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Study on Personal Finance and Behavioral Trends

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ABSTRACT: This research explores the relationship between personal finance management and behavioral trends, specifically focusing on how psychological factors like cognitive biases and emotions influence financial decision-making. The study utilizes a descriptive and analytical research design with a sample of 100 to 120 individuals. Findings indicate that while most respondents are well-educated and confident in budgeting, significant gaps remain in consistent expense tracking and the adoption of digital tools. The study concludes that enhancing financial literacy regarding emergency planning and technological integration is essential for effective personal finance management.

I. INTRODUCTION

The Indian gold investment sector is undergoing a massive transformation, shifting from traditional physical holdings to digital and paper-gold products. While gold has long been a cultural necessity, it is now a central pillar for fintech startups and legacy institutions. Despite its growth, investor adoption is hindered by economic disparities and behavioral biases such as loss aversion and herd mentality. This study frames personal finance through the lens of behavioral finance, suggesting that individuals do not always make rational decisions due to psychological influences.

II. STATEMENT OF THE PROBLEM

The central problem is the persistent divergence between planned financial behavior and actual practices. While rational financial models advocate for optimal saving, many individuals fail to follow these due to cognitive biases that distort perception, leading to impulsive decisions and insufficient savings. Current financial education often neglects these psychological barriers, leaving individuals trapped in cycles of poor financial outcomes despite being "financially literate".

III. OBJECTIVES OF THE STUDY

- To understand how thinking mistakes and emotions affect personal money decisions.
- To examine how financial knowledge changes or controls the impact of these behaviors.
- To find common habits that cause money problems or financial stress.

IV. RESEARCH METHODOLOGY

- Research Design: The study adopts a descriptive and analytical design to identify patterns in financial decision-making and evaluate the influence of psychological factors.
- Method: A cross-sectional survey method was used to collect data at a single point in time.
- Sample Design: The study targeted 100 individuals (though the data analysis reflects 120 respondents) who are aware of financial planning concepts.
- Sampling Technique: Simple random sampling was used.
- Data Sources: Data was gathered from both primary sources (structured questionnaires) and secondary sources.

V. RESEARCH PLAN & DESIGN SUMMARY

Feature	Description
Primary Data Source	Structured questionnaires given to respondents.
Statistical Tools	Simple percentage analysis, Descriptive statistics, Correlation, Regression, and ANOVA.
Focus Areas	Saving, spending, budgeting, and the influence of literacy on behavioral trends.

VI. THEORETICAL FRAMEWORK

The study is grounded in several key theories:

- 1) Behavioral Finance Theory: Focuses on psychological biases like overconfidence and herd behavior.
- 2) Financial Literacy Theory: Explores how knowledge of financial concepts enables effective money management.
- 3) Theory of Planned Behavior: Suggests attitudes and social norms shape financial habits.
- 4) Prospect Theory: Explains risk-averse behavior based on perceived gains and losses.
- 5) Life Cycle Hypothesis: Analyzes how individuals plan consumption and savings based on their life stage.

VII. RESEARCH DESIGN

The research design adopted for this study is descriptive and analytical in nature, aiming to explore and understand the relationship between personal finance practices and behavioral trends among individuals. A descriptive design helps in identifying patterns in financial decision-making, savings behavior, investment choices, and spending habits. The study also incorporates an analytical approach to evaluate how psychological factors such as risk perception, financial literacy, impulsivity, and attitudes influence personal finance management.

A cross-sectional survey method will be used to collect data at a single point in time from the selected respondents. This design is suitable as it allows the researcher to analyze current financial behaviors and their impact on financial stability. Quantitative data will be the primary source, supported by limited qualitative insights for better interpretation. The structured questionnaire method ensures consistency and reliability of the data collected. Overall, this research design helps in drawing meaningful conclusions regarding behavioral influences on financial planning and money management.

SAMPLE SIZE

From the total population, the target population comprises 100 individuals who regularly engage in personal financial activities and demonstrate awareness of financial planning concepts.

SAMPLING TECHNIQUE

A simple random sampling technique has been used in sampling. It provides information about parts of the all the area.

Primary Data

Primary data are collected through a structured questionnaire. A well-structured questionnaire has been prepared given to the respondents by the researcher.

VIII. THE STATISTICAL TOOLS USED

- 1) Descriptive Statistics: This tool summarizes the raw data collected from the 120 respondents into an understandable format. It uses frequencies and percentages to describe basic trends, such as how many participants consistently track their expenses or feel confident in their budgeting skills.
- 2) Correlation Analysis: This measures the strength and direction of the relationship between two variables. For example, it helps determine if there is a statistical connection between a person's level of financial literacy and their specific behavioral trends.
- 3) Regression Analysis: This tool estimates how much one or more independent variables (like psychological biases) predict a dependent variable (like financial stress or saving habits). It allows researchers to see the direct impact of specific behaviors on overall financial outcomes.
- 4) ANOVA (Analysis of Variance): This is used to compare the average responses of three or more different groups. In this research, it helps identify if financial behaviors differ significantly based on demographic factors like age, income level, or education.

IX. SCOPE OF THE STUDY

- 1) The study focuses on understanding how individuals manage their personal finances, including saving, spending, budgeting, and investing.
- 2) It examines the influence of behavioral factors such as emotions, attitudes, and psychological biases on financial decision-making.
- 3) The study analyzes common financial behaviors like impulsive spending, risk-taking, and saving habits among individuals.
- 4) It explores how financial literacy and knowledge influence people's financial choices and money management practices.
- 5) The research covers the relationship between behavioral trends and financial planning for short-term and long-term goals.

X. IMPLICATIONS OF THE STUDY

The study highlights a significant disconnect between financial knowledge and actual daily practice.

- 1) **The Tracking Paradox:** While 61% of respondents are diligent about preparing a monthly budget, 38% rarely track their actual expenses. This implies that while people have good intentions during the planning phase, they lack the discipline or tools to monitor execution.
- 2) **Behavioral Bias Dominance:** Emotional spending is a major factor, with 31% of participants reporting that emotions frequently drive their purchases. This suggests that "financial literacy" alone (knowledge of facts) is insufficient to ensure financial well-being if psychological triggers are not managed.
- 3) **Safety-First Investment Mindset:** The preference for Mutual Funds (38%) and Gold (22%) for the purpose of Retirement Planning (38%) indicates that investors are currently prioritizing long-term security and moderate risk over high-growth, high-risk assets like Crypto or Stocks.
- 4) **Traditionalism in a Digital Age:** Despite the rise of fintech, 42% of respondents still use manual notebooks for tracking, while only **11%** use mobile apps. This implies a significant trust or usability gap regarding digital financial tools.

XI. RECOMMENDATIONS

To bridge the gap between financial theory and real-world execution, the following strategies are suggested:

- 1) *For Individuals*
 - **Adopt Digital Tracking:** Transition from manual notebooks to mobile apps or Excel to allow for real-time expense monitoring and better data visualization.
 - **Prioritize Emergency Funds:** With 55% of respondents either having no emergency fund or only "planning" to start one, individuals should automate savings specifically for unforeseen crises.
 - **Seek Professional Guidance:** Since only **9%** of respondents use financial advisors, moving away from "self-research" and informal social advice could lead to more optimized portfolios.
- 2) *For Financial Institutions*
 - **Tailored Retirement Products:** Since retirement is the primary motivator for 38% of investors, firms should design gold-backed or mutual fund products specifically marketed for post-retirement stability.
 - **Behavioral Interventions:** Education programs should move beyond teaching "how to invest" and focus on "how to curb emotional spending" and the psychological aspects of money management.

XII. LIMITATIONS OF THE STUDY

The study identifies several constraints that may affect the universality of its findings:

- 1) **Sample Size and Scope:** The study is based on a relatively small sample of 120 individuals (originally targeted at 100). This limited size may not fully represent the vast diversity of the Indian investment landscape.
- 2) **Income Bias:** The data is skewed toward a high-income demographic, with 43% of respondents earning above ₹50,000 per month. Consequently, the findings on "savings discipline" might not apply to lower-income groups who face different structural barriers.
- 3) **Cross-Sectional Design:** The research uses a cross-sectional survey, meaning it captures a "snapshot" of behavior at a single point in time. It does not account for how financial behaviors change over longer periods or during different economic cycles.
- 4) **Self-Reported Data:** The study relies on a structured questionnaire. This can lead to "social desirability bias," where respondents might over-report positive behaviors (like budgeting) and under-report negative ones (like emotional spending or lack of tracking).

XIII. FINDINGS, SUGGESTIONS AND CONCLUSION

A. FINDINGS

- 1) The study shows a balanced gender distribution with a slight majority of female respondents 51%.
- 2) Most respondents 30% belong to the 41–50 age group, followed by the 21–30 age group 27%, indicating participation from both middle-aged and young adults.
- 3) A large proportion of respondents are well-educated, with 89% holding professional, undergraduate, or postgraduate qualifications.

- 4) Employees 30% and self-employed individuals 22% form the majority of the sample, reflecting a strong presence of working professionals.
- 5) A majority 43% of respondents fall into the high-income category, earning above ₹50,000 per month.
- 6) Regular budgeting habits are prevalent, as 61% of respondents prepare a monthly budget often or always.
- 7) Despite budgeting, expense tracking is irregular, with 38% tracking their expenses only rarely.
- 8) Savings discipline is strong, with 32% of respondents saving more than 30% of their monthly income.
- 9) Financial preparedness is moderate, as 45% of respondents have established an emergency fund.
- 10) Traditional financial management tools are preferred, with 42% relying on manual/ notebook methods, while digital apps remain underutilized 11%.
- 11) Mutual funds 38% and gold 22% are the most preferred investment options among respondents.
- 12) Retirement planning 38% is the primary motivation for investing, followed by wealth creation 26%.
- 13) Self-research 38% is the dominant influence on investment decisions, while professional advisors play a minimal role 9%.

B. SUGGESTIONS

- 1) Awareness should be created regarding the benefits of digital financial management tools.
- 2) Financial education initiatives should focus on the importance of consistent expense tracking to bridge the gap between budgeting and actual monitoring.
- 3) Efforts should be made to encourage the 55% of respondents who lack an emergency fund to prioritize financial security.
- 4) Financial institutions should design products specifically tailored for retirement planning, as it is the most significant motivator for investors.
- 5) There is a need for professional financial advisory services to become more accessible to reduce the reliance on informal social influences.
- 6) Educational programs should address emotional spending habits and encourage rational, price-conscious purchasing behavior.

C. CONCLUSION

The study on personal finance and investment behavior reveals that the respondents are generally well-educated and demonstrate a positive attitude toward financial planning and savings. The preference for retirement-oriented investments like mutual funds and gold indicates a long-term and security-focused mindset among the participants.

However, significant gaps exist in financial discipline, particularly regarding the regular tracking of expenses and the low adoption of digital management tools. While confidence in managing finances is high, the reliance on manual methods and self-research suggests that there is substantial room for professional guidance and technological integration.

Overall, the study concludes that while the participants have a strong foundation in savings and budgeting, enhancing financial literacy in areas like emergency planning and expense monitoring is essential. With targeted education and better accessibility to financial technology, the respondents can achieve more robust and effective management of their personal finances.

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