

AN EMPIRICAL ANALYSIS ON FACTORS INFLUENCING INDIVIDUALS IN PRIVATE SECTOR TO SEEK PERSONAL FINANCIAL ADVICE

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“A man who does not plan long ahead will find trouble right at his door.” – Confucius

Abstract

An attempt has been made through this paper to understand financial intermediaries preferred by individuals in private sector to seek personal financial advice, to understand underlying factors considered by individuals while selecting intermediaries to seek personal financial advice and to examine whether preferences and factors vary with selected demographic variables. The results of the study suggests that there is significant difference in seeking personal financial advice from intermediaries, factors considered while selecting intermediaries for personal financial advice due to gender.

Keywords: Personal Financial Advice, Financial Advisors, Certified Financial Planner, Advisor, Investment Preferences, Individual investors

INTRODUCTION

Personal Finance is a means to assess, evaluate and manage individual's finance effectively. It includes the financial management of personal resources by budgeting, planning, saving and provision for the future. Managing finances is one of the complex activity, one needs to be aware of financial concepts, investment options, approach and ever changing macro and micro socioeconomic trends. Planning personal finances early gives a bigger and better advantage to achieve future financial goals. An efficient personal finance plan is a boon for the bright future of ones' family.

Households have a tendency to raise precautionary savings/forced savings as a result of the COVID-19-induced lockdown globally. The forced savings component arose as a result of the virus's containment tactics, which prevented households from spending a considerable portion of their typical spending basket. The increase in household financial assets was led by significant increase in the households' holdings of mutual funds, insurance products and currency. The household savings in mutual funds has increased to 1.7 per cent of GDP in

Q1:2020-21 from (-) 0.9 per cent in Q4:2019-20 and 0.2 per cent in Q1:2019-20. Household savings in insurance products is estimated to have increased to 3.3 per cent from 0.7 per cent and 2.3 per cent, respectively, over the same period. Similarly, currency holding by households increased to 5.4 per cent from 3.0 per cent in Q4:2019-20 and 1.3 per cent in Q1:2019-20.

Making financial decisions about one's assets or expenses is frightening, yet it is unavoidable in life. 90% of Indians fall into the trap of purchasing financial products through channels that seek to maximise their revenue rather than considering individual well-being. It is clear that there is a strong need for personal financial consultations in India, as the country is seeing tremendous growth in terms of existing financial services organisations as well as the introduction of new and diverse financial products.

LITERATURE REVIEW

Many researchers across the globe have studied the importance of financial literacy, need for personal financial advice and elements for consideration while selecting appropriate financial Advisors/intermediaries. Many studies have shown that men and women interact with financial information and issues differently. Barber and Odean (1999) surveyed the literature, which indicates that women have different attitudes toward financial decisions than men. A study commissioned by a major national brokerage firm found that gender is the third most powerful determinant of investing, after age and income are considered (Bajtelsmit and Bernasek, 1996).

Many investment industry specialists have lately concluded that the investment characteristics that distinguish female investors should lead to the handling of women investors as a distinct market segment with unique needs that necessitates new and different marketing techniques. Graham et al. (2002) propose that the underlying reasons for the differences in male and female financial decision-making strategies may be related to differing styles of information processing on the part of male vs female decision makers.

Salter et al. (2010) found that among the types of financial professionals used by wealthier retirees, financial advisors and planners comprised the largest portion, followed by stockbrokers, accountants, and bank representatives.

Objectives

- 1) To understand the Investment behaviour of individuals in seeking personal financial advice
- 2) To understand intermediaries preferred by individuals to seek personal financial advice
- 3) To understand underlying factors considered by individuals while selecting intermediaries to seek personal financial advice
- 4) To examine whether preferences and factors vary with selected demographic variables

Hypotheses

Hypothesis 1

H₀: There is no significant difference in seeking personal financial advice from financial intermediaries due to gender

H_A: There is significant difference in seeking personal financial advice from financial intermediaries due to gender.

Hypothesis 2

H₀: There is no significant difference in factors considered while selecting financial intermediaries for personal financial advice due to gender

H_A: There is significant difference in factors considered while selecting financial intermediaries for personal financial advice due to gender

RESEARCH METHODOLOGY

For the purpose of this study, individuals from private sector such as Banking, Information Technology, Manufacturing, Consulting and Services firm between age 30 to 50 years were considered as the sample for this study. In this study, 50 working individuals in various private sectors organizations living in Bengaluru was selected as size of sample. Simple random sampling is adopted in this research. Few additional responses were collected to ensure that the responses duly considers equal participation from both male and female. An online survey was conducted to obtain the responses. Some of the respondents were personally contacted to fill the questionnaire. A reliability test using Cronbach's alpha was conducted. The value of Cronbach's alpha was found to be 0.755, which is quite high. As the responses are ordinal data and non-parametric (statistical data type where the variables have natural, ordered categories and data does not have a normal distribution), The Kruskal-Wallis test – one-way ANOVA (The test determines whether the medians of two or more groups are different. Like most statistical tests, you calculate a test statistic and compare it to a distribution cut-off point. The test statistic used in this test is called the H statistic) is conducted on data set to conclude that there are significant differences among the gender groups.

RESULTS

A demographic profile of the respondent is given in Table 1.

It is evident from the Table 1 that 50 per cent male, 84 per cent respondents are in the age group of 30–40 years, 68 per cent postgraduate and 64 per cent with annual income between 15 to 40 lakhs.

Table 1: Demographic details of Respondents

		Frequency	Percentage
GENDER	Male	25	25.0
	Female	25	25.0
AGE (YEARS)	30 – 40 Years	42	84.0
	41 – 50 Years	8	16.0
	Others	25	25.0
EDUCATION	Graduate	16	32.0
	Post graduate	34	68.0
	Others	25	25.0
ANNUAL INCOME	Below 15 Lakhs	16	32.0
	15-40 Lakhs	32	64.0
	Above 41 Lakhs	2	4.0

Source: Primary Data

Dimension of Personal financial advice preferences and gender

Table 2: Attitude towards seeking personal financial advice and gender

Gender	Male Numbers	Male Percentage	Female Numbers	Female Percentage
Industry Certified Financial Planner/Advisor	12	24.0	6	12.0
I am Managing on my Own	11	22.0	5	10.0
Others	2	4.0	14	28.0
Total	25		25	

Source: Primary Data

Others: Auditors, Bank representatives, Insurance, Post Office Agents, Online virtual advisors and Mutual fund Brokers

Table 3: Kruskal Wallis, One-way ANOVA for Attitude towards seeking personal financial advice and gender

Group	H-statistic (Significance at 5%)	p-value (Significance at 5%)
Group1: Attitude towards seeking personal financial advice from CFP and gender	8.698	.00319
Group 2: Attitude towards managing their finances on own and gender	7.1695	.00742
Group 3: Attitude towards seeking personal financial advice from 'others' and gender	22.0476	.00001

Source: Primary Data

Others: Auditors, Bank representatives, Insurance, Post Office Agents, Online virtual advisors and Mutual fund Brokers

Table 2 clearly shows that 24 per cent male individual investors prefer to seek financial advice from Industry Certified Financial Planner/Advisor followed by 22 per cent of male individual investors prefer to manage personal finances on their own whereas 28 per cent female

individual investors prefer to seek financial advice from other intermediaries like auditors, bank representatives, insurance, post office agents, online virtual advisors and mutual fund brokers followed by 12 per cent female individual investors prefer to seek financial advice from Industry Certified Financial Planner/Advisor.

The Kruskal-Wallis test – one-way ANOVA is conducted on data set (Table 3), it is found that there are significant differences in seeking personal financial advice among the gender groups (p value less than 0.05).

Dimension of factors considered while selecting intermediaries to seek personal financial advice and gender

Table 4: Factors considered while selecting intermediaries and gender

Gender	Male Numbers	Male Percentage	Female Numbers	Female Percentage
How much Fees is being charged	12	24.0	6	12.0
Experience in handling multiple investment products and Services	7	14.0	8	16.0
Feedback/References from existing clients	4	8.0	7	14.0
Others	2	4.0	4	8.0
Total	25		25	

Source: Primary Data

Others: Industry certification/Association with a known Brand, Is he/she a registered Advisor, Historical Effective Rate of Return delivered to existing clients

Table 5: Kruskal Wallis, One-way ANOVA on Factors considered while selecting intermediaries and gender

Group	H-statistic (Significance at 5%)	p-value (Significance at 5%)
Group 1: Fee as a factor considered while selecting intermediaries and gender	4.8498	.02765
Group 2: Experience in handling multiple investment products and Services	5.6494	.01746
Group 3: Feedback/References from existing clients as a factor considered while selecting intermediaries and gender	7.1176	.00763
Group 4: Others as a factor considered while selecting intermediaries and gender	11.4636	.00071

Source: Primary Data

Others: Industry certification/Association with a known Brand, Is he/she a registered Advisor, Historical Effective Rate of Return delivered to existing clients

Table 4 clearly shows that 24 per cent male individual investors considers ‘How much Fees is being charged’ followed by 14 per cent considers ‘Experience in handling multiple investment products and services’ whereas 16 per cent female individual investors considers ‘Experience in handling multiple investment products and services and 14 per cent considers

‘Feedback/References from existing clients’ while selecting intermediaries for personal financial advice. The Kruskal-Wallis test – one-way ANOVA is conducted on data set (Table 5), it is found that there are significant differences in factors considered while selecting intermediaries for personal financial advice among the gender groups (P value less than 0.05).

CONCLUSION

It has been found that male individual investors prefer to seek personal financial advice from Industry Certified Financial Planner/Advisor, manage their personal finance on their own whereas female individual investors prefer to seek personal financial advice from other intermediaries such as auditors, bank representatives, insurance, post office agents, online virtual advisors and mutual fund brokers. Male individual investors considers fees charged by Advisors/financial intermediaries and Advisors/intermediaries who has experience in handling multiple investment products and services as key factors while selecting financial intermediaries whereas female individual investors considers Advisors/intermediaries who has experience in handling multiple investment products and services and reference/feedback from existing clients as key factors while selecting financial intermediaries. In addition, investors managing their finances on their own tend to seek personal financial advice when the needs are getting more complex. Advisors/Intermediaries may consider above aspects and structure their operating model, product and service offerings to identify and fulfil their client needs.

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