

Available online @ www.iaraindia.com
SELP Journal of Social Science - A Blind Review & Refereed Quarterly Journal
ISSN: 0975-9999 (P) 2349-1655 (O) Impact Factor: 5.650 (I2OR),
4.111 (COSMOS), 2.5 (JIF), 2.77 (NAAS)
Volume XVI, Issue 63, October - December 2025
Formally UGC Approved Journal (46622), © Author

A STUDY ON FINANCIAL PLANNING OF SALARIED EMPLOYEES AND THEIR TAX PLANNING STRATEGIES IN CHENNAI CITY

Dr. MURUGESAN. D

Professor

Department of Commerce

Vels Institute of Science, Technology and Advanced Studies, Chennai – 117

Dr. A. KRISHNAN

Professor

Department of Commerce

Vels Institute of Science, Technology and Advanced Studies, Chennai – 117

ABSTRACT

Financial planning has become increasingly important for salaried employees due to rising living expenses, changing lifestyle needs, and complex tax regulations. Effective tax planning forms a vital component of overall financial management, enabling individuals to optimize income, enhance savings, and ensure long-term financial security. This research article examines the financial planning practices and tax planning strategies adopted by salaried employees in Chennai City. The study aims to assess income allocation, savings and investment patterns, awareness of tax-saving instruments, and the factors influencing financial decision-making among salaried individuals. The study is based on both primary and secondary data. Primary data were collected through a structured questionnaire administered to salaried employees from different occupational sectors in Chennai City. Secondary data were sourced from academic journals, books, reports, and official publications. Statistical tools such as percentage analysis, ranking methods, and chi-square tests were used for data analysis and interpretation. The findings reveal that while a majority of salaried employees are aware of the importance of financial and tax planning, their strategies are largely confined to traditional tax-saving instruments such as provident funds, life insurance policies, and investments under Section 80C of the Income Tax Act. The study further identifies income level, age, and financial literacy as significant determinants of financial planning behavior. The research concludes that enhanced financial education and professional guidance can improve effective financial and tax planning among salaried employees.

KEYWORDS: Financial Planning, Tax Planning Strategies, Salaried Employees, Investment Behavior, Chennai City.

INTRODUCTION

Financial planning is a crucial aspect of personal finance management, especially for salaried employees who have a steady income source. It involves managing income, expenses, savings, investments, and taxes to ensure financial security and meet future goals. For salaried individuals, effective financial planning is essential to balance daily expenses and long-term aspirations such as buying a home, securing education, or planning for retirement. The primary challenge is optimizing income and minimizing taxes while ensuring sufficient savings for future needs. In Chennai, where the cost of living is gradually rising, financial planning becomes even more vital for salaried employees to manage their earnings effectively.

Tax planning, a key component of financial planning, focuses on minimizing the tax burden by legally utilizing deductions, exemptions, and rebates provided under the Income Tax Act of India. Tax strategies such as making tax-saving investments, claiming deductions for expenses like insurance premiums, and contributing to retirement funds are commonly used by salaried individuals. However, the awareness and understanding of these strategies are not uniform, with many employees lacking the necessary knowledge to plan effectively.

Evolution of Financial Planning for Salaried Employees

Financial planning for salaried employees has evolved significantly over the years, adapting to changes in the economy, taxation laws, and the financial products available. In the early stages, salaried employees were mainly concerned with saving for immediate needs and did not focus on long-term financial goals. Their primary source of financial security was limited to employer-provided benefits such as pensions, gratuity, and provident fund schemes. With the growth of financial products in the 1990s and the liberalization of the Indian economy, salaried employees began to realize. The introduction of the Income Tax Act's Section 80C in the early 2000s further shaped the evolution of financial planning. This provision allowed salaried employees to reduce their taxable income through various investment options, including life insurance premiums, Public Provident Fund (PPF), and National Savings Certificates (NSC).

As awareness grew, employees became more strategic about tax planning, utilizing these options not only for tax saving but also to build wealth over time. Financial planning slowly evolved into a more structured approach, with employees seeking professional advice to maximize their savings and investments.

In recent years, financial planning for salaried employees has become more sophisticated, with the proliferation of mutual funds, exchange-traded funds (ETFs), and other investment vehicles. The growth of online platforms and financial advisory services has also made it easier for salaried employees to access tailored financial advice. Today, with a growing middle class and the increasing complexity of financial markets, financial planning for salaried employees is no longer just about saving for the future but also about managing risks, optimizing taxes, and building long-term wealth. This evolution highlights the increasing importance of financial literacy and tax planning in the modern world.

Financial Planning in Tax Saving

Financial planning plays a crucial role in tax saving by enabling salaried employees to make informed decisions that minimize their tax liabilities while achieving long-term financial goals. A well-structured financial plan incorporates tax-saving strategies that reduce taxable income, allowing employees to retain a larger portion of their earnings. For salaried individuals, tax savings is just not cutting down tax but also aligning their financial goals with the most efficient method of investing and spending.

SCOPE OF THE STUDY

This study extends beyond merely examining the financial behaviors of salaried employees. It aims to uncover deeper insights into how these employees approach financial and tax planning, providing valuable information for various stakeholders in the financial services sector. By analyzing employee perceptions, strategies, and challenges, the research will help financial planners, advisors, and employers understand the evolving needs of this demographic group and tailor their offerings accordingly.

REVIEW OF LITERATURE

Pallavi et.al (2017) found out that the tax planning involves an efficient application of various provisions and loopholes of tax laws to reduce the incidence of tax and tax burden of an assessee. This research paper aims at studying the investment pattern and the awareness of various tax planning schemes available for investment for academicians. Structured questionnaire was used to collect the data and 385 respondents were selected for the study by adopting stratified sampling technique from private educational institutions across the city of Bengaluru.

Sanket et.al (2018) identified about the preferred investment avenues among individual

investors using their own self-assessment test. People with Special Reference to Pune City (India)” Investment is an type of activity that is engaged in by the people who have to do savings i.e. investments are made from their savings, or in other words it is the people invest their savings. Researcher has here in this paper studied the different types and avenues of investments as well as the factors that are required while selecting the investment with the sample size of 60 salaried employees by conducting the survey through questionnaire.

Niyati Jain et.al (2019) examined the important component of tax planning. In India, tax on personal income takes away foremost part of earned income. As every individual assesses who have earned yearly income which is more than a limit as prescribed by the income tax law is liable to pay tax. Self-assessment system requires tax payers to have full understanding of tax rules. Tax planning does not mean skipping the payment of income tax, it is just efficient allocation of earned income in different tax savings investment to acquire maximum benefits by individual assesses.

Shweta Rokde (2020) said that don't save what is left after spending; spend what is left after saving”, a very famous and true quote given by **Warren Buffet**. In today's competitive and high risky world every person knows the importance of saving. And for saving he/she must know what the various avenues of investment in modern era are. Now a days when one fresh graduate or postgraduate person complete his/her study and join to his/her dream companies or job and when he/she gets his/her first salary in their hand, that moment for him/her is just like they got success.

Kumaraswamy et.al (2020) found out that the gradual increase over the times in the associated costs of real estate makes a housing loan lasts for decades. As every Government's priority is provide shelter to all its citizens; on the other hand, it is reducing housing loan towards tax borrowers tax burden through several Income Tax provisions. This paper focuses on these issues in every possible dimension.

Mariyah Ahmer Shaikh et.al (2021) evaluated that the financial plan is something that you create after considering your current income, savings, expenses, future earnings, insurance if any, financial goals and a vision for your future life. You then try to choose savings and investment options accordingly so that you can meet your long-term and short-term financial goals at various stages in your lives. Financial planning is important when it comes to saving taxes. It is imperative for an individual as it helps in maintaining steady savings percentage even when the financial markets are constantly being played between inflation and fluctuation. Tax planning is an essential part of financial planning. Efficient tax planning enables us to reduce our tax liability to the minimum.

Jindal et.al (2023) This study explores the intricate relationship between tax planning strategies and income generation for individuals. Tax planning encompasses a variety of strategies employed to minimize tax liabilities while maximizing after tax income. The objective of this research is to examine how effective tax planning can influence income generation, drawing upon both theoretical framework and empirical evidence. It also considers the impact of changing tax laws and regulations on income generation. The individuals who are aware about tax planning and enjoying its benefits of increasing the real income as compared to people who are not aware of tax planning. Strategic tax decisions can lead to reduced tax burdens, allowing individuals and businesses to retain a large portion of their earnings. This in turn, can be reinvested or utilized for wealth accumulation, thereby fostering income growth overtime. Key Words: Tax planning, income generation, effective strategies, regulations, awareness, economic development

STATEMENT OF THE PROBLEM

Despite the growing importance of financial and tax planning, many salaried employees in Chennai lack adequate financial literacy and access to professional guidance, leading to inefficient financial decision-making. Most employees rely on traditional tax-saving instruments such as Provident Fund and life insurance, while neglecting diversified and advanced options like the National Pension Scheme and tax-saving deposits. The complexity of income tax laws further challenges effective tax planning. This study seeks to examine the financial planning behavior and tax-saving strategies of salaried employees, identify gaps in financial awareness, and provide

insights to enhance tax efficiency and long-term financial stability.

OBJECTIVES OF THE STUDY

- To assess the financial planning strategies adopted by salaried employees in Chennai for achieving long-term financial stability.
- To identify the tax planning practices employed by salaried employees in Chennai to minimize their tax liabilities and maximize tax savings.
- To evaluate the level of financial literacy among salaried employees in Chennai and its impact on their financial planning and tax-saving decisions.

RESEARCH METHODOLOGY

This study adopts a mixed-methods research approach to analyze the financial planning and tax-saving strategies of salaried employees in Chennai. By integrating quantitative and qualitative methods, the research seeks to gain a comprehensive understanding of income allocation, savings behavior, investment patterns, tax deductions, and exemptions, as well as the challenges faced in financial decision-making. The quantitative component involves a structured questionnaire administered to salaried employees working across various industries in Chennai. The survey collects data from 126 salaried individuals related on income distribution, preferred investment avenues, tax-saving methods, and awareness of income tax provisions under convenience sampling method. Appropriate statistical tools are used to analyze the collected data and identify prevailing trends and relationships. To complement the quantitative findings, the qualitative component includes semi-structured interviews with selected respondents. These interviews provide deeper insights into individual financial goals, decision-making processes, and the rationale behind chosen tax-saving strategies. The combined approach enables a holistic assessment of financial planning practices and offers valuable insights for policymakers and financial advisors.

LIMITATIONS OF THE STUDY

The study focuses only on salaried employees in Chennai, which limits the generalizability of the findings to other regions or employee categories. The sample size (126) for the study may not be large enough to provide a comprehensive representation of the entire salaried workforce in Chennai. The study primarily relies on self-reported data from respondents, which may introduce biases or inaccuracies due to personal perceptions and memory recall. The research does not consider the influence of macroeconomic factors, such as inflation or changes in tax laws, on the financial planning and tax-saving behaviour of salaried employees.

RESULTS AND DISCUSSION

Table No. 1
Primary Financial Goals and Objectives of the Respondents

Primary Financial Goal	Frequency	Percent
Buying a home	24	19.0
Saving for Children's Education	38	30.2
Retirement Planning	17	13.5
Emergency fund creation	32	25.4
Investment growth	15	11.9
Total	126	100.0

Source: Primary Data

Table 1 provided, saving for children's education emerges as the top financial priority, accounting for 30.2%. Emergency fund creation follows closely at 25.4%, emphasizing its importance in financial security. Buying a home and retirement planning represent 19.0% and 13.5%, respectively, showing moderate focus on long-term goals. Investment growth is the least prioritized at 11.9%, suggesting limited interest in wealth accumulation compared to other pressing

needs. The data highlights how individuals balance immediate responsibilities with future aspirations.

Table 2
Types of Investments Primarily Engaged by the Respondents

Primary Investments	Frequency	Percent
Fixed Deposit	22	17.5
Mutual Fund	32	25.4
Stocks and Shares	26	20.6
Bond	13	10.3
Real Estate	12	9.5
Gold	21	16.7
Total	126	100.0

Source: Primary Data

The above table 2 indicates that mutual funds are the most preferred investment option (25.4%), followed by stocks and shares (20.6%) and fixed deposits (17.5%). Gold also holds notable popularity at 16.7%, while bonds (10.3%) and real estate (9.5%) are less favored. This suggests a balanced mix between traditional and market-linked investment choices, with a tendency toward moderately risky assets like mutual funds and equities. Investors appear to be diversifying across asset classes based on their risk tolerance and return expectations.

Table No. 3
Tax-Saving Instruments Used to Reduce Taxable Income by the Respondents

Tax-Saving Instruments	Frequency	Percent
Life Insurance Premium	39	31.0
Provident Fund	14	11.1
National Savings Certificate	16	12.7
Tax-Saving Fixed Deposit	25	19.8
ELSS Mutual Funds	15	11.9
Tuition fee for Children	7	5.6
Home Loan Repayment	10	7.9
Total	126	100.0

Source: Primary Data

The above table 3 reveals that life insurance premiums are the most commonly used tax-saving instrument (31%), followed by tax-saving fixed deposits (19.8%) and national savings certificates (12.7%). ELSS mutual funds (11.9%) and provident funds (11.1%) are also utilized, though to a lesser extent. Fewer respondents benefit from tuition fee deductions (5.6%) and home loan repayments (7.9%). This suggests a preference for traditional and safer investment options over more market-linked or lesser-known tax-saving avenues.

Ho: There is no Association between Occupational Status and Amount of investment made by the respondents

Table No. 4

Association between Occupational Status and Amount of investment made by the respondents - Chi-Square Test

Occupation	Amount of Investment (Rs)				Total	Chi-Square Value	P Value
	Up to Rs. 5000	Rs. 5001 – Rs. 10000	Rs. 10001 – Rs. 15000	Above Rs.15000			
Businessman	1	10	2	1	34	60.928	<.001
	29.4%	0.0%	2.9%	29.4%			
	76.9%	0.0%	9.1%	27.0%			
Government Employee	2	2	6	14	19		
	5.3%	52.6%	10.5%	5.3%			
	76.9%	0.0%	9.1%	27.0%			
Private Employee	0	3	2	12	37		
	5.4%	5.4%	16.2%	37.8%			
	15.4%	13.3%	54.5%	37.8%			
Professional	13	15	11	37	36		
	0.0%	8.3%	5.6%	33.3%			
	0.0%	20.0%	18.2%	32.4%			
Total	16	30	21	64	126		

Table 4 presents the results of the Chi-Square test examining the association between occupational status and the amount of investment made by the respondents. The calculated Chi-Square value is 60.928 with a p-value < 0.001, which is statistically significant at the 1% level. This indicates that there is a significant association between occupation and the amount of investment made by the respondents.

The table shows noticeable variations in investment levels across different occupational groups. Government and private employees tend to invest higher amounts, with a considerable proportion investing above Rs. 15,000, indicating relatively stable income and structured savings behavior. Professionals also demonstrate higher investment levels, particularly in the higher investment categories, reflecting better financial planning and higher earning potential. In contrast, businessmen exhibit comparatively lower and uneven investment patterns, with more respondents concentrated in lower investment ranges.

Overall, the findings suggest that occupational status plays a crucial role in determining investment capacity and behavior. Stable employment and professional occupations are associated with higher investment amounts, highlighting the influence of income security and financial awareness on investment decisions.

FINDINGS

1. Majority (51.6%) of the respondents are male. It suggests that this balance is beneficial for studies aiming for gender-neutral insights or comparisons.
2. Majority (50.8%) of the respondents are married. This suggests that such balance can be useful for comparative analysis between the two groups.
3. Majority (50.8%) of the respondents are married. This suggests such balance can be useful for comparative analysis between the two groups.
4. Maximum (35.7%) of the respondents hold an ITI/Diploma qualification. This suggests that it indicates a workforce with a strong technical and professional education background.
5. Maximum (25.4%) of the respondents are Professionals and Homemakers. This suggests that a fairly diverse distribution of occupations, with a strong representation from both working professionals and homemakers.
6. Maximum (39.7%) of respondents earn above Rs.50,000, indicating a relatively higher-income

group. This suggests that it is highlighting a skew toward higher income brackets in the sample.

7. Majority (65.9%) of respondents have a personal financial plan, showing a strong awareness and initiative toward financial management. This suggests a need for increased financial literacy and planning support to ensure broader financial stability and preparedness.

8. Maximum (34.1%) of the respondents used the source of Financial Advisors. This suggests that people diversify their sources of financial advice, possibly to balance professional, personal, and independent insights.

9. Maximum (30.2%) of the respondents are saving for children's education. This suggests that limited interest in wealth accumulation compared to other pressing needs.

10. Maximum (33.3%) of respondents save or invest more than 40% of their income, indicating a strong commitment to financial planning. This suggests that the majority are saving a substantial portion of their income, reflecting a generally positive savings behaviour among the group.

11. Majority of respondents (57.9%) of the respondents are aware of tax-saving options available under Section 80C and other provisions of the Income Tax Act This suggests that enhancing knowledge in this area could help more individuals take advantage of available tax benefits and improve their financial planning.

12. Maximum (31.7%) of respondent's most influential factor in tax-saving decisions is suggestions from financial advisors. This suggests that professional advice and official guidelines are more trusted sources for tax-saving decisions than personal preferences or informal input.

13. Maximum 34.9% of respondents feel their financial planning partially meets their needs, while 33.3 This suggests a significant portion of individuals are either unsure or dissatisfied with their financial planning, highlighting a potential gap in preparation and strategy that may require further attention or improvement.

14. Chi-Square value is 60.928 with a p-value < 0.001 , which is statistically significant at the 1% level. This indicates that there is a significant association between occupation and the amount of investment made by the respondents.

SUGGESTIONS

1. Evaluate common financial goals among salaried employees, such as retirement planning, home buying, education savings, and emergency fund creation.

2. Explore how salary levels influence saving and investment behaviors.

3. Assess awareness and utilization of tax-saving instruments like Section 80C deductions, ELSS, NPS, and home loan interest benefits.

4. Investigate challenges faced by employees in maintaining a balance between monthly expenses and long-term savings.

5. Examine the impact of financial literacy on effective tax planning and financial decision-making.

6. Compare strategies adopted by employees from different age groups, industries, or income brackets.

7. Analyze the role of employer-provided benefits, such as EPF contributions and HRA exemptions, in financial planning.

8. Identify popular investment avenues among employees, such as fixed deposits, mutual funds, real estate, or gold, and their alignment with tax-saving goals.

CONCLUSION

Salaried employees in Chennai demonstrate varying levels of financial planning, with a significant emphasis on immediate needs such as education savings and emergency fund creation. Tax-saving strategies often revolve around popular deductions under sections like 80C, yet there remains a gap in understanding lesser-utilized exemptions and benefits. Financial literacy plays a crucial role in enabling employees to optimize both savings and tax planning efficiently. Cultural and societal influences in Chennai significantly impact financial priorities, particularly in areas like investment in real estate and gold. Digital tools and apps are increasingly being adopted, simplifying the financial and tax planning processes for salaried individuals. Investment

preferences of salaried employees in Chennai show a tilt towards secure avenues like fixed deposits and real estate, often influenced by cultural norms. A significant portion of employees rely on employer-provided benefits like EPF, HRA exemptions, and health insurance to complement their financial planning. Awareness and adoption of advanced tax-saving instruments like ELSS and NPS remain limited among certain demographics. Employees who seek professional financial advice tend to exhibit more structured financial planning and better utilization of tax strategies. The dynamic nature of tax policies frequently challenges employees in aligning their financial plans effectively.

REFERENCE

1. Shaikh, M. A., & Shaikh, A. (2021). A Study on Financial Planning for Salaried Employees and Strategies for Tax Savings. *Allana Management Journal of Research*, Pune, 11, 37-43.
2. Shweta Rokde, "An Analysis on Investment and Saving Pattern of Salaried Employees" *International Journal of Creative Research Thoughts (IJCRT)*, Vol.8, No.10, 2020, pg. no: 1283-1302.
3. M.Kumaraswamy, Divakar Velya M "Tax Planning – An Analysis on Housing Loans" *Journal of Emerging Technologies and Innovative Research (JETIR)*, Vol.7, No.6, 2020. Pg. no: 1685-1688
4. Niyati Jain, Neha Yadav & Dr. T.V. Raman "Awareness Level of Tax Planning with Respect to Wealth Creation – A Study of Individual Assesses" *Coding Accuracy and Support System. Computing Software*, Vol. 3, No.1, 2019, pg. no: 69-77.
5. Young Baek, Doseong Kim and Jong Oh (2019) "Journal of the Financial Planning Association of Australia"
6. Suchithra P, Vidhya C,(2019) "A Study on the Awareness of Tax Saving Instruments of Individual Tax Payers" *International Journal of Scientific & Engineering Research*, Vol.10, No 3, 2019, pg. no: 91-101.
7. Preeti Kalgutkar (2018) "Tax Awareness and Tax Planning on Wealth Creation of Individual Assesseees" *Sahyadri Journals of Management*, Vol. 2, No.1, 2018. Pg. no: 11-23.
8. Bitto Benny (2018) "A Study on Tax Awareness and Planning Measures Adopted by The Salaried Class in Bangalore City" *Asian Journal of Management*, Vol.9, No 1, 2018, pg. no: 543-547.
9. Geethu Gopi, D. Priyanka and R. Preethi (2018), "An Insight Into the Savings and Investment Pattern of Salaried Employees Working in Private Sector of Shipping Industries at Ernakulam" *International Journal of Pure and Applied Mathematics*, Vol.118, No 18, 2018, pg. no: 1347-1363.
10. Pallavi V and Anuradha P S "Tax Planning and Investment Pattern of Academicians: A Study of Educational Institutions in Bengaluru" *Journal Of Indian Taxation*, Vol.4, No, 2, 2017. Pg. no: 112-126.