CHAPTER - 2

Literature Review

2.1 Prelude

A review of prior literature is an essential feature of any academic research. An effective review lays foundation for advanced research. It facilitates new theory development and uncovers the areas where research is needed (Jane, 2002). The chapter has been divided in two parts. In the First Part, the literature on Financial Literacy and Personal Financial Planning has been discussed and in the Second one, Literature related to components of Personal Financial Planning has been reported.

2.2 Literature Review – Financial Literacy & Overall Personal Financial Planning

The section is divided in three major parts. First part is related to importance of Financial Literacy and Personal Financial Planning, Second Part is related to researches done on the same across the world. Third part is related to research done in India.

2.2.1 Importance of Financial Literacy and Financial Planning

According to Hung A. et. al. (2012), there is a positive impact of financial literacy on financial attitude, behaviour and financial well-being. Financially literate people do better at budgeting, saving money and spending, handling mortgages, participating in other financial markets, do better at retirement planning and successfully accumulate wealth. Higher financial literacy leads to greater financial well-being and less financial concerns. (Taft M, 2013)

Capuano, A., & Ramsay, I. (2011) had done project in Australia on Financial Literacy. According to them Financially Literate consumers can have more savings, they can actively
manage debt, they can be realistic regarding their future goals, they can be more financially confident, can be more active in financial markets, they can choose more carefully financial products that are suitable to their needs, they can plan their finances, budget and know how to be financially efficient. They have also stated that in a way financially literate people benefit financial system and economy too. They can help in achieving the target for Financial Inclusion in the economy. Financially literate people can better understand the Financial policies framed by any government.

Andreas Oehler & Christina Werner (2008) has stated that financial literacy is important in life stages when some important decisions are made, and financial education at this stage may alter the behavior related to Retirement Planning & Saving.

Lusardi A. (2009) in her paper stated that Financial Literacy has positive causal impact on wealth holdings and saving behaviour. From this research, it has been found that financial literacy increases the awareness for importance of savings and planning for retirement.

Nag R. (2007) in his speech delivered at CITI-FT Financial Education summit at Delhi has stated that Financial Literacy allows people to increase and manage their earnings and so they can better manage their life events like education, retirement, loss of job, illness etc.

There are many studies done which establishes link between financial literacy and Positive Financial Behaviour. Borden L. (2008) stated that there is a causal link from financial knowledge to healthy attitudes about money which in turn influences the behaviour.


Gallery N, Newton C.& Palm C (2010) had presented the model on variables which influences Financial Well Being. It is evident from model that Financial Well-Being is dependent on Personal Financial Behaviour which in turn depends upon Financial Literacy.
Zakaria, R. et al (2012) has tried to find factors affecting financial position or financial well-being of the Malaysians. Study was done in Klang Valley region in Malaysia. Data was collected with survey method from Urban Household and then analyzed with help of Structural Equation Modeling. Study revealed that Positive Financial behavior is most dominant factor of having good financial position. Also financial behavior is strongly related to sound financial knowledge or Financial Literacy. From paper, it is evident that Financial well-being of the respondents is related with their financial literacy.

2.2.2 Researches done on Financial Literacy and Financial Planning across the world

Following section discusses studies conducted worldwide to assess financial literacy, financial awareness, attitude towards PFP and Factors influencing the same.

Parrotta, J. L., & Johnson, P. J. (1998) in their study examined impact of financial attitude and financial knowledge on financial management and financial satisfaction. Study was conducted in Canada in which 194 recently married couples were selected. Questionnaire was designed to assess financial attitude, financial knowledge and financial management. Financial Management was assessed using 35 items on five point Likert scale. To identify the satisfaction level 10 items on 5 point Likert scale was used. Descriptive Analysis, Correlation and regression were used to analyze the data. Important findings of the study were financial management is better predicted by financial attitude than financial knowledge. Age didn’t have any significant impact on financial satisfaction. Income had significant impact on financial satisfaction. Financial management was the best predictor for financial satisfaction. In turn, Financial Attitude predicts Financial Management and Financial Management predicts Financial Satisfaction.
Vople, Chen, & Liu (2006) in their paper have tried to identify issues which are important to respondents regarding personal financial planning. Along with it, researchers have also tried to probe the knowledge regarding this aspects which are considered to be important by respondents. Survey took place in US; around 212 companies participated in it. Respondents have given greater importance to retirement planning but the results showed that there is the large gap between importance given to this variable and actual knowledge possessed by them. Similar is the result for Basics of Personal Financial Planning. The Gap which was identified is that in future, more focus can be given to the areas which are considered important but lacking in knowledge. Financial Educational programs can be designed by looking into these aspects.

Stendardi E. et.al (2006) had done literature survey on impact of gender on Personal Financial Planning process. From the study it was concluded that gender has significant impact on PFP process. Researcher also explained steps involved in PFP. These are: gathering data, establishing financial goals and objectives, process and analyze the information, recommend a comprehensive financial plan, Implement the plan and monitor the plan.

Williams A. (2008) has explained the importance of financial planning and literacy in college students. Objective of the study was to identify the common mistakes done by the students when first starting to deal with their financials. Study found that mistakes done by majority of the students who graduate are due to lack of financial knowledge; they delay the repayment of student loans, accumulation of unnecessary debt, high credit card debts and their failure to save. Other objective was to outline the essentials of financial planning for college graduates. Study has thrown light to various concepts like principle of investing, power of compounding, investment avenues like equity, bonds, Mutual Funds, ETFs, Concept of diversification, Retirement planning, and Real Estate. This study serves as a theoretical background for further studies.

Ming Lei, wei- Khong Tan (2009) has examined attitudes of Malaysians towards Financial Planning. The study encompasses money management, insurance planning, investment planning, retirement planning and estate planning. Study showed that people manages money seriously. They spend money carefully and manage them very well. Study also revealed that Chinese scores high on money management as compared to Indians and Malay respondents. Study
revealed that the job status of respondent is the primary factor for influencing the attitudes towards personal financial planning and frequency in managing for various aspect of financial planning. Demographic characteristics such as age, race, gender, marital status, educational level are the secondary factors which influence personal financial planning. Lack of their active participation in personal financial planning indicates that there is a need to create awareness regarding overall personal financial planning.

Ford, M. W., & Kent, D. W. (2009) in their study attempted to find attitudes and awareness of students for financial markets. Their sample consisted of 157 undergraduate business school students. Age group of sample was 20 – 25 years. Their objective was to find intimidation, Interest and awareness of students with respect to financial markets. Study indicates significantly higher mean values for market intimidation and lower mean values of market interest among female participants. Females had exhibited lower level of market awareness, less understanding of current market context and less familiarity of market related terms than their male counter parts. Study indicates that gender has significant impact on attitudes and awareness of students with respect to financial markets.

Fünfgeld, B., & Wang, M. (2009) had conducted a study to analyze impact of demographic variables on financial attitude and behavior. Study was conducted in German speaking part of Switzerland. 1252 respondents were selected with convenience sampling method. Factor analysis was used to analyze the data. Result of the factor analysis showed five dimensions of financial attitude. They are: anxiety, interests in financial issues, decision styles, need for precautionary savings, spending tendency. Apart from these factors, demographic variables such as gender, age and education were found to have significant impact on financial attitude.

Yun Zhang; Li Xiuzhen (2010) gave theoretical base for financial planning which is helpful to the people who lack knowledge regarding the same. The researcher has tried to analyze three major factors for investment planning which are family life cycle, investment principles and risk appetite. Researcher has also analyzed steps and approaches for risk management as a part of Financial Planning. Family life cycle can be divided in stages of forming, growing, mature and aging. Risk appetite normally reduces in later stages and savings for retirement and medical expenses increase. In the section on principles of investment, the researcher has explained that
there is inverse relationship between return of the instruments and risk associated with that. Higher the yield of the instrument more risky it is. Investor will always try to take rational decision by weighing yield and risk associated with it. In the section on principles of risk dispersion, the researcher has explained theory of Markowitz mean variance theory for reducing nonsystematic risk of portfolio, which suggests for the diversification of investments in different stocks to reduce the variance of entire portfolio. Approaches for Risk Management are Risk Avoidance, Risk Control, Risk retention, Risk diversification and Risk transfer. One has to reassess the risk as the changes occur in ones individual or family life cycle. Thus risk management is a dynamic process.

Mohamad R. (2010) found that there are significant differences in financial literacy between Gender and Working Sector. Study was conducted in Malaysia. Researcher stated that there is a significant impact of Gender on frequency of managing Financial Planning, but working sector didn’t have any impact on frequency for managing personal financial planning.

Murphy D & Yetmar S., (2010): Their study is about “Personal financial planning attitudes: a preliminary study of graduate students”. The purpose of this paper is to report the Personal Financial Planning attitudes of MBA students in USA. Participants were asked about the level of their knowledge, their preparation regarding components of financial plan, their confidence in their plan to meet their long term needs, and their likelihood for implementation of such plan. Findings revealed that most of the respondents feel that Financial Planning is important and they are interested to develop the Financial Plan, very few feels that they have necessary skills and knowledge to develop their own financial plan and majority of the students had not prepared their comprehensive financial plan. Study also indicated there is strong need of Financial Planner to manage their financials.

Nga J et.al. (2010) had done study on financial awareness. Study was conducted in Malaysia on 280 respondents. Study aimed to find level of general financial awareness and product awareness among youth of Malaysia. Study revealed that level of education and specialization had a major impact on general financial awareness and product awareness. Study also revealed that Male had higher awareness than females.
Boon T. (2011) in his study has tried to relate financial literacy with financial planning. Study was done in commercial city of Malaysia. Researcher has asked questions related to basic knowledge of financial planning. Study revealed that respondents generally were aware about amount of money they need for retirement purpose, they are also aware that contribution towards EPF is not sufficient to meet the requirement, still they did not engage in any active retirement planning. Study also revealed that respondents are not much aware with various concepts of Estate planning, and as such they did not feel it as important aspect too. Study revealed that individuals who are more financially literate focus more on financial planning. This confirms that financial literacy is a useful indicator of individual’s financial planning decision.

Altintas, K. M. (2011) in his study tried to find variables that significantly affect the financial literacy of the respondents. Study was carried in Turkey on University Students. Independent variable was financial literacy score and dependent variables tested were Age, Rank in class, Gender, Academic Discipline, Family Income, Education level of Father, Education level of Mother and Participants’ discussion with their parents about Financial Matters. Multiple Regression method was used to find out factors affecting Financial Literacy score. The most important variables that affect the financial literacy are Class Rank, Age, Education level of Father and Participants’ discussion with their parents regarding financial Matters and Family Income.

Rajna. A et. al. (2011) had done survey in Malaysia to find financial attitude and practices of Medical practitioners in Public & Private Medical practices. Sample size was 400. Primary data was collected with the help of questionnaire. Financial attitude and practices were measured with five point Liker scale. Major findings of the study are, more than 75% of the doctors have shown positive attitude towards personal finance but only 35% of the doctors practice active money management. Almost 90% of the respondents have shown positive attitude towards Retirement Planning but 60% of these respondent didn’t know that how much money they will require to fund post retirement expenses. Age, gender, marital status, work experience didn’t have any effect on financial attitude of doctors. Only ethnicity has significant impact on the same. Chinese Doctors had shown more positive attitude than Malay & Indian Doctors.
Leora Claper, Annamaria Lusardi (2012) has examined the relation between financial literacy and Financial Crisis. The survey was conducted in Russia. In the survey questions were asked on financial literacy, consumer borrowing and spending behavior. Paper revealed that though consumer borrowings have been increasing, hardly 41% of them knew how interest has been calculated on their borrowings and only 46% people could answer about inflation. Survey found that financial literacy is positively related with participation in Financial Markets and negatively related with the use of informal source of borrowing. Individuals having higher financial literacy are significantly more likely to report higher unspent income at the end of the month, and hence higher spending capacity. Study showed that better financial literacy may equip individuals to deal with macroeconomic shocks.

Pillai, Carlo, & D'souza(2012) have tried to study youth of Asia regarding their financial literacy, their spending behavior and approach towards Personal Financial Planning. Study was carried out in Asia through judgmental and Quota sampling. Study comprised to check four major areas of financial prudence of youth covering financial literacy, spending and saving behavior, credit card usage and borrowing and Financial Planning. Study revealed that respondents had considerable level of financial literacy but they did not have prudent Personal Financial Plan to work for them. This is the gap identified by the study that youth of Asia possess financial literacy but do not take an extra effort to work for their financial future.

Yoong, F.et.al. (2012) had conducted study in Malaysia to assess impact of financial literacy on Retirement well-being. 750 respondents were selected in Klang Valley area of Malaysia. Study found that financial learning had significant impact on financial literacy. Financial literacy has significant contribution in economic well-being. Financial literacy plays a mediating role between financial literacy and financial well-being.

Taft M. et.al. (2013) had done study to find association between financial literacy, financial well-being and financial concerns. Study was conducted in Iran and a sample of 300 respondents were selected with convenience sampling technique. Data was analyzed using t-test, correlation test and regression. Results showed that age and education are positively correlated with financial literacy and financial well-being and higher financial literacy leads to higher financial well-being and lesser financial concerns.
Ali, A., Rahman, M. S., & Bakar, A. (2013) had done research to find factors contributing to level of financial literacy and its relation with financial satisfaction. Study was done in Malaysia. Researcher had hypothesized model on financial literacy. Model postulated that financial literacy of the person can determine financial satisfaction of the person. To measure the financial literacy, five different aspects were assessed. They were: Basic money management, financial planning, investment know how, attitude to money and financial activities. Model hypothesized by researcher is shown in Figure 2.2.

**FIGURE 2.2 - Research Model on Financial Literacy**


Ibrahim, M. E., & Alqaydi, F. R. (2013) in their paper examined financial literacy among individuals residing in UAE, and tried to find association of the same with types of personal debt obtained by them. Forms of personal debt included loans from Bank, money borrowed from friends / relatives and borrowing through credit cards. With the help of convenience sampling method 412 respondents were selected to fill the questionnaire. There were eight variables used in the paper. Personal Debt as an independent variable and Dependent Variables are Financial Literacy, Financial Attitude, Gender, Age, Nationality, Education and Marital Status. Data were analyzed with help of descriptive statistics and t- test. Results indicated that level of financial literacy was low in respondents compared to stated level of literacy in previous literature. Financial Attitude is positive in respondents. Important derivation from study was that there is a
A strong negative correlation between personal financial attitude and borrowing with the help of a credit card.

**Jalil, M. et al (2013)** has explored the critical factors that influence Personal Financial Planning after retirement. Study was conducted in Malaysia in Klang Valley region. Survey method was used to take data from 170 Malaysian citizens. From Exploratory Factor Analysis, Confirmatory Factor Analysis and Structural Equation Modeling, three factors were found which influence PFP after retirement. These are: Income / Salary, Culture and Attitude. Income / Salary have the highest influence on PFP followed by attitude and culture.

**Ramasawmy, D. et al (2013)** has done study in Mauritius on students of Management to assess their level of awareness regarding financial literacy. Primary data was collected with the help of questionnaire. Questionnaire was designed to collect the information related to level and importance of financial literacy, definitions and theories, constrains and measures to improve the financial literacy. Study was also aimed to identify any significance of association between demographic variables and level of awareness. Chi square test of association and factor analyses were used for analysis of the data. Results of Chi square test suggest that Age group has significant association with level of importance attached with Financial literacy, other variables like Gender, Income Level did not have any association with the same. Factor analysis was run to measure perception of respondents with regards to definition of Financial Literacy, sources of Financial Information and financial education. Four factors were extracted with help of Principal Component Analysis. They were Analytical skills, Awareness of financial issues, Ability to make financial decisions, and Awareness of financial risks.

**Arrondel. L et Al. (2014)** has done research on financial literacy and Financial Planning in France. Financial literacy was assessed with the tool developed by Lusardi & Mitchell (2011). Overall financial literacy score obtained was in line with other developed countries of the world. Important finding from the research is respondents with higher financial literacy are more likely to be engaged in preparation of well-defined financial plan for long term.

**Onyango, O. (2014)** had presented research report on Effect of Financial Literacy on Management of Personal Finances. Study was conducted on Commercial Bank Employees of Kenya. Simple random sampling was used to select 100 bank employees of five commercial
banks in Nairobi. Main objectives of the study were: to assess the financial literacy of the respondents and to evaluate influence of financial literacy on management of personal finance. Multiple Regression technique was used to establish relation between financial literacy and financial management. Financial Management score was used as dependent variable. Gender, Age, Level of Education, Saving Plan Index, Investment Plan Index were used as Independent variables in Regression model. Major findings of the study are Age, gender, education level, work experience is positively related with investment plan, saving plan and thus positively related with personal financial management.

Krajnakova E. et. Al. (2014) had done online survey in Lithuania to assess financial literacy of the youth of Lithuania. Respondents of Age group between 18- 30 were selected in the sample. Main objective of the study was to find association of financial literacy with personal financial management. Financial literacy was assessed through online survey and major cities of Lithuania were covered for the same. Personal Financial Management practices of the Lithuanian citizens were studied with the help of Literature survey. With the help of comparative analysis of literature and survey of Lithuanian Population, it was found that influence of financial literacy on personal financial management is very high.

Ciumora T. (2014) has done excessive literature survey to identify factors influencing individual financial decisions. From the literature survey, the researcher divided factors in two parts. Internal Factors affecting financial decisions and External Factors affecting financial decisions. Internal Factors are Financial Education & Literacy, Age or Positioning in a life cycle, Focus on Financial matters, cognitive functioning, Family dynamics, Household structures, Psychological elements, Gender and health. External Factors are National Culture, Religion, Stereotype threats, Income uncertainty, Access to financial advice, Geography, Demographics, Financial system development, and Economic environment.

Mien, N. T., & Thao, T. P. (2015) has done study to investigate Personal Financial Management Behavior. Study was conducted in Vietnam; around 400 respondents of Age group of 18 – 30 were selected for the same. With the help of Exploratory Factor Analysis, Confirmatory Factor Analysis and SEM, they have derived a model that Personal Financial Management Behavior depends upon Financial Knowledge and Financial Attitude and locus of

**Mehmet I. (2015)** in his study has tried to investigate factors which may influence individual investor behavior. Study was conducted in Turkey; data for study were collected through survey methods from 277 bankers. Researcher had used Exploratory and Confirmatory Factor Analysis to identify the factors influencing investor behavior. Study revealed that Factors affecting individual Investment Decision Making behavior are level of Income, Past Investment Experience, Expert and other Investors’ opinion and Financial Stability.

**Kebede, M., & Kuar, J. (2015)** has done literature survey to find association of financial literacy with Personal Finance behavior. Survey suggested that developed and developing both the worlds lack in financial literacy. Study even suggested that low level of financial literacy is related with Gender, Age, employment status, education level, Income and area of residence (Urban or Rural). Study suggested from previous literatures that there is an impact of financial literacy on financial behavior and financial inclusion.

### 2.2.3 Researches done in India

There are many surveys conducted by various agencies to assess the level of financial literacy and planning in India. Some of them are discussed here.

**NCAER (2011)** in association with SEBI has done survey on how households save and invest. 38412 households were chosen from 44 cities and 40 villages. Survey showed that percentage of investors is 20 in urban area and it is as low as 6 percent in rural area, eleven to twenty five percent of households save in post office scheme. Allocation doesn’t even change with relaxation in budget constrain; it stuck to traditional avenues only. People with higher level of education choose pension plans. Only twenty one percent of urban investors invest in secondary markets. Majority of surveyed households (53%) falls in least risk taker capacity. Educational level plays an important role to determine risk appetite of a person. Majority of the respondents while
applying in IPO use only Newspaper as the source of information. For participation in secondary market and mutual funds, investors relies more on advisors and friends.

**Visa’s international financial literacy survey (2012)** found that India stands 23 out of 28 countries on which survey was carried out regarding financial literacy. Survey showed only 35% of respondent in India possessed financial literacy. This survey covered issues like follow up of household budget, emergency fund for financial crisis, time people talk to their children regarding money management issues and extent till they understand basics of money management.

**Life Freedom Index Survey for Women (2012)** revealed that financial freedom of majority of Indian Women is very low and needs improvement. Survey also showed that Indian Urban women scores low on financial awareness regarding future financial events and risks. She scores good on awareness regarding different financial products available. This is the gap between product knowledge and event awareness, which causes misalignment in her financial plans. So products she opt for are not according to their financial needs.

The next section is regarding various empirical studies conducted on status of financial literacy, Personal Financial planning awareness and attitude towards personal financial planning in India.

**Sundarajan S. (1997)** had presented his thesis on Personal Financial Planning and Income Tax Saving devices commonly employed. Major finding of the study were individuals overwhelmingly employed tax shelters to reduce their tax liabilities. Investors preferred LIC vis-à-vis ULIP plans. Investors preferred ELSS and PPF than NSC and Annuity Plans to park their money to save the tax. Interesting fact noticed here that majority of the respondents sought tax shelters late in the financial year, especially in PPF. Hence, they forgo the benefit of tax free interest early in the year.

**Agrwal S. (2010)** had done survey to check financial literacy and financial planning of Indian investors. Study found that majority of the respondents replied correctly for question related to numeracy, inflation and diversification. But there were many variations with different demographic variables. Males tend to know better than the females, educational level also had a
positive relation with financial literacy, and people with more goals are well informed compared with people with less number of goals. As the number of goals increases, there is increase in financial instruments, that means increase in insurance, number of investments and liabilities too. Male tends to take more risk than females. Aggressive growth individual have more insurance policies, which contradicts with previous study which found that insurance are preferred by conservative investors. More aggressive the investor more financially literate he is.

_Seth et al. (2010)_ tried to assess the level of financial literacy among investors of Delhi and NCR. Study revealed that financial literacy of the respondents was different for different investment alternatives. Almost all the respondents were aware about saving bank account, but awareness for other investment alternatives was relatively lower. Life Insurance policies were highly preferred avenue followed by fixed deposits. Study also revealed Age, Income and education level had significant impact on financial literacy.

_Ranjani K. & Chpora A. (2011)_ have done empirical study to find financial awareness of working women of Mumbai City. 225 women were selected from the age group of 21-55 years. Primary data was collected with the help of questionnaire. Questionnaire was designed to collect the data on parameters like financial awareness, perception towards investments, preference for various investment avenues, self-assessment as an investor and perception regarding riskier investments. The findings of the research were: respondents accepted that they don’t have expertise in financial knowledge; they have only basic financial knowledge. Majority of the respondents have assertive attitude towards investing their money. Female Respondents preferred Investment avenues with lower risk & higher liquidity. Majority of the respondents have stated that they have not adequately planned for their retirement.

_Pravin Mahmuni (2011)_ has done study on Personal Financial Planning for IT sector in Pune, India. Objectives of the research were to study interest of investors towards financial planning and to study preference of financial products on magnitude of age. 150 Samples were collected from IT sector in Pune using convenience sampling method. Study finds that awareness of financial products amongst sample is good but investors are not much aware about non-conventional investment avenues. Inclination of people is towards saving rather than investing. One very interesting finding of the researcher is that respondents are confused about tax planning
and financial planning. Main focus of investors is on tax planning and not overall personal financial planning. From study, it is also found that there is positive relation with age and investment in FD and negative relation with age and investment in stock market.

Preeti Kulkarni (2012) has written in Economic Times, based on the survey done by HDFC and Value Notes. According to survey, Young India (age group of 20 – 30) years score low on financial awareness and Planning. There is lack of awareness of financial planning, and also points that their financial planning is not aligned with their financial goals. This is a result of poor awareness about financial events.

Noel Maye – CEO FPSB USA (2012) in his interview cited that financial awareness in India is very low and it leads to poor financial planning. Consumers do not know as to what financial planning is and hence do not value it. So according to him for a normal resident who is not much aware about financial planning needs a financial Planner to plan his financials.

Agarwalla S. et. Al (2013) have done survey in India on 1000 samples to assess their financial literacy, financial attitude and financial behavior. Study had focused on working youth in Urban India. Data was collected from six major cities of India. OECD approach was used to measure the financial knowledge of the respondents. Around 24% of the respondents had scored high financial knowledge, which was lower than OECD study done on 13 countries earlier. Family Income, Gender had significant impact on financial literacy. Around 68% of the respondents possessed positive financial behavior; the particular result was in line with OECD survey. Around half of the respondents have shown positive attitude toward financial management, which was again in line with results obtained in OECD survey. Gender, Family Income and decision making by self has significant impact on the financial attitude.

Jariwala H. (2013) had done her study to assess the financial literacy of the investors of Gujarat State. Sample of 385 investors were collected across Gujarat state with the help of convenience sampling technique. Data were analyzed with the help of descriptive analysis, chi square, logistic regression and factor analysis. Results showed that 56% of the respondents are financially literate and 44% are financially illiterate. Females possess lower financial literacy than males. Study also found that age and income also has significant impact on financial literacy.
Altaf N. (2014) had done study to assess the financial literacy of the students studying in the Central University of Kashmir. Samples size was 100 students of different post graduate courses. Primary data was collected with the help of structured questionnaire designed with balanced five point Likert scale. Financial literacy was assessed in four parts, first part was measurement of perception towards definition and theories, second part was measuring the ability of respondents to manage personal finance, third part was related to measurement of constraints of financial literacy, and fourth part was on measurement of respondents view towards way to improve financial literacy. Mean analysis was used to analyze the data. From the results, it is evident that students don’t have the satisfactory level of financial literacy.

Aggarwal M. & Gupta M. (2014) have tried to find out awareness regarding financial literacy among college students and also tried to find association of demographic variables on financial literacy. Primary data was collected with the help of questionnaire; sample size was 180 students of private and government higher educational institutes of Chandigarh. Students were of the age group of 18 – 25 years. Financial literacy was assessed in three parts: Basic, average and advanced. With the help of descriptive statistics and ANOVA, association of different variables were tested with levels of financial literacy. Result showed that Commerce students’ literacy score was better than non-commerce students. ANOVA indicated that there is a significant difference of gender in case of different level of financial literacy. Males tend to have higher financial literacy than females. From study it is found that Education discipline (commerce, non-commerce) and gender have the significant impact on financial literacy.

Bhushan, P. (2014) in his paper has examined awareness level and investment behavior of salaried employees towards financial products. Study was conducted in Himachal Pradesh and employees from both, Government and non Government organizations were selected in the sample. Sample size was 516 employees. Awareness of different financial products was assessed with five point Likert scale. Based on the mean score, financial products were given rank from 1 to 14. It was found from the results that highest awareness was observed for fixed deposits followed by saving accounts, PPF, NSCs, KVPs, Pension funds, mutual funds, stock market, bonds, debenture, commodity market and forex market. It was evident that respondents were
quite aware about the products having safe returns, while awareness about new age financial products was very low among respondents. In another study researcher had tried to link financial literacy with awareness and preference of investment avenues. Researcher found that respondents with high financial literacy tend to be more aware and prefer risky investment avenues. Respondents with low financial literacy tend to be less aware and prefer traditionally safe investment avenues.

Vasagadekar P. (2014) in her paper tried to find investment awareness among working women. Study was conducted in Pune. Eighty working women of different sectors were selected as sample. Primary data was collected through structured questionnaire and with the help of in depth interviews. Results of the study were: 85% of the respondents were aware about investments. Out of this 85% of the aware investors, only 65% of the investors were ready to park their money in traditional safe products. Only 20% of the respondents were ready to park their money in risky assets. Interesting result was that 90% of the respondents were dependents on their husbands to take up the investment related decisions.

Shingla P. & Shrivstava A. (2014) had done survey in Bihar on working women to analyze knowledge and practice of their personal financial planning. Data were collected from 300 respondents of Patna town with the help of personal interview and mailed questionnaire. Respondents were asked questions pertaining to saving plan, approach towards tax, financial emergency and retirement planning. Interesting findings were: only 31% of females had created their short term or long term financial goals, 61% of the females use their savings to buy durable goods or gold, 26% of the respondents got their saving deposited in fixed deposits and the rest 13% of the respondents invested their savings in stock market or mutual funds. 27% of the respondents were not actively planning for tax benefits mainly because of lack of financial literacy. Only 30% of the respondents had created fund for financial emergency. Only 20% respondents have estimated the retirement corpus required for them. Overall this survey reports very low awareness of personal financial planning among respondents.

Mane S. & Bhandari R. (2014) in their research paper tried to find awareness level of investors for different investment avenues and their preference for the same. A sample of 784
respondents from Pune city were selected with convenience sampling method. Primary data was collected with help of questionnaire. Data was analyzed with help of descriptive analysis, Chi square and correlation tests. Major findings of the study were: respondents of Pune city preferred safe investment avenues like saving bank account and Fixed Deposits. Preference towards risky investment avenues was very low. Women had highly preferred gold as their investment avenue.

Mishra, L. (2015) had done survey on 590 educated middle class respondents to assess the awareness regarding Personal Financial Planning in India. Survey had reported that 93% respondents, irrespective of age, educational background, Income level and family status had stated that they need financial planning. Only 63% of the respondents clearly understood benefits of financial planning. Only 38% of the respondents understood investment planning and 39% of the respondents clearly understood the benefits of retirement planning. Majority of the respondents lack awareness regarding liability planning and estate planning. Interesting revelation was that only 11% respondents reported that there father had written a will, which shows very low awareness regarding estate planning.

Khan K. (2015) had done similar study in city of Kampala, Uganda. Study was done to assess financial awareness of the working women in Kampala and to study the correlation between financial awareness and their investment preferences. Sample was selected with convenience sampling method and 200 working women were selected in the sample. Primary data was collected with the help of structured questionnaire. Study revealed that women of Kampala city are highly aware about Saving Bank Account, Insurance, and Bank Fixed Deposits. Awareness related to stock market is considerably low amongst them. From the correlation test, it was found that there is a strong correlation between financial awareness and investment preference of the respondents.

Kamugundu A. & Rajmohan P. (2016) in their paper reported that existing macro-economic variables, funds available for investments besides all level of financial literacy determine willingness of investors to undertake investments in high risk financial products. So, selecting a financial products depends upon the level of financial literacy which a person has.
2.3 Literature Review Related to various Components of Personal Financial Planning

In this section, Literature review related to different components of Personal Financial Planning i.e. Money Management, Insurance Management, Investment Management, Retirement Planning and Estate Planning has been discussed.

2.3.1 Money Management

Kidwell, B., Brinberg, D., & Turrisi, R. (2003) in their research paper attempted to found out determinants of money management behavior. Study was conducted on 250 students of Northwestern University, USA. Regression Analysis was used to analyze the data. From the results, it was evident that factors which influence money management behavior are: cognitive, affective, past behavior and perceived budgetary control. Attitude, past behavior and perceived ability were positively related with behavior while Affect was negatively related to behavior.

Joji Alex. N, P.T. Raveendran (2007) have done single cross sectional study on credit card holders to find whether there is any compulsive buying behaviour possessed by them , and whether there are any chances of default lead by personality trait of individuals. The study revealed that respondents moderately agree that they are enhanced credit card users but they rarely indicate compulsive buying behaviour, which was a positive sign.

Wang, L. et. al. (2011) had done study on Chinese credit card holders to study consumer credit card behavior in correlation with demographics, attitude, personality and credit card features. Study revealed that credit card features and demographic variables have little explaining power on credit card behavior compared to attitude of card holders and personality variables. Interesting finding was that some features of credit card have easily led to illusion of income, which affected consumer credit card behavior.

Jusoh, Z., & Lin, L. Y. (2012) had tried to analyze Personal Financial Management awareness & attitude regarding credit card practices in Malaysia. Study was conducted on 100 respondents. All the respondents were working adults having at least one credit card. Descriptive statistics, t test and ANOVA were used to analyze the data. Results suggested that Gender, Monthly
income, financial knowledge and financial attitude don’t have any significant impact on credit card practices. Only education level has significant impact on credit card practices.

Rekha Attri (2012) has done survey in Indore to analyze spending and saving behavior of youths in the age group of 14-30 years. In western country, normally this age group is emotionally and financially free while in India, children are dependent on their parents till the age of 24–25. Still it has been observed from the study that youth doesn’t believe much in saving. Rather, they spend more on entertainment, gadgets, eating out and personal grooming. There is huge influence of peer group while taking purchase decision on youth below age of 19 years.

R. Mathivanan and K. Mohanranjani (2013) had tried to analyze the gap between financial literacy and saving behavior of working women in Coimbatore city. Objectives of the study were to determine financial decision making capacity & financial literacy of women, and to analyze gap between financial literacy and actual saving practices. Study revealed that women are shifting their asset allocation from traditional avenues to more risky avenues. With the help of t-test researcher has concluded that there exist a close relationship between financial literacy and saving / investment practices.

2.3.2 Investment Management

Felton James et al. (2003) examined the role of gender and optimism on the risky investment and concluded that males make more riskier investment choices than females.

Verma (2008) has tried to find out impact of demographic variables and personality types for choice of investment avenues. Mix of judgmental and quota sampling were used for the study. Study was conducted in Jaipur and around 500 respondents were interviewed. Results showed that choice of investment is dependent upon demographic variables such as age, gender, occupation, income, education and also personality type like conservative, medium conservative, moderate, medium aggressive and aggressive.

Chatterjee S (2008) has analyzed the survey done by NCAER that Indians are wise savers but poor investors. Article show that people in India do not invest for long term, they plan for long term goals, but they rather save it not invest it, i.e., people in India majorly use traditional
savings instruments like Bank FDs, PPF, and post office saving schemes rather than investing in equities and mutual funds which are considered to be riskier avenues.

**Ajmi Jasim (2008)** investigated the determinants of risk tolerance of individual investors. Study concluded that men with higher level of education, wealth and having less financial commitment are more likely to take risk.

**Manish Sitlani, Geeta Sharma, Bhoomi Sitlani (2010)** found that there exists a direct relation between demographic factors (like age, gender, profession, qualification, marital status of occupants) and investment choice of Investors.

**N. Geetha and M. Ramesh (2010)** have done study on peoples preference regarding their investments. Study was done in Kurumbulur town and 210 respondents were chosen by convenience sampling technique. The objectives of the study were: to study factors influencing investment choice and attitude of respondents towards different investment avenues. Study revealed that respondents prefer insurance, PPF, Post office schemes, Bank F.Ds rather than investing into equities and mutual funds. They are less aware about these instruments. Safety, liquidity, returns are important factors that determine their portfolio allocation.

**Gaur A. et. al.(2011)** had done gender based survey to identify the difference in Investment Decision making process between Males and Females. The data was collected with structured questionnaire from 200 respondents of Hyderabad city. Convenience sampling technique was used to select the sample. Findings of the study were: Males were comparatively more aware then females for Investment Avenues. Female respondents had low confidence level in their investment decisions. So, they had lower financial satisfaction than their male counterparts.

**Das Sanjay (2012)** has examined investment attitude, preference and knowledge about capital market. Study revealed that High income class people invest in capital market and low and middle income class people prefer more of insurance and Banks. Majority of the respondents prefer insurance policies for the reason of tax benefits, life protection and average profitable investment avenue.

**Bashir T. (2013)** had done study on Pakistani Investors to find factors influencing individual investor decision making behavior. Sample size was 125 investors. Study revealed that factors
influencing individual investor’s decision making behavior are Firm’s Image, Accounting Information, Neutral Information, Advocate Recommendations and Personal Financial needs.

**Rani R. (2014)** had done literature survey on factors affecting decisions related to investment in stock market. According to the findings of this research, factors which play major role for investor’s behavior in stock market are: herding, over reaction, cognitive bias, confidence, age, income, education, risk factor, dividends, influence of people, past performance of the company, accounting information, ownership structure and expected corporate earnings.

### 2.3.3 Mutual Funds

**Simran Soni, Dr. Anjum, Ramandeep Saini (2011)** have tried to analyze Mutual Fund investments in relation to investor’s behavior. Investor’s perception and opinion have been studied relating to various issues like, type of Mutual Fund schemes, Main objectives behind investing into Mutual Funds, deficiencies in the services provided by managers, role of financial advisors and brokers, factors affecting investment in mutual funds, and sources of information. Study concluded that main objective behind investing in Mutual Fund is for gaining tax benefits, followed by High Returns. Main feature which attracts investor for investing in a particular scheme is the past performance and the stability of the scheme.

**Rao K. (2011)** in her article “Analysis of Investors’ perception towards Mutual Fund scheme” has tried to explore investors’ awareness & adoption towards mutual fund schemes. Study concluded that there is an effect of age of investor on their awareness and adoption of mutual fund schemes. Other socio economic factors like number of family members, Residence of Investors also influence awareness and adoption of mutual fund schemes.

**N.S. Santhi, K.Balanga Gurunathan (2011)** has tried to analyze investor’s attitude towards tax saving mutual funds. Study finds that participants in tax saving mutual fund is less than other safer investment areas like, insurance, postal deposit schemes, and fixed income schemes. The study also revealed that majority of the investors do not have knowledge regarding schemes of mutual funds and regulating authorities. They are satisfied with overall benefits of tax saving mutual funds.
Dr. Bernadette D’silva, Miss. Roshni Bhuptani (2012) in their article “A study on factor influencing Mutual Fund Investment in India” has revealed the factors which influence investment decision for selection of mutual funds. Investors prefer those schemes of mutual fund which give maximum attention to their needs and requirements. Educational background of investors influences the pattern of investment in mutual fund. There exists a vast difference of purpose of investment in investors with different academic background. Purpose of an investor behind investing in Mutual fund influence the selection of the mutual fund scheme.

A. Venilla, R. Nandhagopal (2012) in their article “Investors’ preference towards Mutual Funds in Coimbatore City” have observed attitude of investors investing in Mutual funds. Study concluded that most of the investors rely on investment consultant to choose the right fund for them. They monitor their investment periodically.

Joshi, J. R. (2013) had tried to find out perception of Investors for their investments in Mutual Funds. Objectives of the study were to find investment preference of the investors and identifying factors motivating investors to invest in Mutual funds. The study was conducted in Anand city of Gujarat, India and 100 investors were selected with the help of convenience sampling method. 34% of the respondents do invest in Mutual funds. While choosing investment avenues, respondents look at higher returns, and tax benefits provided by the products. Respondents preferred open ended mutual funds than close ended one. Factors motivating investors to invest in Mutual funds are portfolio diversification, lower risk, higher liquidity and better return provided by Mutual funds.

2.3.4 Insurance

Sabhya R and Panwala M (2011) have done study on factors affecting buying decision for Life Insurance. The other objective of the study was to find preference for insurance company, i.e., investors preferred LIC or private insurance company. Study found that investors prefer LIC over private insurance company. Age, income, awareness of insurer, type of insurer are most affective factors for buying life insurance in Surat city.

Bava S and Ruchita (2011) have done empirical research on health insurance. Main objectives of the study were to find awareness regarding health insurance policy in Punjab, study has also attempted to find various factors which act as barriers for subscribing health insurance and to
check willingness for subscribing it by non health insurance holders. The Study revealed that there is low level of awareness and willingness to pay for health insurance and that there is significant relationship between age, education, income, occupation of respondents and their willingness to pay for health insurance. Interesting results were drawn from the study, that is, there are mainly seven key factors which act as a barrier for subscription of the same. These factors are: lack of funds to meet costly affairs, lack of awareness, lack of intermediaries outreach and capabilities, lack of reliability and comprehensive coverage, lack of availability and accessibility of service, and narrow policy options.

**Madhukumar S. et.al. (2012)** had done study to identify awareness and adaption of health insurance policy and to identify the factors that works as barrier for subscription of health insurance policy. Village near Bengaluru was selected as sample area. 343 households with systematic random sampling were selected as samples. Results revealed that: one third of the population were aware about health insurance but only 22% had the policy. Not all the family members were covered with health insurance. Almost one third of the respondents in the sample said that they were willing to pay Rs.500 per annum as premium. Study also found that low income, uncertainty of income and low awareness regarding health insurance act as main barriers for non-subscription of the same.

**Yadav B. & Tiwari. A (2012)** in their research paper tried to find factors affecting customers investment towards Life Insurance Policies. Primary data was collected with the help of structured questionnaire. Study was conducted in Jabalpur, sample size was 150 policyholders. Chi- Square and correlation test were used to analyze the data. From the analysis, it is inferred that Age plays major role in buying life insurance. Respondents between Age group of 30 – 40 years are more interested in buying life insurance than respondents of other Age groups. Respondents prefer LIC than any other private insurance company. While selecting company for insurance, respondents look for trusted name, good plans, friendly service and accessibility. While selecting policy, respondents look for company reputation, money back guarantee, risk coverage, low premium and easy access to agents.

**Deb B. (2013)** had done study on consumer’s preference towards Life Insurance Companies. Study was conducted in Guwahati. Main objectives of the study were to assess client’s
perception, purchase behavior and awareness regarding Life Insurance Industry in Guwahati. To identify factors affecting choice of Life Insurance Policy. A sample of 300 respondents were selected with non-random sampling. Findings of the study were, 30% of the respondents did not have any life insurance policy. Factors which motivate respondents to purchase policy is to cover the future risk. 53% of the respondents had preferred LIC over any other life insurance company. Respondents considered low premium and high risk coverage while selecting a particular policy.

2.3.5 Retirement & Estate Planning

Raghani, V. & Singhi N.K. (1970) found that problems faced by retirees is shortage of money, too much free time, widowhood, feeling physically weak, mental tension, feeling of social neglect by family members. Annamria Lusardi, Olivia Mitchell (2005) had reported in their paper regarding financial planning and literacy level of Americans and how these impact their retirement wellbeing. Study found that majority of the respondent had high level of financial illiteracy and that led them to poor retirement planning. Majority of the respondent didn’t even have worked out the amount they might require for retirement planning.

Shyodan Singh & Paramjeet K. Dhillon (2006) have done research to understand adjustments of retirees. Study found that retirees in India and abroad have problems in adjustments to retirement and due to sudden loss of work they suffer from mental depression. But people with constructive attitude prepare and plan for retirement, they involve their self in community, remain physically fit and adjust well to retirement.

Hira & Rock (2009) have established study related to retirement planning behavior and determinants of the behavior. Survey took place in US involving around 911 individuals to check impact of socio demographic variables on ownership of Retirement Account and maximizing contribution towards them. Study found that there is a significant relationship between age, sources of financial information on ownership of Retirement account and that employment, income, saving activity, review of investment performance have significant impact on maximization of retirement contribution.

Petkoska J. & Earl J. (2009) had tried to understand demographic and psychological variables influencing retirement planning. Study was conducted in Australia. A sample of 377 respondents
with age 50 years or more were selected to participate in online survey. Study revealed that out of all demographic factors like age, gender, education level, only age is the predictor of the financial planning. Goals, positive attitude towards retirement are major predictor for the financial planning.

**Noone, J. H. (2010)** had presented thesis on psychological and socioeconomic factors influencing Retirement planning. Study suggested that physical health and psychological health are major predictors for retirement satisfaction. Study also suggested that men tend to have better psychological health than women. Thus, gender is predictive of well-being whereas education, ethnicity, age, job satisfaction are not predictors of well-being.

**Singhal & Jain (2010)** in conference of actuaries have presented a research paper regarding basics of Reverse Mortgage and how it is related to Indian market today. Study also had thrown light on risks associated with offering this product and means to mitigate those risks. According to them, Reverse mortgage is defined as “A reverse mortgage is a loan available to seniors and is used to release the home equity in the property as one lump sum or multiple payments. The homeowner's obligation to repay the loan is deferred until the owner dies, the home is sold, or the owner leaves (e.g., into aged care)”. Borrower has to keep into consideration many points while charging the price, some of them are age of borrower, value of property, expected interest rates etc. Social Security system in India does not have any provision to provide support to retired people. In that case, reverse mortgage is the system which will provide them cash flows till they live. Researchers have also suggested that life insurance players can contribute more towards this product because of their experience of better understanding of mortality/longevity trends, they are also long term players and RM is also long term product.

**Dr. Levy (2011)** did the survey of resident of New York for their attitude and efforts they put forward their entire financial planning. Survey showed that majority of the respondent said they have not contributed money for their retirement. Only few residents were there, who responded that they are better off financially today than previous year. Majority of the respondents replied that their quality of life would be worst than those who are already retired. For majority of the respondents, retirement benefits will come out from Social Security System.
**Gallery N et. Al (2011)** did literature survey on financial literacy & Superannuation Investment choice decision. Study was conducted in Australian context and Superannuation choices available in Australia are linked with financial literacy of the Australians. The researcher had identified series of factors that influence financial literacy and which, in turn, had impact on decision making related to investment choices. The factors which influence financial literacy are demographic factors such as Age, Gender, Educational Attainment, work type & status, household income and socio economic factors such as sources of advice and information. Risk preference of individuals had impact on their investment choices. Researcher also found that respondents who were financially literate, actively sought for the other options available for their superannuation investments, while respondents with low level of financial literacy generally choose default options which are available.

**Pant G. (2013)** had done study to assess the level of awareness and attitude of female faculties towards Retirement Planning. For the study, 50 female faculties of Bansathali University were selected. Study revealed that marital status of the samples was major determinant towards awareness and preparedness of retirement. Married females were more aware & prepared for retirement than unmarried females.
2.4 Research Gap

The current Researches show that Financial Literacy is associated with financial attitude and behaviour which, in turn, is associated with financial well-being and satisfaction. To attain the objective of financial inclusion and strengthening of financial system and financial markets in any country, financial literacy of the investors is quite important. Many researches have been done in developed countries to assess the financial literacy. Majority of the studies are done on graduate or Post Graduate Students. Researches done in past are confined to measurement of financial literacy, where in scales developed by OECD and/or Lusardi & Mitschell had been used. These scales normally assess numeracy skills and knowledge of individuals regarding saving, inflation, diversification related concepts & assess awareness related to investment choices available. But very few studies have been done to assess awareness related to overall Personal Financial Planning. i.e. not only Investment avenues but also awareness related to Money management, Insurance, Tax Planning, Retirement Planning & Estate Planning. From the literature review it is evident that majority of the studies in the area of financial literacy and Personal Financial Planning have been done in western countries, and in countries like Malaysia has contributed a lot in the same field. But in India and particularly in Gujarat, very few comprehensive studies have been done on Personal Financial Planning. This provides the researcher with the opportunity to take up the comprehensive study that will assess the financial literacy and awareness related to personal financial planning, measure the attitude of the investors related to same, and will also find association between financial literacy and awareness amongst Investors of Gujarat.