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A STUDY ON AWARENESS OF FINANCIAL PLANNING AMONG PROFESSIONALS IN BANGALORE CITY

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ABSTRACT

Financial Planning is the process of meeting life goals through proper management of finances. Financial planning is a process that a person goes through to find out where they are now (financially), determine where they want to be in the future, and what they are going to do to get there. Financial Planning provides direction and meaning to persons financial decisions. It allows understanding of how each financial decision a person makes affects other areas of their finances. The design of the study is descriptive research method. In addition both qualitative and quantitative methods were applied in data collection and analysis. The descriptive design is found to be suitable because it addresses major objectives and research questions proposed in the study adequately. The aim of this study was to find out To study changes in financial planning with change in age,Analyse the investment habits & to examine the factors influencing the investment decision .The results of the study indicated Earlier trend of saving was in terms of physical assets but it has started to shift now to financial instruments. Majority of the professionals are risk averse they do not want to take risk with their hard earned money, risk taking ability largely depend on the present financial situation and future flow of income rather than the age. The level of awareness about financial planning is good in doctors and professors than the lawyers and engineers . Therefore, it can be concluded that financial planning has an effect on the financial performance

Keywords :- Financial Planning , physical assets, financial instruments, Income .

Introduction

Financial Planning is what a person does with their money. Individuals have been practicing financial planning for centuries. Every individual who received money had to make a decision about the best way to use it. Typically, the decision was either spends it now or save it to spend later. Everyone have to make the same decision every time they receive money.

Today in India financial planning means only investing money in the tax saving instruments. Thanks to the plethora of tax exemptions and incentives available under various sections and subsections of the Income Tax Act. This has led to a situation where people invest money without really understanding the logic or the rationale behind the investments made. Further the guiding force in investment seems to be the 'rebate' they receive from the individual agents and advisors. The more the rebate an agent gives, the more smug person are in the belief that they have made an intelligent decision of choosing the right agent who has offered them more rebate. In the process what is not being realized is the fact that the financial future is getting compromised.

Review of Literature

Mishra P.K. (2010)- investigated the dynamics of the relation between savings and investment in India for the period 1950-51 to 2008-09. Using annual data, the study reveals the co-integration between savings and investment and suggests the feedback causality between them. And, the most interesting part of the result is that while co-integration provides the evidence of long-run equilibrium relationship between savings and investment, the time series plotting of both the variables over the study period infers the fact that investment remained greater than the savings in India.

Abhijeet Chandra (2009) analyzed the impact of competence of individual investors on their trading behavior in the stock market. The study was conducted in the Delhi-NCR (National Capital Region). Individual investors are seen trading too frequently. This impacts their returns from their investments, their belief in the stock markets, and also the functioning of financial markets to some extent. Investors with high level of competence tend to trade more frequently. While some factors affect individuals' perception towards external issues, some 64 affect their belief in themselves, which in turn, influences their confidence and belief in their own judgment and decision making. This holds true in the context of investors in general and individual investors in particular. Individual investors take trading decisions based on their self-perceived competence that is influenced by several factors.

Mohan, Ramesh (2006) examined the relationship between savings and economic growth, focusing on whether the causality is from savings to 29 economic growth or vice versa. He concluded that causality is from economic growth rate to growth rate of savings. A study of 32 countries by Krieckhaus(2002) notes that a higher level of national savings led to higher investment and consequently caused higher economic growth.

Statement of the Problem

Financial planning is affected by external factors like social and economic factors and also individualistic factors like financial awareness, financial literacy, saving habits, risk taking ability etc. The external factors are out of influence of the individual but the individual factors can be altered for better retired life (Bowditch, 2005). Hence it is important to understand the practices followed by Indians about financial planning. And going a step ahead it is equally important to understand the factors influencing how individuals take action towards investment for financial planning. A strong intermediary channel bridges the gap between the individuals and financial institutions offering investment products and services, the current role played by intermediaries needs to be scanned thoroughly. Along with this understanding the individuals' awareness about available financial planning and products and services can provide guidance on future actions . Hence the study is undertaken to analyze the awareness of professionals about financial planning

Objective of Study

- To identify investment habits of professionals.
- To understand financial planning awareness among professionals in Bangalore.
- To identify various avenues for investment.
- To examine factors influencing the investment decision
- To study changes in financial planning with change in age.

Research Design

Research design is an arrangement of data collection and analysis of data in a manner that aims to combine relevance to the research purpose. It is a blue print for the collection, Measurement and analysis of data. For this study Exploratory and Descriptive research design methods have been used, Where in researcher has explored the financial literacy level of investors and then described the impact of financial literacy level on investment decision of investors. Both the types of source of data primary and secondary were used.

Sampling Design

Sampling design is a definite plan for obtaining a sample from a given population. Sampling plan means a method, decided before the survey is undertaken, of selecting the objects out of the universe. It refers to the technique or the procedure a researcher adopts in selecting a sample and the sample size.

Sampling Technique

For the current study, non- probability convenient sampling technique is chosen. In convenient sampling technique, the researcher chooses the sampling units as per his/her convenience.

Sample Size

Total sample size of 100 respondents is considered for the study.

Limitations

- Analysis was based on the assumption that all the respondents' information is true
- Unwillingness of the respondents to reveal their financial position.

Hypothesis 1:

Null hypothesis (H_0): There is no association between the profession of a respondent and financial awareness level

Alternate hypothesis (H_1): There is an association between the profession of a respondent and financial awareness level.

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Table 1:- Profession and financial awareness level

			score			Total
			Below 40	40 - 50	50 - 70	
profession	Engineer	Count	4	12	9	25
		Expected Count	3.5	11.3	10.3	25.0
	Doctor	Count	3	9	13	25
		Expected Count	3.5	11.3	10.3	25.0
	professor	Count	3	8	14	25
		Expected Count	3.5	11.3	10.3	25.0
	Lawyer	Count	4	16	5	25
		Expected Count	3.5	11.3	10.3	25.0
	TOTAL	Count	14	45	41	100
		Expected Count	14.0	45.0	41.0	100.0

Source: SPSS output

Table 2 Chi-Square Tests

Particulars	**Value**	**Degree of Freedom**	Assumption Sig (2 -sided)
Pearson Chi-Square	8.681(a)	6	.192
No of Valid Cases	100		

Source: SPSS output

The closer examination of above test revealed that the assumption Significance level is 0.192 which is greater than 0.05. So the null hypothesis is accepted and so we inferred that there was no relationship between the profession of a respondent and financial awareness level. The above test interprets that the profession of a respondent and financial awareness level are not interrelated and the financial awareness level of a respondent is independent of the profession

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Hypothesis 2:

Association between the gender of a respondent and financial awareness level

Null hypothesis (H_0): There is no association between the gender of a respondent and financial awareness level

Alternate hypothesis (H_1): There is an association between the gender of a respondent and financial awareness level.

Table 3 Gender and Financial Awareness Level

			score			Total
			Below 40	40 - 50	50 - 70	
Gender	Male	Count	13	35	24	72
		Expected Count	10.1	32.4	29.5	72.0
	Female	Count	1	10	17	28
		Expected Count	3.9	12.6	11.5	28.0
Total		Count	14	45	41	100
		Expected Count	14.0	45.0	41.0	100.0

Table 4 Chi-Square Tests

Particulars	**Value**	**Degree of Freedom**	Assumption Sig (2 -sided)
Pearson Chi-Square	7.453(a)	2	.024
No of Valid Cases	100		

The closer examination of above test revealed that the assumption Significance level is 0.024 which is less than 0.05. So the alternative hypothesis is accepted and so we inferred that there is a relationship between the gender of a respondent and financial awareness level.The above test interprets that the gender of a respondent and financial awareness

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level are interrelated and the financial awareness level of a respondent is dependent of the profession.

Hypothesis 3

Association between the marital status of a respondent and financial awareness level

Null hypothesis (H_0): There is no association between the marital status of a respondent and financial awareness level.

Alternate hypothesis (H_1): There is an association between the marital status of a respondent and financial awareness level.

Table 5:- Marital status of a respondent and financial awareness

			Score			Total
			Below 40	40 - 50	50 - 70	
Marital status	Single	Count	6	24	12	42
		Expected Count	5.9	18.9	17.2	42.0
	Married	Count	8	21	29	58
		Expected Count	8.1	26.1	23.8	58.0
Total		Count	14	45	41	100
		Expected Count	14.0	45.0	41.0	100.0

Table 6 Chi-Square Tests

Particulars	**Value**	**Degree of Freedom**	Assumption Sig (2 -sided)
Pearson Chi-Square	5.105(a)	2	.078
No of Valid Cases	100		

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The closer examination of above test revealed that the assumption Significance level is 0.078 which is less than 0.10. So the alternative hypothesis is accepted and so we inferred that there is a relationship between the marital status of a respondent and financial awareness level.

The above test interprets that the marital status of a respondent and financial awareness level are interrelated and the financial awareness level of a respondent is dependent of the profession.

Findings:

1. The saving behaviour among professionals is impressive, most of them are saving regularly every month, and expenses are well within the income.
2. Earlier trend of saving was in terms of physical assets but it has started to shift now to financial instruments.
3. Majority of the professionals are risk averse they do not want to take risk with their hard earned money, risk taking ability largely depend on the present financial situation and future flow of income rather than the age
4. Only 29% of the professionals are created emergency fund to face any kind of financial challenges and remaining are depend on their parents and working spouse in case of emergency.
5. 5. Majority of the professionals took insurance policies with prime intension of saving tax rather than actual benefit to cover the risk of life.
6. There is equal no. of professionals who taken health insurance to benefit in case of hospitalization and who do not have any health insurance policy.
7. 42% of the professionals depend on the provident fund or pension due from their organization for their retirement fund, rest are depend on the income from house & properties.
8. Professionals are good at utilizing tax benefits by planning investments before and even they consult the charted accountant to avail maximum benefits.
9. Sharing of vital information like assets and debts with family members is good in unmarried professionals than the dual income families.

10. The level of awareness about financial planning is good in doctors and professors than the lawyers and engineers.

Suggestions

1. People need to be educated and informed about Financial Planning and this provides a greater opportunity to financial institutions, stock exchanges and regulatory organisations to educate people.
2. Companies can arrange for seminars and sessions through which they can provide information to people and in return can get prospective clients from the audience. In this way both the audience and the organisations can also be benefited.
3. Financial planning is not a onetime activity; the initiative should be taken by financial planner to put this forward to their client. Regular meetings should be conducted between the financial planner and client to review the investment portfolio. Alteration should be made in portfolio as per need and requirement of the client. This will ensure that the investment objectives are achieved.
4. Goal should be properly divided into short term, medium term and long term. Proper allocation should be done in various instruments according to the time period of goal. Keep Investments simple and diversified to reduced the risk.
5. Investment through SIP should be encouraged. A little amount regularly invested for long period can create a greater wealth. SIP helps in Rupee cost averaging, develop habit of saving and it provides convenience of investment.

Conclusion

This study surveys 100 professionals from multiple fields across the city of Bangalore to examine professional's awareness towards financial planning.The overall study about each and every aspect of this topic shows that Financial Planning is a dynamic and flexible concept which involves regular and systematic analysis, proper management, judgment, and actions. Results suggest that professionals need to improve their knowledge of personal finances in the areas like creating contingency fund, systematic investing, risk taking ability, insurance planning and risk, return, benefits of various investment avenues.It can also be concluded that Investors should start planning soon, set measurable goals, Look at the bigger picture and should not expect unrealistic returns on the investments and value of the plan lies in its implementation and it accurately reflects what personally trying to accomplish.The findings of this study suggest that there is a systematic lack of personal finance education in our education system this challenging issue needs to be addressed

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