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Assessing Financial Planning Strategies of Urban Middle-Class Salaried Employees in Emerging Indian Cities

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Abstract

In today's increasingly complex financial environment, personal financial planning has become vital for achieving stability and long-term security, particularly among India's urban middle-class salaried employees. This study investigates the effectiveness of financial planning strategies adopted by this demographic, focusing on their savings behavior, investment choices, and tax planning practices. Primary data were collected from 100 respondents across Tier-2 and Tier-3 cities such as Prayagraj, Lucknow, and Kanpur, using a structured questionnaire, while secondary data were sourced from RBI, SEBI, and OECD reports. Descriptive and comparative statistical tools were employed to analyze patterns across age, income, and gender. The findings reveal a strong preference for traditional instruments like Public Provident Fund (72%) and Life Insurance (64%), moderate adoption of SIPs (58%), and limited participation in equities (21%) or retirement-specific schemes (11%). Tax-saving under Section 80C remains the dominant motivator, while awareness of other deductions is low. The study highlights gaps in retirement planning, emergency preparedness, and diversification, and recommends targeted financial literacy initiatives, integration of digital tools, and employer- and policy-level interventions. The insights contribute to academic literature on financial planning in emerging economies and provide actionable guidance for policymakers, financial institutions, and salaried professionals.

Keywords - Financial Planning, Salaried Employees, Urban Middle Class, Tax Saving, Investment Strategies, Financial Literacy, Budgeting, Retirement Planning, Systematic Investment Plans (SIPs), Digital Finance Tools

1. Introduction

In today's increasingly complex and dynamic economic environment, effective personal financial planning has become a necessity especially for urban middle-class salaried employees. This demographic, which forms the backbone of India's consumption-driven economy, faces the dual pressure of rising inflation and lifestyle aspirations while attempting to secure long-term financial stability. With limited income flexibility, growing financial responsibilities such as home ownership, children's education, retirement planning**, and** tax obligations**,** their financial decisions often determine their ability to achieve future security and independence.

Despite the widespread availability of financial instruments—including Systematic Investment Plans (SIPs), Public Provident Fund (PPF), Life Insurance, and Equity-Linked Saving Schemes (ELSS) and access to digital advisory platforms, financial planning among this group often remains ad hoc. Choices are frequently influenced by peer behavior, employer-linked schemes, or short-term tax incentives, rather than a structured, goal-oriented financial strategy. While awareness of basic instruments is relatively high, there is often a limited understanding of portfolio diversification, inflation-adjusted returns, risk management, and the broader implications of financial decision-making.

This study aims to evaluate the effectiveness of financial planning strategies among urban middle-class salaried employees by analyzing the tools they use, their level of financial literacy, and the alignment of their practices with long-term goals. It also explores the role of digital apps, financial advisors, and budgeting habits in shaping financial behavior. By identifying the key patterns, gaps, and challenges in current practices, the research seeks to offer insights for financial education, policy enhancement, and better financial product design, ultimately supporting improved financial resilience and planning among this vital segment of the population.

2. Literature Review

Financial planning has increasingly become a critical area of personal finance, especially in the context of salaried individuals with fixed incomes. Several researchers have emphasized the role of financial literacy, disciplined investment behavior, and access to financial products in achieving long-term financial goals.

Lusardi and Mitchell (2014) highlighted that financial literacy plays a key role in effective decision-making regarding savings, investments, and retirement planning. Their study found that individuals with higher financial knowledge are more likely to plan for retirement and adopt diversified investment portfolios.

In the Indian context, **Bhushan and Medury (2013)** examined the financial literacy levels of salaried individuals and reported that while awareness of basic products like fixed deposits and life insurance is high, there is limited understanding of equity-related instruments and long-term wealth management strategies.

Sinha and Tripathi (2016) investigated the investment preferences of urban salaried employees and observed a clear tendency to favor traditional instruments such as PPF, LIC, and fixed deposits, driven primarily by safety and tax-saving incentives. Their research also noted that **risk** aversion and lack of professional financial advice often hinder portfolio diversification.

Reddy and Sinha (2018) examined the behavioral aspects of financial planning and found that emotional biases, peer influence, and past experiences play a significant role in shaping investment decisions, often leading to suboptimal planning outcomes.

The rise of **digital financial tools** has added another dimension to personal finance. **Gupta and Jain (2020)** explored the role of mobile apps in reshaping financial behavior among middle-class earners. While their findings suggest that digital platforms improve accessibility and encourage regular saving, they also noted that information overload and lack of professional guidance can limit effective decision-making. Complementing this view, **Agarwal and Mazumder (2013)** emphasized that the use of online tools and banking platforms can bridge gaps in financial inclusion but also requires **higher trust and literacy levels** for long-term adoption.

Research by **Almenberg and Dreber (2015)** further demonstrated that financial literacy has a strong positive association with **retirement planning**, particularly in emerging economies where state pension systems are limited. They found that individuals with higher literacy are more proactive in building retirement savings, which aligns with the findings of Lusardi and Mitchell (2014). Similarly, **Remund (2010)** argued that financial literacy extends beyond awareness of products, encompassing budgeting, debt management, and goal setting, which are essential for middle-class salaried employees facing rising lifestyle costs.

In the Indian setting, **Kaur and Vohra (2012)** studied investment behavior across age groups and highlighted that **young salaried employees** tend to delay retirement planning, focusing instead on short-term consumption goals. This supports the observation that immediate needs **and tax benefits** often outweigh long-term financial security in investment decision-making. On a similar note, **Sharma and Mahendru (2009)** pointed out that even when employees are aware of diversified instruments such as mutual funds and equities, they often hesitate to invest due to low confidence, lack of guidance, and perceived risk.

Overall, the existing literature collectively underscores that financial literacy, risk tolerance, access to digital tools, and behavioral attitudes are central to shaping effective financial planning strategies. However, gaps remain in translating awareness into structured, long-term financial behavior, particularly among India's urban middle-class salaried employees. This provides a strong foundation for the present study, which evaluates the effectiveness of current financial planning strategies while addressing the interplay of literacy, digital adoption, and behavioral influences.

From the reviewed literature, it is evident that while awareness about financial planning is growing among the salaried middle class in urban India, gaps persist in terms of depth of understanding, professional guidance, and strategic implementation. This study builds on existing work by providing a focused evaluation of financial planning strategies used by urban middle-class salaried employees, assessing not only what they do but also how effective those actions are in meeting their financial goals.

2.1 Research Gap

While prior studies have examined financial literacy and investment behavior in India, most have concentrated on metropolitan areas or have provided a broad overview of household savings. Limited attention has been given to the financial planning practices of middle-class salaried employees in Tier-2 and Tier-3 cities, who represent a significant yet underexplored segment of the workforce. Moreover, existing research has often emphasized awareness of financial instruments without sufficiently evaluating the effectiveness of actual strategies in achieving long-term financial goals such as retirement and risk management. This study addresses these gaps by focusing on urban salaried employees outside major metros and by analyzing both their behavioral tendencies and the practical outcomes of their planning strategies.

3. Research Methodology

3.1 Research Design

This study adopts a descriptive and analytical research design to examine the financial planning practices of urban middle-class salaried employees. A descriptive approach was chosen to systematically document and present the prevailing financial behaviors, tools employed, and strategies commonly adopted by this demographic. It allows for the identification of observable patterns in budgeting, savings, and investment behavior. At the same time, an analytical dimension was integrated to evaluate the effectiveness of these financial planning strategies in enabling individuals to meet short-term and long-term financial goals such as tax planning, asset creation, and retirement preparedness. By combining descriptive and analytical elements, the study ensures both a comprehensive portrayal of financial practices and a critical assessment of their outcomes.

3.2 Research Area

The research was conducted in **Tier-2 and Tier-3 cities in India**, specifically **Prayagraj, Lucknow, and Kanpur**. These cities were purposefully chosen because they represent an emerging segment of India's urban salaried workforce that lies outside the major metropolitan hubs. While these regions experience increasing access to banking services, digital platforms, and investment opportunities, they often reflect different socio-economic behaviors compared to metro cities. Focusing on these areas provides a nuanced understanding of how financial planning is shaped by regional economic structures, cultural norms, and varying levels of financial literacy. Moreover, this geographical choice enhances the originality of the study, as much of the existing literature is concentrated on metropolitan centers like Delhi, Mumbai, and Bangalore.

3.3 Population and Sample

The target population for the study comprises middle-income salaried employees, defined as individuals earning a monthly income between Rs. 30,000 and Rs. 1,00,000. This income range was selected because it represents the segment most vulnerable to financial stress due to rising living costs, inflation, and limited income elasticity, while also being large contributors to household consumption and tax revenues.

A sample size of 100 respondents was chosen, balancing both feasibility and the need for sufficient representation. A hybrid sampling approach was adopted:

i. **Simple random sampling** ensured fairness and reduced bias in respondent selection.

ii. **Judgmental (purposive) sampling** was applied to include diverse respondents across employment sectors such as educational institutions, private companies, and government offices. This approach enabled the study to capture a wide spectrum of financial planning practices within the defined income bracket.

The sample size, while modest, aligns with prior exploratory studies in personal finance and provides reliable descriptive insights into the financial behaviors of this demographic.

3.4 Data Collection Methods

Both **primary and secondary data** were employed to ensure a holistic analysis.

Primary Data
Structured questionnaires were designed to collect quantitative data on income, expenses, savings, investment instruments, insurance coverage, and retirement preparedness. The questionnaire included both closed-ended and scaled questions (e.g., Likert scales) to measure financial literacy levels, budgeting practices, and attitudes toward risk. Pilot testing was conducted with 10 respondents to ensure clarity, reliability, and content validity before full deployment.

Secondary Data
Secondary information was sourced from reputed publications such as RBI and SEBI reports, OECD surveys, government documents, and peer-reviewed journals. These sources provided contextual benchmarks, regulatory insights, and comparative data to strengthen the interpretation of primary findings.

3.5 Tools for Data Analysis

The collected data was analyzed using both **descriptive** and **comparative statistical techniques**.

I. **Descriptive tools** such as **percentages, means, and frequency distributions** were applied to summarize savings behavior, investment preferences, and awareness of tax provisions.

II. **Comparative analysis** was conducted to examine variations in financial practices across age, gender, and income groups.

III. To enhance clarity, results were visually represented through charts, graphs, and tables, allowing easier interpretation of patterns.

IV. Additionally, the study incorporated a basic chi-square test of association to examine whether demographic factors (e.g., age or income) significantly influenced financial planning choices. This minor inferential addition strengthens the analytical rigor of the study.

3.6 Ethical Considerations

Ethical safeguards were applied to ensure the integrity of the research process. Participation was voluntary, and respondents were informed about the purpose of the study prior to data collection. Responses were kept anonymous and confidential, with no personally identifiable information disclosed. Data were used strictly for academic purposes, adhering to ethical guidelines in social science research.

3.7 Limitations of the Study

While the study provides valuable insights, it is constrained by certain limitations. Firstly, the sample is limited to 100 salaried individuals in selected Tier-2 and Tier-3 urban regions, which restricts the generalizability of findings to rural populations or higher-income professionals. Secondly, the study relies on self-reported data, which may introduce recall errors or social desirability bias in responses. Thirdly, business owners, freelancers, and informal sector workers were excluded, even though their financial planning strategies may differ significantly. Lastly, the research design emphasizes descriptive and analytical approaches; more advanced inferential methods, such as regression models, could further enhance predictive insights but remain outside the current scope.

4. Data Analysis and Findings

This section presents the analysis of data collected from 100 urban middle-class salaried employees using structured questionnaires. The analysis focuses on identifying demographic patterns, financial behaviors, investment preferences, and the effectiveness of the financial planning strategies adopted by the respondents.

4.1 Demographic Profile of Respondents

Understanding the demographic composition of the respondents is essential to contextualize their financial planning behavior. The study included participants from diverse age groups, income levels, and genders, all residing in Tier-2 and Tier-3 cities in India.

4.1.1 Gender Distribution

Out of the total respondents, 68% were male**,** and 32% were female. This skew indicates a higher male participation in salaried employment in the selected regions or a greater willingness among male respondents to engage in discussions around financial planning. However, it also points to the potential gender gap in financial awareness or access, which could be explored further in future studies.

4.1.2 Age Group Distribution

The respondents were segmented into four age groups:

i. **25–35 years** constituted the largest share at 42%, representing early-career professionals who are likely beginning to engage with financial planning practices such as saving and tax management.

ii. **36–45 years** accounted for 35% of respondents. This group typically faces increasing financial responsibilities, such as home loans, children's education, and long-term investment planning.

iii. **46–55 years** formed 18% of the sample, representing late-career professionals who might be more focused on retirement and wealth preservation.

iv. The remaining **5%** were **56 years or older**, most of whom are nearing retirement and may already have established financial plans in place.

This age-wise distribution reflects a concentration of working professionals in their productive earning years, making them an ideal demographic to evaluate financial planning behavior.

4.1.3 Monthly Income Bracket

The respondents were categorized based on their **monthly income** into three brackets

i. **₹30,000–₹50,000**: **38%** of the respondents fell into this category, representing lower-middle-income earners who may face tighter budget constraints and limited access to diversified investment options.

ii. **₹50,001–₹75,000**: This was the largest group, comprising 44% of the total sample. These individuals generally have greater financial flexibility and are more likely to explore various investment avenues and tax-saving strategies.

iii. **₹75,001–₹1,00,000**: **18%** of the participants fell into this higher-middle-income bracket, where individuals are expected to exhibit more structured and diversified financial planning behavior.

This income segmentation helps highlight how earning potential may influence savings behavior, risk appetite, and investment choices among urban salaried individuals.

4.2 Investment Instruments Used

The study revealed that the majority of urban middle-class salaried employees prefer safe and traditional investment options**.** The most commonly used instrument was the Public Provident Fund (PPF)**,** with 72% of respondents investing in it. This suggests a strong inclination towards tax-saving and risk-free investment options.

Life Insurance, particularly policies from LIC, was the second most common financial instrument, used by 64% of the participants. This indicates that insurance is often perceived not just as a protection tool but also as a long-term savings instrument. Systematic Investment Plans (SIPs) in mutual funds were used by 58%, showing a moderate shift toward market-linked products. Meanwhile, 36% had invested in Fixed Deposits (FDs**)**, reinforcing the preference for guaranteed returns.

However, only 21% of the respondents had exposure to equity mutual funds or stocks, indicating limited participation in high-return but high-risk investments. Additionally, only 11% reported contributing to retirement-specific schemes such as the National Pension System (NPS)**.** This highlights a potential gap in long-term retirement planning.

4.3 Tax Planning Awareness and Practices

A significant portion of the respondents (83%**)** stated that tax savings was their primary motivation for making financial investments. The majority relied on Section 80C provisions, investing in instruments such as PPF, ELSS, and life insurance policies. These products offer both safety and tax benefits, aligning with the conservative approach observed in the investment patterns.

However, awareness of other tax-saving provisions was notably lower. Only 26% of respondents were aware of Section 80D, which allows deductions for health insurance premiums. Even fewer, around 13%**,** had knowledge of exemptions under Section 10(10D**)** related to life insurance maturity benefits. This points to a narrow understanding of tax-saving opportunities, with most individuals using only a limited range of available deductions.

4.4 Financial Goals and Planning Behavior

The study found that financial goals were often short-term in nature**.** About 64% of respondents mentioned goals such as paying EMIs, purchasing a vehicle, or making small investments as their priorities. Only 28% of respondents reported having a clear retirement plan, suggesting that long-term planning remains underdeveloped.

Regarding emergency preparedness**,** only 42**%** of respondents had set aside an emergency fund, usually equivalent to 2–3 months of expenses. The rest lacked a contingency plan, exposing themselves to financial instability in the event of medical or employment emergencies.

4.5 Budgeting and Savings Habits

In terms of budgeting practices, 47% of respondents stated that they follow a monthly budget, which helps them manage day-to-day expenses and allocate savings more efficiently. Furthermore, **39%** claimed to follow budgeting rules such as the 50/30/20 rule, where 50% of income goes to needs, 30% to wants, and 20% to savings.

When asked about their savings rate, 49% of respondents reported saving 10–20% of their income, while 32% saved less than 10%**,** and only 19% saved more than 20%**.** This distribution suggests that although some saving behavior exists, the amounts may not be sufficient to meet long-term financial goals, especially for those with lower income brackets.

4.6 Use of Digital Tools and Advisory Services

Digital financial tools have seen growing adoption among the respondents. 56% of participants use mobile applications such as Zerodha, Groww, Paytm Money, and ET Money for tracking and managing their investments. This indicates a shift toward self-managed and technology-assisted financial planning, especially among younger professionals.

Despite this, only 22% of respondents reported consulting a certified financial advisor, while 41% relied on employer-provided tax planners or informal advice from peers or family. This over-reliance on informal sources may contribute to suboptimal decision-making, especially for complex financial instruments.

4.7 Barriers to Effective Financial Planning

The study identified several barriers hindering effective financial planning among urban salaried individuals. The most cited issue was lack of financial knowledge, reported by 54% of respondents. Fear of risk, especially with equity-linked products, was noted by 46%, indicating a preference for guaranteed returns over potentially higher-yielding but volatile investments.

Additionally, 38% of participants admitted to inconsistent saving habits, often driven by irregular expenses or poor budgeting. Another significant barrier was the over-dependence on traditional products like LIC and FDs, which offer safety but may not be sufficient to beat inflation in the long run.

5. Key Findings

5. 1. Investment Instruments Used

The study revealed a strong preference for traditional and low-risk investment options among urban middle-class salaried employees. A majority (72%) of respondents invested in the Public Provident Fund (PPF), followed by 64% who held life insurance policies, predominantly from LIC. Systematic Investment Plans (SIPs) in mutual funds were used by 58%, indicating moderate adoption of market-linked investments. However, Fixed Deposits (FDs) still held significance for 36% of the respondents. Notably, only 21% had exposure to equity mutual funds or direct stocks, reflecting a conservative risk appetite. A mere 11% invested in retirement-specific schemes such as the National Pension System (NPS), showing insufficient focus on long-term financial security.

5.2. Tax Planning Awareness and Practices

Tax-saving motives played a major role in shaping investment behavior. A significant 83% of respondents indicated that their investments were driven primarily by the intent to reduce tax liabilities. Most used instruments under Section 80C, such as PPF, ELSS, and life insurance policies. However, awareness of other beneficial tax provisions was low. Only 26% were aware of Section 80D, which allows deductions for health insurance premiums, and just 13% reported utilizing exemptions under Section 10(10D), related to the maturity benefits of life insurance. This shows a narrow understanding of the full range of tax planning tools.

5.3. Financial Goals

A large portion of respondents (64%) reported having short-term financial goals, such as paying off home loans or purchasing a vehicle. In contrast, only 28% had a well-defined retirement plan, highlighting a lack of long-term financial preparedness. Additionally, 42% had established an emergency fund, typically covering 2–3 months of essential expenses, indicating a partial level of risk mitigation for unforeseen events.

5.4. Budgeting and Saving Habits

Financial discipline varied among respondents. 47% followed a monthly budget, while 39% adhered to structured budgeting strategies such as the 50/30/20 rule, which allocates income across needs, wants, and savings. Regarding savings rates, 49% saved between 10–20% of their income, 32% saved less than 10%, and only 19% managed to save more than 20%, suggesting that while saving habits exist, they may not be sufficient to meet future financial goals.

5.5. Use of Digital Tools

The integration of digital platforms into personal finance was evident, with 56% of participants using investment apps such as Zerodha, Groww, and ET Money. Additionally, **41%** relied on employer-provided tax planners to manage their finances. However, the use of professional financial advisors remained low, with only 22% consulting a certified expert, potentially affecting the quality and strategic depth of their financial planning.

5.6. Barriers Identified

The study identified several challenges impeding effective financial planning. The most prominent was a lack of financial knowledge, cited by 54% of respondents. Another key barrier was a fear of risk associated with non-traditional or market-linked investments, reported by 46%**.** Inconsistent saving habits (38%) and an over-dependence on fixed-income instruments such as PPF and FDs were also noted, indicating a reluctance to diversify and optimize financial returns.

6. Recommendations

Based on the data analysis and key findings, the following recommendations are proposed to enhance the effectiveness of financial planning among urban middle-class salaried employees:

6.1 Enhance Financial Literacy

There is a pressing need to improve financial literacy across all age groups and income levels. Employers, educational institutions, and government bodies should collaborate to organize financial wellness programs, focusing on budgeting, investment options, risk management, and tax planning. These programs should particularly address gaps in awareness about Sections 80D and 10(10D), retirement schemes, and digital tools.

6.2 Promote Goal-Based Financial Planning

Employees should be encouraged to plan their finances around clear short-, medium-, and long-term goals**.** Financial institutions can offer goal-mapping tools and personalized investment roadmaps through digital platforms. This would shift behavior from ad hoc savings to strategic wealth-building.

6.3 Increase Adoption of Diversified Investment Options

Respondents showed a preference for low-risk traditional instruments. To balance risk and return, there should be greater emphasis on diversification, including mutual funds, ELSS, SIPs, and NPS**.** Awareness campaigns can educate investors about inflation-adjusted returns and the benefits of equity exposure over the long term**.**

6.4 Encourage Use of Digital Financial Tools

Given the increasing adoption of mobile apps, financial service providers should enhance the user-friendliness and educational content of their platforms**.** Features such as auto-budgeting, risk profiling, and tax optimization calculators can further support self-driven planning**.**

6.5 Strengthen Emergency and Retirement Planning

Only a minority of respondents had proper emergency funds or structured retirement plans. Employers can address this by providing salary-linked emergency savings options and automatic enrollment into retirement plans. Tax incentives can also encourage voluntary retirement contributions.

6.6 Make Professional Financial Advice Accessible

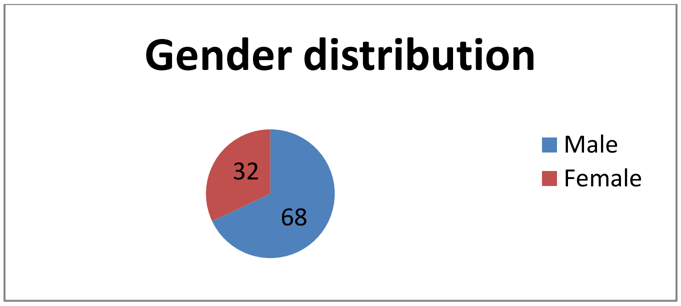
With only 22% consulting certified advisors, there is a clear need to make professional guidance more affordable and accessible. Subscription-based advisory models or integration of robo-advisors into employer benefits could bridge this gap, especially for those in the early or middle stages of their careers.

7. Visual Data Summary

The demographic profile of respondents presents several important insights.

6.1 Gender Distribution

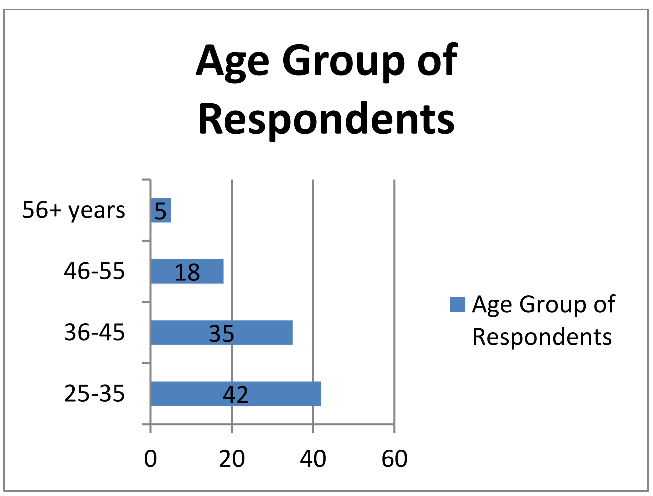
The demographic profile of respondents revealed a noticeable gender disparity, The gender distribution (Figure 1) indicates that the majority of participants were male (68%), compared to 32% female.



This imbalance reflects both workplace demographics and varying levels of financial decision-making participation across genders. It also highlights the need to promote financial literacy among women employees, who often remain underrepresented in formal investment activities.

6.2 Age Group of Respondents

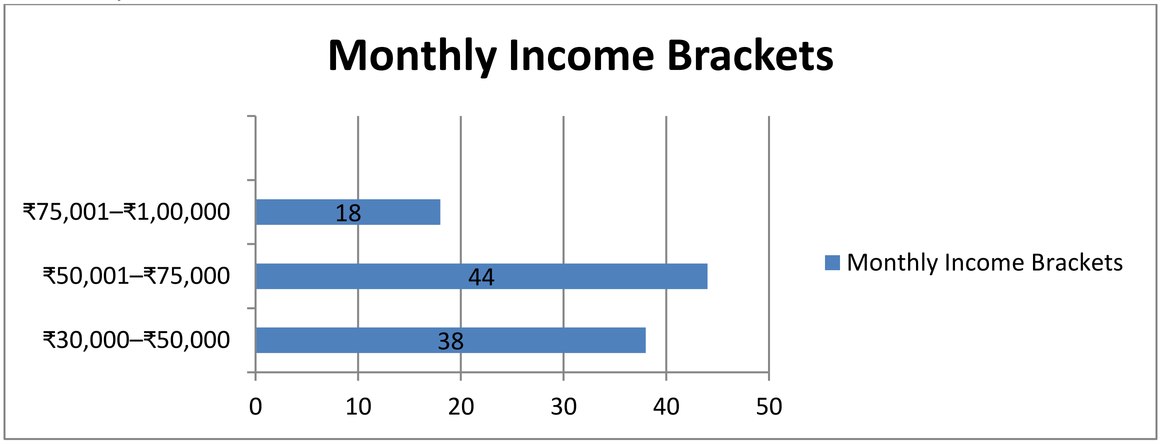
In terms of **age distribution** (Figure 2), the largest group of respondents were young professionals aged **25–35 years (42%)**, followed by the **36–45 years group (35%)**. Respondents aged **46–55 years** accounted for 18%, while only 5% were above 56 years.



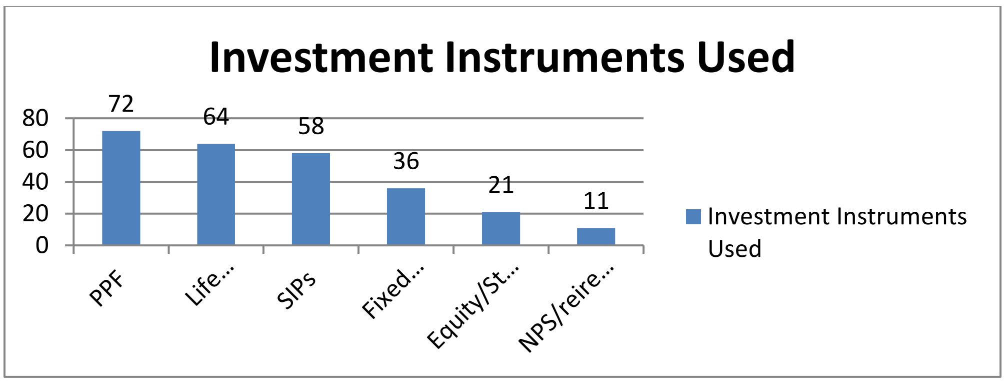
This trend shows that financial planning efforts are most prominent among early- to mid-career individuals, who are in the wealth accumulation phase of life. The relatively low participation of older employees suggests limited late-stage retirement planning, which could become a concern for long-term security.

6.3 Monthly Income Brackets

The monthly income analysis (Figure 3) revealed that most respondents fall into the ₹50,001–₹75,000 bracket (44%), while 38% earn between ₹30,000–₹50,000. Only 18% reported incomes in the higher range of ₹75,001–₹1,00,000. These findings confirm the sample's strong representation of India's urban middle-class salaried segment, where rising aspirations often compete with limited disposable income, influencing savings and investment choices.

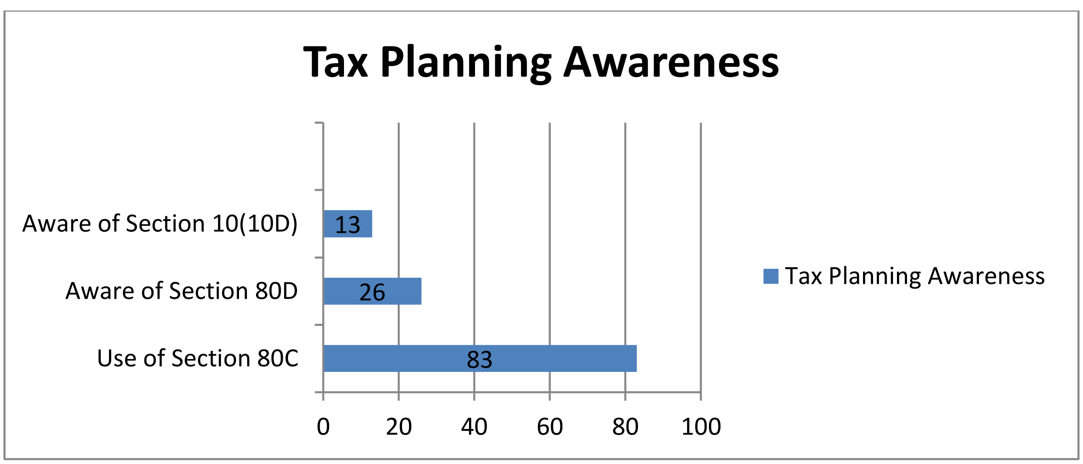


6.4 Investment Instruments Used



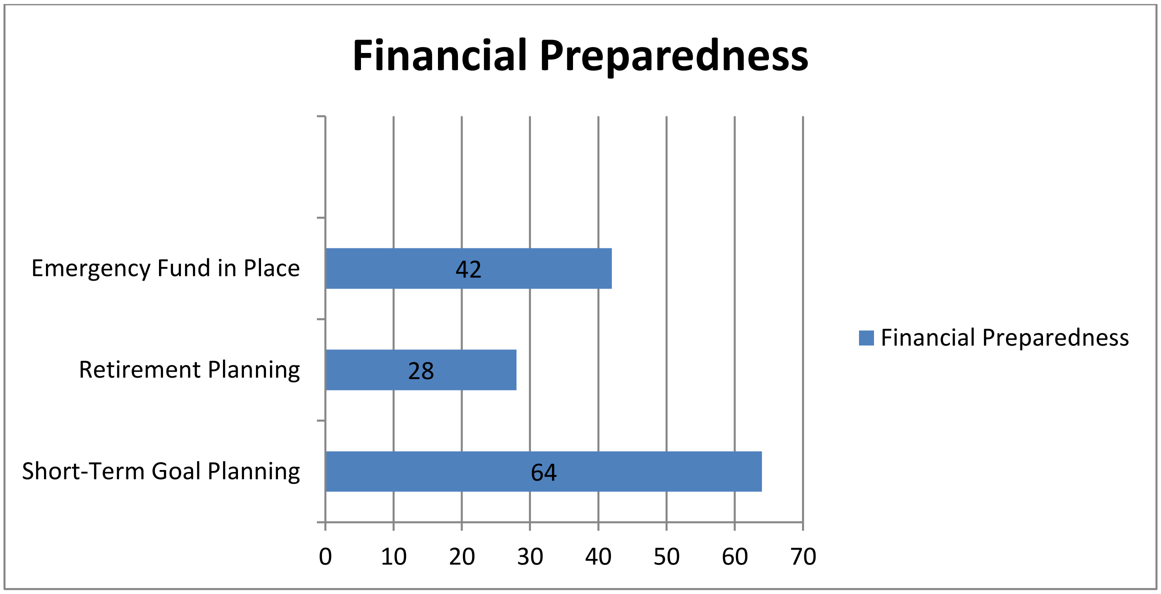
The study further examined the investment instruments preferred by respondents (Figure 4). A large majority invested in Public Provident Fund (PPF, 72%), while life insurance policies (64%) **and** Systematic Investment Plans (SIPs, 58%) were also popular. In contrast, fixed deposits (36%), equity or stocks (21%), and NPS or retirement-focused schemes (11%) saw lower participation. This reveals a clear preference for traditional, low-risk products that offer security, even if returns are modest, suggesting conservative financial behavior among salaried employees.

6.5 Tax Planning Awareness



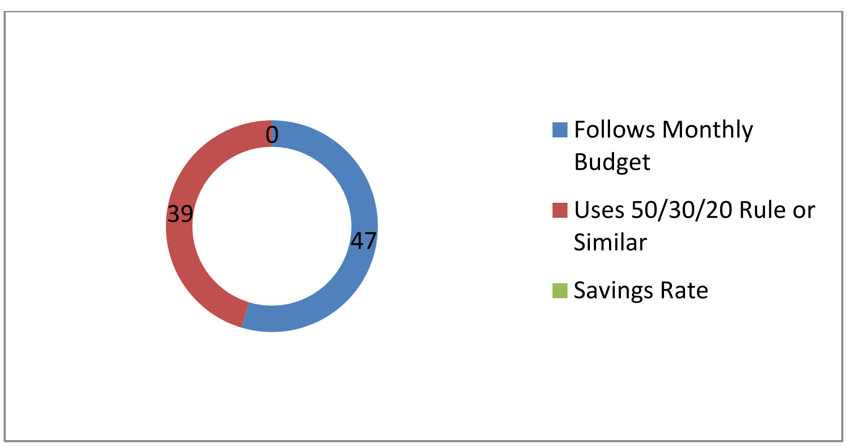
With regard to tax planning awareness (Figure 5), the data showed that 83% of respondents actively used Section 80C provisions, primarily through investments in LIC, PPF, and ELSS. However, awareness of Section 80D (health insurance deductions) was far lower at 26%, and only 13% were familiar with Section 10(10D) relating to maturity benefits of life insurance. This indicates that tax-saving remains the central motivation for many financial decisions, but the breadth of awareness is limited to commonly known provisions.

6.6 Financial Preparedness



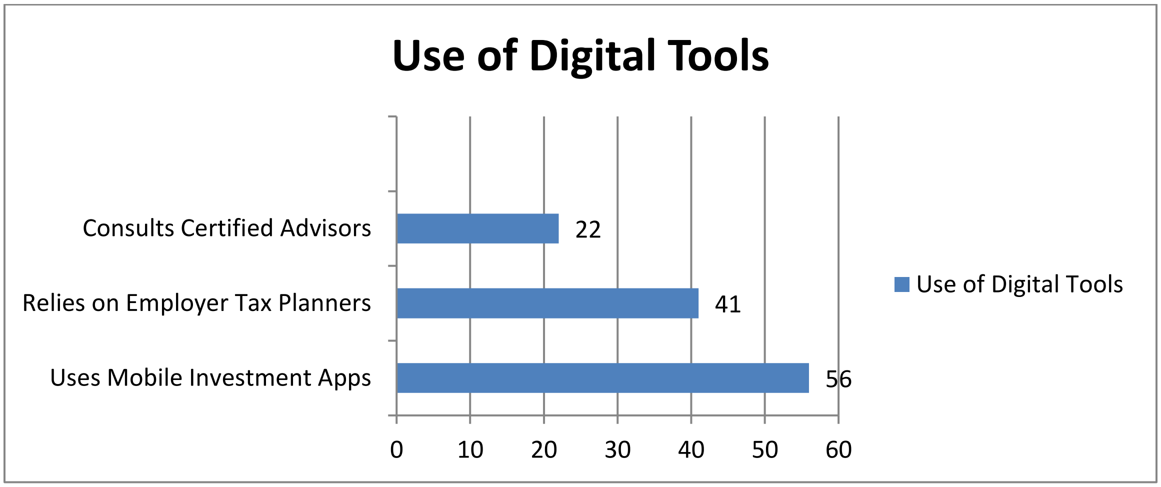
The results on financial preparedness (Figure 6) suggest that short-term needs dominate financial planning. While 64% had planned for short-term goals, only 28% reported having a clear retirement plan**,** and 42% maintained an emergency fund, usually covering just two to three months of expenses. This imbalance underscores the tendency of middle-class employees to prioritize immediate obligations like EMIs and lifestyle needs, often at the expense of long-term financial resilience.

6.7 Budgeting and Savings



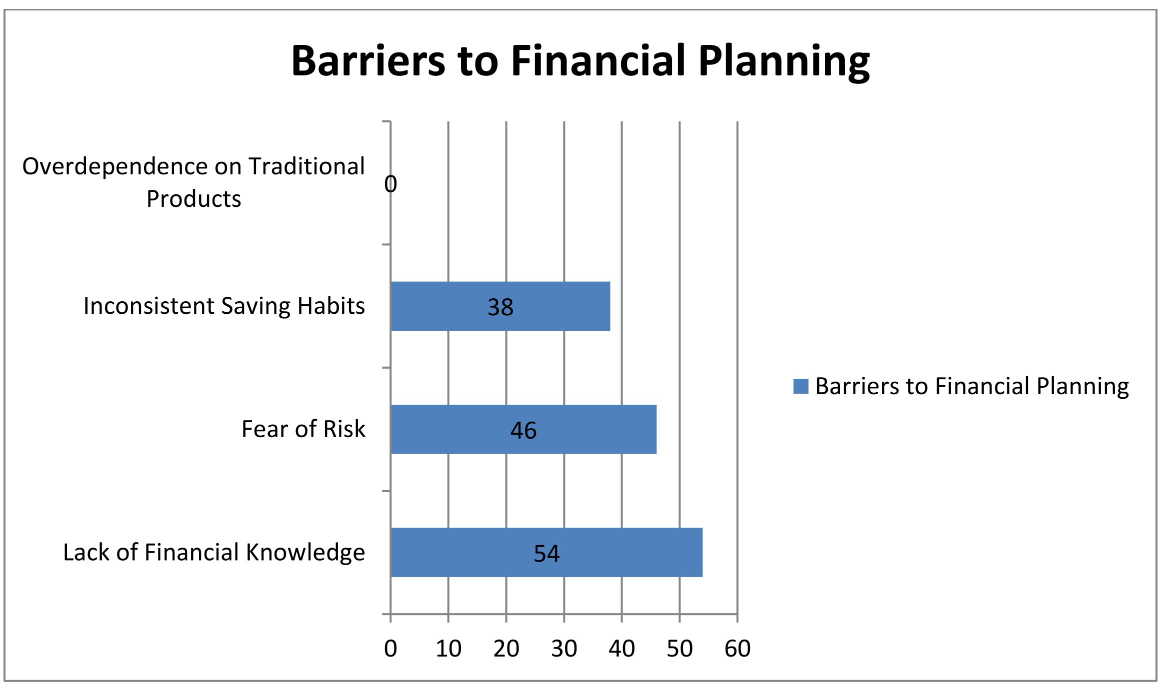
The analysis of budgeting and saving habits (Figure 7) showed that less than half (47 per cent) of respondents followed a formal monthly budget, and only 39% adopted structured frameworks like the 50/30/20 rule. Savings rates also varied significantly: 32% saved less than 10% of their income, 49% managed to save 10–20 per cent, while only 19% saved more than 20%**.** This indicates that while saving is a common practice, the amounts are modest and insufficient for future security, especially in the face of inflation and rising costs.

6.8 Use of Digital Tools



The role of technology in shaping financial behavior was captured under use of digital tools (Figure 8). A majority (56%) reported using mobile-based investment apps such as Zerodha, Groww, or ET Money, while 41% depended on employer-provided tax planning services. However, only 22% sought advice from certified financial advisors, showing limited reliance on professional expertise. This suggests that while digital adoption is growing, personalized financial guidance remains underutilized.

6.9 Barriers to Financial Planning



Finally, the barriers to financial planning (Figure 9) provided insights into the challenges faced by respondents. The most prominent barrier was lack of financial knowledge (54%), followed by fear of risk in non-traditional investments (46**%**), and inconsistent saving habits (38%)**.** A significant proportion also displayed an overdependence on traditional products like LIC and PPF, which, while safe, offer limited wealth-creation opportunities. These barriers highlight the urgent need for targeted financial education, behavior modification, and policy-driven interventions to enable employees to adopt more balanced and future-oriented financial strategies.

7. Recommendations

The findings of this study point toward the need for multi-dimensional interventions to enhance the effectiveness of financial planning among urban middle-class salaried employees. A key priority is the improvement of financial literacy levels across this segment. While many employees possess basic awareness of common savings instruments such as Public Provident Fund (PPF) and life insurance, there is a notable gap in understanding advanced investment vehicles, risk management, and tax optimization strategies. Organizations can play a pivotal role by introducing workplace-based financial literacy programs, delivered through interactive workshops or periodic seminars. Partnering with banks, mutual fund houses, and regulatory bodies such as SEBI can further enable the delivery of free or subsidized webinars and structured short-term courses on subjects like mutual funds, equity markets, tax-efficient investments, and retirement planning. This will not only broaden knowledge but also build confidence in making informed decisions.

Another critical recommendation is to promote goal-based financial planning rather than reactive, ad hoc decisions. Employees should be encouraged to classify their objectives into short-term (e.g., vacation funds, consumer durables), medium-term (e.g., child's higher education, home renovation), and long-term goals (e.g., retirement corpus, debt-free living). Tools such as goal calculators, budget trackers, and digital templates can help employees visualize timelines, required savings rates, and expected returns. In particular, the importance of retirement planning and the creation of emergency funds should be emphasized, as the study revealed that only a minority have such provisions in place. Simplified planning tools integrated into popular mobile apps can make this process less intimidating and more accessible, especially for younger employees who are just beginning their careers.

The integration of professional advisory services into employee welfare initiatives can also have a significant impact. Employers can consider offering access to certified financial planners either on-site or virtually, making expert advice more affordable and accessible to employees. A hybrid advisory model combining automated robo-advisors for routine portfolio recommendations and human consultants for personalized, nuanced guidance can help employees align their investment choices with their individual risk profiles, income patterns, and life-stage needs. This approach ensures both efficiency and personal relevance in financial decision-making.

Diversification of investments remains a major challenge, with a significant proportion of employees over-relying on traditional, low-yield instruments like LIC policies and PPF accounts. Education initiatives should encourage employees to explore diverse asset classes such as Equity-Linked Savings Schemes (ELSS), National Pension System (NPS), Real Estate Investment Trusts (REITs), index funds, and exchange-traded funds (ETFs)**.** Training sessions should also introduce the concept of age-based asset allocation, where the proportion of equity and debt is adjusted according to the investor's age and risk tolerance, helping to balance risk-return trade-offs more effectively.

The role of digital finance tools in promoting consistent saving and investment habits cannot be overstated. Employers and policymakers should encourage the adoption of user-friendly financial planning applications, many of which now integrate bank accounts, investment portfolios, and expense trackers in one interface. Incorporating gamification features, such as milestone badges or reward points for achieving savings targets, can make the process more engaging, particularly for younger employees accustomed to interactive digital environments. These tools not only simplify financial management but also instill a sense of accountability and progress tracking.

Finally, policy and employer-level interventions can create a more supportive environment for long-term financial security. Organizations should consider mandating basic financial wellness training as part of employee onboarding or annual training modules. Incentives such as employee stock option plans (ESOPs), group health insurance packages, and auto-enrolled retirement schemes can encourage savings and long-term wealth creation. Government bodies can also collaborate with employers to introduce tax incentives for employees who consistently invest in diversified and retirement-oriented financial products. Such measures, when combined with sustained awareness campaigns, can significantly improve financial resilience and reduce dependency on short-term, low-return investment practices.

Overall summary, a comprehensive strategy- involving employees, employers, policymakers, and financial institutions is essential to improve financial planning effectiveness among urban middle-class salaried employees. By addressing literacy gaps, encouraging structured goal-setting, integrating professional advice, promoting diversification, leveraging digital tools, and implementing supportive policies, this segment can move toward greater financial independence, security, and long-term wealth accumulation.

8. Practical Implications and Conclusion

The findings of this study hold important implications for multiple stakeholders. For individuals (salaried employees)**,** there is a clear need to adopt structured financial planning approaches that distinguish between short-term, medium-term, and long-term goals. Diversification beyond traditional products such as PPF and LIC into equities, mutual funds, ELSS, and retirement-specific schemes is essential to balance risk and return. In addition, building emergency funds and prioritizing retirement planning should be considered critical steps to ensure financial security against unforeseen events and post-retirement needs.

For employers, integrating workplace-based financial wellness programs can significantly enhance employees' financial resilience. Initiatives such as financial literacy workshops, webinars, and access to certified financial planners should be made part of employee welfare strategies. Furthermore, employers can encourage the adoption of digital financial tools and mobile apps for goal-setting, investment tracking, and tax planning, thereby promoting informed financial decision-making among employees.

For policymakers and financial institutions, the study highlights the importance of targeted financial literacy campaigns tailored for Tier-2 and Tier-3 cities. Special emphasis should be placed on retirement planning, insurance awareness, and risk diversification. Simplifying communication about tax-saving instruments beyond Section 80C can expand awareness of health and insurance-related benefits. Additionally, promoting innovative, user-friendly digital finance platforms can help younger, tech-savvy professionals engage with financial planning more effectively.

In conclusion, this study assessed the financial planning strategies of urban middle-class salaried employees in emerging Indian cities, with evidence drawn from Prayagraj, Lucknow, and Kanpur. The analysis revealed that while respondents actively engage in traditional savings and investment instruments such as PPF and life insurance, their participation in growth-oriented products like equities, ELSS, and retirement-specific schemes remains limited. Tax-saving motives under Section 80C continue to dominate investment behavior, whereas awareness of health-related deductions and retirement-linked benefits is comparatively low. A lack of emergency fund preparedness and insufficient retirement planning were found to be persistent gaps in financial resilience.

The implications of these findings are threefold: individuals must focus on disciplined and diversified planning, employers should support financial wellness through advisory and digital initiatives, and policymakers must drive inclusive financial literacy and awareness efforts. By focusing on Tier-2 and Tier-3 urban centers, this research contributes to the literature by highlighting the financial behaviors of an underexplored yet economically significant demographic. The insights not only extend academic understanding of personal finance in emerging urban India but also provide actionable guidance for strengthening household-level financial resilience in the broader context of inclusive economic growth.

Future Research Directions

While this study provides valuable insights into the financial planning practices of salaried employees in Tier-2 and Tier-3 cities, it also opens up several avenues for further research. First, expanding the sample size and including employees from Tier-1 metropolitan cities could enable comparative analysis between different urban contexts.

Second, longitudinal studies may be conducted to evaluate how financial planning behaviors evolve over time, particularly in response to economic changes such as inflation, taxation reforms, or digital financial innovations. Third, future research could explore the impact of gender, education level, and occupational sector on financial decision-making in greater depth. Finally, incorporating qualitative methods such as in-depth interviews or focus group discussions may help capture behavioral and psychological aspects of financial planning that are not easily measurable through surveys. Addressing these dimensions would contribute to a more holistic understanding of personal finance practices among diverse segments of India's working population.

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