

A Study on Personal Financial Planning Profession in Andhra Pradesh

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ABSTRACT

Personal Financial Planning Profession has grown substantially in recent years owing to a number of reasons, particularly in India. Being one of the most promising developing countries, India has shown rapid growth in per capita income and purchasing power of people. This has given rise to a need for professionals to manage their personal financial planning. This study aims to explore the prevalence and position of the personal financial planning profession specifically in the state of Andhra Pradesh. The qualitative method of data using interviews was used to understand the career prospects, features of the job, challenges and the need for personal financial planning professionals within Andhra Pradesh state. The need for personal financial planning professionals in Andhra Pradesh was explored. The findings of this study indicate that career in the personal financial planning profession in the state of Andhra Pradesh and India is full of challenges of growing markets; however, the career promises features of a high growth prospect job in the economy.

Keywords: Personal Financial Planning Profession, Economy, Andhra Pradesh.

INTRODUCTION:

Managing money in itself is a difficult task and when it comes to managing the finances for others, the challenges get exponentially high. Considering the difficulties that people face and the guidance they require on where to invest and how to grow their funds in the market paves way for the personal financial planning profession. The profession involves providing guidance to the people on investment, mortgage, insurance, college savings, property taxes, and retirement (BLS, 2017). Personal financial planning profession job roles require an individual to help the client in maximizing their returns from various investments instrument while minimizing the risks involved in such ventures.

The need for personal financial consultations is high in India as the country is going through a rapid expansion in terms of existing financial services firms as well as there is the addition of new and diverse financial products coming into the market. A report published by Securities and Exchange Board of India (SEBI), detailed that the equity mutual funds in the country have recorded a net inflow of Rs 20,362 crore (US\$ 3.18 billion)(IBEF, 2017).The country is witnessing a growth in private investments and the need for private consultation is growing with it. This is particularly true in the case of Andhra Pradesh (AP) state, as it experiences a high maintenance cost for accounts, and dealings are made in small transaction ticket sizes, leading to the use of vernacular products more than national profitable ventures(UNDP, 2012). Hence, the aim of this study is to examine the prevalence and prospects of personal financial planning profession in the state of Andhra Pradesh.

LITERATURE REVIEW:

Advantages of personal financial planning as a profession:

Personal financial planning profession is increasingly becoming one of the most sought-after careers, as the working population around the globe continues to increase, and so does their ability to earn more. With the

boom in working population, people increasingly need experts to handle their finances, and thus the career prospects for personal financial planning profession continue to brighten. Besides helping clients, the nature of profession also gives the financial advisors an opportunity of unlimited earning. The advisors can earn through three different ways, that is, via commissions, fees, or through a combination of both (IBF, 2017). Henceforth, the rapid pace of development of personal financial planning profession makes it a lucrative career.

The personal financial planning professional could either choose to work in a firm or be self-employed. The professional can begin operations by setting up SME, which is associated with low-startup costs and can be initiated after obtaining required degrees and creating the relevant clientele. Other advantages include modest regulatory costs in the segment and ease of obtaining the license and in a cost-effective manner. The nature of work allows the advisor to be a part of lifetime learning process with the ever-evolving product range and strategies, and a chance of interacting with the people regularly. Regular interactions with the clients allow the professionals to stay in touch with the changing needs of the clients, and propose solutions in accordance with the client needs. Personal financial planning profession career also gives the option of flexible working hours to the advisors along with the opportunity for high growth (AICPA, 2017).

Features of personal financial planning profession:

Practicing personal financial planning profession requires more than the academic knowledge of finance, economics, and taxation to provide necessary benefits to the consumers (Raskie, 2017). The efficient addressal of the consumer's needs could only be facilitated through the incorporation of academic knowledge with service providing ability, intelligent counseling services, and thorough research as a part of the advice. As the per capita income of the Indian population continues to increase (GOI, 2015), the working professionals are becoming increasingly busy in their day to day profession, and hence the need for personal financial planning profession decision assistances is pressing. Further, personal financial planning professionals are also required to advise the people nearing retirement, the inclusion of women investors, and those from lower-income segment (LaPonsie, 2017).

Hence, it is seen that personal financial planning professionals are more than marketers, they consult people in cases of large cash receipts, inheritances, retirement planning, and creation of wealth for an individual's future generations. The study conducted by Iannicola and Parker, (2010) pointed that development of trust is essential for the conversion of the clients. If the professionals are able to generate trust and understanding of the products in the client, it can enhance the conversion of prospects into clients.

Need for personal financial planning profession as a profession in India, especially AP state:

In a large and diverse country such as India, enhancing financial awareness amongst the people of the country requires more than relevant action from the regulatory authorities, financial institutions, and stock exchanges (Subha and Shanmugha, 2014). Several studies indicate that the financial literacy in India is low, as highlighted by Naidu (2017) in his study wherein he indicated that the literacy rate is further low among youngsters and women. A briefing paper by the European Parliament highlighted that financial literacy is the combination of knowledge, awareness, skill, behaviour, and attitude and thus essential for taking intelligent financial decisions. These factors help an individual in making sound financial decisions and reach the position of financial wellbeing (European Parliament, 2015).

Therefore the country needs to be integrated with the network of financing options on a more personal level. Also, the changing earning pattern of the young Indian population, as revealed by changes in the per capita percentage growth in the national income of the country, suggests that people now have higher dispensable income. The per capita income growth rate increased from 5.4% in 2013-14 to 5.9% during the period 2014-15 (GOI, 2015). With the increase in income arises the need for better investments so that the investors can profit from the increased income levels. Hence, personal financial planning profession as a profession in India is essential to bridge the gap between financial literacy rate and earning (Agarwal, 2015).

Personal financial planning profession career assumes special importance with respect to the state of AP, as per day income among the poor, medium, and rich households varies between \$1.25 for the poor section to \$2 per day for the rich household segment in the economy (Reddy and Bantilan, 2013). Also, personal advisors can be influential in enrolling all section of people in the financial system, especially when the regulatory authorities in India are aiming to include the marginalized and the poor in the financial system, by advocating the best products according to their needs (Subha and Shanmugha, 2014). The state presents the need for personal financial planning profession as highlighted by a study on the retail investors' perspective on capital market by Kumar (2010), conducted in Vishakhapatnam. The results showed that almost half of the retail investors do not consider tax benefits to be influential in undertaking investment decisions. The study further elaborated that 77.3% investors in the capital market considered it to be volatile, and 39.3% believe that the market has too much of price

manipulation. The study further reveals that 99.3% of the population considers equity investment as their first priority, and 73.3% alternately follow it by investing in mutual funds, leaving out several profitable options such as tax saving investments. Thus, personal financial planning professionals can help assure the investors regarding the benefits of investment in the market and also suggest them with products that suit the client specific needs.

METHODOLOGY:

The study was based on the qualitative method and utilized the interview technique to comprehend the features, relevance, and challenges encountered in practicing personal financial planning as a profession. The qualitative questionnaires with open-ended questions were administered to the three interviewees practicing personal financial planning professionals in the cities of Vijayawada, Vishakhapatnam, and Tirupati. Besides the demographic profile, the other sections of the questionnaire focused on identifying the necessities, features, and challenges encountered while practicing the respective professions.

Interviewee A worked in a commercial bank as an Executive, interviewee B worked for an independent firm at middle-level management, and respondent C was self-employed, director of an independent, private brokerage firm. The respondents were chosen randomly after stratification of the different levels of professional careers that they work in. They were approached via email, and informed about the study, after which they participated with due consent. Findings

Demographic Analysis:

The demographic details of the respondents interviewed for the present study are shown in Table 1.

Table 1: Demographic Profile

Respondent	Age (years)	Gender	Types of clients handled	Duration of profession (years)
A	25	Male	Trainees and executives with wealth managers, banks & product distributors	2
B	29	Female	Sales Managers, Relationship Managers, Wealth Managers	8
C	42	Male	Functional heads like retirement specialists, tax specialists, and business/regional heads	15

THEMATIC ANALYSIS:

Requirements of personal financial planning profession:

The interviews revealed that there are four initial requirements for developing a career in the personal financial planning profession. The requirements include education, examination, experience, and ethics on part of the professionals. The educational requirement as revealed by the respondents includes a minimum bachelor's degree in accounting related fields such as business, finance, or accounting, a master's degree in the area of business administration or finance, and either masters or bachelors degree with relevant experience in the field. Amongst all the respondents, only respondent B held the minimum bachelors degree, whereas the rest of the respondents held the master level qualification. With respect to specific courses, courses in taxes, estate planning, investment, and risk management were reported to be helpful in performing better in the profession. Also, to ensure success in the field additional examination and certification courses were also reported to be useful. Respondent B reported that "courses and corresponding tests administered by the National Stock Exchange (NSE) such as NSE's certification in Financial Markets, NSE Academy's Certified Market Professional, and Proficiency Certificates help in keeping up with the developments in the field of personal financial planning profession along with other fields." Both the respondents B and C held qualifications from NSE in various proficiencies such as equity and derivatives market, whereas respondent A held higher course achievement of Certified Financial Planner and Chartered Financial Analyst. Also, as reported by Respondent C professionals "should undertake experience in the advisor's field and further pursue courses of Certified Financial Planner, Chartered Financial Analyst, Registered Investment Advisor, and enrolled agents of institutions such as Life Insurance Corporation".

Features of the personal financial planning profession:

In Andhra Pradesh, there is a need to reach out to the population to increase their knowledge about different

financial products that exist in the market. Studies have pointed out that in Andhra, 50.1% of the population spends primarily on acquiring fixed assets, whereas there are several other options available in the market. With respect to the personal financial planning profession sector in AP, Respondent A stated, "while working in the Bank, we try to focus on inclusion of the lower income people in the retail investment segment. We approach the customers of the bank and try enrolling them in the mainstream finance." Respondent B highlighted that "almost 60% of salaried people prefer medium risk investments. He further added that "people with higher education qualifications are more aware of their investments and take lesser time to decide their investment vehicle. It is about the generation of trust between us as a company and the client. Good impression and past achievements strengthen the conversion rate of the clients." Respondent C further added, "Holding the position of director and having spent a long time in the field, I have found that people from all sections are more inclined to actively invest in the risky instruments such as equity shares and mutual funds to gain higher returns. They need proper counseling and devoted staff to increase their understanding of the various financial products. Sometimes it takes only a few days to convince the investors and sometimes the follow up lasts for more than six months". The job of a personal financial planning professional thus requires personal relation development between the professional and the client. Both the professional and the client need to be committed to gain through financial investment to ensure long-term relation in between them.

Challenges of the personal financial planning profession:

The respondents in the interview highlighted that the career of personal financial planning professionals is filled with challenges. To the questions on challenges faced in the profession of personal financial planning, respondent A revealed, "You are required to wear several hats such as of asset manager, retirement advisor, and marketer to perform in the job effectively." Respondent B elaborated that personal financial planning professionals may perform some roles better than others. The respondent B stated, "Personal financial planning professional needs to understand client's psychology to suggest the right products to suit the client's needs. In some cases, professionals may have to deal with unrealistic expectations and help them see beyond short-term profits." Respondent C stated that "In the market facing bearish trends, interests on the investments decreases and during such periods providing promising returns to the investors can be challenging."

Strategies:

The respondents were asked to highlight the strategies that they employ to overcome the challenges they encounter while working in the personal financial planning profession. The Respondent A stated, "Professionals need to stay in close contact with all their clients and use services such as instant messaging and Skype to stay in touch with clients. Respondent B reported, "Professionals need to be technologically ahead at all times." Respondent C reported, "Managing large-scale information, maintaining reliability and authenticity of the data, surviving competitions, and developing emotional engagement through the use of modern communication technology and reliable internet resources proves to be useful." \

DISCUSSION AND CONCLUSION:

The study showed that making a career in the personal financial planning profession is full of challenges, even in a growing market. The recent trends in the Indian market such as declining rates of interest since 2014 are making it further difficult for the professionals to operate. The low-interest rates combined with their regular movement of the investment markets make the market competitive for the professionals, and then there is the need to satisfy the increasing requirements of the consumers. The profession requires vigor backed by market knowledge to outperform the competitions existing in the market.

It was also seen that besides the numerous challenges investment career is rewarding, and contributes to higher chances of growth and enhancement of reputation for the professionals in the market. Long-term thinking enables the professionals to build wealth for the clients as well as for themselves. Personal financial planning profession requires the experts to undertake multiple roles, and create a diverse portfolio for their clients to benefit their investment component of the relationship. Personal financial planning professionals can be instrumental in increasing the financial inclusion in India, and especially in Andhra Pradesh where investment is limited only to the vernacular products. Personal financial professionals can thus help the residents of AP to go beyond the traditional methods of savings and earn higher returns on their investments. These can also serve as facilitators for the fulfillment of government's goals to integrate and educate as many citizens as possible about judicial investments and earnings.

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