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A Study on Determining Factors that Affect the Acceptance of Wealth Management

(With Special Reference to Indore City)

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Abstract

Wealth Management is a new concept in the market that needs to gain its momentum yet. The people are willing to manage their wealth but wish to do it by themselves as they don't trust on others for their hard earn money. This hitch is a major challenge for the wealth management company to overcome it, this hinderance can be curtailed by dealing with the peoples' insecurities and making them trust on them for their money. The study focusses on the determination of factors that were affecting the acceptance of wealth management in Indore city. The result showed that there were six major factors that made the acceptance of this concept a challenge they were: love to invest, insufficient balance, poor in finance management, rational investing with others help, incomes and expenses and financial stability. In order to make the concept accepted it is necessary to increase financial literacy of the people and make them aware about the wealth management concept and its necessity in their life and for their future.

I. INTRODUCTION

India is a fast-growing economy in the world. With its potential it has provided various sectors and industries to flourish in the market, one day might become the ruler of the world market also. The Government of India have also started working towards this direction by creating jobs, creating friendly environment for new ventures, promoting entrepreneurship among the young generations. With the earning there comes spending the money too. Youngsters are now trying to make from the money they have so that they may meet the various expectations of family and themselves. Here comes a new concept of wealth management, which is managing the money to yield profits from the existing money in the account.

Wealth management is a new concept in the country; however, people were already using the concept but they were not aware about the concept by its nature. From long ago times people used to trade with money and earn profits and save some money for their survival. This concept is now formalised as wealth management. Many of youngsters are trying to catch customers to follow wealth management and invest, earn profits and save money for future.

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However, different age groups have different patterns of allocating their hard earn money. Young professionals are having a long life where they invest their money for term and can take high risk in investing., if, talked about the middle-aged group fellows they have lots of responsibilities of family and expenses which drops their investment drastically. If elders or older generations is to be taken in to consideration, they like to invest in the low-risk opportunities as they are near to retirement or are retired already due to which they have limited source of income. While doing the wealth management all the factors like age, family obligations, income, risk appetite, return expected has to be kept in mind.

No matter how much the awareness is spread about its people are still having hitch about using the wealth management products or companies who are good at managing their hard earn money. The capacity of the industry is very high but the only need of the hour is to make people aware about the right information of various schemes and make them practice it. This would help the industry to flourish in the country.

As said, there is a hitch among people for letting others choose the direction of allocation of wealth. This could only be sorted out if the factors that affect the behaviour of people towards wealth management can be known. These factors could be anything like decision making, risk associated, telling others about the wealth earned, etc. Once the factors are known then only the wealth management companies can work on eradicating the negative perception of people and attract more and more customers to invest their money and earn more money instead of saving it.

II. LITERATURE REVIEW

Madhani (2011) had projected wealth management as an emerging opportunity for the time. The study said that wealth management is science as well as an art in which understanding the client was very important. However, at that time the proliferation of wealth management products and services had attracted the attention of service sector in the financial industry with its steady growth.

Singh et al (2018) have researched about the personal finance management among the Indian working professionals and found that financial literacy and financial education had an important role to promote the individuals to do Personal Finance Management. Along with this the impacting variables of working professionals like income and savings, education, lifestyle and residing status were determining factors to implement personal finance management.

Das et al (2018) have presented a new approach to goal- based wealth management that was focussing on recognising risk as the probability for not attaining the investors' aim. The study found a mathematical approach for understanding investors' goals and analyses it with the new model proposed which is helpful for advisors as well as to the clients.

Misra (2020) have studied about the customers' choice of wealth management services and related it to the demographic variables and found that both males and females were having the same behaviour towards investing in the wealth management services. However, other demographic variables like age, education, income and occupation of customers does have an impact on investing in wealth management services.

Geetha and Poorna (2020) have tried to understand the perception of working women towards wealth management and found that women generally get the investment avenue information through their

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spouse, relatives or friends. Most of the income earned was saved instead of investing that is necessary for every developing nation. However, as the women got educated have started taking advantage of knowledge through both home and work place for taking decisions relating to the investment.

Grover et al (2022) have studied about the factors affecting investors' wealth management behaviours and found that investors' attitude was the most important factor that influence the investment behaviour. However, there are several other factors also responsible for the investment behaviour of the investor like financial literacy, risk appetite, personal beliefs and subjective norm that directly affect the attitude which at the end influence the investment behaviour.

Vidhya and Lakshmi (2022) have investigated about the wealth management practices among the Indian households and found that majority of the households were doing wealth management but only in few investment avenues thus, there was still need to create more awareness about the wealth management.

Objective of the Study

The study aims to determine the factors which affect the perception of towards wealth management.

The research paper is divided in to five parts where first part introduces the topic, second highlights the work done by others in literature review. Third describes the research methodology chosen for the study fourth unveils the results obtained in the data analysis and last part is conclusion.

III. RESEARCH METHDOLOGY

The research design chosen for the study was exploratory in nature. Primary data was collected for conducting the survey using convenient sampling. The respondents were given a self-structured questionnaire. Total 100 respondents were chosen from Indore city. The research tool used for solving the objectives were:

1. Cronbach alpha test of reliability
2. Factor Analysis

Cronbach Alpha test

It is a test used for checking the reliability of the data set obtained.

Factor Analysis

Principal component analysis had been used to determine the primary factors that affect the perception of people towards wealth management. KMO test was used for checking the sample adequacy and Bartletts' test of Sphericity was used to check the correlation among the variables. Varimax rotation was used for extracting the factors so as to obtain the factors accurately with maximum variances variables being clubbed together.

IV. DATA ANALYSIS

TABLE 1

Reliability Statistics

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Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.845	.848	20

The Cronbach alpha test obtained was0.845 which was considered good and it also meant that data set is reliable.

TABLE 2

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.700
Bartlett's Test of Sphericity	Approx. Chi-Square	560.146
	Df	190
	Sig.	.000

The value of KMO test was obtained to be 0.700 which was greater than 0.5 thus it could be inferred that the sample was adequate. Bartlett's test of Sphericity value obtained was 0.000 which was less than 0.05 which meant that sample had enough correlation in the data set that factor analysis could be carried out.

TABLE 3

Construction of Wealth Management Acceptance Factor

Communalities

	Initial	Extraction
WMAF-1	1.000	.650
WMAF-2	1.000	.535
WMAF-3	1.000	.768
WMAF-4	1.000	.694
WMAF-5	1.000	.645
WMAF-6	1.000	.739
WMAF-7	1.000	.333
WMAF-8	1.000	.700
WMAF-9	1.000	.756
WMAF-10	1.000	.689
WMAF-11	1.000	.721

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WMAF-12	1.000	.435
WMAF-13	1.000	.716
WMAF-14	1.000	.748
WMAF-15	1.000	.716
WMAF-16	1.000	.738
WMAF-17	1.000	.848
WMAF-18	1.000	.732
WMAF-19	1.000	.836
WMAF-20	1.000	.674

Extraction Method: Principal Component Analysis.

There was total six factors who had there eigen values greater than 1. The total model explained by the whole model was 68.368%.

TABLE 4

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.543	27.715	27.715	5.543	27.715	27.715	3.739	18.693	18.693
2	2.739	13.695	41.409	2.739	13.695	41.409	2.208	11.041	29.733
3	1.840	9.199	50.608	1.840	9.199	50.608	2.105	10.523	40.257
4	1.353	6.765	57.373	1.353	6.765	57.373	2.104	10.519	50.776
5	1.123	5.614	62.987	1.123	5.614	62.987	1.948	9.738	60.514
6	1.076	5.381	68.368	1.076	5.381	68.368	1.571	7.854	68.368
7	.953	4.763	73.131						
8	.915	4.576	77.707						
9	.765	3.826	81.533						
10	.654	3.269	84.802						
11	.539	2.695	87.498						
12	.444	2.218	89.716						
13	.386	1.932	91.648						
14	.350	1.751	93.398						
15	.329	1.646	95.044						
16	.308	1.539	96.584						
17	.230	1.150	97.734						
18	.182	.912	98.646						
19	.152	.761	99.407						

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20	.119	.593	100.000						

Extraction Method: Principal Component Analysis.

Nomenclature Of Factors

FACTOR1-Love to Invest

This factor explains 18.693% of the whole model. It got its name as includes the variables like likeability to manage wealth, letting authentic and trustworthy person to manage money, immediate investment, earning benefits from investment made, investing for a secured future and the wish to bear all the expenses.

FACTOR 2-Insuffiecient balance

This variable explained 11.041 % of the total model. It received its name due to the inclusion of variables like person needs other person to manage the money they had earned; they believe in saving rather than investing and they could not invest as they won't have enough money with them if they would invest it.

FACTOR 3- Poor at Finance Management and Diversification of Asset

This factor explained 10.523% of the model. It got its name for summing up the variables like the person believe in credit purchases, focusses more on asset diversification to harvest profits and not able to save a dime for investment because they have lot of expenses.

FACTOR 4-Rational Investing with Others Help

10.519% was explained from this factor and the variable it contains were believing in others to take the financial decision on their behalf, readiness to take risk for managing the wealth, also considering the losses with the profits associated with the investment and understood the need of remaining in the market for longer duration so as to earn profits.

FACTOR 5- Incomes and Expenses

Total 9.738% was explained via this factor and the variable it constitutes were considering expenses over investment, due to expenses no future plan to invest and reliance on the income generated by the portfolio they had invested in.

FACTOR 6- Financial Stability

It explained only 7.854% of the model and it includes only one variable that was current financial condition of the person to bear any kind of change in the economy.

TABLE 5

Factor Loading of Each Variable

FACTOR1-Love to Invest

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Q1	I would like to manage my wealth	0.747
Q3	I would only let an authentic and trustworthy financial organization to handle my wealth	0.833
Q5	As soon as I earn money, I like to invest it	0.651
Q7	Investments in wealth management help me get tax benefits	0.485
Q9	I want to manage money for the secured future	0.771
Q10	I wish to bear all expenses myself that's why I plan my money	0.778
FACTOR 2-Insuffiecient balance		
Q14	I need a financial advisor for wealth management	0.775
Q18	I believe in savings instead of investing the money	0.835
Q20	I won't have cash in my hand if I invest it	0.512
FACTOR 3- Poor at Finance Management and Diversification of Asset		
Q15	I believe in credit system (means things can take or purchased on credit)	0.809
Q16	I pursue maximum asset diversification so as to harvest more profits than losses	0.594
Q19	I cannot save dime for investment as I spend a lot	0.722
FACTOR 4-Rational Investing with Others Help		
Q2	I can let others take decision to manage my wealth	0.523
Q4	I am ready to take risk for managing my wealth	0.762
Q11	While making investment I consider both losses and profits a portfolio offers	0.606
Q13	I like to invest for longer period of time so as to bear lower risk with higher return	0.580
FACTOR 5- Incomes and Expenses		
Q6	I don't believe in wealth management and love to spend money	0.837
Q8	I have lots of expenses that's why I don't plan to manage my money	0.756
Q12	I completely rely on the income generated from the portfolio.	0.412
FACTOR 6- Financial Stability		
Q17	With my current financial condition if any change in the economy happens, I can handle them	0.868

V. CONCLUSION

Wealth management no doubt a new emerging trend in the market but still it had not achieved its aim of making people understand the value of managing their wealth so that they may have a bright future. Most of the people were hitch to manage wealth as it would include third party for handling the finances, need to cut down expenses so that some money could be invested for future. Few of them believed that managing wealth was inferior to the savings of the money they had been using since past. However,

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there were few people also who focussed on building the saved-up money for future rather than piling up of money to get wasted in the account.

The study reflected there were six factors that affected the wealth management acceptance by the investor in their life. The prominent was the love to invest the money followed by insufficiency of balance that acted as hinderance to invest the money which was followed by poor in finance management by the person, this was followed by rational investing by the fellows, last two were the incomes and expenses a fellow had to bear and the financial stability that one needs during any kind of change in the economy for their existence.

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