

## FINANCIAL KNOWLEDGE AND PERSONAL FINANCIAL PLANNING IN THE PHALTAN REGION (MAHARASHTRA, INDIA)

Akash Kadam<sup>1</sup>

<sup>1</sup>College Name: Indira School Of Business Studies PGDM, Pune, India.

E-mail: akashsudhakarkadam@gmail.in

### ABSTRACT

This research paper titled “Financial Knowledge and Financial Planning” investigates the financial behaviour of people in Satara Phaltan district, focusing on how they allocate their money reserves to different asset classes and their responses to understanding financial planning. The study adopted a descriptive research design and aimed to provide an understanding of the financial planning process in the short and long term. Data was collected through a combination of personal interviews and structured questionnaires as well as other sources such as financial records and government documents. The sample consisted of 20 respondents selected on the basis of demographic characteristics such as age and income. The study identified important issues such as financial literacy, integration of financial goals with life goals and factors affecting decision-making. While the study provides insight into financial planning in the Phaltan region, it faces several limitations, including the small sample size, difficulty in obtaining detailed financial information from the participants, and time constraints. The results of this study provide a basis for understanding the level of financial knowledge in the region and suggest areas that can be improved to promote effective financial planning.

**Key Words:** Financial Planning, Financial knowledge

### 1. INTRODUCTION

Financial planning is the process of achieving goals through proper financial management. Financial planning is a way for a person to understand where they are now (financially), determine where they want to be in the future, and determine what steps they will take to achieve that goal. Financial planning provides direction and meaning to people's financial decisions. It allows you to see how each financial decision a person makes affects other parts of their financial situation. For example, buying a certain investment can help you pay off your mortgage faster or delay retirement. By looking at each financial decision as a whole, people can evaluate its short-term and long-term impact on their life goals. People can also adapt more easily to life and feel more confident that their goals are being met. In simple financial planning, a person does this with their money. People have been financially planning for centuries. Everyone who receives money must decide how best to use it. Most decisions are made immediately or saved for later use. Everyone has to make the same decision every time they receive a salary. Should I use it now or save it and use it later? Financial planning in India today means investing money only in tax-saving instruments. This is due to the numerous tax exemptions and incentives offered under various sections and sub-sections of the Income Tax Act. This leads to situations where people do not understand the reasons or principles behind the investment. Also, the investment seems to be driven by the “commissions” they receive from the agent and the advisor. The more the agent gives, the more the scammers believe that they have made a good decision by choosing a good agent who will give them a bigger commission.

What is not realized in the process is that your financial future is affected. Complete this task first.

Self-assessment

allows a person to understand their current financial situation and responsibilities. Self-assessment should include: Retirement age Primary income Number of dependents Monthly expenses and savings Current assets Before you join, you should consider your financial situation with financial planning. Everyone wants a better, happier life.

There are needs and desires that need

to be met in order to live such a life. Money is the mediator of wants and needs. Some of the basic needs of people are to create enough financial resources to live a good life, provide education for children and marriage, buy the house of their dreams, provide emergency medical care, etc. Once the needs/goals are determined, they need to be translated into financial goals. These two factors translate needs into financial goals. The first is to measure and decide when you need to withdraw money from your investment for each need/goal. This person must estimate the present value of the amount needed to meet today's goals/needs. The amount needed to meet future goals/needs can then be estimated using the appropriate product. Similarly, the amount required to meet all these goals/needs should be estimated. When people have all their earnings, they have to show it against time, the shortfall in achieving the goals can be measured. This difference needs to be met at once to meet different needs at different stages of life. Since the future is unpredictable, all situations need to be taken into account in financial planning.

### Research Gap:

While various studies have explored financial Knowledge in urban settings, there is limited research focused on rural areas like Phaltan. This study aims to address this gap by examining the financial planning behaviour of individuals in Phaltan and assessing their understanding of savings allocation across different asset classes.

### Objectives:

- Identify people's investment habits
- To understand financial planning.
- To analyse the characteristics of different asset class

## 2. LITERATURE REVIEW

Financial literacy studies consistently emphasize the importance of education in improving personal financial decision-making. Lusardi and Mitchell (2014) found that individuals with greater financial knowledge are more likely to participate in retirement planning, choose investment diversification, and avoid expensive debt. In India, institutions such as the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) have developed programs to increase financial literacy, but these efforts have targeted urban populations. A study by Agarwal et al. (2020) showed that rural people tend to prefer savings instruments such as gold or term deposits, which generally offer lower returns. Instead, urban dwellers prefer to invest in higher-yielding securities such as mutual funds and stocks. Based on these views, this study investigates individuals who manage savings and engage in financial planning in the semiarid region of Phaltan.

## 3. RESEARCH METHODOLOGY

### Research Approach:

- This study adopts a descriptive research design aimed at understanding how individuals allocate savings across different asset classes and assess their awareness of financial planning strategies. It further aims to analyze both short- and long-term financial planning approaches by interviewing individuals in the Phaltan region (Satara).

### Research Area:

- This research was conducted in the Phaltan region of Satara, selected for its population of educated working professionals. This demographic was considered appropriate for this study because of their potential engagement in financial planning and investments.

### Data Collection Techniques

Two types of data collection methods were employed.

#### Primary Data Collection

- **Personal Interviews:** Face-to-face interviews were conducted to gain in-depth insights into individuals' financial planning habits. Both structured and unstructured interviews were conducted. Structured interviews followed a set list of questions, whereas unstructured interviews allowed for more in-depth discussions based on the interviewees' responses.
- **Questionnaires:** A questionnaire was used to gather structured data from a large sample size. The questionnaire included a combination of dichotomous (yes/no), multiple-choice, and open-ended questions. Open-ended questions were limited to ease the analytical process.
- **Secondary Data Collection**
  - Data already available from various sources, such as articles, financial reports, reports from the Financial Planning Board of India, government reports, and other literature available on the Internet were used. These secondary data provided additional context and supported the primary research findings.
- **Sampling Method:**
  - The sample design was based on socio-demographic factors, such as income and age group, considering the importance of these factors in financial decision-making.
- **Sample Size:** Twenty respondents were interviewed due to time constraints.

**Sampling Technique:** A random sampling method was employed without a predetermined list of respondents. The sampling unit was based on the geographical location of Phaltan.

### Research parameters

- This study focused on the following parameters to evaluate individual financial planning:
- Awareness of financial planning.

- Alignment of life goals with financial goals.
- Investment distribution across asset classes.

#### 4. DATA ANALYSIS/ DATAVISUALIZATION, RESULTS, AND INTERPRETATION

##### Data Analysis and results

##### Q1. Age distribution of the respondent

Table No 1/ Age Group Respondent

Age group of Respondent	No. of Respondent	Percentage
21-30	5	25%
30-45	10	50%
45-60	3	13%
Above 60	2	12%
Total	20	100%

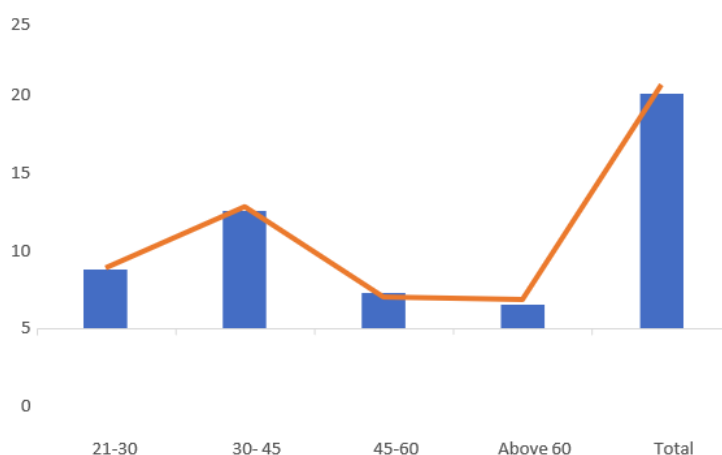


Fig No 1/ Age Group Respondent

Nearly 75% of the participants fall within the 21 to 45 age range, often considered the most dynamic phase of life. During this period, individuals experience significant life transitions. In the early years, when one's career or business is in a growth stage, there are many responsibilities along with access to substantial financial resources. This is also the time when people can take the highest risks due to the longer window available to realize returns. By the time individuals reach 30, their sense of family obligations tends to increase, and with age, their risk appetite gradually diminishes. Focusing on this age group in data collection offers valuable insights into the financial behaviours of young India.

##### Q2. Income distribution of respondent

Table No 7.2/ Income Distribution

Income	Respondent	Percentage
up to 2,00,000	3	15
2,00,000 - 3,00,000	5	25
3,00,000 - 4,00,000	4	20
4,00,000 - 5,00,000	5	25
above 6,00,000	3	15
Total	20	100

Financial planning involves assessing one's current income, as the amount of disposable income available significantly influences investment decisions. It also plays a crucial role in tax planning, allowing individuals to take advantage of various tax exemptions. As a result, understanding one's income is essential. According to Guerra, financial planning also entails analyzing present cash flows, projecting future cash needs, and determining the necessary steps to meet those needs over time. Therefore, knowing the income inflow of an individual is critical to making informed financial and tax-related decisions. The above

### Q3. Person's willingness to take risks according to age

Table No 3 / Person's willingness

Age group	Willingness to take risk			Total
	High	Moderate	Low	
21-30	3	3	1	7
31-45	3	3	0	6
46-60	1	3	1	4
above 60	0	2	1	3
Total				20

Investment decisions are often driven more by an individual's willingness to take risks than by their actual ability to do so. The graph above illustrates how willingness to take risks varies across different life stages. Younger individuals tend to be more open to risk, but as responsibilities grow with age, their willingness typically decreases. However, personal preferences can vary, and some individuals may defy age-related risk trends. This highlights that, in many cases, investment choices are influenced more by a person's risk appetite than by their financial capacity, as clearly shown in the graph.

### Q4. The investment made by the respondent in various avenues

Table No .4 Investment Various Avenues

Avenue	Respondent	Percentage
Life Insurance	18	90
Fixed Deposit	18	90
Mutual Fund	12	60
Equity Market	8	40
Gold	10	50
PPF	13	65
Post Office Deposit	10	50

This data provides a clear view of how individuals allocate their assets across different classes. It was noted that all respondents had life insurance policies, indicating that the fundamental aspects of financial planning were met. A significant portion of investments was in Provident Funds, driven by their security and the tax benefits they offer. Bank Fixed Deposits and Post Office Deposits also attracted substantial investments due to their perceived safety. Equity, on the other hand, was less favored due to its volatility, though some respondents opted for it as a long-term investment by focusing on large, stable companies.

### Q5. Various sources of information/reference for investor which influence investment decision.

Table No .5 Investor influence investment decision

Source of information	Respondent
Newspaper/ Media	6
Professionals	4
Agents/Broker	5

There are various sources of information that play a crucial role in guiding investment decisions. The graph illustrates these sources, plotted according to their level of reliability. On the X-axis, the far right represents the highest level of authenticity, which gradually decreases as we move left. The authenticity of information is essential in making sound investment choices. The data reveals that the majority of respondents relied on information provided by agents and brokers from different financial institutions for their investment decisions. The second most significant source of information comes from Newspapers, publications and media which are considered to be highly authenticated data. The help of professionals in the investment decision is taken not by many, due to the fees charged by various professionals for their service. There is a smaller number of

#### Q 6 .How many people have insurance

**Table No 6 .People have Insurance**

Age group ofRespondent	YES	NO
21-30	2	3
30-45	5	0
45-60	3	2
Above 60	4	1
Total	14	6



**Fig No 6 people Have insurance**

In the 21-30 age group, there are 2 individuals with insurance and 3 without, making this the group with the lowest insurance coverage. A larger portion of respondents in this demographic remain uninsured, highlighting a potential lack of prioritization or barriers to obtaining insurance at a younger age.

In contrast, the 30-45 age group shows a strong trend toward securing insurance, with all 5 respondents having coverage. This suggests that individuals in this age range are more likely to view insurance as essential, possibly due to growing responsibilities or increased awareness of financial security.

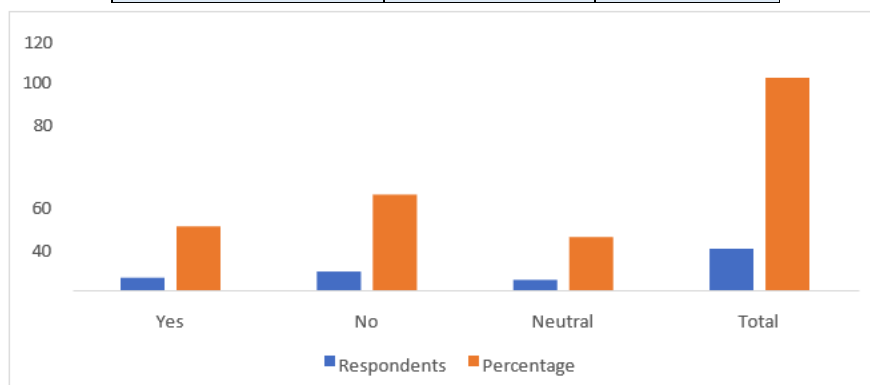
The 45-60 age group has 4 individuals with insurance and 1 without, indicating a higher level of coverage among older respondents. As people approach this stage of life, insurance coverage tends to increase, likely due to rising health concerns and greater financial stability.

Overall, there are 14 insured and 6 uninsured individuals across all age groups. The 30-45 age group has the highest insurance coverage, while the 21-30 age group shows the greatest need for increased awareness and access to insurance. This trend suggests that as people age, they tend to secure insurance, possibly driven by growing health concerns and a more stable financial situation.

#### Q 7 Satisfaction of investors on their previous investment

**Table no 7 . Investors on their Previous investment**

Satisfaction	Respondents	Percentage
Yes	10	50
No	5	25
Neutral	5	25
Total	20	100



A significant portion of respondents expressed dissatisfaction with the returns on their investments, indicating that their investment decisions were not well-informed. Several common reasons for this dissatisfaction were identified:

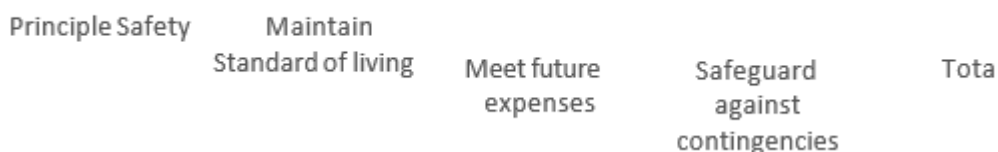
- Lack of understanding of the investment instruments.
- Misguidance from financial agents, leading to poor decision-making.
- Undisclosed charges, which were not revealed at the time of investment.
- Unplanned investments, made without proper financial goals or strategies.

Additionally, many respondents had invested in low-risk, low-return assets, which contributed to their dissatisfaction. The preference for safer investments, while minimizing risk, resulted in lower returns, leaving many feeling unfulfilled with their investment outcomes.

#### Q8. Investment Objectives of Individuals

**Table No 8 / Investment Objectives of Individuals**

Investment Objective	Respondent
Principle Safety	4
Maintain Standard of living	8
Meet future expenses	6
Safeguard against contingencies	2
Total	20



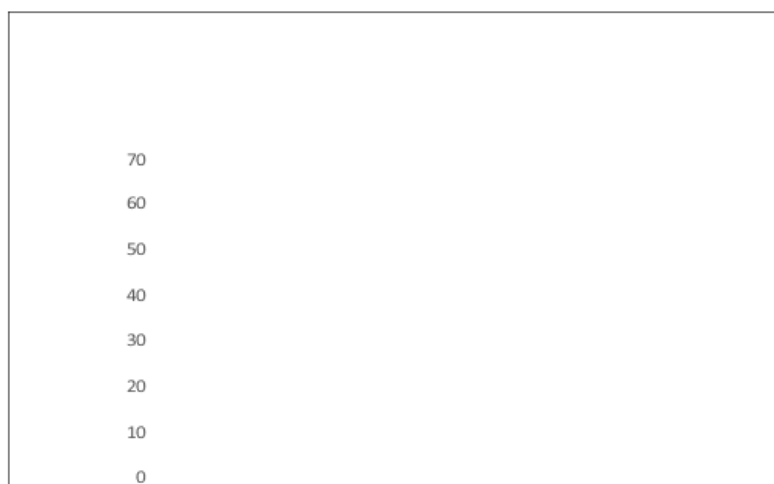
**Fig no 8 Investment Objective of individuals**

For those prioritizing capital protection, options like Post Office schemes, government securities, bank deposits, and PPF are suitable as they offer security and stable returns. On the other hand, investments in equities and mutual funds are ideal for those seeking higher returns, as these can outperform inflation over time, though they come with higher risk. Term deposits are well-suited for individuals who need access to their funds after a specific period, offering a reliable way to meet future financial needs while earning interest. Each investment avenue aligns with different goals, ensuring the strategy matches the investor's objective.

#### Q9. Do respondent have enough time to manage their investment affairs

**Table No 9 / Enough Time to manage money**

Time available	Respondents	Percentage
Yes	8	40
No	12	60





## 5. DISCUSSION

The study on financial Knowledge and financial planning in the Phaltan region of Satara offers valuable insights into the financial behaviours and planning strategies of individuals in this rural-urban population. One of the key findings is the overwhelming preference for low-risk investment avenues like life insurance and fixed deposits, with 90% of respondents opting for these instruments. This suggests a conservative approach, prioritizing security over high returns, which aligns with the lower levels of financial literacy observed among the respondents.

Interestingly, the willingness to take risks decreases with age, as younger individuals in the 21-30 age group are more inclined to invest in riskier assets like mutual funds and equities. This supports the notion that younger people, with fewer financial responsibilities, are more open to riskier investments. However, despite the availability of diverse investment options, many respondents lacked a thorough understanding of financial instruments, which led to dissatisfaction with their returns. Common issues included inadequate knowledge, reliance on agents, and hidden charges, pointing to a need for better financial education.

Additionally, the study highlights that most individuals do not have sufficient time to manage their finances, relying heavily on external advice. This underscores the need for accessible financial literacy programs and professional financial advisory services to guide individuals toward more informed, strategic financial decisions. Overall, the research identifies critical gaps in financial planning awareness, which could be addressed through targeted financial literacy initiatives.

## 6. CONCLUSION

This research paper aimed to explore financial Knowledge and financial planning practices among individuals in the Phaltan region of Satara, focusing on their saving habits and investment behaviours. The findings reveal that while there is basic awareness about financial planning, particularly in areas like insurance and tax-saving instruments, there is still a significant gap in comprehensive financial planning knowledge. Many individuals rely heavily on agents or brokers for financial advice, often prioritizing short-term gains and tax benefits over long-term financial stability. This lack of deeper understanding and reliance on intermediaries has resulted in a significant portion of respondents being unsatisfied with their investment outcomes, citing reasons such as inadequate knowledge and misleading advice.

The study also highlights that younger individuals are more willing to take financial risks, while risk tolerance decreases with age. However, most investments were found to be in low-risk, low-return asset classes such as fixed deposits and life insurance, with limited engagement in higher-return instruments like equity markets.

Overall, the research underscores the need for improved financial education and a more structured approach to financial planning. By focusing on long-term goals and fostering a better understanding of diverse investment options, individuals in the region can better align their financial strategies with their life goals, ultimately achieving greater financial security and satisfaction.

## 7. REFERENCES

- [1] <https://corporatefinanceinstitute.com/resources/valuation/fundamental-analysis/>  
<https://corporatefinanceinstitute.com/resources/career/equity-research-overview/>  
<https://www.investindia.gov.in/foreign-direct-investment>  
<https://scholar.google.com/scholar?hl=individual+financial+planning&oq=individual+financial>
- [2] [/www.researchgate.net/profile/Hui-Boon-](https://www.researchgate.net/profile/Hui-Boon-)
- [3] Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5-44.
- [4] Agarwal, S., et al. (2020). Rural finance in India: A survey of saving and investment patterns. *Indian Journal of Finance*, 14(2), 33-47.
- [5] <https://www.thewealthwisher.com/financial-planning-in-india/>