

Study on Scope for Financial Planning Analysis

Prof. Namita Parab and Yevle Vinayak Vishnu

Jai Bharat College of Commerce (Night), Mumbai, Maharashtra, India

Abstract: *The significance of financial planning analysis is the main topic of this work. A financial plan may refer to an investment strategy that distributes savings to various items or endeavours that are expected to provide income in the future, such as a new company or product line, stock in an existing business, or real estate. A financial plan is, generally speaking, a series of actions or objectives pursued by an individual or organisation with the intention of achieving a final financial goal, such as debt elimination, retirement, etc. This often consists of a budget that manages a person's finances as well as a series of steps for both spending current income and saving for the future. In this study, we looked at how people manage their money and whether or not investors understand the value of financial planning.*

Keywords: Investment, financial necessity assessments, saving practises, and financial planning

I. INTRODUCTION

The saving habits of recent years have changed dramatically. India saves at a slightly higher rate than other countries do. Savings trends have traditionally concerned physical assets, but this is starting to shift to financial instruments. This trend partly reflects the rising trend of easy accessibility of alternative investment possibilities, but it primarily represents the relentless expansion of the various branch networks of financial institutions into the country's rural areas. Corporate securities are now a part of household savings, and ordinary investors prefer to place their money in the securities market. This is due to the growth of the stock market as well as the meagre returns and interest rates provided by conventional securities. Additionally, the changing savings patterns in the nation have been considerably influenced by the expanding working class income in India.

The following categories essentially describe India's household savings:

- Lower price for physical characteristics
- Savings from home savings or investments in financial instruments
- Indian households may have the following financial savings:
- Savings deposits in banks
- Policies of life insurance
- Provisional money Four pension plans
- Home Liquid Assets
- Deposits in nonbank financial institutions

II. REVIEW OF LITERATURE

Male and female fund managers exhibit different behaviours, which suggests that investors who prefer moderate and stable investment styles should invest in female-managed funds, while investors who are more risk-averse and interested in funds that place more active bets should invest in male-managed funds (Peggy and Dwyer, 2001).

Prior research identified institutional investors' preferred investing strategies, but the research on individual investors' preferences is scarce. The majority of prior research has concentrated on gender variations in personal investment behaviours. A emerging field of research is age-based variations in investment patterns. Previous studies have found that women invest their asset portfolios more cautiously than males do. For a multitude of reasons, including societal and demographic factors, women historically have invested less than males. Nevertheless, considerable variations continue even after taking into account personal traits (Schmidt & Sevak, 2006). Any investment decision must take both risk aversion and financial knowledge into consideration. Although numerous definitions of risk can be found in different sources, generally speaking, the term refers to situations when a decision is made whose consequences depend on the outcomes of future events with known probabilities (Lopes, 1987).

Although personality traits can develop over a lengthy period of time, Dunham (1984) recognises that the process is slow and typically consistent across circumstances. As a result, it is anticipated that these elements will have an impact on how people make decisions. An individual investor can be recognised based on lifestyle characteristics, risk aversion, control orientation, and occupation, claims Barnewall (1987). According to Barnewall (1988), utilising psychographics as the foundation for determining a person's financial services needs gets closer to the reality from the perspective of the client regarding the need to create a marketing campaign.

Statman (1988) discovered that people engage in trading for both rational and irrational reasons. They trade because they think they know something, but in actuality they just create noise and trade because it makes them happy and gives them joy. When trading decisions are lucrative, pride is felt, while regret is felt when they are not.

Barber and Odean (2000) examined the effect of intuitive reasoning on investment preference in order to assess the actual investor experience. Based on their characteristics and attitudes towards secondary market investments, the ET Retail Equity Investor Survey (2004) in the secondary market identified different types of investors. There are differences between active and passive investors in terms of demographics and psychographics, investing traits, and investment behaviour, according to a study of 245 Kuala Lumpur Stock Exchange individual investors from Kuala Lumpur and Petaling Jaya.

There was a significant difference between the four age groups in the level of awareness for KisanVikaspatra (KVP), National Savings Scheme (NSS), and Deposit Scheme for Retired Employees (DSRE), as well as the Overall Score, according to Karthikeyan's (2001) study on Small Investors Perception on Post Office Saving Schemes.

According to the "Urban Saving survey" conducted by the National Council of Applied Economic Research (NCEA) in 1961, families of all ages, educational levels, and vocations thought that saving for the future was advantageous. It has been demonstrated that one of the main reasons people invest for retirement is to be prepared for emergencies. According to the "Survey of Indian Investors" by NCEAR and SEBI from 2000, Safety and Liquidity were the most important aspects to consider while choosing an asset. In this study, we want to identify the factors that affect individual investment choices as well as the disparities between investors' perceptions of the investing process based on gender and age.

III. CONCLUSION

The ability to take risks has less of an impact on investment decisions than the willingness to do so.

Lack of information; being misled in the past under the guise of financial planning; thinking that financial planning is just for the wealthy; and delaying starting financial planning until they have the money to do so. Poor advice is relied upon; personal finance management is not prioritised; there are no precise or clear financial goals.

IV. RECOMMENDATIONS

1. To enhance the chance of financial distribution, people must be educated and informed about financial planning. It is best to divide each investor's investment objectives into short-, medium-, and long-term objectives. Depending on the goal and time frame, the proper allocation should be established among various financial instruments.
2. It is advisable to promote SIP-based investments. Regularly making little investments over a long period of time can provide significant riches.
3. Aim to keep your investments simple, and only make investments in plans you fully understand. While keeping things simple, the investor must make sure that their investments are diversified.

REFERENCES

- [1]. Trading is Hazardous to Your Wealth: The Common Stock Investment Performance of Individual Investors, Barber B. M. and Odean T. (2000) Journal of Finance, Vol. 55, No. 2.
- [2]. Asset Allocation for the Individual Investor, William Droms, ed., Charlottesville, VA: The Institute of Chartered Financial Analysts, Barnewall, M. (1987), "Psychological Characteristics of the Individual Investor."

- [3]. The paper "Examining the Psychological Traits of Passive and Active Investors" by M. BarnewallMacGruder was published in the Journal of Financial Planning in 1988 and is accessible at www.fpanet.org/journals/articles/1988_issues.
- [4]. Huberman Gur and Daniel Dorn (2003) presented a paper titled "Talk and Action: What Individual Investors Say and What They Do" at the European Finance Association Meetings in Glasgow on December 16.
- [5]. Organisational Behaviour, Homewood, Illinois: B. Dunham Randall, 1984 In 2001, Gervais S. and Odean T. published "Learning to be Overconfident" in Review of Financial Studies, Vol. 14, No. 1, pp. 1-27.
- [6]. Working Paper No. 923, January-March, Indian Institute of Management, Ahmedabad, Gupta Ramesh (1991), "Portfolio Management: The Process and Its Dynamics".
- [7]. "Learning to Be Overconfident," in Gervais and Odean (2001), Review of Financial Studies, Vol. 14, No. 1, p. 127.
- [8]. The Role of Risk Tolerance in the Asset Allocation Process: A New Perspective, by Harlow W. V. and Keith C. Brown, Association for Investment Management, 1990.
- [9]. Small investor opinions on the post office saving programme, Karthikeyan (2001), unpublished thesis, Madras University, Tamil Nadu, India
- [10]. Lobes (1987). International Journal of Business and Management, Vol. 4, Article Title: "An Analysis of Investors' Risk Perception Towards Mutual Funds Services."
- [11]. Finance India, Vol. 11, No. 2, pp. 285–304, Madhusoodanan T. P., "Risk and Return: A New Look at the Indian Stock Market", 1997.