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Comparative Study of Financial Planning Habits among Students and Salaried-Employed Individuals in Kolkata

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Despite the increasing significance of financial literacy, there is a deficiency of thorough research that juxtapose the financial behaviors of students and salaried professionals in an urban setting such as Kolkata.This study seeks to address this deficiency by offering a comprehensive comparison of the financial planning practices and investment behaviors of these two cohorts. It aims to comprehend the obstacles they have regarding financial literacy, decision-making, and their overall financial health.This study employs a descriptive, quantitative, cross-sectional research approach. The findings of this study provide valuable insights into the financial behaviors, challenges, and financial literacy levels of students and salaried employees in Kolkata.

Keywords: financial planning, personal finance, financial behavior

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1. Introduction

Personal financial management has become increasingly important in today's rapidly evolving financial landscape, particularly with investment strategies and financial planning. An individual's long-term financial stability is determined by several financial planning elements, such as retirement planning, investment strategies, savings, and budgeting. Considering the disparities in income levels, financial literacy, and available resources, it is evident that various demographic groups possess distinct capabilities for effective financial planning.

The significance of financial literacy in India has been increasingly evident, especially among youth and working professionals. The Financial Literacy and Inclusion Index (FLII) (2019) indicates that younger demographics have a significant deficiency in financial literacy, adversely impacting their ability to engage in effective financial planning. Young individuals, particularly students, may face challenges in financial management, whereas employed individuals generally exhibit more developed financial habits due to their regular incomes. This study is based on the gap in financial behavior, aiming to compare and analyze the financial planning behaviors of two distinct groups: salaried employees and students in Kolkata.

This study enhances the understanding of financial decision-making by analyzing the financial planning techniques of individuals at different stages of their careers. In contrast to salaried employees, who often enjoy a more consistent income and greater opportunities for investment and long-term financial planning, students encounter unique objectives and challenges stemming from their limited income and absence of financial autonomy.

2. Research Problem

Despite the increasing significance of financial literacy, there is a deficiency of thorough research that juxtapose the financial behaviors of students and salaried professionals in an urban setting such as Kolkata. Students, frequently reliant on allowances or familial assistance, may encounter difficulties with budgeting and saving principles. Conversely, salaried individuals, particularly in the private and public sectors, may exhibit more systematic financial behaviors owing to their consistent income.

3. Literature Review

Financial Literacy and its Influence on Behavior

Financial literacy is the capacity to comprehend and utilize financial knowledge, especially in relation to budgeting, saving, investing, and debt management (Lusardi & Mitchell, 2014). Studies regularly indicate that persons possessing elevated financial literacy levels are more likely to make sound financial judgments, have enhanced financial planning habits, and amass greater wealth over time (Chen & Volpe, 1998; Atkinson & Messy, 2012).
Students frequently exhibit low financial literacy due to insufficient exposure to practical money management within formal education. Research indicates that although students possess fundamental theoretical understanding of financial concepts, they often struggle to apply these concepts successfully in their everyday financial decisions (Saxena & Gupta, 2017).

In contrast, salaried employees, especially those with consistent wages, typically have elevated financial literacy and participate in more organized financial planning activities, including monthly budgeting and retirement planning (Huston, 2010).

Lusardi and Mitchell (2014) contend that financial literacy is pivotal in influencing individuals' propensity to invest and their capacity to manage financial hazards. This suggests that students, owing to inadequate financial literacy, are predisposed to undertake riskier financial activities, such as investing in stocks or cryptocurrency, without comprehending the inherent dangers.

Financial Planning Behavior among Salaried Individuals

Financial planning for paid individuals is essential for managing personal money and attaining long-term financial objectives. Studies indicate that salaried employees are more actively involved in financial planning than other demographics, mostly because of their stable income sources (Garman et al., 1996). The capacity to anticipate and strategize for forthcoming expenditures, along with consistent income, allows salaried individuals to concentrate on long-term goals, including retirement savings, insurance, and investing in low-risk vehicles such as mutual funds and fixed deposits.

Hughes and O'Rourke (2019) assert that salaried professionals demonstrate a more methodical approach to budgeting and saving, with several individuals choosing automated savings and consistent investing in long-term financial instruments. Employees in the private sector may demonstrate a marginally greater risk tolerance than their government counterparts, who generally prefer more conservative financial products (Hancock & Liao, 2015).

Although the paid cohort typically demonstrates more organized financial practices, it is crucial to recognize that financial strain is common among certain salaried folks, particularly concerning inflation, debt management, and unforeseen spending. Lusardi and Mitchell (2017) observed that persons with higher incomes are often more adept at managing financial stress, however they may still encounter difficulties associated with lifestyle inflation and rising living expenses.

Students' Financial Behavior and Challenges

Students are at a pivotal juncture in their financial evolution, as many are commencing to make autonomous financial decisions for the first time. Students frequently exhibit underdeveloped financial planning behaviors due to insufficient financial knowledge and constrained income (Gutter & Copur, 2011). Studies indicate that students frequently encounter difficulties with budgeting and saving, primarily due to the inconsistency of their income and the financial burdens associated with academic life, including tuition fees and living expenses (Perry & Morris, 2005).

Research indicates that students' financial actions are influenced by peer pressure, familial background, and social media (Jorgensen et al., 2007). Numerous students prioritize immediate expenditures, such as entertainment and social engagements, over long-term financial planning or investment. Programs focused on financial literacy for students are essential for tackling these challenges, enabling them to comprehend the significance of budgeting, saving, and planning for future financial objectives (Xiao & O'Neill, 2016).

Furthermore, students' saving habits frequently exhibit inconsistency, with numerous individuals attributing poor money and insufficient discipline as obstacles to saving (Joo & Grable, 2004).

It is noteworthy that a minority of students, particularly those with part-time employment or financial support, may participate in limited savings. Saxena and Gupta (2017) discovered that students with greater financial literacy tended to save consistently, albeit in modest quantities.

4. Research Objectives

The study seeks to elucidate the disparities in financial planning practices and the obstacles encountered by different groups. This research will enhance the current literature on financial practices among young adults and paid employees by addressing these aims.

5. Research Methodology

Research Design

This study employs a descriptive, quantitative, cross-sectional research approach. A descriptive research approach was selected to thoroughly investigate the financial planning practices of two diverse cohorts: students and salaried employees. Quantitative data was obtained via standardized questionnaires, facilitating the collection of numerical data suitable for statistical analysis (Babbie, 2010). A cross-sectional strategy was employed to collect data at a precise moment, facilitating a comparison of financial planning behaviours between the two groups. The design is suitable since it offers an overview of contemporary financial behaviours and attitudes, enabling significant comparisons between students and salaried employees (Saunders et al., 2019).

Sampling & Sample Size

The research used a non-probability purposive sampling method. This technique was used as it facilitates the intentional selection of participants who fulfil the exact criteria defined in the research objectives, specifically students and salaried employees.

A total of 113 replies were obtained via Google Forms. Upon eliminating 23 self-employed participants and 14 who indicated "Other" as their occupation, the final sample for analysis comprised 76 valid replies. The composition of the final sample is as follows:

- Students: 40 respondents
- Private Sector Employees: 25 respondents
- Government Sector Employees: 11 respondents

- Salaried Combined: 36 respondents (combining private and government employees)

Data Collection Method

The data for this study was gathered via a self-administered structured questionnaire, which was created and disseminated using Google Forms. The questionnaire was disseminated through multiple academic networks, WhatsApp groups, and social media platforms to engage a varied participant demographic.

Questionnaire Design

The questionnaire comprised four primary components, each aimed at examining distinct facets of financial behavior and understanding.

6. Analysis and Discussion & Findings

Table 1: Budget Maintenance by Occupation

Occupation	Maintain Budget (%)	Do Not Maintain Budget (%)
Students	25%	75%
Private Sector Employees	80%	20%
Government Sector Employees	90%	10%
Salaried Combined	85%	15%

Table 2 presents the proportions of respondents who maintain a monthly budget. It is evident that government sector employees (90%) and private sector employees (80%) maintain their budgets regularly, while only 25% of students reported maintaining a budget.

Figure 1: Budget Maintenance Comparison

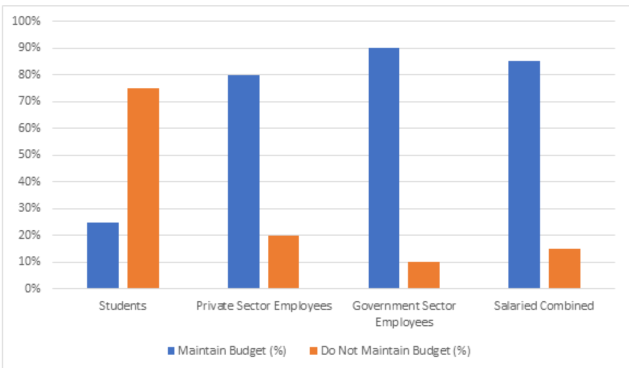

Figure 1 illustrates the percentage of respondents who adhere to a monthly budget. Salaried personnel, especially in the government sector, are demonstrably more inclined to adhere to a budget than students, who are less prone to this behavior.

Table 2: Saving Frequency Comparison

Occupation	Save Monthly (%)	Save None (%)	Save 0-10% (%)	Save 10-25% (%)	Save >50% (%)
Students	20%	40%	25%	10%	0%
Private Sector Employees	55%	10%	15%	20%	2%
Government Sector Employees	60%	5%	20%	15%	10%
Salaried Combined	55%	10%	15%	20%	2%

Table 3 delineates the prevalence of saving behaviors among the groups. Salaried employees, especially in the public sector, exhibit greater consistency in their saving practices. Students, conversely, typically save infrequently or not at all.

Figure 2: Saving Frequency Comparison

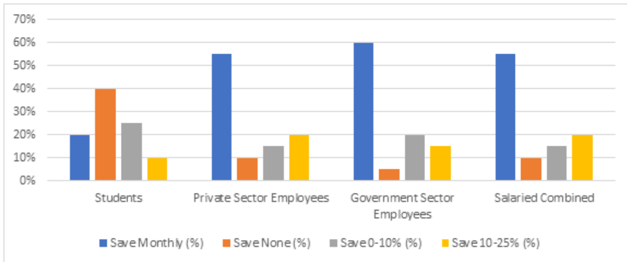

Figure 2 depicts the prevalence of saving behaviors among the four groups. Salaried employees consistently save more regularly than students, who often save intermittently or not at all.

The results indicate that students encounter difficulties associated with inconsistent income and insufficient discipline, hindering regular savings. Conversely, salaried personnel, especially in the public sector, exhibit more constant savings owing to stable income streams and financial security (Saha, Deb, &Digar, 2024).

Table 3: Investment Preferences by Occupation

Investment Type	Students (%)	Private Sector Employees (%)	Government Sector Employees (%)	Salaried Combined (%)
Fixed Deposits	25%	60%	55%	58%
Mutual Funds	30%	40%	45%	42%
Stocks	40%	25%	20%	22%
Gold	50%	40%	45%	42%
PPF	10%	50%	60%	55%
Crypto Assets	25%	5%	2%	4%
Life Insurance	20%	60%	55%	58%
I haven't invested yet	30%	10%	8%	9%

Table 4 presents the different types of investments made by each group. The chart reveals that students invest more in stocks (40%) and cryptocurrency (25%), while salaried employees show more interest in safer investments such as Fixed Deposits (60%) and PPF (55%).

Figure 3: Investment Preferences Comparison

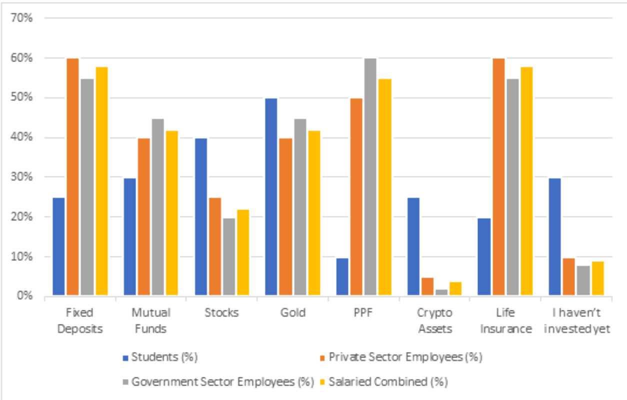

Figure 3 compares the types of investments made by students and salaried employees. Students prefer riskier options like stocks and cryptocurrency, while salaried employees lean towards safer investments like Fixed Deposits and PPF.

Table 4: Risk Appetite by Occupation

Occupation	Very Conservative (%)	Somewhat Conservative (%)	Moderate (%)	Agg. (%)	Very Agg. (%)
Students	20%	25%	30%	15%	10%
Private Sector Employees	30%	40%	20%	7%	3%
Government Sector Employees	35%	45%	15%	3%	2%
Salaried Combined	32%	42%	18%	5%	3%

Table5 presents the risk appetite of respondents. The data reveals that students are more inclined toward higher-risk investments, with 25% of students identifying as either aggressive or very aggressive in their investment approach. Salaried employees, particularly in the government sector, exhibit a more moderate or conservative risk appetite, reflecting their greater financial security.

Figure 4: Risk Appetite Comparison

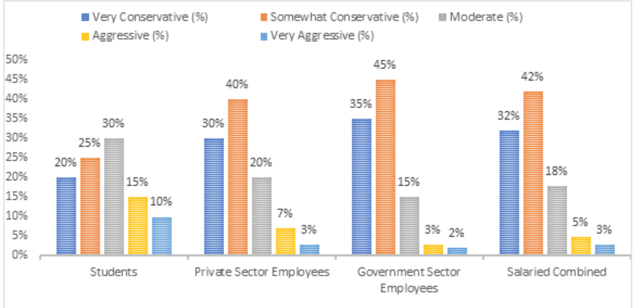

Figure 4 illustrates that students are more inclined toward higher-risk investments, while salariedemployees adopt a more conservative approach, reflecting their greater financialsecurity (Garman et al., 1996).

Table 5: Financial Knowledge and Confidence by Occupation

Occupation	Financial Knowledge (%)	Financial Confidence (%)
Students	35%	25%
Private Sector Employees	80%	70%
Government Sector Employees	85%	75%
Salaried Combined	82%	73%

Figure 5: Financial Literacy Comparison

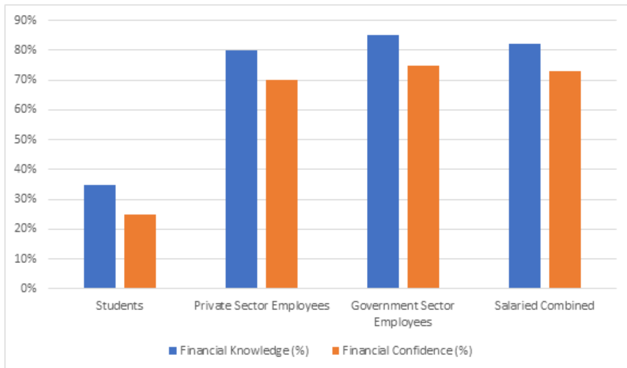

Figure 5 illustrates the differences in financial knowledge and confidence between students and salaried employees. Salaried employees report higher levels of both, which can be attributed to their greater exposure to financial planning tools and real-world experience (Lusardi & Mitchell, 2011).

7. Findings of the Study

The findings of this study provide valuable insights into the financial behaviors, challenges, and financial literacy levels of students and salaried employees in Kolkata.

Financial Planning Habits

The study reveals that salaried employees, especially those in the government sector, exhibit more structured and disciplined financial planning habits compared to students. Salaried employees are more likely to maintain a monthly budget (85%) and save more consistently, with 60% of government employees saving regularly. In contrast, students face challenges in maintaining a budget (75% report not maintaining one) and tend to save sporadically, with only 20% saving regularly (Gade & Sarma, 2017).

Investment Preferences

Investment behavior also varied significantly between the two groups. Salaried employees are more inclined to invest in low-risk and traditional financial instruments such as Fixed Deposits, PPF, and Life Insurance. Around 60% of private sector employees and 55% of government employees prefer these stable investment options. In contrast, students show a stronger preference for high-risk investments such as stocks (40%) and cryptocurrency (25%), driven by the desire for higher returns despite the associated risks (Saha, Deb, & Digar, 2024).

Risk Appetite

The analysis of risk appetite shows that students exhibit a higher tolerance for risk compared to salaried employees. 25% of students identified as having an aggressive or very aggressive risk appetite, while only 7% of private sector employees and 3% of government employees displayed similar tendencies. This finding reflects the uncertainty students face in terms of income, and their willingness to take financial risks in pursuit of higher returns (Field, 2013). Salaried employees, particularly those in the government sector, are more cautious in their investment choices due to their more stable financial situations.

Financial Literacy and Confidence

The study found that salaried employees possess significantly higher levels of financial literacy and confidence compared to students. 85% of government sector employees and 80% of private sector employees rated their financial knowledge as either good or excellent. In contrast, only 35% of students felt confident in their financial knowledge. This discrepancy highlights the knowledge gap that exists between the two groups, with students requiring foundational education in budgeting, saving, and investing.

8. Conclusion

This study aimed to conduct a comparative analysis of the financial planning habits between students and salaried employees in Kolkata. The research was designed to evaluate financial behaviors, such as budgeting, saving, investment preferences, and financial literacy, across these two distinct demographic groups. Through the application of a descriptive quantitative and cross-sectional research design, combined with qualitative insights derived from open-ended responses, the study provides a comprehensive understanding of the financial decision-making patterns prevalent among the target populations.

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