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A study on financial planning of salaried employees

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Abstract
Financial instruments act as investment avenues and provide predetermined financial security to investors based on the risk-return profile of these products. Traditionally, conventional financial products were introduced in India by banks (savings accounts, current accounts), Life Insurance Corporation (LIC), and postal services (recurring deposits, National Savings Certificates, Kisan Vikas Patra). However, with the recent liberalization of the financial services industry, various new financial products have been introduced, including mutual funds, shares, derivatives, and life and non-life insurance plans such as Unit Linked Investment Plans (ULIPs), pension plans, and children's education plans.
Investment preferences differ from person to person, as each individual behaves differently while investing. Investment behavior of an individual is influenced by their personal circumstances. With expectations of generating significant returns over time and tolerance for certain levels of risk, individuals invest in various financial products. This study aims to explore the investment preferences of salaried individuals towards financial products based on different demographic factors.

Keywords: Financial planning, salaried employees, investment behavior, demographic factors

Introduction
Financial planning is a comprehensive process that individuals undertake to assess their current financial position, determine their future financial goals, and develop strategies to achieve those objectives. Financial planning provides direction and guidance for making informed financial decisions, allowing individuals to understand how each financial choice affects other areas of their finances. For example, purchasing a specific investment product might help pay off a mortgage faster or significantly impact retirement.
Financial products serve as investment avenues and provide necessary financial security to investors based on their risk-return profiles. Investment preferences vary among individuals, as each person behaves differently when making investment decisions. With expectations of generating high returns over time while managing certain levels of risk, individuals invest in various financial products.
Today, numerous investment avenues are available to individuals. After conducting thorough market research and considering personal needs and circumstances, investors must decide which investment avenue to choose. This study aims to research the investment preferences of salaried individuals towards various financial products based on demographic factors.

2. Scope of Study
This research provides valuable insights for investment companies regarding investment preferences across various alternative investments. The findings will help companies develop suitable investment products that can enhance their growth prospects. This research paper serves as a reference for research scholars and students pursuing further studies in related areas. The study reveals the association between financial planning and investment behavior of individuals, contributing to the broader understanding of personal finance management among salaried employees.

3. Objectives of the Study
The primary objectives of this study are:
1. To conduct a comprehensive study on financial planning for salaried employees with respect to savings, income tax, retirement, and investment strategies
2. To identify and analyze the saving patterns of salaried employees across different demographic segments

3. To examine the investment preferences of salaried individuals towards various financial instruments and their underlying motivations.

4. Limitations of the Study

This study acknowledges several limitations:

1. Multiple statistical tests and formulas are required for analysis, which may present challenges in providing precise approximations
2. The study was conducted with reference to Chennai, using a sample size of 150-200 respondents, which may limit the generalizability of findings to other geographical regions
3. Individual perspectives and investment behaviors vary significantly, making compilation and analysis of diverse viewpoints challenging
4. The study's temporal scope may not capture long-term investment behavior patterns

5. Literature Review

Geetha and Ramesh (2011) [5] emphasize that numerous investment choices are available, and individuals must select the most appropriate options. Financial planners must understand various investment alternatives and how they can be selected to achieve overall financial objectives.

Swasdpeera and Pandey (2012) [12] conducted a study identifying factors that influence the saving behavior of salaried individuals in Thailand. Their univariate and multivariate analyses revealed that income, age, marital status, number of children, and educational level positively influence individuals' average savings.

Bhushan and Medury (2013) [2] reported significant gender differences in investment behavior. Their research indicates that women tend to be more conservative while investing and are generally unwilling to take high risks compared to their male counterparts.

Das and Jain (2014) [4] identified that the behavioral aspects of investors play crucial roles in financial decision-making, attracting substantial attention in financial literature and research.

Ramanathan and Meenakshisundaram (2015) [8] define financial investments as commitments made with financial and non-financial instruments, with expectations of better and profitable returns in the future for specific objectives.

Swamy and Priya (2016) [13] conducted research on financial literacy, defining it as an individual's level of understanding of financial matters that enables them to process financial information and make informed personal finance decisions.

Gupta (2017) [6] identified financial literacy as comprising skills and knowledge that enable individuals to understand financial principles necessary for making informed financial choices and decisions about financial products that influence their financial well-being.

Suyog and Komal (2018) [11] focused on the need and importance of retirement planning, noting considerable changes in saving and investment behavior among Indians over recent years.

Shrivastava (2018) [9] studied the investment behavior of government employees towards different financial products available in the market, providing insights into public sector investment patterns.

Zankhana and Ronikadevi (2019) [14] analyzed awareness, perception, and behavior regarding different investment avenues available for salaried people, studying various demographic variables and investment patterns.

Agarwal (2020) [1] emphasized that tax planning is an essential component of financial planning, focusing on awareness and alternatives in tax planning strategies.

Bindabel and Hamza (2021) [3] investigated the relationship between saving and investment patterns and financial orientation among working women at Saudi Arabian universities, introducing the concept of Orientation towards Finance (ORTOFIN) as an attitude towards effective financial activity management.

6. Research Methodology

This study employed a survey method to collect primary information from salaried individuals. A structured questionnaire was designed to gather required information from participants regarding their financial planning and investment behaviors.

The sampling methodology utilized a probabilistic approach with area sampling techniques. The sample was drawn from Chennai, representing salaried individuals with diverse economic, social, and geographical characteristics. This approach ensured representation across different demographic segments within the target population.

Survey participants were requested to provide demographic details and respond to questions pertaining to their investments in various financial instruments, including:

- Mutual funds
- Life insurance policies
- Fixed deposits
- Recurring deposits
- Market investments (shares and securities)

Data analysis was conducted using Statistical Packages for Social Sciences (SPSS). Various statistical tests were applied, including Chi-square tests, ANOVA, and T-tests, to determine significance levels and relationships between variables.

7. Data Analysis

7.1 Respondent Demographic and Social Profile

The demographic analysis of the 163 respondents revealed the following characteristics:

- **Gender Distribution:** 65.03% male respondents, indicating a higher participation rate among male salaried employees
- **Age Distribution:** 64.42% of respondents aged between 21-30 years, representing the young working population
- **Educational Background:** 59.51% of respondents hold graduate degrees, demonstrating a well-educated sample
- **Marital Status:** 52.15% of respondents are married, providing insights into family-oriented financial planning.
- **Employment Sector:** 93.25% work in the private sector, reflecting the contemporary employment landscape
- **Income Distribution:** 36.81% of respondents have annual incomes ranging between ₹5 lakh to ₹10 lakh, representing middle-income salaried professionals.

7.2 Research Hypotheses

The study tested the following hypotheses:

Hypothesis 1: There is no significant difference among various age groups regarding their preference for savings from regular income.

Hypothesis 2: There is no significant difference among annual household income levels regarding regular spending patterns.

Hypothesis 3: There is no relationship between respondents' regular contributions to retirement accounts with respect to gender.

7.3 Statistical Analysis Results

7.3.1 Age Groups and Savings Preferences

ANOVA Analysis of Age Groups and Savings Preferences:
The ANOVA test results showed a P-value of 0.276, which is greater than 0.05 ($p > 0.05$). Therefore, the null hypothesis is accepted. This indicates that there is no significant difference among various age groups regarding their preference for savings from regular income. This suggests that saving behavior remains consistent across different age demographics among salaried employees.

7.3.2 Income Levels and Spending Patterns

ANOVA Analysis of Annual Household Income and Spending Patterns:
The ANOVA test results revealed a P-value of 0.792, which exceeds 0.05 ($p > 0.05$). Consequently, the null hypothesis is accepted. This finding indicates that there is no significant difference among annual household income levels regarding regular spending patterns. This suggests that spending behavior patterns are relatively uniform across different income brackets.

7.3.3 Gender and Retirement Contributions

Independent T-Test Analysis of Gender and Retirement Contributions:
The independent T-test results showed a P-value of 0.409, which is greater than 0.05 ($p > 0.05$). Therefore, the null hypothesis is accepted. This indicates that there is no significant relationship between respondents' regular contributions to retirement accounts and gender. Both male and female salaried employees demonstrate similar patterns in retirement planning contributions.

7.3.4 Investment Market Familiarity and Risk Tolerance

Chi-Square Analysis of Investment Market Familiarity and Risk Tolerance:
The Chi-square test results demonstrated a P-value of 0.023, which is less than 0.05 ($p < 0.05$). Therefore, the null hypothesis is rejected. This finding indicates a significant association between familiarity with investment markets and risk tolerance to achieve higher levels of return. Individuals with greater market knowledge tend to exhibit higher risk tolerance in their investment decisions.

7.3.5 Savings and Spending Pattern Correlation

Chi-Square Analysis of Savings and Spending Patterns:
The Chi-square test results showed a P-value of 0.001, which is significantly less than 0.05 ($p < 0.05$). Therefore, the null hypothesis is rejected. This finding reveals a significant association between regular savings patterns and spending patterns of respondents. This suggests that individuals with disciplined saving habits also tend to demonstrate more structured spending behaviors.

8. Key Findings

This study reveals several important insights into the financial planning behavior of salaried employees:

1. **Demographic Consistency:** Age and income levels do not significantly influence basic financial behaviors such as savings preferences and spending patterns, suggesting that fundamental financial habits are relatively uniform across demographic segments.
2. **Gender Neutrality in Retirement Planning:** Both male and female employees demonstrate similar commitment levels to retirement planning, indicating progressive attitudes toward long-term financial security regardless of gender.
3. **Knowledge-Risk Correlation:** A significant positive relationship exists between investment market familiarity and risk tolerance. This finding emphasizes the importance of financial education in developing sophisticated investment strategies.
4. **Behavioral Consistency:** Strong correlation between savings and spending patterns indicates that financial discipline in one area often translates to discipline in other areas of financial management.
5. **Market Awareness Impact:** Individuals with better understanding of investment markets are more willing to accept higher risks for potentially greater returns, highlighting the value of financial literacy programs.

9. Conclusion

Financial planning serves as a crucial framework for ensuring optimal balance between fund inflows and outflows. It enables individuals and business entities to adapt to changing market conditions and revise their strategies accordingly. While many individuals believe that regular savings in bank recurring deposits or Systematic Investment Plans (SIPs) in mutual funds constitutes financial planning, merely allocating savings and investments without proper planning is insufficient to achieve life goals and leads to inefficient utilization of financial resources.

To build wealth and accomplish major life objectives such as purchasing homes, vehicles, funding dream vacations, or children's education, individuals must make their money work effectively for them. Salary or business income alone is often insufficient for achieving these goals, making strategic financial planning essential.

A comprehensive financial plan serves as a roadmap to achieve all financial objectives while helping build contingency funds for unforeseen circumstances. This study demonstrates the significant association between financial planning knowledge and investment behavior among individuals. The research findings emphasize that financial literacy and market awareness play crucial roles in shaping investment decisions and risk tolerance levels.

Recommendations for Salaried Employees:

- Develop comprehensive financial literacy through continuous education
- Create structured financial plans that align with personal goals and risk tolerance
- Diversify investment portfolios based on thorough market understanding
- Maintain consistent saving and spending discipline
- Regularly review and adjust financial strategies based

on changing circumstances

Implications for Financial Service Providers:

- Design educational programs to enhance financial literacy among target demographics
- Develop products that cater to varying risk tolerance levels based on market knowledge
- Implement strategies that recognize the correlation between financial discipline and investment success
- Focus on gender-neutral retirement planning solutions that appeal to all demographics

This research contributes valuable insights to the understanding of financial planning behavior among salaried employees and provides a foundation for developing more effective financial products and educational initiatives.

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