

# **An Empirical Examination of Investors' Perspectives on Personal Financial Planning**

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## **Abstract**

*People everywhere want to achieve financial security and stability. People can achieve financial well-being through two main methods which involve making wise spending decisions and creating savings. People encounter expenditure and savings and consumption and investment as common concepts throughout their daily activities. The report aims to study how respondents view financial planning. The researchers conducted an exploratory study together with a descriptive study throughout the National Capital Region (NCR). The researchers used stratified random sampling method to collect data from 200 participants who came from five major cities in the NCR which included Gurugram Faridabad Noida Ghaziabad and Delhi. The researchers used multiple methods for data analysis which included Factor Analysis and T-Test and Descriptive Statistics. Investors considered their spending patterns along with their financial risk assessment and investment time frame and available fund resources as crucial factors for their personal financial strategy. The primary factor that determines how investors perceive personal financial planning exists in their spending patterns.*

**Key Words:** *Financial Planning, Financial Attitude, Perception, Financial Well Being.*

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## **I. INTRODUCTION:**

People need to develop detailed life plans because their goal is to achieve permanent financial stability which requires ongoing financial management. The method of personal financial planning helps people reach their life goals because it provides them with better ways to accomplish their objectives. The process assesses a person's current financial position and the financial goals which they want to reach, which establishes a path to financial success through guidance on spending and saving and investment strategies. Personal financial management provides people with the knowledge and tools they need to make better financial choices while also helping them escape poverty and reduce their debt and build their savings and investments. Bimal Bhatt, 2011. The process of personal financial planning requires an individual to evaluate their existing personal and financial details, establish their long-term financial targets, and create a financial plan that will help them achieve those targets. Dawes, 1998. People cannot buy happiness with their money, but they will face deep suffering when they do not have enough money. The advice recommends that you should manage your money wisely during this time because your current financial situation will create future benefits for you. Financial behavior describes the ways people operate when they handle their financial matters. People typically demonstrate financial behavior through their management of cash, according to their usage of credit, their techniques for saving money, and their methods of investing. The way people behave financially depends on their educational background, which creates specific financial behaviors that develop through learning (Miller et al., 2015). The most vital task we need to perform throughout our entire life consists of planning our financial future because each part of life needs its own specific planning process. Personal financial planning stands as the essential tool which protects your personal future along with the future of your family.

People all over the world aspire to reach their goal of living their life with happiness and good health and financial success which can be achieved through careful planning and smart financial management. The process requires individuals to tackle multiple elements which include overseeing their finances and obtaining insurance protection and making investment selections and dealing with both estate matters and retirement preparation. The factors will help an individual achieve better cash flow results while they build security through their active saving and investing habits which will result in a more secure financial future. People need to understand basic money management principles because they need these skills to save money and invest wisely in order to create a safe financial future. Many people in the United States and New Zealand and Japan and South Korea and Germany fail to understand basic financial concepts which include money handling and financial management and savings and investment strategies and return on investment and benefits and risks of life (Lusardi and Mitchell 2006). India, one of the most rapidly developing countries in Asia, aligns with the aforementioned nations. The present article will help identify the factors which shape how people view Personal Financial Planning.

The process of financial planning establishes a systematic method to help individuals achieve their long-term objectives. The financial plan serves as your directional tool which helps you progress through various life situations. The system lets you track your financial resources which includes your income and expenses and your assets so you can manage your financial situation and reach your financial objectives.

The current section explains all the practical advantages which financial planning provides. The program helps you increase your savings by offering assistance. You can save money without needing a financial framework to do so. It serves as an effective method to reach the intended goal. The process of creating a financial plan enables you to acquire essential knowledge about your income and expenses. Your spending will decrease when you maintain accurate records of your financial activities. The practice generates automatic improvements which result in increased savings throughout time.

## **II. LITERATURE REVIEW**

The study conducted by Rai et al. (2019) examined which factors affect financial literacy and which factors affect financial decision-making processes of working women in India. The study showed that there was a strong link between financial attitudes and behaviors together with financial literacy which differed from financial knowledge. Working women's financial literacy directly impacts their financial mindset. Vinod Krishna et al. (2019) endeavored to examine the correlation between financial literacy and personal financial planning. The study found that respondents whose income falls below the taxation threshold lack understanding of financial planning activities because their financial literacy remains insufficient. Enhanced literacy levels lead to improved financial behavior which creates better financial outcomes for individuals and the country. Mohini and Veni (2018) demonstrated that respondents in Visakhapatnam City need to understand financial planning to achieve financial success because financial knowledge alone does not guarantee financial success. People need to combine their knowledge with financial planning to create secure financial futures. Surendar and Sarma (2017) conducted research to compare how teachers from technical institutes and non-technical institutes view financial planning but their study found no differences in how teachers viewed financial activities. People demonstrated good understanding about financial products while they understood that financial planning holds importance and most people could handle this task without assistance. The study conducted by Thakur and colleagues in 2017 showed that people understood retirement planning as an important task which they should save for during their entire life regardless of their financial situation or work status. The people who showed this behavior understood everything about saves therefore they refused to take any recommendations. The study results showed that people maintained a positive attitude toward retirement savings. Arifin (2017) studied how different variables affect financial planning activities and discovered that financial literacy and locus of control shape personal financial behavior while income level does not impact investor financial behavior. The research conducted by Bansilal (2016) on retirement planning demonstrated that people save money effectively but they fail to invest in high-return opportunities because they lack knowledge about such investment options which would generate significant income from their savings. Men showed more concern about saving for retirement than women did but they preferred to avoid seeking professional help to create their financial plans. Shobha and Shalini (2015) studied women's financial planning perceptions and found that females face financial literacy challenges which force them to depend on their husbands or family members for financial decision-making. The saving patterns of women need improvement. The establishment of financial priorities in life requires people to comprehend financial concepts and learn about different investment options which will lead them to achieve financial independence. The research conducted by Karve and Deogharkar in 2015 examined how people invest their money and evaluated their level of financial planning knowledge. The study found that people understand the importance of financial planning yet they seem to lack competence in that area. People's financial behavior gets improved through their financial knowledge and their financial attitudes while their locus of control creates negative effects. Ciumora T. (2014) divided the factors that impact financial decision making into two categories which include internal factors and external factors. Financial planning gets affected by internal factors which include age, education, importance of financial matters, life cycle stage, gender, and family structure. External factors beyond personal control that affect investors' financial decisions include cultural factors, national factors, societal factors, availability of financial advice, and the economic system together with the financial environment. Steve Ong (2014) studied Retirement Planning awareness among people which showed that most people understood financial planning importance but they rejected it because they believed the EPF would meet their needs. Agarwalla S. et al. (2013) conducted a study on Indian working young, revealing that individuals possess substantial understanding of financial problems, and that demographic factors such as gender, career, and family wealth influence financial behavior. Respondents showed concern about their future planning while they remained optimistic about their financial management abilities. Jalil, M. et al. (2013) identified three major factors which include salary, cultural values, and personal beliefs as the key drivers which shape people's retirement financial planning choices. The research took place in Malaysia where researchers collected data from a total of 170 study participants. The study showed compensation creates major effects on

financial planning choices and financial planning attitudes but culture maintains no impact on these outcomes. R. Mathivanan and K. Mohanranjani (2013) proved that financial literacy levels show a positive relationship with both saving and investment activities. The women of Coimbatore city shown a commendable level of financial awareness. They started shifting their investment strategy from traditional investment methods to investment options that involve greater risk. The practice of saving and investing has improved because of higher literacy rates, which have simultaneously enhanced people's ability to make decisions. Hung A. et al. (2012) discovered that respondents who had higher literacy achieved better financial attitudes and financial behaviors. Financially literate respondents use budgeting as their primary method to make financial decisions which results in improved financial performance and decreased financial stress. Financial literacy enables people to handle their finances better because it helps them with saving, spending, investing, and budgeting tasks. M. Krishna Moorthi et al. (2012) investigated how personal finance management gets influenced by demographic and psychographic characteristics and found that educational level income and financial goal understanding together with conflict potential determine the financial decision-making approach of individuals. Rajna et al. (2011) investigated the financial beliefs of medical doctors who demonstrated strong concerns about their retirement period and acknowledged that they needed financial guidance to create effective retirement financial plans. The study showed compensation creates major effects on financial planning choices and financial planning attitudes but culture maintains no impact on these outcomes. R. Mathivanan and K. Mohanranjani (2013) proved that financial literacy levels show a positive relationship with both saving and investment activities. The women of Coimbatore city shown a commendable level of financial awareness. They started shifting their investment strategy from traditional investment methods to investment options that involve greater risk. The practice of saving and investing has improved because of higher literacy rates, which have simultaneously enhanced people's ability to make decisions. Hung A. et al. (2012) discovered that respondents who had higher literacy achieved better financial attitudes and financial behaviors. Financially literate respondents utilize budgeting as their main tool for making financial choices, which leads to better financial outcomes and lower financial stress. Financial literacy enables people to handle their finances better because it helps them with saving, spending, investing, and budgeting tasks. M. Krishna Moorthi et al. (2012) studied how demographic and psychographic characteristics affect personal finance management, discovering that a person's educational level, income, financial goal understanding, and conflict potential determine their financial decision-making approach. Rajna et al. (2011) investigated the financial beliefs of medical doctors who demonstrated strong concerns about their retirement period and acknowledged that they needed financial guidance to create effective retirement financial plans.

### **III. PROBLEM STATEMENT**

Our research examined multiple studies from the existing literature about personal financial planning. The study results showed that Indians demonstrate strong saving abilities while showing dedication to their upcoming financial needs. The savings get used completely for traditional investment methods which prevents people from reaching their financial objectives. People who have lost trust in financial advisors develop poor financial plans which lead to their financial disaster. Researchers have studied financial awareness and literacy across multiple countries which has resulted in their most studies being conducted outside of their home country. This research study seeks to improve understanding about how Indian investors view personal financial planning while studying the various methods they use to manage their financial responsibilities.

#### **OBJECTIVES OF THE STUDY**

1. To identify the factors stated that affect the personal financial planning of investors of NCR.
2. To determine the level of perceived relevance and the influence of specified factors on personal financial planning.

### **IV. RESEARCH METHODOLOGY**

The research study examines its subject through an exploratory and descriptive approach which the researchers conducted in the National Capital Region. The researchers used stratified random sampling methods to gather information from 200 participants who were chosen from five major cities of NCR. The sampling unit consists of all individuals who invest a specific percentage of their earnings. The researchers obtained study data through both primary data collection and secondary data sources.

#### **STATISTICAL TOOL USED**

The gathered data was analysed and the effects were discovered with techniques involved. Such techniques included factor analysis, T-test, and descriptive statistics among others.

**ANALYSIS AND INTERPRETATION**

Exploratory Factor Analysis has been utilized to assess investors' perceptions of personal financial planning. The process of Factor Analysis enables researchers to combine multiple variables into factors which show relationships with each other but maintain their distinct nature (Malhotra and Dash 2016). The suitability of factor analysis was assessed through the implementation of Kaiser-Meyer-Olkin test for sample adequacy and Bartlett's test of sphericity. The researchers used factor analysis as their next step in their study.

**Table 1: Values KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.894
Bartlett's Test of Sphericity	Approx. Chi-Square	1676.663
	Df	210
	Sig.	0.000

Source: Primary Data

The present study KMO value measures .894 and Table 1 demonstrates that KMO value confirms the data size requirements for conducting factor analysis according to Kaiser 1974. The significance value (P = 0.000) in Bartlett's Test of Sphericity shows that an identity matrix does not exist. The test results show no identity matrix was generated because all variables remained distinct without any redundancy which could have created common factors.

**Table 2: Data for Rotated Component Matrix**

	Component			
	1	2	3	4
B20.	0.793			
B18.	0.739			
B15.	0.720			
B 14.	0.684			
B17.	0.603	0.565		
B21.	0.579			
B16.	0.568			
B3		0.822		
B1.		0.725		
B8.		0.681		
B9.		0.591		
B7.		0.583		
B11.		0.537		
B10.				
B6.			0.838	
B5.			0.813	
B4.			0.664	
B2.			0.593	
B12.			0.566	
B19.				0.900
B13.				0.638
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 8 iterations.				

Source: Primary Data

Table 2 displays the Rotated Component Matrix, also termed as Rotated factor Matrix. The Varimax method has been utilized for the rotation process. This technique helps the researcher in one level of factor analysis which enables the researchers to ensure the relationship between the factors. The method will improve squared correlation values between different items which belong to the same factor.

The researchers used factor loadings higher than 0.5 to verify that the statements correctly represented the underlying factors.

According to table 2 statements (B 14 - B18 & B20 - B21) comes under first factor. Statement (B1, B3, B7-B9 & B11) comes under the second factor. Third factor includes statements (B2, B4 – B6 & B12) and fourth factor includes (B13 & B19) variables. Statement B10 was dropped due to the loading of less than 0.5.

A new table has been created on the basis of a rotated component matrix, which displays the nomenclature of the factors, as well as their items and loadings. The reliability of each factor has also been measured by showing the value of Cronbach's alpha.

**Table: 3 Factors of Personal Financial Planning**

Construct	Items	Variance explained (in %)	Cumulative variance (in %)	Loadings	Reliability through Alpha Cronbach
<b>F1</b>	<b>Spending Practices (SP)</b>	21.798	21.798		.794
SP1	I spend according to the budget plan.			0.793	
SP2	I pay off credit card bills each month.			0.739	
SP3	I pay all my bills timely.			0.720	
SP4	I do comparisons while purchasing a product or service.			0.684	
SP5	Long-Term saving, along with Regular Saving is important.			0.603	
SP6	My monthly costs are properly documented, either in writing or electronically.			0.579	
SP7	I am worried about savings before spending.			0.568	
<b>F2</b>	<b>Financial Risk (FR)</b>	20.222	42.021		.885
FR1	Financial educators (CFP) help in making risk free and profitable investment.			0.822	
FR2	Risk profile of investor should be considered while framing investment portfolio.			0.725	
FR3	Risk and return go hand in hand.			0.681	
FR4	I am ready to take risks while planning my finances.			0.591	
FR5	Liquidity provided by the investment affects my financial decisions.			0.583	
FR6	Investment claiming higher return generally carries high risk.			0.537	
<b>F3</b>	<b>Investment Period (TOI)</b>	16.217	58.237		.811
IP1	Thinking about Long Term Investments (more than 5 Years) makes me feel uncomfortable.			0.838	
IP2	I generally prefer a short time horizon for my investments (less than 5 years).			0.813	
IP3	Making investments with a time horizon is stressful.			0.664	
IP4	I face difficulty in setting financial goals.			0.593	

IP5	I prefer to invest in avenues with low risk.			0.566	
<b>F4</b>	<b>Availability of Funds (AOF)</b>	7.91	66.147		.602
AOF1	I usually cross the limit of credit cards.			0.900	
AOF2	I run short of money for regular expenses.			0.638	

Source: Primary Data

Table 3 shows that spending practices enable evaluation of investor financial management practices together with their financial management perception. The second factor of financial risk enables researchers to examine how investors evaluate their investment risk while assessing the role of financial advisors in making proper investment choices. The third factor assesses investment duration which shows how investors view their preferred investing time. The fourth factor assesses fund access which shows how people use credit facilities.

The researchers calculated Cronbach alpha for all factors to test data reliability, and the results show that all factors meet reliability standards because their values exceed 0.6. The study required one-sample T-Test to analyze financial planning research which used mean and standard deviation as statistical tools.

**Table 4: Analysis of the significance of factors for Personal Financial Planning**

**One-Sample Test**

	Test Value = 0					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
<b>Spending Practices</b>	57.284	169	.000	3.57143	3.4484	3.6945
<b>Financial Risk</b>	50.105	169	.000	3.47843	3.3414	3.6155
<b>Tenure of Investment</b>	48.600	169	.000	3.10118	2.9752	3.2271
<b>Availability of funds</b>	36.918	169	.000	2.56765	2.4303	2.7049

Source: Primary Data

Observed T statistics and the degree of freedom for each factor are termed as the "T" and "Df" column of the table. Table 4 is the output of one sample T-Test. The results calculated from one sample T-Test show that factors spending practices, financial risk, tenure of investment, and funds availability significantly influence investors' perception towards personal financial planning.

**Table 5: various factors of Personal Financial Planning with Mean Value and Standard Deviation**

	N	Mean	Std. Deviation	Std. Error Mean
<b>Spending Practices</b>	170	3.5714	.81289	.06235
<b>Financial Risk</b>	170	3.4784	.90516	.06942
<b>Tenure of Investment</b>	170	3.1012	.83198	.06381
<b>Availability of funds</b>	170	2.5676	.90682	.06955

Source: Primary Data

Table 5 presents the average and standard deviation values which describe all elements that influence personal financial planning. The computation of response significance level is based on mean value analysis while standard deviation measurement shows respondent response variations. Investors perceive personal financial planning through spending practices which provide the strongest impact according to their mean value of 3.5714 and financial risk which has a mean value of 3.4784 and investment duration which shows a mean value of 3.1012. The availability of funds obtained the least significance rating because its mean x value reached 2.5676. The availability of funds factor shows maximum response diversity because its standard deviation reached 0.90682. The spending practices factor shows maximum consistency in responses through its standard deviation value of 0.81289 which follows financial risk standard deviation of 0.90512 and investment duration standard deviation of 0.83198.

**V. DISCUSSION AND CONCLUSION:**

To conclude the study about personal financial planning, researchers discovered that investors treated four factors as essential elements which included spending habits and financial threat levels and investment duration and their fund access. For money related affairs, the investor know the importance of making budgets and spending accordingly. Also, investors understand that saving money holds essential value which creates a

future without stress. Investors understand that financial goals hold essential value for their financial plans because financial planners help them create proper financial strategies. Investors show a preference for short-term investments with lower risks because they find it hard to consider time during their investment decisions. People use credit cards beyond their authorized limit because they need extra funds to cover their monthly expenses. The investors show a lower interest in high-risk investments because they prefer stable investment options.

The study recommends that investors should work together with certified financial experts to establish complete financial plans which will help them avoid risks while developing necessary saving practices. Financial goals should be decided to keep in mind the term in which they are to be achieved, like the short-term and long-term goals, and accordingly, investment avenues should be selected.

#### **Implication of the study:**

The research study will instruct investors about the value of starting financial planning during their early life stages. The study will educate investors about the necessity of knowing basic financial concepts together with all financial planning components. The financial planners will acquire knowledge about the need to create personalized financial strategies for their clients. The investor and expert should consider the target financial plan which they need to achieve during their specific time frame before they start creating any financial plan.

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