

# **‘A STUDY ON FINANCIAL PLANNING OF SALARIED EMPLOYEES AND STRATEGIES OF TAX SAVINGS’**

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## **Abstract:**

Because their income and expenses are predictable, salaried people frequently neglect financial planning. However, tax efficiency, long-term wealth building, and financial security are all dependent on sound financial planning. This study examines the tax- saving tactics and investing preferences of salaried workers, as well as their knowledge of other financial options like bank accounts, real estate, and valuables like gold and silver. 210 respondents were chosen for the study using a non-probability convenience sampling technique, and the research is based on a descriptive survey design. Structured questionnaires were used to collect primary data, and reliable sources were used to gather secondary data. Descriptive statistics, Chi-square test, and the Kruskal-Wallis H Test were among the statistical techniques utilized for analysis using Microsoft Excel and SPSS.

The majority of salaried workers save more for unforeseen costs and future requirements than for retirement security, according to the findings. While government securities and PPF continue to be less popular, mutual funds are becoming a preferred investment option. Financial advisors, coworkers, and relatives have a big say in investment choices. The study emphasizes that in order to maximize their financial well-being, paid individuals must have greater understanding and engage in proactive tax preparation.

## **1. INTRODUCTION**

A key component of both personal and professional financial management, financial planning helps people reach their financial objectives while maintaining stability over the long run. It is a methodical process that entails evaluating one's financial status, establishing goals, and putting plans into action in order to efficiently manage income, expenses, savings, and investments. For many groups, including students, self- employed people, business owners, and salaried employees, financial planning is crucial. However, because of their fixed income and requirement for careful money management, salaried people find it especially important. Long-term financial security, emergency preparedness, tax efficiency, and asset building are all mapped out in a well-crafted financial plan. In order to accomplish both immediate and long-term financial goals, it assists people in maximizing their income by striking a balance between spending, savings, and investments. Financial resilience is also ensured by financial preparation, which helps people deal with unforeseen circumstances like medical crises, job losses, or economic downturns.

Tax management is a crucial aspect of financial planning. Effective tax planning can minimize liabilities while optimizing savings, as taxes have a substantial impact on an individual's net income. Through prudent use of tax-saving investment vehicles, such as insurance plans,

provident funds, and equity-linked savings schemes (ELSS), people can improve their financial status while adhering to tax laws.

Additionally, investment planning is essential to wealth accumulation and financial stability. In order to generate returns that surpass inflation and support future financial goals, such as retirement, children's education, or homeownership, salaried individuals in particular must choose the right investment vehicles, which range from fixed deposits and pension strategies to equity and debt mutual funds.

The significance of financial planning, its main advantages, and the range of investment possibilities accessible to salaried individuals are all examined in this study. Individuals can insure a profitable future, improve their level of life, and attain financial independence by comprehending and putting into practice smart financial methods.

## **2. LITERATURE REVIEW**

**(Saha, 2024)** Tax planning is a tactic to optimize income tax law deductions, exemptions, and reliefs in order to lower tax obligations and encourage prudent investment. With an emphasis on tax planning and investing patterns, this study examines the degree of knowledge that members of the salaried class in Siliguri, West Bengal, India, have regarding tax savings plans and their investment habits.

**(RADHIKA JINDAL, 2023)** This study looks at the connection between individual income generation and tax preparation techniques. It looks at how income creation is impacted by efficient tax planning while taking theoretical frameworks and actual data into account. It also looks at how income creation is affected by evolving tax legislation. Real income rises for those who understand tax planning.

**(Ms. Purva Savaliya, 2023)** The purpose of this study is to comprehend how salaried employees arrange their taxes. A systematic questionnaire was used to gather information from 100 randomly chosen people. The data was analyzed using statistical procedures such as the Chi-square test and the Mann-Whitney U-test.

**(Usman Ghani Farooqi, 2022)** A financial plan is an all-encompassing strategy that evaluates income, savings, expenditures, prospective earnings, insurance, financial objectives, and long-term vision. It facilitates the preservation of stable savings rates notwithstanding market volatility. Efficient tax planning reduces tax burden through the utilization of tax exemptions, deductions, refunds, and allowances. A study conducted in Karachi, Sindh sought to analyses how salaried individuals manage their finances and optimize tax savings, emphasizing the most effective tax-saving instruments and the amounts saved.

**(Dr.R.Ramki, 2022)** Finding savings trends in Kochi city based on income and tax- saving investments is the main goal of this research. Using expert data wisely to obtain rate advantages while taking public needs into account is known as tax planning. It is precise planning of financial difficulties to postpone tax responsibilities, not rate evasion or repugnance. T-tests and chi-square tests were employed to examine variations in responses in public and private settings as part of the statistical analysis carried out using SPSS.

**(Tarsem Lal, 2022)** The study looks at how economic factors affect the retirement planning practices of paid staff members at three Indian colleges in Jammu. 302 employees completed formal surveys to provide data. The results add to the body of research on behavioral finance and retirement planning by indicating that economic conditions have a direct impact on retirement planning.

**(Dr.Tajinder Jassal, 2022)** The study examines at how financial planning, financial literacy, and demographic factors relate to one another. The findings demonstrate that financial planning strikes a balance between input and outflow, enabling companies to modify their plans in response to market conditions. Economic distress is lessened and financial aptitude is improved through financial literacy.

**(Mariyah Ahmer Shaikh, 2021)** A financial plan is a calculated strategy that takes into account income, savings, expenses, future earnings, insurance, and future life goals in order to accomplish both short-term and long-term financial objectives. It is essential for tax savings because it keeps a consistent savings rate in the face of volatile financial markets. The goal of a survey carried out in Pune, Maharashtra, was to determine the best tax-saving options and the savings they provide, as well as the total amount of money saved through their use.

**(C.NANDHINI, 2019)** Since salaried people have less resources and receive a large percentage of their income from their salaries, financial planning is essential. Families with steady income flows are better able to make regular investments and reach financial milestones. Although employer-sponsored risk coverage, like health and life insurance, is advantageous, personal insurance is advised over employer-sponsored coverage.

**(Khan F, 2019)** According to a study on Keralans' investing preferences, younger professionals are looking into stocks and mutual funds, despite the preference for more conventional options like fixed deposits and insurance. This underscores the need for more financial awareness.

### **3. OBJECTIVE OF THE STUDY**

- To understand financial planning done by salaried employees.
- To understand the saving investment Behavior of salaried employees.

- To study the tax saving strategy adopted by salaried employees.
- To study on the level of awareness of the salaried employee on various taxes planning.

#### 4. RESEARCH HYPOTHESIS

H1: There is a significant relationship between an individual's occupation and their investment decision-making Behavior.

H2: There is a significant relationship between an individual's occupation and the time horizon for which they plan their investments.

H3: There is a significant relationship between an individual's occupation and their preferred tax-saving options.

H4: There is a significant relationship between an individual's annual savings and their preferred tax-saving options.

#### 5. RESEARCH METHODOLOGY

**Research Design:** In this study descriptive research design has been selected for the study.

**Elements:** salaried employees including public and private organizations.

**Sampling Method:** Non- probabilistic & convenience method has been used for selecting the sample and collecting the data.

**Sample Size:** sample size of 210.

**Data Type and Data collection method :** Primary Data has been collected through structured questionnaire, google form has been sent to the 210 respondents for collecting the data.

**Data Analysis tools and techniques:** To analyses the primary data some statistical tools and techniques have been used like Frequency Distribution, Formation of Hypothesis and application of appropriate Statistical Tests. Data was analyzed through Excel and SPSS.

#### 6. DATA ANALYSIS AND INTERPRETATION

Demographic factors		Frequency	Total
Gender	Male	140	210
	Female	70	
Age	19-35	72	
	36-45	95	
	46-55	31	
	Above 55	12	
Occupation	Private employees - professional	58	

	Private employees - Non-professional	75	
	Government employee - Professional	53	
	Government employee - Non-Professional	24	
<b>Annual Savings</b>	Up to 10%	54	
	10%-20%	80	
	20%-30%	55	
	Above 30%	21	
	below Rs.2.5lakh	41	
<b>Annual Income</b>	Rs.2.5lakh to Rs.5lakh	30	
	Rs.5lakh to Rs.10lakh	54	
	Rs.10lakh to Rs.20lakh	56	
	Above Rs.20lakh	29	

*Table 6.1 Demographic Profile*

Reasons for Saving	(%)	Motivation factors for Saving	(%)	Preferred Investment alternatives	(%)
specific purpose	20%	Salary Increment	20%	Bank deposit	16%
earn income	27%	Additional Income	29%	Mutual Funds	21%
contingent expenses	30%	Future needs	26%	Fixed deposits	17%
tax benefits					
To be secured at old age					
<i>Employees' saving habits, motivations, and preferred investment options.</i>				Post Office deposits	8%
				Equity Market	6%
				Gold	8%
				Crypto currency	3%
				Real Estate	4%

**Table 6.2 Employees' saving habits, motivations, and preferred investment options.**

**Interpretation:**

Salary employees save for contingent expenses (30%) and additional income (27%), with tax benefits (15%) and financial security in old age (8%) ranking lower. Additional income and future needs are among the motivators (29%), with tax breaks and statutory requirements playing a minor role. Mutual funds (21%), fixed deposits (17%), and insurance policies (17%) are among the most popular investment options, with bank deposits (16%) remaining popular. Modern investments such as cryptocurrency and real estate have a limited appeal.

<b>Investment Information Sources</b>	<b>(%)</b>	<b>Time Horizon</b>	<b>(%)</b>	<b>Future financial planning</b>	<b>(%)</b>
T.V & Radio	37%	Long-term	20%	Regular return plan	23%
Organization	12%		48%	Pension plan	29%

Reports		Medium-term			
Family Members & Colleagues	65%	Short-term	22%	Medical plan	26%
Journals & Magazines	14%	Very short-term	7%	Specific purpose plan	13%
Advisors	31%			Multiple option plan	9%

**Table 6.3 Investment Information Sources, Time Horizon, Future Financial Planning.**

#### **Interpretation:**

The majority (48%) prefer a medium-term investment horizon, with long-term (20%) and short-term (22%) options also being considered, while very short-term investments (7%) are the least favoured. Advisors (31%) and organization reports (12%) are the most relied-upon sources for investment decisions, while family members and colleagues (6%) have little influence. Pension plans (29%) and medical plans (26%) are the most favoured for future financial planning.

#### **Chi-square test**

##### **1. Where do you get information when required for making investment decisions?**

###### **\* Occupation**

H0: There is no significant association between making investment decisions and Occupation

H1: There is a significant association between making investment decisions and Occupation

			Asymptotic Significance (2-sided)
Value		df	
Pearson Chi-Square	16.87	12	0.155
Likelihood Ratio	16.127	12	0.185



Linear-by-Linear Association	2.699	1	0.1
N of Valid Cases	210		

**Table 6.4 Where do you get information when required for making investment decisions? \* Occupation**

**Interpretation:**

Here the chi square value is 16.870 and asymptotic value is 0.155 which is more than 0.05. So H<sub>0</sub> is failed to reject and there is no significant association between Savings and Occupation.

**2. What time horizon do you plan your investments for? \* Occupation**

H<sub>0</sub>: There is no significant association between time horizon and Occupation

H<sub>1</sub>: There is a significant association between time horizon and Occupation

			Asymptotic Significance (2-sided)
Value		df	
Pearson Chi-Square	4.468	9	0.878
Likelihood Ratio	4.608	9	0.867
Linear-by-Linear Association	1.127	1	0.288
N of Valid Cases	210		

**Table 6.5 What time horizon do you plan your investments for? \* Occupation**

**Interpretation:**

Here the chi square value is 4.468 and asymptotic value is 0.878 which is more than 0.05. So  $H_0$  is failed to reject and there is no significant association between time horizon and Occupation.

**KRUSKAL WALLIS TEST:****What is the tax saving options do you prefer the most? \*Occupation**

$H_0$ : There is no significant difference between tax saving options and Occupation

$H_1$ : There is significant difference between tax saving options and Occupation

SR.NO	NULL	SIG.	DECISION
1	The distribution of EPF is the same across category of Occupation.	0.154	Failed to reject null hypothesis
2	The distribution of PPF is the same across category of Occupation.	0.903	Failed to reject null hypothesis
3	The distribution of national pension scheme is the same across category of Occupation.	0.403	Failed to reject null hypothesis
4	The distribution of E LSS is the same across category of Occupation.	0.134	Failed to reject null hypothesis
5	The distribution of Tax saving fixed deposits is the Occupation.	0.026	Null hypothesis Rejected
6	The distribution of life insurance is the same across category of Occupation.	0.843	Failed to reject null hypothesis
7	The distribution of gratuity is the same across category of Occupation.	0.313	Failed to reject null hypothesis

**Table 6.6 What is the tax saving options do you prefer the most? \*Occupation**

### Interpretation:

The hypothesis test determines whether tax-saving possibilities differ significantly between jobs. The findings show that most tax-saving options, such as Employee Provident Fund (EPF), Public Provident Fund (PPF), National Pension Scheme (NPS), Equity-Linked Savings Scheme (ELSS), life insurance, and gratuity, do not differ significantly by occupation, with p-values greater than 0.05. This shows that these solutions are widely preferred across occupational groups. However, tax-saving fixed deposits reveal a statistically significant difference ( $p = 0.026$ ), demonstrating that preferences for this option differ by occupation. Overall, while most tax-saving alternatives are stable across occupations, fixed deposits are the only option that varies significantly by occupation.

### What are the tax saving options do you prefer the most? \*Annual Savings

H0: There is no significant difference between tax saving options and annual saving

H1: There is significant difference between tax saving options and annual saving

SR.NO	NULL HYPOTHESIS	SIG.	DECISION
1	The distribution of EPF is the same across category of Annual savings.	0.701	Failed to reject null hypothesis
2	The distribution of PPF is the same across category of Annual savings.	0.002	Reject the null hypothesis
3	The distribution of national pension scheme is the same across category of Annual savings.	0.26	Failed to reject null hypothesis
4	The distribution of E LSS is the same across category of Annual savings.	0.059	Retain the null hypothesis
5	The distribution of Tax saving fixed deposits is the same across category of Annual savings.	0.026	Reject the null hypothesis
6	The distribution of life insurance is the same across category of Annual savings.	0.055	Failed to reject null hypothesis
7	The distribution of gratuity is the same across category of Annual savings.	0.448	Failed to reject null hypothesis

**Table 6.7 What are the tax saving options do you prefer the most? \*Annual Savings**

## Interpretation

The hypothesis test determines whether different tax-saving solutions vary considerably in terms of annual savings. The findings demonstrate that most alternatives, such as Employee Provident Fund (EPF), National Pension Scheme (NPS), Equity-Linked Savings Scheme (ELSS), life insurance, and gratuity, do not differ significantly across yearly savings categories, with p-values greater than 0.05. This suggests that tax-saving solutions are continuously preferred, regardless of annual savings levels. However, there are substantial disparities between the Public Provident Fund (PPF) ( $p = 0.002$ ) and tax-saving fixed deposits ( $p = 0.026$ ), indicating that people with varied yearly savings have distinct preferences for these options.

## 7. FINDINGS AND CONCLUSION

Salaried employees save for contingent expenses and increased income, with tax benefits and financial security being secondary concerns. Primary motivators are additional income and future demands. Popular investment options include mutual funds, fixed deposits, insurance policies, and bank deposits. The majority choose medium-term, short-term, and long-term horizons, with very short-term investments being least preferred. Advisors and organizational reports have the most influence on investment decisions, while family members and coworkers have little impact.

The most popular financial planning options are medical plans (26%) and pension plans (29%). Hypothesis tests show no significant correlation between occupation and time horizon or savings and occupation. Most tax-saving options, such as EPF, NPS, ELSS, life insurance, and gratuities, do not differ substantially by occupation or annual savings.

## 8. FUTURE SCOPE OF THE STUDY

Digital innovations, financial practices, and economic conditions are transforming the investment decisions of salaried employees. Fintech platforms, AI-driven financial planning, and robo-advisors are revolutionizing investment decision-making. Digital wallets, internet trading, and blockchain-based financial products are expanding investment alternatives. Personalized investment methods and behavioral finance are becoming popular. Emerging investment opportunities include ESG investments, cryptocurrency, and REITs. Global investment prospects are also becoming recognized. Policy and taxation changes will influence investment choices. Financial knowledge and consulting services are essential for portfolio diversification and tax efficiency. Changes in employment and economic situations will also impact investment trends.

## 9. LIMITATION OF STUDY

- This study is only limited to the Surat City.
- The time for the study was limited.
- The finding of the study cannot be generalized to entire population as number of customers studied is very small in comparison to population.

## 10. RECOMMENDATIONS

The report makes a number of recommendations to help salaried employees make better financial plans and investing decisions. These include boosting financial literacy and awareness, providing individualized investment plans, promoting portfolio diversification, using technology to improve decision-making, teaching staff members tax optimization techniques, bolstering advisory services, and modifying investment plans in response to shifting market conditions. Employers ought to support alternative investing options, provide individualized retirement planning workshops, and offer financial literacy initiatives. Companies could also offer workshops on tax planning and financial advising services, either in-person or online. Long-term financial stability can be ensured by implementing inflation-adjusted savings plans and modifying investment strategies in response to the changing labor market.

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