Migration Letters

Volume: 21, No: 5, pp. 393-398

ISSN: 1741-8984 (Print) ISSN: 1741-8992 (Online)
www.migrationletters.com

Financial Planning and Practices among Households in Coimbatore City

Dr. G. Vengatesan[1], J. Deepak Kumar[2], Dr. R. Jayachandran[3], Dr. R. Sangeetha[4], Dr. G. Dinesh Kumar[5], Dr. V. P. Karthikeyan[6]

Abstract

When it comes to organizing a household's finances these days, personal financial planning is the most crucial service sector. The financial issue takes precedence over all other issues. All facets of life function more smoothly when finances are in place. The term "personal finance" describes the financial management that a person or a family must do over time in order to create, acquire, budget, save, and spend money while taking into consideration a variety of financial risks and potential future occurrences.

Financial planning, to put it briefly, is the act of methodically organizing one's resources in order to achieve both short- and long-term life goals. Financial planning is the process of organizing and managing one's financial resources to enable people and families, regardless of age or financial situation, to anticipate and realize their objectives and goals.

Many financial experts contend that there is little actual evidence to support the theory that globalization leads to consumption, which in turn lowers the saving rate. The downward trajectory of public sector savings can be attributed to the government administration's negative savings. Additionally, it has been shown that increasing income is not a very powerful tool for influencing the savings rate. Most Indian households are impoverished and do not save, as is the case in many developing nations. The lack of sufficient financial literacy is one of the main causes of their poor saving habits. This article discusses the topic, gives it logical significance, and examines the financial planning and practices of Coimbatore City, Tamil Nadu, households.

Keywords: *Finance, Financial Planning, Practices, Experts, Households, and so on.*

Introduction

By gathering and managing their financial resources, financial planners assist personalities and relations—irrespective of age or monetary situation—in imagining and realizing their aspirations. Understanding the goal of financial planning is essential. The goals could be purchasing a house, beginning a family, setting up an emergency fund,

[1] Associate Professor and Head, Department of Commerce (Business Analytics), KPR College of Arts Science and Research, Coimbatore
[2] Assistant Professor, Department of Commerce (BPS), Sri Ramakrishna College of Arts & Science (Autonomous), Coimbatore
[3] Assistant Professor and Head, Department of Commerce, Puratchi Thalaivi Amma Government Arts and Science College, Palladam
[4] Assistant Professor, Department of Commerce B.Com(AF) and M.Com(IB), Sri Krishna Arts and Science College, Coimbatore
[5] Assistant Professor, Department of Commerce, PSG College of Arts and Science, Coimbatore
[6] Associate Professor and Head, Department of Commerce (PA & BA), Rathnavel Subramaniam College of Arts and Science (Autonomous), Coimbatore

paying for a child's wedding or college education, launching a business, caring for aging parents, setting aside more time for personal hobbies, switching careers, going on an exciting trip, or retiring comfortably. Prior to starting a life road trip, one should gather all of their resources, including income sources, estimated travel costs, existing financial assets and obligations, insurance, and the passengers (spouse, kids, and parents).

The optimal path to achieving a person's financial objectives will be indicated by financial planning. Financial planning will also indicate how quickly one may get at their destinations given their existing financial resources. Making the most of rupees may be achieved by prudent budgeting, prudent expenditure, and astute tax preparation. The properties for a cash alternative endowment, the appropriate totals for life assurance, disability, and other insurance, and so forth are also provided by financial planning. Last but not least, financial planning is a lifelong procedure that is robust and adaptable enough to take into account the unavoidable changes that happen during life. A strong personal financial strategy requires the determination of several component elements. The household life cycle phase has generally been acknowledged as a critical factor connected to consumption and saving. According to the life-cycle model of consumption, plans are designed to save during times of high revenue and spend during times of low revenue in order to reach a steady or even level of consumption throughout the course of a person's lifetime.

According to the life-cycle concept of saving, persons but more when their revenue is high compared to their lifetime usual and less when it is low; middle-aged people save for departure while the elderly disserve. Individual families' valid and asset trends were reversed as a result of high real interest rates, protracted secondary market turmoil, Furthermore, it has been noted that as the Indian economy progresses, households' discretionary spending increases. It has also been observed that revenue increase is not a particularly actual tool for influencing the reserves rate. The majority of households in India, like in many developing countries, are destitute and do not save. Inadequate saving is caused by a lack of fundamental financial literacy, which leads to ineffective financial management practices in the long term.

STATEMENT OF THE PROBLEM

Financial literacy provides the necessary skills for effective and efficient financial management. Basic conventional monetary actions and performs, such as not saving for departure, not investing in the standard market, and copying poorly, can be connected to a lack of understanding of fundamental financial concepts. People should make investments and save during their fruitful working years. When one saves money, they can pay for future needs when they arise and handle crises when they arise. A person has to save in order to fulfil their investing objectives, which may include gaining assets or generating income.

As a result, it was found that home investors always chose harmless and protected short- or medium-term investment routes and were less willing to take risks. The researcher was inspired to read this study because of the prevailing discrepancies between Indian families' saving and investing planning strategies and those of western nations.

SCOPE OF THE STUDY

The persistence of this education is to examine how households in Coimbatore, Tamil Nadu, prepare and handle their finances. In order to improve their investment returns, ensure their money is safe, and manage it wisely through careful financial planning, this learning will help household members develop a healthier empathetic and knowledge of financial literacy and financial management. Financial experts, representatives of different financial institutions, and scholars will find this study helpful as it sheds light on the type of financial literacy that Indian households possess, as well as their preferred avenues for saving and investing, degree of financial discipline, and main reasons for saving or investing.

NEED FOR THE STUDY

The Indian economy is expanding rapidly. It offers a range of financing choices. The goal of the study is to analyze the behaviors that have an impact on households as well as the preferred financial planning pathways. In light of this background, the researcher attempts to learn about the respondents' households' financial behaviors and plans in Coimbatore City.

OBJECTIVES OF THE STUDY

The impartial of this study is to scrutinize the demographic characteristics of Coimbatore City families, assess their level of monetary knowledge, and examine the behaviors that they follow for financial management and planning.

LIMITATIONS OF THE STUDY

The survey is restricted to Coimbatore City and only 150 houses are included in the study. Additionally, the study contains limitations related to time, location, and possessions.

DATA COLLECTION: The current study is based on primary data acquired by questionnaire.

SAMPLE SIZE: 150 homes from Coimbatore City were chosen.

TOOLS FOR STATISTICS: Simple Percentage and Chi Square.

STUDY AREA: Coimbatore City has been chosen as the study area.

SAMPLING METHOD: The random sampling method is used to acquire data.

HYPOTHESIS

H0: Financial management is not dependent on households based on demographic characteristics.

H1: Financial management is influenced by demographic characteristics in families.

(i) Gender vs. Money Management

With two degrees of freedom and a 5% level of significance, the tabulated value is 5.991 in relation to the X2 value of 2.109. The hypothesis is supported since X2 computed < Tabulated value, and it is determined that there is a substantial correlation between respondents' gender and their financial management of homes.

(ii) Financial Management vs. Age

With respect to the X2 value of 10.178, the tabulated value is 12.592 at the 5% level of significance with 6 degrees of freedom. The hypothesis is supported since X2 computed < Tabulated value, and it is determined that there is a substantial correlation between respondents' ages and their financial management of homes.

(iii) Financial Management vs. Education

With respect to the X2 value of 6.068, the tabulated value is 12.592 at the 5% level of significance with 6 degrees of freedom. The hypothesis is accepted and it is found that there is a strong correlation between respondents' education and financial management of their homes since X2 computed < Tabulated value.

(iv) Income Management vs. Financial Management

With regard to the X2 value of 9.015, the tabulated value is 9.488 at the 5% level of significance with 4 degrees of freedom. The hypothesis is accepted and it is determined that there is a substantial relationship between respondents' income and financial management of their households since X2 computed < Tabulated value.

(v) Job vs. Financial Management

With respect to the X2 value of 2.797, the tabulated value is 12.592 at the 5% level of significance with 6 degrees of freedom. The hypothesis is supported since X2 computed < Tabulated value, and it is determined that there is a substantial correlation between respondents' employment and financial management of homes.

(vi) Financial Management vs. Savings

The tabulated value at the 5% level of significance with 4 degrees of freedom is 9.488 in relation to the X2 value of 14.81. The hypothesis is rejected since X2 computed > Tabulated value, and it is determined that there is no meaningful correlation between respondents' savings and financial management for households.

RESULTS

Frequency Analysis

- 60% of the responses are men in the majority.
- The majority (33%), or those in the age range of 21 to 30, are the responders.
- The majority, or 37% of the respondents, fall between the income range of Rs. 10001 to Rs. 20000.
- 35% of the respondents, or the majority, had a family size of two to five persons.
- The majority (33%), of those surveyed, are gathering data from financial advisors.
- 63% of the respondents had a moderate level of interest in financial planning, which is the majority.
- The majority of respondents, or 47%, had little financial literacy.
- The majority, or 43% of respondents, favour loan facilities.
- The majority of respondents, 37%, concur that they are basic investors.
- 40% of the participants in the majority are aware of and favour regular savings.
- The majority of responses, or 23%, select 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 substantial relationship between respondents' age and Financial Management towards homes.

H1: There is a substantial relationship between respondents' education and Financial Management towards homes.

H1: There is a substantial relationship between respondents' income and Financial Management towards homes.

H1: There is a substantial relationship between respondents' occupations and Financial Management towards homes.

H0: There is no significant relationship between respondents' savings and Financial Management towards households. or insufficient saving is a lack of fundamental financial literacy, which has a long-term influence on their ineffective financial management practices.

SUGGESTIONS

Approximately recommendations for creating a sound monetary plan for better savings include continuing the practice for a long time and remembering that, since they are aiming for the highest returns, there will be minimal risk involved in their saving pattern. When people make decisions on financial planning and practices, they want results. If those results are not met, the respondents' interest in planning households is affected.

To ensure that investors are properly planning their investments in homes, best practices are essential to luring investors in, therefore businesses should offer low-risk investment options. Financial advisers are given the highest priority since they believe it is the safest option because the returns are fixed and there is no risk of losing money.

According to the study, financial planners and practitioners want secure returns for their families. Since all basic planners are aware of household risk, they also refrain from making household investments out of a anxiety of trailing currency. It is also discovered that due of the danger and uncertainty in the share market, choosing households for investments presents a number of challenges. Thus, investors steer clear of home investments.

There are several factors that affect families, and financial planners do not consult financial advisors for guidance on financial planning and household practices. Consequently, choosing the right financial planning and procedures becomes challenging.

CONCLUSION

Approximately 70% of all savings are produced by households. Traditionally, instead of being invested in financial assets that generate growth, the majority of those funds have been locked up in physically unproductive assets. The fundamental causes of these better investing and saving behaviors are India's families' inadequate financial planning and financial knowledge. This research is a great complement to the statement made above.

According to the survey, the sample homes have a modest degree of awareness when it comes to learning about money management techniques. The training verified that the households' degree of fiscal literacy and understanding of financial management techniques, as well as the reasonable relationship between the things the family took into consideration before making an investment and the main justifications they gave for investing.

References

Bandagar .P.K (2000), A study of Middle class Investor’s preferences for financial instruments in Bombay, Finance India, Volume No. 14, Issue No 2 .PP.574-576.

Athukorala and Sen (2002), Saving, Investment and Growth in India, Oxford University Press, New Delhi.

Ramanathan, (2002), An Econometric Exploration of Indian Saving Behavior, University of California at San Diege.

Quamar (2003), Saving behaviour and investment preferences among averse urban households, Indian journal of commerce, PP. 36-49, Jan-March.

Jayachandran, (2004), A study on the Behaviour of Households towards Savings and Investments in Coimbatore City, Ph.D Thesis, November.

Rajarshi Ghosh and Asis Kumar Pain (2005), what determines Household savings in India? Independent Research Work NSSR; New York-USA;

Lekshmi R. Nair (2006), Centre for Development Studies (CDS), Financial Sector Liberalization and Household Savings in India, Indian Institute of Capital Markets 9th Capital Markets Conference Paper, January.

The Max New York Life- NCAER (2007), Indian Financial protection Survey; How India Earns, Spends and Saves.

Upender, M. and Reddy, N.L. (2007), Saving Behaviour in the Indian Economy, International Journal of Applied Econometrics and Quantitative Studies, Volume No. 4, Issue No.1, PP, 35-56.

Meenu Verma (2008), Wealth Management and Behavioral Finance: The Effect of Demographics and Personality on Investment Choice among Indian Investors, The IUP Journal of Behavioral Finance, Journal IJBF20812, PP.20, December.

Kalavathi (2009), A study on saving and investment behaviour of Salaried persons –with special reference to Coimbatore City, A thesis submitted to the Bharathiar University for award of Ph.D Degree in Commerce. Unpublished Thesis, May.

Syed Tabassum Sulthana (2010), An Empirical Study of Indian Individual Investors' Behaviour, Global Journal of Finance and management, ISSN 09785-6477, Volume No.2, PP. 19-33, November.

Giridhari Mohanta, and, Sathya Swaroop Debasish (2011), A Study on Investment Preferences among Urban Investors in Orissa. Prerna, Journal of Management Thought and Practice, Volume.No.3, Issue.No.1, PP: 1-9.

Ramesh Jangili (2011), Causal Relationship between Saving, Investment and Economic Growth for India– What does the Relation Imply?, Reserve Bank of India Occasional Papers, Volume No. 32, Issue No. 1, PP. 25-39.

Meenakshi and Shruti. (2012), Study of Saving Pattern and Investment Preferences of Individual Household in India, International Journal of Research in Commerce & Management. Volume No. 3, Issue No. 5, ISSN 0976-2183.

Sajay (2012), Middle Class Household's Investment Behavior: An Empirical Analysis. Radix International Journal of Banking, Finance and Accounting. Volume No. 1, Issue No. 9, ISSN: 2277- 100X, September.

Rekha Mehta (2013), Trends and Patterns of House Hold Saving In India (Pre and Post Economic Reforms), The Global ELearning Journal, Volume No. 2, Issue No. 2, PP. 1.