

## **ACCESSING THE AWARENESS LEVELS OF GOAL BASED FINANCIAL PLANNING AMONG INDIVIDUALS IN NAGPUR CITY**

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### **Abstract**

This study focuses on what is referred to as Personal financial planning focusing goals i.e. investment in different financial products aimed primarily at goal based investing rather than just investing into financial products without realizing target or goal. By virtue of this the words investing and goal based financial planning come closer in meaning than traditionally seen. However, a slight difference still remains which is that while investing is simply investing funds for future without realizing goals, goal based investment also involves mobilizing fund so that it can be used to achieve targeted goals. This study examines the awareness of individual investors for investment in financial products for achieving their goals. The study also looks into the basic financial literacy amongst the people

Keywords: financial goals, financial planning. Goal based investing

### **Introduction**

Financial planning is the long term process of wisely managing your finances to help achieve your goals and dreams. It is the process of planning and managing personal financial activities such as income generation, spending, saving, investing. This study includes checking the awareness about the goal based personal financial planning.

Personal financial planning is a very powerful term use in the world of investing. If you able to build a good financial plan, then you can achieve your goals and dreams without any difficulty. It includes different plans at different stages of life from birth till death. We have different requirements at the different stages of life like education, buying house, marriage, retirement and many other different long as well as short term goal. All you have to do is realize the goals before a specific time period and start investing for it. Investing before the goal makes a person free from any financial borrowings in the life. Objective of this research is to make people aware how important is to have a good financial plan to achieve a specific goal and live debt free life.

What is Personal Finance?

Personal finance is the process of planning and managing personal financial activities such as income generation, spending, saving, investing, and protection. The process of managing one's personal finances can be summarized in a budget or financial plan. This guide will analyze the most common and important aspects of individual financial management.

Areas of Personal Finance

The main areas of personal finance are income, spending, saving, investing, and protection.

The Personal Finance Planning Process

Good financial management comes down to having a solid plan and sticking to it. All of the above areas of personal finance can be wrapped into a budget or a formal financial plan.

These plans are commonly prepared by personal bankers and investment advisors who work with their clients to understand their needs and goals and develop an appropriate course of action.

## Objectives

- To introduce the concept of personal finance
- To understand the individual awareness about Goal based financial planning

## Research Methodology

### Type of research

The type of research done in this project is exploratory research. Exploratory research means investigation into a problem or situation which provides insights to the researcher. The research is meant to provide details where a small amount of information exists. It may use a variety of methods such as trial studies, interviews, group discussions or other tactics for the purpose of gaining information.

### Data type

#### 1. Primary data-

For collection of primary data questionnaire was prepared and feedback from the population was taken. Primary data collected from respondents regarding awareness about goal based financial planning, habit of raising money to achieve financial goals, awareness about effect of inflation on saving, how much social factors like internet, friends and family influence in saving habit of individuals.

#### 2. Secondary data-

Secondary data has been taken from company booklets, internet, information manual etc.

### Data Collection Tools:

Data collection tools used for this study are semi-structured interviews and questionnaire.

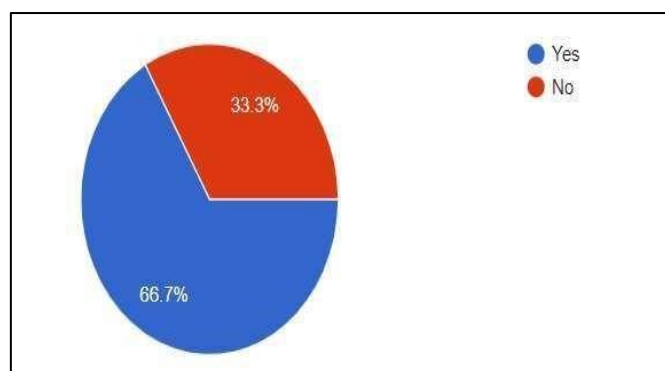
Sampling frame: Population between age group of 25 to 50

Sample size 240 Responses are collected from people residing in Nagpur city.

## Data Analysis and Results

### 1) Do you know your financial goals?

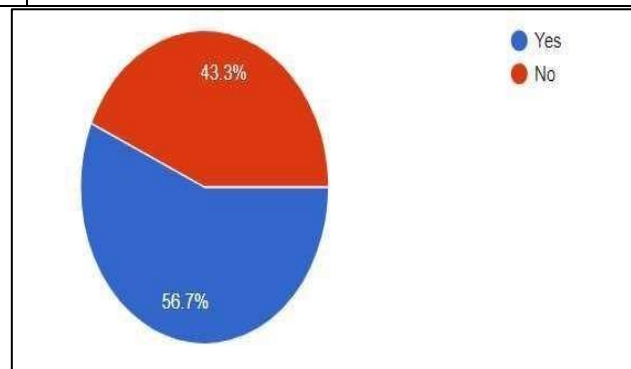
Response	Number of responses
Yes	80
No	160



The survey shows that 66.7% of respondents are aware about their financial goals, while 33.3% of respondents are not aware of their financial goals.

## 2) Do you know how much you require for the goal in future?

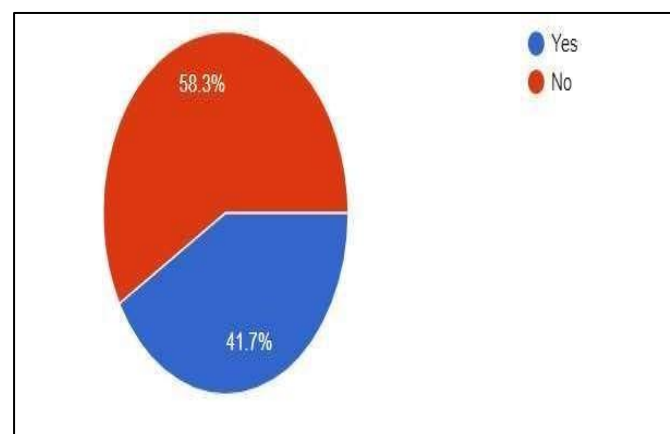
Responses	Number of responses
Yes	136
No	104



The survey shows that 56.7% know the amount required for the goal in future. For completion of goal one must know how much it will be needed to achieve the same in future so that no extra amount will need at the time of completion of goal. Knowing exact amount will reduce the running out of fund or saves one from borrowing. As shown in the figure 43.3% of respondent are not aware about the cost require to achieve their goal in future. This 43.3% people might borrow or would like to take loan for achievement of their goals.

## 3) Do you invest regularly for these goals?

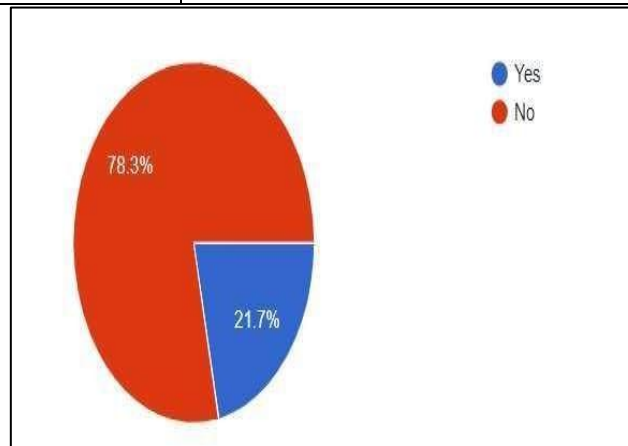
Response	Number of responses
Yes	100
No	140



From the above figure out of 56.7% who knows how much it requires them to complete their goal only 41.7% respondents invest regularly for achieving their goals. 58.3% people do not invest regularly. There is no surprise to know only 41.7% invest regularly as most of the remaining population will like to take loan or like to depend on borrowing money. As we saw in above figures many people even do not know their goal so there is no point in investing if do not know where they will spend this money. That makes it very important to know what you want to do in your life. If you plan the things it will be easy to enjoy the goal you achieve rather than to worry about loan instalment payment. Goals are not just made for writing somewhere or telling anyone. You need to plan how much you will need to invest regularly so that you get the desired amount for completion of your goals. If you do not invest regularly, one has to take loan or borrow money from friends or family. Borrowing or taking loan may create cash crunch afterword.

4) Do you follow any asset allocation (debt to equity ratio) while investing for these goals?

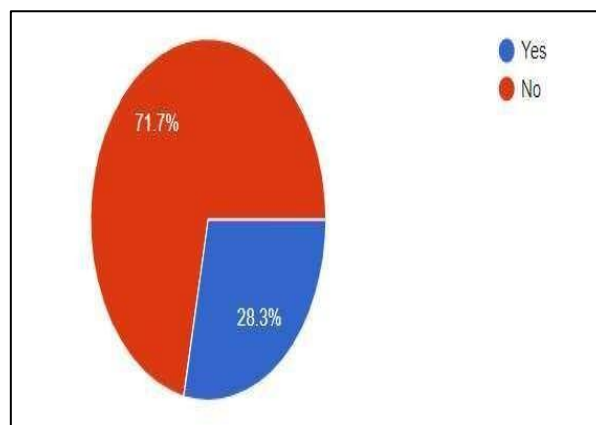
Response	Number of responses
Yes	52
No	188



In the above figure 78.3% population do not know about asset allocation. Large amount of population is unaware of the different allocation available in debt and equity. This numbers must not create any confusion in reader's mind as most of the population even do not invest regularly. Asset allocation is the best way to save one from loss. According to investors risk profile he/she can invest in different asset classes. Time period required to allocate the money to achieve one's goals also plays a role in asset allocation process. As if you have less time you need to take more risk.

5) Have you taken life insurance?

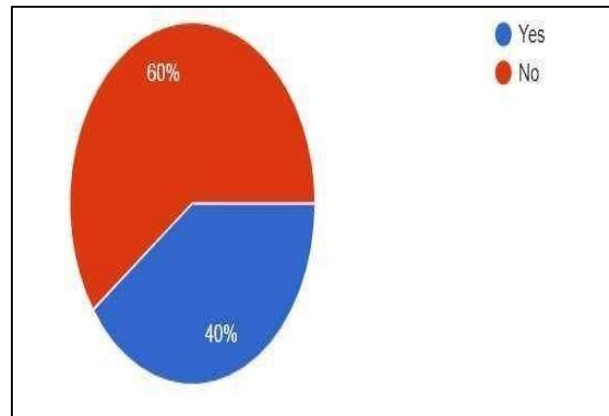
Response	Number of responses
Yes	68
No	172



From the surveyed population 71.7% do not have life insurance. 28.3% population have life insurance. Most of the times people take insurance policies with minimal coverage. There is no evaluation of how much cover is really required.

6) Are you maintaining any emergency fund?

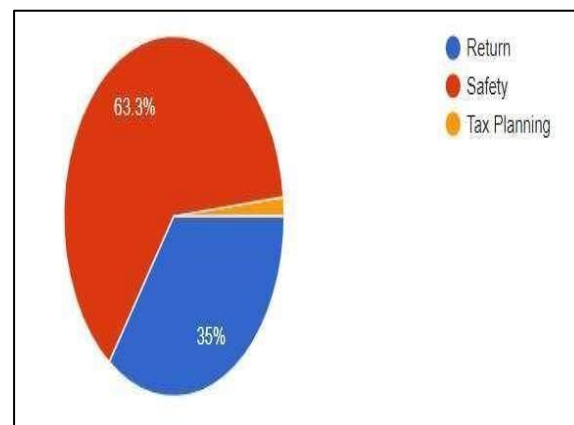
Response	Number of responses
Yes	96
No	144



Maintenance of emergency fund is the most important in the financial planning. In the figure only 40% population is maintaining emergency fund. While 60% population is not maintaining emergency fund. Emergency fund helps in providing cushion in terms of difficult times and one need not really take loan in such situations or withdraw from other investments.

#### 7) What is your preference while investing?

Response	Number of response
Return	84
Safety	152
Tax planning	4



From the figure 63.3% population prefer while investing, while 35% prefer return over safety and tax planning. As from all the above questions we can say that if population is not saving for the goals and do not know the amount needed for the completion of the goal. That means people are less like to invest for the particular goal. From the above figure we can say that the population surveyed is mostly of conservative profile. Are less likely to take risk and will be happy with less returns. The population having conservative risk profile have fear of losing money so that they like to invest in less risky investment options available in the market.

#### Conclusion

It is important for a person who wants to fulfil any financial need in life should have proper financial plan. Financial plan is needed to achieve person's financial goal without borrowing or having any financial difficulty. With a good financial plan one can beat inflation easily and get the plan done in specified time period. With the increase in inflation the time value of money is also decreasing year on year. Through the study it can be concluded that individuals in Nagpur region lack the clarity about their goals and how they should invest to accumulate the required amount.

The financial plan for different goal shows what money we need today to fulfil a goal and the same amount considering inflation at the particular time when that goal need to be fulfilled. Retirement planning is the major goal that one should have to live post retirement life in a independent way. Also person should start investing for retirement in early age to decrease the future financial burden in the later age.

### **Limitations**

This study focuses on a very small sample size and mostly limited to the salaried individuals of Nagpur. Thus, the generalization of results may require further validation. There is further much scope for research in this subject to explore.

### **Recommendations**

Managing one's money need not be boring. You only need to show a bit commitment. Deciding to save is the first step towards money management. Before investing you may have financial goals in your mind. All you need to have is start your investment. Investing money will help you not only avoid falling into debt but also help you in beating inflation.

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