

Awareness Study of Personal Financial Planning among the Households in Sattur Town, Virudhunagar District, Tamil Nadu

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Abstract - “How is that people are motivated to go to a doctor but not motivated to go to a financial counselor, if individuals are ultimately responsible for their own financial health” (Bowditch, 2005). The above quote touches an important aspect of individual financial planning behavior i.e., the lack of motivation to engage in personal financial planning. This observation prompted the researcher’s interest in studying the individual financial behavior as personal financial planning is becoming increasingly important in academic world as well as in practical life. Financial awareness prepares an individual with the ability to understand, monitor, and use the financial resources effectively to enhance the well-being of one’s own self and also the economic security of the family. The understanding of financial needs allows one to know the financial structure and the related financial literacy level. The main objective of the study is to assess the awareness of personal financial planning among households in Sattur town. The questionnaire administered in this study measures the level of awareness about preparing financial planning and knowing the economic and social benefits of the same. The survey examines the respondents’ awareness about personal financial planning. The researcher prepares three questions to measure the level of awareness on respondents’ knowledge, skills and their views on socio economic benefits. To examine the range of awareness among households of Sattur town, three items are chosen viz, awareness on personal financial planning, perception levels, economic and social needs and their response was tabulated. The research concluded that though the study in the area of personal financial planning has recognized that general education significantly increases the investment, income and retirement savings, it may not prepare one with sufficient skill and knowledge for taking investment decisions. Only financial education at early stages of life i.e., at the school or college level, helps in promoting personal financial planning of households.

Keywords: Personal Financial Planning, Individual Planning, Saving, Investment Decision

I. INTRODUCTION

The relationship between personal financial planning and economic growth has received consideration as an interesting area of research study for social scientists throughout the world. An extensive financial plan cannot only increase the quality of life, but also increase the satisfaction by reducing unsureness about future needs and possessions. The benefits of personal financial planning are as follows.

1. Increased efficiency in obtaining, employing, and protecting financial resources throughout one’s lifetime.
2. Improved control of financial affairs by evading surplus debt, bankruptcy and the need to depend on others for economic safety and security.
3. Enhanced personal relationships which results from effectively communicated and well-planned financial decisions.
4. Freedom from financial worries by focusing on anticipated future expenses and attaining personal economic goals.

A wide conducted research on personal financial planning is imperfect without evaluating the awareness levels of the sampled population. Correspondingly, knowledge of saving schemes, insurance service, retirement plan, investment planning, estate planning and other related aspects may not be sufficient for the current study. Individuals must know the way or process of personal financial planning together with its associated benefits in order to get rewards in future.

The present study aimed at measuring the awareness levels of sampled respondents on various aspects of personal financial planning. Similarly, the complication in the personal financial planning process forces investors to plan their savings with at most care and caution. Hence, people should be conscious of both the traditional and innovative financial products.

Financial awareness prepares the individual investors with the ability to understand, monitor and use the financial resources effectively to enhance their well-being as well as the economic security for the self, family and one’s business. The knowledge of financial needs enables one to know the structure and related literacy at various stages.

The ability to frame financial choices that are compatible with preferences is restricted by someone’s ability to gather and process information. Lack of knowledge of financial planning results in a household’s decision of not participating in financial markets.

A. Research Questions

1. Do households in Sattur town, know the concept, process and socio-economic benefits of personal financial planning?
2. Do households in Sattur town, have an overall awareness on personal financial planning?

II. OBJECTIVES OF THE STUDY

1. To assess the awareness of households on personal financial planning in Sattur town.
2. To measure the awareness level of households in preparing financial planning and knowing its social and economic benefits.

III. REVIEW OF LITERATURE

Somanath Basu (2008) clarified that financial awareness prepares the individual investors with the capability to understand, monitor and use the financial resources effectively to increase the economic security and well-being for the self, family and one's profession. The financial need understanding leads to a thought that there occurs a structure of reasoning and explanations, which is sufficient and necessary to know the crux of the issues with regard to financial literacy at different stages of life. Pallavi Seth et al (2000) conducted research in Delhi for investigating the relationship between financial literacy and factors like age, education and income. Herbert A. Simon (1995) pointed out that the capability to make financial choices that are consistent with individual preferences is restricted by someone's ability to gather and process information. Also, as per Campbell (2006), lack of knowledge can potentially lead to a household's decision of not participating in financial markets.

Ranganathan K (2006) in his article revealed that financial markets are affected by the investor's financial behavior. In the same manner, another survey made by Mittal Manish and Vyas R. K. (2007) revealed that how investment choices are affected by the demographics of the investors.

According to Ekerdt, D.J., DeViney, S., & Kosloski, K. (2000), a countless deal of research has centered on understanding the socio-demographic factors that hinder or promote financial planning. People with these demographic features are believed to engage in planning to a greater extent due to opportunity structures. In the words of Jacobs-Lawson and Joy (2003), women's personal investment decisions are linked with psychological and demographic

variables. This study takes into consideration the occupation, income, age, family size and other factors. According to KarPratip, Singh, J.P. and Natarajan, I. (2000), household's investment in shares, mutual funds and debentures was below 10%. In addition, they found that one group of households, despite their low income and low penetration level, were in the securities market and another group of households with high income and high penetration level did not invest in securities market. The investment pattern of investors discloses that most of the investors prefer real estate investments that are followed by gold, mutual fund schemes and other precious metals. People are conscious about the significance of saving, but their awareness about financial planning and investment opportunities is considerably low. Muhlesen, M (1997) in his research concluded that India's saving rate is comparatively high than other countries. With the opinion to increase the effectiveness of savings, allocation and financing the needs of the Indian economy, specific attention should be paid to the long-term saving instruments. Majority of the small savers, for their living, mainly depend upon the interest which accrues from their small investments.

IV. RESEARCH METHODOLOGY

In the present study, survey method was used to collect primary data from the households in Sattur town. A questionnaire was prepared to measure the households' general awareness level of financial planning, their preferences and risk perceptions of selected households. The data was analyzed using standard statistical techniques like Mean, Percentage, Cross Tabs and Chi Square. To supplement the research work, secondary data was also collected. Convenience sampling technique was used to select the sample size and a sample size of 350 households (comprising of 244 males and 106 females) was selected from the total population.

A. Hypothesis

H₀: There is no significant variation between male and female household's awareness about the concept of personal financial planning.

H₁: There is significant variation between male and female household's awareness about the concept of personal financial planning.

B. Data Analysis

TABLE I AWARENESS ON PERSONAL FINANCIAL PLANNING CONCEPT

Gender	Awareness on Personal Financial Planning Concept		Total
	Yes	No	
Male	156 (63.9%)	88 (36.1%)	244 (100%)
Female	88 (83%)	18 (17%)	106 (100%)
Total	244 (69.7%)	106 (30.3%)	350 (100%)

From Table I, it is inferred that 69.7% of the total respondents are aware about personal financial planning concept. Also, it is found that, males are more aware about the concept of personal financial planning than females.

This is because males are the dominant financial decision maker in most of the families and they strongly believe that personal financial planning satisfies their personal and socio-economic needs.

TABLE II CHI-SQUARE TEST

Particulars	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-square Test	0.056 ^a	1	0.813		
Continuity correction ^b	0.000	1	1.000		
Likelihood Ratio	0.056	1	0.813		
Fischer's Exact Test				1.000	0.513
Linear-by-Linear Association	0.055	1	0.814		
N of valid classes	90				

- a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.58.
- b. Computed only for a 2x2 table.

From the above Chi-square table, the calculated 'p' value is 0.813 which is more than the level of significance $\alpha=0.05$. Hence, we accept the null hypothesis H_0 . So, there is no significant variation between male and female household's awareness about the concept of personal financial planning

TABLE III RESPONDENTS' SKILL AND KNOWLEDGE TO PREPARE PERSONAL FINANCIAL PLANNING STATEMENT

Gender	Possess Required Skill and Knowledge to Prepare Personal Financial Planning Statement		Total
	Yes	No	
Male	96 (39.3%)	148 (60.7%)	244 (100%)
Female	39 (36.8%)	67 (63.2%)	106 (100%)
Total	135 (38.6%)	215 (61.4%)	350 (100%)

From Table III, it is obvious that though the respondents believe that personal financial planning plays a vital role in satisfying their personal and socio-economic needs,

majority (61.4%) of the respondents agree that they do not possess sufficient skill and knowledge to prepare personal financial planning statement.

TABLE IV CHOICEST CONSULTANT TO MAKE PERSONAL FINANCIAL DECISIONS

Gender	Choicest Consultant to make Personal Financial Decisions			Total
	On My Own	With the Help of Family and Friends	With the Help of Financial Agents or Others	
Male	37 (15.2%)	78 (32%)	129 (52.8%)	244 (100%)
Female	17 (16.0%)	25 (23.6%)	64 (60.4%)	106 (100%)
Total	54 (15.4%)	103 (29.4%)	193 (55.2%)	350 (100%)

The above table clearly shows that majority (55.2%) of the respondents make their personal financial decisions on investments with the help of Financial agents or others on investments. This again supports the fact that the skill and knowledge of the respondents on financial products is

inadequate and requires the support of other people for making their financial decision. It is also evident from the above table that out of 350 respondents, only 15.4% of them make their own personal financial decisions.

TABLE V RESPONDENTS WILLINGNESS TO ADOPT PERSONAL FINANCIAL PLANNING

Gender	Willingness to Adopt Personal Financial Planning		Total
	Yes	No	
Male	212 (87.0%)	32 (13.0%)	244 (100%)
Female	106 (100%)	0 (0%)	106 (100%)
Total	318 (90.9%)	32 (9.1%)	350 (100%)

It is clearly understood from the above table that, though some of the respondents are not aware about personal financial planning, by knowing the need, importance and use of personal financial planning, majority (90.9%) of the respondents are willing to adopt personal financial planning practice in their daily life.

V. CONCLUSION

All of us have dreams in life - whether it is buying a new house, investing in stocks, starting a new business, planning your family's future or traveling the world. These financial goals have a monetary value. Therefore, financial awareness becomes a very important ingredient to plan one's financial goals effectively. Being aware of financial requirements early in life leads to a better personal financial planning and helps to determine the short and long-term goals. By suggesting the importance of awareness about personal financial planning, this study offers an effective and a straight forward way of encouraging financial behaviors among individuals. Adequate skill and knowledge coupled with careful personal financial planning acts as key driving forces for the long-term financial well-being of households.

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