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The emerging needs of Personal Financial Planning for sustainable development of Indian households.

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Abstract: -

Environmental, social, and economic sustainability are the three pillars of sustainable development (Epstein, 2018). Sound financial planning is critical for a financially resilient future of Indian households. The personal financial planning process identifies both long-term and short-term financial goals and objectives of individuals and creates strategies for achieving them. With the help of existing literature, the study will comprehend the significance of personal financial planning for a sustainable future. The study highlights how financial planning allows individuals to gain maximum from their income and thus improve their standard of living. Additionally, it helps us to understand that planned finances help, individuals to fulfill their needs at different stages of their lives, like owning a car or a house, retirement, and estate planning. When personal funds are well managed, it promotes sustainable development and raises a person's standard of living. The study also discusses how financial planning is helping Indian households to overcome a hard time of the covid pandemic.

Keywords: Sustainable development, Saving, personal financial planning, Individual, Indian household.

INTRODUCTION

1.1. OVERVIEW

In a 1987 Bruntland Commission report, sustainable development was described as "development that meets the present needs without compromising the capacity of future generations to meet their own needs." Sustainability refers to the management of natural ecosystems in ways that meet human development goals by preserving the ability of the environment to provide natural resources and ecosystem services the economy and society rely on. In the future, society should achieve a state where the living conditions and resources available are used to meet human needs without undermining the integrity of natural systems. Sustainable development involves four dimensions, including culture, economy, the environment, and society. Sustainable development is a paradigm in which environmental, societal, and economic considerations are balanced in the pursuit of improved quality of life.

In 2015, the United Nations (UN) given 17 Sustainable development goals for the smooth development of all economies and nations. The 17 SGDs are:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation, and Infrastructure
10. Reducing Inequality
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life On Land
16. Peace, Justice, and Strong Institutions
17. Partnerships for the Goals.

These goals act like guidelines for the nation to work towards sustainable development.

1.2. PERSONAL FINANCIAL PLANNING (PFP)

It refers to the systematic planning of an individual's finances and is a process of proper management of household earning, spending, and saving. The PFP helps in achieving the financial both long-term and short-term goals of the individual.

It refers to the careful planning and execution of well-coordinated strategies to meet financial goals. Savings and investments made today should be in line with long-term objectives. Every person should have a financial plan in place. Every individual should begin planning for his or her future as soon as possible after starting his or her first work. The process of achieving life's objectives through sound financial management. Buying a home, paying for a child's education, and planning for retirement are all examples of life objectives. Money management and investment are only a small part of personal finance. It also includes bringing together all aspects of your financial life; it entails rescuing people from financial illiteracy. It's similar to planning a vacation. Managing personal finances means forming a plan for making the best use of limited time and money. Financial planning has several advantages, including the ability to be more specific about various goals in one's life, spending intelligently, and improving one's level of living, among others. When it comes to financial planning, macroeconomic considerations such as the business cycle, inflation, and so on must be taken into account. The Income Statement, Balance Sheet, and Budget are the financial statements in the PFP.

Principles of Good Personal Financial Planning are: -

1. Make Saving a Habit: Saving should always be a habit, it should be made on regular basis, many households think that the saving is made only when the income is more than the expenses or to invest only if the money is left out at the end of the month. Well-planned saving based on some percentage of income helps in building log term corpus and achieve various financial goals.

2. Maintain a Personal Diary: Maintaining a personal Diary always helps in recording all the dues dates of various investments on a monthly and yearly basis. This habit helps in evaluating the net worth. Diary must have the record of expense due dates of payment of installments and interest so that at the beginning of the month appropriate action can be taken and expenses can be checked on.

3. Prepare a Budget: Budget preparation is an activity that helps in planning the monthly and annual expenses. It helps in controlling the expenses and also gives a picture of net estimated savings for investment planning.

4. Have Separate Files for Various Important Items: Important documents like Income tax, house property, bills and receipts of assets purchased, statement of account of Savings Accounts, Demat account statements, all guarantee/warranty cards of assets acquired, and so on should all be preserved in a separate file.

5. Diversify Your Investments: One must not put all of your money into a single asset, such as bank deposits, stocks and bonds, real estate, gold, and so on. It is always advised to diversify assets so that total risk is spread out. Portfolio management helps in reducing the risk.

The 6-step process of PFP is:

Figure 1 PFP Process

Step 1: Identify your current financial situation: A sound financial plan begins with a thorough assessment of one's existing financial situation. By answering a few questions such as: How much money do you have? How much money do you have to spend? What is the method for allocating one's spending? An individual's entire financial picture is affected by how much debt he or she has, which necessitates diligent spending tracking.

Step 2: Identify your goals: A phone, a trip, a wedding, or a property are all examples of financial objectives. Individuals must save for education and retirement in various countries. Before setting out, people should have a clear idea of their destination. Individuals should calculate how much time they will need to complete a financial objective in addition to identifying it and assigning a price to it. Every goal has its time axis ranging from weeks to many years. (Magnarelli, 2011) Goals can be long-term and short term both like an individual's goal can be to have a certain amount of und in the bank at the time of retirement as a long term. The Goal must be SMART Goals.

Step 3: Identify financial gaps: In this step, steps 1 and step 2 are compared and the gaps are the highlight. The plans and strategy are made for fulfilling this gap, that's why PFP is also known as the bridge which acts as a gap between what you are and what you want to have.

Step 4: Prepare your financial plan: A good financial plan is well-designed and aligned with one's objectives. Flexibility, liquidity, protection, and taxation should all be considered. A good financial plan should include enough insurance to protect you from financial ruin. 2011 (Magnarelli). Individuals should consider the following questions while preparing their financial strategy; Do I have enough cash on hand in case of an emergency? Is it possible for me to meet my financial responsibilities, such as my mortgage and credit card bills? Do I save as much as I think I will? The month's living costs covered ratio can indicate how long one can exist if all of one's current assets are lost.

Step 5: Implement your financial plan: A financial strategy resembles a map rather than a goal. It's a tool that leads to the desired outcome. It is critical to stick to the plan. Throughout the journey, one should keep track of his income and expenses while keeping the long-term goal in mind. He can renew the path to the ultimate destination based on the changes that occurred throughout the voyage.

Step 6: Periodically review your plan: In this step of the personal financial planning process the plans implemented are reviewed to check whether the plan is given the expected results or not. This step also helps in take corrective action if need so that the desired personal financial goal can easily be achieved.

1.3. AVENUES IN WHICH INVESTMENTS ARE MADE FOR PERSONAL FINANCIAL PLANNING

The investment avenues depend on many factors like period for investment (lock-in period), Expected rate of return, the purpose of investment, etc., The investment avenues commonly used in India include Senior citizen saving account, Pubic provident fund, Fixed Deposits, Life insurance, Mutual Funds, Stock, etc.

1.4. LINK BETWEEN HOUSEHOLD'S SUSTAINABLE DEVELOPMENT AND PERSONAL FINANCIAL PLANNING

The development which helps to meet the present needs without compromising the ability to meet the needs of future generations is known as sustainable development.

The points which are considered for the sustainable development for Indian households for this study is to have:

- **Better standard of living in future**, without compromising today's need: - PFP increases the net worth of an individual. An individual's net worth is the value that is left after subtracting liabilities from assets. Investments or saving and direct relationship with the net worth i.e., when the savings or investment of an individual increase the overall net worth also increases and vice versa.
- **Saving for retirement**, without compromising today's need: Individuals have long-term systematic saving schemes so that they can have steady income at or after retirement.

- **Accomplishing all long-term goals**, without compromising today's needs: personal goals like buying a new house or a long international vacation can be panned with the help of PFP
- **Planning for Contingency situations** like a Job layoff, work without salary or with minimum salary in a situation like covid 19, etc. financial planning takes into account not only the individual's needs but also his entire family members. Financial planning in the form of obtaining insurance protects the family in times of distress (death or disability).

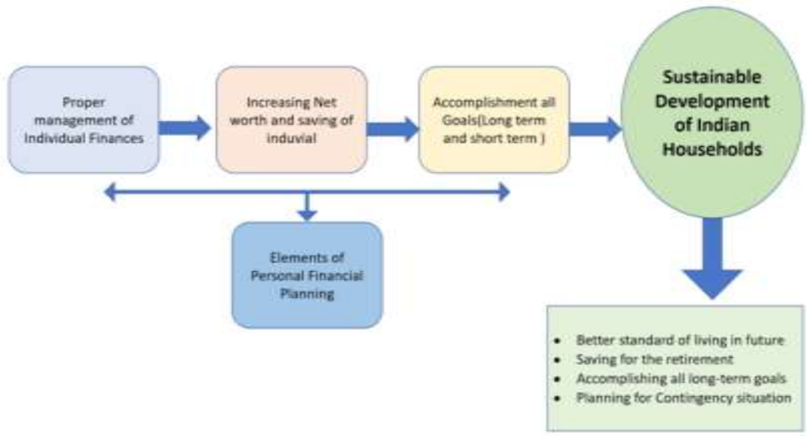

Figure 2. The link between household's sustainable development and personal financial planning

RESEARCH METHODOLOGY

The research is based on the secondary data and observations, on the existing knowledge which includes other research papers, blogs, and reports. The conclusions are drawn to link the relationship between variables that is sustainable development and personal financial planning from the already existing literature.

FINDINGS: EMERGING NEED FOR PERSONAL FINANCIAL PLANNING

Figure 3: The emerging need for personal financial planning

There are many benefits/ advantages/ needs of Personal Financial planning few of them are discussed below:

- **Defining Financial Goals-** PFP helps an individual to set the goals based on time as short term, medium-term and long-term goals, the goal should be SMART. Where: S= Specific, M= Measurable, A= Achievable, R= Realistic and T= Time-bound. These goals help them to do proper planning of limited money or saving and enable them to achieve them with ease.
- **Income Management-** PFP helps to manage income more effectively through a defined plan. Creating a budget is one of the ways to manage income. Preparing a budget and evaluating it periodically will help individuals to identify unnecessary expenses, respond rapidly to changes in their financial situation, and meet their financial goals.
- **Measuring progress on your goals-** Having a personal financial plan will help maintain discipline towards maintaining within set targets and thus achieving the set goals.
- **Financial Understanding-** Through a financial plan, households are in a better position to understand financials through the set measurable financial goals and the effects of decisions made. One can lose control over their financial lives if they do not plan financially. Financial planning can help one improve their budget and financial lifestyle.
- **Retirement planning-** To enjoy a happy and comfortable retired life, individuals or young adults need to start building safety by proper planning. Planning at an early stage in life can help secure the future against financial uncertainties. Investing at an early age and taking advantage of compounding allows one to build a large enough corpus over the next 25–30 years by investing a lesser amount.
- **Emergencies-** It is always good to have some investments with high liquidity that can be utilized in times of emergency. During the covid, many households survived the pandemic with past savings.
- **Child's education-** As the cost of education grows, not only in India but there are many countries around the world. Therefore, it is necessary to start planning for your child's education from the moment they are born. Investing in long-term investment options can help to achieve this goal.
- **Saving tax-** By planning taxes, we can identify the best avenues to invest one's money and reduce taxable income. Mutual funds provide a tax-efficient avenue for investing for life goals.

CONCLUSION

A sustainable life of an individual can be achieved with the proper personal financial planning, with the help of personal goal identification and setting, retirement planning, child education, tax planning, estate planning, etc., Many individuals during the contingency situation like Covid, survived the pandemic with the past savings and investments. PFP helps in increase the wealth of individual, better investment which increase the net rate of earnings and helps in fulling the above-discussed parameters of sustainable development. The proper management of finance helps in increases the saving and investment and reduces the credit/ borrowing.

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