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Financial Planning & Practices Among Households in Vellore District

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Abstract - Personal Financial Planning is the most important service area now-a-days while planning finances of any households. All the other matters are secondary to the money matter. Finance helps in the smooth movement of all the aspects of life. Personal finance refers to the financial management of which an individual or a family unit is required to make, to obtain, budget, save, and spend monetary resources over time, taking into account various financial risks and future life events. In short, financial planning is the process of systematically planning ones finances towards achieving his/ her short-term and long-term life goals. Financial planning is about helping individuals and families, regardless of age and financial circumstances envision and realize their dreams and goals by marshaling and managing their financial resources. The purpose of financial planning needs to be understood. It is like taking a road trip by car. Many financial experts argue that globalization results in consumerism, which turned reduces saving rate, is not proved by empirical evidence. The declining trend of public sector saving is attributable to the negative saving of government administration. It has also been observed that the growth of income is not a very effective instrument to influence the savings rate. In India, as in many developing countries, most households are poor and do not save. The reasons for the poor saving are the lack of adequate financial literacy, which in due course influences their ineffective financial management, practices this discussion, draws rational significance and also aims to analyse the financial planning and practices among households in Vellore district in Tamil Nadu.

***Keywords* — Finance, Financial Planning, Practices, Experts, Households, Vellore etc.**

I. INTRODUCTION

Financial planning is about helping individuals and families, regardless of age and financial circumstances envision and realize their dreams and goals by marshaling and managing their financial resources. The purpose of financial planning needs to be understood. The destinations might include buying a home, starting a family, building an emergency fund, funding children's college education or a wedding, starting own business, taking care of elderly parents, carving out more leisure time for themself, changing careers or taking an exotic vacation or retiring comfortably. Before embarking on road trip of life, one needs to assemble available resources such as sources of income, anticipated trip expenses, current financial assets and liabilities, insurance, and who is going on the trip (spouse, children and parents).

Financial planning will show the best route to achieve individual's financial goal. Also, financial planning will show how soon one can reach the destinations based on the financial resources available. Financial planning can help make the most of rupees through smart tax planning, sound budgeting and wise spending. Financial planning also provides resources for a cash emergency fund, the right amounts for disability, life insurance, medical, and like. Finally, financial planning is a lifetime process, flexible and strong enough to accommodate the inevitable changes that occur along the road of life. So as to have a sound personal financial planning, different constituent factors must be found out.

Generally, it is observed that the family life-cycle stage has been recognized as a key variable associated with saving and consumption. The life-cycle theory of consumption suggests that consumption plans are made so as to achieve a smooth or even level of consumption over the lifetime by saving during periods of high income and dissaving during periods of low income.

The life-cycle theory of saving predicts that people save a lot when their income is high relative to lifetime average income and disserve when their income is low relative to the lifetime average; the middle-aged save for retirement and the old disserve. The saving and investment trend of individual households got reversed due to high real interest rates, prolonged subdued conditions in the secondary market, lack of confidence and absence of a dependable infrastructure and distribution network.

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Moreover, it has been observed that the Indian economy steps in the development path, households' discretionary spend rises. It has also been observed that the growth of income is not a very effective instrument to influence the savings rate. In India, as in many developing countries, most households are poor and do not save. The reasons for the poor saving are the lack of adequate financial literacy, which in due course influences their ineffective financial management practices

II. STATEMENT OF THE PROBLEM

Effective and efficient financial management calls for skills that can be obtained through financial literacy. Lack of knowledge on various financial concepts can be linked to basic standard financial behaviors and practices such as lack of planning for retirement, lack of participation in the stock market, and bad borrowing behavior. It is important for people to save and invest during their productive years of employment. Saving money enables one to meet emergencies when they occur as well as provide cash for future expenses when they are needed. Saving is essential to enable a person achieve his/ her investment goals which could either be to accumulate assets or derive income.

Thus, the household investors were observed to less risk takers, always prefer safe and secure short term or medium term investment avenues. Prevailing contradiction in the saving and investment planning practices of Indian households in comparison to western countries have motivated the researcher for perusing this study.

III. SCOPE OF THE STUDY

This study aims to analyses the financial planning and practices among households in Vellore district in Tamil Nadu. This study will assist the household individuals to create better understanding and gaining knowledge in the field of financial literacy and financial management that they should follow for the reaping better investment returns, for the safety of the their money and its right management by effective financial planning. This study will be useful to the financial experts, authorities of various financial institutions and research scholar, as it impact knowledge on the nature of financial literacy the Indian households have, their preferred saving and investment avenues, their financial disciple level, primary motives of saving or investments etc.

IV. NEED FOR THE STUDY

Indian economy is growing significantly. It has various financing options. The study has been undertaken to analyze the preferred financial planning avenues as well as the practices that affecting on households. Against this back drop of the research, the researcher tries to find out the financial planning and practices of the respondents households in Vellore district

OBJECTIVES OF THE STUDY

- ✓ To study the demographic factors of households residing in Vellore district
- ✓ To evaluate of financial literacy status of the households in Vellore district
- ✓ To analyze the financial management and financial planning, practices adhered by the households.

LIMITATIONS OF THE STUDY

- ✓ The Study is limited to only 150 households.
- ✓ The survey is conducted only in Vellore district.
- ✓ The study has also the limitation of time, place and resources.

DATA COLLECTION

The present study is based on primary data which was collected using questionnaire method.

SAMPLE SIZE

150 households were selected from Vellore district.

STATISTICAL TOOLS

Simple Percentage and Chi Square.

AREA OF THE STUDY

Vellore district is selected as the study area.

SAMPLING METHOD

Random sampling method is used for data collection.

V. ANALYSIS AND INTERPRETATION PERCENTAGE ANALYSIS

Particulars	Factors	Respondents	%	Total
Gender	**Male**	**90**	**60**	150
	Female	60	40	
Age	Below 25	30	20	150
	21-30 years	**50**	**33**	
	31-40 years	46	31	
	41-50 years	14	9	
	Above 51 years	10	7	
Income	Below Rs.10000	45	30	150

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	Rs.10001 to Rs.20000	**55**	**37**	
	Rs.20001to Rs.30000	30	20	
	Above Rs.30001	20	13	
Family Size	**2-4 members**	**53**	**35**	150
	5-7 members	51	34	
	More than 7 members	46	31	
Awareness & Knowledge	Business Channels (TV)	35	23	150
	Newspapers	34	23	
	Financial Advisors	**50**	**33**	
	Friends	31	21	
Level of interest towards gaining financial management	High	24	16	
	Moderate	**95**	**63**	
	Low	31	21	
Level of Financial literacy	High	23	15	150
	Moderate	57	38	
	Low	**70**	**47**	
Level of awareness	**Loan Facilities**	**65**	**43**	150
	Financial Agencies	34	23	
	Investment Returns	26	17	
	Tax Benefits	25	17	
Financial Planning Practices	Comprehensive Planners	45	30	150
	Basic Planners	**55**	**37**	
	Limited Planners	30	20	
	Non-Planners	20	13	
Level of Discipline Practices	Term of Money	35	23	150
	Regular Saving	**60**	**40**	
	Term Financial Needs	45	30	
	Retirement Needs	10	7	
Types of factors considered	**Safety of the Principal**	**35**	**23**	150
	High returns	23	15	
	Low risk	12	8	
	Regular	50	33	
	Maturity period	20	13	
	Other sources	10	7	
Level of Satisfaction	**Financial Planning Practices**	**65**	**43**	150
	Current Saving Practices	34	23	
	Current Financial Status	26	17	
	Future security in Financial Status	25	17	

CHI – SQUARE ANALYSIS

HYPOTHESIS

H0: Financial Management is independent towards households on the basis of demographic variables.

H1: Financial Management is dependent towards households on the basis of demographic variables.

(i) Gender VS Financial Management

At 5% level of Significance with Degrees of freedom 2, the tabulated value of is 5.991 with respect to X2 value is 2.109. Since X2 calculated < Tabulated value the hypothesis is accepted and it is concluded that there is a significant association between the gender of the respondents and Financial Management towards households.

(ii) Age VS Financial Management

At 5% level of Significance with Degrees of freedom 6, the tabulated value of is 12.592 with respect to X2 value is 10.178. Since X2 calculated < Tabulated value the hypothesis is accepted and it is concluded that there is a significant association between the age of the respondents and Financial Management towards households.

(iii) Education VS Financial Management

At 5% level of Significance with Degrees of freedom 6, the tabulated value of is 12.592 with respect to X2 value is

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6.068. Since X2 calculated < Tabulated value the hypothesis is accepted and it is concluded that there is a significant association between the education of the respondents and Financial Management towards households.

(iv) Income VS Financial Management

At 5% level of Significance with Degrees of freedom 4, the tabulated value of is 9.488 with respect to X2 value is 9.015. Since X2 calculated < Tabulated value the hypothesis is accepted and it is concluded that there is significant association between the income of the respondents and Financial Management towards households.

(v) Occupation VS Financial Management

At 5% level of Significance with Degrees of freedom 6, the tabulated value of is 12.592 with respect to X2 value is 2.797. Since X2 calculated < Tabulated value the hypothesis is accepted and it is concluded that there is a significant association between the occupation of the respondents and Financial Management towards households.

(vi) Savings VS Financial Management

At 5% level of Significance with Degrees of freedom 4, the tabulated value of is 9.488 with respect to X2 value is 14.81. Since X2 calculated > Tabulated value the hypothesis is rejected and it is concluded that there is a no significant association between the savings of the respondents and Financial Management towards households.

VI. FINDINGS

Simple Percentage

- ✓ Majority 60 % of the respondents are Male.
- ✓ Majority 33 % of the respondents are in the Age category of 21 -30.
- ✓ Majority 37 % of the respondents are in the Rs.10001 – Rs.20000 Income group.
- ✓ Majority 35 % of the respondents are between 2 to 5 members in Family Size.
- ✓ Majority 33 % of the respondents are collecting information from Financial Advisors.
- ✓ Majority 63% of the respondent has Moderate Level of interest in Financial Planning.
- ✓ Majority 47 % of the respondent has low level of Financial Literacy.
- ✓ Majority 43 % of the respondents prefer Loan Facility.
- ✓ Majority 37 % of the respondents agree that they are Basic Planners in investment.
- ✓ Majority 40 % of the respondents are aware and prefer to make Regular Savings.
- ✓ Majority 23 % of the respondents choose Safety of Principal as their first factor.
- ✓ Majority 43 % of the respondents prefer Good Satisfaction on Financial Planning & Practices.

Chi-Square

H1: There is a significant association between the gender of the respondents and Financial Management towards households.

H1: There is a significant association between the age of the respondents and Financial Management towards households.

H1: There is a significant association between the education of the respondents and Financial Management towards households.

H1: There is significant association between the income of the respondents and Financial Management towards households.

H1: There is a significant association between the occupation of the respondents and Financial Management towards households.

H0: There is a no significant association between the savings of the respondents and Financial Management towards households.

VII. SUGGESTIONS

There are some suggestions for developing good financial planning for better investments is that they should keep their practices for long time, keeping in mind that there will be few level of risk involves in their saving pattern, because they are planning for the maximum returns. Once they decide for financial planning and practices, they need returns and if it is not giving proper returns to them again it is affecting the planning interest of the respondents towards households.

To keep the proper planning of the investors in households the best practices will play a vital role to attract the investors to invest in households so for that companies should bring such plans which is having very low risk. The most preference is given to financial advisors because they feel it is very safest and returns are fixed and not having fear of losing the money.

As per the study the financial planning and practices wants safe returns on their households and all basic planners know the risk in households and that is the main reason for avoiding the household investment too, because of the fear of losing the money. It is also found that there are facing various problems in selecting households during the investment option because of share market uncertainties and risk associated with it. So investors avoid the investing in households.

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Households are link with many variables and financial planners are not taking advice from financial advisor, to guide them for financial planning and practices in households. So it creates the difficulty to select the proper financial planning and practices.

VIII. CONCLUSION

Households generate about 70% of all savings. Historically, the bulk of those savings are locked in unproductive physical assets rather than being deployed in growth generating financial assets. Basic reasons for such improver saving and investment habits are due to poor financial literacy and financial planning practices followed by the households across India. This study well compliments the above made state.

The study observed that the sample households have acquired moderate level of awareness towards gaining information related to financial management practices. The study confirmed that financial literacy gained by the households and their level of knowledge on financial management practices and there exist rational association between the factors considered by the household before making an investment and the primary reasons stated by them for investing.

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