

Personal Financial Planning and Financial Wellbeing: A Study on School Teachers in Jorhat District, Assam

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A b s t r a c t

Today we live in a world which is best described by the VUCA (Vulnerability, Uncertainty, Complexity and Ambiguity) factor. In such a world, with a growing level of uncertainty, personal financial planning is of paramount importance. A comprehensive financial plan encompassing all the crucial aspects of personal finance: savings, insurance, investment, retirement, taxation and estate, would not only prepare one for 'rainy days' but also ensure fulfilment of various short and long term financial goals. Moreover, at present times, with the onset of the novel coronavirus, people around the globe have faced economic insecurity and liquidity crunch. In order to survive such difficult times, personal financial planning is not only a good proposition but has become a basic requirement. The paper attempts to highlight the level of financial planning and financial wellbeing, along with the reasons and challenges faced by respondents while planning. In addition to this, the researcher attempts to determine the association between financial planning and financial wellbeing.

Keywords: VUCA, financial planning, economic insecurity, financial wellbeing etc.

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1. INTRODUCTION

The socio-economic structure of the country witnessed significant changes over the years. From shifting of people to a nuclear family setup from a traditional joint family structure (thereby putting a cap on their income sources), ever-rising price levels owing to inflationary forces (limiting purchasing power), and a longer span of lives owing to modern-day health care facilities, are some of the changes which have called for a comprehensive financial plan. Moreover, modern times are best characterised by the VUCA (Vulnerability, Uncertainty, Complexity and Ambiguity) factor. At such times, a lack of financial planning is not a good proposition for one's financial stability and financial resilience. To make things worse, with the outbreak of the novel coronavirus, in addition to businesses facing irrevocable losses, individuals around the globe have faced economic insecurity, arising from their job losses or from massive pay cuts. Personal financial planning would not only provide a cushion for these unforeseeable events but also assist one in achieving other short and long term financial targets. Personal financial planning is the process of designing and implementing a comprehensive strategy to meet one's financial objectives. It is a goal-oriented process that entails a thorough examination of a person's current financial situation and the development of necessary strategies to fulfil short- and long-term financial goals.

2. LITERATURE REVIEW:

Altstet L. (2004), in his study, describes personal financial planning as a method that enables households to take care of their financial needs in the most efficient manner. He also describes it as an umbrella term that incorporates all the elements, retirement planning, tax planning, cash flow management, investment planning, credit planning and estate planning, that reflect the financial interest of a household. **Colaco G. and Rao D. (2016)**, in their study, highlight personal financial planning as an all-inclusive plan, conceptualized and implemented by an individual to fulfil his/her financial needs. The plan covers areas such as money management, insurance, investment, estate, retirement and credit planning. **Prawitz, A. et al. (2006)** measured financial well-being on a subjective basis, which included

eight components: current level of financial stress, financial condition, households' ability to bear their monthly expenditure and for future emergencies and trimming on entertainment and other activities owing to financial concerns. **Consumer Financial Protection Bureau (CFPB, 2015)** measured financial well-being on four important dimensions: financial control, financial freedom in making life choices, financial resilience and staying on track to meet one's financial targets. People who are well equipped and competent at money management are more likely to exhibit a higher level of economic wellness (**Sabri, M. and Leila, F. (2013)**). Personal financial planning is a holistic way of looking at managing one's finances in an attempt to achieve financial satisfaction and witness lower levels of financial stress. Desirable financial behaviours such as developing or having a financial plan to attain one's financial targets have a positive influence on the financial well-being of the individuals (**Mahdzan, N. et al. (2019)**). Previous literature strongly advocates for the significant positive influence of financial planning on individuals' financial wellbeing. Financial planning, as a component of responsible financial behaviour, has a strong positive influence on the financial well-being of individuals (**Sehrawat, K. et al. (2021)**). **Adam, A.M. et al. (2017)** in their study shed light on the significant positive effect of financial planning on the financial wellbeing of retirees. Moreover, **Xiao, J.J. and O' Neill, B. (2018)** in their study highlighted the propensity to plan to have a significant positive impact on the financial satisfaction of the individuals. Financial satisfaction was taken as a measure of financial well-being in their study.

3. SIGNIFICANCE OF THE STUDY

The significance of personal financial planning lies in one's paramount importance in achieving financial independence and economic wellbeing. Over the years, the socio-economic structure of society has seen some significant changes, which has enhanced the need for a holistic financial plan to achieve one's financial goals. Moreover, planning one's finances plays a crucial role in ensuring financial security and stability, especially at present times of uncertainty.

4. OBJECTIVES OF THE STUDY

The following are the objectives set for the study:

1. To determine the level of personal financial planning and financial wellbeing among the respondents.
2. To shed light on the reasons behind personal financial planning and challenges faced by them in planning their finances.
3. To shed light on the relationship between the personal financial planning of the respondents and their subjective financial wellbeing.

5. HYPOTHESIS

Ho: Financial wellbeing is not statistically significantly different across the levels of personal financial planning.

6. RESEARCH METHODOLOGY

The study is based on primary data and a well-structured questionnaire has been administered for the same. The nature of the study is descriptive as well as analytical. The target population is government school teachers residing in Jorhat District. In the district, there are 1,690 government schools, having a total of 6275 teachers as per data gathered from the Office of the Inspector of Schools database, Jorhat in the year 2019. Using a Krejcie and Morgan Table, for the finite population of 6275 teachers, the sample size comes to be 364. Considering a response rate of 80 per cent, the proposed sample size would be 455. However, only 400 respondents' responses were found to be complete and useful for the study. In an attempt to make the sample more representative in nature, respondents were selected from five educational blocks (Central Jorhat, East Jorhat, Jorhat, North West Jorhat and Titabor) of Jorhat District, Assam, under AxomSarbaSiksha Abhiyan. The sample size of 400 teachers was selected from each of the five blocks on a proportionate basis. The selection of schools was, however, made on a random basis. For categorization of respondents into different levels of financial planning and financial wellbeing, the percentile is used (Below 33rd percentile- low, above 33rd to below 66th percentile- medium and above 66th percentile- high). Personal financial scores were calculated based on their response to various aspects of planning selected for the study: savings and expenditure, insurance, investment, retirement, taxation, estate planning and their strict adherence to planning and reviewing and revising it in the

light of changes in one's personal life. Responses were collected on a five-point Likert scale. In respect of financial well-being, it was based on their responses to ten questions administered to them, which intended to capture their level of economic wellness. Based on these responses, collected on Five-point Likert Scale, categorization of respondents (Below 33rd percentile- low, above 33rd to below 66th percentile- medium and above 66th percentile- high) was done with the help of percentile. Kruskal-Wallis H test is conducted to determine whether a statistically significant difference in planning existed among the three levels of financial well-being and Spearman Rho would throw light on the correlation between the two ordinal variables: personal financial planning and financial wellbeing. Henry Garrett's ranking method has been applied to provide ranking to the reasons for planning.

7. ANALYSIS OF DATA

Out of 400 respondents selected for the study, 35 per cent fall into the low level of financial planning category, followed by about 37 per cent in the moderate level of financial planning and about 28 per cent in the high level of financial planning cohort (table 1). This categorization is done with the help of percentile, on the basis of their responses to various aspects of planning as mentioned in section 6 (research methodology) of the paper.

7.1 Level of personal financial planning

Table 1: Categorization of respondents on the basis of the level of personal financial planning

	Frequency	Per cent
Low	140	35.0
Medium	147	36.8
High	113	28.3
total	400	100.0

Source: computed data

The primary data highlighted that the selected respondents showed planning in three dimensions of personal finance: saving (92 per cent), insurance (54 per cent) and investment (52 per cent). But in case other important dimensions of personal finance: debt (36 per cent), retirement (35 per cent), tax (29 per cent) and estate planning (16 per cent), the

planning is low as less than 50 per cent of the total respondents agreed to have planned in these aspects. Moreover, in case of strict adherence to the developed plans and reviewing and revising it in the light of the changes in one's personal life, the percentage is merely 19 per cent and 34 per cent respectively. This highlights the lack of holistic financial planning among the respondents.

Table 2: Percentage response to select aspects of personal financial planning

Aspects	Savings and expenditure	Insurance	Investment	Debt	Retirement	Estate	Tax	Strict adherence to plans	Review and revise
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
	92	54	52	36	35	16	29	19	34

Source: primary study

7.2 Reasons for personal financial planning:

The responses were collected to determine the reasons behind the personal financial planning of the respondents. Garrett's ranking method has been applied to provide ranking to the reasons for planning. Based on the aforesaid ranking method, financial preparedness for future uncertainties (Rank 1) was found to be the most probable reason behind the personal financial planning of the respondents. Followed by becoming financially self-reliant (rank 2), building wealth (rank 3), having a stress free post-retirement (rank 4), better management of income (rank 5), safeguarding the future needs of the dependents (rank 6), for achieving financial discipline (rank 7) and for gaining financial understanding and confidence in financial affairs (rank 8).

HENRY GARRETT'S RANKING METHOD:

Table 3: Ranking of statements

STATEMENTS	Average Score (Garrett Score/ total No. of respondents)	Ranks
1. For better management of income.	46.925	5
2. For achieving financial discipline by keeping spending on track.	32.845	7
3. For gaining financial understanding and confidence in financial matters.	29.625	8
4. To become financially self-sufficient.	66.655	2
5. To be prepared for future uncertainties.	75.0575	1
6. Building wealth.	54.18	3
7. To have a stress-free post-retirement life.	51.1	4
8. To safeguard the future needs of the dependents.	44.7625	6

Source: primary study

7.3 Challenges to personal financial planning

Based on primary data collected (Table 4), about 90 per cent of the respondents found personal financial planning a challenging task. 86 per cent of the respondents agreed to uncertainty with regard to the future is the primary challenge in financial planning. In addition to this, a feeling of fear and anxiety is also found to be acting as a hindrance in their planning, a significant percentage i.e. 80 per cent, agreed to the same. Other reasons stated by respondents as obstacles in their financial planning are low level of awareness

in the financial planning domain (77 per cent), indecisiveness concerning where to start (75 per cent) and finding it unappealing and monotonous (40 per cent).

Table 4: Responses to challenges faced in personal financial planning

SL.NO	CHALLENGES	% AGREED
1	Low level of awareness	77
2	Unappealing and monotonous	40
3	Not sure where to start	75
4	Future is too uncertain	86
5	Feeling of fear and anxiety	80
6	Not a challenge	10

Source: primary study

8. FINANCIAL WELLBEING

Out of 400 respondents selected for the study, about 35 per cent fall into the low level of financial well-being category, followed by about 31 per cent in the moderate level of financial well-being and about 34 per cent in the high level of financial well-being cohort (table 5). This categorization is done with the help of percentile, on the basis of their responses to the statements administered to measure the subjective financial wellbeing of the respondents as mentioned in section 6 (research methodology) of the paper.

Table 5: level of financial wellbeing

Levels of financial wellbeing	Frequency	Percent
low	142	35.5
medium	123	30.8
high	135	33.8
Total	400	100.0

Source: primary study

9. ASSOCIATION BETWEEN PERSONAL FINANCIAL PLANNING AND FINANCIAL WELLBEING

In order to determine the relationship between the personal financial planning of the respondents and their level of financial wellbeing, the Kruskal-Wallis H

test and Spearman Rho are computed. Kruskal-Wallis H test is applied to shed light on whether a statistically significant difference in financial wellbeing existed among the three levels of financial planning and Spearman Rho would throw light on the correlation between the two ordinal variables: personal financial planning and financial wellbeing. Tables (7) indicate that there is a statistically significant difference in the level of financial wellbeing among the three categories of financial planning (chi-square value H (2) equal to 140.165 and p-value = 0.00, with a mean rank of 117.68, 221.67 and 275.58 for low, medium and high financial planning category).

Table 6: Kruskal Wallis H test (Mean ranks)

	Financial planning	N	Mean Rank
Financial Wellbeing	low	140	117.68
	medium	147	221.67
	high	113	275.58
	Total	400	

Source: Computed by author

Table 7: Kruskal Wallis H test (significance test)

Test Statistics ^{a,b}	
	Financial Wellbeing
Chi-Square	140.165
df	2
Asymp. Sig.	.000
a. Kruskal Wallis Test	
b. Grouping Variable: Financial planning	

Source: computed by author

The cross table (8) highlights that about 65 per cent of the respondents with a higher level of personal financial planning fall in the higher level of financial wellbeing, while only about 36 per cent of the respondents could be grouped into 'moderate' level of planning category and merely about 6 per cent of the respondents falling in the 'low level' of financial planning cohort could be grouped into 'high' financial wellbeing cohort. Similarly, a lower percentage of respondents in the high financial planning category fall in the low financial wellbeing category as compared to the other respective categories.

Table 8: Cross-tabulation between financial planning and financial wellbeing

Cross tabulation						
			Financial Wellbeing Category			Total
			LOW	MEDIUM	HIGH	
FINANCIAL PLANNING CATEGORY	LOW	Count	99	33	8	140
		% within FINANCIAL PLANNING CATEGORY	70.7%	23.6%	5.7%	100.0%
	MEDIUM	Count	32	62	53	147
		% within FINANCIAL PLANNING CATEGORY	21.8%	42.2%	36.1%	100.0%
	HIGH	Count	11	28	74	113
		% within FINANCIAL PLANNING CATEGORY	9.7%	24.8%	65.5%	100.0%
Total		Count	142	123	135	400
		% within FINANCIAL PLANNING CATEGORY	35.5%	30.8%	33.8%	100.0%

Source: Computed by author

The spearman's Rho as computed to determine the correlation between the two variables (financial planning and financial wellbeing) is 0.585. This indicates a moderate level of positive correlation existing between the variables.

Table 9: Correlation between financial wellbeing and financial planning

Correlations				
			Financial wellbeing	Personal Financial planning
Spearman's rho	Financial wellbeing	Correlation Coefficient	1.000	.585**
		Sig. (2-tailed)	.	.000
		N	400	400
	Personal Financial planning	Correlation Coefficient	.585**	1.000
		Sig. (2-tailed)	.000	.
		N	400	400
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: author's computation

9. CONCLUSION

The study attempted to shed light on the level of financial wellbeing and financial planning among the selected respondents and also to determine the association between the two. Moreover, the researcher also attempted to bring to light the reasons for individuals' inclination towards planning and the various challenges faced by them while planning on different aspects of personal finance. The findings of the study showed a moderate level of financial planning among the selected school teachers, while in the case of financial wellbeing, the level of subjective financial well-being was found to be low. A significant positive relationship was found between the financial planning of the respondents and their level of financial wellbeing. Based on the Henry Garrett's ranking method, financial preparedness for future uncertainties was found to be the most

probable reason behind personal financial planning of the respondents, followed by becoming financially self-reliant, building wealth, having a stress free post-retirement, better management of income, safeguarding future need of the dependents, for achieving financial discipline and for gaining financial understanding and confidence in financial affairs. In the aspect of challenges faced in planning, the majority of the respondents agreed to uncertainty with regard to the future as the primary challenge in financial planning. In addition to this, a feeling of fear and anxiety is also found to be acting as a hindrance in their planning. Other reasons stated by respondents as obstacles in their financial planning are low level of awareness in the financial planning domain, indecisiveness with respect to where to start and finding it unappealing and monotonous.

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