Individual Personal Financial Planning: A Study of National Capital Region (NCR)

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Abstract

This study is trying to uncover the personal financial planning of individual.Experts are agree that people have more money now a days as compare to the earlier but the literary level of how to use this money and where to invest is not up to date. Now a days it is necessary to think about the financial planning for the future like making budget for today and estimating the future expenses as well as plan for the retirement also. The purpose of this paper is to create the awareness about the personal financial planning and also to provide literacy about the financial avenues which are available in markets so that by investing individual can gain profit and also to strengthen the economy.

Keywords-Financial Planning, Economy, Financial Avenues

Introduction

Individual save for the accomplishment of future needs. To satisfy their future needs and to be secure individualsave and invest this amount into the suitable investment plan. Now a days investment becoming the foremost concern for the entire individual.

In a developing country like India we have seen that country face the challenges regarding raising the capital for the development. It is just because earlier individual kept all their money with their own and do not take the risk to invest into the market. It may be just because of lack of financial literacy and insecurity purpose. But the changing trends show a incredible boom in the investment into the market.

There are some key features that make any investment interesting for example safety of money, liquidity appreciation in money or return. Market have different interested avenues for investment by which individual can get benefitted like investment in stock , mutual funds Fixed deposits, investment in commodities.

Literature review

Table 1: Literature Review

Prema-Chandra and Pang-Long(2003)		Studies investigate about the saving rate increase with the level of income and real deposit rate has a positive impact on saving.

Samudra and Burghate(2012)	Regression	it is not only the income of the household that has an immediate bearing on the investment preferences but also the age group to which the main earn or decision maker of the family is being influenced by the choice of the investment avenues.
Gedela(2012)	Multiple Regression, Logistic Regression	Study revealed that the age of the head of the family , gender, dependency ratio, salary and medical expenditure are extensively influencing the saving behaviour in the study area
Sachithanantham(2007)		Studied that there are some variable which affect the pattern of saving of individual for example financial literacy level and education level and age of the investor
Bhushan and Medury(2013)		He found in his study that women investors are risk averse while opting for any investment option.
Patil (2014)		This is a study based on most preferred investment options by the investors from salaried segment in Pune city

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Research Methodology

Objective of Research

To find out the pattern of personal financial planning of different income group.

$H_{O1:}$ Investment pattern do not change among different income groups.

$H_{a1:}$ Investment pattern tends change among different income groups.

Research Design

This study has empirical design as the researcher is trying to explore the different variables affecting the which are responsible for investment in any financial avenue Also the research design of this study is descriptive because this study was based on the hypothesis testing using various statistical tools.

Table 2: Objectives& variables

Objectives	**Independent variables**	**Dependent variables**	**Tool**
To find out the pattern of personal financial planning of different income group	Demographic variables (Age, Gender, Qualification, Occupation, income, Dependency ratio)	Investment Avenues(Debts, Mutual funds and equities, Real estate and commodities)	Multiple Regression ANOVA

Data collection and interpretation

Further researcher has examined the pattern of individuals among the different income groups. Study has identified four main avenues of investment namely Debt (including bank deposits, RD, FD, saving accounts, current account and any other interest bearing investment avenue),Equities (equities and mutual funds) Real Estate and Commodities (Gold, Silver and jewellery).

Table 3: Frequency table of different investment avenues

	Investment in Debts	**Investment in Equities**	**Investment in Real estate**	**Investment in Gold**
Applicable	400	321	77	261
Not applicable	0	79	323	139
Total respondents	400	400	400	400

Source: Compiled by researcher

Table 4: The table below shows that the multiple R values of different income groups.

Income level	**Investment Avenues**	**R**	**R2**	**Adjusted R2**	**P value**
Less than 36000	Bank	1	1	1	
36000-60000	Bank	1	1	1	
60000-100000	Bank	0.22	0.04	0.045	0.00018
	Equity	0.12	0.14	0.011	0.041
	Real estate	0.2	0.042	0.038	0.0005
	Commodities	0.066	0.004	0.0008	0.26
100000-200000	Bank	0.09	0.008	0.002	0.255
	Equity	0.077	0.006	-0.00051	0.338
	Real estate	0.067	0.004	-0.002	0.409
	Commodities	0.111	0.012	0.005	0.169
200000-500000	Bank	0.18	0.033	0.024	0.06
	Equity	0.18	0.03	0.024	0.06
	Real estate	0.136	0.018	0.009	0.16
	Commodities	0.25	0.06	0.054	0.009
500000-1000000	Bank	0.16	0.25	0.008	0.228
	Equity	0.065	0.004	-0.013	0.623
	Real estate	0.18	0.03	0.016	0.165
	Commodities	0.12	0.016	-0.001	0.338

Households who belong to less than 36000 income group do not save in any avenues. Household who belong to 36000-60000 income group R value (1.00) depict a highly positive correlation between Income and investment made by households in banks. The reliability of the estimates depends upon the closeness of the relationship. The closer R is to +1 or -1, the closer the relationship (Gupta, 2001).

Household who belong to 60000-100000 income groups invested in different avenues namely debt, equity, real estate and commodity and R value (0.22, 0.12, 0.2, and 0.066) depict a highly positive correlation between Income and investment made by households in debt, equity, real estate and commodity respectively. Households of this income group are investing more in debt, equity and real estate and significant.

Household who belong to 100000-200000 income group invested in different avenues namely debt, equity, real estate and commodity and R value (0.09, 0.077, 0.067, 0.111) depict a highly positive correlation between Income and investment made by households in debt, equity, and commodity respectively. Investment in real estate is insignificant. Households of this income group are investing more in debt, equity and significant.

Household who belong to 200000-500000 income group invested in different avenues namely debt, equity, real estate and commodity and R value (0.18, 0.18, 0.136, 0.25) depict a highly positive correlation between Income and investment made by households in debt, equity, and commodity respectively. Investment in real estate is insignificant. Households of this income group are investing more in debt, equity and significant

Household who belong to 500000-1000000 income group invested in different avenues namely debt, equity, real estate and commodity and R value (0.16, 0.065, 0.18, and 0.12) depict a highly positive correlation between Income and investment made by households in debt, equity, and commodity respectively. Investment in real estate is insignificant. Households of this income group are investing more in debt, equity and insignificant.

Analysis of Variance for different investments avenues

Table 5: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Amount of Investment in bank	Between Groups	8.194	6	1.366	3.480	.002***
	Within Groups	154.243	393	.392		
	Total	162.437	399			
Amount of investment in MF & equity	Between Groups	22.336	6	3.723	4.393	.000***
	Within Groups	333.062	393	.847		
	Total	355.398	399			
Amount of investment in Real Estate	Between Groups	33.001	6	5.500	11.028	.000***
	Within Groups	195.999	393	.499		
	Total	229.000	399			
Amount of investment in gold	Between Groups	13.814	6	2.302	7.455	.000***
	Within Groups	121.376	393	.309		
	Total	135.190	399			

Source: Compiled by researcher

a. Dependent Variable: Investment in debts, equity, real estate and commodities

**significance at 5%, ***significance at 1%

Output of ANOVA is shown in above table. Researcher has checked that whether there is a significant difference between group means.We found that there is a significance level is 0.002 *(p = .002),* 0.000 *(p=0.000),* 0.000 *(p=0.000),* 0.000 *(p=0.000),* for investment in different investment avenues as we have categories the different avenues in four categories like debts, equity, real estate and commodities made by the individual respectively *w*hich is below 0.05 *(*95%confidence interval). And, therefore it indicates that overall model is significant therefore the model construct is validated.

Objective of the study was that particular investment choice differs with the change of income.Toauthenticate the hypothesis independent- samples t-Test has used and testing of hypothesis is significant at 0.05 levels.The independent-sample *t* test is used to examinethevariation between the means of unrelated groups. That is, we evaluate whether the means for two unrelated groups are considerably different from each other or not. This test isgenerally referred to as a between-groups design, and can also be used to analyze a control and experimental group. With an independent-samples *t* test, each case must have scores on two variables, the grouping (Independent) variable and the test (dependent) variable. Following table showing the outputs of the independent sample t test.

Null Hypothesis*:* H_0**:**□□□□□□□

Where,

□□□□□□□stands for the mean for the first group

□□□□□□stands for the mean for the second group.

Alternate Hypothesis: H_a**:** □□□□□□□

Table 6: Independent Samples Test

Table Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
			Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Amount of Investment in bank	Equal variances assumed	11.709	0.001	1.785	102.000	0.077	-0.179	0.101	-0.379	0.020
	Equal variances not assumed			1.671	64.593	0.100	-0.179	0.107	-0.394	0.035
Amount of investment in MF & equity	Equal variances assumed	0.001	0.972	1.523	102.000	0.131	-0.256	0.168	-0.590	0.078
	Equal variances not assumed			1.470	71.625	0.146	-0.256	0.174	-0.604	0.091
Amount of investment in Real Estate	Equal variances assumes	29.003	0.000	2.498	102.000	0.014	0.164	0.066	0.034	0.294
	Equal variances not assumes			1.988	40.754	0.054	0.164	0.083	-0.003	0.331
Amount of investment in gold	Equal variances assumes	5.235	0.024	0.884	102.000	0.379	0.092	0.104	-0.115	0.300
	Equal variances not assumes			0.946	96.304	0.347	0.092	0.098	-0.101	0.286

To test the assumption of homogeneity of variance, where the null hypothesis assumes no difference between the two group's variances (H_0: $\square_1^2 = \square_2^2$), the Levene's F Test was used. The Levene's F Test for Equality of Variances is the most commonly used statistic to test the assumption of homogeneity of variance.

From the table 4, it is revealed that the *F* values for Levene's Test for Equality of Variances 11.70,0.001, 23.003 and 5.235 with a Significant (*p*) value of .000 ($p < .001$). as the level of significant is less than alpha value of .05 ($p < .05$) except in one investment avenue that is investment in mutual funds we reject the null hypothesis for the assumption of homogeneity of variance and conclude that there is a significant difference between the two group's variances (H_a: $\square_1^2$ $\square\square_2^2$).

It is further revealed from the Independent-Samples t-Test that the *t*-values for different investment option that is Debts, mutual funds, real estate and commodity especially gold 1.785, 1.523, 2.498 and 0.884 respectively. As these values resulted in a sig. (*p*)value which is less than the alpha of .05 ($p<.05$), we reject the null hypothesis (H_0: $\square_{\square}\square\square\square\square_{\square}\square\square$in support of the alternative hypothesis (H_a: $\square_{\square}\square\square\square\square_{\square}\square\square$and saving and investment tends to rise as income increases.

Conclusion

The investing behaviour of the study area is largely determined by income of the individual. The current study identifies the factors which affect individual's choice of a particular investment avenue. Government over the period has been trying to discourage investment in gold and jewellery. This study identifies the factors which may influence individual's choice of equity. Government has been trying to canalise savings to equity market to boost the overall productivity of the economy.

Researcher also finds the fact that a particular investment choice may change significantly with the change of the income group. This may help the Government and policy makers to target a particular income group to increase the acceptance of the investment instrument.

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