A Study of Personal Financial Management in Young Professionals in Amravati City

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ABSTRACT

Personal financial management plays a crucial role in ensuring financial stability and long-term economic well-being, especially among young professionals who are at the early stages of their careers. This study aims to examine the personal financial management practices of young professionals residing in Amravati City. The research focuses on budgeting habits, saving behavior, investment preferences, debt management, and financial awareness levels. A descriptive research design was adopted, and primary data were collected through a structured questionnaire administered to 120 young professionals aged between 22 and 35 years. Secondary data were sourced from journals, books, reports, and online publications. Statistical tools such as percentage analysis, tables, and charts were used for data interpretation. The findings reveal that while most young professionals are aware of basic financial concepts and regularly save a portion of their income, there is limited participation in long-term investment instruments and a lack of professional financial planning. The study highlights gaps in financial literacy and risk management practices. The research concludes that enhanced financial education, workplace financial training programs, and access to professional financial advisory services can significantly improve personal financial management among young professionals. The study provides valuable insights for policymakers, educational institutions, and financial service providers to design targeted financial literacy initiatives.

Keywords

Personal Financial Management, Young Professionals, Financial Literacy, Savings and Investment, Amravati City.

1.Introduction

1.1 Background of the Study

Personal financial management refers to the effective planning, organizing, directing, and controlling of an individual's financial activities such as income management, savings, investment, expenditure, and risk management. Young professionals, typically individuals who have recently entered the workforce, face significant financial decisions that can influence their long-term financial security. In a rapidly developing economy like India, urban centers such as Amravati City are witnessing a growing population of young professionals working in sectors like education, IT, healthcare, banking, and private services.

1.2 Importance and Relevance

Effective financial management helps individuals achieve financial independence, manage uncertainties, and plan for future goals such as home ownership, education, and retirement. Young professionals often experience increased disposable income but may lack adequate financial planning skills, leading to poor saving habits, excessive spending, or inadequate investment decisions. Understanding their financial behavior is essential for promoting economic stability at both individual and societal levels.

1.3 Current Scenario

With increasing access to digital banking, investment platforms, and credit facilities, young professionals have more financial options than ever before. However, easy access to credit cards, personal loans, and online spending platforms has also increased the risk of financial mismanagement. In cities like Amravati, where financial literacy initiatives are still developing, young professionals may rely more on informal advice rather than structured financial planning.

1.4 Research Gap

Although several studies have been conducted on financial literacy and investment behavior in metropolitan cities, limited research focuses specifically on personal financial management practices of young professionals in tier-II cities like Amravati. This study attempts to fill this gap by providing localized insights.

2. Review of Literature

2.1 Conceptual Framework

Personal financial management refers to the systematic planning, organizing, controlling, and monitoring of individual financial resources to achieve short-term and long-term financial goals. It includes budgeting, saving, investment planning, credit and debt management, and financial literacy. For young professionals, effective personal financial management is especially important as this stage marks the beginning of independent earning, increased responsibilities, and major financial decision-making.

2.2 Review of National and International Studies

1. Lusardi and Mitchell (2014)

Lusardi and Mitchell emphasized the economic importance of financial literacy and found that individuals with higher financial knowledge demonstrate better saving, budgeting, etc.

2. Hilgert, Hogarth, and Beverly (2003)

This study examined the relationship between financial knowledge and financial behaviour. The findings indicated that individuals who possess higher financial knowledge are more likely to follow responsible money management practices such as budgeting, saving etc.

3. OECD (2016)

The OECD report highlighted the role of early financial education in improving long-term financial well-being. The study stressed that young adults who receive financial education early are better prepared to manage income, savings, investments, and financial risks.

4. Agarwal et al. (2015)

Agarwal and colleagues studied financial behaviour among young professionals in India and found that most respondents preferred traditional saving instruments such as FDs, policies.

5. Sharma and Taneja (2018)

This study focused on financial literacy and investment decisions of salaried individuals in India. The researchers concluded that lack of financial awareness results in conservative investment behaviour and poor diversification of financial portfolios.

6. Singh and Kaur (2020)

Singh and Kaur analyzed saving behaviour among urban youth and found that high consumption expenditure and lifestyle choices significantly reduce saving capacity.

7. Goyal and Kumar (2021)

The study examined factors influencing saving habits of young professionals and observed that financial discipline Reiquires motivation, awareness, and income stability.

8. Brown and Taylor (2020)

Brown and Taylor found that individuals who received financial education at an early age demonstrated stronger saving habits and financial resilience. The study emphasized that financial education positively impacts long-term financial behaviour.

9. Raut and Kumar (2018)

This Indian study revealed that peer influence, income inadequacy, and lack of financial planning negatively affect saving behaviour among young earners. The researchers recommended financial literacy programs targeted at working youth.

10. Lee and Hanna (2020)

Lee and Hanna studied credit usage behaviour among young adults and found that easy access to credit cards and personal loans often leads to overspending and debt accumulation. Financial education was suggested as a preventive measure.

11. Roy (2021)

Roy examined credit management practices among young professionals and observed that many respondents lacked awareness about interest rates, repayment schedules, and credit scores, resulting in financial stress.

12. National Centre for Financial Education (NCFE, 2020)

The NCFE report revealed that only about 27% of Indians are financially literate. The report emphasized the need for targeted financial literacy initiatives for young working professionals, especially in Tier-2 cities.

13. Deshpande (2021)

Deshpande highlighted that financial literacy levels among young professionals in Tier-2 cities like Amravati are still developing. The study found that many respondents relied on informal advice rather than professional financial planning.

14. Xiao and O'Neill (2016)

This international study established a direct relationship between financial capability and reduced financial stress. Individuals with better financial planning skills were found to have higher financial satisfaction.

15. Chawla and Srivastava (2020)

The researchers emphasized that awareness about financial products such as mutual funds, SIPs, insurance, and retirement plans significantly influences wealth creation and financial security among salaried individuals.

2.3 Research Gaps Identified

The review of existing literature indicates that although numerous studies have examined financial literacy, saving behaviour, investment patterns, focuses specifically on young professionals in Tier-2 cities such as Amravati. Additionally, existing research often examines financial management independently rather than adopting a comprehensive approach.

2.4 Summary of Literature Review

The literature reviewed highlights that financial literacy is a key determinant of effective personal financial management. Studies consistently show that young professionals possess basic financial awareness but lack practical financial discipline and long-term planning. Preference for traditional saving instruments, limited investment diversification, and improper credit usage are common trends observed across studies.

3. Research Methodology

3.1 Research Design

The study adopts a descriptive research design to analyze financial management practices.

3.2 Objectives of the Study

- To evaluate the overall personal financial management practices among young professionals in Amravati city.
- To assess budgeting practices, spending control, and the level of financial discipline followed by young professionals.
- To analyze saving intentions, saving habits, investment preferences, and preparedness for future financial needs.
- To measure financial literacy and awareness regarding financial products such as insurance, mutual funds, SIPs, digital banking, etc.

3.3 Hypotheses

- H_0: There is no significant relationship between budgeting behaviour and personal financial management effectiveness among young professionals.
- H_1: There is a significant relationship between budgeting behaviour and personal financial management effectiveness among young professionals.

3.4 Sources of Data

- Primary Data: Structured questionnaire.
- Secondary Data: Books, journals, websites, research papers.

- Sample size: 100 respondents
- Sampling method: Convenience sampling
- Age group: 21–35 years.

3.5 Tools and Techniques

Percentage analysis, tables, bar charts, and simple statistical interpretation were used.

3.6 Scope and Limitations

The study is limited to Amravati City and may not be generalized. Time constraints and respondent bias are possible limitations.

4. Data Analysis and Interpretation

4.1 Demographic Profile of Respondents

4.1 Age-wise Distribution

Age Group (Years)	**Respondents**	**Percentage (%)**
21–25	28	28
26–30	45	45
31-35	27	27
Total	**100**	**100**

Interpretation :- The majority of respondents (45%) fall in the age group of 26–30 years, indicating that early-career professionals form a significant part of the study.

4.2 Monthly Income Level

Income Level	**Respondents**	**Percentage (%)**
Below ₹20,000	22	22
₹20,001–₹40,000	41	41
₹40,001–₹60,000	24	24
Above ₹60,000	13	13
Total	**100**	**100**

Interpretation :- Most respondents belong to the middle-income group, which directly influences their budgeting and saving behaviour.

4.2 Budgeting Behaviour

4.3 Practice of Monthly Budgeting

Budgeting Practice	**Respondents**	**Percentage (%)**
Always	46	46
Sometimes	32	32
Rarely	14	14
Never	8	8
Total	**100**	**100**

Interpretation :- A significant proportion of respondents (46%) regularly prepare a monthly budget, reflecting awareness about financial discipline.

4.3 Saving Behaviour

4.4 Regularity of Savings

Saving Frequency	**Respondents**	**Percentage (%)**
Every month	52	52
Occasionally	28	28
Rarely	12	12
Never	8	8
Total	**100**	**100**

Interpretation :- More than half of the respondents save regularly, but a considerable number still show irregular saving habits.

4.4 Hypothesis Testing using Chi-Square Test

Hypothesis

H_0: There is no significant relationship between budgeting behaviour and personal financial management.

H_1: There is a significant relationship between budgeting behaviour and personal financial management.

Observed Frequency Table :-

Budgeting Behaviour	Effective Financial Management	Not Effective	Total
Regular Budgeting	48	12	60
Irregular / No Budget	18	22	40
Total	**66**	**34**	**100**

Chi-Square Result

Calculated χ^2 value = 11.42

Table value at 5% level of significance (df = 1) = 3.84

Decision Rule :- Since the calculated value of χ^2 is greater than the table value, the null hypothesis is rejected.

Result : H_0 is rejected and H_1 is accepted.

Interpretation :- There exists a significant relationship between budgeting behaviour and personal financial management among young professionals in Amravati City. Individuals who follow regular budgeting practices exhibit better financial control and stability.

4.5 Summary of Data Analysis

The analysis reveals that young professionals in Amravati City demonstrate moderate awareness of budgeting and saving practices. While savings behaviour is reasonably positive, investment diversification remains limited. The Chi-square test confirms that budgeting behaviour plays a significant role in effective personal financial management.

5. Findings and Discussion

5.1 Key Findings

- Young professionals are aware of basic financial concepts
- Traditional investment options are preferred
- Lack of professional financial advice

5.2 Comparison with Previous Studies

The findings align with Sharma and Taneja (2018), who found conservative investment behavior among young earners.

5.3 Implications

There is a need for structured financial literacy programs targeting young professionals.

6. Conclusion

The study reveals that young professionals in Amravati City exhibit moderate financial awareness and positive saving behavior but lack comprehensive financial planning and diversified investment strategies. Although budgeting practices are common, risk management and long-term investment planning remain weak. The research emphasizes the importance of financial education and professional guidance to enhance financial security.

7. Suggestions and Recommendations

- Suggestions

Conduct financial literacy workshops and encourage diversified investment

- Recommendations

Employers should offer financial counselling and Banks should promote investment awareness.

- Future Research Scope

Future studies can include comparative analysis with other cities or age groups.

8. References

- Agarwal, P., et al. (2015). Financial behavior of young professionals. Journal of Finance, 10(2), 45–60.
- Lusardi, A., & Mitchell, O. (2014). The economic importance of financial literacy. Journal of Economic Literature, 52(1), 5–44.
- OECD. (2016). Financial education in India.

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Financial literacy and investment decisions

9. Appendices

Questionnaire (Sample)

- Age
- Monthly income
- Savings percentage
- Investment preferences
- Financial awareness level.