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Analysing Financial Planning and Risk Profiling with Respect to Sample Individual Investors of Prayagraj

Prakash Kundnani *1 ,
*1. Assistant Professor, United Institute of Management, Naini, Prayagraj
Vivek Srivastava *2 ,
*2. Assistant Professor, United Institute of Management, Naini, Prayagraj
Pradeep Kumar Singh *3
*3. Assistant Professor, United Institute of Management, Naini, Prayagraj

ABSTRACT :
Financial planning is the process of achieving one's life goals by using different investment options with current resources through proper and disciplined money management. A risk profile is an evaluation of an individual's willingness and ability to take risk. Through this paper researcher have tried to analyse financial planning and risk profiling and attitude of individual sample investors of Prayagraj towards risk taking. For the purpose of research primary data have been collected through questionnaire via google form from 100 investors of Prayagraj through convenient sampling technique. Research found that sample individual investors were more inclined to safety that return and investors prefer long term planning to short term planning.

Key words : Risk Profiling, Risk Appetite, Financial Behavior, Financial Planning

Introduction :
Financial planning is a step-by-step approach to meet one's life goals. A financial plan acts as a guide as you go through life's journey. Essentially, it helps you be in control of your income, expenses and investments such that you can manage your money and achieve your goals.

Financial planning is the process of achieving your life goals by using different investment options with your current resources through proper and disciplined money management. Process of financial planning helps in to Increase one's savings, enjoy a better standard of living, be prepared for emergencies, creation of wealth, retirement planning, Tax saving etc.

Financial Planning Process

Risk profiling is important for determining a proper investment and asset allocation for a portfolio. A risk profile is an evaluation of an individual's willingness and ability to take risk. There are three important category for risk profiling i.e. conservative, moderate and aggressive.

Litreature Review
Samuel Ezra Chakkaravarthy (2021) "The Relationship between Risk Profile and Investment Behavior of Investors"

In the current study, a detailed research work was done on the various behaviour theories, the concept of risk and the impact of risk on socio-demographic factors. Behavioural finance concepts were researched extensively and different biases were identified to be used in this study. The main objective of the study was to assess the level of Risk tolerance, the investment behaviour and to identify which behavioural biases exist among individual investors in Chennai.

Yilmaz Bayar, H. Funda Sezgin, Mahmut Unsal Sasmaz (2020) "Financial Literacy and Financial Risk Tolerance of Individual Investors: Multinomial Logistic Regression Approach"

In this article, they have researched the impact of financial literacy level and demographic characteristics on the financial risk tolerance of the individuals in the sample of Usak University staff, using a multinomial logistic regression analysis and retrieving data through the questionnaire method. The findings of the empirical analysis reveal that financial literacy and demographic characteristics of age, gender, education, and income levels are significant determinants of financial risk tolerance. For this the improvements in the financial literacy of the individuals through various education programs will probably raise the demand of financial instruments with different risk characteristics and resultant contribute to the development of financial sector.

Fox & Bartholomae (2020) This paper is a brief summary and review of the impact of the COVID-19 pandemic on household finances. Based on qualitative responses from practicing financial planners, changes in practice and client concerns as a result of the pandemic are outlined. At the global level, respondents shared that the practice of financial planning has increased its adoption of communication technology while clients are experiencing unexpected levels of stress related to changes in health, the economy, and the political landscape in the United States. response and observations from the sample of practicing financial planners are used to intimate suggestions for practice.

Kamini Khanna And Veena Chauhan (2017) "A Study of risk profiling and investment choices of retail investors" This research is an attempt to explore the association between various demographical factors, risk profile and investment decision of retail investors. And it revealed that the investors do not always behave rationally and their choice of investments is decided by their risk profile and other demographical factors such as age, gender, income, wealth etc. This research is also useful for portfolio managers to construct the right portfolio for the investors according to their needs and preferences. The study was exploratory in nature and survey method was used to complete the study. The population of the study comprised retail investors of Mumbai region. The study was conducted with a sample of 50 respondents from various walks of life.

Laith Yousuf Banihani (2019) "A Study Of Financial Planning And Investment Of Individual" This study aims at answering these questions; Q1: how can the investor plan for his financial resources? Q2: What is the overview of the investor in short and long term goals? For data collection, the researcher has collected primary data by surveying investor's investment objectives and risk profile. The result found that the comprehensive study about each aspect of this topic has shown that the Financial Planning is a dynamic and flexible concept which involves regular and systematic analysis, proper management, judgment, and actions.

Katherine Hunt (2016) "Investment Risk Profiling"
This paper presents a novel approach to risk profiling, which is based on the application of the psychology literature to develop an empirical risk profiling system. This paper provides a theoretical foundation for considering the risk profiling system by applying the literature from self-control, optimism, financial literacy, and risk tolerance, to a risk profiling system. This paper discusses how understanding client levels of self-control can impact 'stickability' to a financial plan, and how prior knowledge of optimism, financial literacy and risk tolerance can enable financial planners to have more engaging discussions and design more tailored financial plans for their clients.

Significance of Study
This study is very useful to understand attitude of individual investors for investment and financial planning, their investment pattern, risk profiling and risk taking ability.

OBJECTIVES:-

1. To analyse financial planning and risk profiling of individual investors of Prayagraj.
2. To study the attitude of investors towards risk taking.
3. To identify the securities that investors prefer more in their financial planning.

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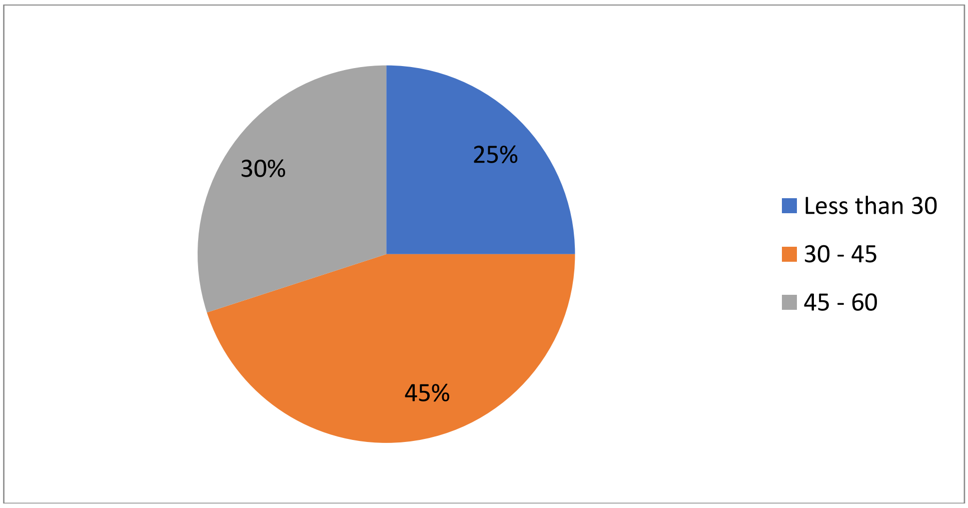
Data Analysis & Interpretation

Demographic Data

Distribution Of Sample Assessees Based On Age

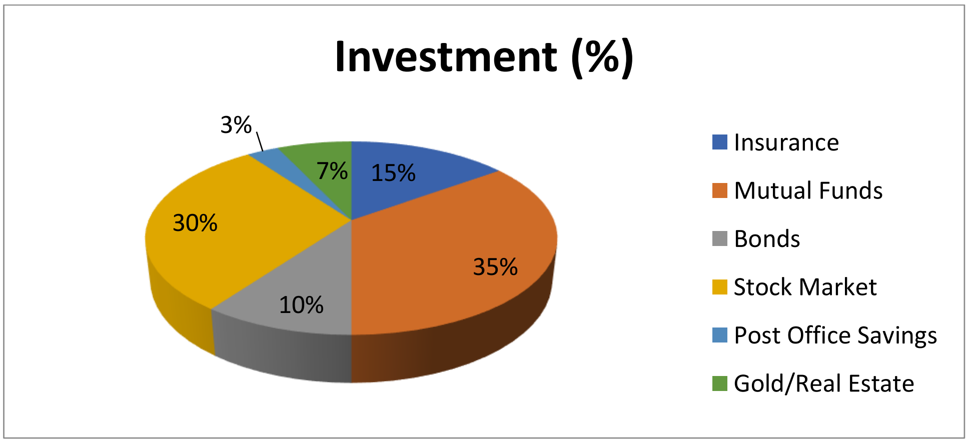
Sr. No.	Age Group (yrs)	Count	Percentage
1.	Less than 30	25	25
2.	30 - 45	45	45
3.	45 - 60	30	30
	Total	100	100



1. In which financial product you invest your savings?

Table: Preferable financial product for investment

Financial Product	Investment (%)
Insurance	15
Mutual Funds	35
Bonds	10
Stock Market	30
Post Office Savings	3
Gold/Real Estate	7

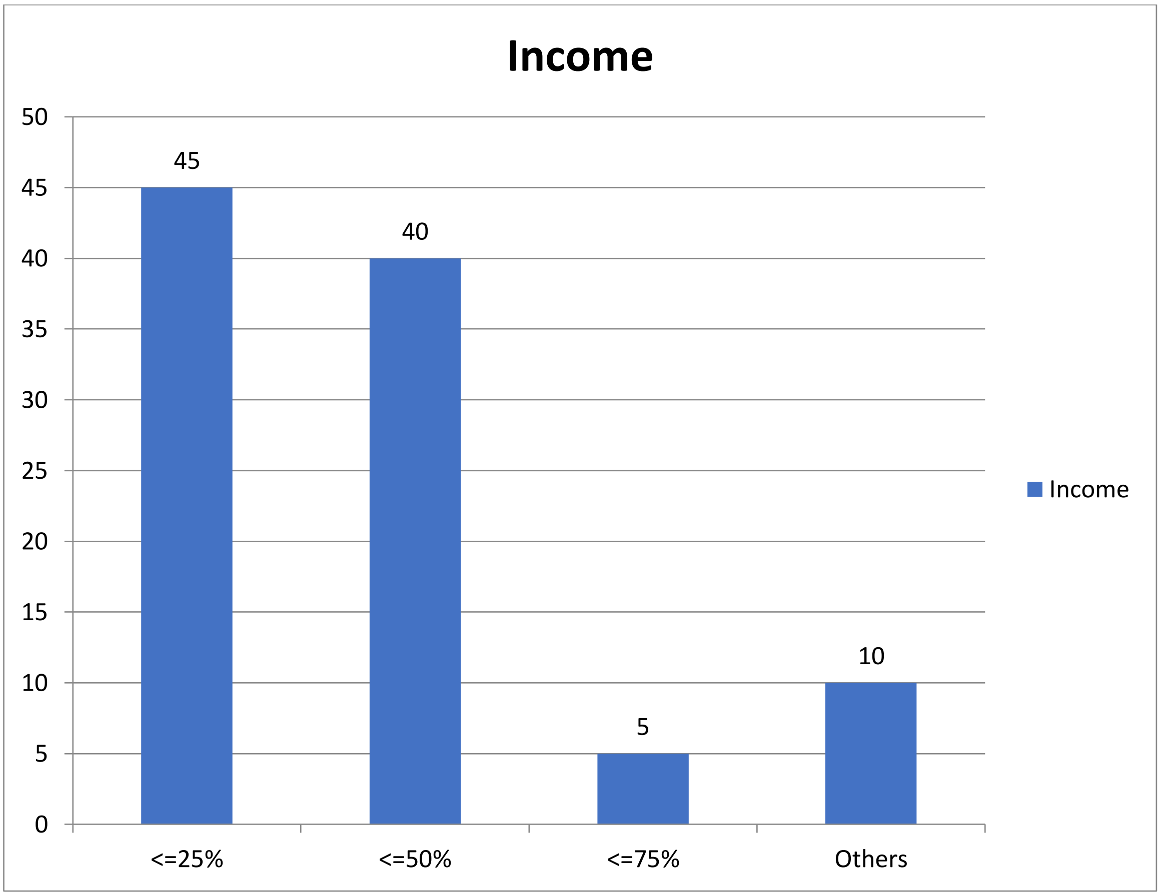


INTERPRETATION:- From the above the table and figure we can conclude that most of the investors are investing their savings mainly in the mutual funds and stock market, followed by insurance, bonds . Very few investors are investing their money in post office or gold because of their comparatively lesser returns than others.

2. What is the percentage of saving from your income?

Table 2 : percentage of saving from your income

Savings	Income
<=25%	45
<=50%	40
<=75%	5
Others	10

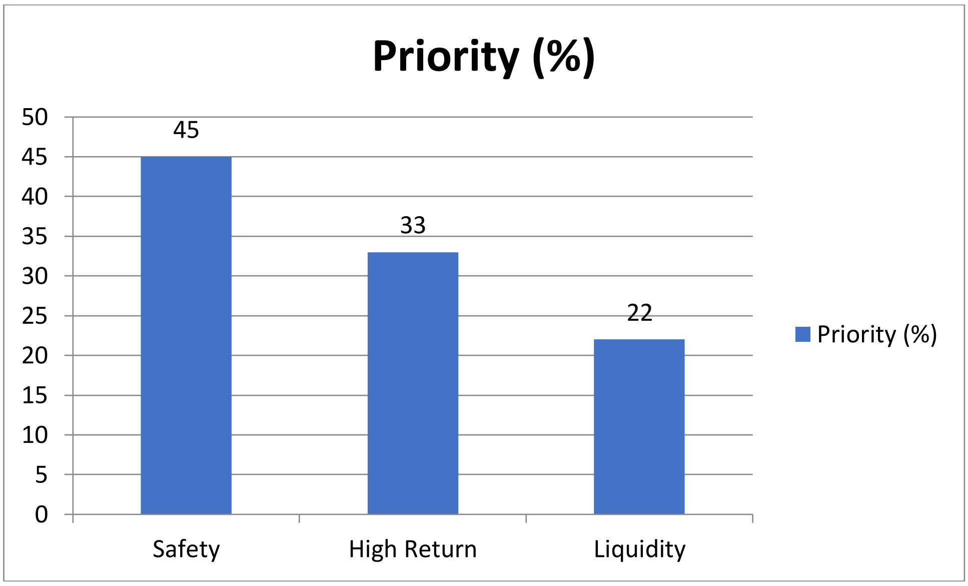


INTERPRETATION:- From the above table and chart it is cleared that most of the investors save equal to or less than 25% from their income.

3. What are the factors to which you give priority when you invest?

Table: Priority for Investing

Factors	Priority (%)
Safety	45
High Return	33
Liquidity	22

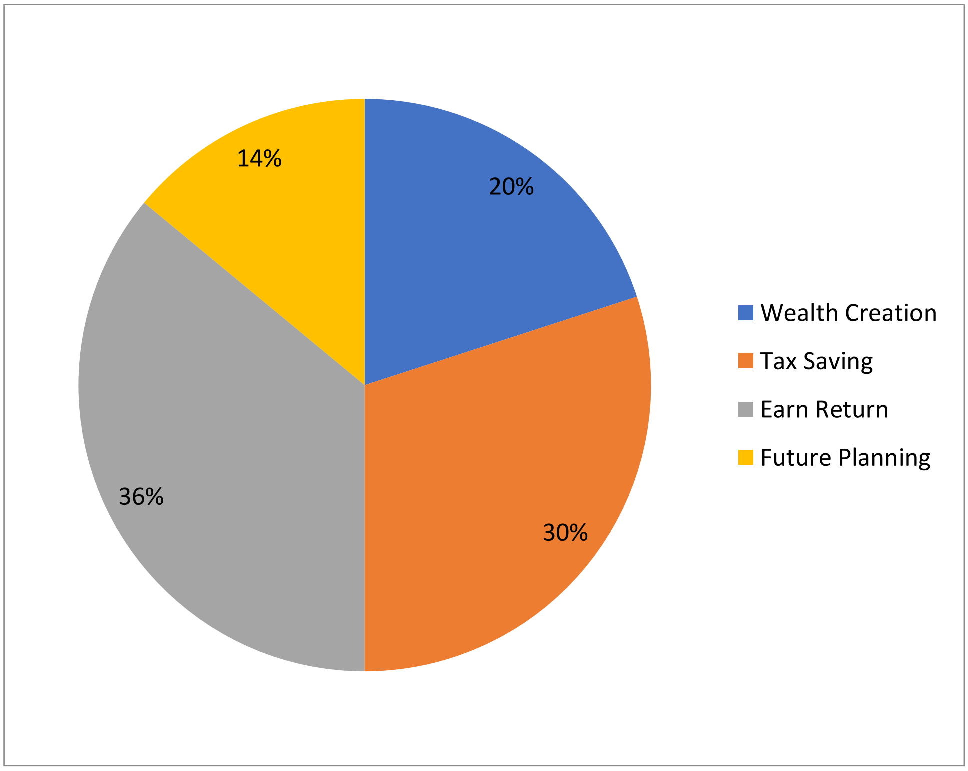


INTREPRETATION:- From the above table and figure we can conclude that safety is the factor that the investors give priority the most, high return is another parameter for judging their priority.

4. What is the purpose of your investment?

Table : Purpose of Investment

Purpose of Investment	Investor's Response (%)
Wealth Creation	20
Tax Saving	30
Earn Return	36
Future Planning	14

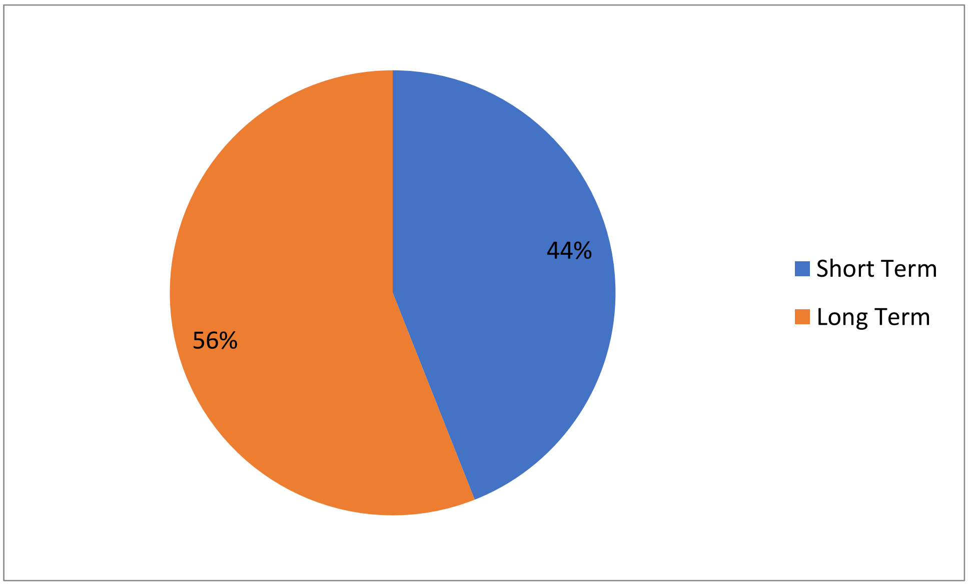


INTERPRETATION:- From the above the table and figure we can conclude that main purpose of investment by the investors are for earning return followed tax savings and wealth creation.

5. Nature of your investment plan.

Table : Nature of investment plan

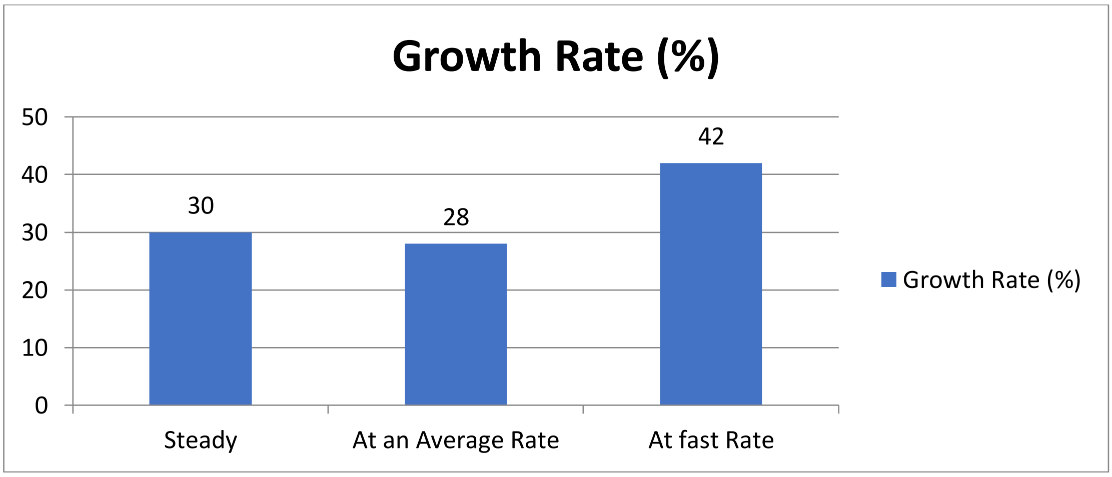
Nature	Response (%)
Short Term	44
Long Term	56



INTERPRETATION:- From the above the table and chart it is cleared that most of the investors prefer long term investment.

6) In which way do you want your investment to grow?

Way of Investment	Growth Rate (%)
Steadily	30
At an Average Rate	28
At fast Rate	42

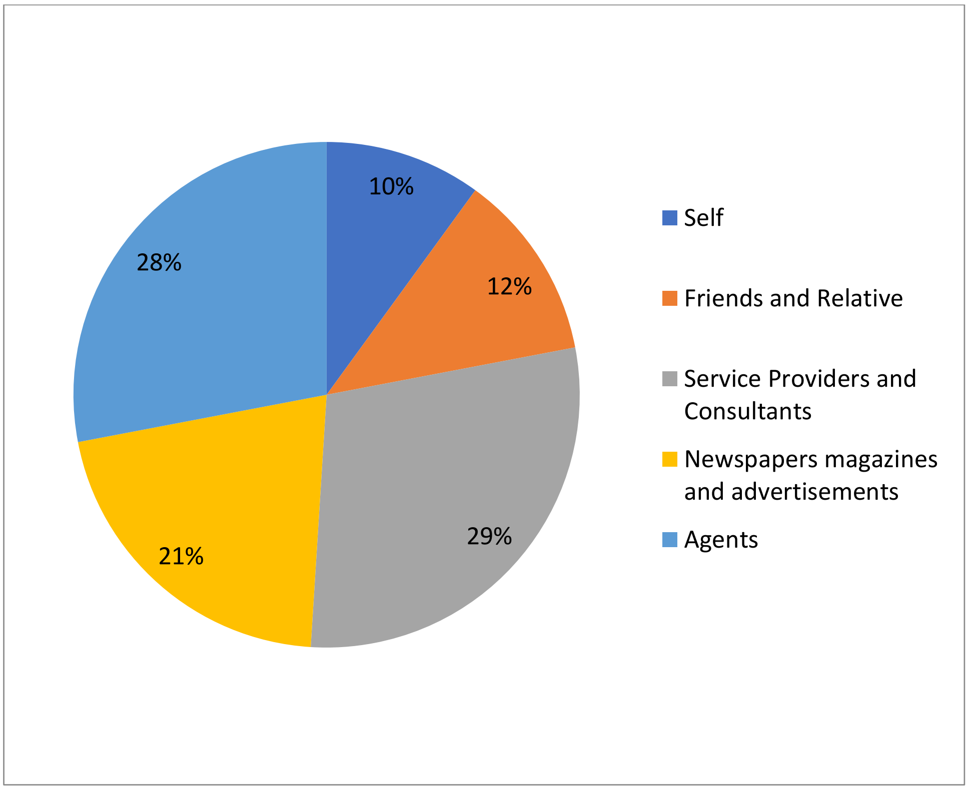


INTERPRETATION:-As we can clearly see in the bar graph that most preferred rate which the investors prefer is that they want their securities to grow at a fast rate , while many investors prefer steady growth followed by investors who prefer an average growth rate.

7. Mode of advice for investment

Table : Mode of Advise

Mode of Advise	Response (%)
Self	10
Friends and Relative	12
Service Providers and Consultants	29
Newspapers magazines and advertisements	21
Agents	28



INTERPRETATION:- From the above table and figure we can conclude that most of the investors took advise service providers and consultant followed by agents.

8. In your Opinion what would be the optimum strategy if stock market drops immediately after you invest in it ?

Strategy if Stock Market drops	Volume (%)
Cut your losses and transfer funds into secure investment	26%
Wait to see if investment improves	31%
Invest more funds to lower your losses expecting future growth	38%
Withdraw your funds and stop investing	5%

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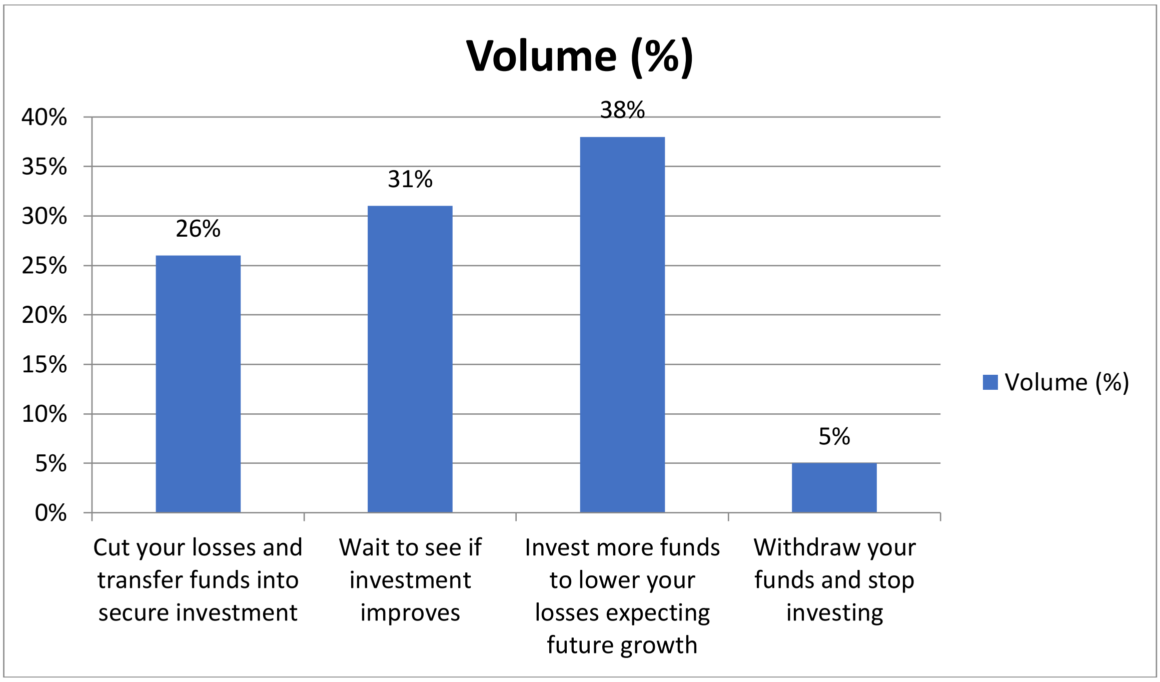
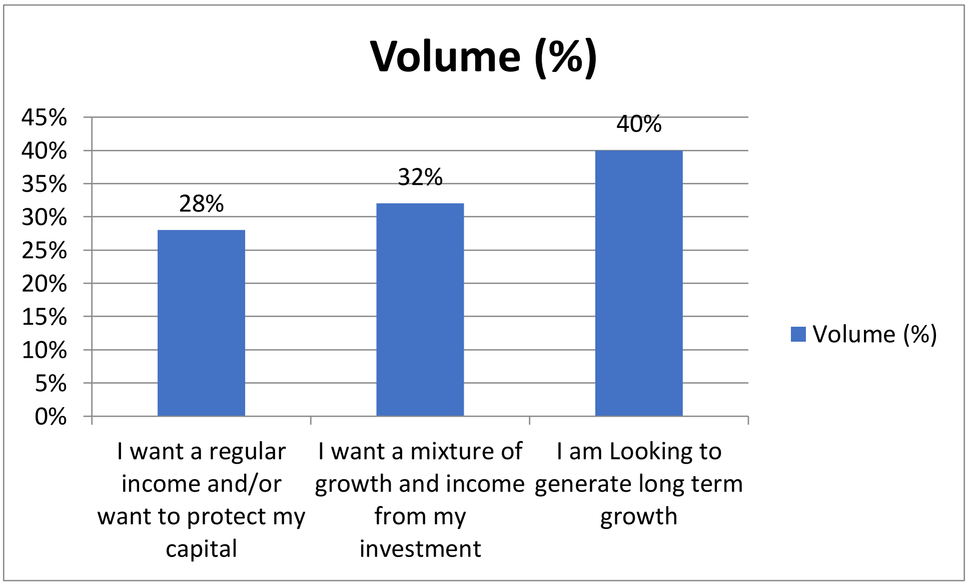


INTERPRETATION:- As it is clearly visible from the graph that most of the investors are of the opinion that they will invest more funds to lower their losses expecting future growth, which indicates that they are ready to bear the risks , another batch of investors belief that they will wait to see if the investment improves, while the rest will transfer funds into secure investment options.

9. Which type of return you are looking for in an investment ?

Type of Return	Volume (%)
I want a regular income and/or want to protect my capital	28%
I want a mixture of growth and income from my investment	32%
I am Looking to generate long term growth	40%

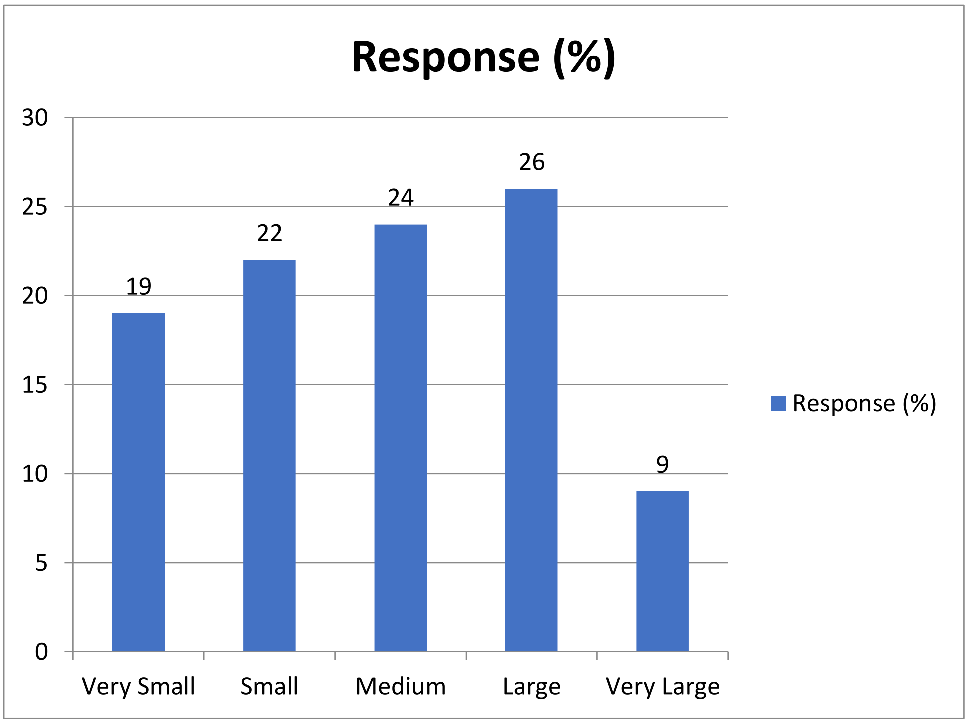


INTERPRETATION:- From the above table and graph, we can conclude that most of the investors are looking for an investment option which would generate them long term growth in the future.

10. What degree of risk you have taken with your financial decisions in the past?

Table : Degree of Risk

Degree of Risk	Response (%)
Very Small	19
Small	22
Medium	24
Large	26
Very Large	9



INTERPRETATION:-As it is very clear from the above chart that majority of the investors have large and medium risk taking capacity followed by small and very small degree of risk taking investors. While very large degree of risk taking investors are the least in number.

11. How often would you be prepared to tolerate a negative return to receive progressively higher returns?

Table : Risk Tolerance in case of consistent negative return

Risk Tolerance (Period)	Volume (%)
Never	16%
One year in Ten	17%
One year in Four	28%
One year in three	39%

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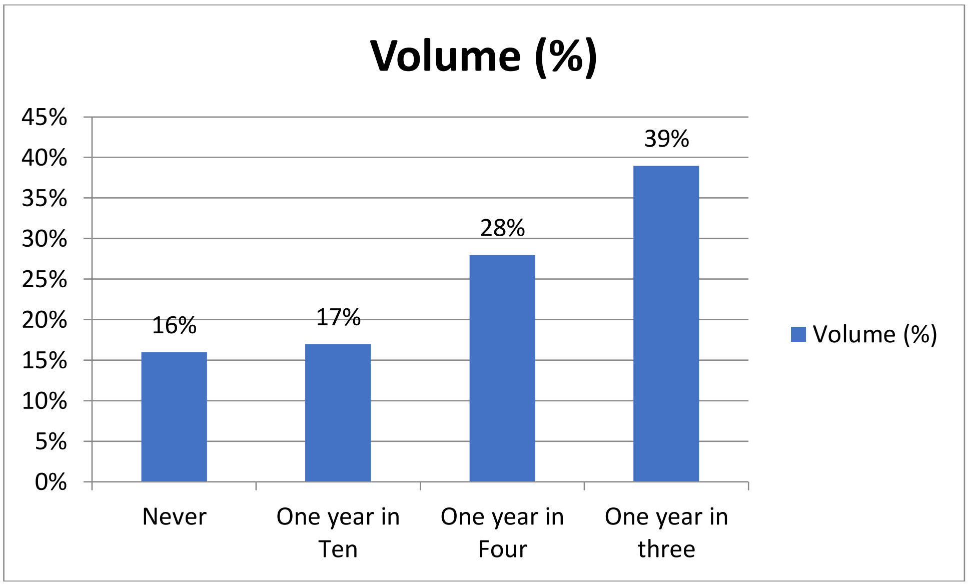


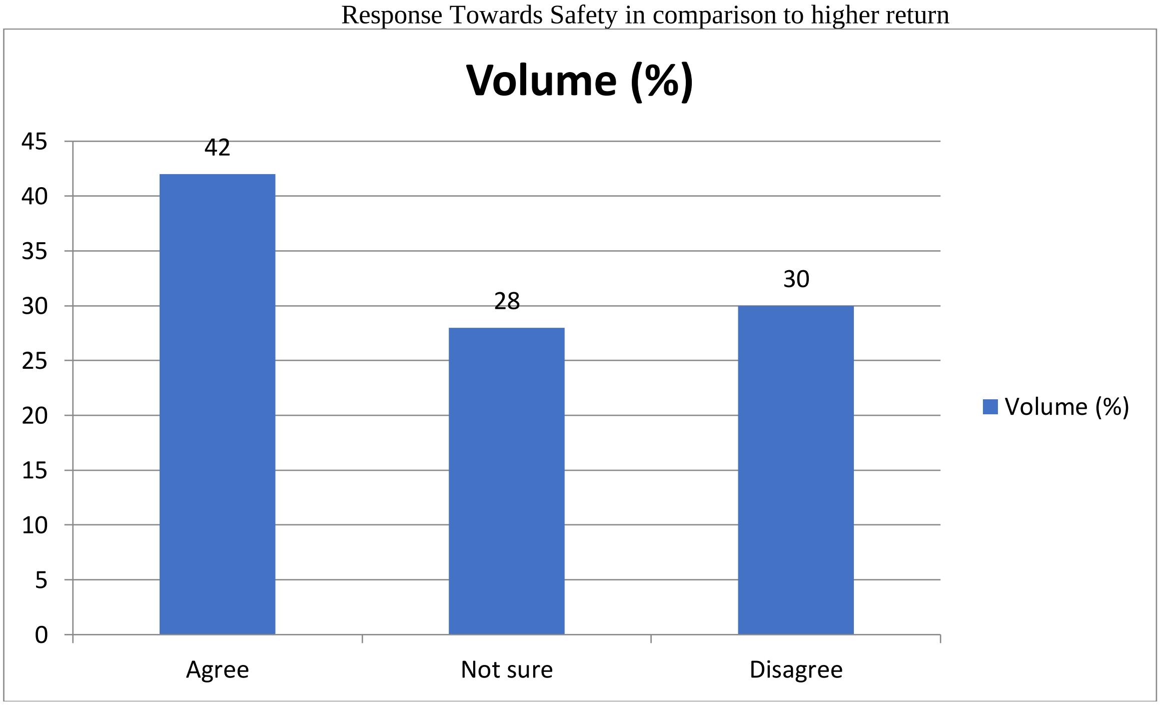
INTERPRETATION:-As we can see that most of the investors are prepared to tolerate a negative return in order to receive progressively higher returns in one year in three, followed by one year in four and the least amount of investors prefer that they will never be prepared for such scenario.

12. In comparison to safety and higher return, how likely you are going to opt safety?

Table : Response Towards Safety in comparison to higher return

Response towards Safety in comparison to higher return	Volume (%)
Agree	42%
Not sure	28%
Disagree	30%

Response Towards Safety in comparison to higher return

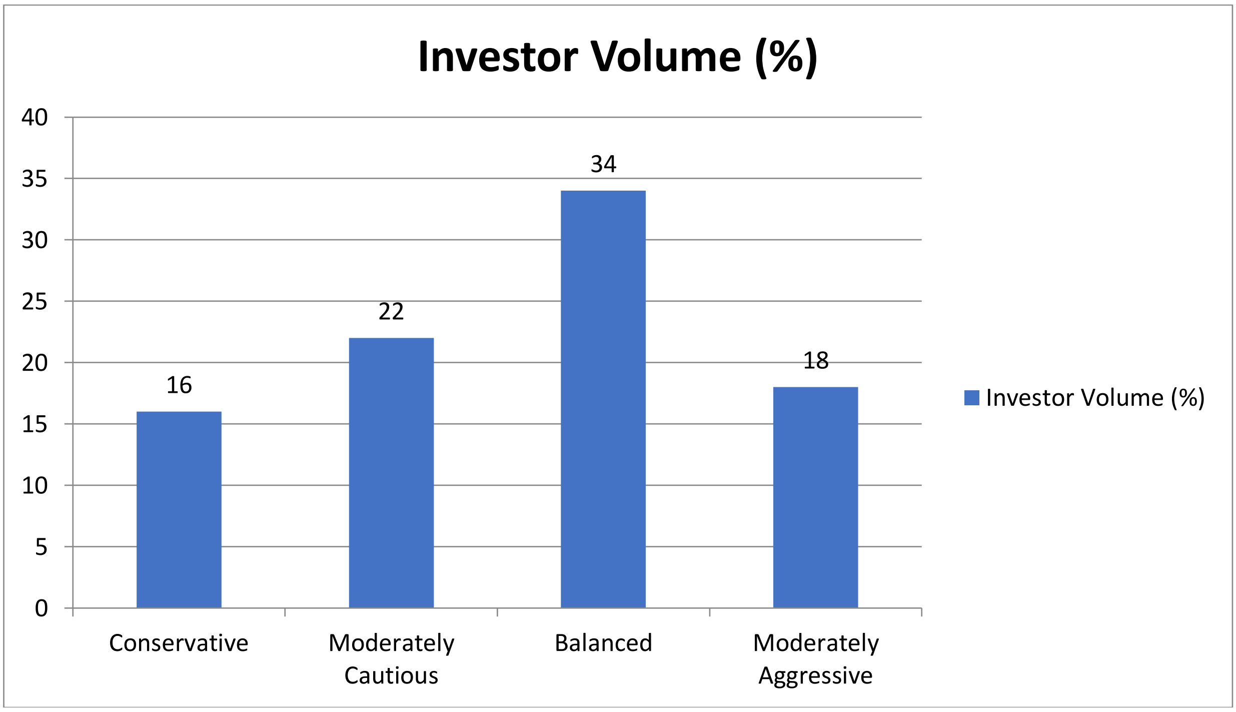


INTERPRETATION: From the above data it is clear that in response towards safety in comparison to higher return most of the investors agree to it.

Q.13. Select the portfolio suited most as per your risk appetite.

Table : Selection of portfolio as per risk profile

High Risk/Return (%)	Medium Risk/Return (%)	Low Risk/Return (%)	Investors Risk Tolerance Category as per Portfolio selected	Investor Volume (%)
10	20	70	Conservative	16
20	30	50	Moderately Cautious	22
30	40	30	Balanced	34
50	40	10	Moderately Aggressive	18
70	20	10	Aggressive	10



INTERPRETATION:-As it is very clear from the above chart that as per portfolio selected by investors majority of the investors have moderate risk profile followed by moderately cautious and moderately aggressive risk profile.

Findings

1. Through research we found that Sample investors of prayagraj, as part of their financial planning prefer long term planning rather than short term planning. They are more concern to safety than high return. For the purpose of investment investors generally took the services of financial planners.
2. On the basis of risk appetite and investment behavior most of the sample investor comes under balanced risk profile.
3. Investors attitude towards risk taking is balanced in nature.
4. Their most preferred investment is mutual fund followed by equity market. Investors want to grow their investment at faster rate.

Suggestions

For growing return at a faster rate investors must look for high return securities as well as regular monitoring of securities and market are required. Financial planning helps an individual to be prepared for emergencies, business loss, illness etc. which cannot be predicted. Having a strong portfolio can help recover from the losses.

CONCLUSION

1. Financial planning is a profession in flux which will benefit from a more robust and empirically tested framework of risk profiling.
2. The risk profiling system of financial planners provides immense opportunity for the profession to be recognized in the community as being of the highest ethical standards which operate for the benefit of clients and their families .
3. The comprehensive study about every aspect of this topic shows that financial planning is a dynamic and flexible concept which involves regular and systematic analysis , proper management, judgment and actions.
4. Financial planning service is an essential and useful investment tool for meeting your life goals through the proper management of your finances.

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