

PERSONAL FINANCIAL PLANNING AND ITS IMPACT ON INVESTMENT DECISIONS – A STUDY OF RURAL AREAS OF VIRUDHUNAGAR DISTRICT, TAMIL NADU

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Abstract: The present study throws light on determining the impact of personal financial planning on investment decision of people living in rural areas of Virudhunagar district in Tamilnadu. From the data collected from 500 respondents, it was found that majority of the respondents are engaged in Agriculture and rest of the respondents are working in Spinning mills, Match works and Fireworks industries followed by other sources of income. The respondents were asked different questions related to personal financial planning to determine the impact of financial planning on investment decision of the respondents. This study also measured the relationship between personal financial planning and demographic factors like gender, income, age, education and occupation of the respondents using Chi-square test.

Key Words: *Financial Planning, Personal Finance, Investment Decision, Demographic Factors.*

I. INTRODUCTION

The booming of personal financial planning has opened great interests in financial services industry. Personal financial planning is the process of managing one's money to attain personal economic satisfaction. Individual needs and goals change when he or she passes through different stages of life. Therefore, making personal financial planning is a vigorous process.

Finance is the backbone of everyone whether individual, corporate or government. All individuals, corporations and government require funds for operating their activities. However, an individual has to make adequate investment in their plan and direct those investments planned towards suitable vehicles to meet the desired goals and objectives. Therefore, a blooming financial and superior lifestyle is acquiring priority amongst individuals which resulted in the personal financial planning practice. Personal Financial Planning has assumed much importance in the recent years, since the financial markets have become increasingly multidimensional and as there is information disparity between markets and the common people as a result of which a person finds it very hard to take good and right financial decisions. It is a vital tool for promoting financial stability. Therefore, developed and developing countries are more focusing on programs for financial planning.

Investment Decision

Making financial decisions is a necessity and must for every individual in his life. Thus, the ability to manage personal finances has become progressively important in today's world. Investment decisions are usually concerned with the distribution of funds into different investment opportunities for the purpose of receiving the highest possible return. Individuals invest their excess money in any of the investment avenues depending on their risk-taking capacity. Thus, any individual's financial decision making purely depends on their attitude and behaviour. Also, demographic profile plays a vital role in investment decision of the individual.

The investment decision making process is very terrible and depends upon numerous factors which varies from individual to individual. People usually behave diversely while taking any sort of decisions in their life. Some people make decisions based on their own personal experience and judgment whereas others take into account different factors which inspire them to act upon such decision. In case of an individual, the investment decision varies from person to person irrespective of any category like agriculturist, housewife, businessman, etc. Investment decision signifies where the investor wants to invest whether in banks, fixed deposits, gold, property, share market, mutual funds, etc.

II. OBJECTIVES OF THE STUDY

For the fulfilment of the study, the following objectives are framed:

1. To study the impact of personal financial planning on investment decision of rural people in Virudhunagar district.
2. To study the relationship between personal financial planning and demographic factors like age, gender, education, occupation and income.

III. REVIEW OF LITERATURE

The following studies have been reviewed to carry out the current study.

Chen & Volpe (2002) in their study on “Financial literacy among college students” revealed that there are gender differences in financial literacy among college students. Females were less financially literate compared to males. Still, they found that the main field of study had a significant effect on financial literacy of both females and males. They felt that business majors were expected to know more about personal finance than non-business majors.

Lusardi and Mitchell (2006) in their study on “Relation between investment decision, savings and financial planning” concluded that fundamental economic concepts related to savings and investment decisions could be strange to many households in different nations including the United States, United Kingdom, New Zealand, Korea, German and Japan. This phenomenon leads to serious implications for retirement planning, savings, mortgages, loans and other type of financial decisions. Additionally, the increased complicity of financial markets also causes such decisions to become harder as a sufficient number of financial products are accessible to people for taking decision.

Gordon Clark, Carly Moulang, Paul Gerrans, Huu Duong, John Vaz, Paul Lajbcygier, Maria Strydom and Jayasinghe Wickramanayake (2013) conducted a survey and prepared report on “Retirement savings and investment behaviours of Australian investors”. The report revealed that investors knowledge and their decisions regarding savings and investment can be improved at their retirement age. It also seems that some important demographic factors like age, gender, income, balance are associated with investor behavior. Other factors such as financial literacy and internet access have been found to clarify investment activities. Also, the study revealed that majority of the investors did not make any changes over considerable period of time in their saving and investment pattern because of lack of knowledge about financial literacy.

Sekar. M and Gowri. M (2015) in their research on “Financial literacy and its determinants among employees in Coimbatore” determined that the financial literacy level of 51% of the respondents is very less. This is because the level of financial literacy significantly varies among respondents based on different demographic and socioeconomic factors. It was found that the financial literacy level gets affected by gender, income, education, marital status and number of dependents while it was not affected by age factor. It was recommended that the required measures should be taken by government to increase the awareness level about personal finance related matters among masses.

Matewos Kebede, Navkihiran jit Dalhual Kaur and Jasmeendeep Kuar (2015) conducted a research to show “Financial literacy and management of personal finance”. The main objective was to analyze the financial literacy and its relationship between management of personal finance and financial inclusion. The study exposed that people in both developed and developing countries lack in fundamental financial knowledge, attitude and skills required in making personal financial decisions. It discovered that the financial literacy is correlated with socio-demographic variables namely gender, education, age, income etc.

Kavita Chavali and M. Prasanna Mohanraj (2016) in their research on “Impact of demographic variables and risk tolerance on investment decisions” exposed that gender is the only demographic variable that has an impact on investment patterns. Chi-square test was used to show that age and occupation of respondents have an impact on the risk tolerance and risk perception of respondents. Also,

in this study factor Analysis was used and the analysis discloses that the investor invests mostly for his security followed by future planning and risk coverage.

Fachrudin K.A and Fachrudin K.R (2016) conducted a study on “The influence of education and experience toward investment decision with financial literacy” and found out that education does not have a positive and significant relationship with the investment decisions as because educational factors do not affect the investors investment decisions directly. It showed that investors experience also does not have a significant positive effect on investment decisions as because the experience factor also do not affect the investors investment decisions of investors directly. It was finally concluded that financial literacy has a significant positive relationship with investors investment decisions because the investor with high financial literacy level has a strong relationship with investment decisions.

IV. RESEARCH DESIGN

It is a blue print for the collection, measurement and analysis of data. For the current study exploratory and descriptive research design methods are used, where in the researcher has explored the investors financial literacy level and then described the effect of financial literacy level on the investment preference towards financial products. To fulfill the above stated objectives of the current study, both primary and secondary data has been collected through journals, books, websites and pre-tested questionnaire.

Sampling

There are two methods followed to carry out the research. One of the methods is census method and the other one is sampling method. Census method is used to collect information about population and sampling method is used to select the appropriate respondents for carrying out research. In the current study, sampling method is followed to determine the sample size for data collection and to make analysis so as to draw inferences. In order to accomplish the objectives of the study, non-probability convenience sampling technique has been used. A sample of 500 individuals from rural areas of Virudhunagar district in Tamilnadu has been selected using convenience sampling technique. These 500 respondents belong to agriculturalist, respondents working in Spinning mills, Matchworks, Fireworks, small businessmen. The income of the selected respondents also varies.

Data Collection

There are two sources of data i.e., primary and secondary sources. To get a deep understanding into the research area and to develop theoretical framework and hypotheses, the data was collected through secondary sources. A structured questionnaire was designed that has been used for the data collection purpose for the present study.

V. ANALYSIS AND INTERPRETATION

The demographic profile of the respondents has been depicted in analysis and interpretation section. In order to fulfill the objectives of the present study, chi-square test has been used.

Demographic Profile of Respondents

Gender of Respondents

The general profile of the respondents regarding their gender is presented in Table 1. It is obvious from the table that equal number of respondents i.e., 50% each of the total respondents is male and female respectively.

Table1: Classification on the basis of Gender of Respondents

Gender	No. of Respondents	Percentage (%)
Male	250	50
Female	250	50
Total	500	100

Source: Based on primary data collected through questionnaire

Age of Respondents

It is evident from table 2 that in terms of age, 34% of the total 500 respondents are in the age category of 26 – 40 years, followed by 30% of respondents who belong to the age category of less than 25 years. 20% of the respondents are from the age group of 41 to 60 years and remaining 16% of the respondents are in the age group of above 60 years.

Table 2: Classification on the basis of Age of Respondents

Age	No. of Respondents	Percentage (%)
Less than 25 years	150	30
26 to 40 years	170	34
41 to 60 years	100	20
Above 60 years	80	16
Total	500	100

Source: Based on primary data collected through questionnaire

Annual Income of Respondents

From the table 3, it is observed that majority of respondents i.e., 46% have their annual income up to Rs. 1 lakh, followed by 38% respondents whose annual income is between Rs. 1 lakh to 3 lakhs. Only 16% of the respondents are having their annual income of Rs. 3 lakhs and above.

Table 3: Classification on the basis of Annual Income of Respondents

Annual Income	No. of Respondents	Percentage (%)
Upto Rs. 1 Lakh	230	46
1 Lakh to 3 Lakhs	190	38
3 Lakhs & above	80	16
Total	500	100

Source: Based on primary data collected through questionnaire

Marital Status of Respondents

The marital status of the respondents has been shown in Table 4. It is clear from the table that 60% of the respondents are married and only 48% are having unmarried status.

Table 4: Classification on the basis of Marital Status of Respondents

Marital Status	No. of Respondents	Percentage (%)
Married	300	60
Unmarried	200	40
Total	500	100

Source: Based on primary data collected through questionnaire

Qualification of Respondents

Table 5 shows that the majority of respondents 42% are Undergraduates, followed by 26% of respondents holding a Diploma, 18% of the respondents are Postgraduates while the remaining 14% of the respondents are in other category which includes illiterate, 10th pass, +2 pass or having some other job-related qualification.

Table 5: Classification on the basis of Qualification of Respondents

Educational Qualification	No. of Respondents	Percentage (%)
Diploma	130	26
Under Graduate	210	42
Post Graduate	90	18
Others	70	14
Total	500	100

Source: Based on primary data collected through questionnaire

Occupation of Respondents

Table 6 displays the classification of respondents on the basis of their occupation. It is apparent from the below table that majority of the respondents i.e., 52% of the respondents are engaged in Agriculture/Horticulture. 18% of the respondents are working in Match works and Fireworks, while 16% of the respondents are working in Spinning mills and the remaining 14% of the respondents are having their own small business.

Table 6: Classification on the basis of Occupation of Respondents

Occupation	No. of Respondents	Percentage (%)
Spinning mills	80	16
Agriculture / Horticulture	260	52
Match works / Fireworks	90	18
Business	70	14
Total	500	100

Source: Based on primary data collected through questionnaire

Family Type of Respondents

Table 7 presents the classification of respondents according to the type of their family. It is apparent from the table that majority of respondents i.e., are living in joint families and only 30% are living in nuclear family.

Table 7: Classification on the basis of Family Type of Respondents

Family Type	No. of Respondents	Percentage (%)
Nuclear family	150	30
Joint family	350	70
Total	500	100

Source: Based on primary data collected through questionnaire

Impact of personal financial planning on investment decision

Impact of personal financial planning of respondents on investment in savings account of post office

The chi-square test has been employed to check the impact of personal financial planning of respondents on the investment in savings account of post office and the following hypothesis has been formulated:

H₀: There is no significant impact of personal financial planning of respondents on investment in savings account of post office.

H_A: There is significant impact of personal financial planning of respondents on investment in savings account of post office.

The result of chi-square test is shown in Table 8. It is clear from the result that there is a significant difference in the investment in post office with respect to personal financial planning of respondents as the p- value is less than the level of significance, i.e., 0.05. Therefore, it can be concluded that respondents' personal financial planning has a significant impact on their intention to invest in post office savings account.

Table 8: Chi-square result to measure the impact of personal financial planning of respondents on investment in post office savings account

Savings A/C in Post Office	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Yes	154	196	350	45.801	0.00	Significant
No	40	110	150			
Total	194	306	500			

Level of Significance = 5%

Impact of personal financial planning of respondents on investment in bank account

The impact of personal financial planning of respondents on investment in bank account has been analyzed with the help of chi-square test and the following hypothesis has been tested.

H₀: There is no significant impact of personal financial planning of respondents on investment in bank account.

H_A: There is significant impact of personal financial planning of respondents on investment in bank account.

It can be observed from table 9 that there is no significant difference in the investment in bank with respect to personal financial planning of respondents as the p- value is greater than the level of significance, i.e., 0.05. So, it can be finalized that respondents' personal financial planning does not have any significant impact on their investment in savings bank account.

Table 9: Chi-square result to measure the impact of personal financial planning of respondents on investment in bank account

Savings A/C in Bank	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Yes	169	261	430	0.326	0.56	Not Significant
No	25	45	70			
Total	194	306	500			

Level of Significance = 5%

Impact of personal financial planning of respondents on investment in insurance

In order to study the impact of personal financial planning of respondents on their investment in insurance, chi-square test is used and the following hypothesis has been formulated:

H₀: There is no significant impact of personal financial planning of respondents on investment in insurance.

H_A: There is significant impact of personal financial planning of respondents on investment in insurance.

It is clear from the results that the p-value is less than the level of significance, i.e., 0.05. Hence, there is a significant difference in the investment in insurance with respect to personal financial planning of respondents. So, it can be realized that respondents' personal financial planning has a significant impact on their intention to invest in insurance policy.

Table 10: Chi-square result to measure the impact of personal financial planning of respondents on investment in insurance

Investment in Insurance	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Yes	162	218	380	9.78	0.001	Significant
No	32	88	120			
Total	194	306	500			

Level of Significance = 5%

Impact of personal financial planning of respondents on investment in mutual funds

The impact of personal financial planning of respondents on the investment in mutual funds has been analyzed through chi-square test and the following hypothesis has been tested:

H₀: There is no significant impact of personal financial planning of respondents on investment in mutual funds.

H_A: There is significant impact of personal financial planning of respondents on investment in mutual funds.

It can be observed from table 11 that there is a significant difference in the investment in mutual funds with respect to personal financial planning of respondents as the p-value is less than the level of significance, i.e., 0.05. Hence, it can be finalized that respondents' personal financial planning has a significant impact on their intention to invest in mutual funds.

Table 11: Chi-square result to measure the impact of personal financial planning of respondents on investment in mutual fund

Investment in Mutual Fund	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Yes	42	8	50	47.79	0.00	Significant
No	152	298	450			
Total	194	306	500			

Level of Significance = 5%

Impact of personal financial planning of respondents on investment in shares

Chi-square test has been used to determine the impact of personal financial planning of respondents on their investment in shares and the following hypothesis has been formulated:

H₀: There is no significant impact of personal financial planning of respondents on investment in shares.

H_A: There is significant impact of personal financial planning of respondents on investment in shares.

From Table 12, it is evident that there is a significant difference in the investment in shares with respect to personal financial planning of respondents as the p-value is less than the level of significance,

i.e., 0.05. So, it can be observed that respondents' personal financial planning has significant impact on their intention to invest in shares.

Table 12: Chi-square result to measure the impact of personal financial planning of respondents on investment in shares

Investment in Shares	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Yes	49	6	55	65.82	0.00	Significant
No	145	300	445			
Total	194	306	500			

Level of Significance = 5%

Relationship between Personal Financial Planning and Demographic Factors

Relationship between Personal Financial Planning and Gender of the respondents

To check the impact of gender on the personal financial planning of respondents, the following hypothesis has been formulated:

H₀: There is no significant relationship between personal financial planning and gender of the respondents.

H_A: There is significant relationship between personal financial planning and gender of the respondents.

The chi-square test has been used to test the hypothesis. Further, the results are presented in Table 13. It is evident from the table that the p-value is less than the level of significance i.e., 0.05 which shows that there is a significant difference in the personal financial planning of respondents with respect to their gender. So, it can be concluded that the gender of respondents has a significant impact on personal financial planning.

Table 13: Chi-square result to measure the impact of gender of the respondents on personal financial planning

Gender	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Male	169	81	250	174.65	0.00	Significant
Female	25	225	250			
Total	194	306	500			

Level of Significance = 5%

Relationship between Personal Financial Planning and Age of the respondents

To check the impact of age of respondents on personal financial planning, the following hypothesis has been formulated:

H₀: There is no significant relationship between personal financial planning and age of the respondents.

H_A: There is significant relationship between personal financial planning and age of the respondents.

The results of chi-square test are presented in Table 14. It is obvious from the results that there is a significant difference in the personal financial planning of respondents with respect to their age as the p-value is less than the level of significance i.e., 0.05. So, it can be concluded that the age of respondents has a significant impact on personal financial planning.

Table 14: Chi-square result to measure the impact of age of the respondents on personal financial planning

Age	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Less than 25 years	25	125	150	89.73	0.00	Significant
26 to 40 years	65	105	170			
41 to 60 years	76	24	100			
Above 60 years	28	52	80			
Total	194	306	500			

Level of Significance = 5%

Relationship between Personal Financial Planning and Annual Income of the respondents

The impact of annual income on the personal financial planning of respondents has been tested with the application of chi-square test and the following hypothesis has been formulated:

H₀: There is no significant relationship between personal financial planning and income of the respondents.

H_A: There is significant relationship between personal financial planning and income of the respondents.

The results of chi-square test are presented in Table 15. It is clear from the results that there is a significant difference in the personal financial planning of respondents with respect to their annual income as the p-value is less than the level of significance, i.e., 0.05. So, it can be concluded that respondents' annual income has a significant impact on personal financial planning.

Table 15: Chi-square result to measure the impact of income of the respondents on personal financial planning

Income	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Upto 1 Lakh	50	180	230	130.41	0.00	Significant
1 Lakh to 3 Lakhs	69	121	190			
3 Lakhs & Above	75	5	80			
Total	194	306	500			

Level of Significance = 5%

Relationship between Personal Financial Planning and Educational Qualification of the respondents

To test the impact of educational qualification on the personal financial planning of respondents, chi-square test has been used and the following hypothesis has been formulated:

H₀: There is no significant relationship between personal financial planning and educational qualification of the respondents.

H_A: There is significant relationship between personal financial planning and educational qualification of the respondents.

The results of chi-square test are presented in Table 16. It is clear from the table that there is a significant difference in the personal financial planning of respondents with respect to their education as the p-value is less than the level of significance, i.e., 0.05. So, it can be concluded that respondents' education level has a significant impact on personal financial planning.

Table 16: Chi-square result to measure the impact of education of the respondents on personal financial planning

Education	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Diploma	6	124	130	197.91	0.00	Significant
Under Graduate	101	109	210			
Post Graduate	81	9	90			
Others	6	64	70			
Total	194	306	500			

Level of Significance = 5%

Relationship between Personal Financial Planning and Occupation of the respondents

To measure the impact of occupation on the personal financial planning of respondents, chi-square test has been used and the following hypothesis has been formulated:

H₀: There is no significant relationship between personal financial planning and occupation of the respondents.

H_A: There is significant relationship between personal financial planning and occupation of the respondents.

It is obvious from the table that p-value is less than the level of significance i.e., 0.05 which indicates that there is a significant difference between personal financial planning of respondents with respect to their occupation. So, it can be concluded that respondents' occupation has a significant impact on personal financial planning.

Table 17: Chi-square result to measure the impact of occupation of the respondents on personal financial planning

Occupation	Personal Financial Planning		Total	Chi-square value	p-value	Result
	Yes	No				
Spinning Mills	61	9	70	252.506	0.00	Significant
Agriculture	21	239	260			
Matchworks/ Fireworks	76	14	90			
Business	36	44	80			
Total	194	306	500			

Level of Significance = 5%

VI. FINDINGS AND CONCLUSION

The study with respect to investment in financial products and personal financial planning has been analyzed with the application of chi-square test. The p-value is 0.00 which is less than the level of significance, i.e., 0.05 between personal financial planning and investment in savings account in post office, mutual funds and shares. Hence, the null hypothesis is rejected. In case of investment in insurance policy, the p-value is 0.001 that is also less than the level of significance, i.e., 0.05, hence, the null hypothesis is rejected. Finally, it is concluded that there is a significant impact of personal financial planning on investment decision about financial products namely, savings account in post office, insurance policy, mutual funds and shares of rural people in Virudhunagar. In case of savings account in bank, the null hypothesis is accepted at 5% level of significance as the p-value i.e., 0.56 which is greater than the level of significance, i.e., 0.05, hence, it is not significant.

To analyze the relationship between personal financial planning and demographic profile factors such as gender, age, income, education and occupation, the chi-square test has been applied. The results of the chi-square test between personal financial planning and different demographic factors, i.e., gender, age, income, education and occupation have been presented in data analysis and interpretation section. The results reveal that the p-value for all the demographic factors is 0.00 that is less than the level of significance, i.e., 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant impact of demographic factors on personal financial planning of respondents.

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