



**NEED FOR PERSONAL FINANCIAL PLANNING –
A STUDY AMONG THE YOUTH OF VIRUDHUNAGAR TOWN**

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ABSTRACT

According to the study of the Technical Group on Population Projections, 2020, established by Ministry of Health and Family Welfare, the youth population in India comprises 27.2% of the country's overall population in 2021 and 23.2% of the population in Tamilnadu. The capability of the youth to accumulate assets and save money is extremely important in the age range of 20-30 years, as they move towards their adulthood age and begin to accept their financial obligations and determine their long term financial goals. Unfortunately, a lot of youth lack formal or informal guidance with regard to financial matters. As a result, they might not be ready to make wise financial decisions. Therefore, financial capability is much crucial as youth are increasingly facing higher levels of debt. Lack of proper personal financial plan for the future creates the risk of not having enough money to live and retire comfortably and safely. Lack of financial stability brings stress and strain and lowers the standard of living. However, the male and female youth population in India have distinct financial goals, which create the need for different methods towards the components of personal financial planning in order to achieve these goals. The components of the present study include budget preparation, investment planning, debt management, saving-spending management, insurance planning and tax planning. The disparity in current financial situation in relation to all of these factors clearly shows that in order to build wealth, the male needs support in managing his funds, while the female must engage in high-risk, high-return investment opportunities. This shall help the financial planners and individuals to understand well that a common personal financial plan irrespective of the gender will not result in the accomplishment of financial goals and so there arises a need for separate and different personal financial plans for both male and female youth of Virudhunagar.

Key Words: Finance, Money Management, Personal Financial Planning, Savings, Virudhunagar, Youth.

INTRODUCTION

Personal Financial Planning at an early age has become to the need of the hour with lifestyle changes and rising inflation. A suitable personal financial plan is believed to meet an individual's needs at various phases of life. Personal Financial Planning is the process of assessing one's present and future financial position which results in the systematic accomplishment of all life goals. Personal Financial Planning helps in saving money on taxes and gives peace of mind for the salaried employees. But majority of the salaried employees are unaware about the benefits of tax-saving (Usman *et al.*, 2022).

Compared to the older people, there are more number of young people in India. They have plenty of time to achieve their financial goals in future. Every individual must start personal financial planning at an early stage because it is a very flexible and dynamic concept that involves systematic and regular analysis, effective management, judgment and actions about finance (Laith 2020). Financial security is an easy attainable goal for all, especially for the college students, if and only they are wise in saving, investing and spending. By educating themselves first and then acting further on that knowledge gained, the college students assume the potential to attain great things that they wish for (Lisha 2016).

The Indian financial markets are getting strengthened every day, which allows the youth more opportunities to increase their savings in different ways. The future financial and economical health of India depends on the

financial potential of students who are considered as potential consumers of tomorrow. It is also inferred through this study that most of the students are much concerned about their financial record maintenance (Shanmuga Priya *et al.*, 2015).

Any Personal Financial Planning is a good mix of the components such as, Fund management, Budget creation, Saving-Spending behaviour, Debt management, Insurance planning, Investment planning, Retirement planning and Tax planning. The objectives of the present study is aimed to investigate the primary reason for personal financial planning, to examine the saving-spending behavior, to find out the differences in need for investment planning and investment, to examine the difference in need for insurance planning and to determine the awareness about tax-saving deductions among the youth of Virudhunagar on gender basis.

RESEARCH METHODOLOGY

In this study, exploratory research design is used. Primary and Secondary data sources were used for this study. The primary data collection was done through survey questionnaire. A sample of 50 respondents was chosen for the present study. Non-probability sampling technique of Judgment sampling method has been adopted. The researcher has chosen Judgment sampling method because only those respondents who are literate and possess basic financial knowledge are considered for the survey. Secondary data was collected through various sources such as journals, articles and related websites. The study was conducted in

Virudhunagar. The analysis is done based on the primary data collected through survey questionnaire. The collected data is analysed with SPSS. The statistical tool used are Frequency Distribution and Chi-square test.

RESULT AND DISCUSSION

Demographic profile provides information about the study participants and is required to determine whether the participants in a given study are a representative sample of the target population for generalization purposes.

Table 1 – Demographic Profile of Respondents

Variables	Items	Frequency	Percentage (%)
Gender	Male	25	50
	Female	25	50
Education	High School	11	22
	Diploma	10	20
	Bachelor Degree	21	42
	Post Graduate	8	16
Age	18 – 25 years	16	32
	25 – 30 years	34	68

Source: Primary data, 2022

The demographic characteristic of the respondents is represented in Table 1. The sample constitutes equal number of male (50%) and female (50%) youth, 42% of the respondents are hold a Bachelor degree, 22% of the respondents have completed their High school, 20% of the respondents are Diploma holders and 16% of the respondents are Post Graduates. The study included 68% of the respondents are aged between 25 and 30 and 32% of the respondents are aged between 18 and 25.

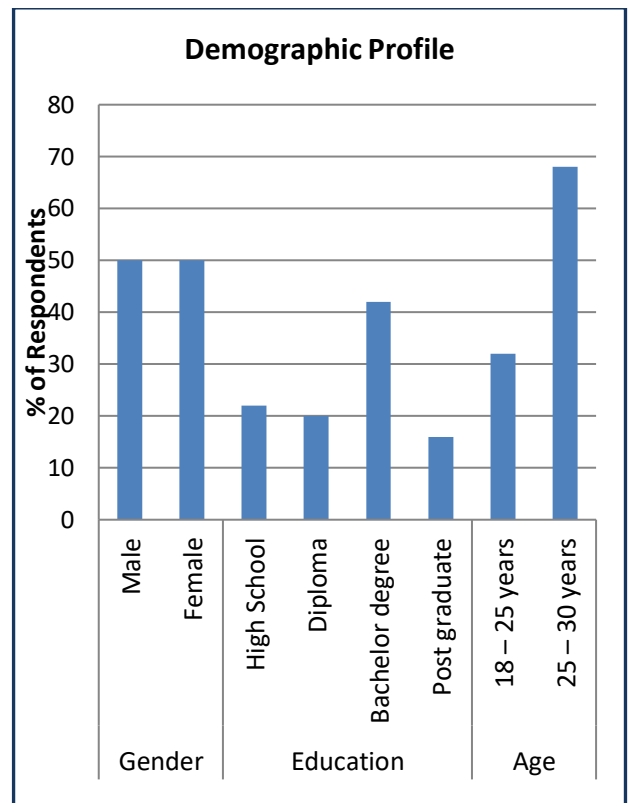


Table 2 – Budget Creation by Respondents

Budget Creation	Male		Female	
	Frequency	Percentage (%)	Frequency	Percentage (%)
Yes	12	24	18	36
No	13	26	7	14

Source: Primary data, 2022

From table 2, on the basis of gender, it is inferred that 60% of the respondents create a weekly or quarterly or yearly budget while 40% of the respondents do not create a budget. Majority of the male do not create a budget. 13% of the male youth make highly efficient budgets that never fail. Majority of the female creates a budget and their budgets either fail once a year or do not fail at all. The male youth are aware about the deductions available under Section 80C of the Income Tax Act. The female youth is not fully aware about the tax saving benefits available under Section 80C. Compared to men, women lack sufficient or needed financial

knowledge in handling financial decisions and issues. Women Institute of Financial Education (WIFE) website provides financial educational resources exclusively for women. In India, such type of websites may be promoted for women to make women financially literate and prepared (Lokanath Mishra, 2015).

Table 3 – Budget Failure Analysis

Budget Failure	Male		Female	
	Frequency	Percentage (%)	Frequency	Percentage (%)
Monthly	0	0	3	6
Quarterly	2	4	3	6
Yearly	3	6	5	10
Never	7	14	7	14
Not Applicable	13	26	7	14

Source: Primary data, 2022

The frequency of budget failure was questioned in order to understand the respondents’ present financial status. From the above table, it is clear that 28% of the respondents have never end up with a cash crunch, while 40% of the respondents do not create a budget at all. Also on gender basis, it is observed that 14% of the female respondents and 14% of the male respondents have never end up with a cash crunch as their budget never fails.

Table 4 – Savings Percentage by Respondents

Savings Percentage	Male		Female	
	Frequency	Percentage (%)	Frequency	Percentage (%)
0 – 10%	6	12	4	8
11 – 20%	6	12	7	14
21 – 30%	9	18	2	4
31 – 40%	3	6	10	20
41 – 50%	1	2	2	4

Source: Primary data, 2022

The approximate percentage of annual income that each respondent can save was enquired in order to learn about their current savings levels. The table above shows the range in which the respondents have been categorized. The majority (18%) of male respondents save 21 – 30% of their annual income, while the majority (20%) of female respondents save 31 – 40% of their annual income.

Table 5 – Primary Reason for Adopting Personal Financial Planning

Primary Reason	Male		Female	
	Frequency	Percentage (%)	Frequency	Percentage (%)
To be prepared for big life events	11	22	4	8
To define short, medium and long term financial goals	11	22	7	14
To maximize wealth	16	32	9	18
To be prepared for unforeseen situations	6	12	11	22
To have a balance between savings and spending always	12	24	18	36

Source: Primary data, 2022

The respondents consider Personal financial planning as a necessity for them for different reasons. Table 5 explains the reasons for adopting Personal financial planning. In case of male respondents, a majority (32%) of them consider Personal financial planning as a necessity ‘to maximize wealth’ while in case of female respondents, a majority (16%) of them consider personal financial planning as a necessity ‘to have a balance between savings and spending always’.

Among the male youth, the top reason for considering personal financial planning as necessary is ‘maximization of wealth’. Among

the female youth, the top reason for creation of a personal financial plan is ‘to have a balance between savings and expenditure always’. A recent survey by TATA AIA Life Insurance portrays that Indian millennials in the 22 to 35 age group have realized the importance of Personal Financial Planning as the external factor.

Table 6 –Expenditure Percentage by Respondents

Particulars	Expenditure Percentage	Male		Female	
		Frequency	Percentage (%)	Frequency	Percentage (%)
Bills and Utilities	10%	13	18	16	22
	20%	12	16	5	7
	30%	6	8	6	8
	40%	6	8	10	14
Transportation	10%	9	12	16	22
	20%	6	8	11	15
	30%	17	23	5	7
	40%	5	7	5	7
Entertainment	10%	11	15	10	14
	20%	15	20	12	16
	30%	5	7	9	12
	40%	6	8	6	8
Food, Lifestyle and Personal Care	10%	7	9	6	8
	20%	16	22	8	11
	30%	9	12	15	20
	40%	5	7	8	11

Source: Primary data, 2022

In order to know the Expenditure pattern of the respondents, the expenses part has been divided into four categories, namely, Bills and Utilities, Transportation, Entertainment, Food, Lifestyle and Personal Care. The respondents were questioned regarding the percentage of annual expenditure that falls under each category. It is observed from Table 6 that, a

majority of male respondents spend 10% on Bills and Utilities, 30% on Transportation, 20% on Entertainment and on Food, Lifestyle and Personal Care. While on the other side, the majority of female respondents spend 10% on Bills and Utilities, 10% on Transportation, 20% on Entertainment and 30% on Food, Lifestyle and Personal Care.

Table 7 – Debt or Loan currently owed by Respondents

Type of Debt or Loan	Male		Female	
	Frequency	Percentage (%)	Frequency	Percentage (%)
Student Loan	11	22	6	12
Credit Card	6	12	10	20
Home Loan	4	8	9	18
Auto Loan	11	22	4	8
Loan from Relatives	0	0	1	2
No Loan	5	10	3	6

Source: Primary data, 2022

If personal credit or debt is not effectively managed, they could develop into a significant issue. Effective debt management can be achieved by taking steps like creation of budget, timely payment of bills, refraining from using too many credit sources, etc. These actions can help to lessen the financial stress. The respondents were questioned about the sources of credit that they currently owe. Out of the 50 respondents, majority of them have student loans and credit cards. Evidently, loan from relatives is the least considered loan by respondents. 16% of the respondents said they had no loans or debt. On gender basis, majority of male respondents have taken auto loan and student loan, whereas majority of female respondents have availed credit card.

Table 8 – Type of Insurance coverage by the Respondents

Type of Insurance Coverage	Male		Female	
	Frequency	Percentage (%)	Frequency	Percentage (%)
Health Insurance	13	26	14	28
Term Life Insurance	10	20	6	12
Accident or Disability Insurance	3	6	4	8
Group Mediciclaim	14	28	11	22
No Insurance	7	14	7	14

Source: Primary data, 2022

Major life events, health problems and sudden accidents or disabilities can deplete savings and result in debt. The types of insurance policies that the respondents currently hold were a question that was posed to them in order to find currently how they are protecting their finances. The above table depicts that, of the 50 respondents, 28% of them are uninsured and at considerable financial risk due to no wealth protection. On gender basis, the majority of male respondents have Group Mediciclaim coverage, while majority of female respondents have Health insurance coverage. Accident or Disability insurance is the least preferred type of insurance overall.

Table 9 – Investment Percentage of Respondents

Investment Percentage	Male		Female	
	Frequency	Percentage (%)	Frequency	Percentage (%)
0 – 10%	5	10	11	22
11 – 20%	3	6	7	14
21 – 30%	3	6	2	4
31 – 40%	6	12	1	2
41 – 50%	8	16	4	8

Source: Primary data, 2022

The respondents' savings are either kept idle in the bank or invested in order to increase their wealth. The respondents were questioned about the percentage of savings which they put towards investment in various avenues. The responses of the respondents have been categorized in the range depicted in the above table. According to gender, the average investment percentage of male respondents lies between 41 – 50%, whereas it is between 0 – 10% for female respondents. The debt mix of male youth includes Student loan and Auto loan. The debt mix of female youth includes Credit card and Home loan. The male youth have a balance mix of insurance coverage and invests, about 41 – 50% of their income in into Mutual funds, Equity, Provident funds and fixed deposits. The female youth invests 0 – 10% of their income towards Fixed deposits and Equity respectively.

Table 10 – Investment Avenues of Respondents

Investment Avenues	Male		Female	
	Frequency	Percentage (%)	Frequency	Percentage (%)
Mutual Funds	10	20	5	10
Equity	15	30	10	20
Commodities	4	8	3	6
Provident Funds	10	20	7	14
Fixed Deposits	10	20	12	24
No Investment	4	8	5	10

Source: Primary data, 2022

Any investor needs to analyze and weight the various investment avenues available to them against their criteria before picking which one to pursue. The respondents were questioned regarding the investment avenues that they have

currently invested in. It is inferred from the above table that, out of 50 respondents who participated in the survey most of them said that they have invested in equity shares. Commodities are the least preferred investment avenue by the respondents. On gender basis, equity shares are the most preferred investment avenue by male respondents and fixed deposits are the most preferred investment avenue by female respondents. While, 18% of the respondents do not invest in any investment avenue.

Table 11 – Respondents Awareness about Section 80C

Awareness	Male		Female	
	Frequency	Percentage (%)	Frequency	Percentage (%)
Yes	22	44	14	28
No	3	6	11	22

Source: Primary data, 2022

For effective tax planning, a major prerequisite is the awareness about investments and expenditures that help in tax savings upto a specific amount. Section 80C of the Income Tax Act mentions certain deductions. From the above table, it is revealed that out of 50 respondents, 72% of them are aware of the tax saving investment options available under Section 80C, while 28% are not aware of it. As per gender, 44% of the male respondents are aware about the tax saving investment and expenditure options, while 6% are not aware of it. 28% of the female respondents are aware about the tax saving investment and expenditure options and 22% are not aware of it.

HYPOTHESIS

H₀: There is no significant relationship between gender and need for personal financial planning among the youth of Virudhunagar.

H₁: There is a significant relationship between gender and need for personal financial planning among the youth of Virudhuangar.

The above stated hypothesis has been tested using Chi-square test.

Table 12 – Chi-square test on Reasons for Personal Financial Planning

Pearson Chi-square Test		
		Gender
Reasons	Chi-square	15.204
	df	5
	Sig.	.010*

Source: Primary data, 2022, Alpha level 0.1; *P value 0.010

On the basis of the results of Chi-square test, the null hypothesis is rejected and the alternate hypothesis is accepted. It is very clear that gender has a significant impact on the need for Personal Financial Planning.

To conclude that this study was undertaken with the main objective of finding out whether there exists a difference in need for various components of Personal financial planning among the youth of Virudhunagar on the basis of gender. It can be concluded from the findings of the study that the present financial condition of both male and female youth has a significant polarity. A major portion of the male youth does not create budget but happen to have a balanced insurance coverage. Female youth creates successful budgets that

hardly fail, but their insurance coverage only includes health insurance protection. Both male and female youth shall give much importance to creation of budget which will give them a proper spending structure. The male youth could explore more investment options as they already invest in high-risk high-return investment avenues. The female is perceived as having a low risk appetite, but they might grow their wealth by investing in high-risk high-return investment avenues like mutual funds and equity shares. The female youth still needs to learn more about the different tax saving deduction options available under Section 80C. As the male youth is already aware about the tax saving deduction options available, they shall explore more such deductions to have more tax benefits. Under Section 80C, the male youth avails tax deduction benefits and they can save more taxes by expanding their investment avenues. The female youth, due to their restricted insurance coverage, lag behind in terms of tax deduction benefits. With this, the study concludes that both male and female youth of Virudhunagar have different approaches towards Personal financial planning and hence they need to have a balance in their personal financial plans in order to accomplish their financial goals in the most effective and successful way.

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