ROLE OF PLANNING IN THE FINANCIAL DECISION MAKING OF INDIVIDUALS

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INTRODUCTION
The globalization of financial markets provides a plethora of exciting market and investment options which increased the number of retail investors' in India. Clearly, if people had a better understanding of money and how they value it in their lives, fewer people would have been victims of crushing financial recessions and on-going economic difficulties at the household and macroeconomic level.

Throughout an individual's life, he/she is bombarded with opportunities and alternatives. Decision making has to be made concerning education, career, family status, lifestyle, and finances. The decisions made by the individuals will be greatly affected by the personal financial situation. At the same time, the outcomes of one's decisions will have an impact on the personal finances of the individual. Financial insight into the principles and practices of contemporary personal financial management will allow one to make better decisions.

While money matters; however, people matter first. The amount of money is not nearly as important as what a person does with that money. Issues related to individual and household financial security and economic well-being have been of interest to researchers and policy makers for over a century. It is vital for the individual to develop a better understanding of the investment decision making that he/she has been making. It is a known fact that the economic well-being of an individual leads to the economic well-being of the economy.

The study attempts to investigate and analyses the behavioural aspects of individual investments. Proper planning of investments contributes towards financial wellbeing of the individual.

REVIEW OF LITERATURE
Financial Planning has been defined as a systematic approach to maximize existing financial resources by utilising financial tools to achieve financial goals. Rajarajan (1997, 1998, 2000 and 2003), has done extensive research on the characteristics of investors. He classified individual investors on their investment size and demographic characteristics. He also used cluster analysis to segment individual investors based on their lifestyles. He brought out details about the association between lifestyles of individual investors and their demographic and investment related characteristics to understand them and their financial product needs better. Ramakrishna Reddy and Ch.Krishnudu (2009), conducted a study on the investors' perceptions and preferences and their investment behavior of rural investors. Their investigation included awareness of investment avenues, investment patterns, the most preferred objectives of investors and investment patterns. The premise of the study made by Mahabaleshwara Bhatta HS and Uday Kumar B (2009), included questions like whether the investors really based their decision on the assumption of efficient market hypothesis or whether the behavioral finance tenets can throw light on rationality in the investment decision making process.

NEED OF THE STUDY
Understanding financial behavior results in financial well-being of the individual. Literature on financial behavior is abysmally low especially in India. While there have been occasional papers in journals with respect to some of the aspects of investment decision making, there is no comprehensive study so far that deals in the planning aspects of the individual decision making process spanning over his/her lifecycle with respect to investments. The present study attempts to fill the fissure.

OBJECTIVES OF THE STUDY
This paper has two fold objectives: firstly to examine the factors that influence the individual's decision making with respect to his/her investments and secondly to see whether these factors vary with age.

SUMMARY TABLE SHOWING THE PROFILE OF THE RESPONDENTS.

Table 1.1 RESPONDENTS' CHARACTERISTICS

		Frequency	Percent	Valid Percent	Cumulative Percent
Age	20-30years	236	24.6	24.6	24.6
	30-40years	310	32.3	32.3	56.9
	40-50years	206	21.5	21.5	78.3
	Above 50years	208	21.7	21.7	100
	Total	960	100	100	
Gender	Male	632	65.8	65.8	65.8
	Female	328	34.2	34.2	100
	Total	960	100	100	
Marital Status	Single	256	26.7	26.7	26.7
	Married	704	73.3	73.3	100
	Total	960	100	100	
Education	Graduate	216	22.5	22.5	22.5
	Post graduate	450	46.9	46.9	69.4
	Above post graduate	294	30.6	30.6	100
	Total	960	100	100	
Occupation	Employed	492	51.2	51.2	51.2
	Self employed	254	26.5	26.5	77.7
	Retired	68	7.1	7.1	84.8
	Other occupation	146	15.2	15.2	100.0
	Total	960	100	100	
Income	<5lakhs	216	22.5	22.5	22.5
	5lakhs-10 lakhs	328	34.2	34.2	56.7
	10lakhs-15lakhs	250	26	26	82.7
	>15lakhs	166	17.3	17.3	100
	Total	960	100	100	
Investment Size	<3lakhs	402	41.9	41.9	41.9
	3lakhs-6lakhs	358	37.3	37.3	79.2
	6lakhs-10lakhs	144	15	15	94.2
	>10lakhs	56	5.8	5.8	100
	Total	960	100	100	

Source: Primary data

Table 1.1 shows the descriptive statistics of the sample on the basis of Demographic factors that include Age, Income, occupation Investment size, gender, education and marital status.

HYPOTHESIS
Major Hypothesis framed for the study is,

Ho(a). There is no association between age of the investor and financial planning.

Ho(b). There is no significant difference between age groups with respect to perceptions about financial planning.

Sub Hypotheses are as follows

Ho (a1): There is no association between age of the investor and estimating fixed expenses.

Ho (a2): There is no association between age of the investor and estimating of total debt.

Ho (a3): There is no association between age of the investor and estimating flexible expenses.

Ho (a4): There is no association between age of the investor and knowledge of total expenses.

Ho (a5): There is no association between age of the investor and assessing the amount of money that can be used during an emergency.

Ho (a6): There is no association between age of the investor and knowledge of their savings.

Ho (a7): There is no association between age of the investor and recording of the investments.

Ho (a8): There is no association between age of the investor and comparison of planned with actual investments.

Ho (a9): There is no association between age of the investor and adding up the value of total investments

Ho (a10): There is no association between age of the investor and writing investment goals for the current year.

Ho (a11): There is no association between age of the investor and writing investment goals for the next couple of years.

Ho (a12): There is no association between age of the investor and preparation of the cash flow statement

Ho (a13): There is no association between age of the investor and keeping aside some money for investment.

Ho (a14): There is no association between age of the investor and enjoying financial planning.

Ho (a15): There is no association between age of the investor and Putting off financial decision.

RESEARCH METHODOLOGY
Sample for the study is based on the Stratified Random sampling method wherein strata consist of age of investors. Data used in the present study was obtained through a survey.

The primary instrument used in the present study to collect data is a structured questionnaire. The questionnaire was prepared after an extensive review of the literature relating to financial behavior. Questionnaire framed for the current study is based on the studies related to Gladys G. Shelton & Octavia L. Hill (1995) who developed budgeting behaviour scale and Godwin D.D &Koonce J.C (1992) who prepared cash flow management behaviour scale.

Reliability analysis of the questionnaire was done using the Cronbach alpha coefficient is found to be 0.832, which indicates high acceptable level of reliability. Respondents were asked to check the items indicating perception criteria towards planning of investments. They were also asked to give rank and order from one to five according to their opinions in a list using the Likert scale.

RESULTS AND DISCUSSION
In order to test the hypotheses, chi-square test has been carried out and results of the test are presented in the following Table,

TABLE 1.2 SUMMARY TABLE SHOWING THE ASSOCIATION OF AGE OF THE INVESTOR AND FINANCIAL PLANNING

S.No	Questions on planning	Pearsons chi-square value	df	Asymp. Sig. (2-sided)	Null hypothesis	Conclusion
1.	Estimation of fixed expenses	237.109	12	.000	Rejected	Significant
2.	Estimation of total amount of debt	266.954	12	.000	Rejected	Significant
3.	Estimation of flexible expenses	328.370	12	.000	Rejected	Significant
4.	Know the exact amount of total expenses	111.249	12	.000	Rejected	Significant
5.	Assessed the amount of money that can be used during an emergency	185.230	12	.000	Rejected	Significant
6.	Know the amount of money that can be saved	155.584	12	.000	Rejected	Significant
7.	Written record of what is invested	194.235	12	.000	Rejected	Significant
8.	Compare what planned to invest to what actually invested	298.224	12	.000	Rejected	Significant
9.	Add up the value of the investments you made	153.612	12	.000	Rejected	Significant
10.	Written investment goals for this year	266.748	12	.000	Rejected	Significant
11.	Written investment goals for the next couple of years	187.733[a]	12	.000	Rejected	Significant
12.	Prepare a cash flow statement	305.023	12	.000	Rejected	Significant
13.	Keep aside some money for investments	176.711	12	.000	Rejected	Significant
14.	Enjoy financial planning	147.202	12	.000	Rejected	Significant
15.	Often put off making financial decisions	182.718	12	.000	Rejected	Significant

The objective behind this part of the finding is to understand/obtain if there is any association between age of the individual investor and financial planning behavior with respect to investment. Fifteen questions in respect to this were put to the respondents and on analyzing their responses it is observed that there is significant association between investor's age and financial planning.

In order to determine whether there is any difference in age groups with respect to perceptions about financial planning, Analysis of Variance (ANOVA) is conducted. For this purpose the following Null hypothesis is framed.

Ho1 (b). There is no significant difference between age groups with respect to perception about financial planning.

Before analyzing, a brief description about the data is as follows,

Descriptive table gives the mean values , standard deviation and 95% confidence intervals about planning for each separate age group, as well as when all groups are combined.

TABLE:1.3 DESCRIPTIVE STATISTICS

Descriptive								
PLANNING								
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
20-30YEARS	236	3.21	.731	.048	3.11	3.30	1	5
30-40YEARS	310	3.39	.728	.041	3.31	3.47	1	5
40-50YEARS	206	3.46	.492	.034	3.39	3.52	2	4
ABOVE 50YEARS	208	3.87	.816	.057	3.76	3.98	2	5
Total	960	3.46	.743	.024	3.42	3.51	1	5

It can be observed from the data in table 1.3 that mean value (planning)of 20 – 30 years age group is 3.21, standard deviation is 0.731, 95 percent confidence interval for planning is 3.11 – 3.30. Mean value (planning)of 30 – 40 years age group is 3.39, standard deviation is 0.728, 95 percent confidence interval for planning is 3.31 – 3.47. Mean value (planning)of 40 – 50 years age group is 3.46, standard deviation is 0.496, 95 percent confidence interval for planning is 3.39 – 3.52. Mean value (planning)of above50 years age group is 3.87, standard deviation is 0.816, 95 percent confidence interval for planning is 3.76 – 3.98. And mean value (planning)of all age group combined is 3.46, standard deviation is 0.743, 95 percent confidence interval for planning is 3.42 – 3.51.As mentioned earlier in order to test any significant differences in responses among different groups, with respect to planning, ANOVA was carried out and the results are presented in table 4.33.

Table: 1.4 ANOVA - Planning

ANOVA					
PLANNING					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	52.113	3	17.371	34.822	.000
Within Groups	476.902	956	.499		
Total	529.014	959			

Table 1.4 shows the output of the ANOVA analysis. It can be seen that significance level (F (3, 956) = 34.822) is p = 0.000 which is below 0.05 and there is statistically significant difference in mean planning between the different age group investors. Therefore null hypothesis is rejected. In other words it can be concluded that there is significant difference between age groups with respect to perceptions on financial planning.

From the results so far, we know that there is significant difference between the groups as a whole. To know which of the specific groups differ from each other, Tukeys post – hoc test is applied. The results of this test are presented in Multiple Comparisons Table 1.5.

POST HOC TESTSTUKEY HSD

TABLE:1.5 MULTIPLE COMPARISONS - PLANNING

(I) AGE	(J) AGE	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
20-30YEARS	30-40YEARS	-.179[*]	.061	.018	-.34	-.02
	40-50YEARS	-.248[*]	.067	.001	-.42	-.07
	ABOVE 50YEARS	-.665[*]	.067	.000	-.84	-.49
30-40YEARS	20-30YEARS	.179[*]	.061	.018	.02	.34
	40-50YEARS	-.068	.063	.704	-.23	.10
	ABOVE 50YEARS	-.486[*]	.063	.000	-.65	-.32
40-50YEARS	20-30YEARS	.248[*]	.067	.001	.07	.42
	30-40YEARS	.068	.063	.704	-.10	.23
	ABOVE 50YEARS	-.417[*]	.069	.000	-.60	-.24
ABOVE 50YEARS	20-30YEARS	.665[*]	.067	.000	.49	.84
	30-40YEARS	.486[*]	.063	.000	.32	.65
	40-50YEARS	.417[*]	.069	.000	.24	.60
*. The mean difference is significant at the 0.05 level.						

The table 1.5 above shows that there is statistically significant difference (p< .05) among different age group investors except in case of 30-40 years age group investors and 40-50 years age group investors (p = .0.704).

MAJOR FINDINGS OF THE STUDY
Investor's age group 20-30 years
Investors of this age group are in their early stage of earnings. They do not prepare or estimate or have enough knowledge about total expenses and savings. They neither record what is invested nor assess for their emergencies. They do not know the amount of money to be saved. In other words proper planning is not done by this age group as they are inexperienced.

Investor's age group 30-40 years
This group is in its early earnings, saving and investing stage. They are prepared for making savings and investments, prepare estimates, make records of their investments, compare planned with actual investments, asses amount of money needed in emergencies and they start enjoying financial planning.

Investor's age group 40-50 years:
In this group investors continue to estimating expense, saving and investments. They have complete knowledge of expenses and investments as they have crossed first two stages and it is also evident from the observations. They do proper planning.

Investor's age group: 50 years and above:
They have enough experience, make proper planning, record what is invested and compare planned with actual invested. Most of their decisions are individual decisions.

SUMMARY

The decisions made by the individuals will be greatly affected by the personal financial situation. At the same time, the outcomes of one's decisions will have an impact on the personal finances of the individual. Financial insight into the principles and practices of contemporary personal financial management will allow one to make better decisions.The paper analyses the first part of this chapter explains about the association of age and financial planning. Based on the chi- square test it is concluded that there is statistically significant association between age of the investor and financial planning. ANOVA test shows that there is difference in the perception about planning by different age group investors.

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