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Study on Financial Planning of Youth in Navi Mumbai

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Abstract

Financing is about making decisions related to obtaining and using money and evaluating the risks and returns associated with these decisions. The main fields of finance are personal In short, finance plays a key role in promoting economic activity and ensuring efficient allocation of resources to achieve financial goals

To properly manage their finances, reach their financial objectives, and safeguard their financial future, people must engage in the essential process of financial planning. It entails evaluating one's present financial status, establishing reasonable objectives, and formulating a plan for achieving those objectives by wise spending, investing, saving, and risk management techniques.

Financial planning is becoming more and more important in the dynamic and complex economic climate of today, especially for the youth population. Like young people everywhere else in the globe, Navi Mumbai youth face particular financial opportunities and problems as they grow older and take on more financial responsibility. An extensive assessment of one's financial situation, including income, expenses, assets, and liabilities, is the first step in the financial planning process. One's financial health can be clearly understood thanks to this assessment.

Identification, evaluation, and mitigation of possible financial hazards include risk Identification, evaluation, and mitigation of possible financial hazards include risk management, which is another essential component of financial planning. Getting insurance coverage is one way to guard against unanticipated circumstances like illness, incapacity, death, or property damage.

To sum up, financial planning is a proactive strategy for handling money and ensuring a bright future. Youth in Navi Mumbai may accomplish their goals, establish a strong foundation for long-term financial success, and navigate the complexities of today's financial world by putting great financial strategies into practice and making educated decisions.

Keywords: *Financial Planning, Risk Management, Financial Decision Making, Youth Financial Awareness, Economic Activity, Personal Finance*

Introduction

1. The Financial Plan

Financial situation of an individual, family and organization, goals and a road map to achieve those goals over a period of time. It works as a dynamic tool that integrates different aspects of financial management and provides a structured approach to decision-making to optimize financial resources. A good financial plan usually begins with a thorough assessment of the person or entity and their current financial situation.
This includes an analysis of your income, expenses, assets, liabilities and net worth. By understanding the current financial environment, planners can identify areas of need for improvement, potential risk, and opportunities for growth. The next important step in financial planning is to set specific financial goals. These goals can range from short-term needs, such as an emergency fund and debt reduction, to long term aspirations, such as owning a home, financing education, retirement, and building wealth.
Clearly defined goals form the basis for designing a strategy designed to achieve those goals. The main purpose of is to prepare strategies and methods to achieve the set goals This includes budgeting, investment planning, risk management, tax planning and estate planning. All these factors are closely related to the overall financial goals and risk profile of the person or entity.

2. Scope Of Financial Planning

Financial planning encompasses a comprehensive approach to managing one's financial resources, aligning individual goals with strategic monetary decisions. It involves assessing current financial status, setting objectives, and implementing strategies to achieve short and long-term financial aspiration Setting financial goals,

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such as purchasing a home, putting money down for retirement, paying for school, or launching a business, is known as goal setting. Cash flow management involves budgeting, maximizing spending patterns, and analyzing income and costs to guarantee appropriate cash flow management.
Investment planning is the process of creating investment plans that take into account risk tolerance and time horizon while allocating capital to a variety of financial instruments such stocks, bonds, mutual funds, real estate, and other assets in order to satisfy financial objectives and achieve growth.

3. Mistakes Made By Youth In Financial Planning

Managing finances is a critical aspect of adulting, especially for individuals aged 25-35. However, many young adults encounter common financial pitfalls that can impact their long- term financial well-being. Let's explore some of these prevalent mistakes and how to navigate them.

- Neglecting Emergency Fund
- Excessive Use of Credit Cards
- Overlooking Retirement Planning
- Ignoring Budgeting
- Impulsive Spending, etc.

4. Characteristics Of a Succesful Financial Plan

A successful financial plan encompasses various elements that address an individual's or a family's unique financial goals and circumstances. Here are eight key characteristics of a successful financial plan:
Clear Goals and Objectives: A successful financial plan begins with clearly defined and realistic goals. These may include short-term objectives (e.g., building an emergency fund), medium-term goals (e.g., buying a home), and long-term goals (e.g., retirement planning).
Identifying specific, measurable, achievable, relevant, and time-bound (SMART) goals provides a roadmap for financial decision-making. Comprehensive Budgeting: A well-thought- out financial plan includes a detailed budget that outlines income, expenses, and savings. Budgeting helps individuals understand their spending habits, allocate resources efficiently, and identify areas for potential savings.
Emergency Fund: A successful financial plan includes provisions for unexpected expenses through the establishment of an emergency fund. This fund, typically covering three to six months' worth of living expenses, acts as a financial safety net, providing liquidity in times of unexpected events such as medical emergencies or job loss. Successful financial planning is a continuous and evolving process that adapts to life changes, economic conditions, and shifting priorities. Regular reviews, adjustments, and a commitment to disciplined financial behaviours contribute to the overall success of a financial plan.

Review Of Literature

- **The National Council of Applied Economic Research (NCEA) has done research on 'Urban Saving survey' in year 1961:**
  They observed that regardless of occupation, educational level, or age, households in every demographic expressed a preference for saving for the future. Notably, the motivation to prepare for emergencies emerged as a significant factor motivating savings for old age.
- **Since the mid to late 1990s**, policymakers, financial service providers, and academics in developed nations in the United States and Europe have increasingly acknowledged the importance of personal finance education. Consequently, the focus of prior review studies has primarily centred on developing nations.
- **The author Becker and Mulligan has done the research on 'Individual financial planning horizons' in the year 1997:**
  Develop an optimization framework where individuals make decisions about current versus future consumption, influenced by an endogenous time discount factor (β). The model allows individuals to allocate resources to enhance this factor, impacting the value of future consumption.

Research Methodology

1. Statement Of the Problem

In today's changing economic environment, financial planning has become essential for managing income, savings, and future security. However, many youth in Navi Mumbai lack proper knowledge and awareness about financial planning, investment, and risk management. Therefore, this study aims to understand the level of financial planning awareness and practices among the youth in Navi Mumbai.

2. Significance Of the Study

1. Comprehending Financial Literacy Levels: This might aid in determining the youth in the area's degree of financial literacy. To creating successful financial education programs, it is essential to comprehend their understanding of fundamental financial concepts such as debt management, investing, saving, and budgeting.
2. Finding Financial Challenges: A study of this kind can identify the financial difficulties that young people in Navi Mumbai confront. These could include things like exorbitant living expenses, a lack of work prospects, student loan debt, restricted access to banking facilities, or cultural influences on financial decision-making.

3. Objectives of the Study

• To identify the Source of investment used by youth.
• To examine the objectives individual have when investing their funds.
• To determine whether initiating investments at a young age leads to increased returns to retirement.
• To see the impact of age on investment decisions and observe the changes in goals as people get older.
• To explore the correlation between an individual's income and their allocation of savings.
• To define that savings and investment correlate with each other.

- **Data Collection**
  Data collection is the process of acquiring information pertinent to the study issue under investigation by the researcher. Data must be prepared and collected in a methodical manner. The following approaches can be used to collect data throughout the research process.

- **Primary Data**
  In this research, the information is collected by conduction online survey by distributing questionnaire to 100 respondents. Out of 100 respondents only (number of respondents) have submitted the questionnaire with appropriate answers. These () respondents are of different age groups, different occupation, different income level and qualification.
- **Secondary Data**
  Secondary data, information collected by others, aids research through existing sources like reports and surveys. Researchers use it to complement studies but must evaluate its relevance and reliability for specific goals. Types include internal (organization-generated) and external (outside sources). External data: was collected from internet, websites, books and various research papers. Statistical tool: the analysis of data is being done with the help of pie charts and graphs.
- **Limitations Of the Study**

1. The research was confined to a specific geographic area, specifically in Navi Mumbai.
2. The study is focused on individual participants.
3. Limited time and resource availability constrained data collection to 57 respondents.
4. Certain primary data collection methods lack control, and incomplete questionnaires can negatively impact the research.
5. Untimely responses from participants and the possibility of receiving fabricated, socially acceptable answers may affect the accuracy of the data, concealing actual realities.
6. Utilizing a third-party for data collection introduces potential reliability issues, impacting the accuracy and dependability of the collected data

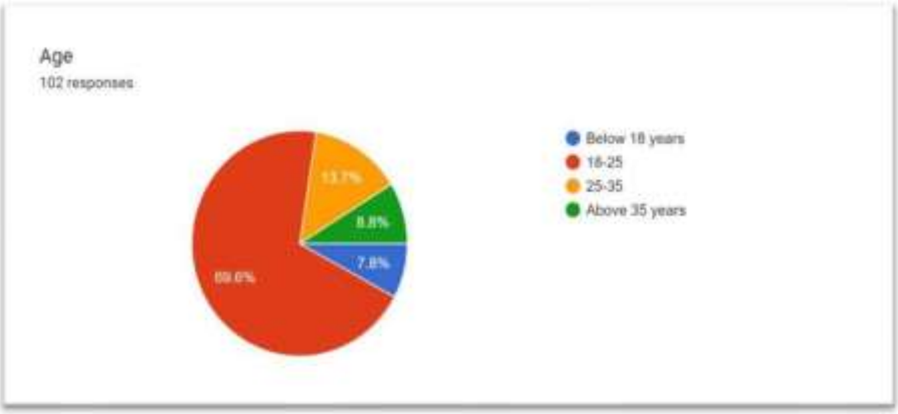
Findings And Data Analysis

Age-wise distribution of the respondents:

AGE	PERCENTAGE
Below 18 years	7.8%
18-25 years	69.6%
25-35 years	13.7%
Above 35 years	8.8%
TOTAL	100%

Source: Primary Data:

Chart 4.1.1



Interpretation:

The pie chart illustrates that most of our survey participants fall within the 18 to 25 age brackets, comprising 69.6% of the total respondents. The remaining 7.8% are below the age of 18 This distribution is primarily attributed to the fact that the bulk of our respondents are students, predominantly aged between 18 and 25

4.1.2 Occupation distribution of the respondents:

OCCUPATION	PERCENTAGE
student	68
service	12.6
business	10.7
Self-Employed	8.7
TOTAL	100

Source: Primary Data:

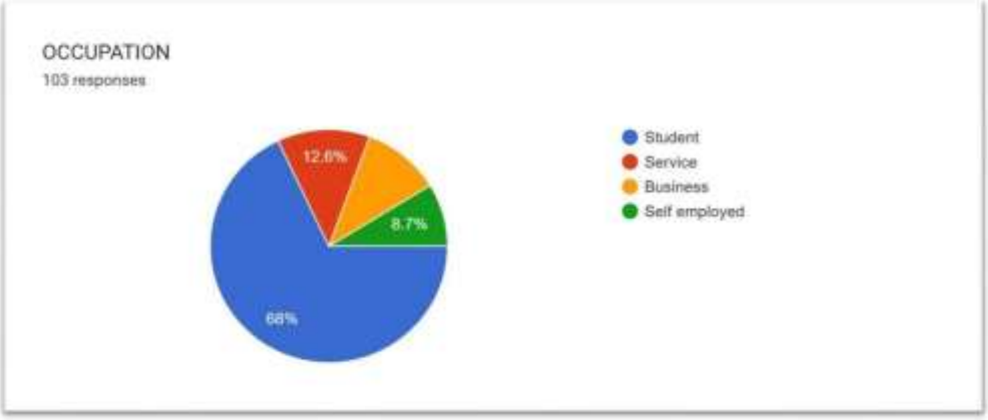


Chart 4.1.2

Interpretation:

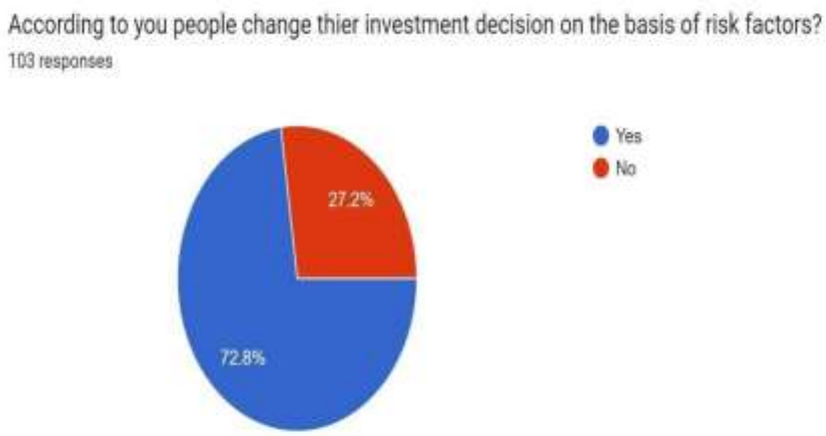
The pie chart demonstrates that among the total respondents, students comprise the largest proportion at 68%, while those employed in the service sector represent 12.6%, and individuals involved in business constitute an equivalent Additionally, self-employed respondents make up 8.7% of the total. It's evident from the data that the majority of participants, particularly those falling within the 18-25 age range, are predominantly students.

According to you people change their investment decisions based on risk factor?

People Change Their Investments Decision on The Basis of Risk Factor	Percentage
Yes	72.8
No	27.2
Total	100

Source: Primary Data:

Chart 4.1.3



Interpretation:

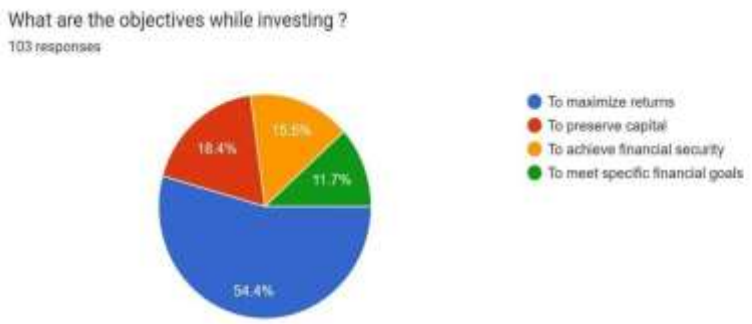
the pie chart demonstrates that among the total respondents that 72.8% of the responses say that people change their investment decisions on the basis of risk factor and 27.2% say that people don't change their investment decisions on the basis of risk factor.

4.1.4. What are your objectives while investing?

OBJECTIVE WHILE INVESTING	PERCENTAGE
To maximize returns	54.5
To preserve capital	18.4
To achieve financial security	15.5
To meet specific financial goals	11.7
TOTAL	100

Source: Primary Data:

Chart 4.1.4



Interpretation:
The graph reveals that a significant proportion of individuals prioritize maximizing returns as their primary investment goal. Specifically, 54.4% of respondents aim to maximize profits on their invested capital. Additionally, 18.4% prioritize capital preservation, 15.5% strive for financial security, 11.7% invest to meet specific financial objectives.

Hypothesis

H1: There is a significant relationship between investment type preference and risk-return preference.
H0: There is no significant relationship between investment type preference and risk-return preference.

	Investment Type	Risk Preference
Mean	51.5	51.5
Variance	180.5	144.5
Observations	2	2
Pearson Correlation	-1.0	
Hypothesized Mean Difference	0	
df	1	
t Stat	0.0	
P(T<=t) one-tail	0.500	
t Critical one-tail	6.314	
P(T<=t) two-tail	1.000	
t Critical two-tail	12.706	

Conclusion:
The P(T<=t) one-tail value is 0.500, which is greater than the accepted significance level of 0.05. Hence, we fail to reject the null hypothesis. There is no statistically significant relationship between investment type and risk-return preference based on the provided data.

2nd Hypothesis

H1: There is significant relationship between age group and preferred type of investment.
H0: There is no significant relationship between age group and preferred type of investment.
Data ANOVA
Table

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2086.69	3	695.56	14.23	0.0025	4.066
Within Groups	293.25	4	73.31			
Total	2379.94	7				

Conclusion:
Significant relationship between age group and type of investment preferred is proved as P value is 0.0025, which is less than the accepted value of 0.05. Hence, the null hypothesis is rejected and there is a significant relationship between age group and preferred type of investment.

Suggestions
Promote Financial Literacy Programs: Implement comprehensive financial literacy programs targeted at young adults to enhance their understanding of investment options, risk management, and long-term financial planning strategies. These programs should be accessible, engaging, and tailored to address the specific needs and challenges faced by the youth demographic.

Encourage Early Investment Habits: Educate young adults about the benefits of starting investment early in life to capitalize on the power of compounding. Emphasize the importance of setting aside a portion of income for investment purposes, even if it's a small amount initially, to cultivate a habit of regular investing

Teach young people how to manage their debt properly and the dangers that come with it. Stress the value of staying away from high-interest loans and making regular payments on existing debts.

Conclusion:

In conclusion, this study delved into the financial planning practices of contemporary young adults, illuminating their strategies for navigating the complexities of money management and securing their financial futures. Through an exploration of investment options such as Mutual Funds, Systematic Investment Plans (SIP), Fixed Deposits (FD), and Recurring Deposits (RD), it became evident that today's youth are increasingly proactive in seeking avenues for maximizing their profits out of investment.

In essence, this study highlights that the journey towards financial freedom begins with a single step: the decision to invest. As such, it is imperative to recognize the importance of investment as a cornerstone of financial planning and to encourage individuals, especially young adults, to embark on this journey at the earliest opportunity. Through strategic saving, spending, and investment decisions, individuals can pave the way for a brighter financial future and realize their dreams with confidence and conviction

Acknowledgment

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Nil.

Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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