

**A Study on Awareness of Personal Financial Planning Among Households in  
Visakhapatnam City**

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**Abstract**

Financial awareness equips the individual investors with the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security for the self, family, and one's business. The understanding of financial needs enable one to know the structure, related literacy at various stages. The main objective of the study is to assess the awareness of households on personal financial planning. The researcher prepared questionnaire that measures the level of awareness about preparing financial planning, knowing economic and social benefits among the households in Visakhapatnam city. The study concluded that though the research in the area of personal financial planning has established that general education significantly increases investment, income and retirement savings, it may not equip one with sufficient knowledge and skill for taking investment decisions. Financial education alone at early stages of life, mainly at the school/college level, helps promote financial planning of households.

[Key words: Financial Planning, Personal Planning, Individual Planning, Saving, Investment]

**Introduction:**

The relationship between domestic savings, investments and economic growth has received attention as an area of research for social scientists all over the world. The literature on savings generally points to how it leads to economic growth. But, a few studies also suggested no relationship. The central idea of Lewis's (1955) traditional theory was that an increase in saving would accelerate economic growth, whereas, the Carroll-Weil hypothesis (Carroll and Weil, 1994) states that it is economic growth that contributes to saving, not saving to growth. But Ramesh Jangilli's (2011) study empirically establishes that in India, saving and investment led to economic growth collectively as well as individually. He concludes in no uncertain terms that it is not economic growth that lead to saving and (or) investment.

A comprehensive financial plan can enhance the quality of life and increase satisfaction by reducing uncertainty about future needs and resources. The specific advantages of personal financial planning include:

- Increased effectiveness in obtaining, utilizing, and protecting financial resources throughout lifetime.
- Increased control of financial affairs by avoiding excessive debt, bankruptcy, and dependence on others for economic security.
- Improved personal relationships resulting from well-planned and effectively communicated financial decisions.
- A sense of freedom prevails from financial worries by looking to future anticipating expenses, and achieving personal economic goals.

Conducting research on personal financial planning is incomplete without assessing the awareness levels of the sampled population. Similarly knowledge of saving schemes, retirement plan, insurance service, estate planning, investment planning and other related aspects may not be adequate for the present study. People must understand the

way/process of financial planning together with its benefits so as to get rewards in future. It is in the context the study aimed at gauging awareness levels of sampled respondents on varied aspects of financial planning.

Innovations in the area of investments throw open manifold options to planners. Similarly the complexity in the process forces investors to plan their savings with due caution and care. Therefore, people should be aware of the financial products both traditional and also innovative ones.

Financial awareness equips the individual investors with the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security for the self, family, and one's business. The understanding of financial needs enable one to know the structure, related literacy at various stages. The ability to make financial choices that are consistent with preferences is limited by someone's ability collect and process information. Lack of knowledge may lead to a household's decision in not participating in financial markets.

### **Review of Literature**

A great deal of research has already centered on understanding the socio-demographic factors (e.g., age, gender, education, and income) that inhibit or promote financial planning. Individuals with these demographic characteristics are thought to engage in greater planning due to opportunity structures (Ekerdt, D. J., DeViney, S., & Kosloski, 2000) afforded to this cohort. Jacobs-Lawson and Joy (2003) found how the women's personal investment decisions are related to demographic and psychological variables. This study takes into account the age, occupation, family size, income and other factors.

Financial awareness equips the individual investors with the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security for the self, family, and one's business. The understanding of financial needs leads to an understanding that there exists a structure of reasoning and explanations, which is both necessary and sufficient to understand the crux of the issues regarding financial literacy at various stages of life Somanath Basu (2008). Pallavi Seth et al (2000) conducted a study in Delhi for analyzing the relationship between financial literacy and other factors like age, income and education. The ability to make financial choices that are consistent with preferences is limited by someone's ability collect and process information Simon (1995). Lack of knowledge can also potentially result in a household's decision to not participate in financial markets Campbell (2006).

People are aware about the importance of saving, but the awareness about investment opportunities and planning is low. Muhlesen M (1997) in his study inferred that India's saving rate is relatively high, compared to other countries. With a view to increase the efficiency of savings, allocation and financing the heavy infrastructure needs of the Indian economy, particular attention should be paid to long-term saving instruments. Similarly another author who has studied short term investments made by investors. M. Zathik Ali (2000) concludes that it is the duty of government to safeguard the interest of the small investors who have no spokesmen to expose their problems. Most of the small savers depend upon the interest accruing from their small investments for their living. Suitable changes must be made in the new budget so that the interests of the small investors are protected.

According to KarPratip, Natarajan I and Singh J P(2000), households investment in shares, debentures and mutual funds was below 10% and the equity investor households portfolio was of relatively small value and undiversified. Further they found that one set of households, in spite of their lower income and lower penetration level of consumer durables, were in the securities market, while another set of household with higher income and higher penetration level of consumer durables did not have investment in securities market. On the same line according to G. V. Chalam (2003) in his article inferred that of all the sections of the society, the household group contributes much of the capital, forming

the lifeblood for the economy. According to his analysis, the mutual fund business in India is still in its embryonic form as they currently account for only 15 % of the market capitalisation. The success of mutual funds business largely depends on the product innovation, marketing, customer service, fund management and committed manpower. The investment pattern of the investors reveals that a majority of the investors prefer real estate investments followed by mutual fund schemes, gold and other precious metals.

After brief discussion on various forms of investments, there was a discussion on personal behavior of investors, according to Ranganathan K (2006) in his article noted that financial markets are affected by the financial behavior of investors. It is observed that consumer behavior from the marketing world and financial economics had brought together a need to study an exciting area of 'behavioral finance'. This study was an attempt to examine the related aspects of the fund selection behavior of individual investors towards mutual funds in the city of Mumbai. In same line another survey was made by Mittal Manish and Vyas R. K (2007) in their study investigated how investment choice gets affected by the demographics of the investor. Their study was based on responses obtained from the respondents belonging to a wide cross section. Non-probabilistic sampling method was employed to select the respondents. They found that investors of different age groups do vary significantly with regard to mutual funds and debentures/bonds as their choice of Investment Avenue. As far as occupation is concerned , they found that service class people would like to invest their money in equities and mutual funds, while business class showed an inclination to invest their money in debentures/bonds and real estate/bullions. Housewives prefer safe investments like real estate/bullions, while professionals invest their money in post office deposits and derivatives. Students prefer high risk investments like derivatives and equities.

### **Research Questions**

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

### **Hypothesis**

Ho: There is no significant difference between female and male household awareness about concept of financial planning.

H<sub>1</sub>: There is significant difference between female and male household awareness about concept of financial planning.

### **Objectives of the Study**

The main objective of the study is to assess the awareness of households on personal financial planning. The researcher prepared questionnaire that measures the level of awareness about preparing financial planning, knowing economic and social benefits. The survey examines the respondents' awareness about personal financial planning. The researcher prepares three questions to measure the level of awareness on respondent's knowledge, skills and their views on socio economic benefits. To examine the range of awareness among households of visakhapatnam, three items are chosen viz, awareness on personal financial planning, perception levels, economic and social needs and their response was tabulated.

### **Methodology of the Study**

The present study uses the survey research methodology. A questionnaire was prepared to measure the levels of general awareness on financial planning, preferences and risk perceptions of select households. After pilot testing and fine tuning, the questionnaire was administered to a group of people. The data obtained was analyzed using standard statistical techniques like Cross Tabs, Chi Square, mean and percentage.

The present study uses a survey method, collecting Primary data from the households in the city of Visakhapatnam. The households are canvassed a structured questionnaire to elicit primary data on personal financial planning. Secondary data is also collected to supplement the research work.

Visakhapatnam City is a major industrial city of Andhra Pradesh and it lies between 17°41'18.16" Northern latitude and 83°13' in Eastern longitude. The population of the city according to the 2011 India census was 17,30,320, of which 8,75,199 were male and 8,55,121 were female. The sex ratio of Visakhapatnam city was 977 females per 1000 males.

Total population of the study is 35,000 working households which consists of teachers, doctors, advocates, IT-ITES employees, engineers, senior, middle and junior level executives, non-executives and others. Convenience sampling technique is used to select the sample size from population. A sample size of 350 is selected by using Glenn D. Israel's (1992) table for sample size at 10% level of precision and 5% level of significance

Sample Size: 350

Sampling Technique: Convenience Sampling

Study Area: Visakhapatnam

**Data Analysis – Awareness on Financial Planning:**

From Table 1 it can be inferred that the awareness among females on personal financial planning is more with 68.6 % of the total respondents. They understand the concept of personal financial planning. Among them 74.2% of the respondents know that personal financial planning play vital role in satisfying their socio-economic needs. Females showed more awareness than their male counterparts regarding socio-economic aspect of personal financial planning as well. The respondent's awareness on the concept of gender-wise financial planning is presented in the Table 1.

**TABLE 1: Awareness on Personal Financial Planning**

Gender	Awareness on Personal Financial Planning		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%)

Chi-square Tests

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-square Test	0.056 <sup>a</sup>	1	0.813		
Continuity correction <sup>b</sup>	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 Chi-square test table above, the calculated 'p' value of Chi-square test is 0.812 which is more than the level of significance  $\alpha=0.05$ . Hence we accept the null hypothesis  $H_0$ , so that the study concluded that there is no significant difference between female and male household awareness about concept of financial planning.

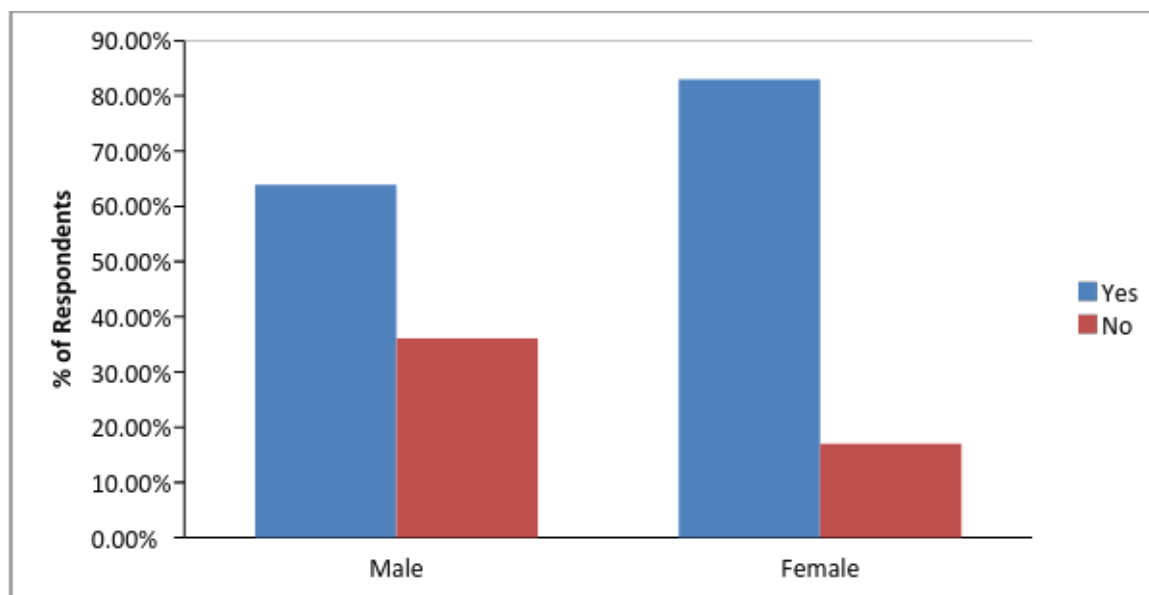


Fig 1: Awareness on Personal Financial Planning

From the Table 1, more female respondents (83%) are aware of personal financial planning than the males (64%).

**TABLE 2: Perception of Personal Financial Planning**

Gender	Perception of Personal Financial Planning		Total
	Yes	No	
Male	170 (69.6%)	74 (30.4%)	244 (100%)
Female	90 (84.9%)	16 (15.1%)	106 (100%)
Total	260 (74.2%)	90 (25.8%)	350 (100%)

**Chi-square Tests**

	Value	dF	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-square Test	0.047 <sup>a</sup>	1	0.829		
Continuity correction <sup>b</sup>	0.000	1	0.981		
Likelihood Ratio	0.047	1	0.829		
Fischer’s Exact Test				0.829	0.402
Linear-by-Linear Association	0.047	1	0.829		
N of valid classes	35				

- 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 Chi-square test table above, the calculated ‘p’ value of Chi-square test is 0.829 which is more than the level of significance  $\alpha=0.05$ . Hence we accept the null hypothesis  $H_0$ , so that the study concluded that there is no significant difference between female and male household awareness about concept of financial planning.

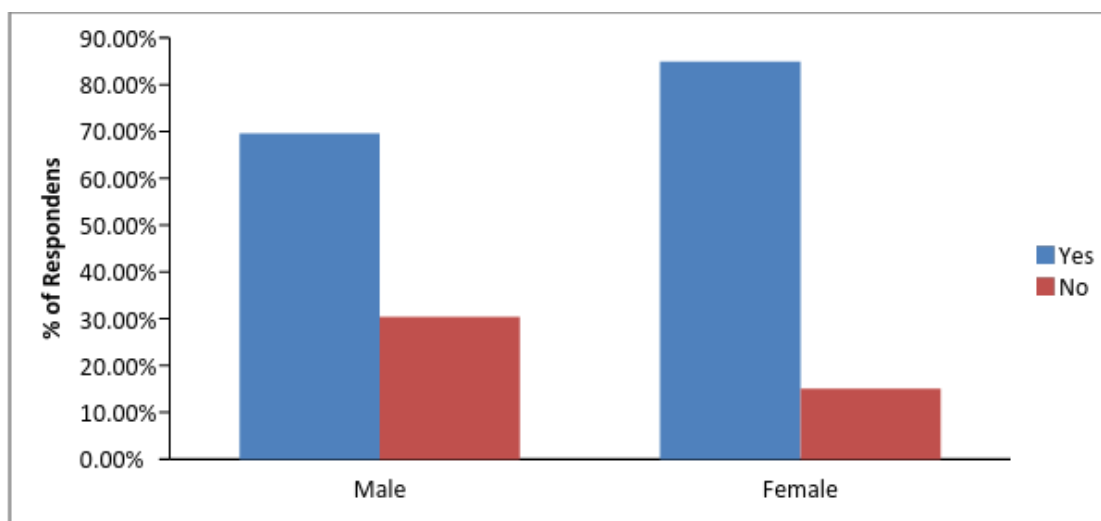


Fig: 2 Perception levels on Personal Financial Planning

These results indicate a significant difference between female and male household on socio-economic growth through effective financial planning. More female respondents (84.9%) agreed that financial planning is vital for satisfying the social and economic needs while only 69.6% of males feel so.

**TABLE 3 : Skill And Knowledge To Prepare Personal Financial Planning**

Gender	Possess required knowledge and skill to prepare Personal Financial Planning		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%)

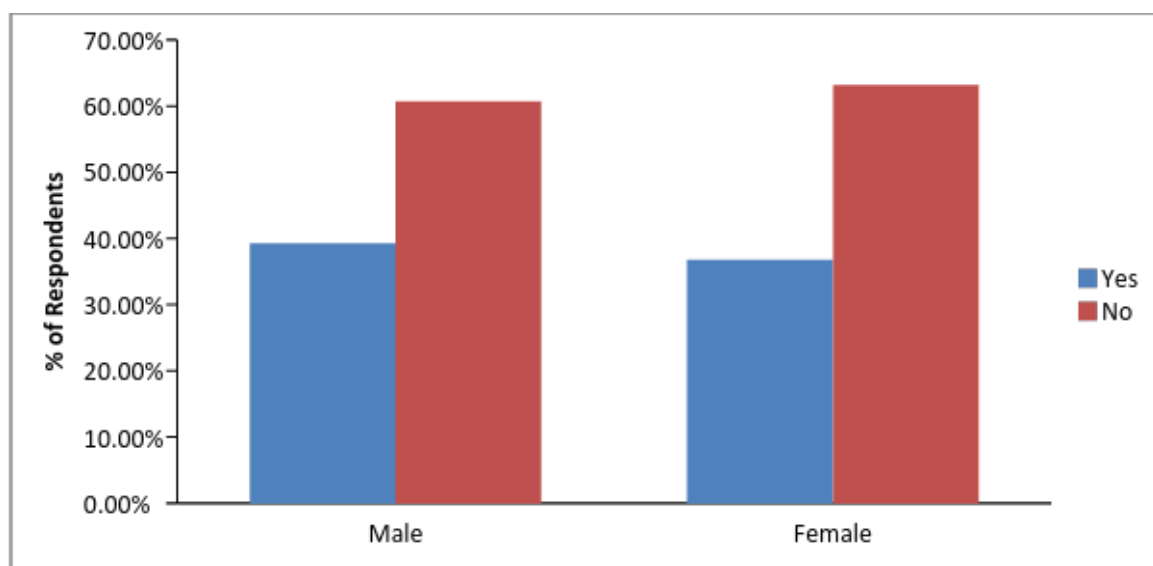


Fig 3: Possession of knowledge and skill required to prepare Personal Financial Planning

It is known that knowledge and skill plays a secondary role in preparation of personal financial planning at household level. But, the Table 4.3 shows that majority of the respondents (61.4%) agree that they do not have sufficient knowledge and skill required for financial planning.

During the study, the respondents were also asked to indicate their preference with whom did they usually consult/discuss for a final take on investments. The Table 4 presents the details of the study.

**TABLE 4.4: Choicest Consultant to Make Financial Decisions**

Gender	Choicest consultant to make financial decisions			Total
	On my own	Family & Friends	Insurance Agent 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%)

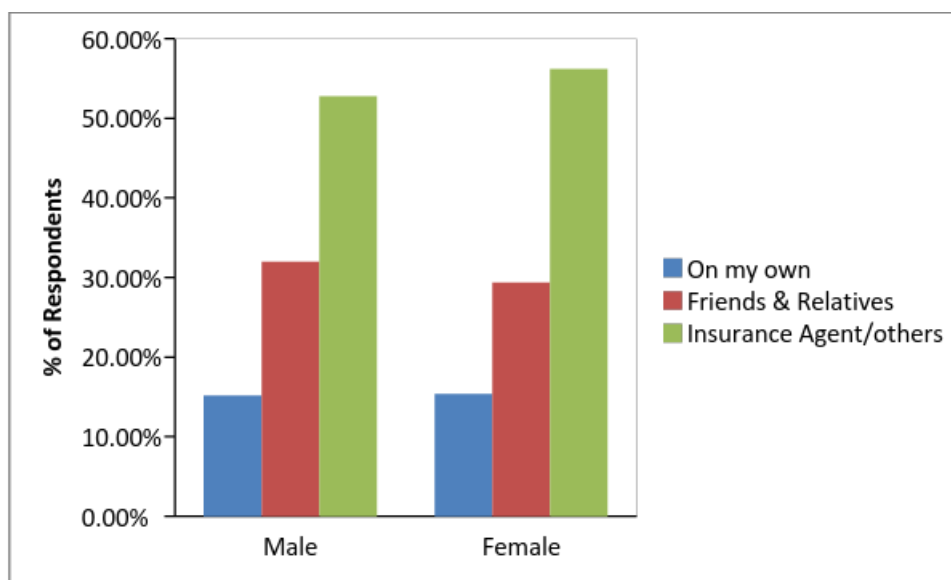


Fig 4: Choicest consultant to make financial decisions

It can be concluded from Table 4.4 that majority of the respondents (55.2%) depend on insurance agents and others for taking decisions on investments. More female respondents (60.4%) take the help of insurance agents and others than male respondents (52.8%). This further supports the fact that the knowledge on financial products among the respondents is limited and requires outside support for making decision on their investment.



**TABLE 5 : Willingness To Adapt Financial Planning**

GENDER	Willingness to adapt financial planning		Total
	YES	NO	
MALE	212	32	244
	87.0%	13.0%	100%
FEMALE	106	0	106
	100%	0%	100%
TOTAL	318	32	350
	90.9%	9.1%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	15.301 <sup>a</sup>	1	.000		
Continuity Correction <sup>b</sup>	13.763	1	.000		
Likelihood Ratio	24.463	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	15.257	1	.000		
N of Valid Cases	350				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.69.

b. Computed only for a 2x2 table

From the Chi-square test table above, the calculated ‘p’ value of Chi-square test is zero which is less than the level of significance  $\alpha=0.05$ . Hence we reject the null hypothesis  $H_0$ , so that the study concluded that there is significant difference between female and male household awareness about concept of financial planning.

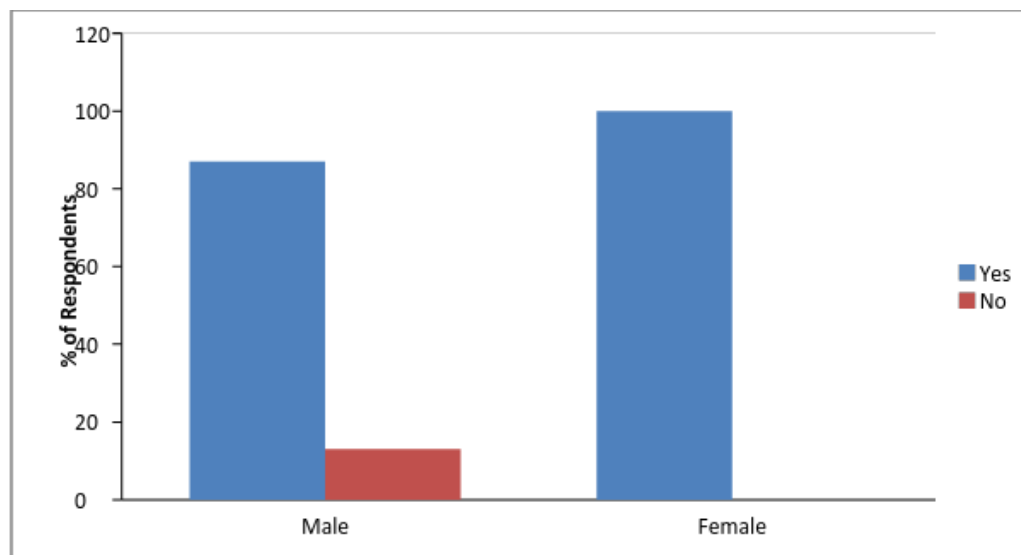


Fig 5: Willingness to adapt of financial planning

From the Table 5 it is understood that majority of the respondents (91%) are willing for adoption of financial planning. Interestingly, while all the female respondents expressed willingness to adopt financial planning practices only 87% of the males nodded a positive.

**Conclusion:**

The importance of financial literacy to the well-being of individuals the financial sector and the economy has been recognized by several governments all over the world. Financial literacy encompasses adequate understanding of financial concepts, which in turn results in making sound investment decisions. However, financial knowledge, alone, may not be sufficient to assure financial well-being. Adequate knowledge coupled with careful financial planning acts as main driving forces for long-term financial well-being of households. Though the research in the area of personal financial planning has established that general education significantly increases investment, income and retirement savings, it may not equip one with sufficient knowledge and skill for taking investment decisions. Financial education alone at early stages of life, mainly at the school/college level, helps promote financial planning of households.

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