

A STUDY OF INDIVIDUAL INVESTORS FINANCIAL PLANNING

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ABSTRACT:

Financial Planning is the process of framing the financial policies for the income generated to have better allocation of the money and to have increased returns. Investment is the important component of the financial planning. As it particularly deals in with assessing the income, choosing the better investment options, analysing and gathering the data based on returns and then making the investment decisions. Financial plan is required to evaluate the current performance with the previous to estimate the risk and the returns for the better future. It helps in understanding the risk aversion behaviour of the investors. This study is based on primary research and the data collected is through questionnaire using the random sampling method. The sample size for the research is 102 respondents. The data is analysed through tabular representations and using the charts. This study helps us to know about the investing behaviour of the investors and the purpose towards their investment. In this research, it is found that youths are more focused and are aware regarding the wealth. There are plenty of investment avenues available to invest in and earn higher return with the tax benefits. This helps us in knowing the important aspects of financial planning like investment planning, tax planning and the retirement planning. It is suggested to start the investment as early as possible to have less risk and more returns to maintain the standard of living.

Keywords: *Financial Planning, Investment Avenues, Risk Aversion*

INTRODUCTION

Financial planning and investments are an important part of every individual's life, especially in today's economy. Financial Planning is analysing the finances and developing of a plan for better utilisation of money to have better returns considering the future events. Financial planning is comprehensive concept, encompasses variety of services. Rather than focusing on a single aspect of your finances, it helps in planning, organising, supervision and controlling the money for future contingencies with the motive of earning returns with safety and security. Your financial decisions can be guided by financial planning. It assists you in selecting potential assets that can solve your financial issues. For instance, investing in different funds may enable you to pay back the debt or accumulate enough retirement savings. Life will become more safe and adaptable for any potential financial emergencies after your financial goals have been

established. Financial Planning consists of major components like investment planning, retirement planning and tax planning. Investment and Financial Planning goes hand in hand. Investment is increase in existing assets and portfolios. To make effective financial plans, it is important to have financial awareness of the products and its historical analysis. Investment Planning is important and it helps in reaching the financial goals of the investors. Every investor is having its own risk taking behaviour and accordingly they invest and earn returns. There are various investment avenues available in the market like Shares, Mutual funds, FDs, Insurance, Real Estate and Small Saving Schemes. The main part of investment planning is the asset allocation strategy in line with the perspective and the objective of the individual investors. In today's India, financial planning entails investing in tax-avoidance instruments. Various sections and

subsections provide a multitude of tax exemptions and incentives. The greater the rebate offered by an agent, the more confident a consumer feels that they have made an informed selection in selecting the correct agent who has offered them a higher refund. A financial plan also aids in the creation of a strategy. Early preparation will help you avoid a lot of financial problems that may arise in the future. Planning your finances will therefore help you live a disciplined life. Financial planning is frequently done with the assistance of a professional. It is a good idea to get professional guidance. If not, you can wind up making fatal financial decisions based on inaccurate financial facts. In context of the working person, insufficient or haphazard retirement savings can result in a lifestyle with a lower standard of living. To have better living and lifestyle after the certain age then it is required to save for the retirement. It should be planned initially

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to have more savings and returns in future. Similar to the businessman, improper tax planning could result in unforeseen debt and the loss of capital.

LITERATURE REVIEW

Ranganathan (2006) found that financial markets are influenced by the financial and consumer behaviour of investors from the marketing world and that financial economics needs to study the exciting areas of 'behavioural finance'. Sanjay Kanti Das (2012) summarizes that bank deposits remain the most popular investment vehicle, followed by insurance and small savings plans that benefit from the security of their lives and investments. It found that middle-class households need to improve their financial literacy. V.R. Palanivelu & K. Chandrakumar (2013) highlights that certain employee factors such as education level, awareness of the current financial system and age of investors have a significant impact on determining investment paths. Narendra (2014) the roles of financial planners in the nation were discussed by Narendra in 2014. According to the study, consistent and long-term efforts must be made by all stakeholders to disseminate information and suppress the Indian revolution. R. Shanmugam Priya, R. Krishna Raj, M. Chitra (2015) investigated personal perception of financial planning. The purpose of this study was to evaluate the knowledge of financial planning. Few are confident that they will manage their money. Agarwal et al. (2015) focused on the value of financial literacy for the management of financial resources and investment patterns of female. It is found that most working women are familiar with Investment Avenue and invest their money/savings in fixed deposits in banks and post offices.

Agarwal et al. (2015) during 2015 examine the relationship between financial planning and individual investments. It also performs multivariate analysis to reach its conclusion. In his research, he found that male respondents were more likely than female respondents to get accurate answers regarding financial literacy, and that this probability increased with education and assertiveness. Vedhik and Khan (2016) looked at the extent to which investors are aware of the various investment options available to them, as well as the variables influencing their perceptions and preferences. They sought to evaluate investment products according to the level of investor's knowledge of a number of previously identified investment items. The authors of this study examined the relationship between investor awareness and socioeconomic factors before identifying variables influencing investor awareness and preferences. David Lee, Damayanti Almgan (2019), we examined factors that influence personal financial planning among young professional adults. The purpose of this study was to identify factors that influence the personal financial planning of young workers. The results of the study are similar to those of the previous researcher, and it is determined that people are getting older, which leads to an increase in risk.

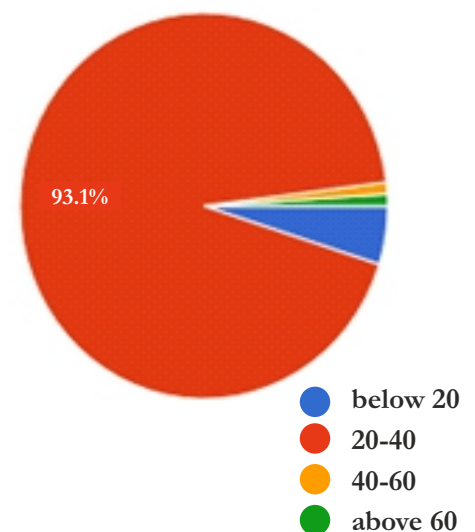
RESEARCH METHODOLOGY OBJECTIVE OF THE STUDY

- Study the factors influencing the financial planning of individual investors.
- Study the various investment avenues available to individual investors.
- Analyse the relationship between the age of investors and financial planning

SOURCES OF DATA

The research is based on primary source. Primary data is the data collected directly from the source without the use of any existing sources. It is considered to be accurate and can rely upon for the true results. The researcher completed the research methodology by using the primary method (questionnaires) for collecting the data to know investors investment avenues and their portfolio management. Questionnaire helped to reach larger audience quickly. The tools used for presenting the data is bar graph, pie chart and tables. It helped to organise and present the data with clear understanding. The questionnaire is prepared and circulated through the Google form to the various categories of people. The number of participants or observations included in a study is referred to as the sample size. The sample size for the primary data collected was 102 respondents, with people ranging in age from 20 to 40 showing greater participation and contribution. The random sampling method from probability sampling was used to collect information for primary data collection.

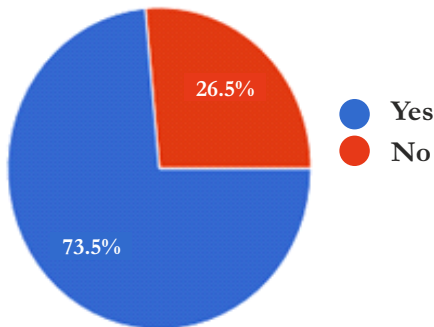
DATA ANALYSIS AND INTERPRETATION



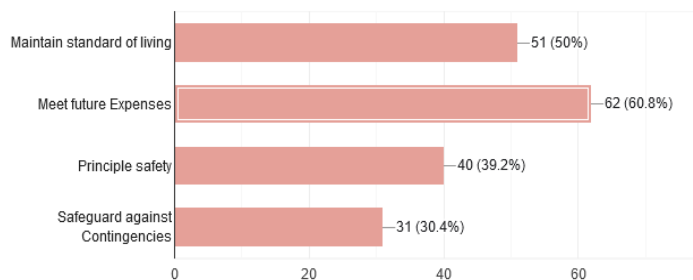
Almost 93% of respondents belonged to the 20-40 year old group, which is

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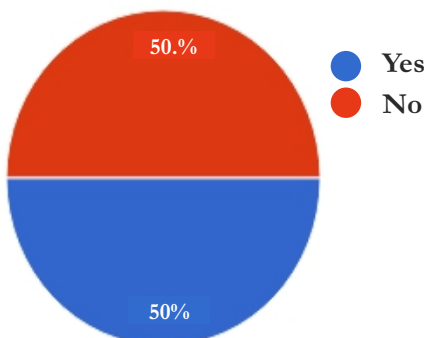
considered to be the most active age group. At this age, personal life changes very dramatically. The career is in its early stages of growth, with little responsibility and many resources are currently available. At this age, you can take the greatest risk and increase your investment over a longer period of time.



73.5% respondents are investing their savings to gain returns while there are some who believe in putting their money idle or spending their whole savings. This shows that they are less risk oriented and want to be at safer side by saving their money just in bank accounts to get slow and steady returns. This shows that more people are towards investing their amount saved from their income as for their future benefits.

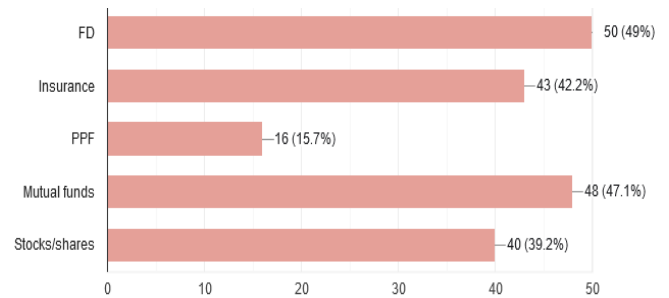


Before investing their money in different investment avenues, 50% of the respondents look for the standard of living, 60.8% looks for meeting future expenses, 39.2% looks for the safety before investing and 30.4% looks for safeguard in any contingent situation faced by them. According to this survey, more respondents are bothered about their future expenses and they invest to get at least the amount equivalent to their expenses.

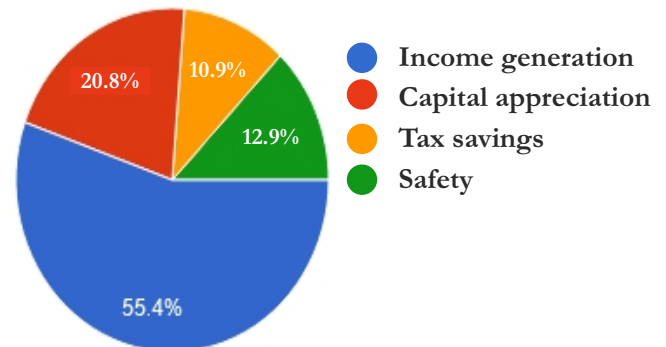


50% are towards positive side that they need certified financial

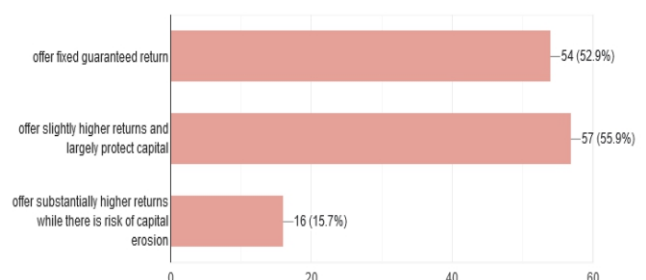
planner for planning their finances and 50% are towards negative side that they do not need any certified financial planner for their financial planning and portfolio diversification. Some respondents are well aware and have good knowledge so they invest by their own but some who are unaware or have less knowledge take help of planner for their better finances and returns.



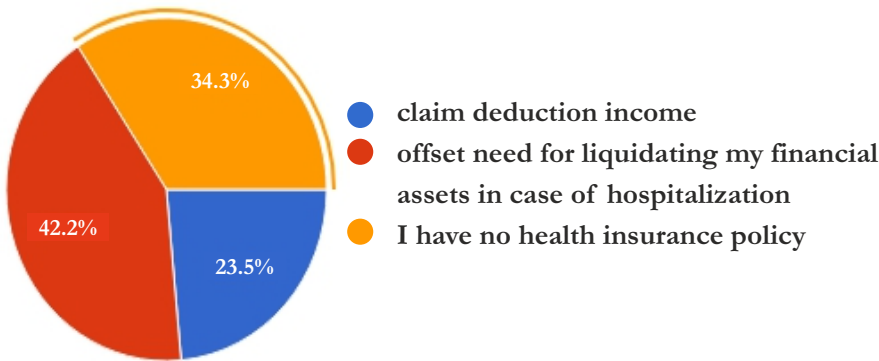
Out of sample size of 102, 49% respondents invests in FD, 42.2% invests in insurance, 15.7% invests in PPF, 47.1% invests in mutual funds and 39.2% respondents invests in shares and stocks. This survey clearly defines that more respondents are inclined towards FDs as it is the safest investment product with steady returns and the mutual funds as it is nowadays growing and providing good returns with less risk.



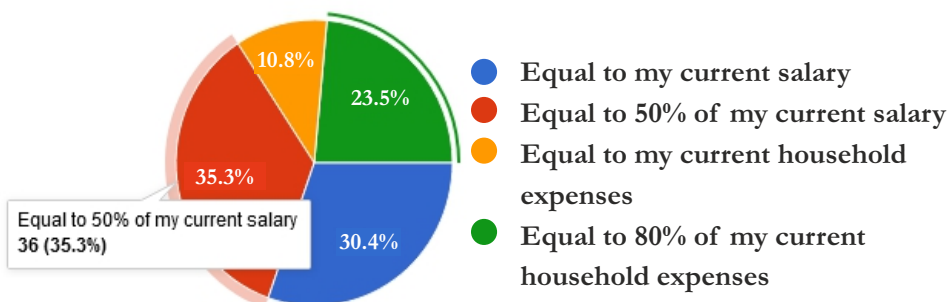
55.4% invest their money for Income generation, 20.8% invests to get capital appreciation means increase in the value of money from the initial amount, 10.9% invests to have tax benefits and 12.9% invests their money for the purpose of safety as they have more concern for their future. According to the survey it is assumed that people prefer in investing to generate income from it for their future needs.



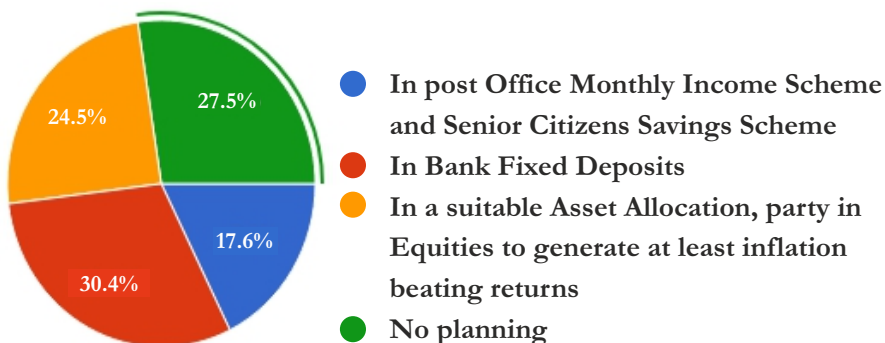
52.9% respondents choose the investment products that offer the fixed guaranteed return, 55.9% respondents choose the products that offer the slightly higher return and with low risk and 15.7% respondents prefers the investment product that gives higher returns with the high risk. Large number of respondent's willingness is to get fixed return with no risk to have steady income with the protection of capital invested.



42.2% respondents have taken the medical insurance for liquidating the financial assets in case of hospitalization, 34.3% has not taken any medical insurance for their selves and 23.5% have taken the medical insurance for taking the claim deductions from taxable income. This shows that many respondents are aware of medical insurance but some are not well aware of importance of medical insurance policy.

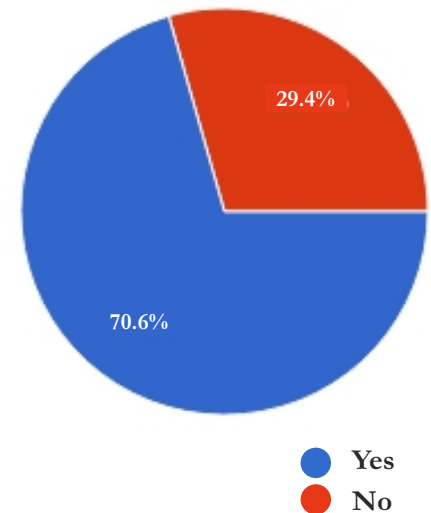


35.3% respondent's wants pension of about 50% of their current salary in future, 30.4% wants equal to their salary, 10.8% wants equal to their household expenses so that they didn't face any issue in future and 23.5% wants equal to 80% of their current household expenses. It depicts that people are in favour of getting half of their salary as pension for their future expenses and survival.



30.4% respondents invest their retirement corpus in making FDs in banks, 17.6% invests in Post Office savings scheme and senior citizen schemes to earn more returns, 24.5% invests in suitable asset allocation and equities to generate inflation

beating returns and 27.5% has no plan of investing the retirement corpus. This shows that respondents are having mixed review regarding their investment as all these provides less return with less risk but there are people who has no investment plans.



70.6% respondents fully utilise their tax benefits and 29.4% does not utilise their tax benefit as they are not fully aware of the deductions available. This shows that there should be campaign to aware people regarding the tax benefits so that they can save more, invest more and earn more. Utilising tax benefit is important to safeguard the money so that it can help in increasing the investment and earning returns.

CONCLUSIONS

According to the study we can infer that 54.9% of the respondents were female and 45.1% are male. Out of them 93% are of the age group 20-40 as nowadays youth are thinking more about getting more returns and financial planning. 73.5% investors are inclined towards saving their income and investing in different investment avenues. 60.8% people considers the factor of meeting future expenses before investing their money. In this survey 50% people rely on the certified planner for their

investment and portfolio diversification wherein 50% invest by their own on their knowledge. 55.4% investors have the purpose of generating the income while investing their money and they want to have higher returns. 55.9% respondents choose the products that offer the slightly higher return and capital protection. 42.2% respondents have taken the medical insurance for liquidating the financial assets in case of hospitalization. The major aspect of this research is to focus on the investor's investment planning, retirement planning, family planning and the tax planning. Medical Insurance is an important policy for everyone as we don't know about the discrepancy and it will help in accessing good medical facilities. 35.3% respondent's wants pension of about 50% of their current salary in future to save their future. 30.4% respondents invest their retirement corpus in making FDs in banks to have safe investments with steady returns. 70.6% investors fully utilise their tax benefit to save more

money. It will help in reducing the taxable income.

The study above shows that financial planning is the most important aspect of every individual whosoever is earning money. It is the dynamic and flexible concept as it can be changed based on the income, savings habit, risk orientation and the perception of investing the money to have higher returns. The proper technical and fundamental analysis should be taken care off before choosing any of the investment products, to mitigate the risk and safeguard for the losses. This study also suggests investors to start investing earlier to have better results in terms of returns. It will help in having systematic life structure so that financial goals and the decisions can be made effectively and efficiently.

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