

## **A Study on Financial Planning for Salaried Individuals: Building a Secure Future in India**

**Dr. Hiresh Luhar, Director, VIVA Institute of Management & Research,  
director@vivaimr.org**

**Rishi Vyas, Research Scholar, DTSS College, University of Mumbai**

### **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.

### **Data Analysis:**

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.

### **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.

### **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 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.

### **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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