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Analysis of Financial Planning Needs

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Abstract: *This study focuses on the significance of financial planning analysis. A financial plan may refer to an investment strategy, which allocates savings to various assets or projects that are anticipated to provide future income, such as a new business or product line, shares in a current corporation, or real estate. A financial plan is, in general usage, a sequence of actions or goals employed by an individual or corporation, the gradual and cumulative attainment of which is intended to achieve a final financial goal, such as debt removal, retirement, etc. Typically, this comprises a budget that organises a person's finances, as well as a sequence of procedures for spending and conserving future income. In this study work, we examined the manner in which an individual allocates his funds and if investors are aware of the significance of financial planning.*

Keywords: Financial planning, saving habits, financial need assessments, and investment.

I. INTRODUCTION

Over the past few years, the saving behaviour has shifted significantly. India's rate of savings is somewhat higher than that of other nations. Historically, the trend of saving involved tangible assets, but this has begun to change to financial instruments. This tendency largely reflects the unrelenting growth of the various branch networks of financial institutions into the country's rural areas and partially reflects the increasing trend of alternative investment options' simple accessibility. Today, household savings include corporate securities, and retail investors prefer to invest their assets in the security market. This is attributed to the stock market's expansion and the low interest rates and returns offered by traditional securities. Additionally, the rising income of India's working class has contributed significantly to the country's shifting savings pattern.

India's household savings can be broadly classified into the following categories:

1. Cost reduction in physical attributes
2. Financial savings in financial instruments or household financial savings

The financial savings of Indian households may include the following:

1. Bank deposits for savings
2. Life insurance policy
3. Provident funds
4. Pension funds
5. Liquid assets of homes
6. Non-banking financial institution deposits

II. REVIEW OF LITERATURE

There are behavioural differences between male and female managers, which suggests that investors who prefer moderate and stable investment styles should invest in female-managed funds, while more risk-seeking investors who are interested in funds that make more active bets should invest in male-managed funds (Peggy and Dwyer, 2001).

Prior studies determined the investment pattern of institutional investors, but there are very few studies on the investment pattern of individual investors. Previous research has mostly focused on gender differences in individual investment patterns. Age-based differences in investment patterns represent a new area of study. Earlier research has concluded that women invest their asset portfolios more conservatively than men. Historically, women have invested less than men for a variety of reasons, including social and demographic considerations. However, significant variations persist even after controlling for individual characteristics (Schmidt & Sevak, 2006). Risk aversion and financial literacy are crucial components of any investment decision. Although different sources define risk differently, the term generally refers to circumstances in which a decision is made whose implications are contingent on the outcomes of future occurrences with known probability (Lopes,1987).

Dunham (1984) acknowledges that although personality traits can change over a long length of time, the process is sluggish and generally stable across situations. Therefore, these factors are anticipated to influence an individual's decision-making behaviour. According to Barnewall (1987), an individual investor can be identified based on lifestyle traits, risk aversion, control orientation, and occupation. Barnewall (1988) proposes using psychographics as the basis for identifying an individual's financial services demands, which brings one closer to the truth from the customer's perspective regarding the necessity to construct a marketing programme.

Statman (1988) found that individuals trade for both cognitive and emotional motives. They trade because they believe they have information, but in reality they merely make noise and trade because it provides them pleasure and happiness. Trading elicits pride when profitable judgements are made, but remorse when they are not.

In order to examine the actual investor experience, Barber and Odean (2000) investigated the impact of intuitive reasoning on investment preference. The ET Retail Equity Investor Survey (2004) in the secondary market identified various kinds of investors based on their attributes and attitudes regarding secondary market investments. A research of 245 Kuala Lumpur Stock Exchange individual investors from Kuala Lumpur and Petaling Jaya reveals that there are disparities in terms of demographics and psychographics, investing characteristics, and investment behaviour between active and passive investors.

Karthikeyan (2001) conducted research on Small Investors Perception on Post office Saving Schemes and discovered that there was a significant difference between the four age groups in the level of awareness for kisan vikaspatra (KVP), National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE), as well as the Overall Score.

National Council of Applied Economic Research (NCEA) (1961) "Urban Saving survey" found that families across all occupations, educational levels, and ages believed that saving for the future was beneficial. It was shown that preparing for emergencies was a major motivation for investing for retirement. Securities and Exchange Board of India (SEBI) and NCEAR (2000)'s "Survey of Indian Investors" indicated that Safety and Liquidity were the key factors influencing the selection of an asset. In this study, we attempt to determine the Factors that influence individual investment decisions, the differences in Investors' perceptions of the investing process based on Age and the differences in Investors' perceptions based on Gender.

III. CONCLUSION

1. Investment decisions are influenced more by the willingness to take risks than the ability to do so.
2. Listed below are some reasons for not engaging in financial planning:
    - Will begin financial planning later;
    - Will wait until they have sufficient funds to begin financial planning;
    - Lack of information;
    - Misled in the past under the guise of financial planning;
    - Belief that financial planning is solely for the wealthy.
    - Personal finance management is not a priority;
    - There are no clear or specific financial goals;
    - Poor counsels are relied upon.

IV. RECOMMANDATIONS

1. Individuals must be educated and informed about financial planning, which will increase the likelihood of financial distribution.
2. Individual investment objectives should be separated into short, medium, and long-term goals. Appropriate allocation should be made in various financial instruments based on time frame and objective.
3. SIP-based investments should be encouraged. A small amount invested regularly over a long period of time can generate substantial wealth.
4. One should strive to keep their investments basic and only invest in plans they fully comprehend. The investor must ensure that their investments are diversified, but should not overcomplicate matters.

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