

A Study on Personal Financial Planning Among Individuals: A Literature Review

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Abstract

Financial planning is essential for all individuals, regardless of gender, age, educational qualifications, income brackets, socio-cultural factors, or family dynamics. Financial knowledge and awareness significantly influence daily monetary decisions, equipping individuals and investors to handle finances effectively and make informed choices. The prosperity and advancement of communities or individuals largely depend on their financial stability. Finance serves as a critical indicator of living standards and acts as a measure of a nation's economic progress. It is necessary for individuals to understand the diverse sources of financial investments and their significance. Financial literacy gives familiarity with various financial instruments such as bank deposits, postal savings, mutual fund investments, stock markets, and precious metals like gold. Women, as a vital segment of society, contribute actively to every sphere from managing household responsibilities to fulfilling their professional duties. When given numerous financial options in the market, it is crucial for investors to strategize and allocate their finances. Financial planning has emerged for ensuring individual financial security. However, it is evident that women must have the same authority as men in financial decision-making. But many women in India face financial, psychological, physical, and cultural barriers that hinder their ability to acquire financial literacy.

Keywords – Personal Financial Planning, Investment Awareness, Financial literacy, Financial Knowledge, Financial Behaviour

Introduction

In this modernization and digital World, investors have smart financial goals for their family and future. Taking financial decision is very crucial when it comes to investment and taking calculated risk. When any financial plan is prepared there are factors which individual investor should consider like risk, return and market volatility. Planning can be helpful when there is proper utilisation and allocation of funds with which uncertain future problems can be addressed and corrective measures can be taken for mobilizing funds. The fundamental knowledge of financial literacy behind that set of skills and knowledge helps an individual to make right financial decisions and to understand finance. In developing countries, individuals, businesspeople all are face various financial investment problems due to lack of financial knowledge whether it may be micro or macro level of economy Personal financial planning encompasses a systematic approach to managing an individual's financial resources to achieve both short-term and long-term goals. The process involves budgeting, saving, investing, risk management, and retirement planning. As economic uncertainties and financial complexities grow, personal financial planning has gained significant attention in both academic research and practical applications. Personal financial planning is process of developing and implementing the proper coordinated plans for achievement of one's overall financial objectives People try to invest on their own assets and personal income efficiently to ensure economic security that can be guaranteed, for working life but for retirement too. In order to achieve the goals of a business organization, proper financial plan should specify the financial goals, explain the spending on financing, investing plans. Financial Planning is very important in public sectors as it is necessity to boost the effectiveness, transparency related to money. Personal Financial Planning – It is process of arranging financial sources effectively to achieve goals by adopting a systematic plan which combines income, savings, expenses, risk and strategies for stability

Literature Review

A large body of research demonstrates that there are gender differences in financial understanding across a few nations and dimensions. It is studied that based on region, occupation and gender individual living in cities than rural areas have more understanding about financial planning. According to Elsa Fornero and Anna Lo Prete et al (2023) states that there should be an awareness related to basics of finance and economics which are essential in context of financial literacy as it can improve personal and financial well-being of individual. To support economics as large is necessary to educate youth and increase financial participation of investors, educational programmes in schools, higher institutes which can be gender neutral, avoiding religious, linguistics barriers can be conducted to inform the working and execution of market economy also how government can take various initiatives to improvise the financial condition of the country. Basri Bado, Muhammad Hasan et al (2023) according to study stated that Generation z can improve financial condition through financial literacy

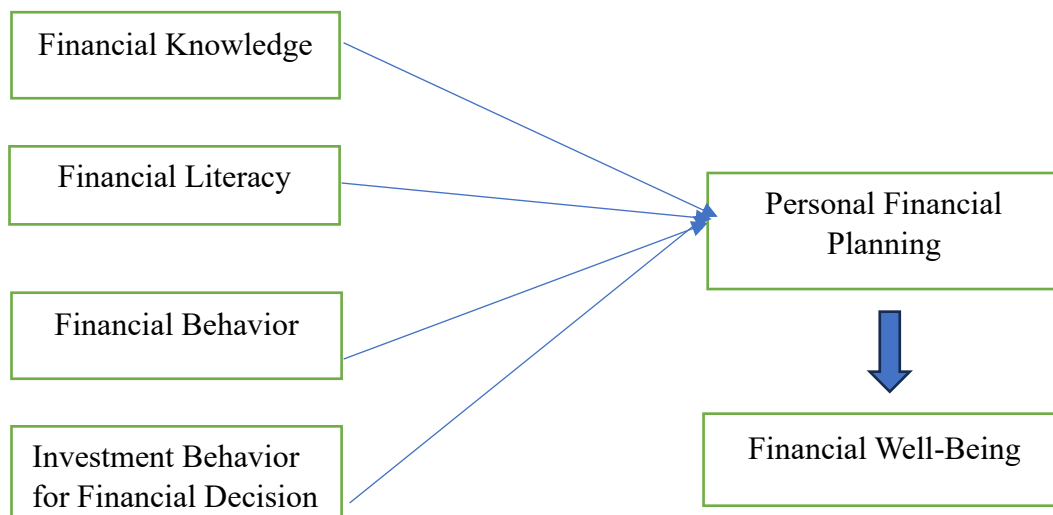
and carry out effective personal financial planning, for parents can help them to prepare finances for achieving their goals. Effective teaching learning process in schools and colleges can help to grasp proper process of financial management. Aabha S. Singhvi ,Harshit Chetanbhai Solanki et al (2023) clients or investors should start financial planning, set measurable goals by not expecting unrealistic returns on their investments made, and the value of the plan states in the implementation. It exactly picturizes what you are trying to accomplish with the combination of different portfolios that can reduce the risk and increase the returns. By constructing a portfolio, one can only minimize risk. Anup Ghimire , Ranjana Kumari Danuwar et al (2023) examines the effect of financial literacy (financial awareness, financial attitude, financial knowledge) in personal financial planning which focuses on the influence of financial literacy. It indicates that individual investor who has a strong understanding of financial concepts and dynamics are engaged in effective financial planning, enhancing their overall financial well-being. The financial awareness is a key force behind effective and efficient personal financial planning that enhances financial awareness which can empower individuals to take informed decisions, achieve more financial stability. Muthulakshmi and M. Jaisun et al (2022) records that for living a dreamy life there should be monetary planning. In this financial awareness plays important role for aligning financial goals in effective manner. Understanding financial needs and determining long term, short term goals can lead to better financial position. Adequate skill and knowledge with careful personal financial planning acts as key forces for financial well-being of households. Taranjit Kaur Kainth,Puneet Bhushan et al (2022) suggests that socioeconomic factors such as employment status, age, monthly personal income affect the preference towards personal financial planning. Previous trading experience can have significant impact on investors' information processing and investment decision where women are more risk averse and prefer low risk fixed income investments. Women and individual with low income tend to have low financial literacy level Sudan kumar oli et al (2020) explains that personal financial planning is being influenced by financial awareness and financial planning where attitude matters as 80% investors are aware of traditional investment methods but modern methods are not popular yet. Demographic factors (age,income,gender), financial knowledge and attitude towards investment decision impacts while doing personal financial planning. The awareness relates to insurance planning and retirement planning as a financial security is observed. Study also rationalizes implication for financial planner to achieve customers needs and cater them with proper financial satisfaction. Harini, Dr.R Savithri et al (2021) studies that respondents are very conventional as 29.16% have investment in Banks followed by gold, post office and life insurance. Investment in shares can be at high risk as it is related to their financial behaviour. For taking any financial decisions income could be most important factor for consideration for influencing investment. Dr Priyanka Bhatt, Falguni Prajapati et al (2021) says women are not risk takers or bearers and their tendency is to invest in low-risk assets which help them to strategize long term risk-free assessment. For taking and financial decisions women are dependent on any of the financial planner or advisor where they can calculate their risk and build portfolio. R.Uma and Y. Aysha Fathima et al (2021) Proper utilisation of fund can help maintain right balance between cash inflow and outflow. As it helps enterprise for ascertaining proper funds in changing market. By preparing financial budget it enables you to construct a

path way to realize all the financial goals that can also helps you build your emergency fund for any unforeseen needs which will arise it also reveals the association of financial planning and investment behavior of the individuals. Marko van Deventer et al (2020) shows relationship between Generation Y and Generation z in terms of personal financial planning where generation Y are more skilled in terms of identifying financial products and services for carrying out personal financial planning. DR. Rishikaysh Kaakandikar and Seema Ramhari Ponde et al (2020) Role of insurance planning is more important for healthy life planning for all is most important. Laith Yousef Bani Hani et al (2020) while selecting any stock individual investor should perform proper fundamental and technical analysis where risk can be mitigated and maximum profit could be collected. In recent times financial planning services has more demand in market as it is most essential and useful investment method for gaining life goals by doing proper financial management. There is a relationship between financial knowledge and financial awareness as investment in modern financial products like equity, derivatives, cryptocurrency, options can help to build potential plans and try to minimize risk for taking well informed decisions.

On the other hand, Indian Government is trying to achieve financial literacy through various ways by making fair and achievable, affordable financial investment options through institutions. For raising financial literacy, it is necessary to educate people about their financial matters and have sound financial knowledge.

Conceptual Framework

Fig.1 Components for Personal Financial Planning



Research Methodology

To find and observe relevant studies on the personal financial planning and its impact on financial decisions and investments opted a detailed evaluation and assessment of the literature was carried out. Databases and references including research papers, books were taken in to consideration for study and its analysis. Financial literacy, financial knowledge and its impact on investment were the searched terms used. After screening and

observing the titles and abstracts thoroughly, several internet articles, research papers and eBooks were selected for full-text review based on their relevance to the topic which researcher want to explore.

Findings

From above literature it is observed that generally male do not tend to plan for budget as their most income is part of saving which could create wealth maximization and remaining part could be utilized for preferred investment depending upon the need. They tend to have good financial risk which overs their portfolio comprising of various options. To have perfect balance between saving and investment women tend to have regular budgets, as they try to clear maximum debts. They are low risk bearers having investment in fixed deposits Despite the sector investors are keen to learn financial management but do not possess financial knowledge as well as they are not satisfied with finance control. It is also observed that willingness to investment through financial resources has positive impact on planning. Financial literacy plays an important role when individual is educated relate to financial module it helps to better understand financial management. Financial Literacy can be mapped with all factors like age, income, gender, living etc. Women, senior citizen tend to have low risk bearing capacity so it's difficult to frame policy about financial literacy.

Conclusion

This systematic literature review highlights the key role of personal financial planning in enabling the financial well-being of individuals. It tells the importance of a approach to manage personal finances, through budgeting, saving, investing, insurance & retirement planning. Personal financial planning empowers individuals to achieve their financial goals, mitigate risks, and locate economic uncertainties. The key factors which influence financial planning behaviour, include financial literacy, income levels, demographic characteristics, and psychological factors, socio-graphic factors such as risk tolerance and self-control. It is the need to educate people regarding financial policy promote accessibility. The study highlight the evolution of tools and technologies that facilitate personal financial planning like usage of Digital platforms, financial apps, and online advisory services act as enablers, making financial planning more accessible and efficient for a audience at large. More sectors are yet to be explored where personal financial planning is not researched. Financial planning is an essential part of life, when certain goals need to be achieved it shows pattern of income allocation followed by individuals. The income allocation is almost equal between investment and maintenance of emergency funds. The major purpose of investment is to meet the needs followed by saving for own house and tax saving. The most trusted & popular investment instrument amongst women is Fixed deposits. The literacy and awareness programs should also be designed taking into consideration the differences in the thought processes of males and females.

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