International Journal of Business and Management Invention (IJBMI)
ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X
www.ijbmi.org || Volume 8 Issue 02 Series. IV || February 2019 || PP 08-18

Effect of Financial Literacy on Personal Financial Planning: a Study of Bengaluru City

Vinod Krishna M. U[1]Dr. Ruchi Gupta[2]and Dr. U.N. Lakshman[3]
1.Research Scholar, Management Studies, Reva University, Bengaluru, India;
2.Associate Professor, Management Studies, Reva University, Bengaluru, India
3.Co-Guide, Retired Professor and former Special Officer of University of Mysore, India
Correspondent Author: Vinod Krishna M. U

ABSTRACT:*Financial literacy helps individuals to make well-informed financial decisions. For people who are unable to take wise financial decisions, personal financial planning service has the potential to serve as a substitute for financial knowledge and capability. However, according to 2009 FINRA (Financial Industry Regulatory Authority, Inc. USA) Financial Capability Survey, financial planning serves as a complement to financial capability: individuals with higher incomes, educational attainment, and levels of financial literacy are most likely to go for financial advice or personal financial planning. Lack of basic financial understanding leads to unproductive investment decisions. In this paper an attempt is made to study the acceptance of personal financial planning services in Bengaluru city. People of Bengaluru are showing more inclination towards life insurance products, but provide scope for improvement in terms of retirement planning, health insurance, and using credit optimally.*

Keywords:*financial literacy, personal financial planning, financial decisions, retirement planning*

Date of Submission: 03-02-2019 Date of acceptance: 19-02-2019

I. INTRODUCTION

Financial affairs were managed by the elders of the house just two decades back and when they were responsible for satisfying everyone's requirements in the family. There was no need or necessity for others to know personal financial concepts or products. Today, in the liberalized, privatized, globalized Indian economy, the social change from single wage-earner families to dual-career, dual-income families is increased. Of the 121 crore Indians, 83.3 crore live in rural areas while 37.7 crore stay in urban areas, according to Provisional Population Totals of Rural-Urban Distribution in the country (Census – 2011). The level of urbanisation increased from 27.81 per cent in the 2001 Census to 31.16 per cent in the 2011 Census, while the proportion of rural population declined from 72.19 per cent to 68.84 per cent. Most of the urban families are nuclear and dual-income families. These changes have resulted in more and more people to be financially literate and actively involved in personal finance decision making.

As per Census report, the absolute increase in population is more in urban areas than in rural areas. Individuals' financial well-being is a result of their actions based on the decisions taken. These are influenced by external forces such as economic factors and policy structures adopted by government and private industry, decisions are ultimately made by individuals. Understanding the relationship between knowledge of personal financial issues and corresponding financial behavior is increasingly recognized as an area of critical financial importance. Understanding issues related to personal finance is important for India' long-term financial security as the transition to defined contribution plans and the lack of compulsory retirement benefits in private sector place greater responsibility on individuals' savings and financial decisions.

Concepts relating to spending, saving, investing and borrowing are not clearly understood even by literates. Today, it is required by every earning person to think, plan and act on securing their financial future. Increasing life expectancy, rising costs of healthcare and increasing complexities of financial products make it very important to get basic understanding of personal finance (Sobhesh Kumar, Et.,al, 2015). But various studies, survey and research from around the world on financial literacy shows concern about the ability of individuals to secure their financial future. Financial decision making becomes much better with increase in financial literacy (Sumit Agarwal, Et.,al 2010). Individuals tend to apply their acquired information on various financial products to plan for future. Concepts of financial goal-setting, prioritizing, and accordingly selecting various investment options brings in a much needed financial discipline among individuals.

Along with this there are hundreds of intermediaries recommending thousands of investment products. All this provide wide range of choices for the individual. But it is also creating lot of confusions. In this context financial literacy and financial education are key areas that need development. It is a daunting task for the government, regulatory bodies and corporate to educate the general public on the basic concepts of personal finance. In spite of various proactive measures taken by all of them, financial literacy in India among adults in India is just 24% compared to worldwide rate of 33% as per S&P Global Financial Literacy Survey 2016 (S&P, 2016). As per the factsheet of Financial Literacy and Inclusion Survey 2013-14 by National Centre for Financial Education, financial literacy in Karnataka is 25% and financial inclusion is 15% which is much higher than national level rate of 20% and 11% respectively.

Education is prescribed as a common response for this lack of knowledge (Scott, 2010), with the general assumption that improved financial knowledge will result in more effective financial decision-making. Some evidence indicates that the relationship between knowledge and behaviour is more complicated as improved knowledge does not automatically result in improved behaviour (Braunstein & Welch, 2002). Perry and Morris (2005) suggested that psychological factors, such as locus of control, may mediate the impact of financial knowledge on behaviour.

Economic and financial sector reforms have placed higher disposable incomes with the public. Availability of a variety of new financial products on both, credit and investment sides, which are provided by a host of financial intermediaries has necessitated that the investing public understands each product and product supplier and takes an informed decision about where s(he) should invest. At the same time, those who are not part of the formal financial system need to be educated about banking and why they should have a relationship with banks. Financial literacy is considered an important element for promoting financial inclusion and ultimately financial stability. Financial literacy would benefit the financially-excluded by enabling them to understand the benefits and the ways to join the formal financial system.

This paper reports the results from the study that shows interest and consent of people to accept and avail various personal financial products in Bengaluru city based on on-call financial education provided by IndianMoney.com. It explores the relationship between financial literacy and scope for personal financial planning. This paper has been divided into 7 chapters. In the introductory chapter, a brief overview of the overall paper has been provided. In the next chapter, the research objectives of this paper is enumerated. Chapter 3 provides a review of related literatures and Chapter 4 discusses the methodology used for analyzing the data as well as establishing findings. Chapter 5 explains the theoretical and conceptual frameworks used, Chapter 6 discusses Results and Findings of the study.

Objectives

The Study aims at achieving the following objectives:

- To understand about the dependency of financial literacy and financial planning on financial satisfaction of an individual.
- To understand the importance of financial literacy for the economic wellbeing of the nation.
- To study the effect of financial literacy on accessing the personal financial planning services.
- To evaluate impact of personal financial planning on financial satisfaction.

II. LITERATURE REVIEW

"The What, Why and How of Financial Literacy" (February, 2013) by K. C.Chakrabarty, former Deputy Governor of the Reserve Bank of India, addressed a few key issues relating to financial literacy in a country like India. In his address at the stakeholders' workshop on "Financial literacy", organized jointly by the UNDP, NABARD and MicroSave, Mumbai he mainly spoke about the importance of financial literacy, the target audience for financial literacy and the key suggestions to improve the levels of literacy for the growth and development of the nation. He structured his speech around What, Why, Who and How of Financial Literacy. As OECD defines financial literacy as "a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being (OECD, 2005)." Which means financial literacy is expected to provide the required understanding to individuals to make informed decisions when using financial services. It is not just about markets and investing, but also about saving, budgeting, financial planning, basics of banking and most importantly, about being "Financially Smart" (Dr K C Chakrabarty, 2014).

The report, "Financial Literacy among Working Young in Urban India" (2013), by Sobhesh Kumar Agarwalla, Samir K. Barua, Joshy Jacob, Jayanth R. Varma (IIM-A), presents an investigation of a study on the influence of various socio-demographic factors on different dimensions of financial literacy, among the working young in urban India. The study also investigates the relationship between the dimensions of financial literacy. Adding to the growing empirical understanding of financial literacy across countries, the study provides an analytical basis for enunciating policy to enhance financial literacy of the youth in India.

Previous field studies around the world find that majority of individuals has a low level of financial knowledge (Lusardi & Mitchell, 2008; Lusardi & Tufano, 2009; Van Rooij, Lusardi, & Alessie, 2011). Low financial knowledge is associated with sub-optimal financial outcomes in many areas such as retirement planning (Lusardi & Mitchell, 2007), borrowing decisions (Lusardi & Tufano, 2009), and stock market participation (Van Rooij et al., 2011).

There is also evidence that financial literacy is a multi-dimensional construct and separately measuring its different dimensions is important. Schicks (2014) finds that while over-indebtedness is lower for borrowers with good debt-literacy, general financial literacy and numeracy seem insufficient to reduce over-indebtedness.

The coordinated efforts of Reserve Bank of India and the Government of India over the last five years have culminated in providing access to banking services to a majority of the Indian population. The formulation and implementation of the National Strategy for financial education therefore becomes a top priority for the country to educate the new entrants into the financial system. The Indian national strategy was initially prepared by a committee representing all of the country's financial regulators (Financial Stability and Development Council of India, 2012), and was also peer reviewed by the OECD/INFE. The national strategy for financial education is deemed essential in ensuring that the national financial inclusion policies implemented by the government are successful. Increased levels of financial literacy will be essential to support the national financial inclusion efforts, in particular once the basic financial products such as micro-insurance and pension products are offered to basic bank account holders throughout the country.

"National Strategy for Financial Education" (2012), published by the RBI, is an important paper reviewed for this study considering the reliability of the source. The paper traces the evolution of the concept of financial literacy. It understands the importance of developing a national strategy for financial literacy in the country. The paper suggests the inclusion of finance and analysis in the curriculum of the schools and colleges through a variety of subjects. After liberalization, BFSI contribution to India's GDP is a meagre 5.9%. To improve this, they are coming out with innovative investment instruments. In 2016, India's Gross National Savings (GNS), as a percentage of GDP, is estimated at 31.24 percent (IBEF Report on Financial Services, April 2017). The Financial Industry Regulatory Authority (FINRA) is a self-regulatory agency formed from the former National Association of Securities Dealers (NASD) and certain regulatory functions formerly performed by the New York Stock Exchange (NYSE) in 2007. The FINRA Investor Education Foundation, or FINRA Foundation, exists to provide education to underserved populations regarding the skills, knowledge and tools required to achieve financial literacy. In 2009, the FINRA Foundation, in conjunction with the U.S. Department of the Treasury, conducted the National Financial Capability Study in order to assess Americans' ability in dealing with four key components of financial capability. These are: making ends meet, planning ahead, managing financial products, financial knowledge and decision-making. According to the Survey, financial planning serves as a complement to financial capability: individuals with higher incomes, educational attainment, and levels of financial literacy are most likely to go for financial advice or personal financial planning.

Financial literacy plays important role in managing the earned money of an individual. It is a difficult task in itself and managing the finances for others, the challenges get exponentially high. Considering the difficulties that people face and the guidance they require on where to invest and how to grow their funds in the market paves way for the personal financial planning profession. The profession involves providing guidance to the people on investment, mortgage, insurance, college savings, property taxes, and retirement (BLS, 2017).

The need for personal financial consultations is high in India as the country is going through a rapid expansion in terms of existing financial services firms as well as there is the addition of new and diverse financial products coming into the market (G.Srinivas Rao, 2018).

In a large and diverse country such as India, enhancing financial awareness amongst the people of the country requires more than relevant action from the regulatory authorities, financial institutions, and stock exchanges (Subha and Shanmugha, 2014). Several studies indicate that the financial literacy in India is low, as highlighted by Naidu (2017) in his study wherein he indicated that the literacy rate is further low among youngsters and women. A briefing paper by the European Parliament highlighted that financial literacy is the combination of knowledge, awareness, skill, behaviour, and attitude and thus essential for taking intelligent financial decisions. These factors help an individual in making sound financial decisions and reach the position of financial wellbeing (European Parliament, 2015).

Theoretically, knowledge of how financial markets operate should result in individuals making more effective borrowing decisions (Liebermann & Flint-Goor, 1996). This is generally supported by the available literature as numerous studies indicated that well developed financial skills are necessary for effective money management (Carswell, 2009; Collins, 2007; Haynes-Bordas, Kiss, & Yilmazer, 2009; Scott, 2010). However, the majority of these studies failed to provide a direct link between personal financial knowledge and actual financial behavior. Several studies provided evidence of a link between knowledge and behaviour, though they vary in how knowledge is measured and what behaviours are addressed.

Chen and Volpe (1998) established a link between financial knowledge and financial decisions. Based on a 36-item measure of knowledge, more knowledgeable students achieved higher scores on hypothetical spending, investment, and insurance decisions when compared with less knowledgeable students. More knowledgeable students were also more likely to keep financial records.

Borden et al. (2008) presented findings that questioned the link between knowledge and behaviour, as they did not note any significant relationship between financial knowledge and effective financial behaviour. The results presented by Borden et al. (2008) suggested that greater knowledge may improve student intentions towards more responsible behaviour, it did not necessarily indicate whether or not students follow through with their plans. Research on credit card use among college students yielded conflicting evidence. An exploratory analysis by Jones (2005) did not provide any evidence of a link between credit card debt behaviour and financial knowledge based on a 6-item measure.

Among the general population, there is some evidence that financial knowledge and financial behaviour may be positively related. Hilgert, Hogarth, and Beverly (2003) examined the correlation between financial knowledge and actual behaviour among the general population in the United States. They measured knowledge using the 28-question Financial IQ measure that is included in the Survey of Consumer Finances, which deals with aspects of cash-flow management, credit management, savings, investments, mortgage information, and other financial-management topics (Hilgert et al., 2003). The researchers noted significant correlations between credit management scores and scores on the composite measure of financial knowledge. Lusardi and Mitchell (2006) analysed retired households, indicating that greater knowledge was associated with planning and succeeding in retirement planning, as well as investing in complex assets such as stocks. Further research by Lusardi and Mitchell (2007) indicated that more knowledgeable Americans thought more about retirement.

Research by Courchane (2005) indicated that self-assessed knowledge was one of the most significant factors in determining financial behaviour. However, research has made it clear that people do not always have a full understanding of their own level of financial knowledge (Courchane, 2005).

Financial satisfaction is an individual's subjective perception of the adequacy of his or her own financial resources (Hira & Mugenda, 1998). Financial satisfaction has long been acknowledged as a component of well-being (Campbell, Converse, & Rodgers, 1976) and has received attention in studies on wellness related stressors such as financial strain, risk management issues, locus of control and employment issues (Porter & Garman, 1993).

Research Gaps

The majority of these studies failed to provide a direct link between personal financial knowledge and actual financial behaviour leading to have a clear financial plan for future financial goals. Financial Literacy enabling financial planning behaviour also need to be explored. Importance of personal financial planning to provide financial confidence and financial satisfaction and in turn scope for practicing financial planning as a profession is evaluated in the current study.

III. THEORETICAL AND CONCEPTUAL FRAMEWORKS

Theoretically, knowledge of how financial markets operate should result in individuals making more effective borrowing decisions (Liebermann & Flint-Goor, 1996). This is generally supported by the available literature as numerous studies indicated that well developed financial skills are necessary for effective money management (Carswell, 2009; Collins, 2007; Haynes-Bordas, Kiss, & Yilmazer, 2009; Scott, 2010). It is also important to address the possible impact of subjective financial knowledge (or self-assessed knowledge) as well. Research by Courchane (2005) indicated that self-assessed knowledge was one of the most significant factors in determining financial behaviour. However, research has shown that people do not always have a full understanding of their own level of financial knowledge (Courchane, 2005). Financial literacy is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources (https://en.wikipedia.org/wiki/Financial_literacy).

The present study analysed the degree to which a composite measure of financial knowledge was associated with financial planning behaviours. Given the available evidence, it was hypothesized that more knowledgeable consumers would display more responsible financial behaviours (by scoring significantly better on a composite measure of best practice behaviour) and are managing their finance through systematic financial planning.

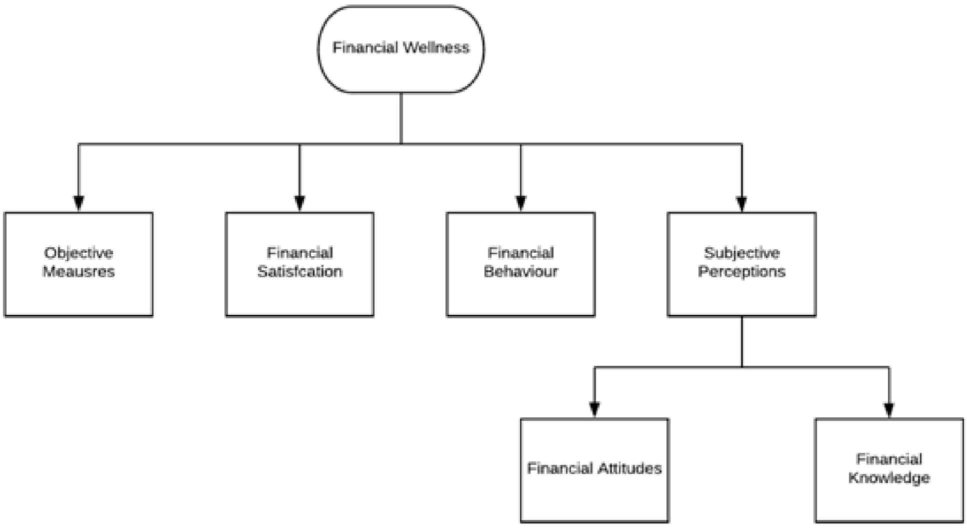

Figure 1. Extract of Joo's (2008) Financial Wellness Diagram

Financial knowledge was proposed as an element of personal financial wellness in a conceptual framework that includes financial satisfaction, financial behaviour, financial attitudes, and objective status measures (Joo's, 2008). In this framework, financial knowledge, along with financial attitudes, was grouped together under the umbrella of "Subjective Perception."

The present study analysed the degree to which a composite measure of financial knowledge was associated with what might be considered best practice financial behaviours collectively measured as financial planning. Given the available evidence, it was hypothesized that more knowledgeable consumers would display more responsible financial behaviours (i.e., have significantly better scores on a composite measure of best practice behaviour). The present analysis explains the relationship between financial satisfaction, financial planning, financial knowledge and financial confidence.

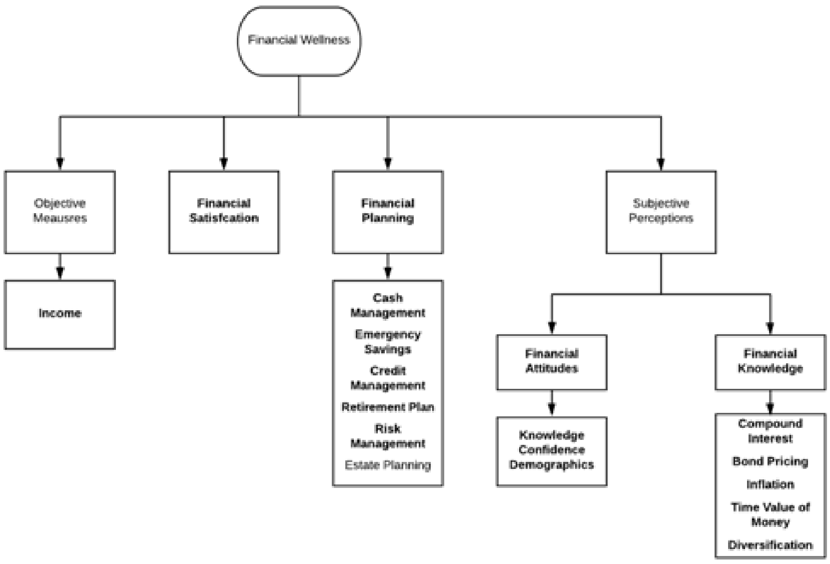

Figure 2: Variables Captured in the Present Study (in bold)

Variables captured in the present study based on the Joo's Financial Wellness Diagram is given in Figure 2. The Financial behaviour umbrella from Joo's diagram is modified as Financial Planning and it covers major areas of financial planning like risk management, retirement planning, estate planning, cash management, emergency savings and credit management.

IV. DATA ANALYSIS AND FINDINGS

The required data for the study has been provided by IndianMoney.com. Imparting financial literacy across India is a daunting task. This challenge has been taken up as a business opportunity by IndianMoney.com, a company in Bengaluru, which is providing free financial education through phone for those who are contacting them by leaving a missed call on their helpline number. They were educated on basics of personal finance and suggested products based on their need analysis.

Trained wealth doctors administered the questionnaire over phone and recorded the responses in the proprietary online application of the company. Over 33,000 customers from 30 cities and towns across the state of Karnataka have given missed call to the company helpline from 1st April 2018 to 30th September 2018. Out of this sample universe, Bangalore city has been considered for detailed study as there are 23% (8,709) of total customers educated from across Karnataka during the period. Details are given in Table-1 Sample Universe.

Among Bangalore City customers, 84% were male and 16% were female. They were classified according to income and occupation. Majority of customers wanting financial advice belong to salaried class. 55% of customers were salaried and 46% were from income group of 1,00,000 to 2,50,000. Details are given in Table 2 Demographics.

Table-1: Sample Universe (N=33,316)

City/Town Name	Male	Female	TOTAL Respondents	% of Male	% of Female	% of Sample Universe
Bangalore City	**7502**	**1207**	**8709**	**86%**	**14%**	**23%**
Belgaum	2621	240	2861	92%	8%	8%
Mysore	1617	279	1896	85%	15%	5%
Gulbarga	1583	139	1722	92%	8%	5%
Bijapur	1467	111	1578	93%	7%	4%
Bellary	1387	113	1500	92%	8%	4%
Tumkur	1178	182	1360	87%	13%	4%
Bagalkot	1078	104	1182	91%	9%	3%
Davanagere	1061	120	1181	90%	10%	3%
Raichur	1089	65	1154	94%	6%	3%
Haveri	1002	113	1115	90%	10%	3%
Chitradurga	983	131	1114	88%	12%	3%
Bidar	993	78	1071	93%	7%	3%
Shimoga	874	171	1045	84%	16%	3%
Hassan	841	153	994	85%	15%	3%
Kolar	790	116	906	87%	13%	2%
Mandya	725	146	871	83%	17%	2%
Dharwad	698	104	802	87%	13%	2%
Bangalore Rural	700	91	791	88%	12%	2%

Koppal	675	48	723	93%	7%	2%
Mangalore	514	111	625	82%	18%	2%
Chikkaballapur	524	53	577	91%	9%	2%
Gadag	520	48	568	92%	8%	2%
Ramanagara	464	96	560	83%	17%	1%
Chikkamagaluru	455	88	543	84%	16%	1%
Yadgir	505	28	533	95%	5%	1%
Hubli	412	60	472	87%	13%	1%
Udupi	343	96	439	78%	22%	1%
Chamarajanagar	373	54	427	87%	13%	1%
Madikeri	342	73	415	82%	18%	1%
30	**33316**	**4418**	**37734**	**88%**	**12%**	100%

Tabe-2: Demographics (n = 8,709)

Variable	**Category**	**n**	**%**
Gender	Male	**7502**	86.14%
	Female	**1207**	13.86%
Age	18-24	1106	12.70%
	25-34	**1463**	16.80%
	35-44	**1716**	19.70%
	45-54	**1637**	18.80%
	55-64	**1350**	15.50%
	65 and above	1437	16.50%
Education	Did not complete high school	880	10.10%
	Completed SSLC	1515	17.40%
	Did not complete Graduation	2543	29.20%
	Graduate	2674	30.70%
	Post Graduate	1097	12.60%
Income	Up to 100000	1117	12.83%
	10000 to 250000	3998	45.91%
	250000 - 500000	2538	29.14%
	500000 - 1000000	769	8.83%
	Above 1000000	287	3.30%

After consultation with practicing financial planners, insurance advisors from the sample of 8,709, sample size has been reduced to n=4,816, which represents 55% respondents from Bengaluru city, excluding the age group from 18-24 and 55 and above for the present study. The final sample size of the study is given in Table-3 Sample Size.

Tabe-3: Sample Size (n1=4,816)

Variable	Category	n	%
Gender	Male	4,142	86%
	Female	674	14%
Age	25-34	1463	30%
	35-44	1716	36%
	45-54	1637	34%
Education	Did not complete high school	482	10%
	Completed SSLC	819	17%
	Did not complete Graduation	1397	29%
	Graduate	1493	31%
	Post Graduate	626	13%
Income	Up to 100000	626	13%
	10000 to 250000	2215	46%
	250000 - 500000	1397	29%
	500000 - 1000000	433	9%
	Above 1000000	144	3%

Findings

This study examined the relationships between financial knowledge, self-assessed confidence in financial matters, demographic factors, income, education and financial behaviour that can be identified as best practices of financial planning with financial satisfaction. The statistical technique of linear regression was used with financial satisfaction as the dependent variable. Three scales were created in to facilitate the analysis of the financial knowledge, self-assessed competence and financial planning elements of the study.

Financial Knowledge

The FINRA Financial Capability Survey asked five questions relating to financial knowledge. Three of the questions were developed by Lusardi and Mitchell for the 2004 wave of the Health and Retirement Survey and have been used in many subsequent studies (Lusardi, Mitchell, & Curto, 2010). These questions were altered to suit the Indian scenario.

1. About the concept of Compound Interest: Suppose you had Rs.10,000 in a savings account and the interest rate was 5% per year. After 5 years, how much do you think you would have in the account if you left the money to grow? Correct answers recoded to 1, all others are assigned a value of 0.
2. About Inflation: Imagine that the interest rate on your savings account was 5% per year, and inflation was 6% per year. After 1 year, how much would you be able to buy with the money in this account? Correct answers recoded to 1, all others are assigned a value of 0.
3. About Bond Pricing: If interest rates rise, what will typically happen to bond prices? Correct answers re-coded to 1, all others are assigned a value of 0.
4. About Loans: A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less. Correct answers recoded to 1, all others are assigned a value of 0.
5. About the concept of Diversification: Buying a single company’s stock usually provides a safer return than a stock mutual fund. Correct answers recoded to 1, all others are assigned a value of 0.

An additive scale was constructed using a respondent’s answers to the above five questions. Potential values ranged from 0 to 5. Reliability analysis indicated a Cronbach’s coefficient alpha of 0.757 for this measure.

Self-assessed Financial Confidence

Four questions were asked of respondents regarding their own assessment of their financial skills and knowledge. Respondents were asked to agree or disagree with a statement according to a 5-point Likert-type scale with 1 indicating “Strongly Disagree,” 3 indicating “Neither Agree nor Disagree,” and 5 indicating “Strongly Agree.” The four questions read as follows:

- “I am good at dealing with day-to-day financial matters such as bank accounts, credit and debit cards, and tracking expenses.”
- “I am pretty good at math.”
- “I regularly keep up with economic and financial news.”
- “On a scale from 1 to 5, where 1 means very low and 5 means very high, how would you assess your overall financial knowledge?”

Answers of “Don’t Know” or refusals were recoded to 0 values. This occurred with less than 0.5% of respondents. A scale was constructed based on the average value of the answers to these four items. Values ranged from 0 to 5. Reliability analysis indicated a Cronbach’s coefficient alpha of 0.774.

Financial Planning

Six financial planning best practices that most closely correlated to financial knowledge were identified. The practices were selected for their applicability to the major areas of financial planning: personal finance basics, borrowing, saving/investing, and protection (Huston, 2010). The six areas of financial planning considered as best practices are described below.

1. Emergency Fund: Have you set aside emergency funds that would cover your expenses for 3 months in case of sickness, job loss, economic downturn, or other emergencies? Answers ‘Yes’ recoded to a value of 1. All other answers are assigned a value of 0.
2. Credit Report: In the past 12 months, have you obtained a copy of your credit report? Answers ‘Yes’ recoded to a value of 1. All other answers are assigned a value of 0.
3. Loans: Do you or your spouse/partner has taken any loans? Answer ‘No’ recoded to a value of 1. All other answers are assigned a value of 0.
4. Credit Card Payoff: In the past 12 months, which of the following describes your experience with credit cards? – I always paid my credit card balances in full. Respondents who always paid balances in full recoded to a value of 1. All other answers are assigned a value of 0.
5. Retirement Plan: Do you (or your spouse/ partner) have any retirement plans through a current or previous employer, like a pension plan or National Pension Scheme? Or do you (or your spouse/partner) have any other retirement plans? Respondents who answered ‘Yes’ to either question recoded to a value of 1. All other answers are assigned a value of 0.
6. Risk Management: The survey asked about four categories of risk management policies: health insurance, homeowner’s or renter’s insurance, life insurance and auto insurance. Respondents who indicated that they had at least two of the four policies in place recoded to a value of 1. All other answers are assigned a value of 0.

An additive scale was constructed based upon a respondent's participation in the six identified Financial Planning Best Practices. Values ranged from 0 to 6. Reliability analysis indicated a Cronbach’s coefficient alpha of 0.779.

Financial Satisfaction

Financial satisfaction was measured using the response to a single question on the FINRA study. The question reads: “Overall, thinking of your assets, debts and savings, how satisfied are you with your current personal financial condition?” Respondents reply on a 1 to 5 scale, with 1 signifying “Not at All Satisfied” and 5 is for “Extremely Satisfied.” The mean score of 2.17, median of 2 and standard deviation of 1.07.

Demographic Variables

A variety of demographic variables were included in the analysis given previous evidence. Data were collected regarding respondents’ gender, age, education and income level. Variable definitions and more details are provided in Table 3.

The number of cases analysed was 4,816. Majority of the respondents were male (86%). The median respondent was in the 35-44 age group (36%), and most respondents reported completing graduation (31%). Majority of the respondents reported income between Rs.1,00,000 to Rs.2,50,000 level (46%).

V. RESULTS AND CONCLUSION

Initially, correlation of the measurements was analysed. The results of this analysis are shown in Table 4.

Table-4: Correlation Analysis of Financial Measures (n=4,816)

	Financial Satisfaction	Finance Knowledge	Financial Confidence	Financial Planning
Financial Satisfaction	1.000			
Finance Knowledge	0.236**	1.000		
Financial Confidence	0.125**	0.038**	1.000	
Financial Planning	**0.650****	0.213**	0.017**	1.000

** $p < 0.01$ (two-tailed)

Correlations between all variables were significant at the $p < .01$ level, although the relationship between financial confidence and financial planning was weaker than the others. One of the strongest relationships was found between Financial Planning and Financial Satisfaction. This can be inferred as those who were following the best practices of financial planning are the ones who are financially satisfied. The next strongest relationship is between financial knowledge and financial satisfaction. Further analysis was conducted to determine if demographic factors were related to financial behaviour as expressed by financial planning best practices questions.

Multiple regression analysis was performed using financial satisfaction as the dependent variable with financial planning, financial knowledge, financial confidence, and the demographic variables relating to age group, income and education, as independent variables.

Table-5: Regression Statistics

Multiple R	0.683133007
R Square	0.466670705
Adjusted R Square	0.432262363
Standard Error	1.869407183
Observations	4816

R^2 = 0.4666 = 46.67% indicate that almost 47% of Financial Satisfaction depends on the variables considered for the study. As the P-value is 0, model is statistically significant.

Table-6: Regression Results

	Coefficients	Standard Error	t Stat	P-value
Finance Knowledge	0.119	0.121	0.985	0.000
Financial Confidence	0.065	0.037	1.770	0.000
Financial Planning	0.628	0.078	8.053	0.000
Age	0.424	0.239	1.773	0.000
Income	**0.711**	0.205	0.833	0.000
Education	0.085	0.169	0.502	0.000

VI. CONCLUSION

Financial Satisfaction of an individual predominantly depends on meeting the financial goals by applying his or her financial literacy (measured using Financial Knowledge) or using Financial Planning (best practices) concepts. Personal financial planning has a significant impact on financial satisfaction as they are measured in the present analysis. Income has the most significant impact on financial satisfaction, followed by financial planning, age, financial knowledge, education and financial confidence.

From the demographics, we can conclude that respondents below the taxable slab (between Rs.1,00,000 to Rs.2,50,000) lack the required financial literacy and in turn are unaware of financial planning (best practices) concepts. Financial literacy has become increasingly important for the economic wellbeing of the nation's future. It has a significant impact on financial satisfaction after Income and Financial Planning as they are measured in the present analysis. The study thus shows that improvement in financial literacy will have a positive effect on accessing the personal financial planning services.

REFERENCES

[1]. Agarwal, Sumit & Amromin, Gene & Ben-David, Itzhak & Chomsisengphet, Souphala & Evanoff, Douglas., Financial Literacy and Financial Planning: Evidence from India, Journal of Housing Economics, 2010, 27. . 10.2139/ssrn.1728831.

[2]. Courchane, M.,Consumer literacy and creditworthiness. Proceedings, Federal Reserve Bank of Chicago, 2005.

[3]. Cliff A. Robb and Ann S. Woodyard, Financial Knowledge and Best Practice Behavior, Journal of Financial Counseling and Planning, Volume 22, Issue 1 2011.

[4]. Divya Joseph, A Study On Financial Inclusion And Financial Literacy, International Journal of Business and Administration Research Review, 2014, Vol.2, Issue.4, Jan-March.

[5]. Dr. Upendra Singh, Financial Literacy and Financial Stability are two aspects of Efficient Economy, Journal of Finance, Accounting and Management, 2014, 5(2), 59-76.

[6]. Dr. M.V.Subha, P.Shanmugha Priya, The Emerging Role of Financial Literacy Financial Planning, IJISET - International Journal of Innovative Science, Engineering & Technology, 2014, Vol. 1 Issue 5, ISSN 2348 – 7968.
[7]. Joo, S., Personal financial wellness, J. J. (Ed). Handbook of Consumer Finance Research , New York, NY: Springer Science + Business Media, 2008, pp. 21 -33.
[8]. Jyoti Gupta, Manish Madan, An Empirical Study On Financial Literacy Level Of Salaried Females In Digital Era, Business Analyst, 2016, ISSN 0973-211X, 37(1) 217-230, 2016.
[9]. K C Chakrabarty, The what, why, who and how of financial literacy, Address by Dr K C Chakrabarty, Deputy Governor of the Reserve Bank of India, at the stakeholders' workshop on "Financial literacy", organized jointly by the UNDP, NABARD and MicroSave, Mumbai, 2013.
[10]. Lavanya Rekha Bahadur, Financial Literacy: The Indian Story World Journal of Social Sciences, World Journal of Social Sciences, 2015, Vol. 5. No. 3.Issue. Pp.45 – 57.
[11]. Leora Klapper, Annamaria Lusardi, and Peter van Oudheusden, with the support of Jake Hess and Saniya Ansar, Financial Literacy Around the World: Insights From The S&P Global Finlit Survey, The S&P Global Financial Survey, 2015.
[12]. Lusardi, A., & Mitchell, O. S., Baby Boomer retirement security: The roles of planning, financial literacy, and housing wealth., Journal of Monetary Economics, 2007, 54, 205-224.
[13]. Matewos Kebede, Dr. Navkiran jit Dalhual Kaur, Dr. Jasmeen Deep Kaur (Associate Professor), Financial Literacy and Management of Personal Finance: A Review of Recent Literatures, Research Journal of Finance and Accounting, www.iiste.org, ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online), Vol.6, No.13, 201.
[14]. P. Bhushan et al., Financial Literacy and its Determinants, International Journal of Engineering, Business and Enterprise Applications, 2013, 4(2), March-May, pp. 155-160.
[15]. Shawn Cole, Thomas Sampson, Bilal Zia, Financial Literacy, Financial Decisions, and the Demand for Financial Services: Evidence from India and Indonesia, Harvard Business School, 2009.
[16]. Shubhra Biswas (Sinha1), Arindam Gupta, Financial Inclusion and Financial Literacy: A Comparative Study in their interrelation between selected urban and rural areas in the state of West Bengal, IOSR Journal of Economics and Finance (IOSR-JEF), e-ISSN: 2321-5933, p-ISSN: 2321-5925.PP 67-72.
[17]. Sobhesh Kumar Agarwalla, Samir K. Barua, Joshy Jacob And Jayanth R. Varma, Financial Literacy among Working Young in Urban India, World Development, 2015, Vol. 67, pp. 101–109, 0305-750X
[18]. Sumit kumar & Dr. Md. Anees, Financial Literacy & Education: Present Scenario in India, International Journal of Engineering and Management Research, 2013, Volume-3, Issue-6, ISSN No.: 2250-0758 Page Number: 83-87.
[19]. Thaler, R. H., & Benartzi, S.,Save more tomorrow: Using behavioral economics to increase employee saving., Journal of Political Economy, 2003, 112(1), S164-S187.
[20]. Volpe R. P., Chen, H., & Liu, S., An analysis of the importance of personal finance topics and the level of knowledge possessed by working adults., Financial Services Review, 2006, 15(1), 81-99.
[21]. NCFE-Financial Literacy and Inclusion Survey (NCFE-FLIS), Fact Sheet Karnataka, 2014.
[22]. Financial Literacy In India, S&P Survey, 2015.

Vinod Krishna M. U" Effect of Financial Literacy on Personal Financial Planning: a Study of Bengaluru City " International Journal of Business and Management Invention (IJBMI), vol. 08, no. 02, 2019, pp 08-18