CHAPTER – II

REVIEW OF LITERATURE

2.1 General

A survey of related studies were undertaken by the present researcher to get an insight into the work that has already been done in the field of this investigation and also to know the research gap, if any, in the related field. An account of review of related literature is given in the following pages.

2.2 Review of Literature

2.2.1 Studies related to Personal Financial Planning

Baumol (1965)\(^1\) made an important contribution to the better understanding of the personal financial planning. He analysed in considerable detail both the short-run and long-run planning on price equilibrating processes and points out important departures from the competitive ideal and the implications of these departures.

Petter (1970)\(^2\) carried out a study to identify those factors which motivate or guide the planning decisions of the NRIs. The study identified the factors: (1) income from dividends; (2) rapid growth; (3) purposeful investment as a protective outlet of savings; (4) professional investment management.

Bhatia (1970)\(^3\) has made an evaluative study of the New Issue Market (NIM) for the period 1958–1973. The role of the financial planners and individuals in the NIM has
been described and evaluated. The study shows that a new class of middle-income individual planners has emerged as an important supplier of the risk capital.

Rohatgi (1973) stated that the basic function of the financial planning is to provide ready marketability or liquidity to holdings of securities. The ideal stock market is one that can provide instantaneous and unlimited liquidity. But it is reasonable to assume that a prudent long-term investor in equities would provide for his immediate cash needs. This is in agreement with the three motives of liquidity preference. If so, one would expect not 'instant' liquidity, but moderate liquidity. It will be unreasonable for any individual planner and investor to suppose that his equity holdings are as good as cash.

Mc Kinnon (1973) advocate financial planning in financial market. They argue that state intervention in setting interest rates and quantitative measures of resource allocation adversely affect, not only a locative efficiency but also depress the aggregate saving rate in less developed economies.

Darby and Karni (1973) introduced the concept of credence goods, which are items that consumers can never completely evaluate (for example, the thoroughness of a medical procedure). In markets for credence goods, consumers value advisors who are able to evaluate the quality of goods and services.

Khan (1976) examines the role of personal financial planning, and the cost of raising funds from the market. The study goes on to suggest appropriate measures to enable the NIM to play a part in consonance with the requirements of the planned growth of industry. The Commerce Research Bureau (1978) estimated the average remittance per emigrant at Rs. 11,700 per annum and observed that investment in land,
buildings and jewellery form the major chunk of the total investments made by emigrant households in Kerala.

Mathew and Gopinathan Nair (1978)\(^9\) have shown that substantial amounts were being received by emigrant households in India by way of remittances and the major part of the income from remittances was spent for socially unproductive purposes. Major portion of the remittances was spent for purchasing or improving land and buildings.

The Housing and Employment Survey (1980)\(^10\) of the Department of Economics and Statistics has assessed that 5.1 lakh persons from Kerala had migrated outside the state for employment and out of this 2.1 lakh persons were in foreign countries. Migrants to Gulf countries alone came to 1.86 lakhs and the minimum level of remittances received in Kerala was Rs. 220 crores per annum.

Demski and Sappington’s (1987)\(^11\) study on client-agent relationships suggests that the nature of credence goods is such that sales-based compensation creates incentives to mislead clients. Unless transactional agents’ compensation is contingent on long-term outcomes rather than completing the transaction, agents can fail to provide high-quality information.

In the 1980s, there was a spate of work on money management and control. This moved away from the usual economists’ assumption that the household was an undifferentiated “black box” that earned and spent as an individual. It was assumed that resources were shared equally (Jan Pahl, 1989\(^12\); J. Pahl, 1990\(^13\)).

Pahl (1995)\(^14\) identifies six systems of money management and control for couples. These were associated with socio-economic groupings. She says, Male-
managed systems were associated with higher income levels and with male privilege in terms of decision-making and personal spending money.

Female-managed systems were associated with lower income levels and with greater financial deprivation for wives. Equality between husband and wife was greatest where money was pooled and managed jointly, but these constituted only one-fifth of all households (Jan Pahl, 1995)\textsuperscript{15}.

In another area, a study of women, information and the family business, found that information does not necessarily translate into decision-making power, leading to an “informed powerlessness” (Singh, 1995)\textsuperscript{16}.

While at least one author brands coaching as ‘a repackaging of certain practices that were once subsumed under the more general terms consulting or counseling’ (Tobias 1996)\textsuperscript{17}, coaching is distinct from.

Kerkmann (1998)\textsuperscript{18}, stated that when individuals face a financial crisis, may not know what options are available to them or may have difficulties searching for and processing information. Counseling can connect clients to public and private resources, and counselors can help clients navigate the bureaucratic requirements for obtaining resources. Financial counselors can help clients make sound decisions at a time when emotional stress may be distorting their decision-making processes.

Pahl also finds that gender is significant as men make more use of new forms of money than women. Men tend to dominate the use of new technologies such as Internet banking. She says this dominance is “changing the gender balance of financial power within families” (Jan. Pahl, 1999)\textsuperscript{19}. 

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Singh and Ryan’s (1999)\textsuperscript{20} work on gender, money and electronic commerce also arrived at the same conclusions.

The study of financial management and electronic money, that different transaction channels and payments instruments yield different kinds of information. Given trust and the appropriateness of social meaning, NRIs chooses a particular form of payment because it yields the information that is required for different payments activities and income streams. The relevant dimensions of information are those that relate to time; range, immediate record, and context (Singh, 1999)\textsuperscript{21}.

Bigel’s (2000)\textsuperscript{22} survey of financial planners concluded that fee-based financial planners’ scores on an ethical orientation scale were no different than commission-based planners’ scores.

Iyengar and Lepper (2000)\textsuperscript{23} found that while people greatly value choice, they are also easily overwhelmed by it. They suggest that individuals want to be told what they should do, but not what they have to do. They suggest that the phenomenon of choice overload may be exacerbated in contexts (such as the decisions about major stock purchases) where the costs associated with making the “wrong” choice, or even the beliefs that there are truly “wrong” choices, are much more worrying to an individual.

Shapira and Venezia’s (2001)\textsuperscript{24} research on financial professionals indicated that financial professionals are less likely to fall prey to the disposition effect than the general public and cites this fact as evidence that advisors may help consumers avoid making mistakes.

Hirad and Zorn (2002)\textsuperscript{25} conducted an evaluation of pre-purchase counseling’s impact on 90-day delinquency rates. The authors compared a nonrandomized
comparison group to borrowers who completed one of four modes of counseling: in person, classroom, home study, and telephone. When selection and assignment processes are modeled, only classroom counseling led to a statistically significant decline in 90-day delinquency rates.

Cupach and Carson (2002)\(^{26}\) conclude that neither the amount nor the type of life insurance coverage an insurance agent would recommend to a client depends on the agent’s prospective compensation. This study was hypothetical in nature, but it serves to undermine the notion that transactional agents’ recommendations are driven by their commissions.

Krausz and Paroush (2002)\(^{27}\) develop a theoretical framework that accounts for conflicts of interest and information asymmetries for financial advisors. Assuming that agents try to maximize their own utility, the authors contend that investment advice will diverge from clients’ needs.

As Hogarth (2002)\(^{28}\) noted, “the advantage of educating youth is that they grow up into financially literate adults”.

Among the tasks facing financial educators is finding meaningful learning experiences for their target audiences. Financial concepts may be integrated within a variety of subject matter areas or may be offered as a separate course. Financial education can be taught using a variety of strategies; however, those involving active learning such as simulation and role playing are suggested for youth (Suiter & Meszaros, 2005\(^{29}\); Varcoe & Fitch, 2003\(^{30}\)). These methods help to make abstract concepts more tangible to students. Active learning strategies are those likely to influence transfer of learning (Gardner & Korth, 1997\(^{31}\); Haskell, 2001\(^{32}\)).
The most recent Jumpstart Coalition survey found better financial literacy performance for students who play a stock market game, leading the Coalition to recommend that interactive methods such as simulations are the best ways to teach about real-life money management situations. Among the difficulties involved in conducting financial education programs for young people, however, is being able to document transfer of learning, when the ultimate test of their increased awareness, knowledge, and skills is still years away.

Waseem notes, much of this work was done with families with dependent children. Hence a large gap in the study of the management and control of money is the way it works in NRIs families (Waseem, 2004). Sethi-Iyengar, Huberman and Jiang (2004) studied the choice available to planners and investors in 401 (k) plans and proposed that choice overload may result in a participation rate. Their findings indicate that limiting the number of choices to a manageable few may provide more positive outcomes for individuals. They suggest that the excessive number of choices may lessen the motivation to choose and the subsequent motivation to commit to a choice.

On the matter of consumer decision making at retirement, Chant Link & Associates found that many retirees make decisions about their retirement at the time of retirement with incomplete understanding of the income stream and other options available to them. It is only after the decision making process has been completed that retirees have a greater understanding of the choices that they had made. The findings suggest that little thought is taken about the retirement decision making process until the actual time of the retirement and then, there is a heavy reliance on professionals to
unravel the meaning of terminology, choices of products, social security and taxation effects of the various options available to them. This is in spite of various pieces of information being made available to them prior to retirement (Australian Securities & Investments Commission, 2004).35

Kadiyala and Rau (2004)36 investigated the investor reaction to corporate event announcements. They concluded that investors appear to under react to prior information as well as to information conveyed by the event, leading to the different patterns: return continuations and return reveals, both documented in long-horizon return. They found no support for the overreaction hypothesis.

Garicano and Santos (2004)37 invoke the repeated-game nature of advisor-client relationships and suggest that this type of relationship undermines incentives to provide biased information. Essentially, advisors have an incentive to provide accurate advice, since they want to sustain clients’ business over time.

Hartarska and Gonzalez-Vega (2006)38 find a small increase in borrowers paying off their mortgages (typically through a sale or refinance) and a decrease in mortgage default relative to a nonrandom comparison group.

Biswas-Diener and Dean (2007)39 contend that coaching is a subset of positive psychology since it focuses on utilizing personal and social strengths to attain goals and achieve happiness. Positive psychology concentrates on using strengths, positive qualities, and virtues to help individuals enhance their lives.

Bolton et al., (2007)40 argue that financial products and services are more like experience goods than credible goods. The authors suggest that financial advisors use their expertise to match clients to appropriate products and that competition creates
incentives for even sales-based advisors to provide high-quality and objective advice. Because financial actors and institutions need to maintain relationships with their clients over time, discipline is imposed through the loss of reputation caused by the provision of biased advice.

Robinson (2007)\textsuperscript{41} contends that the arguments against commission-based financial planning have become widely accepted in the field. One survey shows that a majority of consumers (55\%) prefer fee-based services.

Fischer and Gerhardt (2007)\textsuperscript{42} suggest that financial advisors can be particularly valuable for individuals who lack financial literacy and are prone to cognitive biases.

Collins (2007)\textsuperscript{43} studied a small sample of 299 clients who received face-to-face and/or telephone-based financial planning advising. Using an instrumental variables approach, each additional hour of counseling reduced the probability of negative foreclosure outcomes by 3.5 per cent.

Elliehausen et al., (2007)\textsuperscript{44} evaluate credit counseling using a quasi-experimental design. Counseling clients, in their dataset, participated in an initial 60 to 90-minute session, and some clients participated in more than one credit counseling session. A non experimental comparison group was comprised similar borrowers who did not receive counseling. The estimated benefits of counseling decreased sharply after controlling for selection effects. Among counseled borrowers in the lowest credit score quintile, credit scores increased by only three-fifths of 1 percent more than the comparison group. There were non significant effects on credit scores for individuals outside of the lowest credit score quintile. Aside from the small improvement in credit scores, counseling was estimated to reduce debt by about 10 percent among individuals with low credit scores.
Lyons et al., (2008) evaluate one-on-one telephone pre-bankruptcy credit counseling sessions that lasted between 60 and 90 minutes. Participants’ mean composite financial knowledge score improved by 6.5 per cent from the pre- to the post-test. However, the treatment was not linked to behavior changes.

Ding et al., (2008) studied a similar form of mortgage default counseling delivered via telephone. Their analysis indicated that the odds of reinstating a defaulted loan were 50 percent higher for borrowers who received counseling than for non counseled borrowers.

Financial literacy is strongly and positively associated with seeking financial advice (Lusardi and Mitchell 2008).

The propensity to seek financial advice also appears to relate to race and ethnicity (Richman et al. 2008).

Quercia and Spader (2008) evaluate four modes of counseling delivery: classroom, individual, home study, and telephone. The authors find that no form of counseling affects borrowers’ propensity to default on their loans.

Bluethgen et al., (2008) published a paper that provides a detailed economic model of financial advice. Their model is grounded on evidence that often demonstrate significant cognitive errors when making personal financial planning.

In Bluethgen et al., (2008) model, financial advisors add value by identifying and correcting individual investors’ cognitive errors. Advisors also reduce the costs of information search by exploiting economies of scale, as they serve many clients over time and spread the fixed costs of acquiring information across a pool of clients.

Bluethgen et al., (2008) analyses indicates that older NRIs individuals,
households with higher net worth, and women are more likely to access financial advice. Perhaps unexpectedly, studies on the efficacy of financial advice suggest that advice has non-significant or even negative effects on financial outcomes.

Haslem (2008) suggests that financial advisors can help clients overcome feelings of insecurity, can help validate clients’ past decisions, and can serve as a neutral party in disagreements.

Agarwal et al., (2009) analyze a counseling program comprised of educational classes and one-on-one counseling. The authors conclude that the program led to a significant decline in default rates. However, in addition to the counseling program, the results could also be explained by the education component and the type of mortgages offered to participants.

Mayer et al., (2009) suggests that default counseling helps mortgage borrowers who are behind on their payments avoid foreclosure and receive more favorable loan modifications.

Glaser, Schmitz, and Weber (2009) tested whether NRI investor sentiment was related to daily returns by using vector auto regressive models and Granger causality tests. They found out that there exists a mutual influence between sentiment and stock market returns, but only in the very short-run (one and two trading days). The returns have a negative influence on sentiment, while the influence of sentiment on returns is positive for the next trading day. The influence of stock market returns on sentiment is stronger than vice versa.

A fundamental economic problem of NRIs, individuals, firm; and nations alike is the allocation of resources. The individual is faced with a wide variety of opportunities
for the consumption and investment of his available funds. Investment media are numerous and they are growing in number and variety, in the developed as well as the developing countries, serving the needs of various types of investors, individual and institutional. They reflect changes in the cultural patterns of people, the growth of a variety of financial intermediaries and instruments with common as well as special features, changes in tax system, and finally increasing freedom for funds to move across national frontiers, as part of the economic and financial globalisation process.

Studies on financial planning savings and investment have acquired special significance in our country since the advent of five year plans. Much importance is given to studies on economic and financial investment by government agencies and private research organisations. The growing importance of remittances has also attracted a number of studies by different individuals, institutions; and other agencies to estimate the volume of remittances from abroad and its utilisation pattern in our country, the trends in migration, the impact of migration on the economy, etc.

Engelmann et al., (2009)\(^{57}\) examine functional MRI images of individuals’ brains as they receive financial advice. The MRI scans suggest that financial decisions were less taxing on the brain when participants received advice.

Inderst and Ottaviani (2009)\(^{58}\) reiterates these findings and cautions against policies which attempt to regulate heterogeneous firms.

Haslem (2010)\(^{59}\) assesses the relationship between financial advisors and investors in light of the current financial crisis, concluding that advisors can help clients avoid panicking and acting irrationally.

Hung and Yoong (2010)\(^{60}\) conclude that selection effects are negative such that
individuals with the lowest financial capacity are more likely to take-up advice. This is a unique finding, given that almost all studies about selection effects in the financial capacity-building field conclude that clients with the greatest financial capacity are the most likely to participate.

Hung and Yoong (2010)\textsuperscript{61} contend that compulsory financial advice is unlikely to be effective, but wider access to optional advice might be useful.

Bhattacharya et al., (2010)\textsuperscript{62} conducted an experiment with a European brokerage bank. The bank randomly selected about 8,000 customers out of several hundred thousand active customers for participation in a new no-cost advice service. About 380 customers opted to participate. Customers who accepted the free advice offer were more likely to be male, older, and wealthier. Participants also tended to have longer relationships with the bank and to make more trades per month than the control group. The authors concluded that customers who signed up to receive advice were among the bank’s most financially sophisticated customers.

Langevoort (2010)\textsuperscript{63} argues that all broker-customer relationships should be fee-based and that compensation schemes contrary to the customer’s interests should be prohibited. One way to accomplish this would be to link an advisor’s compensation to a client’s portfolio performance over time instead of relying on one-time commissions to compensate the agent.

Hung and Yoong (2010)\textsuperscript{64} observed that NRIs with low financial literacy may be more susceptible to abuse and advisors appear to have an incentive to support disclosure regulations and credentialing if clients are sophisticated enough to appreciate the value of these signals.
Finke et al., (2010)\textsuperscript{65} analyze insurance sales and the use of various credentials as signals of fiduciary responsibility. Finke et al. find that individuals who use financial planners are more likely to have adequate life insurance holdings than similar individuals who use insurance brokers. The authors suggest that since fiduciary duty is stronger for the former group, this may be evidence of the importance of this legal framework. Another article suggests that in certain respects fee-only pricing is inferior and can cause advisors to overbill clients and do the minimal amount of work necessary to maintain clients’ business.

Collins and Schmeiser (2010)\textsuperscript{66} found that borrowers who are most likely to default participated in counseling. However, after controlling for negative selection, default counseling is linked to an increase in the probability that borrowers will receive a favorable loan modification. Collins and Schmeiser conclude that the timing of counseling is an important determinant of outcomes.

James S. Welch (2015)\textsuperscript{67} in his paper reveals that when retirement savings include a large tax-deferred account distribution, strategies for sequencing withdrawals from these accounts differ in the amount of money available for annual spending during retirement. The common practice for the scheduling of withdrawals from retirement savings accounts is to first deplete the after-tax account, then the tax-deferred and finally the Roth IRA. This paper quantitatively evaluates optimal plans that maximize spending by sequencing annual withdrawals to minimize the impact of taxes, in order to achieve a targeted final total asset value. I show that the optimal retirement savings withdrawal strategy improves on common practice by increasing the money available for retirement spending by 3 per cent to 30 per cent. Most of the optimal withdrawal plans evaluated in
this paper make withdrawals from the tax-deferred account across the entire span of
retirement in parallel with withdrawals from first the after-tax account and then the Roth
IRA later in retirement.

Baarbara O Neill (2015)\textsuperscript{68} in his article reveals that financial advisors are
couraged to consider their clients’ health and personal finances holistically. Strengths
and challenges in one area of a client’s life often affect the other. Like culture, health
status is another “lens” with which to assess clients’ values, goals, plans, personality
traits, and lifestyle. This article was written to increase advisors’ understanding of
relationships between health and financial practices. When advisors understand a
client’s personality traits and projected state of future health, they can provide more
comprehensive, targeted advice instead of giving the same advice to clients in different
situations. The article begins with a review of recent literature and describes two
personality factors found to be associated with positive health and financial behaviors:
conscientiousness and time preference. Next, it previews a new online tool to self-assess
the frequency of performance of recommended health and financial practices. It
concludes with a summary and implications for financial planning practice.

2.2.2 Studies related to Investment and Its Trend

Stigler’s (1961)\textsuperscript{69} seminar paper introduced the concept of returns to information
search. According to Stigler’s analysis, individual financial planner stop searching for
information at the point when the marginal cost of additional searching (including time,
effort, and other resources) equals the marginal benefit. Because less-experienced and
less-educated will have to work hard to find and assimilate information, this relatively
higher marginal cost of searching for information may result in less searching when all else is equal. Nonetheless, all, regardless of their experience and expertise, will cease searching for information when the marginal cost equals the marginal benefit, and hiring a technical expert may lower the marginal cost of searching for information relative to searching on one’s own. A technical expert can lower the marginal cost of searching for information by acquiring expertise on a relatively esoteric topic and then working with multiple clients, each of whom may only need the information once in a lifetime.

Blume and Friend (1978)\textsuperscript{70} state that the proportion of NRI investors in America has increased sharply, while that owned by individual investors has decreased. They analysed the effects of the shift in stock ownership from individuals to institutions on the efficiency of equity market. They also examined the pros and cons of numerous proposals for improving the securities market. Transactions by individuals have always been regarded as essential to both liquidity and the efficiency of the market.

Kahneman and Tversky (1979)\textsuperscript{71} developed a model of decision-making called Prospect Theory. The main aspect of this theory developed an alternative model to rational economic behaviour. Prospect theory suggests that individuals assign value to gains and losses and generally assign more weight to losses. This was described as loss aversion whereby individuals perceived losses to be much more significant than gains, and this affects their rational economic decision-making. In the initial experiments, individuals who did not have any predetermined characteristics such as share ownership were given a series of hypothetical choices. These choices had defined outcomes such as a gain or a loss and the probability of making more profit or less gain.
Panda (1980) has studied the role of stock exchanges in India before and after independence. The study reveals that listed stocks covered four-fifths of the joint stock sector companies. Investment in securities was no longer the monopoly of any particular class or of a small group of NRI people. It attracted the attention of a large number of small and middle class individuals. It was observed that a large proportion of savings went in the first instance into purchase of securities already issued.

This argument is analogous to Bowman’s (1982) statement. Wealthy people may be more conservative with their money while people with low levels of personal wealth may view risky investments as a form of lottery ticket and be more willing to bear the risk associated with such payoffs.

Langer (1983) suggested that where preferences are based on NRIs investor choices, there is more ‘ego involvement’ and attachment to the preferences, suggesting a heightened level of preference bias, even to the extent of perceiving that they have achieved larger returns than reported.

Langer (1983) contended that ‘there is an element of chance in every skill situation and an element of skill in every chance situation’. He suggested that investors may attribute ‘wins’ to skill and ‘losses’ to chance, which leads them to interpret a successful investment as evidence of skill and reinforcing their ability to select a ‘winning’ investment.

Langer (1983) contended that as NRI decision makers see themselves as more competent and knowledgeable, they are more likely to see chance events as controllable, as well as believing they have the skill to predict responses. With a rising price of a share, investors may exhibit a form of herd mentality.
The difference between individual and aggregate behaviour can be also seen in studies by Shefrin, Statman and Constantinides (1985).\textsuperscript{77}

To establish this behaviour they looked at the realisation patterns of selling investments and tested whether the decision to sell was the result of tax planning or other behavioural influences. Their findings provide evidence that individual investors do use available information to make rational economic decisions (H. Shefrin, Statman, & Constantinides, 1985).\textsuperscript{78}

Shefrin et al., (1985)\textsuperscript{79} identified four elements that would affect decision-making: prospect theory; mental accounting; seeking pride; and avoiding regret and self-control. Mental accounting explains that individuals see decisions to buy or sell in terms of gain or loss rather than a swap into new assets. Seeking pride and avoiding regret explains one reason why gains are realised more readily than losses as individuals wish to confirm their decisions and do not want to accept that they made a mistake. Self-control is the will power to accept a loss at a predetermined time.

De Bondt et al., (1985)\textsuperscript{80} published a paper about behavioral finance, the article gave evidence to support the hypothesis that cognitive bias (investor over-reaction to a long series of bad news) could produce predictable mispricing of stocks traded on the NYSE.

The main findings of the above studies can be summarized as follows:

1. There is no support for the over-reaction hypothesis.
2. Investor over-reaction to a long series of bad news could produce predictable mispricing of stocks
3. Classical wealth-maximization criteria are important to investors.
4. The recommendations of brokerage house, individual stock brokers, family members and co-workers go largely unheeded.

5. A strong demand for information about product safety and quality, and about the company's environmental activities.

6. There exist strong forms of the analyst summary recommendation report, i.e., one with additional information supporting the analysts' position further, reduces the disposition error for gains and also reduces the disposition error for losses.

Gupta (1985)\textsuperscript{81} in his pioneering work attempts to analyse the NRIs and the share price behaviour in India in the context of efficient market hypothesis. Using data over a period of five years (January 1971 to March 1976) from the Indian stock market, the author has examined the applicability of Random Walk Hypothesis in describing share price behaviour under the Indian conditions.

Arkes, Dawes and Christensen (1986)\textsuperscript{82} suggest that in making judgments in probabilistic choice situations, a decision maker may shun decision rules that increase the probability of making correct judgments if following the rule precluded a 'perfect outcome' because they are uncomfortable with any strategy that may lead to an imperfect outcome.

Gupta (1987)\textsuperscript{83} makes available a comprehensive analysis of the geographic distribution of NRIs in India. The study shows that a process of 'securitisation' is going on in the Indian capital market. The spotlight of the study is on equity shareholders. It covers individual holders of industrial securities in India. It is based on a sample of 1,09,031 security holders drawn from 165 companies distributed over various regions of India.
Devakumar (1987)\(^{84}\) reveals that earlier to 1985, there were very few NRI investors and they were knowledgeable. During the 1985 boom, thousands of new investors invaded the market. The new investors suffered heavy losses compared to the professionals. A good number of new NRI investors have walked out of the stock market to safer areas like UTI Units, NSC, etc. There is a mild shift of investment preferences to mutual funds also.

Andreassen (1988)\(^{85}\) suggested that the arousal resulting from the ‘market noise’ may accentuate the herd behaviour and lead to emotional decision making by NRI individual investors.

Kirmani and Wright (1989)\(^{86}\) found that consumers infer the magnitude of advertising expense from advertising campaigns and accept the expense as a signal of product quality. They suggest that the effects of perceived advertising expense on product quality should be greatest in complex information environments where intrinsic cues are unavailable or are ambiguous. The implications of this finding are that consumers are likely to invest in a top performer, perceiving past performance as more credible, and retain their investment despite the evidence that persistence is less likely to occur.

Gupta (1991)\(^{87}\) made an extensive survey of NRI share-owners, around mid-1990. It throws light on many unknown aspects of the market for shares and other financial assets. The study covers a wide range of aspects and has generated much new data on investors, their investment habits and preferences. The study involved nearly 6000 NRIs investments spread over more than 100 cities of India. According to the study there are around 38 lakh share-owning NRI in India.
Jawahar Lal (1992) presents a profile of NRIs and evaluates their investment decisions. He made an effort to study their familiarity with, and comprehension of financial information, and the extent to which this is put to use. The information that the companies provide generally fails to meet the needs of a variety of individual investors and there is a general impression that the company's Annual Report and other statements are not well received by them.

Schiller (1993) contends that many NRIs investors do not have data analysis and interpretation skills that would allow them to understand relevant market data. He argues that NRIs investors are more likely to base their investment decisions on information received from a non-scientific source.

Evidences suggest that single investors are more risk tolerant (Roszkowski, Snelbecker, & Leimberg, 1993). Shefrin and Statman (1993) suggest that when investors see a ‘past decision’ would have led to a higher return than the one chosen, an ‘avoidance of regret’ can influence their future decision making.

Madsen (1994) suggested that when NRI have some initial position with respect to the probability of some future event such as high returns on a managed fund, it may lead to a preference bias toward that initial position such that they are more motivated to find information supportive of that position. Such a biased information search can cause a NRIs to be ‘overly optimistic’ about their investment.

Epstein (1994) examined the demand for social information by individual NRI investors. The results indicate the usefulness of annual reports to corporate shareholders. The results also indicate a strong demand for information about product safety and
quality, and about the company's environmental activities. Furthermore, a majority of the shareholders surveyed also want the company to report on corporate ethics, employee relations and community involvement.

Subhash Chander and Ashwani Kansara (1994)\textsuperscript{94} have surveyed the perceived significance of the information contained in the abridged prospectus attached to the application form for shares/debentures of companies. For an existing company, the information necessary for investment decisions could be obtained from newspapers, magazines, annual reports, prospectus etc. But for a new company, abridged prospectus is the main important document, which provides information for NRIs planning investment decisions. The study shows that the majority of investors are NRIs. The investors regard abridged prospectus as well as the investment journals as the prime source of information for their investment decisions. Investment decisions also depend upon unofficial premium quoted in business magazines, expert analysis, market trends, political considerations, etc.

Bhatt (1995)\textsuperscript{95} describes the critical innovations that have shaped the evolution of different financial systems as well as the international capital market. His book formulates an analytical framework that links financial innovations to the development process. Its effectiveness depends on the system's ability to introduce financial innovations and instruments that facilitate, stimulate and promote investment by NRIs.

Belsky (1995)\textsuperscript{96} suggests “once NRIs develop a preference for an investment, a ‘preference bias’ may lead them to perceptually alter new information so that they may discount the information and fail to trigger problem recognition”.

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Alexander, Jones and Nigro (1996)\textsuperscript{97} found that 20 percent of their sample of individual financial planners believed that ‘higher fund costs means better than average returns’.

Smith, Kaye, Hannon and Egan (1996)\textsuperscript{98} note that while few investors ever actually succeed in beating the market, most investors believe that they can.

Akbar Ali Khan and Syed Abdul Quadeer (1996)\textsuperscript{99} in their research paper on “Investment pattern and Entrepreneurial Talents of Muslim NRIs in Industrial Projects: A study of selected ANRICH Units” attempts to evaluate entrepreneurship pattern among Muslim NRIs in industrial projects. The study also highlights the factors contributing to success or failure of their projects and the remedial measures for their improvement. The study found that liberalized government policies results increase in foreign exchange reserves. Muslim NRIs have started participating in industrial projects and facing business risks. The factors responsible for failure of the Muslim NRIs project were lack of managerial skill, high cost of the project, dishonesty of the manager. The study suggested a techno-commercial exposure is necessary for even highly qualified entrepreneurs. Qualified and capable family members should be given some responsible positions in the organization. Technical opinion should be subject to cross check. Liaisoning with government officials and local people in the market is very necessary.

A Financial Express (1997)\textsuperscript{100} study attempted to measure the returns which NRIs have obtained in the post-liberalisation period from various companies. The mission was to study the performance of some of the biggest and best run companies and to find out the investor-friendly ones. The technique used is the Internal Rate of
Return (IRR) method, which measures all the inflows and outflows from a given share investment over a period.

This sociological approach to money connects with seeing financial decisions as being socially and culturally shaped (Singh, 1997).\textsuperscript{101}

Financial education can include “any program that encompasses the knowledge, attitudes, and/or behavior of an individual toward financial topics and concepts” (Hanna et al., 1998).\textsuperscript{102}

Prakash (2000)\textsuperscript{103} has stated that many factors have contributed to the large-scale return of emigrants from the Gulf since 1996, the immediate cause being the imposition of stringent restrictions on the migrant labour, especially on unskilled labourers and other low paid categories. Due to the oversupply of foreign workers the government in the Gulf countries and the employers followed a policy of continuous reduction in the wages of casual and regular workers. The information gathered from the sample NRIs suggests that there has been a large-scale return of emigrants since 1996. Out of the total sample returnees, 48 per cent has returned between 1996 and 1999.

The union government should conduct a study to assess the trend, pattern, magnitude and causes of exodus of Indian emigrants from the Gulf. A detailed examination about the changes in labour market, immigration policies, problems faced by the emigrants and causes of the exodus of emigrants in the major Gulf countries should be attempted. The study should also asses the present and the future skill requirements of the emigrant workers in the Gulf. Based on the study, measures have to be taken to sustain the emigration to the Gulf and to find alternative destinations for those who returned.
Investigation of the investment decisions made by NRI married individuals presents a unique challenge to researchers as the investment portfolio of the couple may reflect the combined risk preferences of the couple (Bernasek & Shwiff, 2001).  

The John Hancock survey (2001), Insight into NRIs Investment Knowledge and Behaviour, indicated the low level of investor education knowledge. The survey found that only nine percent of participants recognized that money market funds contain only short-term securities; 44 percent believed that money market funds include stocks; and 43 percent believe they include bonds. In addition, the average participant ranks a company stock as a less risky investment than diversified stock funds.

Myer (2001) surveyed over 1600 individual NRI shareholders in four Australian companies about their share decisions. They have a high level of faith in the regulatory environment and believe that information is reliable.

Tennyson and Nguyen (2001) define personal finance education to include “the study of income and its determinants, money management and budgeting, savings and investing, and credit and debt”.

Another view of financial literacy combines both knowledge and understanding and actually “using that knowledge and understanding of that knowledge to plan and implement financial decisions (Hogarth, 2002).  

Hogarth (2002) noted that the financial marketplace has become more complex. There are more products and services to choose from than in the past, and technology has changed the way services are delivered (e.g., Internet banking). In this climate, parents feel ill equipped to teach their children about money management. Compounding these trends, there is a shift to more individual rather than institutional
responsibility for making financial management decisions. While tests of knowledge may not be the best indicator of financial literacy.

Hogarth (2002)\textsuperscript{110} also reported statistics on credit card debt, delinquent payments, bankruptcy, and retirement savings showing that consumer behaviors in these areas also point to lack of financial literacy and thus support the need for financial education.

Many agree that educating consumers makes good business sense (Simmons, 2006)\textsuperscript{111} and is in the best interest of society. Although a variety of audiences are targeted for financial education, youth are recognized as an important audience for financial literacy initiatives. Many teens are working and have access to disposable income.

Financial education can be an effective means of creating change. Studies of adults generally find a positive correlation between financial training and achievement of specific goals (Braunstein & Welch, 2002).\textsuperscript{112}

Lucas, (2002)\textsuperscript{113} also reported that Hewitt’s 2001 Trends and Experience on 401 (k) Plan Survey found that 401 (k) plan sponsors believe NRIs are not making the most of the choices offered. Their study of diversification and risk-taking behaviour revealed three main findings: the typical participant portfolio is poorly diversified; participants do not tailor their portfolios to their time horizon and portfolio risk levels are uniformly fairly aggressive. The authors suggest that strong market performance may play a role in an over-weighting of stocks in portfolios over the 1990s. The authors concluded that plan sponsors have registered concern about the wisdom of NRIs decision making.
Hershey (2002)\textsuperscript{114} noted that the lessons of the strong bull-run in the stock market during the 1990s carried lessons for NRI investors. He suggested that NRI investors became carried away with high returns and lost money on specific stocks rather than diversifying into a portfolio that carried various types of investments, despite the claim that investors are generally better educated on financial matters. Faced with the high probability that NRIs make poor investment decisions with consequent implications for consumer welfare, including their retirement income savings, research into consumer behaviour provides insights into reasons why this issue is of concern.

Lucas (2002)\textsuperscript{115} in her study of online use of NRIs investment advice, noted that the average employee is a long way from being investment survey. She found that only 17 percent of employees were effecting change in their 401 (k) planning as a result of the complete online investment advice offered to NRIs. She found that 37 percent did not even log on to access the advice.

Sukumaran Nair (2002)\textsuperscript{116} analysed the "Savings and Investment Pattern of Emigrant households." The study reveals that major portion of the physical investment of the emigrant households is in the form of buildings. This is followed by land, consumer durables and gold and jewellery. It is found that the highest share of investment in gold and jewellery is recorded in the northern region with 14.76 per cent, followed by the central region with 10.6 per cent. In the southern region this accounts for a lower share of 7.41 per cent. He argues that NRIs prefer to invest in those assets which contribute to improve their standard of living and which are less risky in character. There has been a phenomenal growth in the inflow of remittances to India during the period of thirty years from 1970–1999. In absolute terms it increased from
62.25 crore in 1970 to 49523.31 crore in 1999 recording a compound growth rate of 25.9 per cent.

The Department of Economics and Statistics, Government of Kerala (2003)\textsuperscript{117} has reported that 13.84 lakh Keralites are residing outside India. Out of which 11.40 lakh are employed and 2.44 lakh are their dependants in the migrant country. The permanent employees in the state constituted 40.91 lakh, of which 10.37 lakh are in government or quasi government sector. It shows that there are more employed migrants than employees in the government sector in Kerala. As the wage rate of migrants are more than the wage rate of government sector in the state, the total earnings of the migrants are very much higher than that of employees in government/quasi-government sector.

Kapiszewski, (2004)\textsuperscript{118} studied current stocks of foreign workers are still extraordinarily high (summary data derived from national sources). These data have been independently verified with national governments by Human Rights Watch 6. With a total of around 12.5 million foreigners in the GCC region, representing just under 40\% of total population, the range of immigrant to population rations is 26-80\% with United Arab Emirates and Qatar at 80\%. The presence of foreigners in the workforce is even more pronounced for some countries, reaching 90\% in UAE and Qatar, and 60\% for Bahrain and Saudi Arabia. However, it should be noted that these figures do not include illegal immigrants, which judging by the number of expulsions carried out by Saudi Arabia and UAE may be numerous.

The ability to manage one’s personal finances has become increasingly important in today’s world (Morton; 2005).\textsuperscript{119}
Hogarth (2002)\textsuperscript{120} noted that there are many definitions of financial literacy ranging from broad to narrow. Generally speaking, financial literacy denotes “one’s understanding and knowledge of financial concepts” (Fox, Bartholomae, & Lee, 2005).\textsuperscript{121}

More specifically, it refers to “knowledge and skills related to money management. It includes the ability to balance a checkbook, manage a credit card, prepare a budget, take out a loan, and buy insurance” (Beverly & Burkhalter, 2005).\textsuperscript{122}

The need for improved financial education has been described as urgent (Beverly & Burkhalter, 2005\textsuperscript{123}; National Council on Economic Education, 2005\textsuperscript{124}).

Proponents of financial education argue that getting an early start on financial education is critical and should begin as early as possible (Beverly & Burkhalter, 2005\textsuperscript{125}; Greenspan, 2005\textsuperscript{126}; Suiter & Meszaros, 2005\textsuperscript{127}).

The knowledge gained from financial education helps people to make sound, informed financial decisions (Valentine & Khayum, 2005\textsuperscript{128}).

The ability to manage one’s personal finances has become increasingly important in today’s world (Greenspan, 2005\textsuperscript{129}; Morton; 2005\textsuperscript{130}).

Greenspan (2005)\textsuperscript{131} promotes the need for educators to focus on “providing youth with a foundation for understanding personal financial management.” He notes that financial education is particularly important for “those who have been traditionally underserved by our financial system.”

There has been an increase in the development and delivery of financial education programs; these programs are offered by a variety of organizations, including Cooperative Extension (Fox, Bartholomae, & Lee, 2005).\textsuperscript{132}
The labour migrants to the Gulf have been viewed as the main source of remittances, swelling India’s foreign exchange reserves. Both these perceptions need moderation. The second section presents a general contextual background of India. Section 5 is on labour migration to the Gulf. Section 7 is on the evolution and change in the perception of migration in India. Section 8 analyses measures initiated by the Government of India recently. The concluding section is a commentary on whether and how migration could change society in India and the rest of the South.

Sitikantha Pattanaik (2007) has studied remittances from the Gulf to India not only as a case of “rich dividend to the country on zero investment,” but also as a costless outcome characterized by “rich harvest from a attention to remittances on par with other sector specific policies, ranging from exports to foreign direct investment, and argues that the Gulf NRIs as a group deserve such a focused policy framework, which not only could encourage remittance flows through an attractive policy environment, but also may lead to better harnessing of the immense growth and development potential of remittances.

Muzaffar Chishti (February 2007) studied “The Rise in Remittances to India: A Closer Look.” This article first explores the relative importance of remittances in India’s economy, then explains the reasons for this exponential gain, focusing on the effects of government and commercial banks policies, the profile of recent emigrants, and the strength of the Indian economy. The author concludes that India has clearly achieved a large sustained level of remittances. The India policy regime has
demonstrated its ability to attract NRI capital through NRI deposit accounts and successive bond issue.

The 2009 FINRA Financial Capability Survey documents a number of concerns regarding Americans' financial capability (Applied Research & Consulting 2009). Although American adults generally believe that they know how to manage their day-to-day finances, nearly one-half of Financial Capability Survey respondents reported problems covering their monthly expenses and paying all of their bills. Furthermore, a majority of respondents lack emergency funds, have not set aside money for their children's college tuition, and have not tried to figure out how much money they will need during retirement. Remarkably, only 50 per cent of respondents aged 60 and older reported having tried to figure out their retirement savings needs. The study also found that 23 per cent of respondents use nonbank or alternative lending services including payday and auto title loans, tax refund advances, pawnshops, and rent-to-own stores. Just over one-third of respondents (36 percent) had checked their credit score in the past year, and scores on the survey's financial literacy test questions were markedly low. Financial literacy scores were lower than average for women, individuals with low educational attainment, African Americans, and Hispanics. The study also documents a disconnect between perceived financial capacity and day-to-day financial behavior. For instance, many respondents who gave themselves the highest scores for managing their checking accounts and credit cards also reported engaging in behaviors that generated high fees. Although these data were collected during an economic recession, studies in other periods have reached similar conclusions (Lusardi and Mitchell 2007).
Sasikumar and Zakir Hussain’s (2008) report on “Migration, Remittances and Development: Lessons from India” reported that international labor flows from the developing countries and counter flow of remittances have increased significantly during the last two decades coinciding with globalization and post reform.

Horn et al., (2009) utilize a change in German tax withholding laws to test whether investors make investment mistakes by purchasing newly tax-disadvantaged assets. This natural experiment indicates that financial advice helps clients avoid tax mistakes. The authors suggest that this finding may be attributable to the fact that tax consequences are one of financial advisors’ core competencies.

Horn et al., (2009) failed to incorporate selection processes into their analysis, so the possibility of endogeneity between using an advisor and already being less prone to making tax mistakes cannot be ruled out.

The FINRA Financial Capability survey used a similar definition, including any provider of advice on investments. In this survey, one-third of respondents reported receiving investment advice. The Survey on Consumer Finances asked respondents to identify where they obtain information on borrowing and investing.

In 2007, 29 percent of the respondents reported receiving investment advice from lawyers, accountants, and other financial advisors (Bucks et al. 2009).

A recent study illustrates several common themes that have emerged from research on financial literacy. Agarwal et al., (2010) note that a considerable body of evidence suggests that many Americans lack financial literacy based on their ability to perform basic numerical tasks, financial literacy levels vary across demographic groups, and low financial literacy is correlated with negative financial behaviors. The authors
suggest that financial counseling can help individuals develop better financial practices, thereby improving their long-term financial security. Financial counseling and financial literacy interventions are promising ways to improve individuals’ financial security, is a common refrain among researchers and policymakers interested in improving Americans’ financial literacy.

According to the U.S. Bureau of Labor Statistics (BLS), 208,400 individuals were employed as personal financial advisors in 2008. The BLS projects 271,200 personal financial advisors will work in the United States in 2018, an increase of 30 percent over the 2008 figure. This growth rate is substantially higher than the average growth rate for all other occupations. Separately, it estimates that 317,200 individuals were employed in the securities, commodities, and financial services field in 2008. This field is growing at a slower rate than the financial advising field, as employment in this area is projected to increase by 9 percent between 2008 and 2018. The number of insurance sales agents is expected to increase by 12 percent. Real estate brokers and sales agents are projected to increase by 14 percent by 2018 (Bureau of Labor Statistics 2010).

Personal financial coaching is a relatively new field and is closely aligned with financial counseling. Fewer than 100 financial coaching programs exist in the United States (Collins and Murrell 2010).

Hackethal et al, (2010) carefully examine the role of investment advisors. This study controls for selection effects, as individuals who use advisors likely differ from individuals who do not use advisors in ways that also affect financial outcomes. Clients who used financial advisors had lower average returns and were more likely to
incur substantial losses on their investments. Furthermore, working with a financial advisor was not associated with better market timing or diversification strategies, and financial advising was linked to more trading, higher turnover, and higher trading costs. Thus, the results provide no evidence that financial advising is worth its added expense.

Hackethal et al., (2010)\(^\text{147}\) found that advisors are less likely to work with investors who are younger, who have fewer assets, and who are less financially sophisticated. Because financial advice is associated with negative outcomes, these groups may in fact benefit from their lesser use of financial advising. The authors strongly caution against policies that support financial advising as a substitute for promoting financial literacy more broadly. Other studies have also concluded that financial advice does not improve NRI's investment performance.

Hung and Yoong (2010)\(^\text{148}\) used the American Life Panel to estimate the take-up of financial advice related to investment and retirement, finding 18 percent of respondents reported such activity. The notion that advice can help people with low-financial literacy overcome their problems may be misguided, at least if these households are less likely to seek advice. As a final exercise, this paper seeks to construct a stylized example of who takes up various forms of advice using newly available data.

Herbert and Turnham (2010)\(^\text{149}\) asked the focus group NRI participants about from where they receive financial information? The most common source was from friends and family members, who individuals relied on due to 'expedience and trust.' Some participants mentioned finding financial information on the Internet. Other information sources included employers, banks or credit unions, and churches.
John E. Grable et al., (2015)\textsuperscript{150} in their article find that using data collected over a three-year time span (2008 through 2011), this paper examines the association between racial background and financial behavior. This study specifically evaluated differences between Asians and non-Hispanic Whites living in the United States (N = 341). Findings from this research suggest that any racial differences in financial behavior appear to exist only in a two variable correlational sense. Both financial capability and locus of control act as mediators between race and financial behavior. In general, those with high financial capability tend to exhibit better financial behavior. Additionally, individuals who exhibit an internal locus of control perspective also report better financial behavior. Age was also found to be positively associated with better financial behavior. When these factors were controlled for in a multivariate analysis, no meaningful racial differences were noted in this study.

\textbf{2.2.3 Studies related to Factors Influencing Personal Financial Planning}

Nagy and Obenberger (1994)\textsuperscript{151} examined factors influencing investor planning and behavior. They developed a questionnaire of 34 questions. Their findings suggested that classical wealth-maximization criteria are important to investors, even though investors employ diverse criteria when choosing stocks. Contemporary concerns such as local or international operations, environmental track record and the firm’s ethical posture appear to be given only cursory consideration. The recommendations of brokerage house, individual stock brokers, family members and co-workers go largely unheeded. Many individual investors discount the benefits of valuation models when evaluating stocks.
Warren, Stevens and Meconky (1996)\textsuperscript{152} attempted to develop lifestyle and demographic profiles of NRIs based on the value and types of investment holding.

Debjit Chakraborty (1997)\textsuperscript{153} in his study attempted to establish a relationship between major economic indicators, NRI investors and market behaviour. It also analyses the stock market reactions to changes in the economic climate. The factors considered are inflation, money supply, and growth in GDP, fiscal deficit and credit deposit ratio. To find the trend in the stock markets, the BSE National Index of Equity Prices (NATEX) which comprises 100 companies was taken as the index. The study shows that stock market movements are largely influenced by, broad money supply, inflation, C/D ratio and fiscal deficit apart from political stability.

Merikas, Merikas, Vozikis, and Prasad (2000)\textsuperscript{154} analyzed the factors influencing NRI financial planning behavior. The results indicated that individuals base their stock purchase decision on economic criteria combined with diverse other variables.

Income and wealth are two related factors that are hypothesised to exert a positive relationship on the preferred level of risk (Bernheim, Skinner, & Weinberg, 2001\textsuperscript{155}; Blume, 1978\textsuperscript{156}; Cohn, Lewellen, Lease, & Schlarbaum, 1975\textsuperscript{157}; Friedman, 1974\textsuperscript{158}; J.E. Grable & Lytton, 1999\textsuperscript{159}; Schooley & Worden, 1996\textsuperscript{160}; Shaw, 1996\textsuperscript{161}).

Krishnan and Booker (2002)\textsuperscript{162} analyzed the factors influencing the decisions of NRI investor who basically used analysts’ recommendations to arrive at a short-term decision to hold or to sell a security.

A study of adults (Braunstein & Welch, 2002)\textsuperscript{163} and young people (Boyce & Danes, 1998\textsuperscript{164}; Danes & Haberman, 2005\textsuperscript{165}; Varcoe & Fitch, 2003\textsuperscript{166}) indicate that
they increased their knowledge and skills through participation in financial education programs.

Krishnan and Booker (2002)\textsuperscript{167} analyzed the factors influencing the decisions of NRI investor who use analysts’ recommendations to arrive at a short-term decision to hold or to sell a stock. The results indicate that a strong form of the analyst summary recommendation report, i.e., one with additional information supporting the analysts’ position further, reduces the disposition error for gains and also reduces the disposition error for losses.

Merikas et al., (2003)\textsuperscript{168} adopted a modified questionnaire to analyze factors influencing Greek investor behavior on the Athens Stock Exchange. The results indicate that individual’s base their stock purchase decisions on economic criteria combined with diverse other variables. They do not rely on a single integrated approach, but rather on many categories of factors. The results also revealed that there is a certain degree of correlation between the factors that behavioral finance theory and previous empirical evidence identify as the influencing factors for the average equity investor, and the individual behavior of active investors in the Athens Stock Exchange (ASE) influencing by the overall trends prevailing at the time of the survey in the ASE.

Malmendier and Shanthikumar (2003)\textsuperscript{169} found that large investors generate abnormal volumes of buyer-initiated trades after a positive recommendation only if the analyst is unaffiliated. Small traders exert abnormal buy pressure after all positive recommendations, including those of affiliated analysts.

Hodge (2003)\textsuperscript{170} analyzed NRI investors’ perceptions of earnings quality, auditor independence, and the usefulness of audited financial information. He concluded that
lower perceptions of earnings quality are associated with greater reliance on a firm’s audited financial statements and fundamental analysis of those statements when making investment decisions.

Whether higher levels of financial knowledge lead to improved financial practices has not been well documented (Lucey, 2005).\textsuperscript{171}

Hussein and Al-Tamimi (2006)\textsuperscript{172} identified the factors influencing the UAE-NRI behaviour. Six factors were found the most influencing factors on the UAE investor behaviour. The most influencing factors were expected corporate earnings, get rich quick, past performance of the firm’s stock. On the other hand few factors were found to be least influencing like expected losses in international financial markets, family member opinion, gut feeling on the economy.

Kannadhasan (2006)\textsuperscript{173} examined the factors that influence the NRI investors’ decision in investing. The decision of the retail investors are based on their various dependent variables viz., gender, age, marital status, educational level, income level, awareness, preference and risk bearing capacity.

Perhaps the most difficult task for educators is determining the effectiveness of financial education programs (Lyons, Palmer, Jayaratne, & Scherpf, 2006).\textsuperscript{174}

Despite an increased interest in financial education, there is limited information available regarding the effectiveness of various program models (Anderson, Zhan, & Scott, 2004\textsuperscript{175} Lyons et al., 2006\textsuperscript{176}).

Financial educators may lack evaluation capacity (i.e., understanding how to conduct an effective evaluation) as well as being challenged by limited resources (e.g.,
time, staff, and financial resources). Evaluation is further complicated when programs vary in content, delivery methods, and target audience.

Michael E. Kitces (2015)\textsuperscript{177} in his article remarked that, the concept of the annuity – a stream of income that will be paid for life – has been around for almost two millennia, and in the US for nearly 200 years now. Annuities became far more popular in the past century or so, though, due to both rising longevity that creates longer retirement periods which need to be funded, and significant tax preferences established in the Internal Revenue Code to incentivize the use of annuities as a vehicle for retirement accumulation (and subsequent decumulation). This article explores the tax implications of deferred annuities in detail.

2.2.4 Studies related Socio-Demographic Characteristics

A second demographic which is frequently argued to determine risk tolerance is gender. It is believed that females have a lower risk tolerance for risk than males (Max Weber 1947)\textsuperscript{178}.

The Agro-Economic Research Centre (1982)\textsuperscript{179} has recognised the wide differences that exist in income and asset status and level of consumption expenditure between emigrant households and non-emigrant households in Tamilnadu.

Gopinathan Nair (1986)\textsuperscript{180} in his study stated that the majority of the emigrants from Kerala to the Arab world were "net savers" and they used to remit the bulk of their savings in regular installments to their family members, a major portion of which was spent for routine consumption and the acquisition of assets.
In his study Gopinathan Nair (1987)\textsuperscript{181} revealed that the inflow of large amounts by way of remittances from the Gulf to the households in Kerala has not led to increase the production activities except construction of buildings. Tertiary sector activities which experienced the impact of remittances are transport, trade, hotels, banking and real estate.

The Department of Economics and Statistics, Government of Kerala (1988)\textsuperscript{182} has concluded that, about 6.82 lakh people have migrated from Kerala. Out of these 48.3 per cent migrated to foreign countries. The number of Gulf emigrants is estimated at 3.01 lakhs. It is also estimated that Muslim households account for 50 per cent of the Gulf remittances whereas scheduled caste and scheduled tribe households account for only one per cent. One of the important items of expenditure in emigrant households is the repayment of debts incurred in getting a job in Gulf countries. It could be seen that expenditure on socially productive purposes like improvement to land, investment in business deposit in banks etc. accounted for only 10 per cent of the total utilization of remittances. It may be noted that expenditure for the purchase of land, building and ornaments together accounted for 63.3 per cent during the five year under reference and 67.7 per cent during 1986.

Antony (1988)\textsuperscript{183} has stated that 70 per cent of the savings of the non-resident Keralites is used for the acquisition of land and construction or repair of buildings, and only 19 per cent of the savings is invested in any sort of income generating assets. The other important uses were education, repayment of debt and bank deposits.

Gopikuttan (1988)\textsuperscript{184} has reported in his doctoral dissertation that in the households receiving remittances from the Middle East, expenditure on house
construction gets top priority. It is significant to note that only a small share was spent for starting business. There was a considerable increase in the assets of migrants households after the migration compared to non-migrant households. Assets such as land, buildings, gold ornaments, consumer durables etc. registered an increase.

Siddheque (1992)\textsuperscript{185} has attempted to find out the impact of Gulf remittances on the economy of Malappuram district in Kerala. Most of the consequences, especially those taking place in the households of migrants are brought about through remittances and their utilisation. Remittances cause social and economic changes. The major use of remittances is reported to be household consumption.

Raju (1993)\textsuperscript{186} reported in his doctoral dissertation that households with and without foreign remittances have almost the same saving behaviour with marginal variations. Remittances per emigrant varied according to educational levels. The most significant aspect of migration from the State has been the large annual cash remittances which households in Kerala have been receiving.

The Department of Economics and Statistics, Government of Kerala\textsuperscript{187} has reported in 1994 that the number of emigrants from Kerala is 11.92 lakh, of which 6.69 lakh are foreign migrants. Gulf migrants alone come to 6.41 lakh which is 53.79 per cent of the total migrants. One of the important observations emerging from the survey is that about 56 per cent of the out-migrants were having qualification below S.S.L.C. Migrants with technical qualification constituted only 14.45 per cent. The survey also pointed out that 67 per cent of the migrants to Gulf countries had qualifications below S.S.L.C. and 2.66 per cent were illiterate.
Education is a third factor which is thought to increase a person's capacity to evaluate risks inherent to the investment process and therefore endow them with a higher financial risk tolerance (Baker & Haslem, 1974\textsuperscript{188}; Halissos & Bertaut, 1995\textsuperscript{189}; Sung & Hanna, 1996\textsuperscript{190}).

Shaw (1996)\textsuperscript{191} derives a model that suggests an element of circularity in this argument. However, as the relative risk aversion of an individual is shown to determine the rate of human capital acquisition.

Gender is not significant in predicting financial risk tolerance (V.L. Bajtelsmit & Bernasek, 1996\textsuperscript{192}; V.L. Bajtelsmit, Bernasek, & Jianakoplos, 1999\textsuperscript{193}; J.E. Grable, 2000\textsuperscript{194}; J.E. Grable & Joo, 1999\textsuperscript{195}; Hanna et al., 1998\textsuperscript{196}; Jianakoplos & Bernasek, 1998\textsuperscript{197}; Palsson, 1996\textsuperscript{198}; Powell & Ansic, 1997\textsuperscript{199}). Another point to keep in mind is that husbands and wives have different views about the income and wealth of the household.

Prakash (1998)\textsuperscript{200} has reported that the remittances received in Kerala from migrant workers from the Gulf account to 22 per cent of the net domestic product of Kerala. The large-scale migration and flow of remittances have resulted in unprecedented economic changes in Kerala. One of the formidable challenges faced by Kerala economy is its inability to convert the savings into productive investment. That it has not been able to meet the challenge effectively is demonstrated by a low credit-deposit ratio of around 40 per cent for the past decade.

Prakash (1999)\textsuperscript{201} in his study pointed out that inflow of remittances have helped emigrant households attain higher levels of income, consumption and acquisition of assets. The impact of migration on consumption, savings and investments is largely
determined by the amount of remittances set by migrants and the utilisation pattern of remittances.

Zachariah, Mathew and Rajan (1999)\textsuperscript{202} have stated that the most significant aspect of migration from Kerala has been the very high annual cash remittances. The estimate for 1998 was about Rs. 35304 million, or about 9 per cent of the state domestic product.

In a later study (2000)\textsuperscript{203} they have stated that a major consequence of migration has been a reduction in unemployment. The Kerala Employment Exchanges reported an unemployment level of 37 lakh in 1998. The Kerala Migration Survey (KMS) estimated an unemployment level of only 12.68 lakh or roughly one third of the estimate given by the employment exchanges.

Migration has considerably eased the unemployment problem in the State. Unemployment rates are higher among those with a secondary certificate or a degree.

Quantitative research (Zagorsky, 2003)\textsuperscript{204} shows that half of all couples provide family income values that differ by more than 10 percent and net worth values that differ by more than 30 percent.

The typical husband states the family receives more income each year and holds more gross assets than his wife states. The typical wife reports the family owes more debts than her husband" (Zagorsky, 2003)\textsuperscript{205}.

Haslem (2008)\textsuperscript{206} finds that investors, who are older, who are female, and who have greater asset levels are more likely to seek financial advice. Individuals who receive a lump sum of money or who are experiencing an important life event are also more likely to seek financial advice.
Gerhardt and Hackethal (2009) find that investors who are older, female, married, more risk-averse, and wealthier are more likely to use financial advisors.

The National Financial Capability Study, which was commissioned by FINRA in 2009, surveyed 1,488 people in the United States on a range of financial matters. Using a random-digit dialed telephone survey with oversampling by selected demographic variables, the dataset provides a reasonable cross section of United States residents.

One section of the survey contained this question: ‘In the last 5 years, have you asked for any advice from a financial professional about any of the following: 1) Debt counseling, 2) Savings or investments, 3) Taking out a mortgage or a loan, 4) Insurance of any type, and 5) Tax planning? Three attitude questions were also asked: 1) I would trust financial professionals and accept what they recommend 2) Financial professionals are too expensive for me and 3) It is hard to find the right financial professional for me. These questions were each rated on a 1 to 7 scale, with 1 being ‘Strongly Disagree’ and 7 being ‘Strongly Agree.’ The survey includes demographic characteristics, which allows for a general illustration of consumers’ take-up of advice and their attitudes towards advisors by gender, age, race, education, income, financial literacy, and negative financial experiences.

Hung and Yoong (2010) find that being married increases one’s propensity to seek financial advice.

Hackethal et al., (2010) conclude that being self-employed increases the probability of using a financial advisor and those females, married individuals, and individuals over 50 years of age are more likely to use financial advisors.
Tom et al., (2015) reveals that many retirees have funds in several savings vehicles including taxable accounts, tax-deferred accounts (TDAs) like a traditional IRA, and tax-exempt accounts (TEAs) like a Roth IRA. In this study, we address several questions. For simplicity, we assume the retiree is a widow, but the same considerations apply to a widower and a retired couple. Assume the widow has funds in a tax-deferred account and a tax-exempt account. The first question is: Should she spend the money in the TDA and leave the TEA to her beneficiary child, or vice versa? The second question is: If this widow has multiple children who will inherit the remaining funds and these children have different tax rates, how can she tax-efficiently split the TDAs and TEAs to maximize the after-tax value of these accounts for her children? Third: When should the widow convert funds from the TDA to a TEA? Finally, whether the beneficiary(ies) inherit TDAs or TEAs or some combination of each, the widow should make sure she has taken the steps to ensure that they will be able to stretch distributions from the inherited IRAs over their remaining lifetime(s). Based on the work of Slott (2012), we explain what steps the widow should take now to make sure the IRAs can be stretched. In the next section, we explain how funds in TDAs are best viewed as partnerships with the government. This framework will prove useful when answering these questions.

2.3 Research Gap

The perusal and scrutiny of the literature and research review unravels that though many studies have been done in many countries abroad. The researcher could peruse a number of research works, studies and books already published relating to the
study undertaken. She could gain significant insights into the several aspects, institute of finance management and research, Socio-economic characteristics of emigrants and emigrant households, Gulf Migration and its economic impact and Migration, remittances and development: lesions from India. Still, anyone can identify a few gaps in the previous studies or past literatures with respect to the personal financial planning of nonresident Indians in Bahrain. The present study titled “Personal Financial Planning of Non Resident Indians in Bahrain” fills this gap.
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