



A Study On personal financial planning among Young professionals

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Abstract

In the ever-changing world of finance, the younger generation of professionals finds itself having to deal with complicated matters related to financial management, saving, investment, and planning for their future. Although the importance of financial literacy in making decisions regarding finances has been well-established, there is evidence that financial literacy alone does not guarantee effective financial planning. The purpose of this study is to analyse the financial planning behaviour of young professionals through a holistic examination of financial literacy, behavioural aspects, and financial discipline. It is shown how there exists a disconnect between financial literacy and financial decision-making behaviour and that the key lies in the intentions and discipline of individuals when making financial decisions.

1. Introduction

Over the last few decades, there have been many changes in the financial

landscape due to globalization, digitization, and growth in financial markets. The young generation currently has several options for financial products such as mutual funds, insurances, online trading platforms, and retirement plans.

Although these options create ways for making money, they make financial decision-making complex.



Personal financial planning is the act of managing one's income, spending, saving, investing, and risk management to accomplish financial objectives. It involves activities such as budgeting, saving, investing, insurance planning, and retirement planning. Personal financial planning is essential for young professionals because it sets the stage for their future financial security and stability.

Even though financial planning is essential for young professionals, most of them experience difficulty in planning for their finances. Various research

shows that people who understand finance and have enough financial literacy do not engage in financial planning. This shows that behavioural aspects and discipline are crucial for personal financial planning.

The current research aims to examine personal financial planning for young professionals through the lens of financial literacy, behavioural aspects, and financial discipline

2. Literature Review

Financial literacy is considered a critical variable that impacts financial

behaviour and planning activities. Financial literacy enables people to grasp

different financial concepts like budgeting, savings, investments, and risk

management. Studies confirm that those who have a high level of financial

literacy tend to make rational and well-informed decisions concerning finances and display better financial behaviour.

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However, current research findings prove that financial literacy is not sufficient for making effective financial plans. There is a significant gap between one's

awareness of financial issues and real-life financial planning actions because some people tend to postpone their decisions despite the availability of proper knowledge.

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In addition, according to behavioural finance theory, attitudes, peer pressure, and perceived behavioural control have a great impact on financial decision-making because, as per the Theory of Planned Behaviour, intention mediates between people's knowledge and behaviour.

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In turn, the results of the research conducted among young workers show that financial literacy significantly impacts personal financial planning, and

sociodemographic characteristics are not enough to predict such planning behaviours.

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3. ResearchGap

Even though there is plenty of literature on financial literacy and financial behaviour, most of them consider these two factors separately. There is no substantial literature combining the three elements of financial literacy, financial behaviour, and financial discipline in order to understand how people formulate their personal finances.

Moreover, the knowledge-action gap relating to finance needs further exploration, especially for young professionals.

4. Research Purpose

- ❖ To explore the extent of financial literacy among young professionals.
- ❖ To investigate the influence of behavioral variables on financial planning.
- ❖ To assess the effect of financial discipline on financial planning.
- ❖ To investigate the connection between financial literacy and individual financial planning.
- ❖ To establish a comprehensive model of financial planning behavior.

5. Hypotheses

A set of logical assumptions have been taken out of the objectives listed, such as:

- H1: Financial literacy significantly positively affects personal financial planning.
- H2: Behavioural variables significantly affect personal financial planning.
- H3: Financial discipline significantly affects personal financial planning.
- H4: Behavioural intention moderates the effect of financial literacy on financial planning.
- H5: Financial discipline moderates the effect of financial literacy on financial planning.

6. Research Methodology:

The current study utilizes a quantitative research methodology for understanding the factors that influence personal financial planning among young professionals. Primary data is going to be collected via a structured survey from respondents ranging in age from 21 to 35 years.

For this purpose, a convenient sample size of 100-200 respondents will be chosen for data collection. This will include working professionals from different fields of employment.

Data collection will involve several different parts of a questionnaire concerning financial literacy, behaviour, financial discipline, and personal financial planning. Data analysis will be carried out through statistical tests such as regression analysis and Structural Equation Modelling (SEM).



7. Research Model (Explanation)

Financial Literacy ———>

|——> Behavioural Intention ———> Financial Planning

Financial Discipline —| Explanation:

Independent Variable: Financial Literacy Mediator: Behavioural Factors / Intention Moderator: Financial Discipline

Dependent Variable: Personal Financial Planning

8. Data Analysis (Expected Discussion)

The analysis will indicate that there is a positive relationship between financial literacy and financial planning. However, the influence of financial literacy on financial planning may be moderated through individual behaviors like self-discipline, attitudes, and intentions.

Financial self-discipline will play an intermediary role in the connection between financial literacy and financial planning because it guarantees proper adherence

to decisions. Financially disciplined people tend to adhere more to budgeting, savings, and investments.

Therefore, the composite model will present a better understanding of financial planning behaviour.

9. Results and Discussion

- It is anticipated that financial planning of young professionals will be dependent on financial literacy, behavioural attributes, and financial discipline.
- While financial literacy is a prerequisite for adequate knowledge, behavioural aspects decide the process of decision making, while financial discipline takes care of its implementation.
- It is evident from the findings that financial literacy cannot alone solve the problem, but it needs to be supplemented with behavioural training and financial discipline.

10. Conclusion

It is anticipated that financial planning of young professionals will be dependent on financial literacy, behavioural attributes, and financial discipline. While

financial literacy is a prerequisite for adequate knowledge, behavioural aspects decide the process of decision making, while financial discipline takes care of its implementation.

It is evident from the findings that financial literacy cannot alone solve the

problem, but it needs to be supplemented with behavioral training and financial discipline.



11. Recommendations/Implications

- Behavioural skills should be taught in financial education courses.
- Organizations need to conduct financial planning sessions.
- People need to cultivate good financial behaviour.
- Awareness campaigns should be launched by policymakers.

12. Limitation of the study:

- o Sample size is small.
- o Study only focuses on young professionals.
- o Use of self-reporting method.

13. Future Scope:

The research in the future can:

Comparative research on various age groups.

Study involving the use of digital finance methods. Longitudinal research study

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