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Review on the Role of Analysis in the Practice of Financial Planning and Management

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Abstract*: This study examines the importance of conducting financial planning analysis. A financial plan typically encompasses an investment strategy that involves allocating savings to different assets or projects with the expectation of generating future income. These assets or projects may include a new business or product line, shares in an existing firm, or real estate. A financial plan is a strategic framework consisting of a series of activities or objectives that an individual or company implements to progressively and accumulatively accomplish a desired financial objective, such as eliminating debt or preparing for retirement. Typically, this includes a financial plan that manages an individual's money, along with a series of steps for spending and saving future earnings. This study investigates how individuals distribute their cash and whether investors understand the importance of financial planning.*

Keywords: Financial planning, savings behavior, evaluations of financial requirements, and investments

I. INTRODUCTION

In recent years, there has been a substantial shift in saving behavior. India's savings rate is comparatively higher than that of other countries. Traditionally, saving was mostly focused on physical assets, but there has been a shift towards financial instruments. This trend mostly stems from the continuous expansion of financial institutions' branch networks into rural areas of the country. It also partly results from the growing availability of easily accessible alternative investment possibilities. Currently, individuals are including corporate securities in their household savings, and retail investors have a preference for investing their assets in the security market. This can be ascribed to the growth of the stock market and the low interest rates and returns provided by conventional securities. Moreover, the increasing earnings of India's labor force have played a key role in the country's changing savings behavior.

India's household savings can be categorized into the following broad classifications:

1 Decrease in the expenses associated with physical characteristics

2 Financial savings refer to the act of setting aside money in financial instruments or within a household for future use.

The financial savings of Indian households may encompass the subsequent:

II. LITERATURE REVIEW

Male and female managers exhibit distinct behavioural characteristics. This implies that investors who favor a moderate and stable investment approach should consider investing in funds managed by women. On the other hand, investors who are more inclined towards taking risks and seeking funds that make aggressive bets should consider investing in funds managed by men (Peggy and Dwyer, 2001).

Previous research has established the investment behavior of institutional investors, however, there is a scarcity of studies examining the investment behavior of individual investors. Prior studies have mostly concentrated on disparities between genders in terms of their individual investment behaviors. Investigating the variations in investment habits based on age is a novel field of research. Prior studies have determined that women tend to adopt a more cautious approach when it comes to investing their asset portfolios compared to men. Traditionally, women have tended to invest less than men due to a range of factors, such as societal and demographic considerations. Nevertheless, notable discrepancies remain even when accounting for individual characteristics (Schmidt & Sevak, 2006). Both risk aversion and financial awareness are essential factors in making investing decisions. Risk, as defined by many sources, generally refers to situations where a decision is taken based on the potential consequences of future events that have a known probability (Lopes, 1987).

Dunham (1984) agrees that while personality qualities have the potential to change over an extended period, the process is slow and typically remains consistent across different contexts. Consequently, these elements are expected to impact an individual's decision-making behavior. Barnewall (1987) asserts that an individual investor can be distinguished by their lifestyle qualities, level of risk aversion, inclination towards control, and vocation. Barnewall (1988) suggests utilizing psychographics to determine an individual's financial services needs, which helps gain a more accurate understanding of the customer's viewpoint and the importance of developing a marketing strategy.

Statman (1988) discovered that individuals engage in trading activities driven by both cognitive and emotional motivations. They engage in trading based on the belief that they possess valuable information. However, in actuality, their actions are driven by the need for personal gratification and joy, rather than any substantial knowledge. Engaging in trading can evoke a sense of satisfaction when successful decisions are made, but also a feeling of regret when they are not.

Barber and Odean (2000) conducted a study to analyze the real-life experience of investors and how their intuitive reasoning affects their investing preferences. The ET Retail Equity Investor Survey (2004) conducted in the secondary market categorized investors into different groups based on their characteristics and perspectives on secondary market investing. A study conducted on 245 individual investors from Kuala Lumpur and Petaling Jaya on the Kuala Lumpur Stock Exchange has uncovered differences in demographics, psychographics, investing traits, and investment behavior between active and passive investors.

In a study conducted by Karthikeyan (2001), it was found that there was a notable disparity among the four age groups in terms of their awareness levels regarding kisan vikaspatra (KVP), National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE), as well as their Overall Score.

The "Urban Saving survey" conducted by the National Council of Applied Economic Research (NCEA) in 1961 revealed that families from various occupations, educational backgrounds, and age groups acknowledged the advantages of saving for the future. Evidence demonstrated that the primary incentive for investing in retirement was the anticipation of potential emergencies. The "Survey of Indian Investors" conducted by the Securities and Exchange Board of India (SEBI) and NCEAR (2000) revealed that the primary variables determining the choice of an asset were safety and liquidity. This study aims to identify the factors that impact individual investment decisions, analyze the variations in investors' perceptions of the investing process according to age, and examine the disparities in investors' opinions depending on gender.

III. DISCUSSION

1) The willingness to take risks has a greater impact on investment decisions than the ability to do so.
2) The following are a few justifications for abstaining from financial planning:

• Intend to initiate financial planning at a later time; • Will postpone until they have the cash to commence financial planning; • Insufficient knowledge; • Deceived before under the pretense of financial planning; • Perception that financial planning is only for the affluent.

• Personal money management is not given high importance; • There is a lack of defined and specified financial objectives; • Inadequate advice is being relied upon.

IV. SUGGESTIONS

1. It is imperative to provide individuals with education and information regarding financial planning, as this will enhance the probability of achieving financial distribution. It is advisable to categorize personal investment objectives into short-term, medium-term, and long-term goals. It is important to allocate funds appropriately among different financial instruments, taking into consideration the time range and purpose.
2. It is advisable to promote investments based on the Session Initiation Protocol. Consistently investing a modest sum over an extended duration can yield significant financial prosperity.

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3. It is advisable to have a straightforward approach when it comes to investments and only invest in plans that one completely understands. The investor should prioritize diversifying their investments while avoiding unnecessary complexity.

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