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Financial Literacy, Financial Behaviour and Financial planning:-Implication for financial wellbeing of professionals

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ABSTARCT--*Indians are facing major problems such as low return on investment due to low financial literacy, debt trap, insufficient retirement fund and under insurance due to low financial literacy. Indian economy has witnessed a number of structural and fundamental changes in the financial markets. Over the past few decades, the study of how individuals make their financial decisions has become important to researchers, personal financial planners, investment counselors and policy makers especially considering the new changes that have increased the economic landscape complex. The development and advancement of the Indian economy and the extension of Financial markets through progression, privatization and globalization have given a path to a plenty of money related items either as a venture elective or a credit one. The survey has revealed that people in India do not plan for long-term future and keep themselves away from investing in the long-term instruments though they save for long-term goals such as emergencies, education and old age. Financial planning is also affected by external factors like social and economic factors and also individualistic factors like financial awareness, financial literacy, saving habits, risk taking ability etc. Hence it is important to understand the practices followed by Indians about financial planning, this article reviews the effect of financial behaviours in ways that enhance financial capability. Hence an attempt is made to analyse the effect of financial behaviour on financial planning and wellbeing of professionals.*

Keywords-- *financial behaviour, financial planning, risk, wellbeing, financial literacy*

I. INTRODUCTION

Financial literacy focuses primarily on better retirement life planning, gradual accumulation of wealth, and better financial decision-making. From the initial stages of one's career, being financially literate becomes important. But due to some personal or professional hindrances they become financially illiterate. This leaves them with incompetent knowledge about financial dealings, unacceptable decisions etc., so, they have to be enhanced with financial knowledge and tools which are needed to make informed decisions. Financial literacy impacts the promotion of financial inclusion which ultimately results in financial stability of any economy. The need for financial literacy in India has benefited importance because of low level of literacy and large section of population which is financially excluded from the formal financial set up.

Since last decade, the Indian economy has witnessed a number of structural and fundamental changes in the financial markets. While Indian economy is on growth trajectory, there is a wide spread realization amongst all in the financial spectrum that for such growth to be sustainable, a corresponding deepening of financial sector must precede. And, such deepening is possible, only when individuals and households are financially literate.

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Introduction to Financial Planning

Financial Planning is the process of meeting life goals through the proper management of finances. In simple Financial Planning is what a person does with their money. Individuals have been practicing financial planning for centuries. Every individual who received money had to make a decision about the best way to use it. Typically, the decision was either spends it now or save it to spend later. Everyone have to make the same decision every time they receive money. Today in India financial planning means only investing money in the tax saving instruments. Thanks to the plethora of tax exemptions and incentives available under various sections and subsections of the Income Tax Act. This has led to a situation where people invest money without really understanding the logic or the rationale behind the investments made. Further the guiding force in investment seems to be the 'rebate' they receive from the individual agents and advisors. The more the rebate an agent gives, the more smug person are in the belief that they have made an decision of choosing the right agent who has offered them more rebate. In the process what is not being realized is the fact that the financial future is getting compromised.

Financial Planning Process Consists Of the Following Six Steps

1. Self Assessment:
2. Identify Financial, Personal Goals And Objectives
3. Identify Financial Problems Or Opportunities:
4. Determine Recommendations And Alternative Solutions:
5. Implement The Appropriate Strategies To Achieve Goals:
6. Review And Update Plan Periodically

1.3 Constituents Of Financial Planning

A good financial plan should include the following things

Investment planning

- Risk analysis and insurance planning
- Tax planning
- Retirement planning

II. REVIEW OF LITERATURE

1.Anamaria Lusardi (2019) The author in this article has analyzed how financial literacy affects everything from day-to-day to long-term financial decisions, and this has implications for both individuals and society. The lack of financial literacy is of great concern, and needs immediate attention, even in some of the most well-developed financial markets in the world. The Big Three questions aimed at assessing financial literacy go a long way in defining aggregate gaps in financial knowledge and highlighting vulnerabilities across demographics and topics of interest.Many such programs to provide financial education in schools and colleges, workplaces, and the larger community have taken existing evidence into account to create rigorous solutions. The author states that it is important to continue making strides in promoting financial literacy, by achieving scale and efficiency in future programs as well.

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2.Dube & Asthana(2019) The author tries to investigate the financial literacy among the college students in Lucknow. The data for this study was collected through primary source with the help of well structured questionnaire using systematic random sampling technique. The data was collected from 200 respondents. Analysis of Variance statistical technique is used is used to analyse data. The empirical result from the study shows that there is a significant difference between the financial literacy among college students in Lucknow. The study concludes that the financial literacy is essential for taking sound financial decisions and for which imparting of financial education among college students is of utmost importance.

3. Surendra & subramanya sarma (2017) examined and quoted how Teachers are one of the most influential people in our society. By having financial literacy and managing personal finance properly, they can become a role model to their students and help them to develop as fiscally and socially responsible citizens. The study found that the level of financial literacy among the teachers of higher education is satisfactory. Further, no significant difference is found in the perception of Technical and Non-Technical teachers towards the financial literacy and financial planning.

III. RESEARCH GAP

The review of literature revealed that a significant research has been done on financial literacy, financial education and its need for financial well being of an individual. There were also studies that focused on specific demographic attributes or industry scope of Financial literacy. For example, Financial literacy according to gender, baby boomer generation, women who works in public sector, students, youth, financial advisors, bank clients. Similarly, there were numerous studies that aimed to identify which of these specific demographic attributes or industry scope were the determinants of Financial literacy There have been more studies conducted to analyze the relationship between level of financial literacy and investment decision in national and international perspectives. There a lot of students which is being done on financial literacy among women. No study is being done using a combination of these three variables ie financial literacy, Financial behaviour, Financial planning which is an indicator of financial wellbeing.

IV. OBJECTIVE OF THE STUDY

1.To analyse the financial literacy level of professionals

2.To analyse effect of Financial behaviour on Financial Planning and well being among professionals.

V. RESEARCH METHODOLOGY

The study is exploratory .Both primary and secondary data will be used for the purpose of the study. Primary data consist of administered questionnaire and interview will be conducted to collect required data. Secondary data will be collected through various books, journals, research articles, Internet and newspapers at national and international level. The study will also focus on establishing relationship between financial literacy and other constructs. For the current study, non-probability convenient sampling technique will be used. The study was done in Bengaluru city. The professionals in Bengaluru city are considered as population for the study.

VI. RESEARCH INSTRUMENT

The survey was developed to investigate the financial literacy level ,Financial planning and risk tolerance as predictors on Financial well being among professionals . To serve this objective, the research instrument was divided into three sections.

VII. DATA ANALYSIS PLAN

This study followed quantitative research approach which is attempted to prove the above said hypothesis with help of various statistical techniques using Software such as Jamovi, R 1.1 and SMARTPLS This section dealt with rationality of using various statistical techniques for different hypothesis.

Descriptive Statistics is used to examine the each items which is captured through questionnaire, for each items or attributes both ***frequency and descriptive statistics*** such as min, max, mean and stdev. etc., is computed, it assess the abnormal data point and eliminated unwanted data points for the further data analysis. This analysis ensured there is no abnormality or data entry error in the data set.

Tools for Analysis

1. Pearson Correlation
2. Partial Least Square Structural Equation model (PLSEM)
3. Reliability and validity test
4. Significant Difference Test: t test and ANOVA

Hypothesis Tested

H1o: There is no effect of financial behavior as mediator between Propensity to Plan and financial wellbeing.

H1a: There is effect of financial behavior as mediator between Propensity to Plan and financial wellbeing

Table 1: R square

	R Square	R Square Adjusted
Financial Behaviour	0.207	0.205
Financial well being	0.124	0.119

R square is the accuracy of the model, or some extent showed the magnitude of changes occurred in outcome variables due to changes occurred in predictors. On Financial behaviour 0.205 and Financial wellbeing is 0.119 , however, all items are statistically significant.

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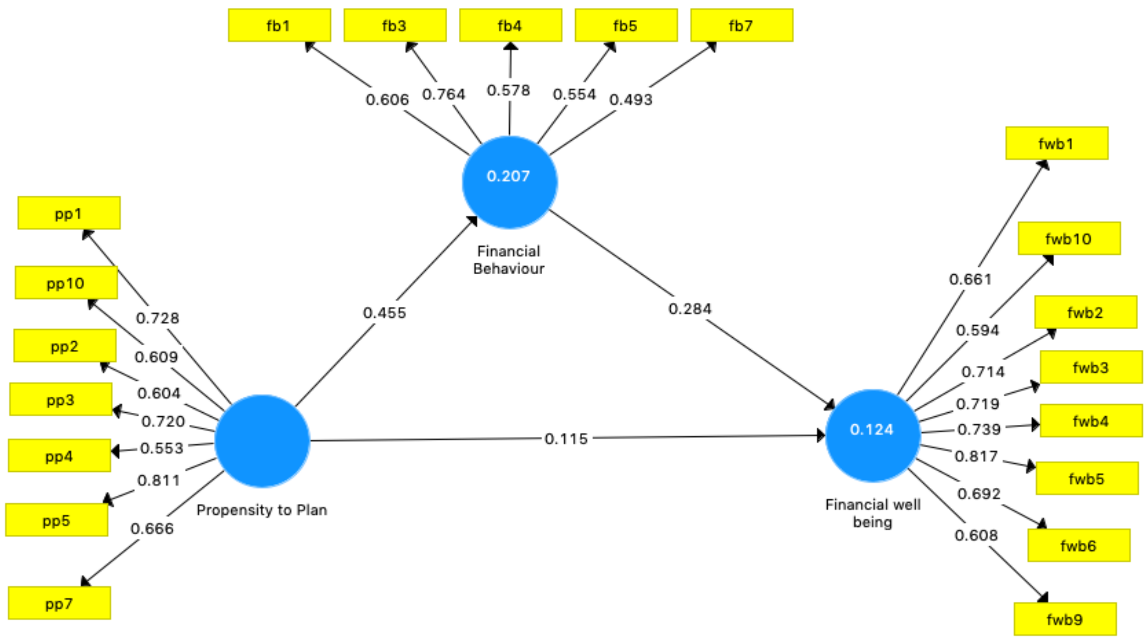

Figure 1: Path coefficients

The above diagram 2 is depicted about the path coefficients of Propensity to planning along with Financial behaviour and Financial wellbeing

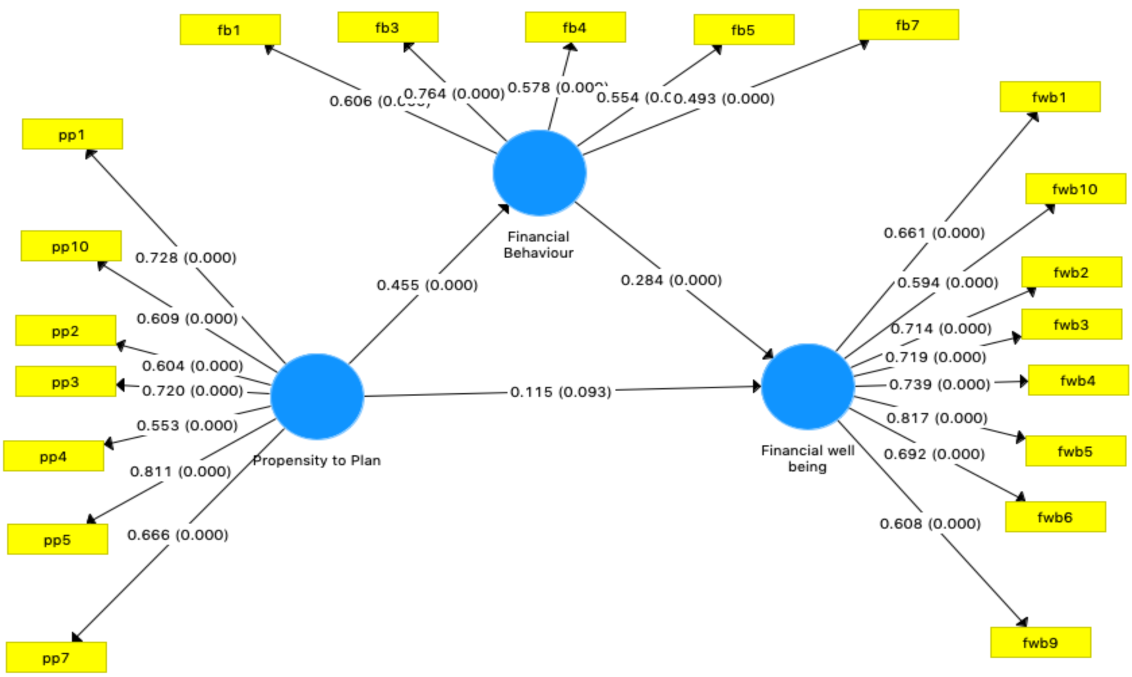

Figure 2: Boot strapped path coefficients

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Table 2: Path Estimates for indirect effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	2.5%	97.5%
Propensity to Plan -> Financial Behaviour -> Financial well being	0.129	0.139	0.030	4.237	**0.000**	0.065	0.183

This model has mediating variables besides IV and DV, from the theoretical model, it is understood that Propensity to planning are Independent variable, Financial wellbeing are Dependent variable and Financial behaviour is enacted as mediator between these two variables. Here, these variables are statistically significant at 5% level of sig.value.It is proved that mediator effect between independent and dependent variable. Therefore, understanding the role of indirect effect is quite important. However, this shows the indirect effect contributed towards all variables are quite good.

When propensity to plan enacts through Financial behaviour, it can impact on financial well being, beta is .129 and t=4.237 and P<.001, this ensured rejecting null hypothesis and Ha ensured that, financial behaviour enact as mediator between Propensity to Plan and financial wellbeing.

VIII. CONCLUSION

Financial literacy is the major challenge faced by all countries globally. Financial literacy is the mix of one's acquaintance, skill and attitude towards financial matters. It helps to make informed decisions and well-being of an individual. In today's world which has a market with complicated products, the need for financial literacy becomes predictable. Country like India which has high

young population, the government is in a position to increase the level of financial literacy. The government and other private institutions have taken ladder through financial education programs. Financial literacy goes beyond the provision of financial information and advice. We reside in a world filled with uncertainties and crisis. Many a crisis could be resolved with the help of people but perhaps when it comes to financial crisis, there are aren't much helping hands. It is very essential that individuals must think of their future and secure resources for any unforeseen events that demand financial resources to bail them out.The study revealed that that financial literacy acts as mediator effect between Propensity planning and Financial wellbeing.There is also an indirect effect between the variables that is financial behaviour, propensity to planning and financial well being . Results suggest that professionals need to improve their knowledge of personal finances in the areas like creating contingency fund, systematic investing, risk taking ability, insurance planning and risk, return, benefits of various investment avenues. It can also be concluded that Investors should start planning soon, set measurable goals, Look at the bigger picture and should not expect unrealistic returns on the investments and value of the plan lies in its implementation and it accurately reflects what personally trying to accomplish. The findings of this study suggest that there is a systematic lack of personal finance education in our education system this challenging issue needs to be addressed. The savings of Indian investors is very low <30% therefore it is important to start saving at an early stage and plan their finances better.

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