

## IMPACT OF PERSONAL FINANCE DECISIONS ON THE INVESTMENT PATTERN OF SALARIED INDIVIDUALS: A STUDY OF URBAN AREAS IN THIRUVANANTHAPURAM DISTRICT

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### Abstract

Personal finance deals with managing one's own money. So, personal finance decisions are to be taken by an individual to lead a systematic and disciplined financial life. It plays a crucial role in determining the investment behaviour of individuals. The present study examines the impact of personal finance decisions on the investment pattern of salaried individuals residing in the urban areas of Thiruvananthapuram district. The primary objective of the study is to find out the extent to which various components of personal finance decision such as financial planning, investment planning, insurance planning, and estate planning influence the investment pattern of salaried individuals. The findings of the study revealed that majority of the salaried individuals residing in the urban areas prefer low-risk and traditional investment options, but those who have strong awareness on personal finance has gone for diversified investment patterns and risk bearing financial instruments. The study highlights the significant influence of personal finance decisions on investment patterns.

**Keywords:-** Personal Finance Decision, Financial Planning, Insurance Planning, Investment Pattern, Budgeting.

Personal finance plays an important part in the financial discipline of any individual. It is something that is concerned with dealing with one's own money. It is the process of planning one's spending, financing and investing activities based on his financial situation. It includes budgeting, banking, insurance, mortgages,

investments, retirement planning, tax planning and estate planning.

### 2. Statement of the Problem

Personal finance decisions are to be taken by an individual before going to a prudent investment decision. In other sense, the investment behaviour of individuals, especially salaried people are

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largely determined by several factors such as income level, job security, and ability to take risk, financial literacy, age, family responsibilities, dependents, and future financial goals. So, an awareness and detailed study of the various factors which affect the investment decision are to be studied which remains a major problem.

### 3. Significance of the Study

Salaried individuals, residing in urban sectors need to have good background knowledge about the different factors that make up the personal finance decisions for having a good investment pattern. So, the study needs to find out the impact of personal finance decisions upon the investment choices that they select as part of meeting their financial goal.

### 4. Scope of the Study

The study aims to find out the impact of personal finance decisions on the investment pattern of individuals are focussed upon the salaried people who have normally steady rate of income from their employers. Moreover, those people who are residing in urban areas of Thiruvananthapuram district are taken for the study.

### 5. Objectives of the Study

- To analyse the various factors that have to be considered as part of personal finance decisions.
- To find out the various investment avenues that are available in the financial market.
- To study the impact of Personal finance decisions on the investment pattern of salaried individuals.

- To give suggestions to improve individuals' investment behaviour and to encourage productive investments and savings for the development of the society.

### 6. Hypothesis

H0: There is no significant impact of Personal finance decision on the investment pattern of salaried individuals.

H1: There is significant impact of Personal finance decision on the investment pattern of salaried individuals.

### 7. Methodology

Data has been taken from primary sources and various secondary sources including journals, books, study reports, research journals, websites etc. Convenience sampling technique is adopted for the study and the population comprises of salaried individuals residing in the urban area of Thiruvananthapuram district. A sample of 100 respondents are taken for the study. Tools such as Percentage, Chi-square test are the tools used for the study.

### 8. Review of Literature

Certain studies were conducted with regard to Personal finance decisions; different factors that constitute the decisions to be taken on financial investments, and how personal finance decisions are important in one's financial life are discussed and reviewed in their studies. In this article, studies that are undertaken with regard to such area are mentioned below:

**Udai Bhan Singh (2023)** in his study on Household finance: a Systematic literature review and directions for future research” mentions clearly that personal finance has good scope worldwide and has the greatest number of published research on this topic. Nevertheless, though personal finance or household finance has great acceptance worldwide, empirical research in emerging economies is lagging.

**Hogarth, (2002)** in his study revealed how the people manage their money with respect to insurance, investments, savings and budgeting. Financial literacy is the outcome of financial education. It is the capability of an individual to understand the basic financial concepts, different financial instruments marketed in the society, and the ability to use them to plan and manage their financial decisions.

**Mahdzan, N.S., Tabiani, S.,(2013)** has clearly stated in their study, how financial literacy is positively associated with individual saving behaviour. The research workers examine various factors which determine the financial literacy level like the ability of risk taking, saving behaviour, socio demographic characteristics.

### **Factors Affecting Personal Finance Decisions**

The factors which influence the individual finance decisions are categorised into internal factors and external factors:

#### **I. Internal factors (Micro factors):**

Some of the internal factors are financial education and Literacy. Age, Focus on financial matters, Household structure etc.

#### **II. External factors (Macro factors):**

The factors that are outside the purview of a common individual are macro factors and they are Business cycles, Employment rate, Currency value, Social and Political change etc.

### **Data Analysis and Interpretation**

Table 1 shows the demographic profile of respondents, including Age, Educational Qualification, Occupation, Size of the family, Annual Income etc. It can be seen that about 45 per cent of the respondents approached are between 30 to 40 years of age. Regarding the marital status, 62 per cent are married and the rest unmarried. In the case of the number of members that constitutes the size of the family; about 36 per cent are having 4 members in their family including them, while 32 per cent of them have 3 members in their family. Among the respondents residing across the urban areas of Thiruvananthapuram district, 26 per cent are graduates, whereas 24 per cent are Post graduates. 20 per cent respondents have passed HSE, while only 8 per cent have SSLC as their qualification. 32 per cent of the respondents have income between 20,000 and 40,000 while 25 per cent have income below 20,000 per month.

From the table 2 that shows the ‘Familiarity and applicability of components of Personal finance decisions’ it can be known that regarding ‘Budgeting’ 25 per cent are highly aware and 32 per cent are moderately aware of it and they resort to the practice of preparing budgets as part of managing their money, whereas 30 per cent are least

**Table 1**  
**Classification based on demographic factors**

Sl No	Age	No of respondents	Percentage
1	20-30 years	24	24
	30-40 years	45	45
	40-50 years	20	20
	More than 50 years	11	11
	<b>Total</b>	<b>100</b>	<b>100</b>
2	<b>Marital status</b>	<b>No of respondents</b>	<b>Percentage</b>
	Married	62	62
	Unmarried	38	38
	<b>Total</b>	<b>100</b>	<b>100</b>
3	<b>Size of family</b>	<b>No of respondents</b>	<b>Percentage</b>
	2 members	20	20
	3 members	32	32
	4 members	36	36
	5 members	8	8
	More than 5 members	4	4
	<b>Total</b>	<b>100</b>	<b>100</b>
4	<b>Educational qualification</b>	<b>No of respondents</b>	<b>Percentage</b>
	Below SSLC	8	8
	SSLC	14	14
	HSE	20	20
	Diploma	8	8
	Graduate	26	26
	Post Graduate	24	24
	<b>Total</b>	<b>100</b>	<b>100</b>
5	<b>Monthly income</b>	<b>No of respondents</b>	<b>Percentage</b>
	Below 20,000	25	25
	20,000 - 40,000	32	32
	40,000 - 60,000	26	26
	More than 60,000	17	17
	<b>Total</b>	<b>100</b>	<b>100</b>

*Source: Primary Data*

bothered about it. Regarding ‘Banking’, 52 per cent are highly familiar with it and about various deposit schemes, while 40 per cent have medium awareness on it. Not only that, all of them have due deposits in various banks also. Only 8 per cent are least familiar with banking activities. In the case of Insurance, 33 per

cent are highly familiar and 32 per cent have moderate awareness on it. Likewise, regarding ‘Asset planning’, ‘Investment planning’, ‘Retirement planning’, ‘Estate planning’, on an average, the first two are much more familiar than the other ones. It shows that information connected to the importance of retirement planning

Table 2

**Familiarity and Applicability of Components of Personal Finance Decisions**

Components/ Degree of Familiarity	Budgeting	Banking	Insurance Planning	Asset planning	Investment Planning	Retirement planning	Estate planning
Highly familiar	25	52	33	18	31	15	26
Moderately familiar	32	40	32	32	40	24	36
Least familiar	30	8	25	30	24	26	25
Not aware	13	0	10	20	5	35	13
Total	100	100	100	100	100	100	100

*Source: Primary Data*

and estate planning have to be given to the people in order to make them well equipped with adequate finance in their future life.

Table 3 reveals the awareness level of people on various investment avenues and it shows that 23 per cent respondents are very much aware of the various investment options, whereas 32 per cent respondents' awareness level is high. When 24 per cent are moderately aware of these matters, 12 per cent are weak in these investment schemes circulated in the market. From the mean score of 3.38, it can be understood that on an average, the respondent's knowledge on various investment avenues is slightly above average but have to improve further if they have to take decisions intelligibly that can secure their life.

It is clear from the table 4 that states the 'Source of awareness on various investment avenues', 30 per cent of the respondents have got awareness from their academic studies. They have studied this as part of their curriculum. 19 per

cent of the respondents got this kind of information through Newspaper and 24 per cent of the respondents secured these kinds of information through social media as its usage is widely more reflected among today's community. 16 per cent got the information from their friends and relatives and 11 per cent of the respondents got it from radio or television.

Table 5 shows the awareness of risks associated the investments. It clearly reveals that 25 per cent respondents are not aware of these risks associated with different types of investments available in the market. 48 per cent of them are moderately aware and 27 per cent are fully aware of the risks associated with different investments which clearly understand they have a good understanding of the different risks and type of risks associated with various investment schemes provided by private and government bodies.

Table 6 shows the 'most preferred investment options of the respondents'

**Table 3**  
**Awareness Level on Various Investment Avenues**

Awareness level	Number of Respondents	Percentage	Mean
Very low	9	9	3.38
Low	12	12	
Moderate	24	24	
High	32	32	
Very high	23	23	
<b>Total</b>	<b>100</b>	<b>100</b>	

*Source: Primary Data*

**Table 4**  
**Source of Awareness on Various Investment Options**

Source	Number of respondents	Percentage
Academic studies	30	30
Newspaper	19	19
Social media	24	24
Radio/Television	11	11
Friends/Relatives	16	16
<b>Total</b>	<b>100</b>	<b>100</b>

*Source: Primary Data*

and it is clear that most people preferred Gold, fixed deposits and government bonds as the most preferred and safer investments among all other avenues. Insurance is also preferred as a good investment by some respondents.

**Hypothesis testing using chi-square analysis**

H0: There is no significant impact of Personal finance decision on the investment pattern of salaried individuals.

H1: There is significant impact of Personal finance decision on the investment pattern of salaried individuals.

**Calculation**

Calculated value = **22.35**

Degree of freedom =  $(r-1) (c-1) = (3-1) (7-1) = 12$

Table value= 21.026 and

Level of significance = 5 per cent

**Table 5**  
**Awareness of Risks Associated With Investments**

Awareness level	Number of respondents	Percentage	Mean
Not aware	25	25	2.02
Moderately aware	48	48	
Fully aware	27	27	
<b>Total</b>	<b>100</b>	<b>100</b>	

*Source: Primary Data*

**Table 6**  
**Types of Investments Mostly Opted (Investment Pattern)**

Investment options	Number of respondents	Percentage
Fixed deposits	20	20
Corporate Securities	5	5
Government bonds	18	18
Mutual funds	12	12
Real estate	8	8
Gold	25	25
Insurance	12	12
<b>Total</b>	<b>100</b>	<b>100</b>

*Source: Primary Data*

**Table 7**  
**Impact of Personal Finance Upon Investment Pattern**

Degree of Familiarity on Personal finance	Investment pattern of respondents							
	FD	Corporate securities	Govt. bonds	Mutual funds	Real estate	Gold	Insurance	Total
Highly familiar	10	1	6	3	2	7	4	33
Moderately familiar	6	2	9	5	3	12	6	43
Least familiar	4	2	3	4	3	6	2	24
<b>Total</b>	<b>20</b>	<b>5</b>	<b>18</b>	<b>12</b>	<b>8</b>	<b>25</b>	<b>12</b>	<b>100</b>

*Source: Primary Data*

**Table 8**  
**Computed Values**

Observed values (O)	Expected values (E)	(O-E) <sup>2</sup> /E
10	6.6	1.75
1	1.65	0.26
6	5.94	0.001
3	3.96	0.23
2	2.64	1.16
7	8.25	1.19
4	3.96	0.08
6	8.6	1.85
2	2.15	1.65
9	7.74	1.21
5	5.16	1.01
3	3.44	1.05
12	10.75	1.25
6	5.16	1.62
4	4.8	0.90
2	1.2	0.90
3	4.32	1.75
4	2.88	0.80
3	1.92	1.38
6	6	1.25
2	2.88	1.06
		22.35

*Source: Primary Data*

Calculated value is greater than table value. So, we reject the *null hypothesis* and accept *alternative hypothesis*

**Findings**

- Regarding the familiarity and usage of the various components that form personal finance, majority of the respondents are quite familiar on Budgeting, banking services, Insurance and its benefits, various investment avenues and the importance of investing one’s savings has a good thought of retirement life etc.

- 25 per cent are highly aware and 32 per cent are moderately aware of Budgeting and they resort to the practice of preparing budgets as part of managing their money.
- 52 per cent are highly familiar and 40 per cent have medium awareness on Banking and various deposit schemes all of them have due deposits in various banks also.
- Majority of the respondents (32 per cent) have high degree of awareness regarding the various investment avenues allowable in the financial

market. The mean score (3.38) shows that the respondent's knowledge on various investment avenues is slightly above average.

- 30 per cent of the respondents gained the awareness on various investment avenues from their academic studies.
- 48 per cent of the respondents have medium level of awareness regarding the risks associated with investing in various investing options such as corporate securities, Gold, Real estate, Insurance, Mutual funds etc.
- Of the respondents interrogated, majority of them (25 per cent) have invested in Gold as they find it profitable nowadays. 20 per cent find Fixed deposits as the next major secure and profitable option.

### Hypothesis – Findings

From the hypothesis done using Chi-square, on the data collected regarding the degree and acquaintance of the respondents towards the various components of personal finance, it has been found that there is significant impact of Personal finance on the investment pattern of salaried individuals residing in urban areas of Thiruvananthapuram district.

### Suggestions

- **Enhance financial literacy through education:** Salaried individuals must improve their financial knowledge by learning basic financial concepts such as budgeting, saving, investing, taxation

and insurance. For that he has to attend financial literacy programs, workshops, seminars and online courses for getting well informed about the updated details on financial decisions.

- **Encourage regular financial planning:** Individuals should develop the habit of preparing monthly and annual financial plans. Proper planning helps in controlling expenses, increasing savings, and achieving financial goals efficiently.
- **Increase awareness about investment options:** Awareness on Personal finance decisions and various investment avenues have to be made by the salaried individuals as it will help them to take several kinds of financial decisions precisely at times it is needed.
- **Pre-requisites of financial decisions:** Areas such as risk-return trade off, diversifications, long term financial planning, setting of financial goals etc., has to be greatly taken care of.
- **Fix Financial goals:** Investment decisions should be made based on **clearly defined financial goals** rather than short-term market trends or peer influence.
- **Bring changes in the Investment pattern:** Individuals must bring a change in the portfolio of their investments adding investment schemes such as fixed income instruments, pension schemes,

mutual funds etc., to reduce risk and improve returns.

- **Practice Budgeting:** Budgeting should be done as a regular practice that help to enhance systematic management of money and also will ensure consistent investment behaviour.
- **Role of Financial institutions:** Financial institutions must bring into financial market, such kind of products that are simple, transparent, and low-risk, for it will be more approachable to salaried individuals.

### Conclusion

The study which entitles “*Impact of personal finance decision on the investment pattern of salaried individuals of urban areas of Thiruvananthapuram district*” was undertaken to examine how far the salaried individuals resort to different

investment avenues based on their knowledge and acquaintance with the various components that make up personal finance decision. The study focussed on analysing the extent to which, various factors such as income level, saving habits, financial awareness, risk aptitude and personal financial planning contribute to the choice of investment avenues available in the financial market. The present study reveal that personal finance decisions play a crucial role in deciding the pattern of investment of salaried individuals than persons without a regular income as salary, as they can be sure and safe of investing a regular income to their investment schemes. It is also understood that the investment behaviour of such individuals who have a good knowledge on personal finance decisions direct them to lead financially disciplined life.

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