

# An Analytical Study of Financial Planning Among Salaried Employees

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## Abstract

Financial planning is essential for achieving financial stability and securing the future of salaried employees. This study examines the significance, practices, and challenges associated with financial planning among individuals with fixed incomes. It focuses on how employees allocate their earnings towards savings, investments, and expenses in order to meet long-term objectives such as retirement, wealth accumulation, and risk protection.

The research follows a descriptive and analytical approach, relying on secondary data obtained from journals, financial reports, and online resources. It analyzes different financial planning tools, including budgeting, insurance, tax management, and investment options such as mutual funds, fixed deposits, and equity instruments.

The findings indicate that proper financial planning enables salaried individuals to use their income more effectively, minimize financial stress, and accomplish future goals. However, the study also identifies key challenges, including low financial literacy, insufficient savings habits, and ineffective investment choices.

In conclusion, the research emphasizes the importance of enhancing financial awareness and adopting structured financial planning practices to ensure long-term financial security and overall well-being.

**Keywords:** Financial Planning, Salaried Employees, Investment, Savings, Budgeting, Risk Management

## 1. Introduction

Financial planning is the process of organizing and managing income, expenses, savings, and investments to achieve financial goals. It is especially important for salaried employees because they earn a fixed income and must use it carefully to meet both present and future needs. In today's changing economic environment, financial planning has become a key part of managing personal finances. Rising inflation, uncertain job conditions, and complex financial markets make it necessary for individuals to follow proper financial strategies to ensure stability and security.

Salaried employees form a major part of the workforce, and their financial planning needs are different due to their regular but limited income. Unlike business owners, they often have fewer opportunities to increase their earnings, so managing their finances efficiently becomes essential. Financial planning involves activities such as budgeting, saving, investing, tax planning, insurance, retirement planning, and estate management. These elements help individuals balance their current expenses while also preparing for future financial needs.

Financial planning includes various components such as budgeting, saving, investment planning, tax management, insurance coverage, and retirement planning. Budgeting helps in tracking income and expenses, while saving ensures the availability of funds for emergencies and future needs. Investment planning allows individuals to grow their wealth over time, and insurance provides protection against unexpected risks.

Retirement planning is also crucial, as it ensures financial independence during the later stages of life when regular income may not be available.

In recent years, financial markets have offered a wide range of investment options like mutual funds, shares, bonds, and retirement schemes. While these options provide opportunities for wealth creation, they also require proper knowledge and awareness. Many salaried individuals lack sufficient financial literacy, which can lead to poor financial decisions. Issues such as increased spending, lack of saving habits, and improper risk management further increase financial difficulties.

Moreover, changing social and economic conditions, such as longer life expectancy, rising healthcare costs, and the shift from pension-based systems to self-funded retirement plans, have made financial planning more important than ever. Salaried employees now need to take greater responsibility for securing their future by making informed financial decisions and building enough savings for retirement.

This study focuses on understanding the financial planning behavior of salaried employees, including their saving and investment patterns. It also aims to identify the challenges they face and evaluate their level of financial awareness. By analyzing these factors, the study seeks to provide useful suggestions to improve financial planning practices and promote long-term financial stability. Proper financial planning helps individuals handle emergencies, achieve financial independence, and ensure a secure future.

## 1.1 Statement of the Problem

In today's economic environment, salaried individuals often find it challenging to manage their finances efficiently. With a fixed income, rising living expenses, and increasing financial responsibilities, achieving long-term financial stability becomes difficult. Even though they receive a steady salary, many people struggle to properly divide their income among daily expenses, savings, and investments.

Poor financial planning can lead to several problems, such as low savings, increasing debt, and lack of preparation for important future needs like retirement, children's education, and emergencies. In addition, limited knowledge about financial products and investment opportunities makes the situation worse. As a result, many salaried employees are unable to take informed financial decisions, which affects their ability to build wealth over time.

The absence of a clear financial plan and consistent saving habits often creates financial stress and uncertainty. Therefore, this study focuses on understanding the financial behavior of salaried individuals, identifying the difficulties they face, and examining their level of awareness about financial planning. It also aims to evaluate how effectively they manage their finances and suggest ways to improve their financial planning for a more secure future.

## 2. Literature Review

Many researchers have highlighted that financial planning plays a vital role in helping salaried employees achieve financial stability and long-term security. It involves the organized management of income, expenses, savings, investments, insurance, and retirement benefits to meet both present and future financial needs.

Studies on **financial literacy** show that a lack of financial knowledge is a major barrier to effective financial planning. Employees who understand basic concepts such as inflation and risk diversification are more likely to make better investment decisions. For instance, financially aware individuals tend to invest in mutual funds and pension schemes rather than leaving excess money idle in savings accounts.

Research on **saving patterns** indicates that most salaried employees rely heavily on compulsory savings methods, particularly the Provident Fund. However, voluntary savings are often inconsistent and insufficient. Many employees depend on PF contributions but fail to build an emergency fund for unexpected expenses.

In terms of **investment behavior**, literature reveals that salaried individuals generally prefer low-risk options. Investments such as fixed deposits, life insurance policies, and Public Provident Fund are more popular than equity-based instruments. This risk-averse attitude is common, especially among middle-income groups, who often avoid stock market investments due to fear of financial loss despite their higher long-term returns.

Studies on **insurance planning** point out that many salaried employees are underinsured. They frequently depend on employer-provided insurance, which may not offer adequate financial protection. As a result, they may not have sufficient life insurance coverage to support their families in case of income loss.

Research related to **tax planning** shows that employees tend to focus more on saving taxes than on building long-term wealth. Investment decisions are often made at the end of the financial year, with many individuals rushing to invest in tax-saving instruments during the final months to reduce taxable income.

**Retirement planning** is another area where salaried employees show limited preparedness. Many rely mainly on Provident Fund and pension schemes without making additional retirement investments. Younger employees, in particular, tend to postpone retirement planning, assuming that employer benefits will be enough in the future.

Several studies also emphasize that **demographic and behavioral factors** such as age, income level, education, and risk tolerance significantly influence financial planning decisions. Younger individuals are generally more open to equity investments, while older employees prefer safer, fixed-income options.

Studies focusing on **debt management** highlight that salaried employees frequently depend on loans and credit facilities to meet their financial needs. Easy access to credit cards and personal loans has increased consumption, but it has also led to rising debt levels. Poor debt management reduces the ability to save and invest, thereby affecting long-term financial stability.

Research on **budgeting practices** shows that maintaining a proper budget helps individuals control unnecessary expenses and improve savings. Despite this, a large number of salaried employees do not follow a formal budgeting system. Instead, they rely on approximate estimations of income and expenditure, which often results in overspending and reduced savings capacity.

Overall, the literature suggests that although salaried employees follow a structured saving pattern due to regular income, they often lack a goal-oriented approach to financial planning. Savings are mainly concentrated in compulsory schemes, while voluntary savings for major life goals such as education, housing, and retirement remain inadequate.

### 3.Objective of the Study

1. To gain a clear understanding of financial planning and its significance for individuals earning a fixed salary.
2. To study the patterns of income, saving habits, and spending behavior among salaried employees.
3. To evaluate the extent of awareness regarding different financial planning options such as savings schemes, investment avenues, insurance policies, and retirement planning tools.
4. To identify and analyze the difficulties and obstacles faced by salaried individuals while managing their finances effectively.

## 4. Methodology

The present study on financial planning among salaried employees is primarily based on secondary data. Secondary data plays an important role in financial research as it offers reliable and detailed information about past trends and financial behavior without requiring extensive primary data collection.

This research follows a descriptive and analytical design to understand the financial planning practices of salaried individuals. The study makes use of both primary and secondary sources of data. Primary data is collected through structured questionnaires distributed among salaried employees to gather information about their income patterns, saving behavior, investment choices, and level of financial awareness. Secondary data is obtained from credible sources such as financial journals, books, research papers, and reports published by institutions like the Reserve Bank of India.

A quantitative approach is adopted to analyze the data, with the objective of identifying patterns and relationships in financial planning behavior. Various statistical tools, including percentage analysis, charts, and tables, are used for effective interpretation of the data. In addition, a comparative analysis is carried out to examine differences in financial planning practices based on factors such as age, income level, and occupation.

The study is conducted among salaried employees in Pune, using a convenience sampling technique. This methodology helps in gaining a better understanding of financial planning habits, challenges, and awareness levels among salaried individuals, ultimately leading to meaningful findings and conclusions.

## 5. Data Analysis and Estimated Results

**Table 1: Education Details of Respondents**

Particulars	Frequency	Percentage
Graduate	43	87.5%
Post Graduate	7	12.5%
Diploma	-	-
Other	-	-

(Source: Annual Reports of Financial Planning of salaried Employees)

The above table shows education details, 87.5% of respondents are of graduate, 12.5% of respondents are of post graduate.

**Table 1: Work Experiences of Salaried employees**

Particulars	Frequency	Percentage
1-2 Year	13	37.5%
2-3 Year	25	50%
3-5 Years	12	12.5%
More than 5 years	-	-

(Source: Annual Reports of Financial Planning of salaried Employees)

The above table shows work experience of salaried employees , 50% are 2-3 years and 12.5% are 3-5 years, 37.5% are 1-2 years.

**Table 2: Monthly Income of financial Planning for Salaried Employees**

Particulars	Frequency	Percentage
Below 15000	13	12.5%
20000-30000	25	50%
More than 30000	12	37.5%

(Source: Annual Reports of Financial Planning of salaried Employees)

The above table shows, 12.5% of the respondents are below 15,000, and 50% of the respondents are 20,000-30,000. And 37.5% of the respondents are more than 30,000.

**Table 3: Percentage of Income Saved**

Particulars	Frequency	Percentage
10%	12	25%
20%	13	25%
More than 20%	25	50%

(Source: Annual Reports of Financial Planning of salaried Employees)

The above table shows percentage of income saved, 25% of the respondents are 10%, and 25% of the respondents are 20%, 50% of the respondents are more than 20%.

**Table 4: The Main Purpose of Savings**

Particulars	Frequency	Percentage
Self	12	37.5%
Emergency	13	37.5%
Children Education	25	25%

(Source: Annual Reports of Financial Planning of salaried Employees)

The above table shows main purpose of savings, 37.5% are self savings, and 37.5% are emergency savings, 25% are children education savings in financial planning for salaried employees.

**Table 5: Major Problem in financial Planning**

Particulars	Frequency	Percentage
Lack of Knowledge	12	25%
Low Income	13	25%

Market Risk	12	25%
Lack of Time	14	25%

(Source: Annual Reports of Financial Planning of salaried Employees)

The above table shows major problem in financial planning, 25% of the respondents are Lack of knowledge, 25% of the respondents are Low income, 25% of the respondents are Market Risk, and 25% of the respondents are Lack of timing.

**Table 6: Types of Organization of Work Experience**

Particulars	Frequency	Percentage
Government	-	0%
Public Sector	38	62.5%
Other	12	12.5%

(Source: Annual Reports of Financial Planning of salaried Employees)

The above table shows work experiences, 62.5% of the respondents are Public Sector and 37.5% of the respondents are others.

## 6. Findings

The study findings show that salaried employees generally possess a fair level of financial awareness; however, there is a noticeable gap between what they know and how they actually apply financial planning strategies. Although many individuals recognize the importance of saving and investing, only a small proportion follow a well-defined financial plan.

Risk aversion emerges as a key factor influencing investment choices. Most salaried employees tend to prefer safer investment options such as fixed deposits, insurance schemes, and provident funds, reflecting a cautious and conservative approach toward managing their finances. At the same time, financial literacy significantly shapes investment behavior. Individuals with better financial knowledge are more likely to diversify their investments across options like mutual funds and equities, whereas those with limited understanding rely mainly on traditional saving methods.

Income level also plays an important role in determining financial planning practices. Higher-income earners are generally more involved in long-term planning and investment diversification, while lower-income individuals focus more on meeting immediate needs and short-term savings.

Another important observation is that many employees depend on informal sources such as friends, family, or colleagues for financial advice instead of consulting professionals. This often leads to less effective investment decisions and missed opportunities for wealth creation.

The study further indicates that inadequate financial planning can result in financial insecurity, particularly during emergencies or retirement. In contrast, individuals who actively manage and plan their finances are better prepared for future uncertainties and tend to achieve greater financial stability.

Additionally, awareness and use of modern financial instruments are gradually increasing, especially among younger employees, suggesting a shift toward more flexible and growth-oriented investment behavior. Despite

this, a large number of salaried individuals still do not have a formal financial plan, even though they regularly save part of their income. This highlights a clear disconnect between saving habits and strategic financial planning.

The findings also reveal that short-term financial goals are often prioritized over long-term objectives such as retirement planning and wealth accumulation. Rising inflation and increasing living costs further reduce the ability of many employees, particularly those in lower and middle-income groups, to save and invest consistently.

Digital financial platforms and mobile applications are becoming increasingly influential, especially among younger users, by making financial products more accessible and easier to understand. Gender differences are also evident, with male respondents generally showing a higher willingness to take investment risks, while female respondents tend to prefer safer financial options.

Finally, financial stress and uncertainty about future income significantly impact decision-making. These factors often lead to cautious investment behavior and reluctance to explore new financial opportunities.

## 7. Conclusion

This study on financial planning among salaried employees shows that managing finances effectively is crucial for achieving long-term stability and security. Although many salaried individuals understand the importance of saving and investing, the findings indicate that organized and goal-based financial planning is still not widely practiced.

The research also reveals that most employees prefer a conservative investment style, choosing low-risk options due to their fixed income and limited willingness to take risks. While this approach ensures safety, it often limits their potential to earn higher returns and accumulate significant wealth over time.

In addition, financial literacy emerges as an important factor influencing financial decisions. Employees who possess better financial knowledge tend to diversify their investments, set long-term goals, and make more informed choices. In contrast, those with limited awareness often rely on informal sources of advice, which can lead to less effective financial practices.

The study further highlights that variables such as income, age, and financial responsibilities play a key role in shaping financial behavior. Many employees prioritize immediate financial needs and overlook essential areas like retirement planning, emergency savings, and long-term wealth creation.

At the same time, a gradual shift toward modern financial practices is observed, particularly among younger employees who are increasingly using digital platforms and exploring diverse investment options. This indicates a positive change in financial habits.

Overall, the study underscores the need for improved financial education, access to professional advice, and disciplined planning. By enhancing financial awareness and following a structured approach, salaried employees can make better financial decisions, reduce risks, and build a secure future.

## 8. Recommendations

Salaried employees should create a well-organized financial plan that clearly defines both short-term and long-term goals, such as building an emergency fund, planning for retirement, and creating wealth over time. Improving financial literacy is essential, and this can be achieved through workshops, seminars, and educational initiatives that help individuals make informed financial choices.

It is important for employees to diversify their investments by combining low-risk and higher-return options to maintain a balance between safety and growth. Greater awareness of modern investment avenues, including mutual funds, systematic investment plans (SIPs), and equity markets, can help increase potential returns.

Maintaining a sufficient emergency fund is crucial to deal with unexpected financial situations without disturbing regular income or savings. Seeking guidance from professional financial advisors can also support better decision-making and reduce dependence on unreliable sources.

Employees should develop consistent saving and disciplined investment habits by setting aside a fixed portion of their income regularly. Employers and organizations can contribute by offering financial education programs and benefits that assist employees in managing their finances more effectively.

Regular review and adjustment of financial plans are necessary to reflect changes in income, lifestyle, and financial goals. Adopting systematic investment approaches, such as monthly saving and investment plans, can promote financial discipline. Additionally, collaboration between financial institutions and employers can provide personalized financial guidance, helping employees make decisions that align with their income levels and risk preferences.

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