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Financial Literacy and Personal Financial Planning: Evidence from University Students and Working Professionals in Rajkot, Gujarat

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ABSTRACT

Financial literacy — the capacity to understand and apply financial skills such as budgeting, saving, investing, and risk management — has emerged as one of the most critical determinants of personal economic well-being in the twenty-first century. Despite universal formal education, a persistent and troubling gap exists between financial knowledge and its practical application in everyday financial planning. This study investigates the impact of financial literacy on personal financial planning among 54 university students and working professionals in an emerging market context (Rajkot, Gujarat, India). Using a structured 50-item questionnaire, primary data were collected and analysed through percentage analysis, Pearson correlation, and multiple linear regression. The results reveal a statistically significant positive effect of financial literacy on financial planning behaviour (R^2 = 0.333, β = 0.44, $p < 0.001$) and financial confidence (R^2 = 0.464, β = 0.46, $p < 0.001$). Furthermore, four behavioural finance biases — herding, overconfidence, status quo bias, and present bias — were identified as mediating the literacy–planning relationship. The study concludes that financial literacy is necessary but not sufficient: behavioural interventions, curriculum integration, and fintech-enabled nudges are required to bridge the knowledge–action gap. Policy implications for educational institutions, financial regulators, and advisors are discussed.

Keywords: Financial Literacy, Personal Financial Planning, Behavioural Finance, Multiple Regression, Investment Behaviour, Financial Well-Being, Emerging Markets.

1. Introduction

1.1 Background and Context

The twenty-first century has ushered in an era of financial complexity that outpaces the financial education received by most individuals. Global financial systems have expanded to include thousands of instruments — from mutual funds and exchange-traded funds to digital assets and robo-advisory platforms — yet the average individual's capacity to navigate these choices has not kept pace. Financial literacy, broadly defined as the ability to understand and effectively apply financial skills including budgeting, saving, investing, borrowing, and managing risk, has consequently become a foundational competency for socio-economic survival and prosperity.

In India, the challenge is particularly acute. Despite rapid economic growth, urbanisation, and near-universal formal education in many metropolitan and Tier-2 cities, studies consistently demonstrate that financial decision-making quality remains low across demographic segments. The Reserve Bank of India's financial inclusion initiatives, the Securities and Exchange Board of India's investor education campaigns, and the Insurance Regulatory and Development Authority's awareness programmes collectively acknowledge that awareness of financial products does not automatically translate into their effective utilisation. This disconnect between awareness and action is precisely what makes financial literacy research in the Indian context both timely and essential.

The present study is situated in a Tier-2 urban centre representative of millions of educated Indians navigating the transition from academic environments to professional financial responsibilities. The respondents — a blend of university students and working professionals — represent a population that is literate, digitally connected, and motivated, yet empirically shown in this study to struggle with fundamental financial planning practices. This makes the population an ideal lens through which to examine the knowledge–action gap in personal finance.

1.2 The Problem Statement

The central problem motivating this research can be stated as follows: despite universal formal education, a large segment of the educated population in emerging markets fails to engage in systematic personal financial planning, resulting in inadequate savings, suboptimal investment decisions, insufficient risk coverage, and long-term financial fragility.

This problem is not merely one of information access. In an age where financial information is freely available through smartphones, social media, and the internet, the barrier is not knowledge itself but the translation of knowledge into consistent, goal-oriented financial behaviour. Existing literature — while extensive on the positive correlation between

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financial literacy and financial outcomes — has paid insufficient attention to the behavioural mechanisms that prevent financially aware individuals from acting on their knowledge. This study addresses that gap directly.
Specifically, this research identifies three interconnected dimensions of the problem:

- Knowledge Gap: Even educated respondents demonstrate moderate-to-basic understanding of critical financial concepts such as interest calculation, insurance, and inflation.
- Behavioural Gap: Respondents who possess moderate knowledge fail to convert it into consistent planning behaviours due to cognitive biases.
- Trust and Access Gap: Individuals who are willing to seek professional guidance are deterred by low trust in advisors and the high complexity of available financial products.

1.3 Significance of the Study

This study makes four distinct contributions to the existing body of knowledge on financial literacy in India:
Empirical Contribution: It provides primary quantitative evidence from a Tier-2 Indian city, a segment of the population largely underrepresented in financial literacy research, which has historically concentrated on metropolitan centres.
Methodological Contribution: The study employs multiple linear regression analysis — a technique rarely applied in student-level financial literacy research in India — to isolate the independent contribution of financial literacy from confounding demographic variables.
Theoretical Contribution: By integrating Behavioural Finance Theory (Kahneman & Tversky, 1979; Thaler, 1980) with traditional financial literacy frameworks, the study provides a more complete explanation of why the literacy–planning gap persists.
Policy Contribution: The findings generate specific, evidence-based recommendations for universities, financial institutions, and regulators aimed at converting financial awareness into measurable planning behaviour.

1.4 Research Gap

A review of the existing literature reveals that while the positive impact of financial literacy on financial outcomes is well-established globally (Lusardi & Mitchell, 2014; OECD, 2016; Hilgert et al., 2003), several important gaps remain unaddressed. First, most studies measure financial literacy as a single-dimensional construct, neglecting the multidimensional nature articulated by Atkinson and Messy (2012). Second, regression-based causal analysis is rarely applied to student and young professional samples in Tier-2 Indian cities. Third, the role of specific behavioural biases — particularly herding, status quo bias, and present bias — in moderating the literacy–planning relationship has received limited empirical attention in the Indian context. Fourth, recent technological developments have introduced new dimensions of digital financial literacy that existing studies have not fully integrated.
This study directly addresses these gaps by (a) constructing composite scores for financial literacy, financial planning, and financial confidence; (b) applying multiple regression analysis to test causal hypotheses; (c) identifying four behavioural biases from the primary data; and (d) incorporating digital financial literacy as a dimension of the broader literacy–planning framework.

2. Review of Literature

2.1 Conceptualising Financial Literacy

Financial literacy refers to the ability of individuals to understand and effectively use financial knowledge in managing personal finances, making informed decisions, and achieving long-term financial well-being. It encompasses financial knowledge, attitudes, and behaviours that enable individuals to plan, save, invest, and manage financial risks. In recent years, financial literacy has emerged as a significant determinant of financial planning behaviour and financial well-being.
Lusardi and Mitchell (2014) emphasised that financial literacy is essential for effective financial decision-making and retirement planning, revealing that even in developed economies, literacy levels remain low, leading to inadequate savings and retirement preparedness. The OECD (2016) similarly reported that financially literate individuals are more likely to save regularly, avoid excessive debt, and make rational investment decisions.
Atkinson and Messy (2012) developed a comprehensive three-dimensional framework for measuring financial literacy: financial knowledge, financial attitude, and financial behaviour. This framework has been widely adopted and forms the conceptual foundation for the variable construction in the present study. Remund (2010) further argued that financial literacy must include both understanding and practical application of financial concepts.

2.2 Financial Literacy and Financial Planning Behaviour

A substantial body of research establishes the positive relationship between financial literacy and financial planning behaviour. Hilgert, Hogarth, and Beverly (2003) found a strong link between financial knowledge and practices such as budgeting, saving, and credit management. Lusardi and Mitchell (2006, 2011) established that individuals with low

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financial literacy are less likely to engage in retirement planning and long-term savings behaviour.

Xiao and Yao (2022) observed that financial literacy significantly influences budgeting, saving, and investment decisions. Zulaihati, Susanti, and Widyastuti (2020) confirmed these findings among educators, while Xu and Zia (2012) demonstrated better household financial management and portfolio decision-making among financially literate individuals. Tan et al. (2011) and Ali et al. (2014) concluded that financial literacy enhances rational financial decision-making and reduces financial stress.

In the Indian context, Bhushan and Medury (2013) found that financial literacy positively affects investment awareness and financial decision-making among salaried individuals. Agarwalla, Barua, Jacob, and Varma (2015) reported that financially literate urban Indians are more likely to engage in financial planning and diversified investment.

2.3 Financial Literacy and Financial Well-Being

Lone and Bhat (2022) found that financial literacy improves financial well-being through enhanced financial self-efficacy. Ullah and Iqbal (2025) identified financial attitude as a mediating factor between financial literacy and financial well-being. Bunyamin and Wahab (2022) highlighted that financial literacy contributes significantly to savings behaviour, retirement planning, investment decisions, and overall financial well-being.

Rehman and Mia (2024) identified socio-economic, demographic, psychological, and technological factors as important determinants of financial literacy, emphasising its multidimensional nature. Yeo, Lim, and Yii (2024) explained that financial planning behaviour is strongly associated with financial resilience and long-term economic stability. Kaiser and Lusardi (2024) emphasised that financial education programmes positively affect financial behaviour when designed effectively.

2.4 Behavioural Finance and Financial Decision-Making

Traditional financial literacy research assumes a rational actor model, wherein greater knowledge leads directly to better decisions. Behavioural finance challenges this assumption by documenting systematic cognitive biases that distort decision-making even among knowledgeable individuals. Kahneman and Tversky's (1979) Prospect Theory established that individuals evaluate outcomes relative to a reference point and are disproportionately sensitive to losses relative to equivalent gains.

Thaler (1980) introduced the concept of mental accounting, demonstrating that individuals categorise and treat money differently based on its source and intended use, often leading to suboptimal allocation decisions. Shefrin and Statman (1985) documented the disposition effect. Thaler and Sunstein (2008) advanced behavioural insights through Nudge Theory, arguing that choice architecture can systematically improve financial decisions without restricting freedom of choice.

Ocansey and Manu (2025) conducted a systematic literature review concluding that financial literacy strongly influences personal financial management behaviour across demographic groups but that behavioural biases moderate this relationship. Ansari, Koçyiğit, and Karabulut (2022) confirmed the growing scholarly interest in financial literacy and its interaction with behavioural factors in investment and planning decisions.

2.5 Digital Financial Literacy and Technology

Recent studies have highlighted the emerging role of technology in reshaping financial literacy. Du, Amor, Ma, and Wünsche (2025) emphasised that visualisation tools improve understanding of financial concepts and support effective financial decision-making. Aristei and Gallo (2025) found that digital financial literacy and confidence significantly influence the adoption of robo-advisory services and technology-based financial planning.

Bandura's (1997) Social Cognitive Theory suggests that financial self-efficacy — the belief in one's ability to perform specific financial tasks — mediates the relationship between financial knowledge and behaviour. This theoretical insight is operationalised in the present study through the Financial Confidence Score.

2.6 Summary and Research Gap

The literature confirms that financial literacy significantly influences financial planning behaviour, investment decisions, financial well-being, and economic stability. However, researchers increasingly argue that financial literacy alone is insufficient: behavioural biases, technological changes, and socio-economic constraints also affect financial outcomes (Fernandes et al., 2014; Gathergood, 2012). Integrated approaches combining financial education, behavioural interventions, and policy support are necessary to improve financial capability.

3. Research Methodology

3.1 Research Design

The study adopts a descriptive and analytical research design. It is descriptive in that it systematically documents the levels of financial literacy and financial planning behaviour among the selected sample. It is analytical in that it employs statistical techniques — including correlation and multiple regression — to examine causal relationships between variables. This dual-design approach enables the study to both describe the current state of financial literacy and

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explain its impact on financial planning outcomes.

3.2 Sources of Data

Primary data were collected through a structured, self-administered questionnaire comprising 50 items. The questionnaire was designed to capture three domains: (a) financial literacy (knowledge of budgeting, interest, investment, inflation, banking, loans, insurance, risk-return, and product comparison); (b) financial planning behaviour (goal-setting, debt management, investment habits, budgeting practices, savings patterns, and emergency preparedness); and (c) financial attitudes and confidence (perceived financial security, confidence in money management, trust in advisors, and openness to financial guidance).

3.3 Sample Size and Sampling Technique

The study comprises responses from 54 respondents drawn from university students and working professionals. Convenience sampling was employed, as the study aims to provide a diagnostic assessment of financial literacy within an accessible, educated, and relatively homogeneous population. The sample composition — 40.7% students, 44.4% employed, and 14.8% self-employed — provides a meaningful cross-section of early-career financial decision-makers.

3.4 Area of Study

The study is conducted within Rajkot, Gujarat — a Tier-2 industrial and commercial city with a growing population of educated young professionals and university students. The urban Indian context is particularly relevant to financial literacy research, as Tier-2 cities represent the demographic at the frontier of India's expanding middle class, where financial product adoption is growing rapidly but financial guidance infrastructure remains underdeveloped.

3.5 Statistical Tools Employed

The following statistical methods were applied in this study: (1) Percentage Analysis and Frequency Distribution — used to describe the distribution of responses and profile demographic characteristics; (2) Pearson Correlation Analysis — applied to examine bivariate relationships between key composite variables; (3) Multiple Linear Regression Analysis — three separate regression models were estimated to examine simultaneous effects of financial literacy and demographic variables; (4) Independent Samples t-Test — used to compare Financial Literacy Scores between self-directed and family/friend-influenced decision-makers; and (5) Behavioural Bias Identification through proxy indicators.

3.6 Variable Construction

To enable quantitative analysis of ordinal Likert-scale data, composite scores were constructed as shown in Table 3.1.

Composite Variable	Construction	Scale
Financial Literacy Score (FL Score)	Mean of 10 knowledge items (budgeting, interest, investment options, inflation, saving vs. investment, banking, loans, insurance, risk-return, product comparison)	1–5 (No Knowledge to Excellent)
Financial Planning Score (FP Score)	Mean of 5 behaviour items (goal planning, debt avoidance, option comparison, regular investment, plan review)	1–5 (Strongly Disagree to Strongly Agree)
Financial Confidence Score (Conf Score)	Mean of 5 attitude items (money management confidence, literacy-decision link, financial security, retirement planning, emergency fund keeping)	1–5 (Strongly Disagree to Strongly Agree)
Savings Rate	Ordinal encoding: 1 = 0–10%, 2 = 11–20%, 3 = 21–30%, 4 = Above 30%	1–4 (Ordinal)

Table 3.1: Composite Variable Construction

4. Objectives of the Study

The present study pursues the following specific research objectives, each anchored in the identified research gaps and empirical context:

Obj. No.	Objective
O1	To assess the level of financial literacy — across dimensions of knowledge, attitude, and behaviour — among university students and working professionals in Rajkot.
O2	To analyse the impact of financial literacy on personal financial planning behaviour using

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	multiple regression analysis.
03	To examine the saving habits and savings intensity of respondents and their relationship with financial literacy.
04	To study the investment behaviour of working professionals and identify barriers to regular investing.
05	To identify the relationship between financial knowledge and financial decision-making confidence.
06	To evaluate the role of financial literacy in reducing financial stress and improving financial well-being.
07	To assess awareness of and attitudes toward different financial products and services, including insurance, loans, and investment instruments.
08	To examine budgeting and expense management practices and their relationship with financial literacy levels.
09	To identify and analyse behavioural finance biases — including herding, overconfidence, status quo bias, and present bias — that mediate the financial literacy–planning relationship.
010	To propose actionable, evidence-based recommendations for educational institutions, financial institutions, and policymakers to bridge the financial literacy–action gap.

Table 4.1: Research Objectives

5. Conceptual Framework and Theoretical Grounding

5.1 The Literacy–Planning–Well-Being Model

The conceptual framework of this study is structured around a three-stage pathway: (1) Financial Literacy as the independent variable, measured across three dimensions — knowledge, attitude, and behaviour — following Atkinson and Messy's (2012) framework; (2) Financial Planning Behaviour as the primary dependent variable, capturing the extent to which individuals translate financial knowledge into consistent, goal-oriented planning actions; and (3) Financial Well-Being as the ultimate outcome variable, reflected in financial confidence, financial security, and savings adequacy.

This three-stage model is moderated by Behavioural Finance factors — specifically cognitive biases identified in this study — which explain why the transition from literacy to planning behaviour is imperfect. Demographic variables (age, gender, employment, financial condition) are included as control variables in the regression models.

5.2 Theoretical Foundations

The study draws on three theoretical pillars. Human Capital Theory (Becker, 1964) treats financial literacy as a form of human capital investment. Behavioural Finance Theory (Kahneman & Tversky, 1979; Thaler, 1980) recognises that cognitive biases systematically distort financial decisions — Prospect Theory, mental accounting, and nudge theory are applied to explain the gap between knowledge and action. Social Cognitive Theory (Bandura, 1997) positions financial self-efficacy as a mediator between financial literacy and planning behaviour, operationalised in this study through the Financial Confidence Score.

5.3 The Knowledge–Action Gap

A central theoretical contribution of this study is the operationalisation of the Knowledge–Action Gap (KAG) — the documented disparity between an individual's financial knowledge level and their actual financial planning behaviour. The KAG is evidenced by the finding that 53.7% of respondents admitted to financial mistakes despite being educated, that 66.6% experience confusion when choosing financial products, and that only 44.4% invest regularly despite 87% having long-term financial goals.

6. Research Hypotheses

6.1 Basis for Hypothesis Formulation

The following hypotheses are derived from the theoretical framework, identified research gaps, and existing literature. Each hypothesis corresponds to one or more research objectives and is tested through the statistical analyses presented in Section 9. All hypotheses are tested at the 5% level of significance ($\alpha = 0.05$).

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6.2–6.5 Hypotheses and Results

Hyp.	Statement (Ha)	Test Method	Key Statistic	Decision
H_1	Financial literacy has a significant positive impact on personal financial planning behaviour.	Multiple Regression (Model 1)	β=0.439, p<0.001, R^2=0.333	Supported ✓
H_2	Financial literacy has a significant positive relationship with saving habits.	Correlation + Regression (Model 3)	r=0.309*, Age β=0.317*	Partially Supported ~
H_3	Financial literacy has a significant positive impact on investment behaviour.	Correlation + Regression (Model 1)	r=0.557***, β=0.439***	Supported ✓
H_4	Financial literacy has a significant positive impact on reducing financial stress.	Multiple Regression (Model 2)	β=0.456, p<0.001, R^2=0.464	Supported ✓

*Table 6.1: Summary of Hypotheses Testing Outcomes. *** p<0.001, * p<0.05, ~ Partially Supported*

7. Scope and Limitations

7.1 Scope

The present study examines the impact of financial literacy on financial planning behaviour among educated students and working professionals in a Tier-2 Indian city. The conceptual framework integrates theories of behavioural finance and economic psychology across dimensions including budgeting, saving habits, investment decision-making, debt management, retirement planning, financial well-being, and behavioural dimensions such as financial attitude, financial self-efficacy, and risk perception.

7.2 Limitations

Sample Size: With 54 respondents, the study is exploratory in nature. Statistical conclusions should not be generalised without replication with a larger sample. Convenience sampling introduces selection bias. Self-report bias may cause respondents to overestimate their financial knowledge or planning behaviour due to social desirability effects. The cross-sectional design captures a single point in time and cannot establish longitudinal causality. Findings are most applicable to educated individuals in Tier-2 urban centres of western India. Behavioural biases are identified through proxy indicators rather than validated psychometric instruments.

8. Behavioural Finance Analysis

8.1 Theoretical Background

Behavioural finance integrates insights from cognitive psychology and classical economics to explain why individuals often make irrational financial decisions even when they possess adequate financial knowledge. The foundational work of Kahneman and Tversky (1979) through Prospect Theory established that individuals evaluate outcomes relative to a reference point and are disproportionately sensitive to losses compared to equivalent gains. Thaler (1980) introduced mental accounting, while Shefrin and Statman (1985) documented the disposition effect. Thaler and Sunstein (2008) advanced nudge theory. These theories collectively explain why financially literate individuals may still exhibit suboptimal financial behaviour.

8.2 Behavioural Biases Identified

Based on primary data from 54 respondents, four major behavioural biases were identified through proxy indicators embedded in the questionnaire.

Herding Bias: 72.2% of respondents rely on family or friends as their primary source of financial influence, compared to only 27.8% who make self-directed decisions. An independent samples t-test showed that self-directed respondents had a meaningfully higher mean Financial Literacy Score (3.54) compared to family/friend-influenced respondents (3.01), approaching statistical significance (t = 2.001, p = 0.051).

Overconfidence Bias: Among respondents with a high Financial Literacy Score (≥4.0 out of 5.0), the average savings rate

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score was only 2.41 out of 4.0. Furthermore, 9.3% demonstrated a classic overconfidence pattern — reporting high financial literacy (≥4.0) while simultaneously saving only 0–10% of income.

Status Quo Bias (Financial Inertia): 13.0% of respondents with a moderate or higher Financial Literacy Score (>2.0) rarely or never maintain a monthly budget. Moreover, 25.9% of respondents always feel confused while choosing financial products.

Present Bias (Hyperbolic Discounting): 26.0% of respondents either disagree or are neutral about planning for retirement, despite 51.8% expressing agreement with long-term financial goal-setting. Retirement planning support received the lowest priority (14.8%) among types of financial support needed.

8.3 Summary of Behavioural Biases

Bias Type	Proxy Indicator	Empirical Finding	Affected Respondents
Herding Bias	Family/Friends influence financial decisions	FL Score: Herd = 3.01 vs Self = 3.54	72.2% (n=39)
Overconfidence Bias	High FL Score + Low Savings Rate	9.3% show knowledge–action gap	9.3% (n=5)
Status Quo / Inertia	Moderate FL but rarely/never budgets	13.0% with FL>2 avoid budgeting	13.0% (n=7)
Present Bias	Low retirement planning despite goal-setting	Only 14.8% prioritise retirement support	26.0% (n=14)

Table 8.1: Summary of Behavioural Finance Biases Identified in the Study

8.4 Theoretical Integration: Dual Process Theory

The behavioural patterns identified in this study are consistent with Kahneman's (2011) Dual Process Theory (System 1 and System 2 thinking). System 1 represents fast, intuitive, emotion-driven decision-making, while System 2 represents slow, deliberate, analytical reasoning. The data suggests that the majority of respondents operate in System 1 mode for their financial decisions — relying on family influence (herding), deferring complex decisions (status quo), and prioritising immediate needs (present bias) — even when they possess System 2 capable financial knowledge.

9. Multiple Regression Analysis

9.1 Overview and Rationale

To rigorously examine the determinants of financial planning behaviour, multiple linear regression analysis was conducted on the primary data collected from 54 respondents. This statistical method allows simultaneous estimation of the effect of several independent variables on a dependent variable while controlling for confounding influences. Three separate regression models were estimated to test the study's hypotheses.

9.2 Descriptive Statistics

Variable	N	Mean	Std. Dev.	Min	Max
Financial Literacy Score	54	3.328	0.983	1.20	5.00
Financial Planning Score	54	3.763	0.770	1.40	5.00
Financial Confidence Score	54	3.730	0.739	2.20	5.00
Savings Rate (Ordinal)	54	1.963	0.942	1.00	4.00

Table 9.1: Descriptive Statistics of Composite Variables (N = 54)

9.3 Pearson Correlation Analysis

Variable Pair	r	p-value	Interpretation
FL Score ↔ Financial Planning Score	0.5565	< 0.001***	Moderate positive, highly significant
FL Score ↔ Financial Confidence Score	0.6392	< 0.001***	Strong positive, highly significant
FL Score ↔ Savings Rate	0.3092	0.0229*	Moderate positive, significant

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FL Score ↔ Financial Condition	0.4986	< 0.001***	Moderate positive, highly significant

*Table 9.2: Pearson Correlation Matrix. *** p<0.001, * p<0.05*

9.4 Model 1: Financial Planning Score as Dependent Variable

Model: FP Score = $\beta_0 + \beta_1$(FL Score) + β_2(Age) + β_3(Gender) + β_4(Employment) + β_5(Financial Condition) + ε

Variable	Beta (β)	Std. Error	t-value	p-value	Significance
Constant	2.2090	0.4080	5.414	< 0.001	***
FL Score	0.4394	0.1079	4.074	< 0.001	***
Age	0.0618	0.1007	0.614	0.542	ns
Gender	0.0154	0.2029	0.076	0.940	ns
Employment Status	0.0852	0.1551	0.549	0.586	ns
Financial Condition	-0.0491	0.1179	-0.416	0.679	ns

*Table 9.3: Multiple Regression — DV: Financial Planning Score. R^2 = 0.333, Adjusted R^2 = 0.263, F(5,48) = 4.788, p = 0.001. *** p<0.001, ns = not significant*

The model is statistically significant overall [F(5,48) = 4.788, p = 0.001], explaining 33.3% of variance in Financial Planning Score. Financial Literacy Score is the only statistically significant predictor (β = 0.4394, t = 4.074, p < 0.001), indicating that for every one-unit increase in FL Score, the Financial Planning Score increases by approximately 0.44 units, holding all demographic variables constant. This finding strongly supports Hypothesis H_1.

9.5 Model 2: Financial Confidence Score as Dependent Variable

Variable	Beta (β)	Std. Error	t-value	p-value	Significance
Constant	1.8345	0.3511	5.226	< 0.001	***
FL Score	0.4560	0.0928	4.914	< 0.001	***
Age	0.1132	0.0866	1.307	0.197	ns
Gender	0.1086	0.1746	0.622	0.537	ns
Employment Status	0.1148	0.1335	0.860	0.394	ns
Financial Condition	-0.0109	0.1015	-0.108	0.915	ns

*Table 9.4: Multiple Regression — DV: Financial Confidence Score. R^2 = 0.464, Adjusted R^2 = 0.408, F(5,48) = 8.306, p < 0.001. *** p<0.001, ns = not significant*

This model demonstrates the strongest explanatory power, with the predictor set explaining 46.4% of variance in Financial Confidence Score [F(5,48) = 8.306, p < 0.001]. Financial Literacy Score is the sole significant predictor (β = 0.456, t = 4.914, p < 0.001), consistent with Lusardi and Mitchell (2014) and supporting Hypothesis H_4.

9.6 Model 3: Savings Rate as Dependent Variable

Variable	Beta (β)	Std. Error	t-value	p-value	Significance
Constant	0.3785	0.5479	0.691	0.493	ns
FL Score	0.2186	0.1448	1.509	0.138	ns
Age	0.3173	0.1352	2.347	0.023	*
Gender	-0.1197	0.2724	-0.440	0.662	ns
Employment Status	0.0649	0.2083	0.312	0.757	ns
Financial Condition	0.0166	0.1584	0.105	0.917	ns

*Table 9.5: Multiple Regression — DV: Savings Rate. R^2 = 0.280, Adjusted R^2 = 0.205, F(5,48) = 3.732, p = 0.006. * p<0.05, ns = not significant*

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The model is statistically significant [F(5,48) = 3.732, p = 0.006] and explains 28.0% of variance in Savings Rate. Financial Literacy Score does not reach statistical significance independently (β = 0.219, p = 0.138), while Age emerges as a significant predictor (β = 0.317, t = 2.347, p = 0.023), consistent with the life-cycle savings hypothesis. This partially supports Hypothesis H_2.

9.7 Comparative Summary of Regression Models

Model	Dependent Variable	R^2	Adj. R^2	F-value	p-value	Key Predictor
Model 1	Financial Planning Score	0.333	0.263	4.788	0.001**	FL Score***
Model 2	Financial Confidence Score	0.464	0.408	8.306	<0.001***	FL Score***
Model 3	Savings Rate	0.280	0.205	3.732	0.006**	Age*

*Table 9.6: Comparative Summary of Multiple Regression Models. ** p<0.01, *** p<0.001, * p<0.05*

10. Conclusion and Recommendations

10.1 Conclusion

This study set out to examine the impact of financial literacy on personal financial planning behaviour among university students and working professionals in Rajkot, Gujarat. The empirical evidence consistently supports the central thesis: financial literacy is a statistically significant and practically meaningful predictor of financial planning behaviour and financial confidence. Three multiple regression models confirm that financial literacy independently explains between 28% and 46% of variance in financial planning outcomes, with the literacy–confidence relationship being the strongest. A critical finding is the identification of four behavioural biases — herding, overconfidence, status quo bias, and present bias — that moderate the translation of financial knowledge into action. These biases explain why the literacy–planning relationship is not perfect: financially aware individuals still fall prey to social influence (72.2%), procrastinate on retirement planning (26%), and fail to convert knowledge into savings discipline (9.3% overconfidence cases). This validates the study's central theoretical contribution: the Knowledge–Action Gap (KAG) is real, measurable, and behaviourally explicable.

10.2 Recommendations

- Educational institutions should integrate applied financial literacy modules into undergraduate curricula, moving beyond conceptual instruction to include budgeting simulations, investment case studies, and retirement planning exercises.
- Financial institutions should leverage fintech platforms and mobile applications to deliver personalised, nudge-based guidance — particularly automated savings prompts and simplified product disclosures.
- Policymakers should develop targeted financial literacy programmes for Tier-2 cities, addressing both the knowledge gap (through SEBI and RBI outreach) and the behavioural gap (through choice architecture interventions).
- Future research should employ larger samples, panel designs, and validated behavioural bias instruments to strengthen causal inference and generalisability.

Declarations

Conflict of Interest: The authors declare no conflict of interest.
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Data Availability: Primary data were collected via a structured questionnaire and are available from the corresponding author upon reasonable request.
Ethics Statement: All respondents provided informed consent. Data were collected anonymously.

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