

Customer Financial Planning- Kotak Mahindra Group

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Abstract - The basic objective of this research paper is to understand the importance of financial planning and to analyse that how individuals are affected by a number of factors while undergoing their financial planning. It is a series of actions which helps a person find out where he is now, what he may require in the future and what he must do to achieve the defined goals. It also specifies the areas of investment where the person should invest and the investment which would provide the most profitable yield. For the purpose of planning of finances, the various sources that are primary as well as secondary sources have been used in order to get the in-depth knowledge of the essentials of financial planning and some suggestions have also been provided to promote the habit of savings amongst the investors and thereby integrating the Indian economy with the foreign economies.

Keywords: Financial Planning, Investment areas, Profitability, Tax Planning.

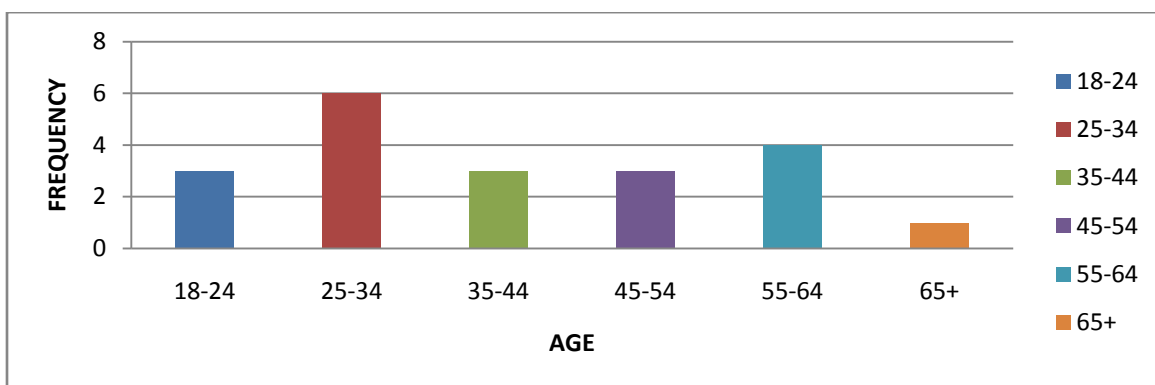
INTRODUCTION

Kotak Group was set up in 1985 with establishment of Stock broking businesses in UK. Kotak Mahindra Bank as

a group comprises of companies that manage Personal Banking, Capital Investments, Advisory, Corporate Banking, Wealth Management, Treasury and Insurance segments, Brokerage and it has increased its scope from commercial banking to stock broking, mutual funds, life insurance, investment banking, caters to all of the financial needs of individual and corporate. Financial planning has been defined as a process of ascertaining an individual's financial goals in order to fill a gap between 'where he is' and 'what needs to be done' to accomplish those goals. Financial planning should cover all areas of the client's financial needs and should result in the achievement of each of the client's goals.

SYSTEM MODEL

The results of financial planning are greatly affected by the variables like age, profession, awareness of respondents, income levels, investment areas and return on investment. Thus, all of them have also been discussed below. The samples of 20 people have been drawn.



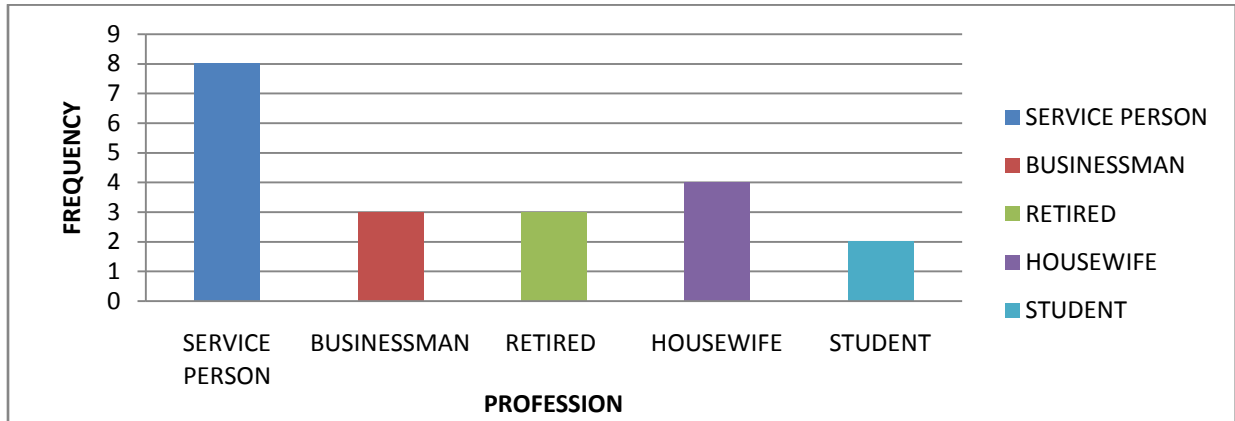
Source: As Compiled From Questionnaire

Fig. 2.1 Age

Table 2.3 Awareness of Respondent

	Frequency	Percent	Valid percent	Cumulative percent
VALID PROFICIENT	8	40.0	40.0	40.0
NOT MUCH	7	35.0	35.0	75.0
LIMITED	4	20.0	20.0	95.0
TOTALLY ZERO	1	5.0	5.0	100.0
TOTAL	20	100.0	100.0	

Source: As Compiled From Questionnaire



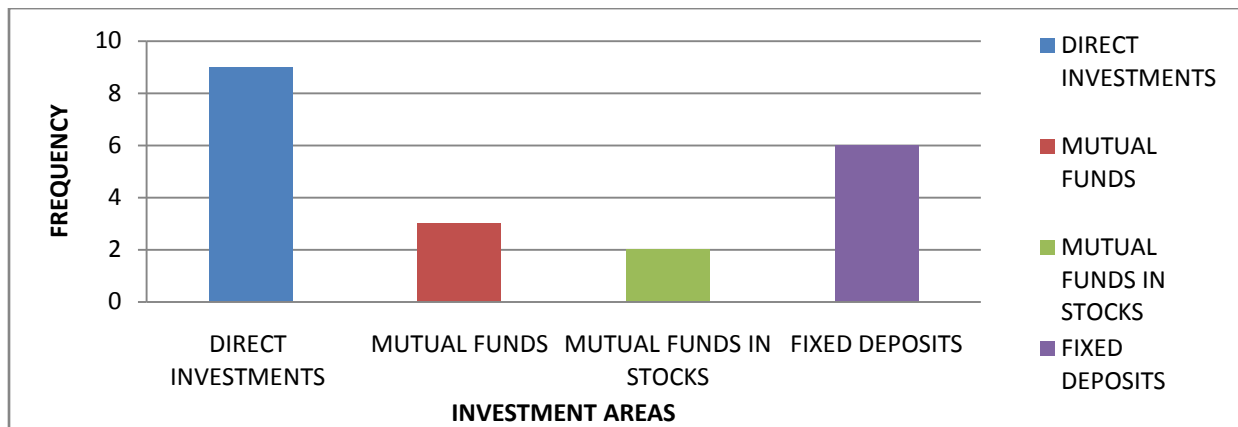
Source: As Compiled From Questionnaire

Fig. 2.2 Profession

Table 2.4 Incomes of Respondents

		Frequency	Percent	Valid percent	Cumulative percent
VALID	5-10 LACS	7	35.0	35.0	35.0
	10-15 LACS	11	55.0	55.0	90.0
	MORE THAN 15 LACS	2	10.0	10.0	100.0
	TOTAL	20	100.0	100.0	

Source: As Compiled From Questionnaire



Source: As Compiled From Questionnaire

Fig 2.5 Investment Areas

Table 2.6 Return on Investment (%)

CATEGORIES	PERCENTAGE
Mutual Funds	21.0
Debt	16.0
Direct Equity	17.0
Gold	9.5
Real Estate	6.5
Insurance	30.0
TOTAL	100

Source: As Compiled From Questionnaire

PREVIOUS WORK

Todd's (2007) in his research paper talks about the objective that planning for future has become one of the most important ideas stressed throughout school and it is one that requires the most preparation. Investing is a long term form of financial planning that can have the most output for effort spent. Investments are set aside money that gains interest as it is used by others for their benefit. The most dependable long term way to plan for financial future is putting your money into investment.

Ally's (2008) in his research paper talks about one of the major problems that people are not habitual of saving their money as they should be. Much adolescence has credit cards but they have no idea how they work. They are spending money left and right and they severely need to learn about the correct way to use the credit card system. The new generation has no idea what to expect in the later years. They need to learn about insurance and payments. The society spends money like crazy and they need to start planning their finances and need to focus and try to save their money when they really need it, not to spend on unnecessary items.

PROPOSED METHODOLOGY

The data collected is "Primary Data". The methodology for carrying out the survey is Personal Interviews with the help of an administered questionnaire. Along with the primary data collection, the paper is based on the information retrieved from the internet via various journals, research papers and the expert opinions on the same subject matter. The Data has been analysed using SPSS (statistical package for social science), and presented using bar-diagrams and cross-tabulation. Results are drawn and some conclusions have been derived which are discussed further in this research paper.

RESULTS

- The age wise segmentation shows that the lower age group prefers to have maximum current income while the older one gets reasonable current and moderate capital growth is the main aim. Also in the younger age, people prefer to go in for direct investments while in the older age, fixed deposits become the major investment areas. This shows as a person gets older he/she tends to take lesser of risk. Thus the Investments also move towards the lower risk segment after the age of 55. (See

fig.2.1)

- The goals and the planning regarding the finances of the family are greatly affected by the profession that the members are having. Hence there was a good distribution in this field also. The service class has the highest frequency, followed by housewives. Retired people and the businessmen are equal in number and the least being the students. (See fig. 2.2)
- While 40% of the people are proficient in finance, 35% considered themselves having not much information about finance. 20% are having limited awareness of finance and 5% are totally zero in finance. (See table 2.3)
- The income of the family plays a major role in the financial planning of the individual. In the sample surveyed, majority (i.e. 55%) of the people are having the annual income in the range of 10-15 lacs. 35% of the people are having income in the range of 5-10 lacs. And just 10 % people have more than 15 lacs income. (See table 2.4)
- The direct investments are on the top having people opting for it followed by fixed deposits. (See fig 2.5)
- The most sought out option in terms of return on investment is insurance with 30% followed by mutual funds. (See table 2.6)
- Clients must be made aware about the need of financial planning and the fact that the sooner it's done the better results it yields.
- The various variables (like age, global factors, income level etc) that effect financial planning should be considered when targeting clients. Younger age group people usually prefer to take higher risk. So they should be targeted for such type of products.
- The most preferred Kotak product is Insurance followed by mutual funds. So the clients must also be made aware about the other products that Kotak can offer so that they can also compete with these higher rated products.
- Each client must be given due importance and sincere advice by their relationship manager so that they can build trust in the bank.

CONCLUSION

- When to Invest and When to Cash Out: In terms of when to invest, clients should invest when they have the money because that gives their money more time to grow, whether in equity or fixed income markets.
- Start Planning and Investing Early: People who save or invest small amounts of money early and often, tend to do better than those who wait until later in life. A person will be better prepared to meet changes in his/her life and to handle emergencies. This is a basic fact that all financial planners should tell their clients- 'Don't delay financial planning'.
- Invest Regularly: Even if the client does not have a lump sum readily available, he can use his future surpluses to invest on a regular basis. Investment strategies such as rupee cost averaging, double rupee cost averaging, and value cost averaging can bring down the average cost of investments, and have been known to harness the power of compounding to deliver superior results over time.

FUTURE SCOPES

- Financial planning requires skilled and talented personnel in order to provide the valuable advice in different investment areas and return on investment on different products. As it is the fastest growing industry, one can see the increase in number of consultancy and advisory services which in turn will increase the employment rate also. It has been estimated for creating 40 million jobs by 2020.
- There will be a rise in demand for the youngsters opting career option in financial planning for which they have to go through rigorous training and certification exams.
- Capital formation will be possible with planning of funds through reinvestment.
- Tax liabilities will get reduced by availing different deductions and tax credits available under Income Tax Act, 1961, thereby enhancing the savings per person.
- With the unseen uncertainties that could arise in future, individual can set his short term as well as long term goals in which financial planning can come to the rescue of the individual during the hardest time of his life.
- Financial Planning gives all the solutions to choose the best investment in job's retirement plans, provides

the social security to the other members of the family at times of bread earner's death.

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www.amfiindia.com

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www.businesstoday.com

ANNEXTURE

QUESTIONNAIRE

PERSONAL INFORMATION:

Name:

Age:

18-24 _____ 25-34 _____ 35-44 _____

45-54 _____ 55-64 _____ 65 + _____

1) Number & age of household members:

a) No other household member

b) Preschool children

c) School children

- d) College students
 - e) Dependent
 - f) Non-dependent adults
- 2) What is your profession?
- a) Service Person b) Businessman
 - c) Unemployed d) Retired
 - e) Housewife f) Student
- Others (please specify)
- 3) How good is your knowledge of finance?
- a) I'm an expert in the field of finance
 - b) I'm proficient in finance
 - c) I don't know much about finance but I keep myself updated about the developments through newspapers, journals, TV, etc.
 - d) Limited to knowing things like how the stock market or certain select script is moving
 - e) I'm totally zero as far as knowledge of finance is concerned
- 4) What is your family income?
- a) < 5 lacs per annum
 - b) 5 lacs to 10 lacs per annum
 - c) 10 lacs to 15 lacs per annum
 - d) >15 lacs per annum
- 5) Where would you mainly plan of investing?
- a) Direct investments
 - b) Mutual Funds
 - c) Mutual Funds in stocks
 - d) Fixed Deposits
- 6) What percentage would you like to invest in the following products offered through Kotak Bank?
- a) Mutual Funds
 - b) Debt
 - c) Direct Equity
 - d) Gold
 - e) Real Estate
 - f) Insurance