

**A STUDY ON FINANCIAL PLANNING FOR SALARIED INDIVIDUALS: BUILDING A SECURE FUTURE IN INDIA****Rishi Vyas<sup>1</sup> and Dr. Hiresuh Luhar<sup>2</sup>**<sup>1</sup>Research Scholar, University of Mumbai<sup>2</sup>Director VIVA Institute of Management & Research**ABSTRACT**

*Financial planning plays a crucial role in securing a prosperous future, especially for salaried individuals in India who face unique challenges due to limited income growth potential, high taxation, and restricted access to credit. For salaried individuals in India, navigating the complexities of finances while facing unique challenges necessitates a well-defined plan. This research paper investigates key aspects of financial planning for this population, analysing data to understand their financial behaviour and presenting strategies to build financial security. This research investigates key aspects of their financial planning, analysing data on income, expenses, saving patterns, and investment behaviour. By identifying trends and gaps, the paper recommends essential practices and explores opportunities to build a secure future.*

**INTRODUCTION**

Salaried individuals constitute a large and vital segment of India's workforce. While enjoying income stability, they face challenges like limited income growth, high taxation, and limited access to credit, necessitating a well-defined financial plan. This paper explores essential practices, analyses data, and presents strategies for building a secure future. This research paper delves into the multifaceted domain of financial planning for salaried individuals in India, emphasizing its pivotal role in fostering a secure and sustainable future. The study employs a comprehensive approach, combining qualitative and quantitative methodologies, to analyse the financial challenges faced by salaried individuals, identify optimal financial planning strategies, and provide practical insights for navigating India's dynamic economic landscape.

**Challenges Faced by Salaried Individuals:**

1. **Limited Income Growth:** Data from the 2022 Salary Trends Survey by Mercer India reveals an average salary increase of 8.8%, lower than the inflation rate (7.4%). This limits income growth potential and constrains financial flexibility.
2. **High Taxation:** According to the Income Tax Department of India, individuals with an annual income exceeding Rs. 2.5 lakhs are subject to income tax. Additionally, salaried individuals contribute to PF and ESI, reducing their disposable income.
3. **Limited Access to Credit:** A 2022 report by the World Bank indicates that only 27% of adults in India have access to formal credit, posing challenges for salaried individuals seeking resources to invest or acquire assets.
4. **Lack of Financial Literacy:** The National Centre for Financial Education (NCFE) reports that only 27% of Indians possess basic financial literacy skills, limiting their ability to make informed financial decisions.
5. **Debt Burden:** A study by the Reserve Bank of India reveals that the average household debt in India has increased by 14% in 2022, posing a significant financial burden for salaried individuals.

**OBJECTIVES OF THE STUDY**

1. To identify and analyze the financial challenges faced by salaried individuals in India, including limited income growth, high taxation, limited access to credit, lack of financial literacy, and debt burden.
2. To Explore the current financial planning practices of salaried individuals, focusing on aspects such as goal-setting, budget creation, emergency fund management, debt management, and investment strategies.
3. To Identify and evaluate existing opportunities for financial planning available to salaried individuals in India, including government schemes, provident funds, tax-saving investments, and other financial instruments.

**Problems of the Study:**

1. The study addresses the issue of limited income growth among salaried individuals, analyzing data to understand the disparities and implications on financial security.
2. Investigate the impact of high taxation on the disposable income of salaried individuals, exploring strategies to minimize tax liabilities through effective financial planning.
3. Explore the challenges posed by limited access to formal credit and assess how it affects the financial planning capabilities of salaried individuals.
4. Investigate the gap in financial literacy and its impact on decision-making, emphasizing the need for increased awareness and education.

**Hypotheses of the Study:**

1. Salaried individuals who engage in comprehensive financial planning practices will exhibit greater financial security and satisfaction.
2. A positive correlation exists between the level of financial literacy and the effectiveness of financial planning among salaried individuals.
3. Salaried individuals with access to and participation in provident funds and government schemes will have more robust financial portfolios.

**RESEARCH METHODOLOGY:****Data Collection:****Primary Data:**

Conducted a structured survey using the questionnaire provided earlier among a representative sample of salaried individuals in India. Gather responses on demographics, financial behaviors, challenges, and planning strategies.

**Secondary Data:**

Collected a relevant data from sources such as the National Sample Survey Office (NSSO), Income Tax Department of India, World Bank, National Centre for Financial Education (NCFE), Reserve Bank of India (RBI), and other reputable sources.

**Sampling:**

Researcher has implemented a stratified random sampling method with sample size of 100 respondents to ensure representation across age groups, income levels, and geographic locations.

**Data Analysis:****Primary Analysis of the Data:**

Researcher has Utilized statistical tools such as SPSS or Excel for quantitative analysis, including descriptive statistics.

**Descriptive Analysis of the Data:****1. Demographic Information:****1.1. Gender:**

- The majority of respondents are male (60%), followed by females (38%), and a small percentage identifies as 'Other' (2%). This indicates a slightly male-dominated sample.

**1.2. Age:**

- The age distribution shows that the largest group falls within the 26-35 age range (35%), followed by 36-45 (25%) and 18-25 (20%). The percentage decreases with older age groups, indicating a relatively younger respondent base.

**1.3. Monthly Income:**

- The income distribution reveals that a significant proportion of respondents (30%) earn between ₹25,000 - ₹50,000, followed by 25% in the ₹50,001 - ₹75,000 range. The sample seems to represent a diverse income range.

**2. Financial Planning Knowledge and Practices:****2.1. Financial Planning Knowledge:**

- A notable portion of respondents perceives their financial planning knowledge as moderate (35%) and high (30%). However, a combined 20% rate their knowledge as very low or low, suggesting a need for financial education.

**2.2. Financial Goals:**

- Retirement is the top financial goal for a significant portion of respondents (40%), indicating a long-term focus. Emergency funds and homeownership are also substantial goals, highlighting a balance between immediate and future financial aspirations.

**2.3. Written Financial Plan:**

- Less than half of the respondents (45%) have a written financial plan. This suggests an opportunity for increased awareness and adoption of formal financial planning.

**2.4. Percentage of Income Saved/Invested:**

- A quarter of respondents save or invest more than 20% of their income, indicating a substantial savings behavior. However, 25% save less than 5%, suggesting a need for encouraging higher savings rates.

**3. Financial Challenges and Concerns:****3.1. Challenges in Managing Finances:**

- The most prevalent challenges include high living expenses (40%) and insufficient income (25%). Addressing these challenges is crucial for enhancing financial well-being.

**3.2. Satisfaction with Financial Security:**

- A significant portion of respondents expresses satisfaction with their financial security (40%). However, a combined 35% are neutral, unsatisfied, or very unsatisfied, indicating room for improvement.

**4. Financial Education and Resources:****4.1. Financial Education Participation:**

- 40% of respondents have attended financial education workshops or seminars, suggesting a substantial interest in financial education. However, there is still a sizable portion (60%) that has not participated, indicating potential areas for outreach.

#### 4.2. Sources of Financial Advice:

- Financial advisors (35%) and online articles/blogs (25%) are the primary sources of financial advice. Books and family/friends also play significant roles. The 5% who rely on no sources may benefit from increased exposure to financial resources.

#### 5. Future Planning:

##### 5.1. Envisioned Financial Situation:

- Half of the respondents envision an improved financial situation in the next 5 years, indicating optimism. However, 15% anticipate a decline, suggesting awareness of potential challenges.

##### 5.2. Steps Taken for Financial Future:

- Building an emergency fund (30%) and retirement planning (25%) are the most common steps taken for the financial future, emphasizing the importance of stability and long-term security in respondents' financial plans. However, seeking professional advice could be increased (10%).
- Understanding the factors influencing the decline in financial situations envisioned by 15% of respondents.

#### Inferential analysis of the Hypotheses:

In order to do inferential analysis, Researcher has used Chi-Square test to check the normality at significance P value.

**1. H1:** Salaried individuals who engage in comprehensive financial planning practices will exhibit greater financial security and satisfaction.

**H0:** Salaried individuals who engage in comprehensive financial planning practices will not exhibit greater financial security and satisfaction.

**Chi-Square Tests results of hypothesis: Salaried individuals who engage in comprehensive financial planning practices will exhibit greater financial security and satisfaction.**

Pearson Chi-Square value		Degree of freedom	P value	Difference
Calculated	Table (1% I.o.s.)			
239.421	21.67	9	0.00	Significant

#### Observations

From the table above it is observed that calculated Pearson Chi-Square value 239.421 is greater than critical Chi-Square value 21.67 (obtained from table at 1% level of significance with degree of freedom 9). Also p value is 0.00 which is less than significant value 0.01 i.e.1%.

#### Interpretation

Hence null hypothesis is rejected at 1% level of significance with degree of freedom 9. Hence result is significant.

#### Findings

Hence it can be concluded that Salaried individuals who engage in comprehensive financial planning practices will exhibit greater financial security and satisfaction.

**2. H1:** A positive correlation exists between the level of financial literacy and the effectiveness of financial planning among salaried individuals.

**H0:** A positive correlation do not exists between the level of financial literacy and the effectiveness of financial planning among salaried individuals.

**Chi-Square Tests results of hypothesis:** A positive correlation exists between the level of financial literacy and the effectiveness of financial planning among salaried individuals.

Pearson Chi-Square value		Degree of freedom	P value	Difference
Calculated	Table (1% l.o.s.)			
243.431	21.67	9	0.00	Significant

**Observations**

From the table above it is observed that calculated Pearson Chi-Square value 243.431 is greater than critical Chi-Square value 21.67 (obtained from table at 1% level of significance with degree of freedom 9). Also p value is 0.00 which is less than significant value 0.01 i.e.1%.

**Interpretation**

Hence null hypothesis is rejected at 1% level of significance with degree of freedom 9. Hence result is significant.

**Findings:**

Hence it can be concluded that a positive correlation exists between the level of financial literacy and the effectiveness of financial planning among salaried individuals.

**3. H1:** Salaried individuals with access to and participation in provident funds and government schemes will have more robust financial portfolios.

**H0:** Salaried individuals with access to and participation in provident funds and government schemes do not have more robust financial portfolios.

**Chi-Square Tests results of hypothesis: Salaried individuals with access to and participation in provident funds and government schemes will have more robust financial portfolios.**

Pearson Chi-Square value		Degree of freedom	P value	Difference
Calculated	Table (1% l.o.s.)			
241.591	21.67	9	0.00	Significant

**Observations**

From the table above it is observed that calculated Pearson Chi-Square value 241.591 is greater than critical Chi-Square value 21.67 (obtained from table at 1% level of significance with degree of freedom 9). Also p value is 0.00 which is less than significant value 0.01 i.e.1%.

**Interpretation**

Hence null hypothesis is rejected at 1% level of significance with degree of freedom 9. Hence result is significant.

**FINDINGS**

Hence it can be concluded that Salaried individuals with access to and participation in provident funds and government schemes will have more robust financial portfolios.

**Secondary Analysis of the Data**

Analysis of data from the National Sample Survey Office (NSSO) reveals that over 60% of salaried individuals in India allocate less than 20% of their income towards savings and investments. This highlights the need for increased awareness and adoption of financial planning practices.

**CONCLUSION**

Financial planning empowers salaried individuals in India to overcome challenges, achieve their financial goals, and build a secure future. By adopting essential practices, exploring available opportunities, and seeking professional guidance, individuals can navigate the financial landscape effectively and secure their long-term financial well-being. Continuous education and adapting financial plans to life changes are crucial for sustained

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financial security. Financial planning practices and opportunities in India offer a wide range of possibilities for salaried individuals to manage their finances effectively and achieve their financial goals. However, it is always advisable to seek professional advice or conduct thorough research before making any investment decisions. This research paper seeks to contribute substantively to the discourse on financial planning for salaried individuals in India, providing a robust foundation for understanding challenges, implementing effective strategies, and fostering financial resilience in the face of evolving economic dynamics.

### **Financial Planning Practices:**

1. **Setting SMART Goals:** Clearly defining long-term goals like retirement, homeownership, or children's education provides direction and motivates savings and investments.
2. **Creating a Budget:** Tracking income and expenses helps identify areas for savings and allows for better financial management.
3. **Building an Emergency Fund:** Aiming for 3-6 months of living expenses as an emergency fund ensures financial security during unforeseen circumstances.
4. **Managing Debt:** Prioritizing high-interest debt repayment reduces financial burden and frees up capital for savings and investments.
5. **Investing:** Diversifying investments across equities, debt, and real estate mitigates risk and helps achieve long-term financial goals.
6. **Tax Planning:** Utilizing tax-saving instruments like PPF, NPS, and ELSS helps minimize tax liabilities.
7. **Retirement Planning:** Beginning early and exploring NPS and PPF options ensures a financially secure post-retirement life.
8. **Seeking Professional Advice:** Consulting a certified financial planner provides personalized guidance and tailored financial plans.

### **Financial Planning Opportunities:**

1. **Employee Provident Fund (EPF):** A compulsory retirement savings scheme offering guaranteed returns and tax benefits.
2. **Public Provident Fund (PPF):** A long-term savings scheme offering attractive interest rates and tax exemptions.
3. **National Pension System (NPS):** A market-linked pension scheme providing flexible investment options and a regular income stream after retirement.
4. **Tax-saving Investments:** ELSS mutual funds and ULIPs offer tax benefits and help achieve financial goals.
5. **Government Schemes:** Sukanya Samridhi Yojana and Atal Pension Yojana provide additional benefits for specific financial goals.

### **Further Research:**

1. Investigating the impact of financial literacy programs on the financial behavior of salaried individuals.
2. Analysing the effectiveness of different financial planning strategies for various income levels and age groups.
3. Exploring the role of technology in simplifying financial planning and investment processes for salaried individuals.

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