



# Relationship between Financial Knowledge & Personal financial planning of an Individual: A review

MRS. CHINTAL C. MODH  
Assistant Professor  
SDJ International college vesu  
Affiliated to VNSGU, Surat

## Abstract:

*Having financial knowledge helps individual to make their personal financial planning effective. Personal financial planning gives benefits to achieve an objective of an individual. Every individual wants to make their effective investment by which they want to get maximum return. But at the time of taking investment decision so many factors are affecting. This research paper gives review on financial knowledge of individual and which types of factors affecting an individual at the time of taking personal financial decision.*

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**Keywords:** *Financial knowledge, Personal Financial planning, Return, Risk, financial products*

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## 1. Introduction

### Personal financial planning

Personal financial planning is systematic investment decision taken by individual from their savings. There are different reasons behind it like to achieve good return, purchase property in future, for child education and marriage purpose, going to foreign etc. so, achieving such objective personal financial planning required. Before doing this personal financial planning, financial knowledge required.

### Financial knowledge

Financial knowledge is having idea about different financial assets, financial risk and financial return, term of investment etc. financial knowledge plays important role in financial planning. In market different types of financial assets are available like equity, mutual funds, derivatives, government sec. PPF, banks deposits etc.

## 2. Objectives

1. To review the ability of financial knowledge of an individual.
2. To review on personal financial planning of an individual.
3. To evaluate which factors are affecting of an individual at the time making personal financial decision.

## 3. Category:1 Financial knowledge of an Individual

Jonubi, A., & Abad, S. (2013), Research paper focus on impact of financial literacy of an individual on financial savings. Researcher used structured questionnaire of total 192 malaysian individuals. Researcher concludes that financial knowledge regarding Interest rate, inflation, stock, Mutual fund put positively impact on financial savings of an individual.

Baluja, G. (2016), Review paper highlighted on financial literacy among women in India. Researcher reviewed different research paper regarding to this context. Researcher concluded that financial literacy among women in India is very poor due to different barriers like, lack of literacy, cultural barriers, psychological barrier etc. researcher also conclude that more financial literacy program seminars should be conducted on specially for women helps to increase financial literacy among women in India.

Garg, N., & Singh, S. (2018) Research paper focus on financial literacy among the youth among the world. Researcher reviewed different research paper regarding to financial knowledge among the youth and divided in to seven key sections. Researcher concludes that financial knowledge of Youth is very low. Researcher also concluded that so many socio-economy factors, demographic factors are going to affected the knowledge of financial planning.

#### **4. Category 2 Relationship between financial knowledge and personal financial planning**

Baker, H. K., Kumar, S., Goyal, N., & Gaur, V. (2019), research highlighted on how financial literacy and demographic factor affecting personal financial planning of an individual by using primary survey with the help of structured questionnaire of 500 respondents of India. Researcher concluded that in behavioral biases are affecting on personal financial decision of an individual. Researcher also conclude that every time rational investment decision could not take place so some time even after having financial literacy due to overconfidence and market information also play a very important role in investment decision.

Gunardi, A., Ridwan, M., & Sudarjah, G. M. (2017), Research paper focus on financial literacy and how it will grow to personal financial planning of an individual. Researcher used primary survey by using structured questionnaire of 97 student's management students. Researcher conclude that financial literacy affects financial; planning but with this different demographic variable like age, income, financial status, gender also play a vital role in personal financial planning.

Gurbaxani, A., & Gupte, R. (2021). Research paper focus on investors behavior on personal financial planning after coving-19 of small town of Madhya Pradesh specially on service sector and business person. Researcher used structured questionnaire for the survey, researcher found that there is direct relationship between covid-19 pandemic situation and investors investment behavior. Researcher concludes that investors saving in SIP reduced around 43% of all the types of investors.

#### **5. Conclusion**

As reviewed different research paper on financial knowledge and how it is related with personal financial planning of individual it should be found that Jonubi, A., & Abad, S. (2013) according this research financial literacy put positive impact on financial planning on personal financial planning, Singh, S. (2018), according to this the level of financial literacy among the youth is very poor among the world. Baluja, G. (2016), similarly women financial literacy in India is also very poor.

Every time not only financial knowledge affects personal financial planning of an individual but there are other factors are also affecting the personal financial planning decision of an individual i.e. behavioral biases like overconfidence, risk tolerance capacity, hearing etc are also playing vital role in personal financial planning of an individual. Even though in current pandemic situation also play vital role in change in personal financial planning.

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