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Financial Behavior and Well-Being: A Study on Personal Financial Planning

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Abstract
This study explores the intricate relationship between financial behavior and financial well-being, emphasizing the critical role of personal financial planning. In an era where financial stability is pivotal to individual and societal progress, understanding how financial behaviors influence overall well-being is essential. The research investigates various aspects of financial behavior, including budgeting, saving, investing, and spending patterns, and their impact on psychological and emotional health. A comprehensive survey was conducted on 204 investors of Coimbatore involving diverse demographics. This study identifies key factors that contribute to effective personal financial planning and its positive effects on well-being. The findings reveal that individuals who engage in proactive financial planning and exhibit disciplined financial behaviors report higher levels of life satisfaction and reduced stress. The study highlights the importance of financial literacy as a catalyst for improved financial decision-making and well-being. The insights gained from this research provide valuable guidance for individuals seeking to enhance their financial health and for policymakers aiming to design programs that promote financial literacy and well-being. This study underscores the transformative power of personal financial planning in fostering financial security and improving quality of life.
Keywords: Financial behavior, financial well-being, Personal financial planning, Financial decision, Investors.

Introduction

The ability of individuals and organizations to make wise financial decisions depends on the vast array of concepts and actions that comprise finance. Finance plays a role in almost every aspect of life today, from organizing challenging corporate investments to overseeing personal spending plans. Furthermore, as those with financial literacy (Gondaliya, et al. 2023) are better able to make educated decisions, accomplish their objectives, and handle financial difficulties, financial literacy is becoming progressively recognized as a fundamental component of both individual and social well-being. Financial behavior means how a person deals with or handles a financial situation (Winarta & Pamungkas, 2021). It also includes the financial resources including planning to earn money, controlling finances, and practices related to cash and credit management. Not only financial literacy (Surendar & Sarma, 2017) but also financial behavior (Sing & Kaur, 2022) may influence an individual's financial planning and financial well-being (Dewi et al. 2023). In a better way, financial planning is the long-term strategy for careful financial handling that enables people to overcome monetary challenges that will unavoidably come up at every stage of life to fulfill their objectives (Samules, 2024). Financial plan act as a roadmap for an individual to attain his or her financial growth. Personal financial planning is the process of determining one's future needs in finance or financial terms like investing, resources, and funds. Personal financial planning is important because of income management, measuring progress on goals, asset vs liabilities management, and emergencies (Nandagopal, 2018). It's not about making rapid money but also making sure people are educating themself on the best techniques for earning, saving, and investing money as well as spending money in a manner consistent with their values. Financial well-being is when a person can pay all of their expenses on time, (Bhatia & Singh, 2024) feel confident about their financial future, keep track of their financial goals, and make financial decisions flexibly without any hesitations or fear of loss.

Statement of the Problem

Finance is an important part of every individual's life, so knowledge about finance and planning for finance is most significant to lead a safe and secure financial life. In contemporary society, individuals are faced with increasingly composite financial landscapes, marked by a myriad of choices, risks, and uncertainties. Despite the availability of financial education and resources, many individuals struggle to efficiently manage their finances (Balakrishnan & Sudeshna, 2018), leading to potential consequences on their overall well-being. This study tries to investigate the underlying factors influencing financial behavior and well-being among individuals. By examining the relationship between financial knowledge, skills, attitudes, and perceived threats, this research aims to shed light on the drivers shaping individuals' financial decisions and outcomes. Through a comprehensive analysis of personal financial planning practices, the study endeavours to identify patterns, challenges, and opportunities for enhancing financial literacy and well-being. But the study based on financial behavior of an individual and its impact on financial well-being is comparatively less. Hence, the research endeavours to provide valuable insights into the financial behavior and practices of individuals, which can inform policies and interventions aimed at enhancing financial literacy and well-being.

Objectives of the Study

➢ To know the financial behavior of respondents, with respect to financial knowledge, skills, attitude, and financial threat.

➢ To study the personal financial planning of the respondents.

➢ To examine the financial well-being of respondents and find the relationship between behavior and well-being

Research Methodology

Primary and Secondary data are used for this research, collected from publications, research papers, previous research works, and newspapers. The primary data has been collected from the individual through a well-defined questionnaire. A Sample Size of 204 respondents was collected from the different individuals working in different fields. A convenient random sampling technique was used to select the samples for the study. Tools Such as percentage, descriptive, ANOVA, t- Test, Correlation have been used to analyse the data gathered. SPSS is the tool used for data analysis.

Review of Literature

Ghimire and Danuwar, et.al., (2023) studied on financial literacy and personal financial planning. Personal financial planning is based on financial knowledge, financial attitude and financial awareness. A sampling of 100 respondents were collected using google forms. Confirmatory factor analysis (CFA) and measurement model was used to validate relationship among a set of observed variables. The researcher found that financial attitude and knowledge do not have significant connection with the personal financial planning but financial awareness had a significant relation with the personal financial planning. The conclusion of the was financial awareness was the driving force behind the effective financial planning.

Chakravorty and Pranami (2023) conducted a Study on financial literacy among self-employed Women. The aim of the study was to measure the level of financial literacy of self-employed women and to examine the influence of various socio-demographic variables on the financial literacy and business performance. A sample of 331 responses have been collected for the study. Statistical tools like Chi-square, Regression analysis, Correlation coefficient and Descriptive statistics were used to analysis and interpret the collected data. The study was limited to the Guwahati city of Assam. The researcher found that 50% of the respondents have high financial behavior and there is a significant association between the socio-demographic variables and financial literacy. The conclusion of the study was self-employed women do not have high financial literacy and improvement of the same is vital. People who have high financial behavior and financial attitude want to concentrate on the concept required for financial knowledge.

Shah (2023) investigated on financial literacy and its relation to financial decision making. The aim of the study was to measure the financial literacy and analysis the familiarity and favourability of financial product among the resident of south Gujarat. 1084 responses were collected for the study. Secondary data were also used. Tools used to analysis the data was reliability test, Mann Whitney U test, chi-square test and Kruskal -Wallis H test. 57% of the respondents have high financial literacy and there is a relationship between occupation and financial literacy. The researcher explored the attitude of investor towards financial decision-making and it was influenced by many factors. The conclusion of the study was financial literacy is facilitating informed financial decision making and they suggest to enhance financial literacy, particularly in rural areas and promoting familiarity and favourability of financial products may help them too aware of different products available in the market.

Nidheesh and Bamisha (2022) focused on studying the financial capability and financial well-being of organic Farmers. The study’s aim was to identify the socio-economic factors determining the financial capability, financial well-being, and financial self-efficacy of organic farmers and examine the relationship between the financial capability and financial well-being of organic farmers. 390 samples were collected from the farmers using questionnaires. By the analysis they found that financial capability and financial well-being have direct relationship between each other. And financial capability, financial self- efficacy and financial well-being have positive and direct relationship. The study conclude that farmers should take required steps to improve their financial capability and financial self-efficacy, that would indirectly improve the financial well-being of the organic farmers.

Harinarayanan (2021) studied on financial planning of salaried employees. The objective was to study the financial planning of salaried employees during pandemic and identify the element of income and saving. Simple random sampling was the sample techniques used in the study to collect the data both primary and secondary data. 120 respondents collected through questionnaire. Out of the total respondents 34% of their income is equal to their expenses and 50% of respondents use the help of saving account. The conclusion of the study was financial planning policies helped to make better financial planning decisions and the researcher had suggested some points like prepare income and expenses account every month, plane before your spending and to avoid unnecessary expenses. Proper Planning of their incomes and expenditure helped many people to overcome financial problems during the pandemic.

Singh and sharma (2021) aimed to study the influence of financial literacy on financial behavior of households and financial behavior influence on financial well-being in Jammu. 400 responses were collected using a questionnaire. Findings of the study was financial literacy influence financial behavior and financial well-being was influenced by both financial literacy and financial behavior. Researcher concluded that financial knowledge is contributing more and it is the most important factor. Financial literacy had a direct effect on financial well-being and financial literacy also have direct effect on personal well-being.

FINDINGS OF THE STUDY

Percentage Analysis

• Out of 204 respondents 54.9 per cent of the respondents are in the age group of 21-30 years.
• Regarding gender 57.8 per cent of the respondents are female and 51.0 per cent of respondents are graduates.
• Concerning marital status 52.5 per cent of the respondents are unmarried and 73.0 per cent of the respondents belong to the nuclear family.
• Out of 204 respondents 50.0 per cent of the respondents have two earning members in their family and 44.1 per cent of the respondents have two dependents in their family.
• 37.3 per cent of the respondent reported that the financial decision is taken by their parents.
• With respect sector 32.4 per cent of the respondents are private sector employees.
• In case of monthly income 41.2 per cent of the respondent earning per month is between Rs.50001- Rs.100000.
• 43.6 per cent of the respondents have a family income between Rs.100001 – Rs.300000 and 43.1 per cent of the respondents have a disposal of income between Rs.25001- Rs.50000.
• Almost (100.0 per cent) all the respondents have a budget in their household and 47.5 per cent of the respondents save a portion of their income sometimes.

Descriptive Statistics - FINANCIAL BEHAVIOR OF RESPONDENTS

The result of descriptive statistics shows that a high mean score has been found for the statement under the factor financial knowledge, "I know about portfolio diversification" (Mean 4.47) followed by, "I know about time value of money" (Mean 4.13) and the least mean score is for the statement "I know how to choose good investment proposals" (Mean 3.85) "I believe that saving money is necessary" (Mean 4.14) is the highest mean score which is found for the statement under the factor financial attitude and the least mean score is for the statement "I save a portion of my income regularly" (Mean 3.98). In the factor of financial skill "I have invested in insurance companies" (Mean 3.99) is having high mean score followed by, "I save for both present and future needs" (Mean 3.98) and the lowest mean score is for two statements "I stick to the budget which I was created" (Mean 3.92) and "I have invested in shares and bonds" (Mean 3.92). Under the factor financial threat, "I am aware of my income and expenditure" (Mean 4.08) has having high mean score, and "I balance my risk through diversifying my investment" (Mean 3.93) is the statement that has least mean score.

ANOVA

H_0: The average score of respondents on financial behavior does not vary significantly for the demographic factors.

H_0: The average score of respondents on financial behavior do not vary significantly for the financial factors.

The result reveals that regarding the financial behavior of the respondents, personal factors such as age, educational qualification, marital status, earning members in the family, number of dependents in the family, financial decision, occupation, earnings per month, family monthly income and Portion of income saved each month are not significantly differed at 5% level of significance with financial behavior. Hence the null hypothesis has been accepted for the factors. The factor "disposable income alone is significant; hence the null hypothesis is rejected at the 5% level. It shows that the level of disposable income plays a significant role in respondents' financial behavior.

Descriptive Statistics - PERSONAL FINANCIAL PLANNING OF RESPONDENTS

From the mean ratings, it is inferred that the high mean score has been found for the statement under the factor savings "I save a fixed amount of my monthly income" (Mean 4.36) followed by, "I save money for future such as children's education" (Mean 4.07) and the least mean score is for the statement "I save money for future such as retirement" (Mean 3.93). "I will spend on things that I can afford" (Mean 3.96) is the high mean score statement under the factor expenses and the lowest mean score is found in the factor "I track all of my expenses" (Mean 3.88). In the factor liabilities or debt management, the high mean score is for the statement "I will use my credit card if there is a shortage of money in my bank account" (Mean 4.04) and least mean score is for the statement "I am aware of the interest rates of my debts" (Mean 3.80). "Investing in long-term assets is a better option" (Mean 3.93) is the statement that has the highest mean score in the savings factor, and the lowest mean score is for the statement "I invest my money more than two types of investment" (Mean 3.83).

ANOVA

***H_0: The average score of respondents on personal financial planning do not vary significantly for the demographic factors*.**

***H_0: The average score of respondents on personal financial planning do not vary significantly for the financial factors*.**

The personal factors such as age, educational qualification, earning members in the family, number of dependents in the family, financial decision, occupation and financial factor such as, earnings per month, family monthly income, disposal of income and Portion of income saved each month does not have a significant difference at 5% level. The factor of marital status of the respondents is significantly differed with the personal financial planning at 5%. It shows that personal planning differs as the marital status of respondents changes.

Descriptive Statistics - FINANCIAL WELL- BEING

From the descriptive statistics it can be inferred that the high mean score has been found for the statement under the factor financial ability "I have accumulated wealth through my expertise in personal financial planning" (Mean 4.49) followed by "I have achieved all of my financial goals" (Mean 4.08) under the factor financial ability and the least mean score is for the statement "I could handle unexpected expenses at any time" (Mean 3.94). In the factor of financial stress, the high mean score is found for the statement "I optimize tax outcomes with strategic investment planning" (Mean 4.02) and the lowest mean score is for the statement "I am unable to do the things I want because of my financial situation" (Mean 3.87). "I have a reliable source of income that covers my basic needs" (Mean 4.03) is the statement under factor financial risk-tolerance which has the high mean score and the lowest mean score is for the statement "I have passive income from a few different investments" (Mean3.91).

ANOVA

***H_0: The average score of respondents on financial well-being do not vary significantly for the demographic factors*.**

***H_0: The average score of respondents on financial well-being do not vary significantly for the financial factors*.**

The result states that there is no significant difference between financial well-being and personal factor such as age, educational qualification, marital status, earning members in the family, number of dependents in the family, financial decision, occupation. Also, with the financial factors such as earnings per month, family monthly income, disposal of income and Portion of income saved are not significantly differed.

t-Test

H_0: "The mean score of financial behavior, personal financial planning and financial, well-being of respondents does not have significant difference with Demographic Profile".

There is no significant difference between the factors such as gender and type of family with financial behavior, personal financial planning, and financial well-being of the respondents.

Correlations Matrix - CORRELATION BETWEEN FINANCIAL PLANNING, PERSONAL FINANCIAL PLANNING, AND FINANCIAL WELL-BEING OF THE RESPONDENTS

Correlations				
		Financial Behavior	Personal Financial Planning	Financial Well-Being
Financial Behavior	Pearson Correlation	1	**.676****	**.541****
	Sig. (2-tailed)		.000	.000
	N		204	204
Personal Financial Planning	Pearson Correlation		1	.675**
	Sig. (2-tailed)			.000
	N			204
Financial Well-Being	Pearson Correlation			1
	Sig. (2-tailed)			
	N			
**. Correlation is significant at the 0.01 level (2-tailed)				

Source: primary data

It is clear from the above table that, "financial behavior" has a correlation value of .676 with "personal financial planning", it is also correlated with the factors "financial well-being" (.541). Likewise, the factor "personal financial planning" is correlated with "financial well-being".

The correlation table shows that there is a moderate correlation between all the factors. The highest correlation is .676 found between "Financial behavior" and "personal financial planning". The lowest correlation is .541 found out between "financial behavior" and "financial well-being". Hence all the factors are positively correlated.

SUGGESTION

- Government can conduct campaigns to promote a positive mindset towards money management, emphasizing the importance of long-term financial goals and delayed gratification. Offer counseling or coaching services to address underlying psychological barriers to sound financial behavior, such as impulsivity, fear of financial planning, or overspending.
- Developing user-friendly online resources and mobile apps that provide accessible information and tools for financial management. Include features such as budget trackers, investment calculators, and educational videos.
- Establish mentoring or coaching programs where individuals can receive personalized guidance and support for their financial goals, also encourage them to monitor their spending habits regularly to identify areas where they can cut back and save more. Individuals can consult with financial advisors or planners for personalized guidance and assistance with complex financial matters.

CONCLUSION

The goal of the study is to know about people's financial behavior and study their personal financial planning, as well as examine their financial well-being. They want to improve their financial skill to make better financial behavior which will help them to overcome their financial threat. Even though they are aware of various financial products their main investment is in gold till now. Some barriers stop them from making their investment in various new avenues which gives them high returns. They want to make sure about the money they spend and keep track of their expenses. Financial well-being is the state where they are stress-free about their financial position and ready to meet unexpected expenses at any time.

In personal financial planning, they do not consider expenses and investment as important factors, only saving and debt management are given importance. The results revealed that personal financial planning and financial behavior influence the financial well-being of the individual. Proper financial planning and financial behavior can lead to the better financial well-being of individuals and make them relaxed about their financial position.

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