<u>Project Report</u>

"Study on Financial Planning for Individual Investors"

Submitted to:

DMSR

G.S. College of Commerce and Economics, Nagpur

(An Autonomous Institution)

Affiliated to:

Rashtrasant Tukadoji Maharaj Nagpur University Nagpur

In partial fulfillment for the award of the degree of

Master of Business Administration

Submitted by:

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Under the Guidance of:

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NAAC Accredited "A" Grade Institution

Academic Year 2022-2023

CERTIFICATE

This is to certify that **Krutika B. Nandanwar** has submitted the project report titled, "**Study on Financial Planning for Individual Investors"** towards the partial fulfilment of **MASTER OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he has ingeniously completed his project as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to **Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.**

Leena kapse (Project Guide)

Dr. Sonali Gadekar (Co-ordinator**)**

Place: Nagpur

Date:

DECLARATION

I here-by declare that the project with title **“Study on Financial Planning for Individual Investors”** has been completed by me in partial fulfillmentof **MASTER OF BUSINESS ADMINISTRATION** degree examination as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course under taken by me.

Krutika B. Nandanwar

Place: Nagpur

Date:

ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to **Dr. Swati S. kathale ,** Principal, G. S.College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide **Leena kapse** for her guidance throughout the project. I tender my sincere regards to the Coordinator, **Dr. Sonali Gadekar** for giving me guidance, suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the Non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful.

Krutika B. Nandanwar

Place: Nagpur

Date:

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CHAPTER 1

INTRODUCTION TO TOPIC

INTRODUCTION OF TOPIC

Financial Planning is the process of meeting life goals through the proper management of finances. Financial planning is a process that a person goes throughto find out where they are now (financially), determine where they want to be in the future, and what they are going to do to get there. Financial Planning provides direction and meaning to persons financial decisions. It allows understanding of how each financial decision a person makes affects other areas of their finances. For example, buying a particular investment product might help to pay off mortgage faster or it might delay the retirement significantly. By viewing each financial decision as part of the whole, one can consider its short and long- term effects on their life goals. Person can also adapt more easily to life changes and feel more securethat their goals are on track.

In simple Financial Planning is what a person does with their money. Individuals have been practicing financial planning for centuries. Every individual who received money had to make a decision about the best way to use it. Typically, the decision was either spends it now or save it to spend later. Everyone have to make the same decisionevery time they receive money. Does it need should be spend now or to save it to spend it later?

Today in India financial planning means only investing money in the tax saving instruments. Thanks to the plethora of tax exemptions and incentives available under various sections and subsections of the Income Tax Act. This has led to a situation where people invest money without really understanding the logic or the rationale behind the investments made. Further the guiding force in investment seems to be the ‘rebate’ they receive from the individual agents and advisors. The more the rebate an agent gives, the more smug person are in the belief that they have made an intelligent decision of choosing the right agent who has offered them more rebate. In the process what is not being realized the fact that the financial future is getting compromised.

Study of various factors

Things to consider while doing financial planning are:

Time Horizon and Goals: It is important to understand what individual's goals are, and over what time period they want to achieve their goals. Some goals are short term goals those that people want to achieve within the year. For such goals it is important to be conservative in one's approach and not take on too much risk.
For long term goals, however, one can afford to take on more risk and use time to one's advantage.

Risk Tolerance: Every individual should know what their capacity to take risk is. Some investments can be more risky than others. These will not be suitable for someone of a low risk profile, or for goals that require being conservative. Crucially, one's risk profile will change across life's stages. As a young person with no dependents or financial liabilities, one might be able to take on lots of risk. However, if this young person gets married and has a child, person will have dependents and higher fiscal responsibilities. So persons approach to risk and finances cannot be the same as it was when they were single.

Liquidity Needs: When does money is needed to meet the goal and how quickly one can access this money. If investment is made in an asset and expects to sell the asset to supply funds to meet a goal, then it needs to be understood how easily one can sell the asset. Usually, money market and stock market related assets are easy to liquidate. On the other hand, something like real estate might take a long time to sell.

Inflation: Inflation is a fact of the economic life in India. The bottle of cold drink that is brought today is almost double the price of what would be paid for ten years ago. At inflation or slightly above 4% per annum, a packet of biscuits that costs Rs 20 today will cost Rs. 30 in ten years time. Just imagine what the cost of buying a car or buying a home might be in ten years time!

The purchasing power of money is going down every year. Therefore, the cost of achieving goals needs to be seen in what the inflated price will be in the future.

Need for Growth or Income: As person make investments think about what is required, whether capital appreciation or income. Not all investments satisfy both requirements. Many people are buying apartments, but are not renting them out even after they take possession. So, this asset is generating no income for them and they are probably expecting only capital appreciation from this. A young person should usually consider investing for capital appreciation to take advantage of their young age. An older person however might be more interested in generating income for themselves.

Six step process of Financial Planning

1. Self assessment:

Clarify present situation, this is a preliminary step someone has to complete prior to planning their finance. Doing a self assessment enable a person to understand their present wealth status and responsibilities. Self assessment should contain following

- Prospective retirement age
- Main source of income
- Dependents in family
- Expenses and monthly savings
- Current investment status

One should identify their wealth status prior to move with financial planning.

2. Identify financial, personal goals and objectives

Each individual aspires to lead a better and a happier life. To lead such a life there are some needs and some wishes that need to be fulfilled. Money is a medium through which such needs and wishes are fulfilled. Some of the common needs that most individuals would have are: creating enough financial resources to lead a comfortable retired life, providing for a child's education and marriage, buying a dream home, providing for medical emergencies, etc.

3. Identify financial problems or opportunities:

Once goals and current situation are identified, the short fall to achieve the goal canbe assessed. This short fall need to be covered over a period of time to full fill various need at different life stages. Since future cannot be predict, all the contingencies should be considered will doing financial planning. a good financial plan should hedge from various risk. A flexible approach should be taken to cater to changing needs and should be ready to reorganize our financial plan from time to time.

4. Determine recommendations and alternative solutions:

Now review various investment options such as stocks, mutual funds, debt instruments such as PPF, bonds, fixed deposits, gilt funds, etc. and identify which instrument(s) or a combination thereof best suits the need. The time frame for investment must correspond with the time period for goals.

5. Implement the appropriate strategies to achieve goals:

Until person put things into action everything is waste. Necessary steps needs to be taken to achieve financial goals this may include gathering necessary documents, open necessary bank, demat, trading account, liaise with brokers and get started. In simple terms, start investing and stick to the plan.

6. Review and update plan periodically.

Financial planning is not a one-time activity. A successful plan needs serious commitment and periodical review (once in six months, or at a major event such as birth, death, inheritance). Person should be prepared to make minor or major revisions to their current financial situation, goals and investment time frame based on a review of the performance of investments.

Constitute of Financial Planning

A good financial plan should include the following things

- Contingency planning
- Risk Planning (insurance)
- Retirement Planning
- Tax Planning
- Investment and Savings Option

Scope

The scope of study is getting familiar with various investment avenues available in market. To study the life stages of an individual and to identify their risk tolerance, income flow, life goals and current investment. Study should cover all areas of the individuals financial needs and should result in the achievement of each of the individuals goals.

The scope of planning will include the following:

- Risk Management and Insurance Planning
- Investment Planning
- Retirement Planning
- Tax Planning

INVESTMENT AVENUE

1. Life Insurance

Life Insurance is a policy provided by an insurance company, according to which in exchange for premium payments, the insurer is obliged to pay a certain sum (a lump sum or portions of smaller sums) to the beneficiary in the event of insured death. Life Insurance is literally a matter of life and death, since purchasing Life Insurance is basically planning for after the death. When healthy and well, people from all walks of life prefer not to think that one day they would pass away. However planning for after the death may be as important as planning other significant actions in life. By paying a very small sum of money a person can safeguard himself and his family financially from an unfortunate event.

A wide range of insurance products are available in the market. Each insurance product is different from the others having some unique attributes which are devised to meet specific needs of different individuals. However, with such a wide range of products available, it becomes very difficult for an individual to choose an insurance plan that is best suited to meet his requirements. Based on the financial plans and needs and one's affordability to pay premium, an individual can choose any of the plans available in the market.

Some of those plans are listed in the table below:

- Term Insurance
- Endowment Insurance
- Whole Life Insurance
- Money Back Plane
- ULIP
- Annuities and Pension
- Life Stage in Life Insurance

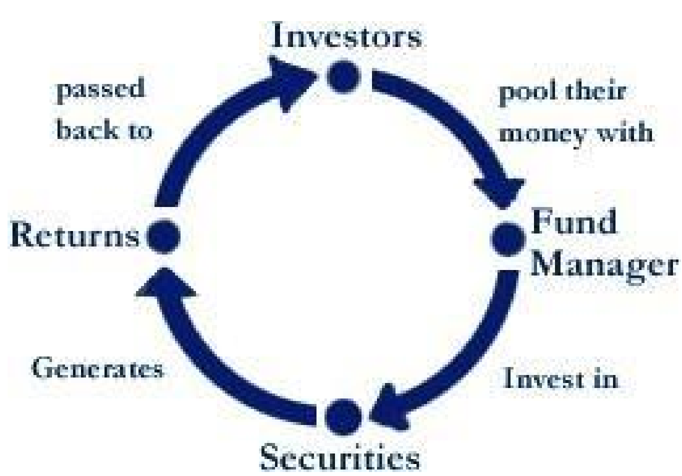
2. Equities

Equities are a type of security that represents the ownership in a company. Equities are traded (bought and sold) in stock markets. Alternatively, they can be purchased via the Initial Public Offering (IPO) route, i.e. directly from the company. Investing in equities is a good long-term investment option as the returns on equities over a long time horizon are generally higher than most other investment avenues.

3. Mutual Funds

A Mutual Fund allows a group of people to pool their money together and have it professionally managed, in keeping with a predetermined investment objective. This investment avenue is popular because of its cost-efficiency, risk-diversification, professional management and sound regulation. Person can invest as little as Rs. 1,000 per month in a Mutual Fund. There are various general and thematic Mutual Funds to choose from and the risk and return possibilities vary accordingly.

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then investedin capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is themost suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The flow chart below describes broadly the working of a mutual fund:



Types of Mutual Funds Scheme in India

Wide variety of Mutual Fund Schemes exist to cater to the needs such as financial position, risk tolerance and return expectations etc. The table below gives an overview into the existing types of schemes in the Industry.

- **By Structure**
    - Open - Ended Schemes
    - Close - Ended Schemes
- **By Investment Objective**
    - Growth Schemes
    - Income Schemes
    - Balanced Schemes
    - Money Market Schemes
- **Other Schemes**
    - Tax Saving Schemes
    - Special Schemes
    - Index Schemes
    - Sector Specific Schemes

4. Certificate of Deposits

Certificate of deposit was introduced in India in 1991. It is a scheme of raising funds by commercial banks, except rural banks and is a negotiable receipt of funds. Due to their negotiable nature, they are also called Negotiable Certificate of Deposit (NCD). It may be in a registered form or a bearer form. The later is more popular as it can be transacted more readily in secondary markets. Unlike Treasury bills, this carries an explicit rate of interest. Subscribers to the Certificate of Deposits are Individuals, Corporations, Companies, Trusts, Funds and Associations etc.

5. Public Provident Fund (PPF)

PPF is considered safe investment avenue. The current interest rate on PPF is 8% per annum. Again like EPF the rate of interest is not fixed. The government modifies the same from time to time. The best part of PPF is that the interest thereon is exempt from tax under section 10(11) of the Income Tax Act. Tax deduction can be claimed on contribution made by an individual into his own PPF account or into the PPF account of his spouse or children.

6. Real Estate Investment

Real Estate Investment is now treated as a major case of capital budgeting by using state- of-the-art investment analysis which incorporates the future stream of income it may generate and the associated risk adjustments. It has been the highlight of the investment literature since the 1970’s when investment theorists extended techniques such as probability, time value of money and utility into its analysis.

7. Gold

The love for gold in India is legendary. There has always been a good demand for gold in India making it the largest consumer of gold in the world. The consumption of gold is mostly in form of jewellery. But as investment an investors generally buy goldas a hedger safe haven against any economic, political, social or currency-based crises. These crises include investment market declines, inflation, warrant social unrest.

8. Investment in Bank

Bank investment can be said as the most common or primary investment avenues. Not many people recognize this sector as an investment avenue. Banks are the most common and many a times people first investment experience. Few investments in bank can be in following form:

9. Investment through Post Office

Share of Post office investment has also a major part in Indian Household investment, which is mostly due to its all India presence of service network. Various avenues for post office investment are as follows:

- Post office Recurring Deposit Account (RDA)
- Time Deposit
- National Savings Certificates
- Post Office Kisan Vikas Patras
- Post Office Monthly Income Scheme

CHAPTER 2

COMPANY PROFILE

COMPANY PROFILE

RELIANCE MONEY is a part of the Reliance Anil Dhirubai Ambani Group and is promoted by Reliance Capital, the fastest growing private sector financial services company in India, ranked amongst the top 3 private sector financial companies in terms of net worth. The official launch of Reliance Money was announced on 3rd May 2007.

Reliance money is a comprehensive financial service and solution provider that enables people to carry out trading and investment activities in a secure, cost- effective and convenient manner. It is a one-stop-shop, providing end-to-end financial solutions(including mobile and web-based services). It has the largest non- banking distribution channel with over 10,000 outlets and 20,000 touch points spread across 5,165 cities/ towns; catering to the diverse needs of over 3 million existing customers. Through reliance money, one can invest in a wide range of asset classes from Equity, Equity and Commodity Derivatives, Offshore Investments, Portfolio Management Services, Wealth Management Services, Investment Banking, Mutual Funds, IPOs, Life and General Insurance products and Gold Coins. Customers can also avail Loans, Credit Card, Money Transfer and Money Changing services.

Reliance Money offers the convenience of on-line and offline transactions through a variety of means, including its Portal, Call & Transact, Transaction Kiosks and at its network of affiliates. Its endeavor is to change the way India transacts in financial market and avails financial services.

Reliance Money Associates

Reliance Money amongst others has affiliates:

Reliance Securities Limited provides equity broking services to retail, institutional and corporate clients. It is a member of both National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). It is also a SEBI registered Portfolio Manager.

Reliance Capital Limited provides depository participant services. It is a Depository Participant with CDSL and NSDL.

Reliance Commodities Limited provides commodity broking services to both retail and corporate clients. Currently it is a member of both MCX and NCDX.

Reliance Money Express provides Money Changing (FFMC) and Money Transfer Services (MTS).

Reliance Financial Limited provides financial services. It is a NBFC registered with the Reserve Bank of India.

Business of Reliance Money

Reliance Money business can be broadly classified into three categories;

Trading: Equity, Commodities, Derivatives & Offshore Investment.

Distribution: Mutual Funds, Life Insurance, General Insurance, Private Banking &Corporate Business, IPO, Fixed Deposit, PMS & Wealth Management.

OTC Services: Money Transfer, Money Changing, Precious Metal Retailing

Trading Portal

Reliance Money is first in the country to introduce a flat fee prepaid structure with unique security token for trading. It provides a single platform to operate in Markets like Equity, Commodity, Derivatives and Offshore Investment. Reliance Demat account also provide for investment in IPO's and NFO's and existing mutual funds which are issued in market from time to time. This huge ranges of services are offered at the lowest price in Indian Market. Company has set up a four tire system for convenience of the clients to do transaction which includes Online portal, Call center, Franchises and Kiosks.

The company was first to setup Web based kiosk for online transaction at over 10,000 location across India. More over it provide wide range of trading platform to suit the need and skills of the clients. Easy Trade, Instant Trade, Fast Trade, Power Trade, Commodities Mega Trade and Mobile Trading are some of its platform. Thus providing a user friendly environment to carry financial transaction.

Distribution

Reliance Money has association with all the major companies in India which provides different financial instruments. It is a single stop solution for all financial needs.
Reliance Money distributes all IPOs (Book Building as well as Fixed Priced) pan India through its distribution channel (Online + Offline) and helps get IPO Investment benefits by providing end to end assistance. Through online distribution investor need not worry about filling up IPO application forms, drawing cheques and standing in long queues to submit the forms. They can apply for IPOs online at the click of a button within a minute through reliancemoney.com. If the investor does not

have access to internet, Reliance Money would help apply for IPOs offline througha network of branches and business partners.

Reliance Money is emerging as one of India's top mutual fund distribution houses and is also a preferred distributor amongst all AMCs. Reliance Money's research team provides consistent, superior, independent and unbiased advice to its investors to invest in Mutual Fund schemes suited to their risk profile and financial goals. Mutual Funds of almost all the AMC's can be availed through Reliance Money. As of 1st June 2009 it had 29 AMC partner, providing over 1500 funds.

Company provides Life insurance and General Insurance with an exhaustive range of insurance policies that covers most risks. It has exclusive and inclusive association with major private life insurance companies. Thus enabling to choose from various plans available in the market right from child plan to retirement plans.

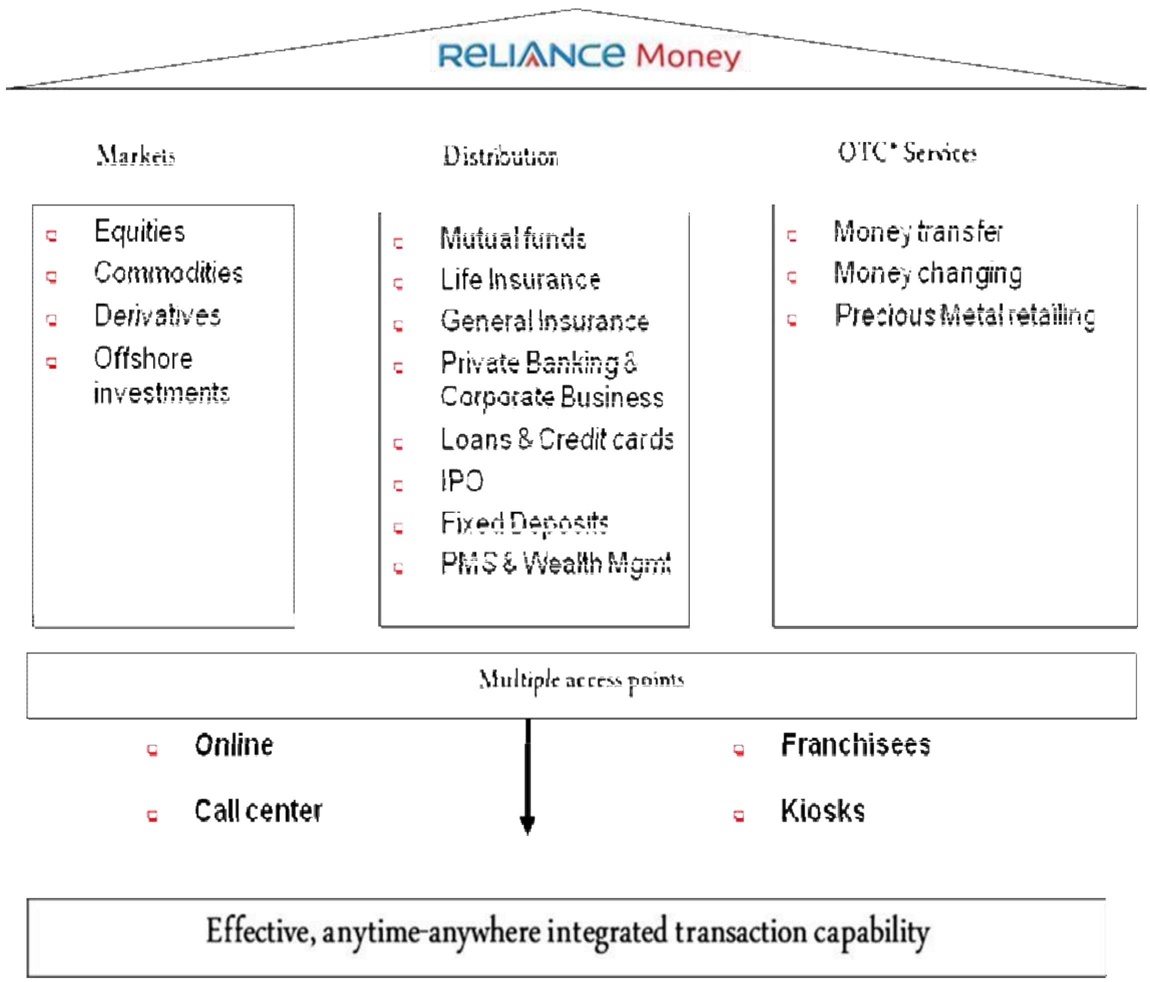
Banking service such as fixed deposit facility at competitive rates with major banks is also available. It offers personalized financial solution through its Portfolio Management Service (PMS) & Wealth Management Services. Company endeavours to deliver best returns through a diligent fund management frame work, supported by rigorous analysis and a proven investment methodology in different market conditions.

OTC Service

Reliance money offers many Over The Counter (OTC) services such as Money Transfers, Money Changing & Precious Metal Retailing.

Reliance Money has strategic tie-up with institutions, offering the Western Union Money Transfer service through their national branch network, like Bank of Rajasthan, Syndicate Bank, Jammu & Kashmir Bank, Tamilnadu Mercantile Bank Ltd., AP Mahesh Co-Op Urban Bank, etc. for offering money transfer services.

Reliance Money Business Model



CHAPTER 3

OBJECTIVES AND HYPOTHESIS

OBJECTIVE OF STUDY

- To understand financial planning of individuals living in Nagpur.
- To identify investment habit of people.
- To identify various avenues for investment.
- To spread awareness of financial planning.
- To examine factors influencing the investment decision.

HYPOTHESIS OF STUDY

H:0 There is a relationship between the quality of financial planning and the financial outcomes of individual investors.

CHAPTER 4

LITERATURE REVIEW

LITERATURE REVIEW

1. Gaurav Kabra et al. (2010) in this study they want to know the factors influence investment behavior and the impact of these factors on risk tolerance and mindset of men and women while taking investment decisions and is age can be a reason. For analysis, they used hedging and regression analysis. They concluded that now investors are more matured and have adequate knowledge but still an individual investor prefers to invest according to their risk tolerance capacity.

2. Geetha and Ramesh (2012) have found in their study, 'A Study on Relevance of Demographic Factors in Investment Decisions' that demographic factors such as gender, age, sex, education, occupation, income, savings and family size influence the period of investment, frequency of investment, reach of information of source and analytical abilities. The authors revealed that demographic factors have a significant influence over some investment decisions. It also discloses a general view of investor perception over various investment avenues.

3. K. Malar Mathi et al. (2012) the objective of this study is to understand individual investor behavior. Data collected from review the literature, research papers have been collected from various referred journals related to individual investors' behavior. They development of economy depend on the growth of rural market in the country. Lack of finance in rural is the reason behind for low investment. Shifting to urban for jobs.

Jothilingam et al. (2013) carried out examination available literature on the investors' attitude towards investment avenues. This based on primary data and secondary data. It proposed that woman investors should enthusiastic to make an investment in avenues other than gold, like mutual funds, shares, and securities, currency. Conclude that investors preferred to invest in less risky investment avenues like gold, mutual funds, and bank deposits. Investor avoids risk as much as they can.

4. Shalini Sah et al. (2013) They wanted to identify the beliefs and attitudes of the individual investors with regard to financial investment decision making, with particular reference to the investor biases. They conducted an in-depth study to understand investor beliefs and preferences. They found that individual investors have numerous beliefs and preferences that bias their financial investment decisions. They suggested that an understanding of an individual investor's psychology would help in better comprehending the way the individual investment decisions are made.

5. Sindhu K. P(2014) The objective of this research paper was to establish the influence of risk perception of individual investors on their investment decisions in mutual funds. The risk perception of investors is an important factor that influences investment. This study based on the review of literature and discussions with experts in the field, identified the factors influence the risk perception of the investor.

6. Puneet Bhusan (2014) assessed the financial literacy level of salaried individuals affect their investment preferences towards financial products. Primary data had done to collect data using a non-disguised structured questionnaire. Multistage sampling method used in collecting data. There are total of twelve districts in Himachal Pradesh. Out of these three districts namely Shimla, Solan and Kangra were selected randomly (first stage). Measure the level of financial literacy of the respondents using OECD approach in the study. Financial literacy of an individual affects its awareness regarding financial products and investment preferences. Due to low financial literacy individuals prefers traditional financial products.

7. Ashly Lynn Joseph and M. Prakash (2014). They have revealed in their paper ‘A Study on Preferred Investment avenues Among the People and the Factors Considered for Investment’, that to have an insight into different investment avenues available and to understand the preferred investment avenue among the people of Bangalore City. In the present day world, new financial products are available. It has become difficult and confusing to choose the best options due to lack of proper financial knowledge to the common man to decide the factors which are considered for making sound investment decisions. It is further analyzed that investors are not much aware about investment in stock exchange and equity and are more inclined towards traditional investments like bank deposits, insurance, post office savings etc. Awareness programs should be introduced by the government and stock broking firms to make people aware about investment options with their merits n demerits so right decisions are taken for their personal finance.

8. Devi and Chitra (2014) have revealed in their study, 'A Study on Salaried Employees Behavior towards Domestic Savings and Investment in Rasipuram Town', that the investment is made by different categories of investors keeping in mind period of investment avenues, investment decisions taken and level of satisfaction of investors. The data was analyses with the help of Chi- Square test and F- Test. It was further concluded that investing has been an activity of rich and business class but today it has become a routine course for every individual. Moreover, increase in working population, larger family incomes, provisions for tax incentives, availability of large and attractive investment avenues, etc also paves a way for saving and investment. The study further recommends that adequate supply of savings should be maintained as a central policy objective for economic stability.

9. Laxman Prasad et al. (2015) the objective of their study was to understand investor attitude towards investment option selection and to identify what all factors affect the investor attitude towards investment option selection with special reference to sip. Before investing investor should do proper research about the risk involved in the investment or it is better to take suggestions from the asset management company before investment.

10. Uddin. A (2016) this paper is based on the study to find out the motivating factor to invest in a systematic investment plan and the problem in this scheme. The sample size is 100 respondents who are a SIP account holder in Gandhinagar city in Gujarat and have been taken for the purpose of the study. Data have been collected from primary sources using the questionnaire method. Collected data were analyzed using various statistical tools. Results of the study found that for higher returns with low risk the investor motivates to invest in a systematic investment plan on the other hand knowledge and the operational platform is one of the main barriers that investor is facing of the scheme.

11. Fachrudin K.R., Fachrudin K.A (2016) research worked towards determining the domination of education, experience and financial literacy on investment decisions by individual investors in the city of Medan. This study used a questionnaire to collect data and the sample consisted of 250 respondents. Data were analyzed using descriptive statistical analysis and Structural Equation Modelling. The results showed that investors with undergraduate degrees are 46.80%. 36.00% of the investor has a maximum of 3 years of investing experience in the stock market. No significant relationship between education and investment. Financial literacy is found to build up the links between education and experience toward investment decisions. The implication is that financial literacy is vital for the right investment decision.

12. Mahalakshmi Kumar and Rajesh Mankani (2017) research whether working women are aware of various investment options available with special reference to Mumbai city. Primary data was collected through a structured questionnaire and a descriptive cross-sectional design was adopted. Education helps women to become aware of the need to earn, save and invest. It increases their ability to understand various investment avenues, their pros, and cons and helps them to make the right investment decisions to achieve their investment goals. It empowers them to obtain financial independence which in turn can give them empowerment in other areas as well. Education gives women confidence and the ability to understand the importance and need for making decisions regarding investment for attaining their financial goals. This motivates them to collect information about various investment avenues so that they can maximize returns with minimum risk.

13. Baiq Fitri Arianti (2018) analyzed and measured whether financial literacy, financial behavior, and income influence the investment decision of an individual. Data was collected through questionnaires, the sample size was 100 and the techniques used are descriptive statistical analysis, data quality test, classical assumption test, multiple linear regression test, F test, t-test and coefficient of determination. Financial literacy doesn't has significant effect on investment decisions but Income has significant effect on investment decisions.

14. Varun Sagar Singal et al. (2019) in this research they tried to identify the factors affecting investment decisions on mutual funds, the impact of behavioral factors on an investor and what are the factors that stop people from investing. Fundamental factors such as past performance, the experience of the fund manager, risk, return, diversification plays a very vital role in the decision-making process of an investor.

CHAPTER 5

REASERCH METHODOLOGY

RESEARCH METHODOLOGY

Research Design

The study is about to find various avenues available for an individual to invest and ways to achieve long term and short term financial goals through financial planning. It intend to study the pattern in which individual allocates his savings in various asset class. It describes the awareness of investor about various alternatives available to them. It also aims at creating awareness of financial planning.

The data required for the study would be acquired through personal interview and questioner and it was collected by means of cold calling (Cold calling is the process of approaching prospective customers or clients, who were not expecting such an interaction),and the research period was spread out in twenty days. For this purpose researcher choose Nariman Point (Mumbai) area, where researcher could find enough educated office going people, which will help us getting better understanding of how financial planning is done.

Data collection techniques and tools

For the purpose of data collection researcher took help of both primary data and secondary data collection method.

Primary data are those, which are collected afresh and for the first time, and thus happen to be original in character. This method was used by means of Personal Interview, wherein researcher had face-to-face contact with the persons. The reason behind choosing this method was to have detailed information on the subject. It also provided opportunity for selecting the sample for interview. The interview conducted were a mixture of structured and unstructured interviews. Scope was kept open for detailed discussion at the discretion of the interviewee. Where there was a time crunch a structured procedure was followed wherein predetermined questions were put forward.

The other method was adopted in primary data collection was Questionnaires. This was used to assist a more structured form of information. The information thus obtained was standard and in a more unbiased form. It assisted to collect data from large sample size. The pattern adopted was a general form of questionnaire. Questions are in dichotomous (yes or no answers), multiple choice and open ended question. Open ended questions are restricted due to the difficulty faced in analyzing. The questioner was kept short and to the point.

Secondary data means data that are already available i.e., the data which is already collected and analyzed by other. To get a better understanding and to have a larger exposure on the subject this method was used. Methods use was data available on World Wide Web, articles in newspapers, financial industry reports, Financial Planning board of India reports and article, reports published by Government of India, etc. Support was also provided by the project guide by giving inputs from his years of experience.

Sample Design

Sample design was based on principles of sample survey. Sample was decided on socio demographic factors such as income and age group. The number of respondent were restricted to 50 due to lack of time. Sampling unit was geographical unit where the research was carried in Nariman Point, Mumbai. Source list for respondents was not predetermined it was on random basis. The various parameters on which the research was to be conducted are:

- Awareness of financial Planning
- Alignment of life goals and financial goals
- Investment distribution in various asset classes
- Decision influencing investment

Limitations

Lack of response from sample: It is also said as access to resource of information. As the method adopted was cold calling the respondent were not easily available for discussion.

Unwilling to reveal financial position: In technical term it can be said as access to information. Many of are not comfortable to disclose our financial affairs openly. In such a situation researcher had to convince the respondent a lot more times. Also many a times only general discussion would take place.

Time: Due to lack of time availability of respondent and the period which can be used to collect data was short the research could not be conducted on a large sample size.

Using organization (company) name: Many a time to get access to respondent researcher had to revel the organization identity. People thought that it was for the purpose of sales of promotional activity, which lead to negative response from many people.

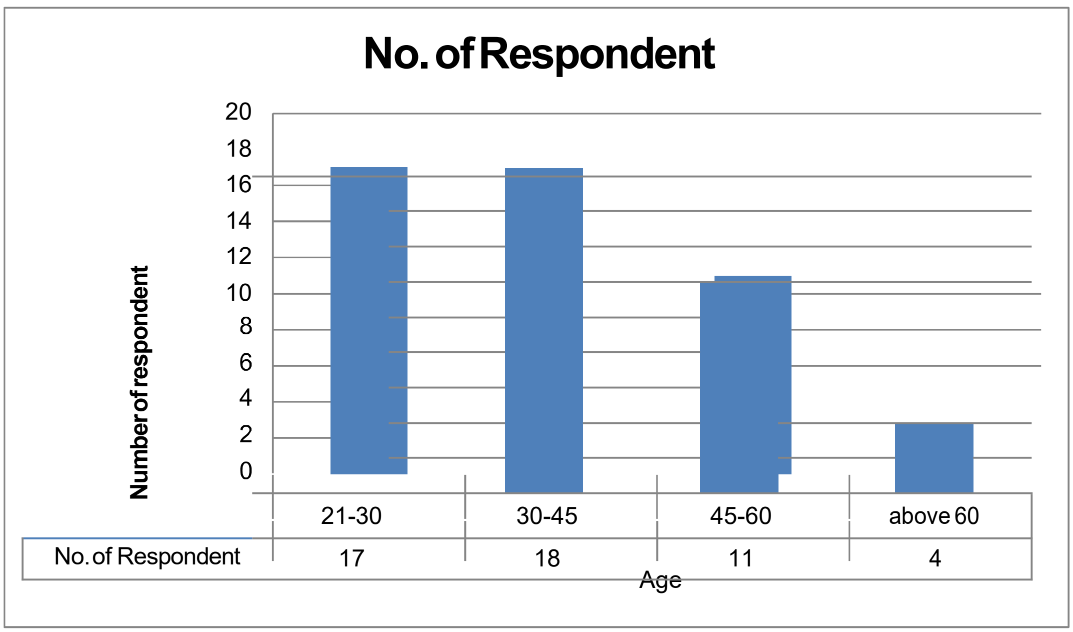
CHAPTER 6

DATA ANALYSIS AND INTERPRETATION

DATA ANALYSIS AND INTERPRETATION

Age distribution of the respondent

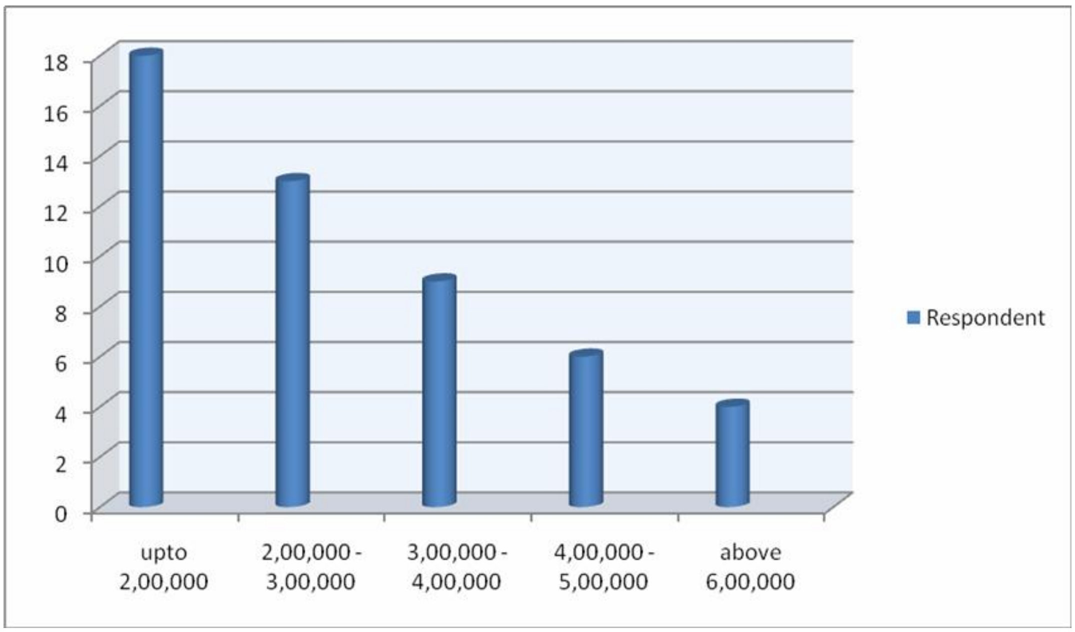
Age group of respondent	No. of Respondent	Percentage
21-30	17	34%
30-45	18	36%
45-60	11	22%
above 60	4	8%
Total	50	100%



Almost 70% of respondent was from age group 21yrs to 45yrs this is considered to be most active age group. During this age, life of an individual changes drastically. The career is in growing stage in starting few years and there are hardly any responsibilities, at this time there is a lot of funds available for disposal. It is this age where maximum risk canbe taken and a greater period can be given to grow the amount invested. As a person enter into their 30's they have increased family responsibility and gradually the risk taking ability reduces with the age. With a greater portion of such population included in data collection a greater degree of understanding can be gained how financial planning is done by young India.

Income distribution of respondent

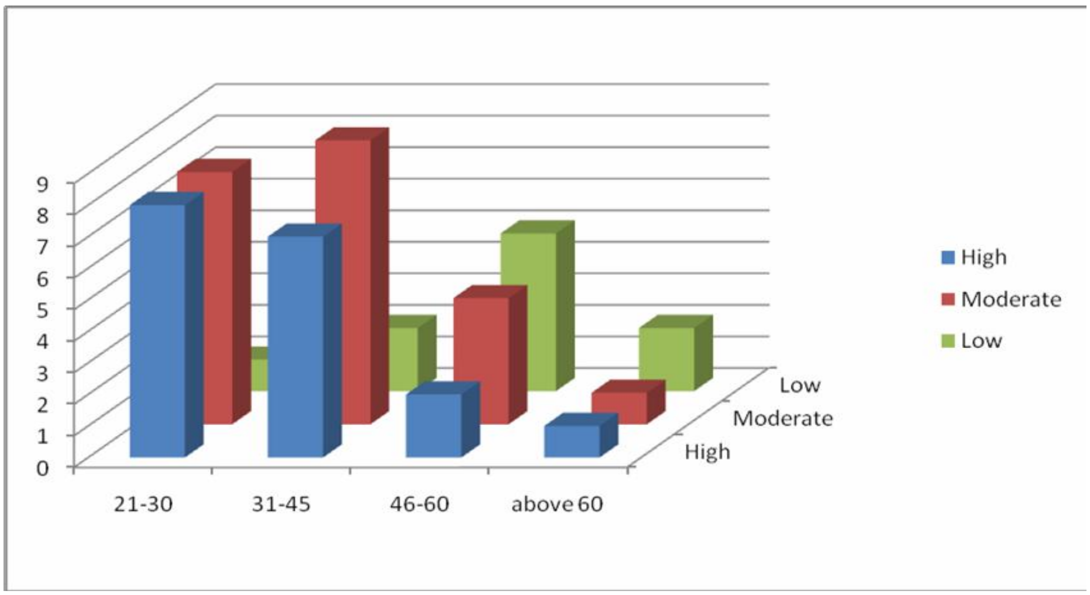
Income	Respondent	Percentage
upto 2,00,000	18	36
2,00,000 - 3,00,000	13	26
3,00,000 - 4,00,000	9	18
4,00,000 - 5,00,000	6	12
above 6,00,000	4	8
Total	**50**	**100**



Financial planning is about assessing our present cash flows; estimating the required cash flow after a certain period of time and to determine the steps required to achieve this over a period. The amount of disposable income at hand determines various investment decisions. It also helps in making tax plans so that maxim benefit can be gained through various tax exemptions. So it is necessary to know the income inflow of an individual. The above graph shows that a major portion of respondent are in income slab of up to Rs.2,00,000 p.a.; this indicates that the persons may be in the beginning stage of career. With increasing income slab the no of respondent are reduced.

Person willingness to take risk according to age

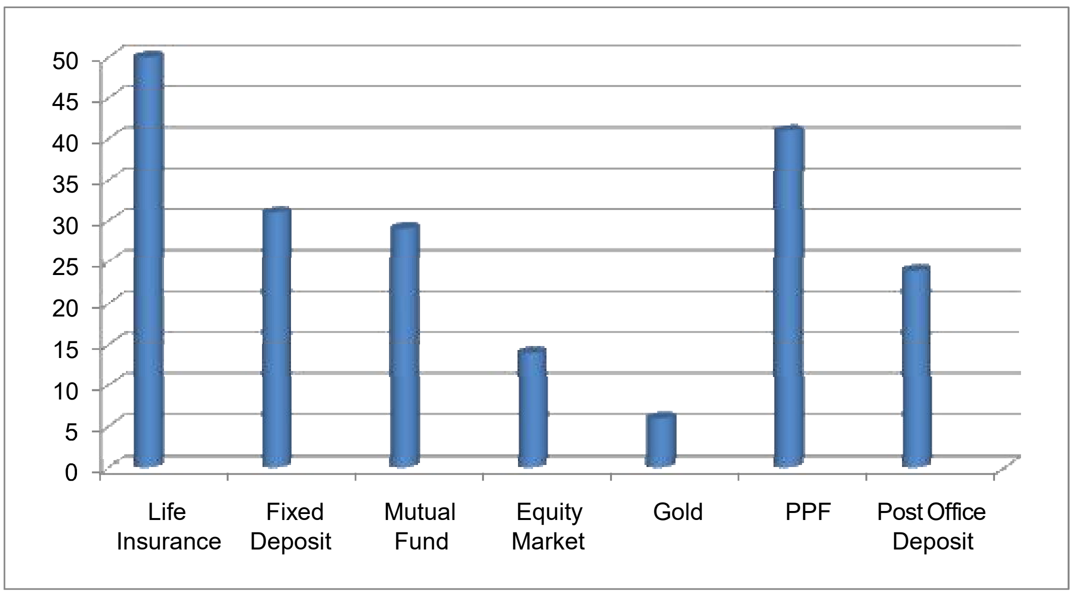
Age group	Willingness to take risk			Total
	High	Moderate	Low	
21-30	8	8	1	**17**
31-45	7	9	2	**18**
46-60	2	4	5	**11**
above 60	1	1	2	**4**
Total				**50**



The investment decisions are more based on the willingness to take the risk rather than the ability to take risk. The above graph describes the willingness to take risk at various life stages. At the younger age people are more willing to take risk which reduces over the years as responsibility increase. Although different individual may have different preferences which could contradict their age. Many a time investment is a function of willingness rather than ability which is clearly described by above graph.

Investment made by the respondent in various avenues

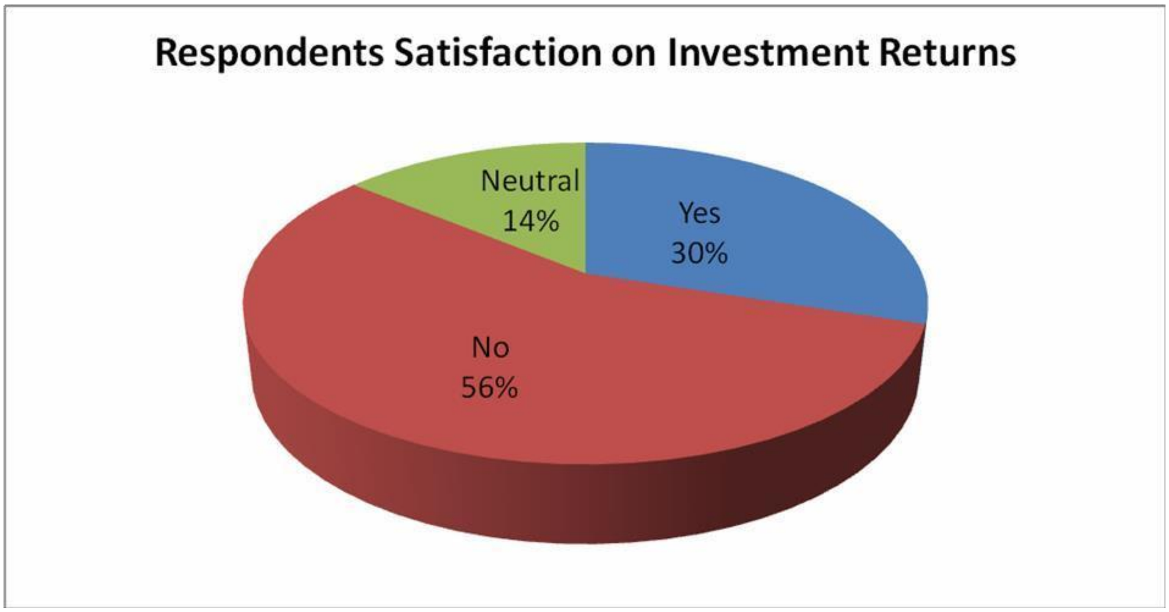
Avenue	Respondent	Percentage
Life Insurance	50	100
Fixed Deposit	31	62
Mutual Fund	29	58
Equity Market	14	28
Gold	6	12
PPF	41	82
Post Office Deposit	24	48



A fair idea of asset allocation of individuals in various asset class can be observed through this. It was observed that the all respondent had a life cover policy. This shows that the basics of financial planning were achieved. The next major portion was Provided Fund due to it being more secure investment and also tax exemption offered. Major investments were also made in Bank Fixed Deposits and Post Office Deposits. Equity was not a preferred investment among many due to its volatile nature but many used it as a long term investment by investing in large companies. Investment in gold was more in form of jewelry which is not a good option as investment. Very few invested in gold coins/bars and Gold ETFs.

Satisfaction of investors on their previous investment

Satisfaction	Respondents	Percentage
Yes	15	30
No	28	56
Neutral	7	14
Total	**50**	**100**



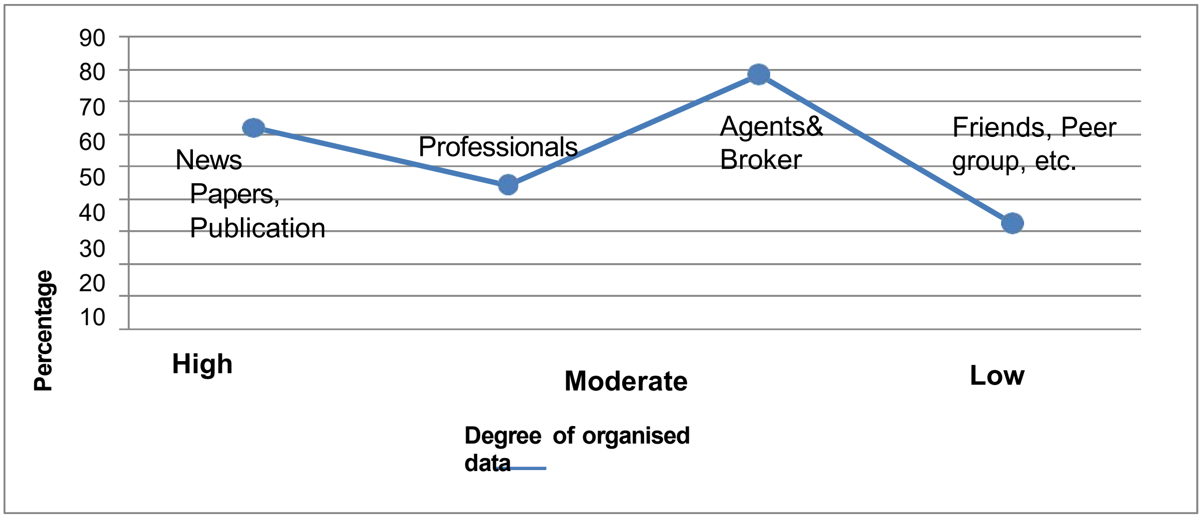
A major portion of respondent was unsatisfied with the returns they got on their investment. This reflects that investment decision was not taken properly. Few common reasons cited were:

- Inadequate knowledge about the instrument in which investment was made
- Misguided by the agent of financial company
- Charges applicable were not disclosed initially
- Unplanned investment

Also a major portion of investment was in assets which has a low risk – low returns category. This also was a major reason of respondent unsatisfied with current returns.

Various sources of information/reference for investor which influence investment decision.

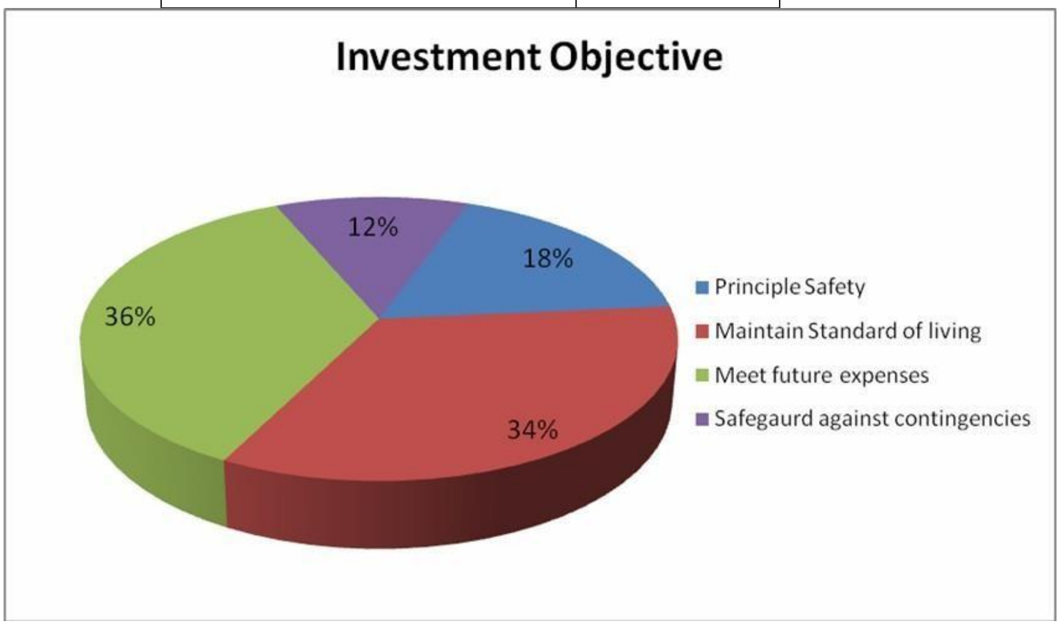
Source of information	Respondent
News paper, Publications & Media	31
Professionals	22
Agents/Broker	39
Friends, Peer group, etc.	16



There are sources of information which are vital in making investment decision. The graphshows the source of information which is plotted according to its authentication. On the X axisthe extreme right indicates highest authentication and it get reduce as we move to right. The authentication of information plays a important role in right investment decision. We find that major respondent have taken investment decision on the bases of information provided by Agents & Broker of different financial company. The next major information source is News papers, publication and media which are considered to be highly authenticated data. Help of professionals in investment decision is taken not by many, due the fees charged by various professional for their service. There is less number of respondent taking their investment decision on information provided by friends. Mostly the information provide by such people isbased on their experience which may not be true for others. That is the reason, such source of information is considered less organized and reliable.

Investment Objectives of Individuals

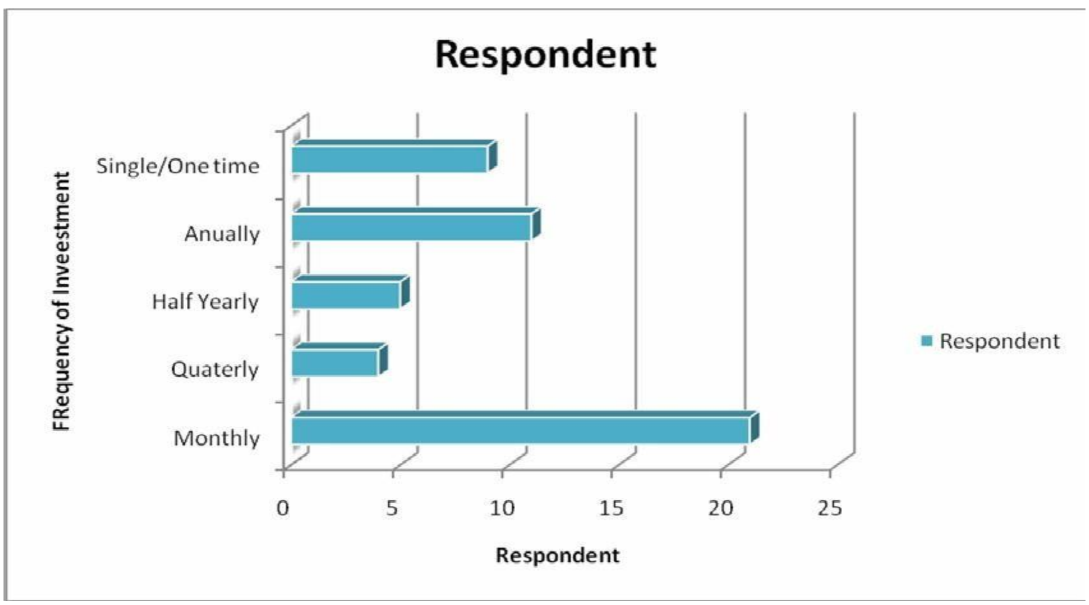
Investment Objective	Respondent
Principle Safety	9
Maintain Standard of living	17
Meet future expenses	18
Safeguard against contingencies	6
Total	**50**



Investment objective to a greater extend determine the investment tenure and the avenue. Different investment objectives have different investment avenues to meet them. By determining the objective we can easily determine the investment vehicle for individuals. The persons looking for principal safety can investment in Post office schemes, government securities, banks and PPF. Investment in Equity and Mutual funds can give greater returns which can beat high inflation rate. Term deposits are useful when money is needed after a fixedperiod of time.

Respondent frequency of investment

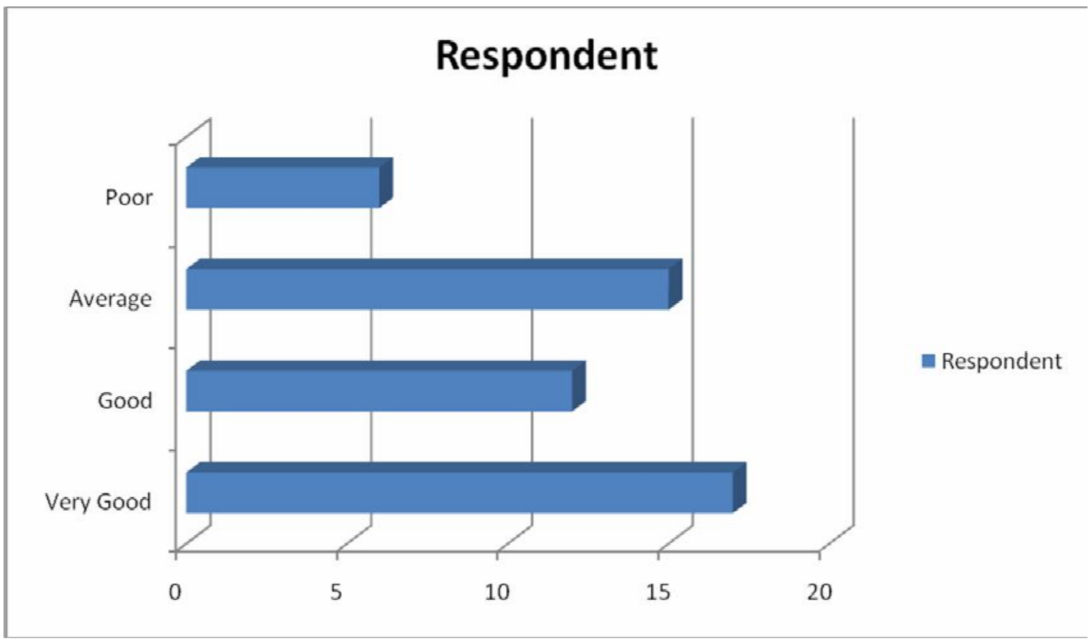
Preferred Frequency of Investment	Respondent	Percentage
Monthly	21	42
Quarterly	4	8
Half Yearly	5	10
Annually	11	22
Single/One time	9	18
Total	**50**	**100**



A good number of investors prefer to invest regularly on monthly basis, thanks to Systematic Investment Plan. Monthly investment helps to invest in small denominations with benefits of Rupee cost averaging. Monthly investment was largely found in Mutual Funds. To a surprise many prefer to invest in single or one time installment without knowing the risk attached to it. One time investment area good option only for physical assets life real estate and gold.

Financial Literacy of respondent

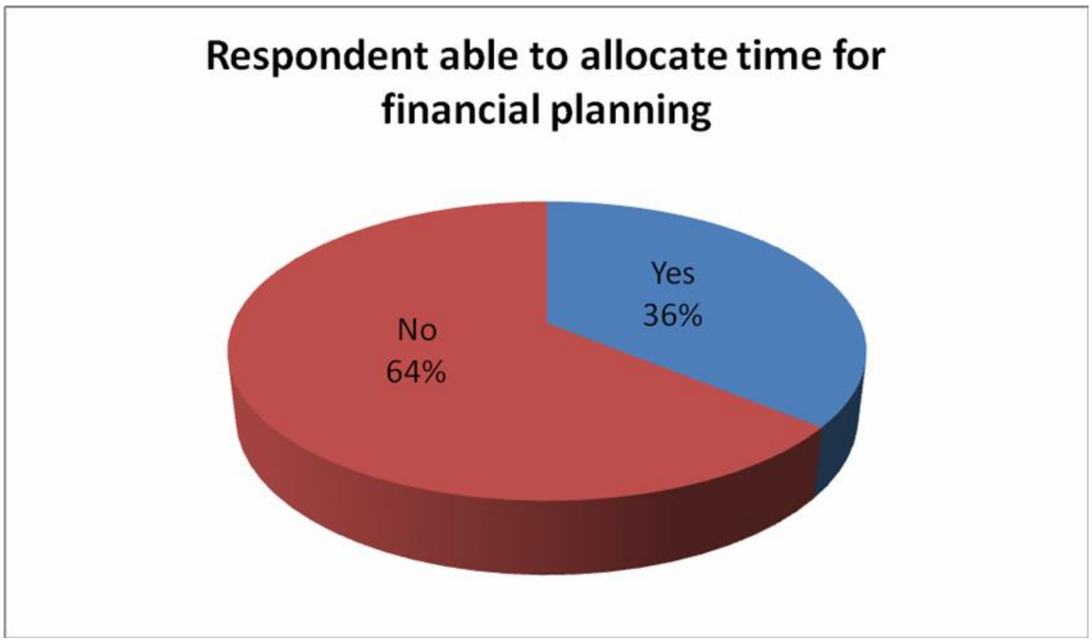
Financial Literacy	Respondent
Very Good	17
Good	12
Average	15
Poor	6
Total	**50**



The purpose behind knowing the financial literacy is to get to know how better the respondent can take investment decision individually. A large portion of respondent stated they have a good knowledge of investment avenues but their investment portfolio contradicted. Thus it states that many are not ready to acknowledge that they do not possess the required knowledge. This keeps them into darkness and may lead to wrong investment decisions, which are hard to correct.

Do respondent have enough time to manage their investment affairs

Time Available	Respondents	Percentage
Yes	18	36
No	32	64



It reflects that not many have time to do financial planning. In such cases it is mostly observed that the investment decision was influenced by people around.

CHAPTER 7

FINDINGS AND CONCLUSION

FINDINGS

- The major portion of financial saving goes into pension funds and life insurance.

- It has been found recently that the traditional instruments of savings like special tax incentives or higher interest rates are not able to increase the rate of private saving rate in the long run.

- It is also found that the response of saving for the interest rate changes in India was amongst the lowest in the developing countries.

CONCLUSION

The Saving behavior has been changed considerably over the last couple of years. The savings rate in India is comparatively higher than various other countries. Earlier the trend of saving was in terms of physical assets but it has started to shift now to financial instruments. This trend partially reflects the relentless expansion of the various branch networks of the financial institutions into the county's rural areas and partially holds the increasing trend of the easy accessibility of the alternative investment opportunities. Today corporate securities has become a part of household savings wherein retail individuals prefer to invest his saving in security market. The reason sited for this are the growth seen in the stock market and a low interest rate andreturn offered by traditional instruments. Also the growing income of working class has also contributed largely to the changing pattern of saving in India.

The **household savings in India** can be broadly categorized into the following types:

- Savings in physical properties
- Savings in financial instruments or financial household

savings Financial household savings in India usually include thefollowing:

- Savings deposits with banks
- Life insurance policies
- Provident funds
- Pension funds
- Liquid cash of households
- Deposits with non-banking financial institutions
- Unit Trust of India Investment Schemes

Over past 30 years, the prime two instruments for household long term saving like pension saving and life insurance have come to an idle state. On the other hand, the mutual funds started to become more successful in the early years of 1990s. Considering these two factors, we can conclude two weaknesses of the saving market in India. First, public sector dominates the markets. Second, the allocation of portfolio is under control that makes the low returns from the market developments.

➢ Financial Planning – Age Approach

Need Analysis-Stage I - Young Professional

Life Stage Analysis

- Age of 20yrs and 30yrs – young group.
- Started with new job or profession.
- May or may not have a Spouse.
- Ambitious and Career Focused.
- Probably do not have any dependents.
- Might not have made any Investment.
- Likes to Spend.

Financial Needs Analysis

- Might have a financial support from parents.
- No habit of Investments and likes to spend.
- May be thinking of Buying a Home or Car.
- Planning to get married.
- May be thinking of Higher Education.
- Can take high risk

Financial Planning

- Understanding the importance of savings and benefits of compound growth returns.
- Save more and invest more, its only possible during this stage of life, where responsibilities are less.
- Life Insurance Needs are almost negligible, but should be included in investment as it will not only provide life cover but also would create a habit of Saving. ULIP would be better option in this stage.
- Equity and equity related instrument can occupy a greater portion of portfolio.
- Need for liquidity is less but still keeping in mind the era of pink slip contingency plan should be in place.
- Should think for building real estate.
- Very long term investment

<u>Life Insurance Need Analysis-Stage II- Newly arried</u>

Life Stage Analysis

- Age of 31yrs to 45yrs.
- Married and have Dependents, Kids.
- Income on rise.
- Might have taken some Loan i.e Home Loan, Car Loan etc.
- Have a high Expenditure.
- Effective tax planning is needed.
- Might have started some Investments in Equity or Mutual Funds.
- Risk appetite is Moderate

Financial Needs Analysis

- Have a high Debt Repayment through Installments i.e EMIs
- May want to save for Children’s education.

- Persons need to financially protect their Family and Dependents from unfortunate events.
- Elderly parents also need financial support.
- Start saving for retirement

Financial Planning

- Need a more stable portfolio, with moderate risk.
- Should concentrate on less volatile investment
- Insurance is a must, include child plan and retirement plans under this.
- Should concentrate on reducing debts
- Relatively long term investment

Life Insurance Need Analysis- Stage III-Proud Parents (Pre-Retirement)

Life Stage Analysis

- Age of 45-60 years.
- Major expenses goes towards Child higher education and marriage.
- Reduced Loan Burden
- Have a good Income.
- Retirement on mind.
- Low risk taking appetite.

Financial Needs Analysis

- Saving for retirement.
- Childs Higher Education Expenses or Marriage.
- Previous Investments giving Good dividends and Returns.

Financial Planning

- Should invest in instruments which provide regular return, such as fixed income products.
- Major portion of investment should be diverted towards retirement plan.
- Health insurance should be included.
- Investment should be highly liquid

Life Insurance Need Analysis- Stage IV- Post-Retirement

Life Stage Analysis

- Age 60 years or above.
- Retired from employment.
- Might have taken some assignment as consultant.
- Planning to pursue long cherished hobbies.
- Children are financially independent and married.
- Reduced monthly income.
- Might have small or no Loan outstanding liabilities.
- Marginal or zero risk appetite.

Financial Needs Analysis

- Need regular income to maintain current life style.
- Need to protect investments from market risk.
- Need to save for spouse.

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Financial Planning

- Single Premium Immediate Annuities
- Health Insurance is a must
- Regular income products
- Should do estate planning

Limitations

Reasons cited for not undertaking financial planning are:

Will start financial planning later – No one knows when the later would come. We needto change this psychology and need to understand that financial planning is needed at every stage of life and earlier we start is better.

Waiting to have money to do financial planning – We should realize that we need a plan to have money and not money to have a plan.

Lack of knowledge – there are plenty of books and websites that can help to gain the knowledge of financial planning. A person can even engage a certified financial planner for this purpose.

Misguide earlier under name of financial planning - We need to understand that financial planning is not restricted to a particular asset class or product.

Believing financial planning is only for rich - It is a fact that financial planning is even more important for the person with an average income than it is for someone who earns a very high income.

CHAPTER 8

SUGGESTION

SUGGESTION

After all this it can be stated that the fundamental corner stone's of successful investing are:

- Save regularly, Invest regularly
- Start Early
- Diversify
- Use tax shelter
- Keep a regular check on investment and modify plans as and when needed

People need to be educated and informed about Financial Planning and this provides a greater opportunity to financial product distributer like Reliance Money to educate people. Companies can arrange for seminars and sessions through which they can provide information to people and in return can get prospective clients from the audience. In thisway both the audience and the company can also be benefited.

Financial planning is not a onetime activity; the initiative should be taken by financial planner to put this forward to their client. Regular meetings should be conducted between the financial planner and client to review the investment portfolio. Alteration should be made in portfolio as per need and requirement of the client. This will ensure that the investment objectives are achieved. It will create goodwill for the financial planner and his company. This is one area where many planners are lacking today. Follow-up, follow-up, follow-up is need of hour and it should be understood by financial service provider.

Goal should be properly divided into short term, medium term and long term. Proper allocation should be done in various instruments according to the time period of goal. There are various instruments available which can site different time period needs. If investment are giving regular return or are going to get matured should be reinvested properly.

If an investor is seeking help from advisor then he should collect enough information of product from different sources. It will help to take proper investment decision and choose a right advisor. It is also necessary that advisor should have enough experience. Thus the ultimate responsibility is on the investor when it comes to taking investment decision.

Always keep investment a simple affair. Diversification is must but not to a greater extend. Investor should know exactly what he is investing in. If they do not have adequate information, question should be asked to financial advisor. It is better to invest in instruments which we can understand rather than being dependent on someone else advice.

All the documentations should be complete and need to be preserved. At time of maturity it is necessary to produce the investment documents which act as a proof. But many times investors do not have proper documents which dishonors the claimant maturity. It is also recommended that all the disclosure documents also be preserved as it would help in case of any dispute in settlement.

Investment through SIP should be encouraged. A little amount regularly invested for long period can create a greater wealth. SIP helps in Rupee cost averaging, develop habit of saving and it provides convenience of investment.

Buy and hold. Investment should be done fairly for a longer period of time only then capital appreciations is possible.

CHAPTER 9

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BIBLOGRAPHY

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CHAPTER 10

ANNEXURE - QUESTIONNAIRE

1) Age group of respondent ?

A. 21 - 30 years

B. 30 - 45 years

C. 45 - 60 years

D. Above 60

2) Income distribution of respondent ?

A. Upto 200000

B. 200000 - 300000

C. 300000 - 500000

D. 400000- 500000

E. Above 600000

3) Person willing to take risk according to age ?

A. 21 - 30 years

B. 30 - 45 years

C. 45 - 60 years

D. Above 60

4) Satisfaction of investors on their previous investment ?

A. Yes

B. No

C. Nuetral