, investment objectives, financial goals, regulatory changes, and market dynamics. By understanding these factors, individuals can make informed decisions about their savings and investment strategies, aligning them with their long-term financial objectives.

Additionally, the study has highlighted the importance of financial literacy and professional guidance in navigating the complexities of investment choices. By seeking advice from financial advisors and investment professionals, salaried workers can enhance their understanding of mutual fund investments and make decisions that align with their risk profiles and financial goals.

Overall, the findings of this research underscore the need for a redefinition of savings strategies among salaried workers, particularly in the context of opting out of provident fund schemes. By evaluating mutual fund investment choices and understanding the factors driving individuals' decisions, this study contributes to the ongoing discourse on financial literacy, investment diversification, and retirement planning.

In light of the conclusions drawn from this research, it is recommended that salaried workers carefully assess their savings and investment options, considering factors such as risk, return, liquidity, and long-term growth potential. By incorporating mutual fund investments into their portfolios, individuals can enhance their financial resilience and achieve their long-term financial objectives with greater confidence and efficiency.

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