



AWARENESS & ATTITUDE OF INVESTORS REGARDING PERSONAL FINANCIAL PLANNING

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ABSTRACT

Considerable percentage of the Urban India now has a higher disposable income. The number of products available for investments and their complexity has increased with confusions regarding returns generated by them. People face scarcity of time in managing their hard earned money. The increasing complexity of financial products makes it important for an individual to seek experts' opinion in managing one's Personal finances. This is where Financial Planning as an approach to managing personal finances helps an individual to fulfil life's numerous goals with available resources. Study shows that awareness of financial products is fair in India. Financial Planning is positively related with financial literacy. This research will try to find awareness of financial planning, attitude of investors for the same. Samples have been taken from selected cities across Gujarat and Convenience sampling technique has been used for the same. Structural Equation Modeling technique has been used for the development of financial planning model.

KEYWORDS

Financial Planning, Financial literacy, Retirement Planning, Estate Planning

INTRODUCTION

Financial Planning is the systematic process that considers an important element of an individual's financial affairs in order to fulfil financial goals. (Gitman, Joehnk, & Billingsley, 2012). Financial Planning is the process of meeting one's life goals through the proper management of personal finances. (Kapoor). Personal Financial Planning includes proper allocation of one's money into Insurance, Investments, Money Management, Retirement & Tax Planning & Estate Planning.

LITERATURE REVIEW

Williams Amy (2008) has explained the importance of financial planning and literacy in college students. Study found that mistakes done by majority of the students who graduate lack in financial knowledge; they delay repayment of student loans, accumulation of unnecessary debt, high credit card debts and their failure to save. Other objective was to outline the essential of financial planning for college graduates. Study has thrown light to various concepts like principle of investing, power of compounding, investment avenues like equity, bonds, Mutual Funds, ETFs, Concept of diversification, Retirement planning, Real Estate. This study serves as a theoretical background for further studies. **Pravin Mahmuni (2011)** has done study on Personal Financial Planning for IT sector in Pune, India. Objectives of the research were to study interest of investors towards financial planning and to study preference of financial products on magnitude of age. 150 Samples were collected from IT sector in Pune using convenience sampling method. Study finds that awareness of financial products amongst sample is good but investors are not much aware about non conventional investment avenues. Inclination of people is towards saving rather than investing. One very interesting found by researcher is that respondents are confused about tax planning and financial planning. Main focus of investors is of tax planning and not overall personal financial planning. From study it is also found that there is positive relation with age and investment in FD and negative relation with age and investment in stock market. **David S. Murphy, Scott Yetmar, (2010):** "Personal financial planning attitudes: a preliminary study of graduate students", the purpose of this paper to report the Personal Financial Planning attitudes of MBA students in USA. Participants are asked about the level of their knowledge, their preparation regarding components of financial plan, their confidence in their plan to meet their long term needs, and their likelihood for implementation of such plan,

Findings revealed that most of the respondents feel that Financial Planning is important and they are interested to develop the Financial Plan, very few feels that they have necessary skills and knowledge to develop their own financial plan and majority of the students had not prepared their comprehensive financial plan. Study also indicated there is strong need of Financial Planner to manage their financials. **Ming Lei, wei-Khong Tan (2009)** has examined attitudes of Malaysians towards Financial Planning. Which encompasses money management, insurance planning, investment planning, retirement planning and estate planning. Study showed that people manages money seriously. They spend money carefully and manage them very well. Study also revealed that Chinese scores high on money management in compare to Indians and Malay respondents. Study showed the result that job status of respondent is the primary factor for influencing attitudes towards personal financial planning and frequency in managing for various aspect of financial planning. Demographic characteristics such as age, race, gender, marital status, educational level are the secondary factors influencing personal financial planning. Lack of active participation in personal financial planning shows that there is a need of awareness regarding overall personal financial planning.

PROBLEM STATEMENT

From the various studies done in the area of Financial Planning it is evident that the investors are more inclined towards certain products as far as their Financial Planning is concerned, they possess biased behavior towards more on traditional investment products like Bank F.Ds, Post Office saving schemes, but they are still not preferring Market linked securities. So there goals and their planning for goals are not matched which leads them to poor financial planning and may lead to financial crisis in later stage of their life. Majority of the study done on area of Personal Financial Planning are in foreign context, the future local research can be done in the area to better understand awareness, attitude of Indians towards Personal Financial Planning.

OBJECTIVES

- To analyze awareness of Personal Financial Planning among residents of Gujarat.
- To analyze attitude regarding personal financial planning among residents of Gujarat.
- To check financial literacy among residents of Gujarat.

RESEARCH METHODOLOGY

A descriptive research design has been used to conduct a survey of 600 samples. Convenience sampling technique had been used for the same. Samples were selected from four major cities of Gujarat: Ahmedabad, Baroda, Rajkot & Surat. From each city 50 Govt., 50 Private sector and 50 Public sector employees were selected.

ANALYSIS

Financial Literacy

Respondents were asked some basic questions like compounding of Interest Rate, Inflation, Diversifications, Risk Return Relationship etc. Taking individual components: Lowest literacy is being observed for Relationship between Bond Price and Interest Rates and Avenues which will yield highest returns in Long Run. Majority of respondents have selected Bond as an avenue which will give more return in long term.

Hypothesis for Financial Literacy

Ho: There is no significant association between different Demographic factors of the respondent and financial literacy of the respondents.

Ha: There is significant association between different Demographic factors of the respondent and financial literacy of the respondents.

To prove this hypothesis Chi Square test (Cross Tabs) have been used. It has been observed location has no impact on financial literacy. Other demographic variables used in study such as Age, Gender, Marital Status, Income, experience has association with financial literacy.

Awareness of Financial Products

It is being observed that awareness for low risk products are high among the respondents. Highest awareness is being observed for Post Office schemes, PPF, LI, Saving Bank Account. Where as lowest awareness is being observed for Money Market, Derivatives and Non Conventional Avenues like precious coins, paintings etc

Attitude for PFP

To check attitude, respondents were asked questions regarding all the components of PFP: Money Management, Insurance, Investment, Retirement, Estate Planning. Overall Mean score for attitude comes to 3.38. Which shows respondent possess fairly positive attitude towards financial planning

Ho: Attitude regarding Personal Financial Planning doesn't differ among Gender

Ha: Attitude regarding Personal Financial Planning differ among Gender.

To prove this Mann Whitney U Test has been used. For majority of the components significance value comes below 0.05. so we fail to accept Null hypothesis. And which shows that Attitude regarding PFP differ among the gender

Ho: Attitude of PFP is not related with Location, Age, Job Type, Education, Experience, Income, Marital Status.

Ha: Attitude of PFP is related with Location, Age, Job Type, Education, Experience, Income, Marital Status.

To prove this hypothesis Krushkal Wallis Test has been used. For Location – Majority of the component shown significant value more than 0.05. for rest of all variables significant value comes less than 0.05. It shows that Attitude for PFP is related to Age, Job Type, Education, Experience, Income, Marital Status and not related to Location.

CONCLUSION

It can be concluded from the study that though sample selected has shown fair financial literacy and positive attitude towards PFP, awareness regarding non conventional product

is low which also indicates their preference regarding choice for allocation of their money. People still prefer safe avenues which will generate moderate kind of return. Respondents are not fully aware about Estate Planning which is important component when we plan our finances. Respondents also feel that they need expert for managing their finances.

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