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# Investor's Perception Towards Long Term Financial Plan

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## INTRODUCTION

Investment is a vast area of facts, principles and theories dealing with various ways of raising and using it by individuals and others. It deals with how individuals and companies divide their business income between consumption and how to choose from among the available investment opportunities and how they raise money for increased consumption or investment. It also encompasses the study of financial Markets, institutions and activities of Government, with stress on those aspects relating to financial decisions of individuals and companies. In fact investment is so indispensable, that it is rightly said that Investment is the Life Blood of an Enterprise. Investment plays a very important role it also helps in the growth of GDP of our country, and there is a need to study investor's perception towards long term financial plan.

## OBJECTIVES OF THE STUDY:

1. To know how individuals, plan their investments over a long period of time.
2. To focus on various financial aspects revolving around individual's savings and investments.
3. To identify the various criteria based on which individuals plan out their long term investments.
4. To identify the financial objectivity and design opted for by the individuals in order to reap maximum benefits.

**SOURCES OF DATA: Primary data:** The requisite primary data will be collected using survey and questionnaire method.

**Secondary data:** Secondary data will be collected through internet, magazines, journals and reference books will be used to obtain the requisite information.

## LIMITATIONS OF THE STUDY:

1. The study is restricted only to Bengaluru city.
2. The sample size undertaken for the study i.e. 50 respondents cannot be concluded as the perception of the general investor's financial planning.
3. The age limit of the respondents may not be the most crucial factors to be considered while undertaking a study on long term financial planning i.e. Between 30 – 45 years.
4. The information provided by the respondents in terms of long term financial planning adopted cannot be perceived as the most reliable information on financial planning front.

#### **REVIEW OF LITERATURE:**

- 1) **SEBI – NCAER (2000) study** found that households' investment in Shares and Debentures and in Mutual Funds ranges from 7% to 9%. Majority of the equity investor's household's portfolio was found to be undiversified and relatively small value of less than Rs. 25,000.
- 2) **Dr. Aparna Samudra and Dr. M A Burghate**, International Journal of Social sciences and Interdisciplinary Research Vol I, No. 5, May 2012, The aim of this research was to examine the investment behaviour of the middle income households in Nagpur The plausible reason for these two being the top two preferences of the middle class households is the relative security in built in these instruments and these being traditional saving instruments of investment.
- 3) **Investor Population – the Society for Capital Market Research and Development** carries periodical surveys of household investors to estimate the number of investors. Their first survey carried out in 1990 estimated the number of shareholder between 90 – 100 lakh.
- 4) **International Journal of Research in Commerce and Management (Volume III (2012), Issue No: 5 (May) – 'Study of Investment Pattern and Investment Preferences of Individual Households in India' –** This study examines the investment pattern and awareness of Indian investors about different investment instruments such as bank deposits, real estate, small savings, life insurance schemes, bullion, commercial deposits, corporate security bonds, mutual funds, equity, and preference shares. This research finds the impact of age, education, occupation, and income level of the individual on investment.
- 5) **N Geetha & M Ramesh** -- The study examines the significance of relationship between demographic factors and the investment decision making process. It concludes that there is no significant relationship between demographic and other factors that influence the investment decision making process.

**6 A STUDY OF SAVING AND INVESTMENT BEHAVIOUR OF INDIVIDUAL HOUSEHOLDS – AN EMPIRICAL EVIDENCE FROM ORISSA** -the paper attempts to analyse the investment pattern, saving objective and preferences of individual investor’s for various investment options available in India. For the purpose of the study, parametric and non-parametric statistical methods have been employed.

From the research point of view, such a study will help in developing and expanding knowledge in this field of personal investment and investment.

**7 AN EMPIRICAL STUDY OF SAVING PATTERN AND INVESTMENT PREFERENCES OF INDIVIDUAL HOUSEHOLD WITH REFERENCE TO PUNE CITY** – This study examines the investment pattern and awareness of the Pune based investors about different investment instruments, and analyses the factors influencing the investors’ perception and preferences.

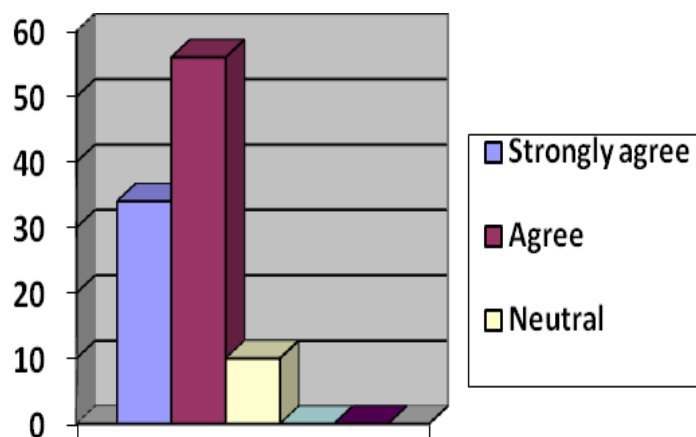
### ANALYSIS AND INTERPRETATION

Primary data collection requirements of this project are supplemented by the opinion based questionnaire, with the number of respondent as 50 ,which were circulated among the individuals ranging from age group of 30 – 40 years to identify their perceptions and decisions relating to the long term financial planning adopted by them.

**Table 1**Table showing profession of different respondents

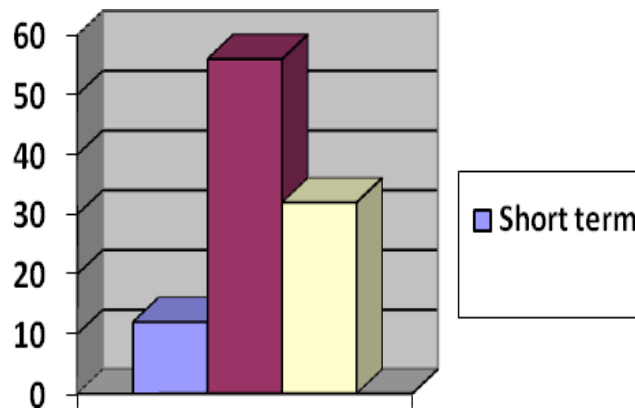
**Analysis;** From the above table it can be interpreted that 56% of the respondents are employees by profession, 6% are engineers, 18% of the respondents are doctors in profession, 8% are business man and 18% are lecturers. it can be inferred that the response unit consists of respondents from different professional groups thereby making the survey more informative.

**Graph 2:** Showing different responses with regard to necessity of long term financial planning for individuals



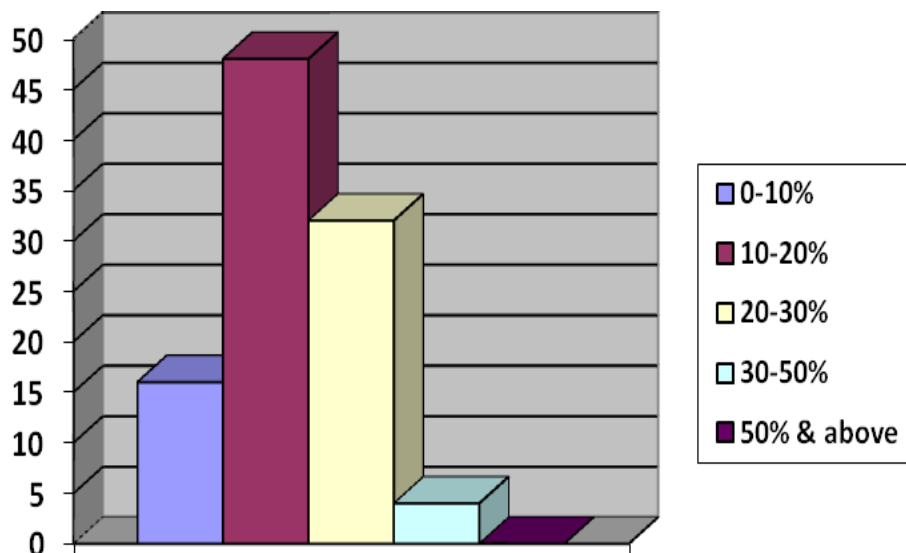
**Analysis:** From the above graph it can be interpreted that 56% of the total respondents agree that long term financial planning is necessary for every individual. 34% of the respondents also strongly agree about the necessity for every individual to know about long term financial planning. While, 10% of the respondents remained neutral. There were no respondents who disagreed or strongly disagreed about the necessity of long term financial planning.

**Graph 3:** Showing responses for the time horizon required for financial planning



**Inference:** From the above graph it can be inferred that majority of the individuals prefer to plan their investments for medium term and long term.

**Graph 4:** Showing proportion of income saved by the respondents

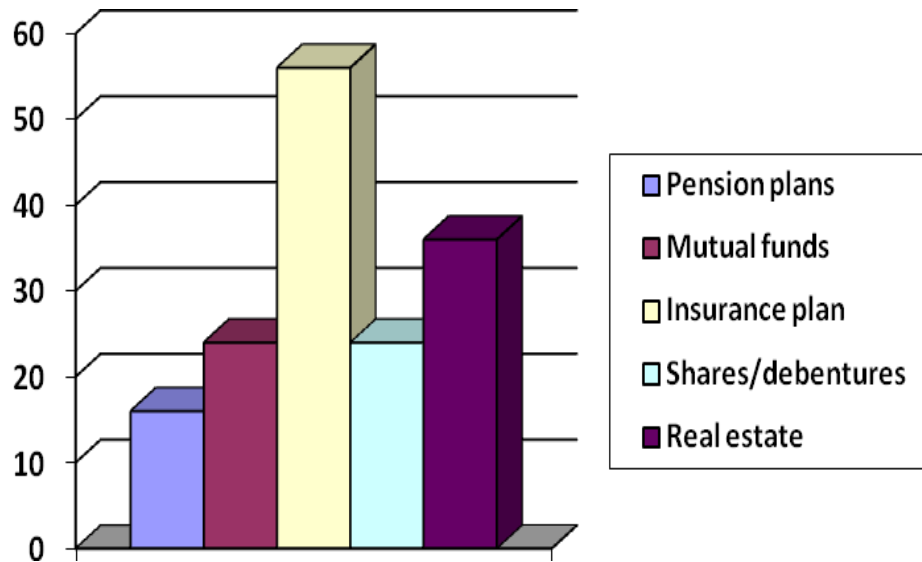


**Inference:** From the above graph and table it can be inferred that most of the investors save around 10-20% of their income in a year many of these were professionally qualified.

**Analysis:** From the above table it can be interpreted that all the respondents were found to have done their financial planning previously.

From the above Analysis it can be inferred that investors falling under the age group of 30-45 years are well aware of financial planning and have adopted financial planning m

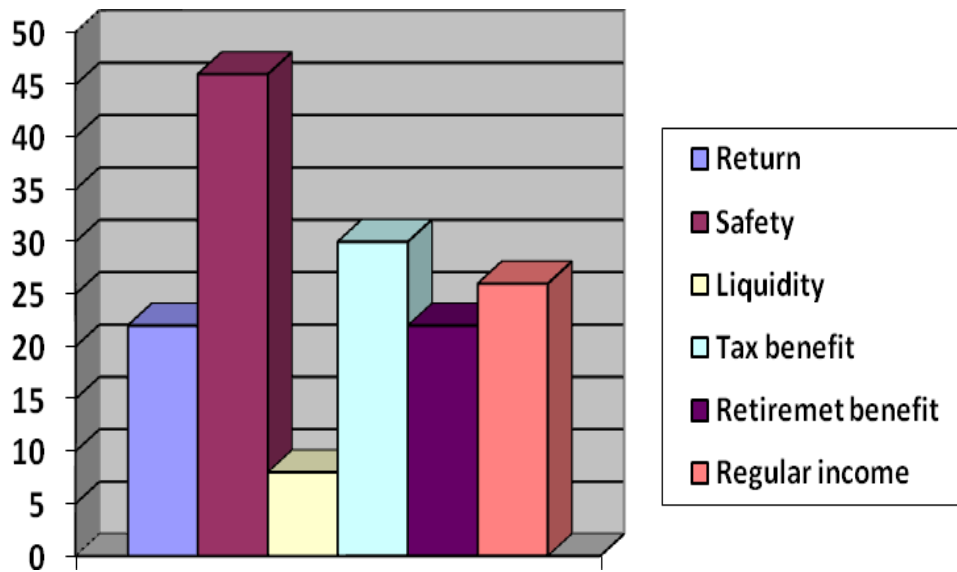
**Graph 5:** Showing different investment avenues opted by the respondents



**Inference:** From the above graph and table it can be inferred that majority of the individuals falling under age group 30 – 45 years have opted for insurance plan and real estate as against investment in other avenues. Based on this it can be further inferred that individuals belonging to this age group wants to consolidate their investment for the future

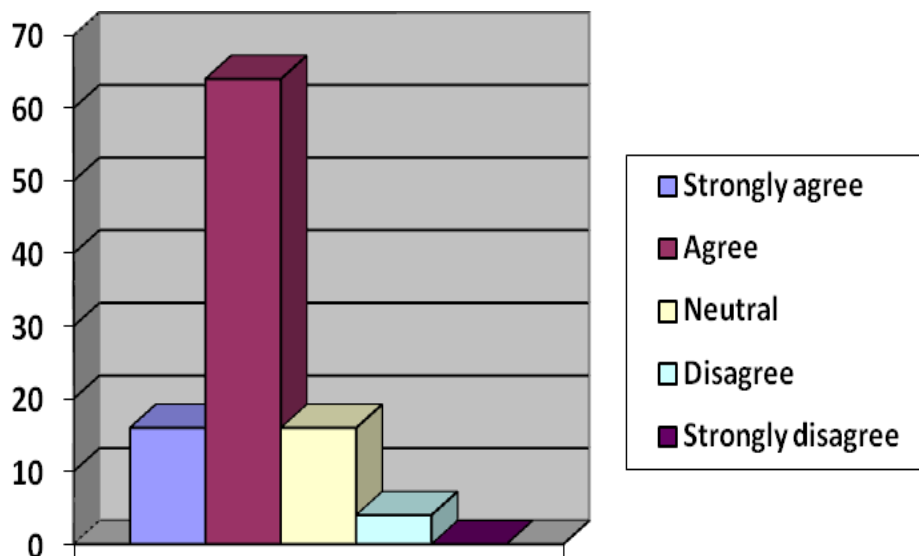
Showing the objective for undertaking long term investment

**Graph 6:** Showing the objective for undertaking long term investment



**Inference:** From the above graph and table it can be inferred that most of the respondents invest in different avenues keeping in consideration the objective of safety and tax benefits. It also appears that the individuals are not much concerned about liquidity.

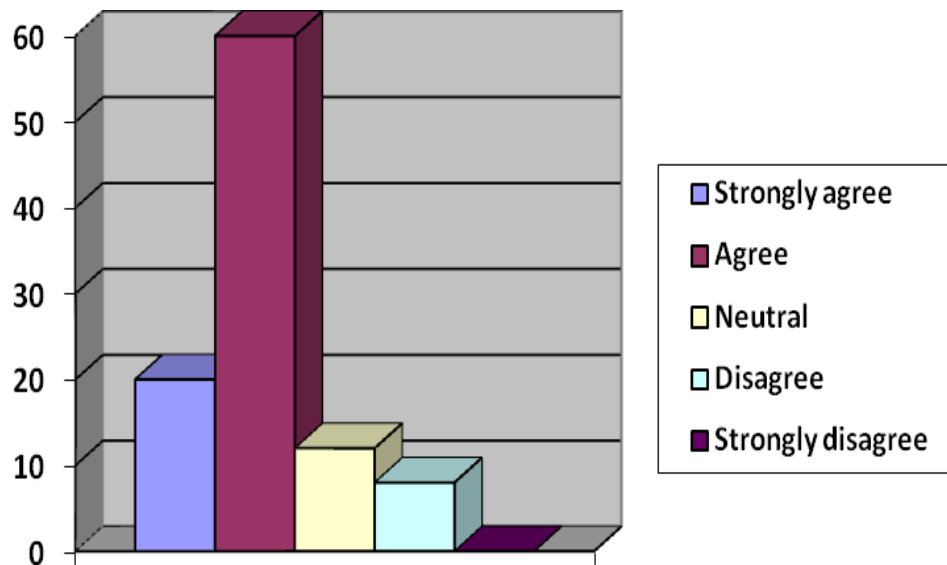
**Graph 7:** Showing different responses of investors towards highly risky avenues not attracting investment for long term financial planning



**Inference**

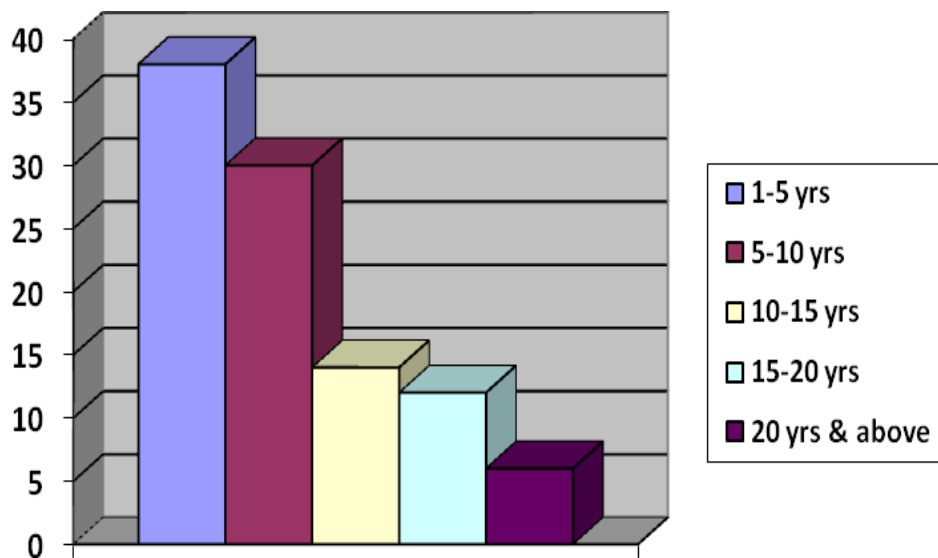
From the above graph and table it can be inferred that more than 3/4<sup>th</sup> of the total response unit agreed to the statement that high risk avenues do not attract long term investment.

**Graph 8:** Showing the response of the investors towards the significance of brand name of the investment entity influencing investment decision



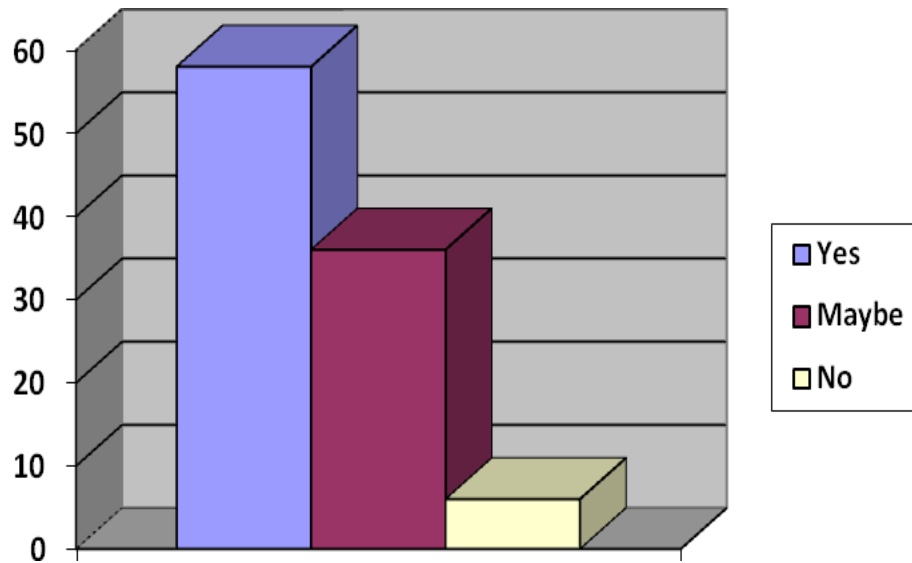
**Inference:** From the above graph and table it can be inferred that more than 3/4<sup>th</sup> of the total response unit agrees that brand name of the investment entity plays a major influencing role while making an investment decision.

**Graph 9:** Showing different response of investors towards the no. of years required for maximum return



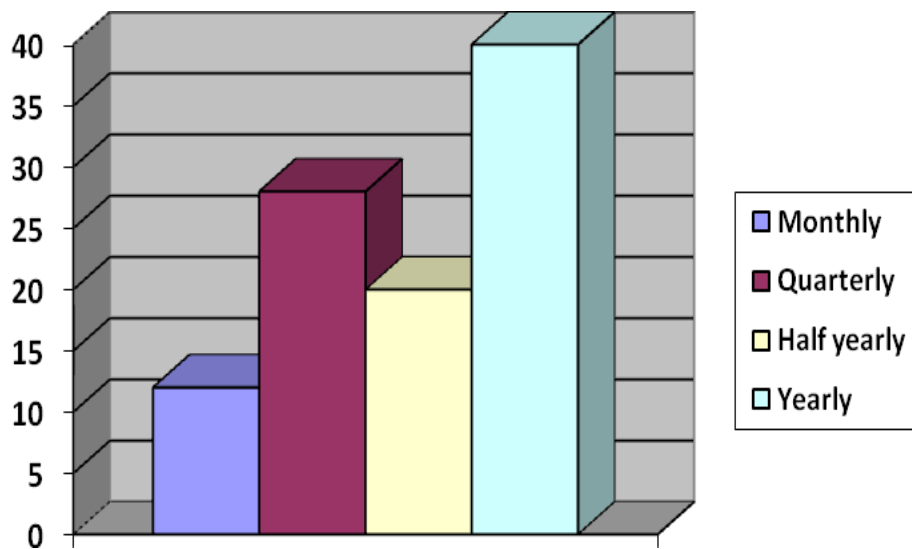
**Inference:** From the above graph and table it can be inferred that majority of the respondents believe that their investments would fetch them maximum returns between 1 – 5 years from their investment.

**Graph 10:** Showing the different response of the investors towards income acting as the major influencing factor for long term financial planning



**Inference:** From the above graph and table it can be inferred that most of the investors believe that income act as the major influencing factor while making an investment decision.

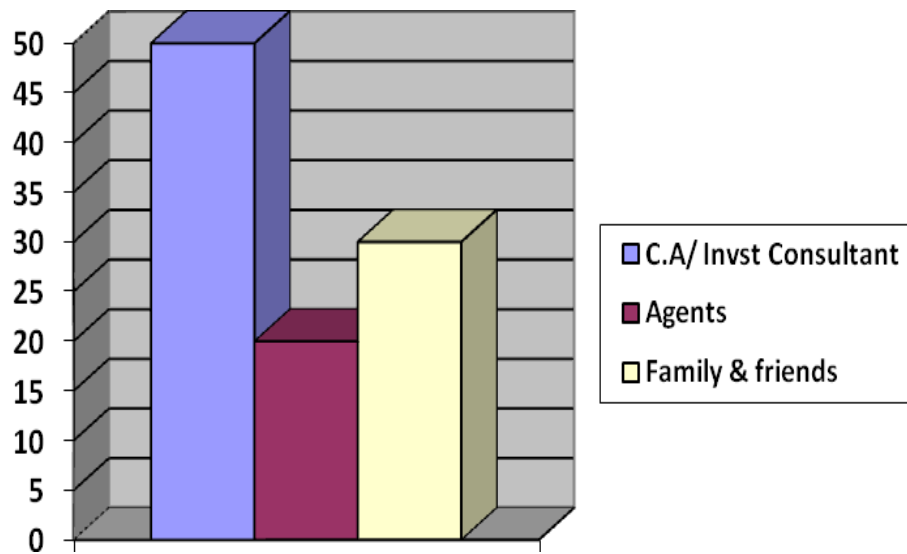
**Graph 11:** Showing the time interval opted by the respondents during long term investment decision



**Inference:** From the above graph and table it can be inferred that major portion of the respondents constituting almost half of the total response unit prefer investing in different avenues on a yearly basis.



**Graph 12:** showing the different assistance opted by the respondents with context to long term financial planning



**Inference:** From the above graph and table it can be inferred that the major portion of investors constituting 50% of the total response unit would take assistance from the C.A / Investment Consultants with context to their long term financial planning. It can be further inferred that people no longer have belief in agents and the products offered by them.

## FINDINGS

From the survey conducted on different professional groups regarding their perception of long term financial planning it can be identified that –

- ✓ The questionnaire was presented to different groups of professionals in order to get a grasp of the individual investor's perception from every aspect of the society. Professions such as doctor, engineer, business men,, lecturers and others were included.
- ✓ All the 50 respondents were well read and aware of financial planning.
- ✓ All the respondents were long term investors.
- ✓ Respondents also felt the need for every individual to know, what financial planning is all about.
- ✓ Majority of the respondents believe that medium term financial planning is the most appropriate time horizon for any financial planning time period.
- ✓ Savings proves to be a very important aspect for every individual investor and the majority of the respondents save around 10 – 20% of their income in a year.

- ✓ It is interesting to find that all the respondents had undergone the process of financial planning in their previous investment decision.
- ✓ The investor's perception on investment avenues, throw strong light on insurance plan and real estate business on comparison to other avenues.

## **SUGGESTIONS**

From the findings of the study and survey conducted on investor's perception of long term financial planning of individuals from age group 30 – 45 years, the following would be suggested –

- ✓ The investor's portfolio can be designed in such a manner that all their wealth and savings are distributed into different investment avenues leading to maximum results or returns on investment.
- ✓ Investor's can spread their risk by investing into different investment avenues.
- ✓ It would be beneficial for the individual investors if they would invest some portion of their savings and wealth in high risk investment securities. This strategy would help them to earn higher rate of return on their investments.
- ✓ Increasing the individual's frequency of investment would definitely upgrade their planning measures and help them learn and understand the market situation in a better and effective manner.
- ✓ Investing into shares/debentures would help the individual investor to have better control over his/her wealth.
- ✓ Investing in global markets would spread the level of opportunities for earning higher rate of return in comparison to the domestic market.
- ✓ The investor's can produce maximum results if they stick to their financial goal irrespective of the fluctuating market conditions.
- ✓ Investing more into real estate, mutual funds and term funds would fetch guaranteed results, as these are presently the most promising investment avenues.

## **CONCLUSION**

For the individuals to attain financial stability it is more vital for them to plan their investments in such a manner so as to reap the maximum benefits. A financial plan would identify and create opportunities for individuals regarding various investments and saving avenues.

In the current economic scenario interest rates are falling and fluctuation in the share market has put investors in confusion. One finds it difficult to take decision on investment and savings avenues with respect to individual's financial planning.

A long term financial plan prepared by individual helps them to understand their risk reward ratio in comparison to the income earned by them which are invested over a long period of time. Hence a comparative study of individual investors with reference to their long term financial plan would help the reader of this study understand what is required for successful investment plan.

From the study conducted on the investor's perception of long term financial planning of individuals from age group 30 - 45 years it can be concluded that:

- ✓ Long/ medium term financial planning is a necessity for every individual who is interested in investment and creation of a portfolio.
- ✓ Long term financial planning helps the investors to learn and understand the financial market situations and its relevance with the state of the economy.
- ✓ Investor's consider their income, economic viability and the brand name of the investment entity as the major influencing factors while making their long term investment decision.

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