A Study on Financial Planning for Salaried Employees

R.Uma* and Y. Aysha Fathima**

Department of MBA, Sathyabama Institute of Science and Technology, Chennai, India

* Student **Asst. Prof.

Abstract

Financial products act as an investment avenue and supply the specified financial security to the investors supported the risk-return profile of the financial products. In the past, traditional financial products were offered in India by banks (deposit account, credit account), life insurance Corporation (LIC), and postal department (recurring deposit, National Saving Certificate, Kisan Vikas Patra). However, in recent years with the arrival of liberalization of monetary services industry, diverse financial products are introduced like mutual funds, shares, derivatives, life and non-life insurance schemes (Unit Linked Investment Plans (ULIPs), pension plans, children education plans, etc.). Investment preference differs from person to person, as every individual behaves differently while investing. Investment behavior of a private is guided by his own set of circumstances. With an expectation of generating high returns over a period of your time and certain levels of risk, individuals invest in several financial products. The present study is an effort to research the investment preferences of salaried individuals towards financial products supported various demographic factors.

Introduction

Financial planning may be a process that an individual goes through to seek out where they're now (financially), determine where they need to be within the future, and what they're getting to do to urge there. Financial Planning provides direction and aiming to take financial decisions. It allows understanding of how each financial decision a private make affects other areas of their finances. For example, buying a specific investment product might help to pay off mortgage faster or it'd delay the retirement significantly. Financial products which act as an investment avenue and provide the required financial security to the investors based on the risk-return profile of the financial products. Investment preference differs from person to person, as every individual behaves differently while investing. With an expectation of generating high returns over a

period of your time and certain levels of risk, individuals invest in several financial products. Today, variety of investment avenues are available to a individual, after a radical market study and consistent with his needs and circumstances, has got to decide which investment avenue has to be chosen. The present study is an effort to research the investment preferences of salaried individuals towards various financial products supported demographic factors.

Scope of Study

Investment companies will get idea about investment preference towards various investments alternative. Build suitable investment products which will increase growth of the companies. The research paper will become the helping hand to the research scholars as well as students for their further studies their respective area. The study reveals the association of financial planning and investment behavior of the individuals.

Objective of study

- A study on financial planning for salaried employees with respect to savings, income tax, retirement and investment.
- To identify the saving pattern of the salaried employees.
- To study the investment preferences of salaried individuals towards various financial instruments.

Limitations of the Study

- Many statistical tests and formulas are required to calculate and are also difficult to provide the approximate values.
- This study is done with reference in Chennai, with the sample size of 150 to 200 and therefore dependability of the project is not certain.
- Every individual's point of view differs from one another which are tedious to compile.

Literature Review

Geetha and Ramesh (2011) state that there are a lot of investment choices and one must select the most appropriate one. The person dealing with the planning must know all the various choices and how these can be chosen for attaining the overall objectives.

Swasdpeera and Pandey (2012) study identifies factors that influence the saving behavior of salaried individuals in Thailand. The results of the univariate and multivariate analyses show that income, age, marital status, number of children and educational level have a positive influence on the individuals' average saving.

Bhushan and Medury (2013) states that Gender differences in investment behavior have been reported by various studies. Women are more conservative while investing and are unwilling to take risk.

Saugat Das & Ritika Jain (2014) identified that the behavioral aspect of investors plays an important role in financial decision making which has attracted a huge financial literature.

Ramanathan and Meenakshisundaram (2015) says that financial Investments are the commitments which are made with any financial and non-financial instruments hoping for a better and profitable return in the future for a specific objective.

Bala Swamy and Priya (2016) made a study on financial literacy of an individual's is their level of understanding of financial matters which enables them to process financial information and make informed decisions about personal finance.

Sangeeta Gupta (2017) identified that financial literacy comprises of skills and knowledge that enables the individual to understand the principles of finance that an individual requires to know to make informed financial choices and decisions and the financial products that influence the financial well-being of an individual.

Suyog and Komal (2018) state that this research focuses on the need and importance of retirement planning. There are considerable changes in the saving and investment behavior of individuals in India over the last couple of years.

Anand Kumar Shrivastava (2018) The objective of the research is to study the investment behavior of government employees towards different financial products available in the market

Zankhana and Ronikadevi (2019) aim of this research is to analyze awareness, perception & behavior regarding different investment avenues available for salaried people and to study various demographic variables and pattern of investment.

Neha Agarwal (2020) state that tax planning is an essential part of our financial planning. The main purpose of the study is to find out regarding the awareness and alternatives of the tax planning.

Bindabel and Hamza (2021) state that the main objective of the study was to find out the relationship between saving and investment pattern and orientation towards finance among the working women at the universities of Saudi Arabia. Orientation towards finance (ORTOFIN) is one's attitude towards effectively managing financial activities.

Research Methodology

In this study, survey method was adopted to collect the primary information from the salaried individuals. A questionnaire was prepared which was aimed to collect the required information from the participants. The sample was probabilistic where area sampling was used. The sample was drawn from Chennai, it represented salaried individuals with different economic, social and geographical characteristics. The participants of the survey were asked to fill in their demographic details and were asked questions pertaining to their investments made in mutual funds, life insurance policies, fixed deposits, recurring deposits and market investments (shares). The analysis was carried using Statistical Packages for Social Sciences (SPSS). Chi-square test, Anova and T Test has been applied to find out significance.

Data Analysis

Table – Respondents Demographic & Social Profile

Variables	Categories	Frequency	Percentage
Gender	Male	106	65.03%
	Female	57	34.97%
Age	21-30 years	105	64.42%
	Below 20 years	1	0.61%
	31-40 years	45	27.61%
	41-50 years	8	4.91%
	51 years and above	4	2.45%
Education Details	Higher secondary / Diploma	10	6.13%
	Graduate	97	59.51%
	Post graduate	56	34.74%
Marital Status	Married	85	52.15%
	Unmarried	78	47.85%
Current Employment	Government employee	11	6.75%
	Private sector employee	152	93.25%
Annual Household Income	Below Rs.2.5 lakh	20	12.27%
	Rs.2.5 lakh - Rs.5 lakh	50	30.67%
	Rs.5 lakh - Rs.10 lakh	60	36.81%
	Rs.10 lakh and above	33	20.25%

Interpretation

From the above table, 65.03% of the respondents are male, 64.42% of the respondents aged between 21 – 30 years, 59.51% of the respondents are graduates, 52.15% of the respondents are married, 93.25% of the respondent's private sector employee, 36.81% of the respondent's annual income ranges between Rs.5 lakh – Rs.10 lakh.

Research Hypothesis

Hypothesis 1: There is no significant difference among various age groups on their preference of savings of regular income

Hypothesis 2: There is no significant difference among annual household income on their regular spending pattern.

Hypothesis 3: There is no relationship among the respondent's regular contribution to their retirement account with respect to gender.

Hypothesis 4: There is no association between the familiarity of investment markets and risk tolerance to achieve higher level of return.

Hypothesis 5: There is no relationship between the regular savings pattern and spending pattern of the respondents.

Table 1: ANOVA of the respondents between various age groups on their preference of savings of regular income

Regular Savings Plan					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.263	4	1.066	1.289	0.276
Within Groups	130.584	158	0.826		
Total	134.847	162			

Source: Primary Data 2021 * Significant at 5% level

Result: ANOVA shows P value (0.276) is more than 0.05 or p >.005 hence null hypothesis is accepted. There is no significant difference among various age groups on their preference of savings of regular income

Table 2: ANOVA of the respondents among annual household income on their regular spending pattern.

Spending Pattern					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.741	3	0.247	0.346	0.792
Within Groups	113.382	159	0.713		
Total	114.123	162			

Source: Primary Data 2021 * Significant at 5% level

Result: ANOVA shows P value (0.792) is more than 0.05 or p >.005 hence null hypothesis is accepted. There is no significant difference among annual household income on their regular spending pattern.

Table 3: Independent T test among the respondent's regular contribution to their retirement account with respect to gender

		t-test for Equality of Means						
		t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
							Lower	Upper
Gender	Equal variances assumed	-0.831	59	0.409	-0.119	0.143	-0.406	0.168
	Equal variances not assumed	-0.916	19.158	0.371	-0.119	0.13	-0.391	0.153

Source: Primary Data 2021 * Significant at 5% level

Result: T test of independence showed P value 0.409 is greater than 0.05 or p >.005 hence null hypothesis is accepted. There is no significant relationship between the preference of respondent's regular contribution to your retirement account and gender.

Table 4: Chi Square results between familiarity of investment markets and risk tolerance to achieve higher level of return.

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	52.374[a]	9	0.023
Likelihood Ratio	53.598	9	0.018
Linear-by-Linear Association	3.92	1	0.048
N of Valid Cases	163		
a. 6 cells (37.5%) have expected count less than 5. The minimum expected count is .39.			

Source: Primary Data 2021 * Significant at 5% level

Result: Chi-square test of independence shows P value (0.023) is less than 0.05 or p > 005 hence null hypothesis is rejected. There is significant association between familiarity of investment markets and risk tolerance to achieve higher level of return.

Table 5: Chi Square results between regular savings pattern and spending pattern of the respondents.

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	25.882[a]	6	0.001
Likelihood Ratio	24.13	6	0.001
Linear-by-Linear Association	8.641	1	0.003
N of Valid Cases	163		
a. 2 cells (16.7%) have expected count less than 5. The minimum expected count is 2.50.			

Source: Primary Data 2021 * Significant at 5% level

Result: Chi-square test of independence shows P value (0.001) is less than 0.05 or p> 005 hence null hypothesis is rejected. There is association between the regular savings pattern and spending pattern of the respondents.

Conclusion

Financial planning will help make sure the right balance between the inflow and outflow of the funds. It allows the business entity or the person to accommodate the changing market conditions and, in turn, revise their plan. Some feel that saving regularly in bank recurring deposits or Systematic Investment Plans (SIPs) in mutual funds is financial planning. But allocating savings and investments in unplanned manner isn't enough to realize your life goals. And such investments lead to inefficient utilization of your financial resources. To become rich or to realize all your goals like buying a house, car, dream vacation, child's education then on you would like to form money work for you. Besides salary or business income won't be enough. This is where financial planning involves your rescue. A budget enables you to construct a road map to realize all the financial goals. It also helps you build your contingency fund for any unforeseen needs which will arise. The study reveals the association of financial planning and investment behavior of the individuals.

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