A STUDY ON FINANCIAL PLANNING BY INDIAN RETAIL INVESTORS FOR UNCERTAIN FUTURE ECONOMIC ENVIRONMENT

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ABSTRACT

Economic environment determines financial health of the country. It consists of economic policy, inflation, interest rate, taxation policy etc. India being part of global economy is always subject to global uncertainties and thereby impacting sentiments of investors. In an increasingly volatile global economic environment, Indian investors are compelled to adopt adaptive and resilient financial strategies to safeguard returns and manage risk. Every retail investor has a wish to get the better returns over a period of time from respective investments, but returns are varying according to changing domestic and international economic conditions. Several micro and macro factors like interest rates, warfare, natural calamities, and political instability some time directly or indirectly affect the investment portfolio of retail investors. Bansal and Kumar , 2022 mentioning that investors are transitioning from traditional investment avenues to modern investment pattern to maximise returns with risk monitoring. This study examines the behavioural patterns, portfolio decisions, and strategic approaches employed by Indian retail during periods of domestic and global uncertainty. The study provides insights into how investors can optimize financial strategies in uncertain times and offers recommendations for policymakers, advisors, and financial institutions to strengthen investor resilience in a rapidly changing global landscape.

Keywords: Economic environment, Portfolio, Strategic approach , financial strategies.

INTRODUCTION

Uncertainty is unavoidable in human life likewise so also in economic environment. Financial planning is a process to achieve individual goals. Indian economic environment is always expose to risk and uncertainty due to rapid structural changes at national and international level. Monetary policy, taxation policy, instable government, industrial policy, tariffs and sanctions etc. are the variables which have direct or indirect impact on investment decisions of Indian retail investors. According to a recent analysis by CRISIL, shows that net household financial savings (gross savings adjusted for liabilities) fell to a six-year low in fiscal 2023. It is seen that households have relied much on debt and physical assets rather than financial savings. The CRISIL report also mentioned that Gross saving rate is relative higher and stood at 29.3% of GDP which is much better compared to other economies in the world[1]. Till November 2025, individual investors holding 18.75% in NSE listed companies which a 22 years higher investment record[2]. In the recent past Indian investors have witnessed economic uncertainties due to COVID pandemic, Tariff by US president, Russia Ukrain War, Operation Sindur, Depreciation in value of Indian rupee etc. In order to optimise returns in uncertain economic environment individual investors are shifting from traditional investment to modern investment option. Whether this decision making will prove to be beneficial or not, only time will give the answer. Hence, there is a pressing need to examine how Indian retail investors adapt their financial planning in an environment marked by macroeconomic uncertainty, market volatility, and evolving investment opportunities.

OBJECTIVES

1. To understand the gap between financial strategies and uncertain economic environment.

2. To understand impact of uncertain economic environment on financial strategies of retail investors.

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[1]   https://www.crisil.com/content/dam/crisil/our-analysis/reports/Research/documents/2025/03/the-sahi-journey-amfi-crisil-factbook-2024/the-sahi-journey-amfi-crisil-factbook-2024.pdf?utm_source=chatgpt.com

[2]   https://www.businesstoday.in/markets/stocks/story/nse-crosses-24-crore-investor-accounts-as-retail-participation-hits-22-year-high-on-d-st-rush-502110-2025-11-13

LITERATURE REVIEW

Biswas A K and Dr. Hazra Anirban (2023), mentioned that factors affecting individual investments are demographic factors like age, gender, race, income.

Usually investors, while designing a portfolio consider risk tolerance, financial goals, and other constraints. Home, car, owning assets are the factors usually considered by the youngsters while investing in different investment options.

Rana Sandeep and Dr. Rawal Pratima (2025) examined that large investors appeared more cognizant of the shift in economic environment, and challenged by information overload, behaved quite differently compared to their less experienced counterparts. Retail investors are adopting risk minimising strategies like liquidity management, portfolio rebalancing etc.

Naik Saumil (2024) in his report mentioned that financial planning is a process of managing the funds for achieving the goals. To meet the rising aspirations in uncertain economic environment financial planning is essential. The report states that individuals should not expect unrealistic returns rather optimise returns with minimising risk. The report has also touched different aspects of investments like speculation, hedging, shorting, diversification etc.

HYPOTHESIS

H1 There is no significant gap between financial strategies used by retail investors and the uncertain economic environment.

H0 There is significant gap between financial strategies used by retail investors and the uncertain economic environment.

H1 There is no significant impact of uncertain economic environment on financial strategies on retail investors

H0 There is significant impact of uncertain economic environment on financial strategies on retail investors

RESEARCH METHODOLOGY

This research paper has considered primary data collected from 61 respondents who are from different fields and income. Analysis of the paper is also based on secondary data which is .collected from reports, research papers, newspaper articles etc. Responses have been collected by random convenience sampling

Scope of the study

The existing research paper has considered respondents from Mumbai region only and restricted to financial planning done by retail investors in different asset class.

Limitation of the study

Due to paucity of time and money responses have been collected by online mode. Economic environment is always changing due to several factors, thus outcome of this study may vary according to changing economic environment.

Data analysis

Table 1	
Gender	**Percentage**
1	59.0%
2	41.0%
Source :- Primary Data	

Table 2	
Occupation	**Percentage**
Salaried Employee	60.7%
Self Employed	31.1%
Retired	6.6%
Student	1.6%

Source :- Primary Data

Table 3

Age	Percentage
31-40	42.6%
51-60	19.7%
41-50	16.4%
21-30	13.1%
60 and above	8.2%

Source :- Primary Data

Table 4

Income	Percentage
Below 5 lacks	19.7%
06 - 10 lacs	4.9%
11 - 15 lacs	36.1%
16 - 20 lacs	23.0%
20 lacs and above	14.8%

Source :- Primary Data

Table 5

Opinions On Financial Strategies For Uncertain Future Economic Environment	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Systematic Investment Plan and Systematic Transfer Plan	70.5%	26.2%	1.6%	0.0%	1.6%
Separate Emergency Fund for unexpected Situation	67.2%	29.5%	1.6%	1.6%	0.0%
Reviewing and Rebalancing My investment portfolio	23.0%	73.8%	3.3%	0.0%	0.0%
Improving Financial education and information use	45.9%	50.8%	1.6%	0.0%	1.6%
Insurance and Risk Protection	44.3%	49.2%	3.3%	3.3%	0.0%
Focus on long term wealth creation	52.5%	41.0%	4.9%	1.6%	0.0%
Diversification across assets class	59.0%	26.2%	14.8%	0.0%	0.0%

Source :- Primary Data

Table 6

Gap Between Financial Strategies and Economic Uncertainty	SA	A	N	DA	SD	Mean Score	Std. Dev.
Is there mismatch between Risk tolerance and actual investment choice	6.6%	59.0%	29.5%	4.9%	0.0%	**3.67**	0.68
Is your Financial Strategy aligned with uncertain economic environment	6.6%	55.7%	31.1%	6.6%	0.0%	**3.62**	0.71
Is your financial planning flexible to adjust with economic volatility	29.5%	31.1%	11.5%	27.9%	0.0%	**3.62**	1.19
Lack of clarity about how to adjust investment in line with economic uncertainty	6.6%	52.5%	32.8%	8.2%	0.0%	**3.57**	0.74
Is your financial planning capable to face economic uncertainty	8.2%	55.7%	21.3%	13.1%	1.6%	**3.56**	0.89

Source :- Primary Data

Table 7		
Need of investments for uncertain future economic environment	**Mean Rank**	**Overall Rank**
Fixed Deposit	2.64	1
Mutual Funds	2.82	2
Gold	3.10	3
Real Estate	3.72	4
Government Bonds	4.33	5
Shares	4.41	6
Source :- Primary Data		

Table 8	
Factors considered for investment	**Percentage**
Economic Growth Prospect	59.0%
Financial Awareness	16.4%
Government Policies	16.4%
Tax Benefits	8.2%
Source :- Primary Data	

Hypothesis 1

Hypothesis 1 is tested by using simple t test at 5% level of significance

Statistic	Value
Sample Size (n)	61
Test Value (μ_0)	3.00
Mean Gap Score ($\bar{x}$)	3.61
Standard Deviation (SD)	0.44
Standard Error (SE)	0.056
Mean Difference ($\bar{x} - \mu_0$)	0.61
t value	10.89
Degrees of Freedom (df)	60
p value	0.0000 < 0.001

Conclusion: The mean gap score (M = 3.61, SD = 0.44) was significantly higher than the test value of 3, t (60) = 10.89, $p < 0.001$. This indicates a statistically significant gap between financial strategies adopted by retail investors and the prevailing uncertain economic environment.

Hypothesis 2

Hypothesis is tested by one simple Z test. It is tested at 5 % level of significance.

Statistic	Value
Sample Size	61
Count of Impact	51 (Agree + Strongly Agree)
Observed Proportion	0.8361 (or 83.61%)
Hypothesized Proportion	0.50
Calculated Z-statistic	5.2495
Critical Z-value	1.6449
P-value (One-Tailed)	0.0000000763

Conclusion: Since calculated Z statistic value 5.2495 which is greater than critical Z value 1.6449. Even P value 0.000 is less than the 0.05 indicates that null hypothesis is rejected and alternate hypothesis is accepted. This means there is significant impact of uncertain economic environment on financial strategies on retail investors.

FINDINGS

1. 60.7% respondents found salaried people followed by self-employed who are 31.2%. 42.6% respondents are found to be in the age group of 31-40 who are making active investments.

2. 36.1% respondents income is falling in the bracket 11-15 lacs.

3. 95 % and more respondents have stated that their financial strategy for uncertain economic conditions include separate emergency fund, insurance, SIP and STP and reviewing as well as rebalancing portfolio as per economic uncertainty. Opinions of the respondents also confirms that Diversification across assets class strategy is useful during economic uncertainty.

4. 59.0% of the respondents who answered that they don't know how to change their investments when the economy changes.

5. 65.6% respondents mentioned that they have observed mismatch in the risk tolerance and existing investment choices which need better financial advice and planning.

6. Mean ranks of investment shows that respondents prefer to keep most investments in Bank FD and Mutual fund as safe investment whereas share investment ranks last during economic uncertainty.

7. 59% respondents stated that economic prospect is considered as the leading factor for investment followed by 16.4% respondents mentioned financial awareness and government policies.

8. 65.6% of investors feel a mismatch between their actual risk tolerance and their current investment choices, suggesting a need for better financial advisory and planning tools.

9. 59% of the respondents struggle with a lack of clarity on how to adjust their investments in line with economic shifts.

10. Around 62% respondents views suggest that their financial planning is line with economic environment, but 31% stated neutral views on financial planning and economic uncertainty.

RECOMMENDATIONS

1. Investors are expected to maintain around 6 month's expenses in liquid and low risk assets to tide over the economic uncertainty.

2. Investors need to refer their individual investment to experts for pragmatic financial planning to overcome economic uncertainty.

3. Investors need to revise financial strategies in view of economic uncertainty. This will reduce gap between financial strategies and future economic uncertainty.

4. During economic uncertainty scientific selection of shares can give better returns than bank FD.

5. More economic reforms by the policy makers can give economic stability which in turn will give stability of returns to the investors on their investments.

6. Reviewing and rebalancing of investment portfolio on weekly basis can help the investors to minimise risk associated with investment during economic instability.

7. Investors are required to keep their assets diversified to minimise impact of economic uncertainty with minimising risk and expected loss.

8. Removing long term capital gain tax by the government can attract new investment and avoid speculation in different asset class.

9. Alignment of investments according to changing economic conditions to balance the risk and reward.

CONCLUSION

Indian economy is becoming more open and also vulnerable to domestic and international issues causing uncertain economic environment. In past few months, Indians are facing uncertain crisis like tariff by US, rupee depreciation, operation Sindoor, Russia and Ukrain war, uneven stock market, slow GDP, Unemployment, declining household saving etc. The present study shows that financial planning is needed for uncertain future

economic environment for better financial wellbeing. A gap is seen between financial planning of retail investors and economic uncertainty. However, majority investors continue to reply on bank FD and mutual fund investment during emergency. Further, analysis of the study reveals that economic growth prospects is considered as the major factor for investment by retail investors rather than tax benefits, government policies and financial awareness. The study reveals that uncertain economic environment has brought noticeable behavioural changes among the investors. A considerable proportion of respondents reported modifying their asset allocation strategies, delaying financial decisions, or increasing precautionary savings during periods of economic instability. This indicates that uncertainty directly affects both short-term and long-term financial planning approaches. Rebalancing and reviewing portfolio at regular interval will reduce impact of uncertain economic environment.

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