



Personal Finance with special reference to Indian Citizen

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Abstract:

Personal finance of individual play a vital role from a doctor to an engineer, from teacher to a professional practitioner, from businessman to worker. The researcher was conducted survey on 17 independent variables related to personal finance of an individual person. There were more 500 questionnaires were sent, but the response rate was less than 10%. Only 47 respondents replied for the questionnaire. Finally, 44 respondents' questionnaire was taken for analysis owing to statistical error was occurred in remaining respondents. The analysis was done using regression statistics and one way ANOVA and it was proved that all 17 independent variables are independent in the nature, but in the meantime they are mutual exclusive and interdependent.

Key words:

Finance, India, Individual, Knowledge and Personal.

Introduction:

The epigram has very much encouragement on individual life. Money is the significant factor for life accomplishment. Money is one of the most noteworthy resources that form the backbone of any monetary system (Oleson, 2004). Most individual would like to handle money so that get full satisfaction from each obtainable unit of money. Financial and personal gratification is the result of an organized process i.e. commonly referred to as Personal Finance Planning or Personal Money Management. Personal Finance residues one of the most overlooked aspects of life. Preferably people would like to see whether hard earning money accolade the hard work they put behind it. But individual often fails to take essential action to set money in a progression path.

The term Personal Finance is recent derivation. But it has a vital role in the individual life. Personal Finance deals with money in the needles of individual or family. One must be able to comprehend the money in proper sense, seeing money neither as the most important nor as useless. Money is fairly useful as means of business, as security measures, as a reserve and as a development measure. So life is not possible without money. Money can influence the individual decision-making. Social status is also amplified in terms of money. There is nothing in human life i.e. not exaggerated by money. People cannot live without money and people do not live for money.

Over the preceding few years' Indian socio-economic circumstances are varying at a fast space. In the social front, most of the Indians no lengthier have the joint family net to rely on. Growing cost in walk of life have been distressing standard of living of people. Child care education costs have become costly. The excess disposable income, if managed well, has the possible to become financial resources to meet present and future needs of an individual, so the need to manage the Personal Finance. Personal Financial Planning is a dynamic process encompassing changing financial needs and goals of the individual, and managing resources accordingly. With the enhanced financial awareness, planning of finances now assumes a role of great relevance in managing the surplus income. Personal Finance Planning is the process of managing money to achieve personal economic satisfaction. This allows controlling financial situations. A good financial planning can enhance the quality of life by reducing uncertainty in life and increase satisfaction about future needs and resources.

Today salaried employees are predictable to make more financial choices than ever before. It is also significant that the decisions made are financially prudent as well. They are being presented with a gamut of financial product for every aspect of their daily life. It may be bank account, credit card, loans, insurance, retirement. So selecting the

best suited product becomes a challenge for them. So managing Personal Finance also becomes very important than forever.

Objectives:

1. To identify the factors impact on personal finance.
2. To measure personal finance on different factors.
3. To analyze the effectiveness of Personal Finance.

Hypotheses:

H₀: There is no significant difference between knowledge of personal finance and learn to improve the personal finance.

H₁: There is significant difference between knowledge of personal finance and learn to improve the personal finance.

H₀: There is no significant difference between overall knowledge of personal finance and biggest concern related to personal finance.

H₂: There is significant difference between overall knowledge of personal finance and biggest concern related to personal finance.

H₀: There is no significant difference between recommend of personal finance and required personal financial information.

H₃: There is significant difference between recommend of personal finance and required personal financial information.

Research Methodology:

Research simply means search for knowledge and methodology is the orderly, theoretical analysis of the methods applied to a field of study. It encompasses the theoretical analysis of the body of methods and ideologies associated with a branch of knowledge (Ramamurthy, 2015). A system of models, procedures and techniques used to find the result of a research problem is known as Research Methodology (Panneerselvam, 2010).

Initially, a literature survey has been conducted in the area of Personal Finance for obtaining a comprehensive view of earlier studies in the particular subject, also for determining important variables related to it. Moreover, it helps to develop the theoretical framework. The literature from the published reports, books, articles, full text from national and inter-national journals were the major secondary sources of data. Bibliographical databases, abstracts, documents from various websites were also utilized. Thus, the literature survey helps to develop a framework for research questions designed for the study.

Type of Study

The method of study adopted is descriptive, where an attempt is made to define the Personal Finance and effectiveness of Personal Finance of respondents. The study described the influence of demographic variable on Personal Finance and effectiveness in Personal Finance.

Primary Data

A detailed questionnaire was prepared and managed on personal finance. By questionnaire, the researcher gets some other information pertaining to the respondent. Sometimes, if the respondent has any query/doubt, it can be traced by the researcher.

Secondary Data

To get insight into the research area and to develop the theoretical framework and hypotheses, the information was collected from various books, magazines, journals, newspapers, websites, research projects.

Sampling Frame:

More than 500 people sent the questionnaire, but only 47 were respondents on the questionnaire. The response rate was less than 10%.

Statistical Tool used for the study:

Regression statistics and one way ANOVA were used to analyze the data.

Limitation:

1. All the aspects of personal finance planning are not considered for the study since the concept of personal finance includes the very wide areas.
2. Only financial aspects have been considered for the analysis.
3. The study is only confined to Bangalore

Literature of Review:

Decker, (2018), viewed that personal financial plan is crucial for life. Investing or buying a financial product without a financial plan is like try to build a house without blue print. He points out that personal finance should include, a sketch of specific goals, realistic conventional forecasts of investment returns, risk management, adequate insurance to protect hard-earned assets, a strategy to reduce unnecessary taxes and a solid domain plan.

Patel, (2017), observed the various factors influencing the Personal Finance Planning Behavior. The study recommends that the respondents of Gujarat have optimistic attitude towards Personal Financial Planning. Factors swaying PFP were identified with the help of Exploratory Factor Analysis (EFA). They are Insurance Planning, Spending Behavior, Investment, Overall view of PFP, Superannuation Planning, Taxation Planning and Estate Planning, Personal Factors and Company / Scheme related factors. The identical had been established with Confirmatory Factor Analysis (CFA) as well. With the help of SEM technique theorized model was tested. It has been hypothesized that inclusive Financial Planning depends upon the seven factors named as Money Management, Insurance, Investment, Overall View of PFP, Superannuation, Estate Planning and Tax.

Mahapatra, M. S., Raveendran, J. & De, A. (2017), studied the role of mental accounting in Personal Finance Planning. It aims at studying the role of mental accounting on various aspects of PFP such as Cash flow Management, Investment Planning, Insurance Planning, Taxation Planning, Retirement Planning and Estate Planning. The study shows that mental accounting is positively influenced on Personal Finance Planning.

Grohmann, & Menkhoff, (2015), suggests that holding of different types of investment is considered as good financial behavior. That means diversification of assets across multiple investment types. Study also finds that financial behavior tends to be better when respondents have higher income, greater assets, and higher levels of education.

Gloria, & Santhi, (2014), this study describe that efficient money management is achieved only through proper financial planning. As a first step of financial planning, one should maintain a Financial Diary to keep accounts of his or her income and expenses for a given period, say a week or a month.

Analysis:

Table No.: 01

Recommend and managing personal finances to your friends and colleagues:

Scale of Measurement	Frequency	%
0	3	7
2	1	2
3	3	7
4	3	7
5	3	7
6	6	15
7	6	15
8	3	7
9	3	7
10	10	24
Total	41	100

Source: Primary Data

From the above table it is depicted that the scale of measurement of recommendation and managing the personal finance to friends and colleagues 0 was the very unlikely and 10 be the very likely. The majority of the respondents were very likely to recommend the friends and colleagues for personal finance.

Table No.: 02

Knowledge about Personal Finance

Scale of Measurement	Frequency	%
Advanced	10	23
Expert	6	14
Fundamental/Basic	13	30
Intermediate	12	27
Novice	3	7
Total	44	100

Source: Primary Data

It was measured the knowledge of personal finance of individuals. Five variables were considered for measurement of knowledge, i.e., fundamental/Basic, Novice, Intermediate, Advanced and Expert. The respondents were at 50% in beginners list and 50% in expert list.

Table No.: 03
Financial Goal

Scale of Measurement	Frequency	%
No	6	14
Yes	38	86
Total	44	100

Source: Primary Data

From the above it was observed that the 86% of respondents were set the financial goals. It was proved that Indian are more towards savings of their earnings.

Table No.: 04
Professional Advice on Managing Finances

Scale of Measurement	Frequency	%
No	23	52
Yes	21	48
Total	44	100

Source: Primary Data

It was observed that the respondents are enough knowledge to manage their own funds. 52% of them agreed that they don't require any professional advice on managing finances. But, on the other hand 48% of them said that they require the advice from someone who are expert in managing finances.

Table No.: 06
Overall Financial Knowledge

Scale of Measurement	Frequency	%
2	1	2
4	4	9
5	6	13
6	10	22
7	8	18
8	9	20
9	3	7
10	4	9
Total	45	100

Source: Primary Data

It was observed that the overall real time financial knowledge of respondents. The 0 to 10 measurements scaled was used. 0 was the very unlikely and 10 was the very likely. The respondents gave the rating of above the average of overall real time financial knowledge.

Table No.: 07
Biggest concern related to Personal Finance

Scale of Measurement	Frequency	%
I cannot afford health insurance	2	4
Losing my job	1	2
Making monthly car payment	2	4
Making monthly mortgage payment for my house	11	24
My credit score is poor	3	7
None - I don't have financial worries	15	33
Not being able to get rid of my existing debt	4	9
Paying for College Tuition Fees	7	16
Total	45	100

Source: Primary Data

The researcher was asked that the biggest concern about the personal finance, which will impact on individuals. 33% of respondents were replied that they don't have financial worries in personal finance and 24% of them replied, making monthly mortgage payment for their house is the biggest concern.

Table No.: 08

Learn to improve your Personal Finance

Scale of Measurement	Frequency	%
How to increase my passive income	13	30
How to save money	16	36
How to use credit card intelligently	6	14
Keeping personal information safe	3	7
Starting small business	6	14
Total	44	100

Source: Primary Data

From the above analysis, it was observed that 36% of respondents were finding ways to save their money and 30% of respondents were looking to increase their passive income. Rest of respondents have had different opinion on their learning and improving the personal finance.

Table No.: 09

Five year Plan or Budget

Scale of Measurement	Frequency	%
No	20	44
Yes	25	56
Total	45	100

Source: Primary Data

The budget for the five years and plan of the future of individuals have a good plan. 56% of respondents agreed that they had better budget, on the other hand 44% of respondents disagreed with the statement.

Table No.: 09

Descriptive Budget for your Future

Scale of Measurement	Frequency	%
2	3	7
5	5	11
6	4	9
7	7	15
8	13	28
9	7	15
10	7	15
Total	46	100

Source: Primary Data

It was observed that the descriptive budget for the future on 0 to 10 scale measurement. From 0 was the very unlikely to 10 was the very likely. The majority of the respondents were agreed the descriptive budget was the best plan for the personal finance and future security of life.

Table No.: 10

Emergency Fund

Scale of Measurement	Frequency	%
Extremely important	29	64
I am not sure	1	2
Not at all important	3	7
Not so important	1	2
Somewhat important	11	24
Total	45	100

Source: Primary Data

From the above table it was observed that the emergency fund required for any work. 64% of respondents were agreed that the fund is required for emergency.

Table No.: 11
Saving for Retirement

Scale of Measurement	Frequency	%
Extreme important	25	56
Not at all important	2	4
Not so important	1	2
Somewhat important	17	38
Total	45	100

Source: Primary Data

From the above table it was observed that the saving for retirement or old age. 56% of respondents were extreme important that the saving for retirement is must and 38% of respondents said that it is somewhat important.

Table No.: 12
Prepared Will

Scale of Measurement	Frequency	%
No	30	67
Yes	15	33
Total	45	100

Source: Primary Data

The property will of individual is considered here. 67% of respondents have not had will. But, 33% of respondents were prepared will for heir.

Table No.: 13
Type of Will

Scale of Measurement	Frequency	%
Other	8	35
Simple	8	35
Specific Request	7	30
Total	23	100

Source: Primary Data

It was observed that the types of will, i.e., specific request, simple and other. All the respondents have had by and large same opinion on the same.

Table No.: 14
Holding Credit Card

Scale of Measurement	Frequency	%
Bad	11	24
Good	23	51
No sure	11	24
Total	45	100

Source: Primary Data

51% of respondents were said holding credit card is good. 24% of respondents were said that holding credit card is bad and not sure.

Table No.: 15
Type of Insurance

Scale of Measurement	Frequency	%
Auto	4	9
Health	7	16
Homeowner's/Renter's	4	9
Life	26	59
Long Term Care	1	2
Other	2	5
Total	44	100

Source: Primary Data

Regarding insurance policy, more than half of the respondents were holding life insurance and half rest of other insurance policy.

Table No.: 16
Require more Information

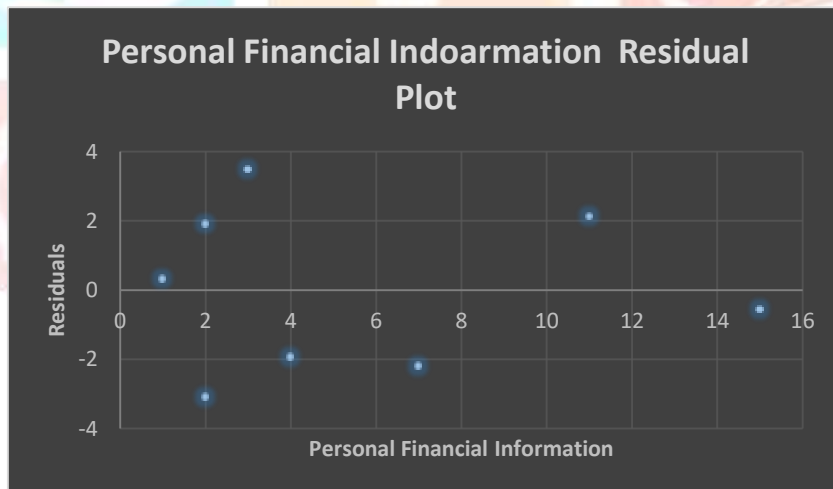
Scale of Measurement	Frequency	%
Budgeting	9	20
Credit	1	2
Educational Loan	2	5
Investing	12	27
Life Insurance	3	7
Other	3	7
Personal Loan	2	5
Retirement	5	11
Saving	5	11
Wills	2	5
Total	44	100

Source: Primary Data

Based on information required for personal finance, i.e., budgeting, credit, educational loan, investing, life insurance, personal loan, retirement, saving, wills and other. 27% of respondents were said that investing is the first priority for good return on investment.

Hypotheses Testing:

Graph No.: 01



From the regression statistics and ANOVA table no. 17, it was observed that the statistical significant F value is 0.07, which is more significant level of 0.05. The null hypothesis was rejected and alternative hypothesis was accepted. It was observed that the recommend of personal finance to friends and colleagues and personal financial information have significant relationship between two independent variables.

Table No.: 17
Analysis of Hypothesis (H₁)

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.666399294
R Square	0.444088019
Adjusted R Square	0.351436022
Standard Error	2.544417081
Observations	8

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	31.03065032	31.03065032	4.79307553	0.071142483
Residual	6	38.84434968	6.47405828		
Total	7	69.875			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	3.262260128	1.404979216	2.321927678	0.059292272	-0.175600166	6.700120422	-0.175600166	6.700120422
Personal Financial Information	0.420042644	0.191860798	2.189309373	0.071142483	-0.049423817	0.889509105	-0.049423817	0.889509105

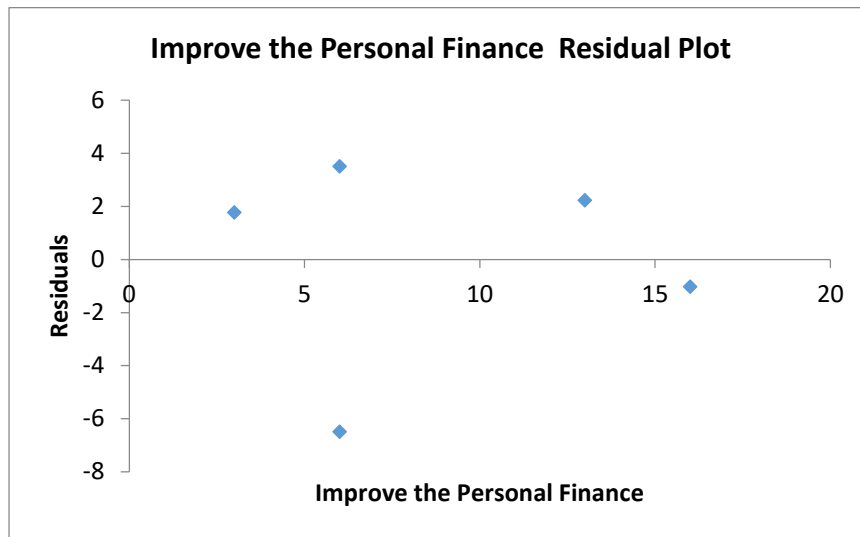
RESIDUAL OUTPUT

<i>Observation</i>	<i>Predicted Y</i>	<i>Residuals</i>
1	4.102345416	-3.102345416
2	3.682302772	0.317697228
3	4.102345416	1.897654584
4	7.882729211	2.117270789
5	4.52238806	3.47761194
6	9.562899787	-0.562899787
7	4.942430704	-1.942430704
8	6.202558635	-2.202558635

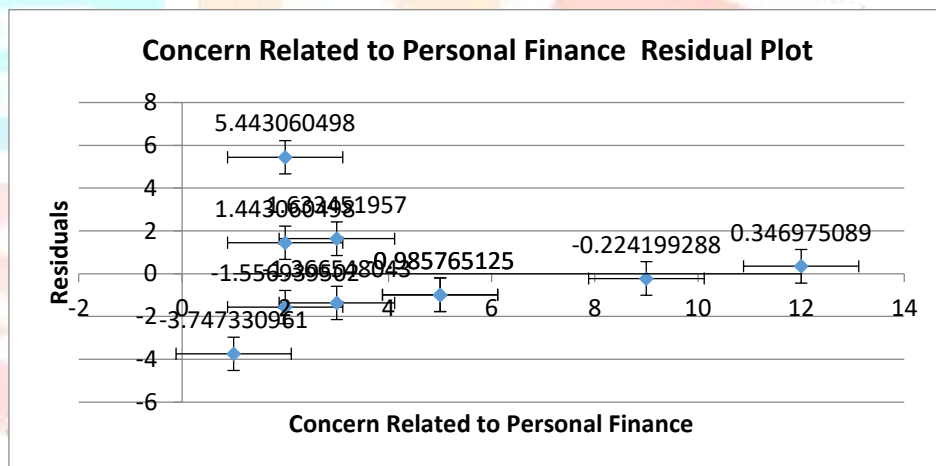
SUMMARY OUTPUT

Regression Statistics								
Multiple R	0.318389							
R Square	0.101372							
Adjusted R Square	-0.19817							
Standard Error	4.605174							
Observations	5							
ANOVA								
	df	SS	MS	F	Significance F			
Regression	1	7.177104	7.177104	0.338421	0.601572			
Residual	3	63.6229	21.20763					
Total	4	70.8						
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	10.96296	4.250384	2.579288	0.08183	-2.56365	24.48958	-2.56365	24.48958
Improve the Personal Finance	-0.24579	0.422511	-0.58174	0.601572	-1.59041	1.098827	-1.59041	1.098827
RESIDUAL OUTPUT								
Observation	Predicted Y	Residuals						
1	7.767677	2.232323						
2	7.030303	-1.0303						
3	9.488215	3.511785						
4	10.22559	1.774411						
5	9.488215	-6.48822						

Table No.: 18
Analysis of Hypothesis (H₂)

Graph No.: 02

From the regression statistics and ANOVA table no. 18, it was observed that the statistical significant F value is 0.601572, which is more significant level of 0.05. The null hypothesis was rejected and alternative hypothesis was accepted. It was observed that the knowledge of personal finance and learn to improve the personal finance have significant relationship between two independent variables.

Graph No.: 03

From the regression statistics and ANOVA table no. 19, it was observed that the statistical significant F value is 0.462839, which is more significant level of 0.05. The null hypothesis was rejected and alternative hypothesis was accepted. It was observed that the overall knowledge of personal finance and concern related to personal finance have significant relationship between two independent variables.

SUMMARY OUTPUT

Regression Statistics								
Multiple R	0.26301							
R Square	0.069174							
Adjusted R Square	-0.04718							
Standard Error	2.617862							
Observations	10							
ANOVA								
	df	SS	MS	F	Significance F			
Regression	1	4.074377	4.074377	0.594522	0.462839			
Residual	8	54.82562	6.853203					
Total	9	58.9						
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	4.937722	1.365917	3.61495	0.006832	1.787912	8.087533	1.787912	8.087533
Concern Related to Personal Finance	-0.19039	0.246924	-0.77105	0.462839	-0.7598	0.379017	-0.7598	0.379017
RESIDUAL OUTPUT								
Observation	Predicted Y	Residuals						
1	3.224199	-0.2242						
2	4.747331	-3.74733						
3	4.55694	-1.55694						
4	2.653025	0.346975						
5	4.366548	-1.36655						
6	4.366548	1.633452						
7	4.55694	1.44306						
8	3.985765	-0.98577						
9	3.985765	-0.98577						
10	4.55694	5.44306						

Table No.: 19
Analysis of Hypothesis (H₃)

Conclusion:

The personal finance is must from business to profession and/or agriculture to work. It is must irrespective of gender and/or age. The personal finance of individuals' life will impact on future returns and benefits. The researcher was conducted an organized survey using well-structured questionnaire in and around the Bangalore. Total 17 independent variable were asked each individual for their opinion on personal finance.

All 17 independent variables were independent in the nature, but still they are mutual in the nature. Total three hypotheses were measured based on data was collected through the questionnaire. All the three alternative accepted and it was proved statistical significant that all the calculated variables were independent, mutual exclusive and interdependent on personal finance of individuals in their real lifetime. It was concluded that personal finance of each individual have for future planning of life.

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