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Empirical Analysis of Various Strategies of Financial Planning for Salaried Employees in IT Sector, Bengaluru

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Abstract

This research aims to explore the need for financial planning among salaried employees working in the IT sector in Bengaluru, India. The study will investigate the various financial planning approaches adopted by employees to manage their finances, such as budgeting, saving, and investing. Furthermore, the research will compare different financial decisions that can impact an individual's financial stability, such as debt management, goal-based investments, and retirement planning. The objective is to identify sustainable financial planning practices that can be beneficial for employees in the IT sector. The study will offer insights into government policies and regulations that can be leveraged to optimize financial planning for employees. This research will be useful for anyone who wants to gain a better understanding of financial planning and management, particularly for those working in the IT sector and other corporate organizations. The findings of this research can be used by businesses, entrepreneurs, and individuals to make informed financial decisions that can lead to a secure financial future.

Keywords: Financial planning, Salaried employees, IT sector, Sustainable practices. Ideal ratio.

Introduction

Research on 'Financial planning for salaried employee in IT sector, Bengaluru' would be helpful for anyone who is working for a corporate or even for businesses and entrepreneurs. It would be of great help knowing how to manage money and invest accordingly where one gain benefits out of the investment, while also following and gaining benefits from government policies and regulations.

As soon as you start earning money, you should begin to handle your funds in a structured manner. It becomes a powerful tool for paid employees in particular to get the most out of their money.

The first stage in financial planning is to create a monthly budget, where one must begin by setting aside a portion of each paycheck. Instilling the habit of cautious spending can be done by keeping a written journal and noting the monthly budget. Generally speaking, expenditures may be divided into three groups: needs, wants, and savings.

The 20-30-50 rule of investment is a widely known financial guideline that suggests allocating 20% of income to savings, 30% to discretionary spending, and 50% to necessities. However, it is not attributed to any individual or organization as its origins are unclear. It is considered a general rule of thumb for personal financial management and has been promoted by various financial experts and personal finance bloggers over the years. The majority of financial expert's advice following the 50-20-30 rule, which states that 50% of your monthly income should be allocated to meeting necessities, 20% must be set aside for savings and investments, and the remaining 30% can be spent on desires.

The 20-30-50 rule of investment can be a practical guideline for personal financial management, but it may not be suitable for everyone. The rule can help individuals establish a balanced budget, prioritize their expenses, and save for the future.

However, the percentages may need to be adjusted based on an individual's financial goals, income level, and cost of living in their location. For example, someone living in an expensive city may need to allocate a larger percentage of their income to necessities, while someone with a lower income may need to allocate a larger percentage to savings.

Moreover, this rule may not apply to people with significant debts or those who have a higher income and can afford to save more. In such cases, financial experts suggest prioritizing debt repayment or increasing savings beyond 20%.

In summary, while the 20-30-50 rule can serve as a useful guideline, it is important to customize it to an individual's unique financial situation and goals.

A sensible move is to put your accumulated funds into a life insurance policy. When necessary, you and your family might use insurance as a kind of protection. Although banks provide a variety of insurance options, most people tend to look for the following: Health insurance and term insurance.

If debt is not paid off on time, it can become a genuine trap in one's financial planning.

Investments with a purpose to maximize return. Goals are what drive investments, therefore you should set one for which you are willing to make temporary sacrifices. You can get in touch with your bank or any investment company that offers you the following choices. Bonds, Debt funds, Mutual Funds, Gold, Real Estate, and Shares are examples of fixed deposits. Always aiming for high-yielding investments is not required. Prior to investing, be aware of how much risk is low risk and high risk.

Planning for retirement will also be a great choice. A minimum of 15-20% of one's monthly salary should be saved as soon as one begins to earn money. Additionally, invest a certain amount of savings for 20–30 years, adding 10% more each year, in an index fund. The total amount will be sufficient to cover past retirement life at the time of retirement.

Literature Review

Shobha and Amrutha (2021) [1] investigated the factors that influence working women in the city of Bengaluru's retirement planning. Demographic factors, financial literacy, financial risk tolerance, and attitudes toward retirement planning were the subjects of the study. An example of 402 working ladies from various pieces of the Bengaluru City were approached to answer a basic poll ready for the exploration and the information got was dissected utilizing ANOVA and Relapse Examination. Age, marital status, annual income, the number of financial dependents, and demographic factors all had an impact on Retirement Planning, according to ANOVA analysis, and regression analysis revealed an adjusted R square of 0.47, indicating the model's predictive power and significance.

At Ascent HR, Bengaluru, Riyana and Sendhil Kumar (2019) [2] investigated the investment behavior of employed women. In anticipation of favorable outcomes in the future, current funds were the primary focus of the investment. Due to the history of the stock market, equities make up the largest portion of all investments. Because Indian investors invest in the stock market at a much lower rate than foreign investors, the purpose of their survey was to examine investment patterns within the investor community. Study was directed at Rising HR by framing a survey which ladies working there were approached to fill. It included many elements which impact their ventures, similar to, financial backers' inclinations, contributing techniques, and speculation choices. The exploration results are connected to gamble of putting resources into superior execution items and putting resources into various items.

The research that Jigna Chandrakant and Bindiya Kunal (2021) conducted on retirement planning was based on retirement planning by residents who were both working and retired. The results showed that while residents had a basic understanding of retirement planning, they had no idea how much money to save. Very few residents had invested in plans that provided a steady and ongoing income after retirement. The majority of the retired residents relied on their pensions and interest income. It has been suggested that the working population can be covered by a safety net of returns by investing at a younger age through effective education campaigns.

Pushpa B.V. (2021) [4] carried out a study to find out how well investors and pension plans are known in Bengaluru. Age and gender differences are significant, and defined contribution plans may soon take over, but for the time being, financial decisions that are inconsistent and irrational are made primarily due to pension literacy and behavioral factors. Due to a lack of awareness regarding the suitability of a plan to one's situation, failure to measure income adequacy at retirement, inability to identify the link between contributions made and pension drawdown, etc., individuals have failed to create a corpus to protect themselves for retirement. They're willing to take risks, but they're not ready to have control over their pension coverage. In any case, convenient and brief exhortation from venture guides could assist them with grasping the need, distinguish reasonable choices and plans, and give themselves long haul reserve funds.

A study was conducted by Saminathan R., Hemalatha P., and Gopinath R. (2020) [5] to examine income and expenditure. The data from the records, reports, and profile of the Bangalore metropolitan vehicle industry led us to a fundamental strategy that can be obtained by observing the typical rate of consumption and earnings. The purpose of the investigation was to examine productivity, identify weak functional areas, and provide financial evidence with appropriate ideas for improved sufficiency in order to prevent the organization from dissecting weak areas.

Monika Dahiya and Bhuvnender Chaudhary investigated people's preferences for public investments, their comprehension of investment requirements, and their expectations regarding investment returns. It covers examination of different monetary instruments like value/stocks, term stores, kisan vikas patra, public saving testaments, insurance contracts and common assets. This study targets serving a channel to the requirement for a perception of monetary goals of financial backers as per their longing for speculation returns. Central point affecting the monetary ventures are socioeconomics like age, pay, orientation, and so on. And socioeconomic factors like return on investment, family income, tax benefits, risk aversion, and other things, the possibility of predicting even the future of the Indian economy can benefit from this information.

Carol Upadhya investigated the cultural orientation and social identity of software professionals in Bengaluru. The most frequently asked questions concerned the environmental consciousness of this class through an investigation of the city's globalization through the influence of IT corporations.

Knowing the connections between globalization, consumption, middle-class identity, and political and cultural transformations traced the limitations and possibilities of the middle-class environment.

With a focus on all of India, Kannadas Sendilvelu and Manita Deepak Shah investigated the investment habits of self-employed and new business owners. It focuses on the fact that investors are not always rational, that they have limits, and that their decisions are influenced by their own limitations and knowledge. They had taken 100 samples each for primary and secondary data collection because this was a comparative study. Arbitrary inspecting procedure was utilized to gather information and it was investigated utilizing charts and tables and did by interfacing the variables which are persuasive on each other, and chi-square test apparatuses were used. In general, there is a lot of room for improvement in the discipline of behavioral finance.

A study was conducted by Ramar Veluchamy, Prachi Agarwal, Sanjusha Mallareddy, and Rhitam Kalpataru Duttagupta to determine the level of salaried employees' awareness of investment portfolios such as equities, bonds, mutual funds, and exchange-traded funds. Investigation of the review found the purposes behind financial planning, figuring out their perspective, and to test their insight about venture. The review assists with seeing retail financial backers' perspective towards venture as an idea and feature its significance.

Objectives

1. To identify the need for financial planning for salaried employees working in IT sector in Bengaluru.
2. To know and analyze different ways of financial planning that employees take up to make the most out of what they earn.
3. To compare few major financial decisions that might influence financial stability of a person.
4. To come out with sustainable ways of financial planning for an employee in IT sector.

Research Methodology

The research methodology for the study on ‘financial planning for salaried employee in IT sector, Bengaluru’ involved collecting primary data from IT employees through questionnaires. The data was then analyzed using quantitative and qualitative techniques. The objectives of the research were to identify the need for financial planning among salaried employees, analyze the different ways of financial planning adopted by employees, compare the major financial decisions that influence financial stability, and come up with sustainable ways of financial planning for employees in the IT sector. The study that financial planning is essential for salaried employees to manage their finances effectively and invest wisely, with a focus on goals and risk management. The findings of this research can help individuals, businesses, and entrepreneurs make informed financial decisions and benefit from government policies and regulations. Collecting primary data is appropriate for several reasons:

1. **Specificity:** Primary data collection allows researchers to collect data that is specific to their research questions and objectives. Researchers can tailor their data collection methods to suit their research needs and collect data that is relevant to their study.
2. **Accuracy:** Primary data collection ensures that the data collected is accurate and reliable. Researchers have more control over the data collection process, which reduces the risk of errors or bias in the data.
3. **Current and Relevant:** Primary data collection allows researchers to collect data that is current and relevant to their study. This is particularly important in rapidly changing fields where data can quickly become outdated.
4. **Confidentiality:** Primary data collection allows researchers to maintain the confidentiality of their research participants. Researchers can ensure that the data collected is kept confidential and anonymous, which can encourage participants to be more open and honest in their responses.
5. **Unique Insights:** Primary data collection can provide unique insights that cannot be obtained from existing data sources. Researchers can ask open-ended questions, follow-up on responses, and collect data on specific variables of interest, which can provide valuable insights into the research topic.

Sending questionnaires through Google Forms can be more convenient and efficient than conducting a personal survey for several reasons:

1. **Time and Cost-efficient:** Conducting personal surveys can be time-consuming and may require significant resources, such as hiring interviewers and printing survey materials. In contrast, Google Forms can be created and distributed quickly and easily, without any additional costs.
2. **Wider Reach:** With Google Forms, you can reach a larger number of respondents, including those who are geographically dispersed, without the need for travel or face-to-face interaction.
3. **Anonymity and Privacy:** Respondents may feel more comfortable providing honest and candid feedback when they are not required to reveal their identities. Google Forms allow you to maintain the anonymity of the respondents.
4. **Data Collection and Analysis:** Google Forms automatically collect and organize data, reducing the need for manual data entry and analysis. This can save time and reduce errors in the data analysis process.

Hence data was collected from IT employees working and residing in Bengaluru through questionnaires and collected data was analyzed. Questionnaire included questions about age, gender, position in the firm, income range, experience and finally asking if they think they can achieve the 20:30:50 ratio in the next 5 years.

Data Analysis

Data collected has been sorted to perform analysis and draw conclusions. Below is the consolidated data collected through questioners from 80 individuals working in IT firms in Bengaluru.

Table 1: Primary data collected and summarized.

	FD	MF	EQTY	PO	Bonds	NPS	Crypto	Gold	Realest	Other
Position										
Low	7	12	11	3	2	3	7	7	4	11
Middle	19	22	11	9	3	12	7	16	8	16
High	3	2	1	0	0	2	0	0	1	2
	29	36	23	12	5	17	14	23	13	29
Gender										

Male	14	24	17	6	3	10	9	13	9	17
Female	14	12	6	4	1	6	4	9	3	11
Non binary	1	0	0	2	1	1	1	1	1	1
	29	36	23	12	5	17	14	23	13	29
Age										
20-30yrs	10	18	14	3	3	4	4	11	5	15
30-40yrs	9	8	6	6	1	6	9	6	4	4
40-60yrs	10	10	3	3	1	7	1	6	4	10
Above 60	0	0	0	0	0	0	0	0	0	0
	29	36	23	12	5	17	14	23	13	29
Income										
<5Ipa	6	6	4	1	1	2	2	6	3	11
5-10Ipa	5	8	5	2	0	3	5	5	2	4
10-15Ipa	8	11	9	3	3	5	4	5	2	7
15-20Ipa	4	5	2	4	1	8	2	4	2	3
>20Ipa	6	6	3	2	0	4	1	3	4	4
	29	36	23	12	5	17	14	23	13	29
Experience										
0-2yrs	6	7	4	1	1	3	3	6	3	8
2-4yrs	4	10	9	2	2	1	5	5	1	6
4-8yrs	8	8	6	6	1	5	4	6	5	3
>8yrs	11	11	4	3	1	8	2	6	4	12
	29	36	23	12	5	17	14	23	13	29
Ratio										
Yes	14	18	10	6	3	12	7	12	8	14
Maybe	14	16	12	5	2	5	7	10	5	13
No	1	2	1	1	0	0	0	1	0	2
	29	36	23	12	5	17	14	23	13	29

Interpretation

1. Based on Employee's Position

From the data provided, we can observe that the majority of the employees invest in mutual funds, followed by equity and fixed deposits. Employees in the middle position invest the most in all the instruments, whereas those in the high position invest the least. This could be because employees in the middle position may have a higher disposable income compared to those in the low position and have not yet reached the level of financial stability as those in the high position.

A bar graph can be used to visualize the data, with the x-axis representing the different investment instruments, and the y-axis representing the number of employees investing in them. The bars are be color-coded to represent the different positions-low, middle, and high.

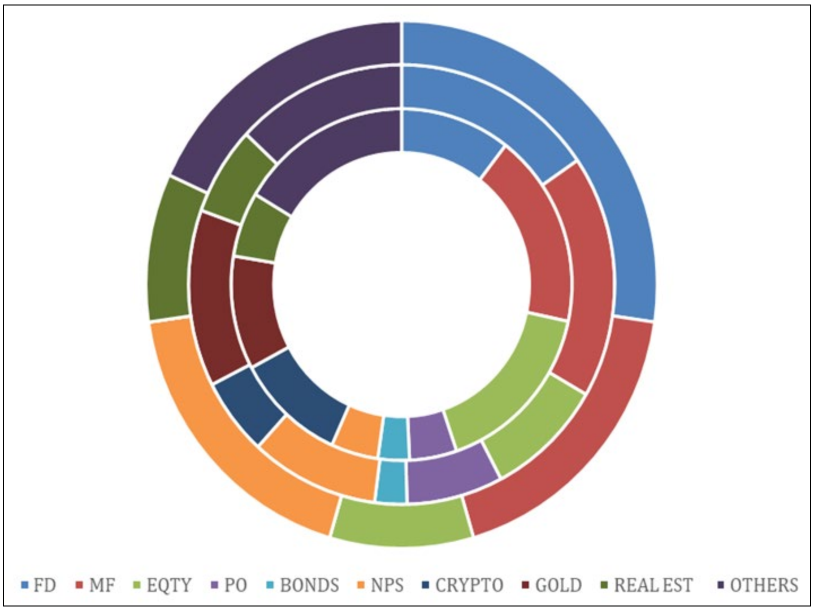

Fig 1: Showing low, middle and high-level position employees.

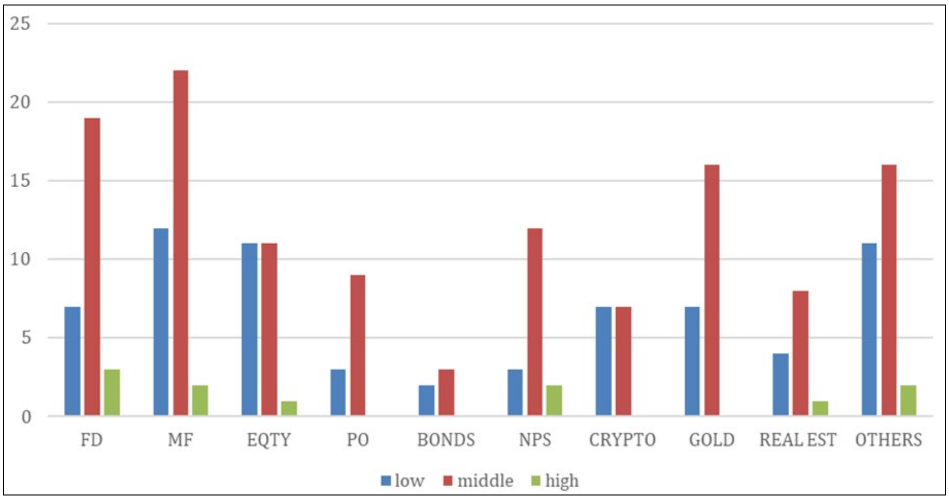

Fig 2: Low, middle and high-level position employees and their investment choices.

2. Based on Employee's Gender

Based on the given data, we can conclude that more males invest in financial instruments compared to females and non-binary individuals.

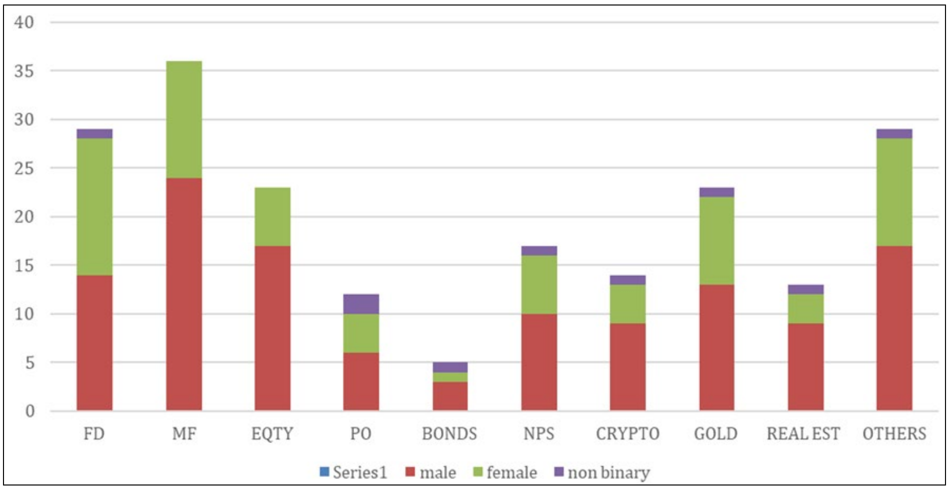

Fig 3: Investment options chosen with respect to gender.

Out of the 78 respondents, 12 of them have not answered this question and hence are not considered for interpretation but are taken as non-binary and evaluated. To visualize this data, we can use a stacked bar graph where each bar represents a financial instrument, and the different colours in each bar represent the different genders. The height of each segment would represent the number of people who invest in that financial instrument.

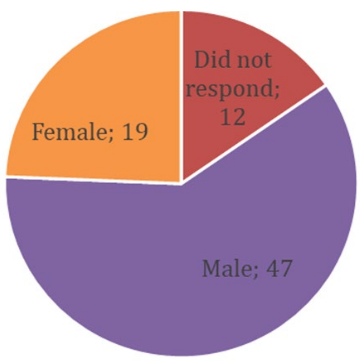

Fig 4: Number of respondents and their genders.

From the graph, we can clearly see that for most financial instruments, males have a higher investment count than females and non-binary individuals. However, for the instruments PO and BONDS, the investment count is roughly the same across all genders. Overall, the graph highlights the gender imbalance in financial investments.

3. Based on Employee's Age

Based on the Data Provided, We can draw the Following Conclusions

- The largest group of investors falls in the age group of 20-30 years.
- When ranked according to the data collected most popular investment instruments across all age groups are FD (29), MF (36), EQTY (23) and GOLD (23).
- The proportion of investors investing in PO and BONDS is relatively lower across all age groups when compared to other investment options.

4. Based on Employee's Income Range

a) The most popular investment instruments across all income ranges are Mutual Funds (MF), Equity (EQTY), and Fixed Deposits (FD).

b) People with higher incomes (>20 LPA) tend to invest more in Equity and Mutual Funds as compared to those in the lower income ranges.

c) People with lower incomes (<5 LPA) tend to invest more in Gold and Others as compared to those in the higher income ranges.

d) People with incomes between 10-15 LPA tend to invest more in mutual funds and it is also noticed that they invest in National Pension System (NPS) and Real Estate as compared to those in other income ranges.

e) People with incomes between 5-10 LPA tend to invest more in Mutual funds, also it is noticed that they invest most in Crypto currency as compared to those in other income ranges.

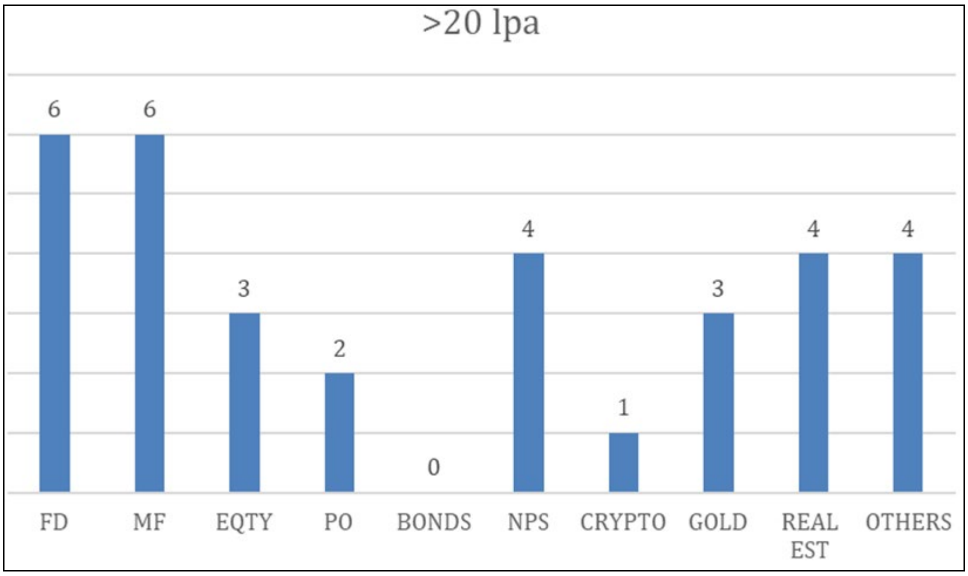

Fig 5: Employees earning < 20LPA and their choice of investments.

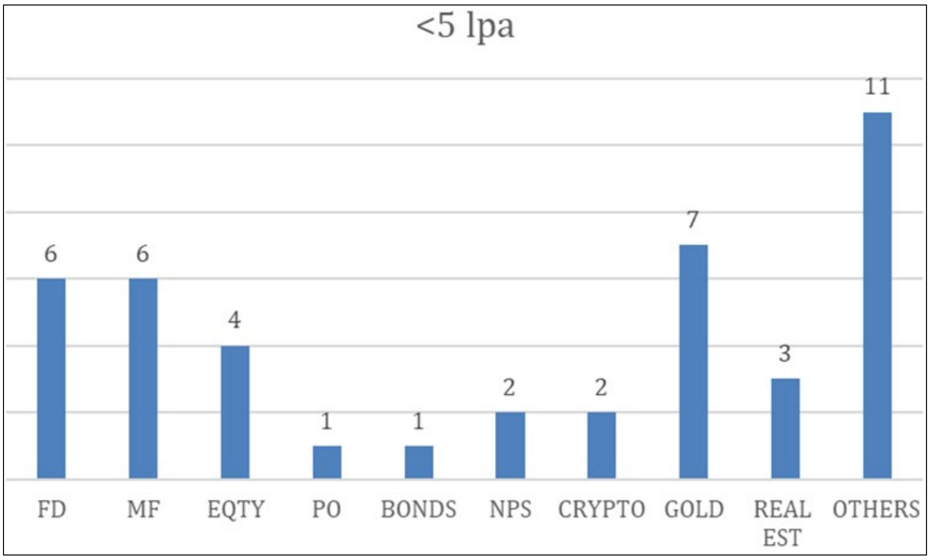

Fig 6: Employees earning < 5LPA and their choice of investments.

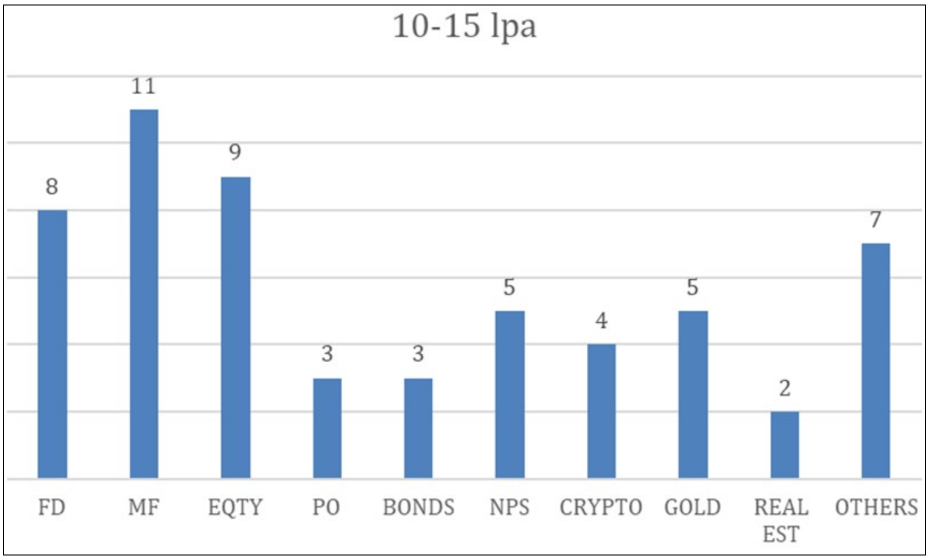

Fig 7: Employees earning 10-15 LPA and their choice of investments.

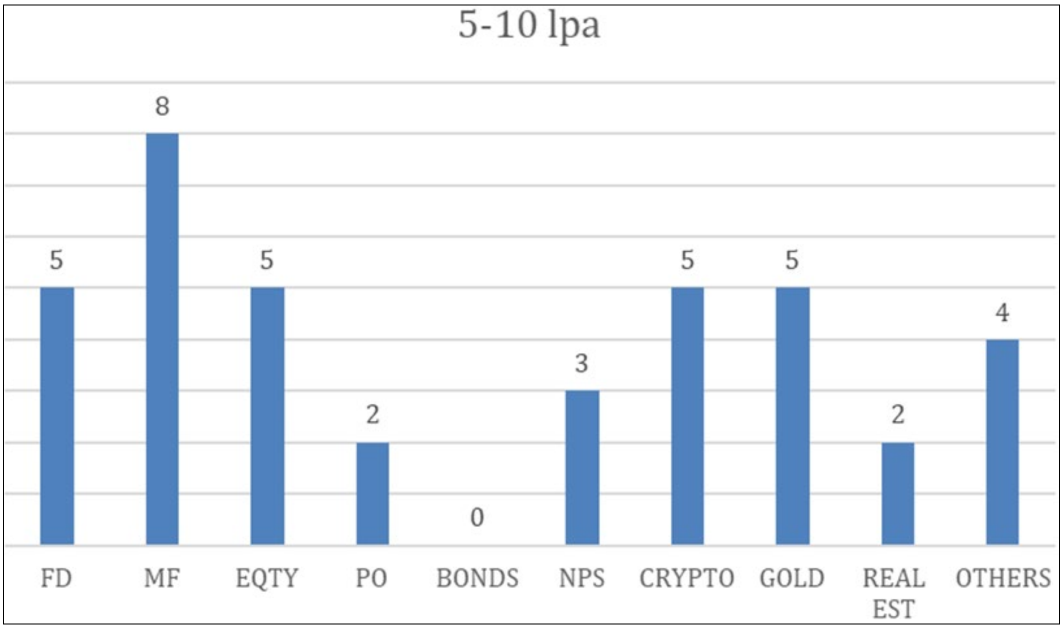

Fig 8: Employees earning 5-10 LPA and their choice of investments.

5. **Based on Employee's Experience**

Employees experience and age are relative and hence we can draw the following conclusions from the data.

i) The highest number of investors (11) with experience of more than 8 years invest in FD and MF.
ii) The number of investors (6) with experience of 4-8 years invest in EQTY.
iii) The highest number of investors (6) with experience of more than 8 years invest in GOLD.
iv) The highest number of investors (8) with experience of 4-8 years invest in real EST.
v) The highest number of investors (12) with experience of more than 8 years invest in others.

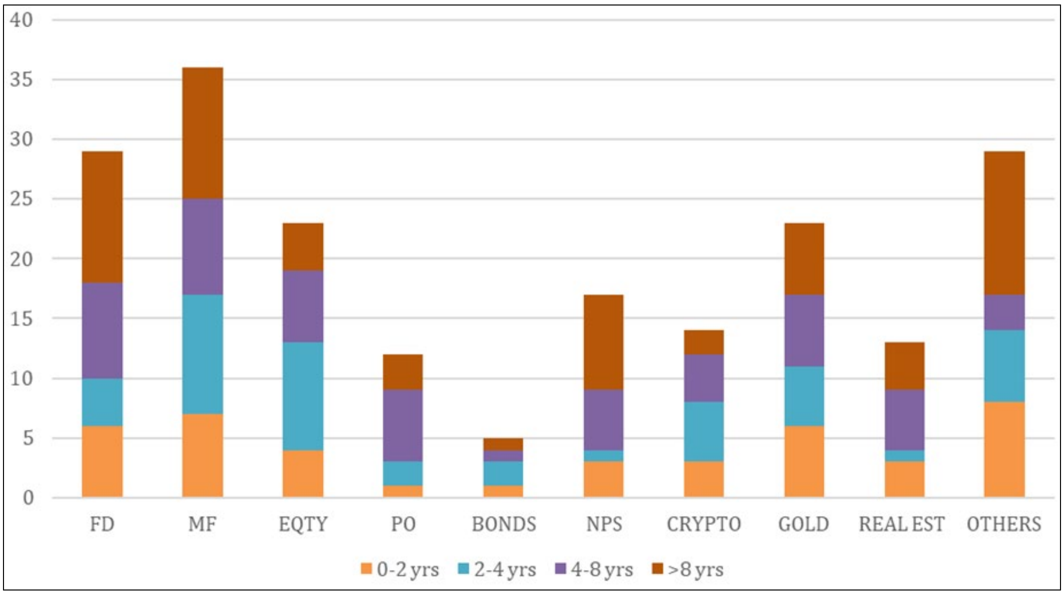

Fig 9: Graph showing number of employees and investment options chosen with respect to their work experience.

To visualize this data, we can use a stacked bar chart. The bars can be stacked according to the different experience categories (0-2 yrs, 2-4 yrs, 4-8 yrs, >8 yrs) and colored differently for each category. This will help to show the distribution of investors across different instruments and experience categories.

6. **Based on The Ability to Achieve 20:30:50 Ratio**

Based on the given data, it can be concluded that a significant number of people investing in different instruments believe that they have the ability to achieve the ideal 20:30:50 financial ratio in the next 5 years.

i) Out of the total respondents, 48% believe that they can achieve the ideal ratio, 45% are uncertain, and only 7% think that they cannot achieve the ideal ratio.
ii) The most optimistic investors are in NPS, followed by Mutual funds and Real estate.
iii) The investors in Bonds and PO (Post Office) seem to be less optimistic about achieving the ideal ratio.

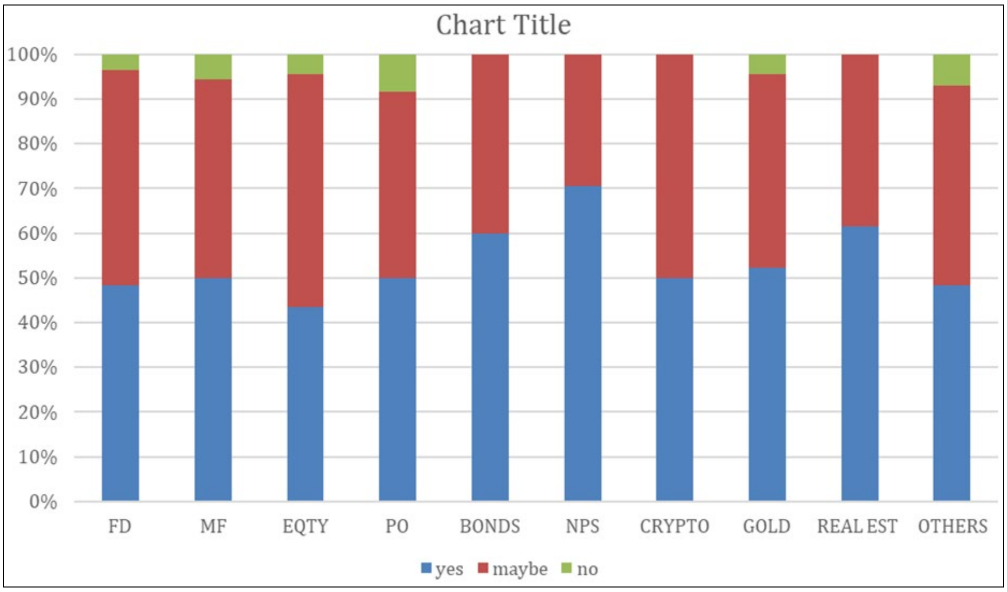

Fig 10: Graph depicting the percentage of investors foreseeing to achieve the ideal ratio of 20:30:50.

7. Based on Sectors That Employee's Invest

Based on the responses given by investors, it seems that the Information Technology sector is a popular choice among equity investors. Several investors have invested in a combination of sectors, such as Industrial, Healthcare, Financial, and Service, along with Information Technology. Energy and Healthcare are the next popular choices among investors. The Financial sector is also well represented, and some investors have invested in a combination of Financial, Service, and Information Technology sectors. The Material and Utility sectors are the least invested in. Overall, it can be concluded that Information Technology and Healthcare sectors are popular among equity investors, and investors are willing to diversify their portfolios by investing in multiple sectors.

Conclusion

The study aimed to identify the need for financial planning for salaried employees working in the IT sector in Bengaluru. Based on the data provided, it can be inferred that employees invest in various financial instruments like mutual funds, equity, fixed deposits, gold, and real estate, among others. The study also identified different ways of financial instruments that employees take up to make the most out of what they earn. Furthermore, it compared a few major financial decisions that might influence the financial stability of an individual.

The data indicates that employees in the middle level position invest the most in all instruments, and high-level position invest the least. This finding suggests that employees in the middle position may have a higher disposable income compared to those in the low position and have not yet reached the level of financial stability as those in the high position. High level management respondents tend to invest more in less risk- less return investment options, whereas respondents from middle level positions have higher risk tolerance.

Based on gender, more males invest in financial instruments compared to females and non-binary individuals. The study also found that the largest group of investors falls in the age group of 20-30 years, with FD, MF, EQTY, and CRYPTO being the most popular investment instruments across all age groups. The data further reveals that people with higher incomes tend to invest more in equity and mutual funds, while those with lower incomes tend to invest more in gold and other instruments. Most respondents don't seem to consider the sector or industry they are investing in to be an important factor. Additionally, individuals with incomes between 10-15 LPA tend to invest more in National Pension System (NPS) and Real Estate.

The data also highlights that people with experience of more than 8 years invest in FD, MF, and gold, while those with experience of 4-8 years invest in EQUITY and real estate. The study also found that a significant number of people investing in different instruments believe that they have the ability to achieve the ideal 20:30:50 financial ratio in the next 5 years.

The study did not explicitly state if it achieved the objectives set out. However, based on the data provided, it can be inferred that the study was able to identify the need for financial planning for salaried employees working in the IT sector in Bengaluru. It also successfully identified different ways of financial planning that employees take up and compared a few major financial decisions that might influence the financial stability of a person.

To come out with sustainable ways of financial planning for an employee in the IT sector, the study recommends investing in a combination of sectors like the Information Technology, Healthcare, and financial sectors. It also suggests diversifying portfolios by investing in multiple sectors, as well as considering National Pension System (NPS) and real estate investments. Furthermore, the study recommends being optimistic about achieving the ideal 20:30:50 financial ratio, which could motivate individuals to take necessary steps towards financial planning and stability.

In conclusion, the study provides valuable insights into the financial planning habits of salaried employees working in the IT sector in Bengaluru.

Future Research Points

1. High low and middle level management, risk and return preferences.
2. 20-30-50 ratio works to what extent? Followers of the rule can respond.
3. How many of the investor's care about following the thumb rule.
4. Have the followers of the thumb rule achieved their investment goals thru thumb rule or not.

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