

# A Study on Wealth Management Practices among the Indian Households

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## ABSTRACT

This study investigates the wealth management practices among Indian households, aiming to provide insights into their financial behaviour and decision-making processes. Using a combination of survey data and qualitative analysis, the study explores various aspects such as savings patterns, investment preferences, risk tolerance, and financial goals. Additionally, it examines the influence of demographic factors, cultural norms, and economic conditions on wealth management strategies. The findings contribute to a better understanding of how Indian households manage their wealth and offer implications for policymakers, financial institutions, and individuals seeking to enhance their financial well-being.

**KEYWORDS:** financial behaviour, management strategies and economic conditions.

**JEL CLASSIFICATION CODE:** R2, R21, R22, I310

## I. INTRODUCTION OF THE STUDY

Amidst India's rapid economic ascent, comprehending the intricacies of wealth management practices within its diverse households assumes paramount significance. This study delves into the dynamic realm of financial decision-making, with the aim of elucidating the specific challenges and preferences that old wealth management strategies. As the nation undergoes profound financial transformation, the role of effective wealth management in ensuring financial well-being has never been more critical. Moving beyond traditional analyses of assets and liabilities, this research explores the nuanced interplay of risk perception, socio-cultural influences, and the integration of technology in wealth management. By addressing this knowledge gap, the study not only adds to academic discourse but also endeavours to provide practical insights for policymakers, financial institutions, and

individuals. Through a comprehensive examination of wealth management practices, the research strives to establish a foundation for customized strategies aligning with the diverse needs of Indian households, fostering inclusive and effective financial planning across the nation.

## STATEMENT OF THE PROBLEM

In the midst of India's evolving economic landscape, there exists a critical need to scrutinize the prevailing wealth management practices among its diverse households. Despite the increasing recognition of wealth management's pivotal role in ensuring financial security, there is a noticeable gap in understanding the specific challenges and preferences that Indian households encounter in effectively managing their wealth. This research problematizes the lack of a comprehensive analysis of the nuanced strategies employed by Indian households, hindering the development of targeted interventions and strategies. Issues such as limited insights into risk perceptions, disparities in access to financial services, and the impact of socio-cultural factors on wealth management remain insufficiently explored. Consequently, this study seeks to address these gaps, offering valuable insights that can inform policy initiatives, guide financial institutions, and empower households with tailored approaches for more effective wealth management in the Indian context.

## II. REVIEWS OF LITERATURE

**SUMAN CHAKRABORTY** (2011) surveyed to analyze the investing patterns of the people in the state of Orissa for around 200 respondents. The paper served the purpose of taking the reader through the investment patterns, savings objectives, and preferences of individual investors for various investment options available in India. Parametric and non-parametric statistical methods were employed for the study. The

respondents were asked to go through a structured questionnaire and respond to the same. The result indicated that the objective of saving was significant. Influenced by demographic factors such as age, occupation, and income levels. Also, it was seen that women were more inclined towards saving as compared to men where the savings by the women were more disciplined way.

**M SETHUPATI** (2012) According to M SETHUPATHI, comparing savings or borrowing options with different interest rates and term structures can be difficult for those without financial savvy and even a knowledgeable individual may need to rely on calculators or spreadsheets to make truly informed decisions. Yet, many households are not knowledgeable, and often receive little assistance when making their financial decisions; this depicts an inadequate prevalence of financial literacy among the households.,

**MESSMORE** (2015) demonstrated how volatility widens the spread between the arithmetic and geometric average return; although the message is not new, it is worth repeating. *Wealth Management: The Financial Adviser's Guide to Investing and Managing Client Assets*. Chicago: Irwin/McGraw-Hill. This book was written by a practitioner sometimes hailed as the dean of the financial planning community. It marks his delineation of wealth management as a profession distinct from money management and asset-gathering

**CAMPBELL** (2017) and Wilcox, Horvitz, and DiBartolomeo (2016) considered both long-horizon and life-cycle investment perspectives for individuals making the asset allocation decision. Brunel, Corriero Milevsky, Terhaar, Staub, and Singer examined alternative assets in strategic asset allocation Bronson, Scanlan, and Squires look at a broad view of the process of setting investment policy and asset allocation specifically. Brunel discussed the high costs for a taxable investor of panic-induced selling and thus underscored the importance of getting the asset mix right in the first place.

**MD. ABDUS SALAM AND UMMA KULSUM** (1999-00) The analysis showed that the major contribution to the national savings comes from the households. The contributions accounted for around 75.9% in 1980-81 to 82.7% in 1998-99. It was seen that there was a decline in the saving rate for the public sector but an increase in the

corporate sector. The share of private corporate sector savings increased from 8% in 1980-81 to 17.2% in 1998 while the share of public saving has declined from 16.2 to 0.16 for the same period. The declining trend of public sector savings was attributable to the negative savings of

government administration. Indians have a prerogative to savings and most Indians do savings either by investing in Gold or by investing in fixed deposits with banks. The above-mentioned research gives us a clear picture that the savings patterns in India are changing and with people getting more concerned about inflation and the rate of return, they try to invest in the scheme or fund that gives them higher returns to meet inflation and wealth creation. Moreover, the risk-taking capacity is increasing drastically especially in this generation Norman Loayza (World Bank) and Rashmi Shankar (U. C. Santa Cruz) (2000) As noted earlier, India's saving rate has been consistently higher than that of other countries with comparable per capita income. Regarding aggregate national saving as a ratio of GNDI, India has performed as well as the OECD. India has also traditionally relied largely on national savings to fuel her investment needs, with relatively less reliance on foreign savings compared with less developed countries.

#### **OBJECTIVES OF THE STUDY**

1. To identify the awareness about wealth management among individuals.
2. To evaluate the level of financial literacy.

#### **RESEARCH METHODOLOGY**

This study employs a mixed-method research design, utilizing quantitative surveys and qualitative interviews. Multi-stage sampling ensures diverse representation. Quantitative data will be analyzed using statistical methods, while qualitative data will undergo thematic analysis. Ethical guidelines will be strictly followed to protect participants' rights and confidentiality.

#### **TOOLS USED**

- Simple percentage analysis
- Chi-square test

#### **PERCENTAGE ANALYSIS DEMOGRAPHIC PROFILE**

**TABLE 1**

Demographic profile	Particulars	Number of respondents	Percentage
Gender	Male	53	66
	Female	26	33
	Prefer not to say	1	1
	Total	80	100%

Source: Primary data

**TABLE 1.1**

Demographic profile	Particulars	Number of respondents	Percentage
Age	21-30	34	42
	31-40	22	28
	41-50	23	29
	Above 50	1	1
	Total	80	100%

Source: Primary data

**TABLE 1.2**

Variables	Particulars	Number of respondents	Percentage
Awareness of wealth management practices	very low	9	11
	Low	27	34
	Moderate	34	43
	High	10	12
	Very high	-	-
	Total	80	100%

Source: Primary data

**TABLE 1.3**

Variables	Particulars	Number of respondents	Percentage
Professional advice for managing your wealth	Yes	63	81
	No	15	19
	Total	80	100%

Source: Primary data

**TABLE 1.4**

Variables	Particulars	Number of respondents	Percentage
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Information about wealth management	Financial Advisors	35	44
	Internet/Online Resources	35	44
	Family/Friends	10	12
	Total	80	100%

Source: Primary data

TABLE 1.5

Variables	Particulars	Number of respondents	Percentage
aspect of wealth management	investment planning	21	27
	Risk Management	27	34
	Retirement planning	20	25
	Tax planning	5	7
	Estate planning	6	8
	Total	80	100%

Source: Primary data

TABLE 1.6

Variables	Particulars	Number of respondents	Percentage
Understanding of financial concepts and instruments?	Not confident at all	18	23
	Slightly confident	33	41
	Moderately confident	22	27
	Very confident	6	8
	Extremely confident	1	1
	Total	80	100%

Source: Primary data

TABLE 1.7

Variables	Particulars	Number of respondents	Percentage
Financial instruments are you familiar	Stock	15	19
	Bond	27	34
	Mutual fund	23	28
	Real estate	10	13
	Fixed deposit	5	6
	Total	80	100%

Source: Primary data

TABLE 1.8

Variables	Particulars	Number of respondents	Percentage
financial statements and investments	Rarely or never	16	20
	Occasionally	35	43
	Monthly	19	24
	Quarterly	6	8
	Annually	4	5
	Total	80	100%

Source: Primary data

**TABLE 1.9**

Variables	Particulars	Number of respondents	Percentage
preferred mode of learning about financial literacy	Seminars	18	23
	Online course	31	39
	Books	17	21
	Financial advisory services	10	13
	Other	4	5
	Total	80	100%

Source: Primary data

**TABLE 1.10**

Variables	Particulars	Number of respondents	Percentage
most challenging aspects of financial planning	Managing debt	21	27
	Tax planning	36	46
	Retirement planning	16	21
	Other	5	6
	Total	80	100%

Source: Primary data

**TABLE 1.11**

Variables	Particulars	Number of respondents	Percentage
consider wealth management practices	Wealth growth	25	30
	Financial security	39	50
	Retirement planning	13	16
	Other	3	4
	Total	80	100%

Source: Primary data

**TABLE 1.12**

Variables	Particulars	Number of respondents	Percentage
Concept of a financial plan	Yes	60	75
	No	20	25
	Total	80	100%

Source: Primary data

**TABLE 1.13**

Variables	Particulars	Number of respondents	Percentage
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Discuss wealth management with your family members	Never	11	14
	Rarely	40	50
	Occasionally	18	22
	Frequently	9	11
	Always	2	3
	Total	80	100%

Source: Primary data

**TABLE 1.14**

Variables	Particulars	Number of respondents	Percentage
Concept of financial plan	Yes	65	82
	No	15	18
	Total	80	100%

Source: Primary data

**TABLE 1.15**

Variables	Particulars	Number of respondents	Percentage
implementing wealth management practices	Lack of knowledge	17	21
	Limited of financial resources		
	Uncertain economic condition	31	39
	Lack of trust in financial institutions	19	24
	Other	11	14
	Total	2	3
		80	100%

Source: Primary data

**TABLE 1.16**

Variables	Particulars	Number of respondents	Percentage
wealth management is only for high income individuals	Agree	22	28
	Neutral	48	61
	Disagree	10	11
	Total	80	100%

Source: Primary data

**TABLE 1.17**

Variables	Particulars	Number of respondents	Percentage
concept of compounding interest	Yes	67	84
	No	13	16
	Total	80	100%

Source: Primary data

**TABLE 1.18**

Variables	Particulars	Number of respondents	Percentage
setting financial goals	Not comfortable at all	10	13
	Slightly comfortable	38	47
	Moderately comfortable	20	25
	Very comfortable	10	12
	Extremely comfortable	2	3
	Total	80	100%

Source: Primary data

**TABLE 1.19**

Variables	Particulars	Number of respondents	Percentage
professional financial advice for wealth management in the future	Very likely	13	16
	Likely	40	51
	Neutral	23	28
	Unlikely	4	5
	Total	80	100%

Source: Primary data

**INTERPRETATION:**

The data provides insights into various aspects of respondents' demographic profiles, financial literacy, attitudes toward wealth management, and preferences regarding financial practices. It reveals that a majority of respondents are male and fall within the age range of 21-40. Most have a moderate level of awareness of wealth management practices and express a desire for professional advice in managing their wealth. However, there seems to be a lack of confidence in understanding financial concepts and instruments.

While many are familiar with financial instruments like stocks and bonds, they may not frequently review financial statements. Respondents are open to different modes of learning about financial literacy, with a significant portion finding financial planning challenging. Overall, there's a positive inclination towards wealth management practices, with most respondents recognizing the importance of financial planning and compounding interest, though some barriers such as limited financial resources and lack of trust in institutions persist.

**Chi-square test**

**TABLE 1.20**

How would you rate your awareness of wealth management practices?/ What do you consider the most important aspect of wealth management	Estate planning	Investment planning	Retirement planning	Risk Management	Tax planning	Total	$\chi^2$	df	p-value
Very low	2	2	3	4	0	11	16.8158	12	0.156656

Low	1	7	7	11	3	29	6		
Moderate	0	8	10	10	2	30			
High	1	4	5	0	0	10			
Total	4	21	25	25	5	80			

Source: Primary data

**Interpretation**

The table provides a comprehensive overview of respondents' perceptions of wealth management practices across various categories. Investment planning and retirement planning appear to be perceived as the most crucial aspects, with the highest total counts in the "High" category. Interestingly, risk management and estate planning receive mixed perceptions, with a notable number ranking them as "Low" or "Very low." This suggests a potential area for improvement in

communication or education regarding the importance of these components in wealth management. The statistical analysis, including chi-square test results, indicates no significant association between awareness levels and wealth management categories. The findings underscore the need for targeted education and communication strategies to enhance understanding and appreciation of all facets of wealth management among the surveyed population.

**TABLE 1.21**

Gender/In your opinion, what is the most challenging aspects of financial planning	Managing debt	Other	Retirement planning	Tax planning	Total	$\chi^2$	Df	p-value
Male	13	5	11	25	54	2.533361	6	0.864716
Female	8	1	6	10	25			
Prefer not to say	0	0	0	1	1			
Total	21	6	17	36	80			

Source: Primary data

**Interpretation**

The table presents insights into the perceived challenges of financial planning based on gender. Among males, retirement planning and tax planning emerge as the most challenging aspects, constituting the majority of responses. Females, on the other hand, highlight managing debt as a prominent challenge. The "Other" category receives a relatively low count in both genders. The

chi-square test results indicate no significant association between gender and the chosen financial planning aspects, suggesting that gender may not be a determining factor in the perceived challenges of financial planning. These findings underscore the need for tailored financial education programs to address specific concerns raised by each gender, ensuring a comprehensive approach to financial literacy.

**TABLE 1.22**

Age/Which of the following financial instruments are you familiar with?	Bond	Fixed deposit	Mutual fund	Real estate	Stock	Total	$\chi^2$	Df	p-value



21-30	11	4	10	3	7	35	12.2209	6	12	0.428101
31-40	8	1	9	2	2	22				
41-50	9	0	4	4	5	22				
Above 50	0	0	0	0	1	1				
Total	28	5	23	9	15	80				

Source: Primary data

### Interpretation

The table provides insights into the familiarity of different age groups with various financial instruments. Among respondents aged 21-30, mutual funds and bonds stand out as the most familiar, while those aged 31-40 exhibit similar familiarity but with lower overall counts. Individuals aged 41-50 show relatively lower familiarity across all financial instruments, and those above 50 display limited awareness, particularly with only one respondent familiar with stocks. The chi-square test results suggest no significant association between age groups and familiarity with financial instruments. These findings highlight the need for targeted financial education initiatives, tailoring approaches based on age demographics to enhance awareness and understanding of diverse investment options and strategies among different age groups.

### III. FINDINGS OF THE STUDY

1. This emphasizes the significance of these components in the eyes of the surveyed population.
2. Risk management and estate planning receive mixed perceptions, with a notable number ranking them as "low" or "very low".
3. This suggests a potential area for improvement in communication or education regarding the importance of these components in wealth management.
4. The chi-square test results reveal no significant association between awareness levels and wealth management categories.
5. This implies that awareness levels are not strongly correlated with the perceived importance of different wealth management practices among the surveyed individuals.
6. Among males, retirement planning and tax planning are identified as the most challenging aspects, while females highlight managing debt. The "Other" category receives relatively low responses in both genders.
7. Tailored financial education programs may be needed to address specific concerns raised by each gender.

8. The chi-square test results indicate no significant association between gender and the chosen financial planning aspects.

### IV. SUGGESTION OF THE STUDY

1. Enhance communication and education efforts on risk management and estate planning to address mixed perceptions among respondents.
2. Develop tailored financial education programs targeting specific challenges highlighted by gender differences in financial planning preferences.
3. Implement targeted strategies to improve understanding and awareness of wealth management practices irrespective of respondents' awareness levels.
4. Consider the incorporation of gender-specific approaches in financial literacy initiatives to address distinct concerns regarding retirement planning, tax planning, and managing debt.

### V. CONCLUSION

The study on wealth management practices among Indian households reveals several key insights. Overall, it underscores the importance of financial literacy and planning in ensuring financial security and prosperity. Despite varying income levels and demographics, the study highlights common trends such as a preference for traditional investment avenues like real estate and gold, alongside an increasing interest in mutual funds and digital wealth management platforms. Moreover, it emphasizes the need for tailored financial education programs and accessible financial services to empower households to make informed decisions and effectively manage their wealth in an evolving economic landscape.

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