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Trends, practices and outcomes of present positioning of financial planning and its future directions

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ABSTRACT

Whether you consider a household or a corporate, financial planning is must as it assists in achieving financial goals, managing funds, and maintaining financial solvency. The paper summarizes a descriptive and analytical approach of research study on the awareness and importance of financial planning, investment planning of people, their financial goals and how do they plan to achieve them. The research was carried out on a convenience sampling method where the respondents were asked about their current income, number of dependents, and their saving and Investment pattern which leads to financial planning as whole.

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1. Introduction

Financial planning is a process of integrating future financial goals to current funds and plan them accordingly to fulfill the requirement of corpus for the achievement of stability and financial strength. Financial planning is the core of any household or corporate business because it helps to plan our future and maintain soundness of finance. Every corporate or household will have different financial goals depending on their growth, income, expenses, investments, interests and etc. Financial planning is a tool to manage finance efficiently so that they can be used effectively.

The various financial goals of households/ individuals could be retirement planning, travel planning, education of dependents or self, asset purchase, investments, medical expenses and many more. The various financial goals of a business or a corporate could be expansion, diversification, promotional activities, employee benefit savings, merger/acquisition, investments, asset turnover and many more.

2. Statement of Problem

Financial planning requires the long-term sight so that finances can be managed accordingly. According to the research, an article from Livemint.com on 25th March, 2021, there were only 2000 certified financial planners in India and 2,00,000 across the world approximately till 2021. Also, financial planning is not considered as a main job role in corporates. It is either linked with private wealth management or equity research or asset management.¹⁻⁵ Every individual needs to manage the money for a better and sustainable future and also to have funds in the times of emergency. But then, why is there such a huge gap between the demand and supply of financial planning?

3. Objectives of Research

1. To know the various objectives of financial planning
2. To know the reasons behind the gap the between demand and supply of financial planning
3. People's perspective on financial planning
4. To determine the need of financial planning.

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4. Scope of Research

Thus, this research is useful to the following parties:

1. Financial institutions
2. Financial service providers
3. Corporate houses
4. Investment advisors
5. Banks and corporates
6. Students
7. Academicians
8. Researchers

5. Data Collection and Research Design

For this research, questionnaire method is used to collect data from individuals and 55 responses have been received across different ages and professions. This research is descriptive in nature with analytical perspective and is conservative in nature because it only applies to earning age groups and very limited as the lack of awareness of financial planning.⁶⁻⁸

6. Analysis and Interpretation

The first two questions were about the email address and name of respondents. We will skip these questions and continue with the next questions.

4. What is your approximate annual income?
55 responses

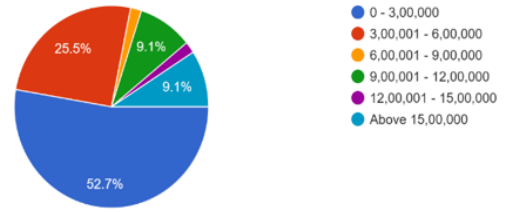


Fig. 3: Q4. What is your approximate annual income?

5. Please select your occupation.
55 responses

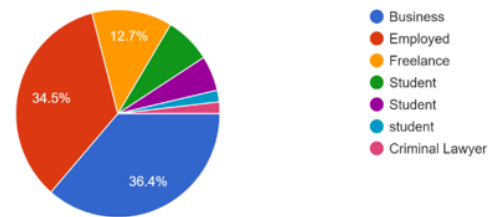


Fig. 4: Q5. Please select your occupation.

2. Gender
55 responses

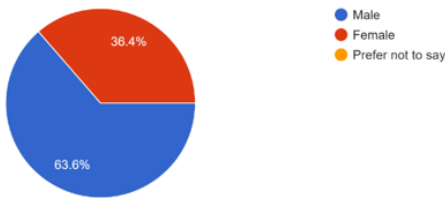


Fig. 1: Q2. Gender:

6. How many family members are dependent on you?
55 responses

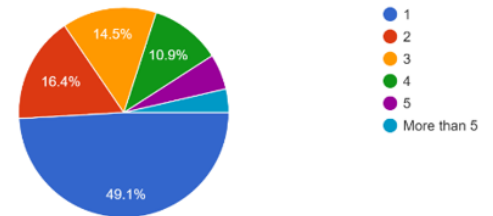


Fig. 5: Q6. How many family members are dependent on you?

3. Age
55 responses

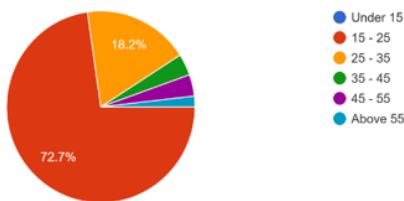


Fig. 2: Q3. Age:

7. Please select the dependents.
55 responses

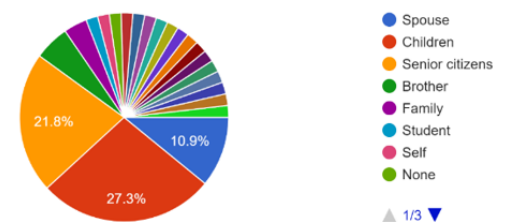


Fig. 6: Q7. Please select the dependents.

8. How many members of your family contribute to the family income?

55 responses

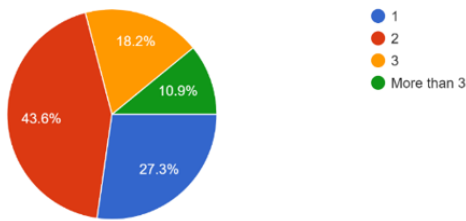


Fig. 7: Q8. How many members of your family contribute to the family income?

9. What is your main goal of financial planning?

55 responses

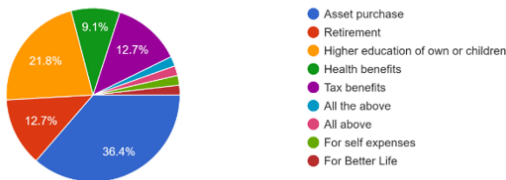


Fig. 8: Q9. What is your main goal of financial planning?

10. Do you know the difference between savings and Investment?

55 responses

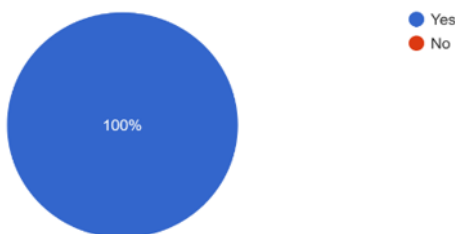


Fig. 9: Q10. Do you know the difference between savings and Investment?

Percentage of investment

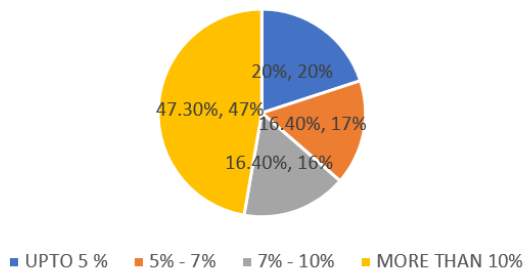


Fig. 10: Q11. How much percentage of your salary/savings do you invest?

12. Which of the following investment avenues do you choose for your investment?

55 responses

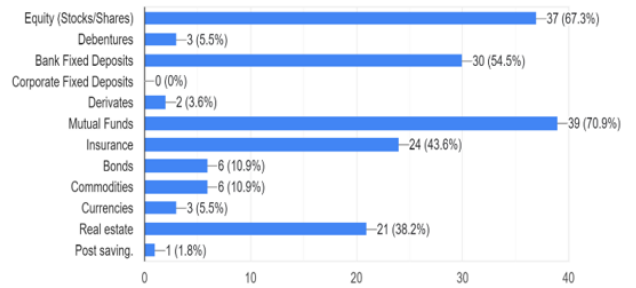


Fig. 11: Q12. Which of the following investment avenues do you choose for your investment?

13. What is the current rate of return you earn on your investment?

55 responses

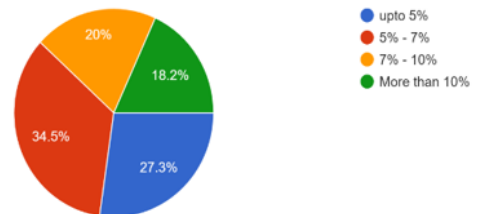


Fig. 12: Q13. What is the current rate of return you earn on your investment?

14. Select your preferred time duration of investment.

55 responses

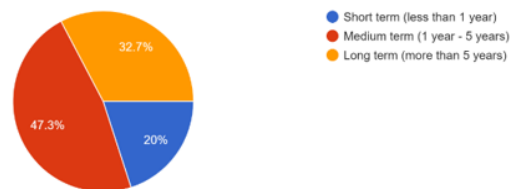


Fig. 13: Q14. Select your preferred time duration of investment.

15. What kind of investment behavior do you possess?
55 responses

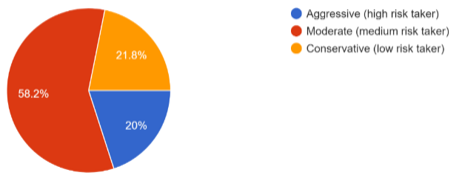


Fig. 14: Q15. What kind of investment behavior do you possess?

16. Which of the following factors influence your investment decisions?
55 responses

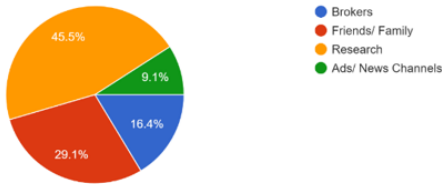


Fig. 15: Q16. Which of the following factors influence your investment decisions?

Test 2: Chi-square multi factor test

- Q1. What is the percentage of salary you invest?
- Q2. What is the average current rate of return you earn?

Level of significance: 0.05

$$Df = (r-1)(c-1)$$

$$Df = (4-1)(3-1)$$

$$Df = 3$$

Tabulated value: 7.815

H0: There is no significant impact of % of income invested on the rate of return

Ha: There is a significant impact of % of income invested on the rate of return

Result: Calculated value is greater than tabulated value

Interpretation: Null hypothesis is rejected. Therefore, there is a significant impact of % of investment on % of return.

7. Findings

The findings from the above applied tests can be that the investors are aware of financial planners, but they do not take help from the. That is, they rely on their own self or take help from unqualified advisors or brokers who do are certified financial planners.

Which means, that the awareness of financial planners should be increased and their assistance should be taken

Table 1: Test: Anova test

Questions	Yes	No
Are you aware about any financial planners?	38	17
Do you take help of any financial planners?	37	18

Hypothesis:
H0= people aware about financial planners do take help from them
Ha= people aware about financial planners do not take help from them
Anova:
Single Factor

Summary

Groups	Count	Sum	Average	Variance
Column 1	2	75	37.5	0.5
Column 2	2	35	17.5	0.5

Anova

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	400	1	400	800	0.001248	8.51282
Within Groups	1	2	0.5			
Total	401	3				

Result: F value > F critical value, null hypothesis is to be rejected.
Interpretation: People who are aware of financial planners, do not take help from them.

	Less than 5%	5% - 7%	7% - 10%	More than 10%	Total
Q1	11	9	9	26	55
Q2	15	19	11	10	55
Total	26	28	20	36	110

fo	fe	(fo-fe)	(fo-fe)2	(fo-fe)2/fe
11	13	-2	4	0.307
9	14	-5	25	1.786
9	10	-1	1	0.1
26	18	8	64	3.586
15	13	2	4	0.307
19	14	5	25	1.780.16
11	10	1	1	0.1
10	18	-8	64	3.556
Total		0	188	11.498

because from the result we can also identify that people have financial goals, but they are not serious and are not aware of the importance of financial planners in their money management decisions.

We also found that, return on investment depends on the rate of investment. That is, if more money is invested, more returns can be generated as the amount can be re-invested and the CAGR effect will lead to higher returns than simple returns in the long run.

8. Limitations

1. Only 55 people have responded to the questionnaire.
2. Limited area of reach.
3. Use of manual method to calculate the test results
4. Inaccuracy of responses due to lack of awareness.

9. Conclusion

The conclusion of the above research is that financial planning is a must to achieve financial goals and awareness should be created for its importance. Also, investors are interested in earning higher returns on their investments and thus, decisions are to be taken keeping in mind the needs and expectations of the investors.

10. Source of Funding

None.

11. Conflict of Interest

None.

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