

Mastering Money: How Financial Literacy Shapes Personal Planning and Risk Tolerance?

¹Dr. Kamini Rai, ²Dr. Mamta Sharma, ³Kavita Rana, ⁴Dr Pratiksha Saxena, ⁵Dr. Karunendra Pratap Singh

¹Associate Professor, Rukmini Devi Institute of Advanced Studies (RDIAS), GGSIP university, Delhi

raikm53@gmail.com

²Assistant Professor, Prestige Institute of Management and Research, Gwalior
mamtasharma070775@gmail.com

³Assistant professor, Prestige Institute of Management and Research, Gwalior

⁴Assistant professor, Prestige Institute of Management and Research, Gwalior

⁵Assistant Professor, Sunbeam Women's College Varuna, Varanasi
karunendra.p.singh@gmail.com

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Abstract

Financial literacy is the ability to make informed and effective decisions regarding the management of one's finances. This study explores the relationship between various dimensions of financial literacy—encompassing financial knowledge, awareness, behavior, and attitudes—and how they influence personal financial planning and risk tolerance among individual investors. The research involved a sample of 619 stock market investors from various national and limited corporations in Delhi. A structured survey based on a 5-point Likert scale was administered, using purposive sampling for participant selection. The data analysis utilized the Goodness of Fit test and Structural Equation Modeling (SEM) with AMOS software. Path analysis was conducted to test the hypotheses linking the four independent variables to the dependent variables. The results revealed a strong correlation between all aspects of financial literacy and the two dependent factors: personal financial planning and financial risk tolerance.

Key Words: Indian investors, Path analysis, Financial Awareness, Personal Financial Planning, Financial Knowledge

Introduction

Financial literacy is a pressing issue faced globally, impacting households' economic well-being. A solid foundation in financial literacy is essential for achieving financial stability. Poor money management can lead to negative attitudes among consumers, making them more vulnerable during economic downturns (Gerth et al., 2021). As highlighted in an ASIC report (2004), financial literacy is a crucial factor for monetary and fiscal stability and growth worldwide. However, the narrative of financial literacy is still ambiguous though there are abundant characterizations for financial literacy. This is because prevalent research administrators have left the investigators/authors at liberty to define and inspect financial literacy (Callis et al., 2023; Remund, 2010). Many terms like “financial knowledge”, “financial education” and “financial literacy” are being used reciprocally in previous works (Tamimi and Kalli, 2009; Kemp et al., 2008; Callis et al., 2023). Contrary to this,

Huston (2010) argued that financial education and financial knowledge are simply two aspects of the concept of financial literacy, which goes beyond those two. According to Anthes (2004), personal financial literacy is the ability to identify, investigate, control, and inform about the financial conditions that influence an individual's material well-being. According to OECD (2013) financial literacy means an assortment of expertise, behavior, mindfulness, assertiveness and awareness of folks that is vital to make comprehensive monetary choices leading to the attainment of financial happiness. Consequently, this description identifies three essential components of financial literacy: knowledge of finance, financial behavior & financial attitude. Financial literacy is the capacity to make well-thought-out and well-executed decisions regarding the use and stewardship of assets and money (Marinov, 2023; Atkinson et al., 2012). Nowadays it has become indispensable to build consciousness and sensitize individuals for financial literacy as it can curtail the probabilities of being deceived in asset creating decisions. Scheresberg (2013) noted that individuals with substantial intensity of financial literacy are more decisive in taking own financial selections and it furthermore upsurges their risk forbearance level. Throughout their lifespan, they frequently utilize investment and savings tools when making financial decisions for themselves. They are also additionally profound about the usage of high-cost borrowing prospects. Though, people booming little financial knowledge incline towards restricting their financial decisions to unpaid debts, credit cards in place of inexpensive options, etc. People need to have a significant level of knowledge about finances in order to make smarter choices regarding their finances and have an elevated risk tolerance, which will boost their standard of living. Financial risk is inherent in every investment decision that an investor makes. The level of risk tolerance that an investor develops is one of the most significant factors influencing the use of capital market funds and investment decisions. Evidence of investor behavior through financial literacy throughout the investment process may influence the results of investor financial risk tolerance (Yoong et al., 2012; Murhadi, Kencanasari & Sutejo, 2023). In the Indian nation, limited studies have been performed in this field. Consequently, to seal this investigation gap, the present study inspects the influence of diverse dimensions of financial literacy of an individual saver on their private financial decision and their risk tolerance level. The lasting part of the paper is prepared in the following order. Firstly, we present the theoretic dialogue and hypotheses of the study. Following, a thorough account of research methodology has been dealt with. Afterwards, we displayed the investigation results, conclusions and discussions of the study. Subsequently, we present the implications along with suggestions and limitations of the study followed by likely forthcoming research.

Key Concepts & Development of Research Hypothesis:

Financial Literacy: ASIC report, 2004 has acknowledged "Financial Literacy" as an imperative facet of fiscal & economic stability of any country. The theory of financial literacy is being acknowledge with various terms like financial ability, financial conduct, financial mindset, and understanding of finance, financial awareness, and financial competence (Ahmad, Widyastuti, Susanti & Mukhibad, 2020; Pearson & Korankye, 2023; Callis et. al., 2023). Zait and Bertea (2015) explained that all these concepts can be used interchangeably, means they have different concepts. Financial literacy has been defined by many researchers/ authors in different ways. Tamimi and Kalli (2009) & Baronovich (2012) argued that "understanding of financials, financial learning and financial conduct" can be used likeness however Huston (2010) & Yadav et al. (2019) concede that level of understanding about financials & financial learning are two diverse variables of financial literacy and the notion of financial literacy goes further than these two. Remund (2010), further identified the five important facets of financial literacy namely; knowledge of economic terms, consciousness about financial concepts, personal economic aptitude, ability of financial decisions & self-assurance to plan for forthcoming economic needs. OECD (2013) bring forward an intricated precision of financial literacy as a combination of "the capacity, conduct, consciousness, mindset, and comprehension of a human being essential to make prudent financial choices that lead to achieving financial well-being." Accordingly, present study proposes four facets of financial literacy i.e., level of Financial Awareness, level attained for Financial Knowledge, degree of Financial Attitude & level of Financial Behaviour adopted which directly affect the personal financial planning & risk forbearance level of an individual.

Financial Attitude: An Important Determinant of Financial Literacy

Financial attitude may be enumerated as an attitude towards money and finance (Agarwalla, Barua, Jacob & Varma, 2012). It could affect the behaviour of a person towards savings, borrowings, risk-taking etc. It may be identified as personal inclination of an individual towards financial matters. Every country should focus on establishing favorable financial attitudes to build up the economic literateness amongst cohorts (Bhushan and Medury, 2014). Ajzen (1991) draws the inference that financial attitude can be rooted through the financial and non-financial beliefs of a choice maker that may be the result of their specific behaviour. Ibrahim and Alqaydi (2013) found that own financial attitude of a person can be improved by education which may help in decreasing dependency on credit cards. Various previous researchers have established a link amongst financial attitudes, financial well-being and financial literacy among youth, it means financial attitude may build financial literacy among new generation (Kasman, M., Heuberger, & Hammond, 2018). The apprentice's positive financial attitude affects their behaviour to increase their financial knowledge & skills whereas the negative attitude abates their financial decisiveness ability (Lyons et al. 2009; Kim et al. 2012). A strong association exists amid level of financial attitude and extent of financial literacy and money attitude positively alter the extent of their financial literacy (Soroshian and Teck, 2014; Haque and Zulfiqar, 2015).

Financial Behavior: An Important Determinant of Financial Literacy

OECD (2013) identified the financial actions and choices as indispensable and central components of financial literacy. Financial actions and choices comprise individual's investment etiquettes, savings etiquettes, credit/invoice payment etiquettes, financial planning behavior etc. Financial behaviour may be defined as that part of human behaviour which is associated to currency management and financial decision-making like decision related to quick payment of bills, making proper budgets and administering it, and intention of regular saving etc. (Bhushan & Medury, 2014). Banerjee et al., (2017) concluded that level of financial behaviour, extent of financial awareness and level of financial attitude are closely connected with each other. financial inclusion behaviour increases with increase with financial awareness. All these are important determinant of financial literacy. As per OECD, 2013, financial behaviors may vary as per the gender difference. However, women are lacking in financial knowledge but they are extra concerned about budget preparation and keeping record of their finances. Atkinson and Messy (2012) observed that extent of financial literacy enhances with positive financial behaviour of individual. positive financial behaviour may be characterized as behaviour concerned for financial stability and proper planning for expenditures (Kalekye & Memba, 2015). The authors also noted that bad mortgage and loan actions, which impair people's financial stability, are primarily responsible for unwanted financial conduct. Bhushan and Medury (2014) advised that government should emphasis on creating financial awareness, creating positive financial attitude and behaviour among individuals for enhancing their financial literacy level. Mathavathani and Velumani (2014) examined financial literateness amongst ex-urban womenfolk by considering merely three facets of financial literateness—that is, extent of financial knowledge along with behaviour and most importantly attitude. The study resulted lesser level of financial literateness amid ex-urban womenfolk.

Financial Awareness: A Vital Element of Financial Literateness

Financial literacy and individual investors' level of financial knowledge have been demonstrated to be positively correlated in numerous studies. General financial awareness concept includes information about the time value of currency, awareness about price rises, perceptions about risks, knowledgeable decisions relating to currency management, elementary information of economic products offerings by monetarist establishments, general understanding on budgeting, ability to make responsible investments etc. (Macy, 2001; Worthington, 2006; Harrison et al., 2006; Jonubi & Abad, 2013). For defining the magnitude of risk and rewards assumed by investors factors like financial awareness, Trust and confidence become essential elements (Llewellyn, 2009). To upsurge the extent of financial awareness of apprentices and youngsters, education programs involving financial information should be commenced at the school levels (Sanderson, Mutandwa, Roux, 2018).

Financial Knowledge: A Vital Element of Financial Literateness

Sanderson (2015) identified extent of financial knowledge as an essential fragment of financial literateness. He elucidated financial literateness as competence of a folk to take appropriate personal financial decision by using appropriate information and abilities possessed by him/her. Extent of financial literacy may be calibrated by considering enquiries related to information around price rises & risk variation, simple interest/ compound interest, other numeracy ability etc (Hasler and Lusardi, 2017). Another academician Howlett et al. (2008) identified that people with higher financial knowledge are more efficient in handling money management with increased level of financial literacy. In many researches it has been observed that risk perceptions about investment avenues may differ with an increased level of financial knowledge (Wilschut et al. 2018). Further financial knowledge has noteworthy optimistic connection with financial literacy and retirement financial planning. Which means people with higher financial knowledge can strategize well about post-retirement tenure (Alessie et al. 2011). Objective and subjective financial information have a significant impact on financial awareness, financial behaviour and financial attitudes. Thus, financial knowledge may be considered as an important factor for determining monetary decision-making competency and financial literacy of an individual (Robb & Woodyard, 2011)

Personal Financial Planning & Financial Literacy

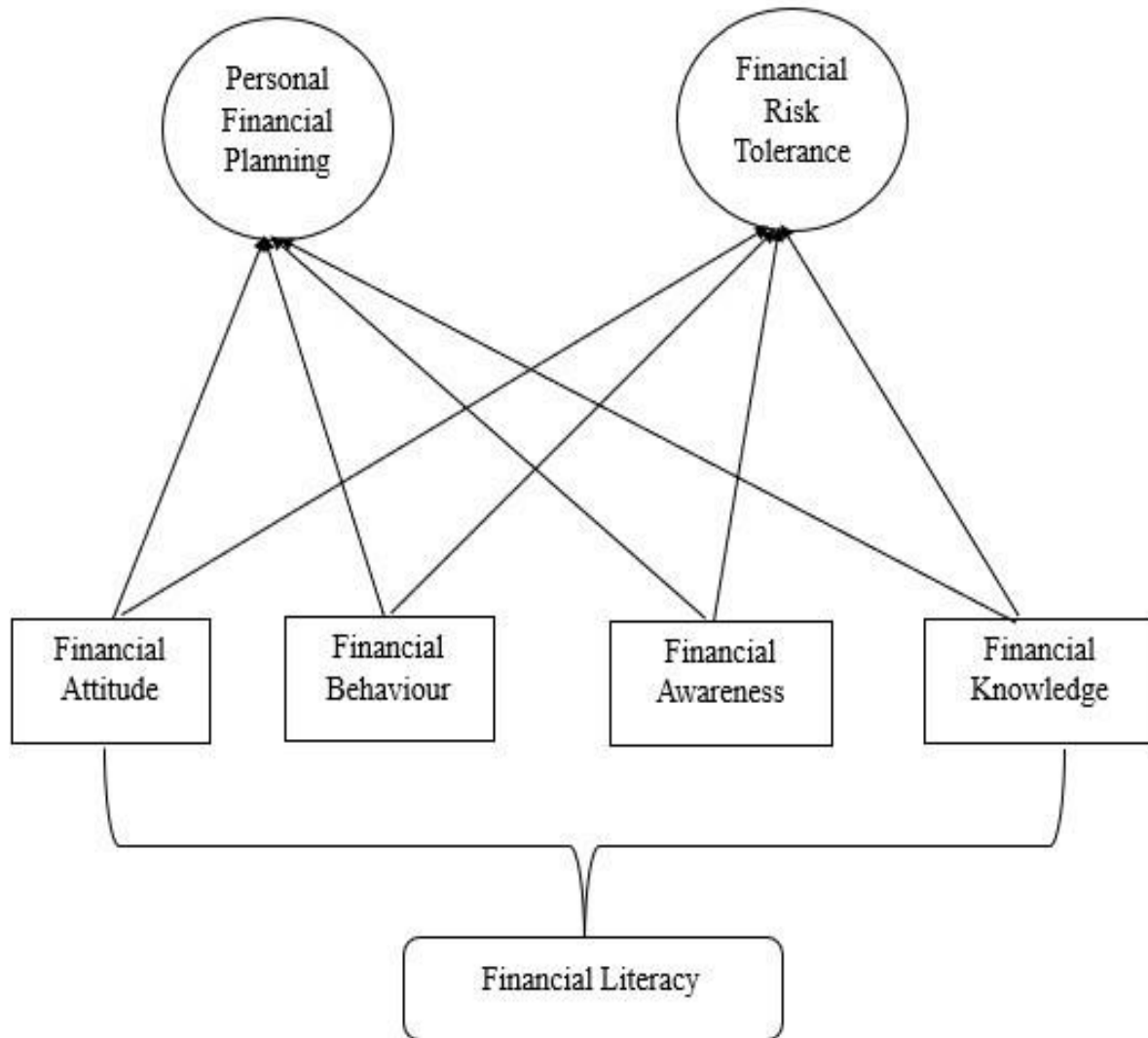
Boon, Yee, & Ting, 2011 inspected connection amongst level of financial literateness of folks with their engagement in individual financial planning and found positive relationship between these two. Financial planning measured through cash managing capability, contingent savings, credit controlling, retirement strategy, risk managing, estate planning etc. Therefore, it is anticipated that financial literacy will give people the knowledge they need to use financial services to make educated decisions. Aside from markets and trading, other topics covered include savings, spending, financial planning, the tenets of banking, including—above all—becoming "financially smart." (Srinivas & Upender, 2014; Lingyan et. al., 2021). When it emanates to management one's returns, financial literateness is vital. It's a challenging job in and of itself, but when you're in charge of someone else's funds, the difficulties multiply. The individual financial planning profession is made possible by taking into account the challenges people experience and the advice they need on where to invest and how to develop their money in the market. Giving advice to clients on investments, mortgages, insurance, college savings, property taxes, and retirement is a part of this career (Toossi & Morisi, 2017). Chen and Volpe (1998) recognized a tie amongst financial information and financial choices. More well-informed scholars were more probable to maintain financial records. An association established between determinants of financial literacy and personal financial planning (Dubey, Gupta & Bhadouria, 2023) and results exhibited that lofty level of financial literacy has positive association with personal financial planning. The conclusions presented by Borden et al., 2008 suggested that increased knowledge could increase students' intentions to behave more responsibly. There are certain indications that financial behavior and knowledge may be absolutely interrelated in the general population. In a theoretical foundation that also covers financial gratification, financial conduct, financial attitudes, and objective status measurements, financial knowledge was presented as a component of personal financial wellness (Sohn et. al., 2012).

Financial Literacy & Financial Risk Tolerance:

The willingness to participate in activities where the results are uncertain and there is a high likelihood of a discernible negative outcome is known as financial risk tolerance, or FRT (Irwin, 1993), and have implications for different depositors or economic institutions. While the understanding of FRT is growing, there are still significant gaps in its full understanding. According to Fisher & Yao, 2017, and Rahman, M. (2019), very little is known about the ancestors of FRT. While it is possible to make a reasonable argument to link FRT to financial literacy, limited research has examined the relationship between FRT and financial literacy. We respond to Mutlu and Ozer, (2021), by examining FRT as a precursor to FRT. Examining monetary competence through this context is essential since a large body of research suggests that financial literacy and educational attainment are positively correlated with inclinations toward taking financial risks. In their research, Sages and Grable (2010) found evidence that people with a smaller degree of tolerance for financial risks have trouble formulating

investment choices and feel discontented with their capability to manage their money. Additionally, with appropriate financial education involvements, financial literacy can be practically spoken (Murhadi et al., 2023; Banner & Neubert, 2016; Aydemir & Aren, 2017; Bayar et. al.,2020). Thus, acknowledging financial literacy as a vital aspect of financial risk tolerance could result in prospects for boosting the likelihood of financial risk-taking tendencies (Rabbani, Yao & Wang,2019; Austin & Arnott, 2014). As such, facets of financial literacy present ample opportunity to foresee investors' financial risk appetite. More uncertain choices are usually chosen by financial specialists because they contend folks with low-risk knowledge are more inclined to behave in a way that encourages favorable behavioral sentiments. For example, Diacon (2004) established an association amongst risk opinions and financial literateness. Likewise, Wang et. al., (2011) established great links amid 'knowledge-related scales' and 'risk-related scales.

Figure 1. Hypothesized Model



Source: Authors' Own

Hypothesis: hypothesis formulated for this work are:

H1: Financial Attitude is associated to Personal Financial Planning.

H2: Financial Attitude is associated to Financial Risk Tolerance.

- H3: Financial Behaviour is correlated to Personal Financial Planning.
- H4: Financial Behaviour is associated to Financial Risk Tolerance.
- H5: Financial Awareness is associated to Personal Financial Planning.
- H6: Financial Awareness is associated to Financial Risk Tolerance.
- H7: Financial Knowledge is associated to Personal Financial Planning.
- H8: Financial Knowledge is related to Financial Risk Tolerance.

Methodology

Research Sample & Data collection

In this study the hypothesized model was tested through survey method. To assess the content validity of items in the opinion form, an online pilot test was conducted among 100 professionals of stock market. After pilot testing, A well-structured standard online questionnaire was circulated among 1100 investors who were investing into the stock market through Funds India Advisors and Angel Broking Company. A total of 815 filled questionnaires were collected from the investors residing in Metropolitan cities of India. Out of 815 filed questionnaires only 622 questionnaires were found to be completely filled and considered for final analysis. Since the responses per item was more than five, this sample size was considered to be adequate for confirmatory factor analysis (Hair, Ringle & Sarsted, 2011, Kline, 2011). Profile of the respondents' population trends has been presented in Table 1, below:

Table 1. Respondents' Population Trends

Demographics	N	%
Age		
20-30 Yrs	226	42.76
30 - 40 Yrs	190	30.54
40 - 50 Yrs	110	17.68
Above 50 Yrs	96	15.43
Education		
Intermediate	120	19.29
Graduate	203	32.63
Postgraduate	182	29.26
Other	117	18.81
Gender		
Male	352	56.59
Female	270	37.36
Marital Status		
Married	386	62.05
Unmarried	236	37.94
Employment Status		
Salaried	441	70.90
Self Employed	96	15.43

Homemaker	28	04.50
Retired	57	09.16
Investment in Stocks through		
Funds India Advisors	256	41.15
Angle Broking Co.	366	58.84

Source: The authors

Measurement of constructs

Financial Attitude: Scale of Shockey (2002) and OECD (2013) has been used in the present study to measure the independent variable known as financial attitude. The scale used for measurement consists of 8 questions which are assessed using the Likert's 5-point scale wherein 5 denotes extremely agree whereas 1 denotes extremely disagree. The structured questionnaire comprises of enquiries related to a variety of characteristics, including risk mindset, planning for finances, stress encountered when monitoring funds, and happiness with one's financial condition, among others. The items used in the framed questionnaire were found to be fit as the statistics for Cronbach's alpha comes out to be more than 0.7 and composite reliability statistics comes out to be 0.87, thereby indicating reliability of variable.

Financial Behavior: Another independent variable known as financial behavior is gauged with the support of scale recognized by OECD (2013). The survey apparatus comprised of nine questions measured on a Likert's 5-point scale wherein 5 is defined as extremely agree and 1 is defined as extremely disagree. Different sub parts of the survey tool consist of aspects like savings behavior of the individuals, structure of bill and mortgage settlement behavior, accountable savings behavior, and financial planning behavior, etc. The survey questionnaire comprises of seven-items with statistics of Cronbach's alpha larger than 0.70 and statistics of CR value equal to 0.886. These statistics showcased reliability of the survey tool. which shows the variable is reliable.

Financial Awareness: The questionnaire for financial awareness comprised of 8 items was adapted from Nga, Yong, & Sellappan, 2010 presented appropriate Cronbach alpha. Diverse items like awareness about financial product, awareness for insurance, mutual funds awareness, awareness about credit cards etc. are encompassed in the opinion poll.

Financial Knowledge: To measure one more independent variable, financial knowledge, the measurement framework presented by Hasler and Lusardi (2017) was used. The survey tool comprised of ten enquiries measured on a Likert's 5-point scale wherein 5 displayed extremely agree and 1 displayed extremely disagree. Questions on diverse aspects involving financial numeracy, savings pattern, and pattern of investments along with nature of borrowings, knowledge about numerous aspects like indemnification, risk and return, etc., were used to measure financial knowledge. Survey tool was altered for the present research set-up exhibiting Cronbach alpha value $>.70$ and CR value .859, showcasing reliability fitness for the study.

Personal Financial Planning: Dependable variable of the study PFP is measured with the measurement framework presented by Boon, Yee & Ting (2011). The research tool consists of 10 questions measured on Likert scale associated with tax management, awareness about financial liabilities, strategies for managing investments, questions on retirement financial planning etc. The research tool comprised of seven-items with suitable Cronbach's alpha and CR value .844, which shows the variable is reliable.

Financial Risk Tolerance: A new variable studied in the study is FTR which is measured with the help of questionnaire given by Grable and Lytton (2003). The questionnaire is modified according to the objectives of the study and is measured using five-point Likert scale. The statistics for Cronbach alpha and CR come out to be >0.70 and 0.833 which is considered as reliable. The statements used in the survey tool comprises of statements like "in common, how would your finest acquaintance define you as a risk patron"? "How confident

are you with investing in equities or equity mutual funds in terms of experience?" to mention a few.

Analysis

At the very beginning, an initial statistical investigation was performed to investigate the aptness of statistics for investigation which entails test of normality and multi-collinearity test, executed after observing unengaged response, misplaced and missing value and precision of data. After performing elementary analysis, an assessment about the psychometric properties of the numerous scales was analyzed using reliability test, assessment of convergent validity and discriminant validity, and at the end with the help of confirmatory factor analysis run by AMOS 20. At the closure, proposed postulates were verified using structural equation modeling (SEM).

Following table no. 2 demonstrates the different statistical values of the constructs like factor loadings, average variance extracted (AVE), composite reliability (CR). CR is used to measure the interior consistency, factor loadings and AVE to inspect convergent validity while the square root of AVE is used to evaluate the discriminant validity.

The substances in the opinion poll having factor statistics underneath the standardized benchmark of 0.5 were uninvolved and substances with factor statistics greater than 0.5 were engaged, that accomplishes the norms of convergent validity (Bagozzi & Yi, 1988). The statistical value of Cronbach alpha statistics for all the hypotheses used in the analysis comes out to be within the acceptable limit i.e., 0.7 and CR ranged from 0.76 to 0.91, which is greater than 0.7, which is minimum tolerable level (Fornell & Larcker, 1981), indicating virtuous internal reliability. The statistical values of AVE of all the variables used in the present framework lies amid 0.50 to 0.65 which is larger than the adequate tolerable level of 0.50 (Fornell & Larcker, 1981), signifying decent convergent validity. The discriminant validity statistics also comes out to be satisfactory since the square root of the AVE for each factor, comes out to be greater than its correlations with other factors (Fornell & Larcker, 1981). Also, the maximum shared variance (SMV) was less than the score of AVE as displayed in the following Table 2.

Table 2: Confirmatory Factor Analysis (CFA)

Variables	Item	Standardized Factor Loading	R2	Composite Reliability	AVE	MSV	ASV
Financial Attitude	FA1	.68	.48	0.87	0.58	0.30	0.25
	FA2	.81	.62				
	FA3	.82	.66				
	FA4	.73	.56				
	FA5	.74	.58				
Financial Behaviour	FB1	.90	.80	0.88	0.66	0.26	0.19
	FB2	.89	.80				
	FB3	.82	.69				
	FB4	.60	.38				
Financial Awareness	FAS1	.56	.30	0.87	0.57	0.34	0.25
	FAS2	.82	.71				
	FAS3	.79	.62				
	FAS4	.76	.60				
	FAS5	.80	.65				
Financial Knowledge	FK1	.85	.73	0.85	0.60	0.34	0.23
	FK2	.80	.66				
	FK3	.84	.65				
	FK4	.60	.38				
Personal Financial Planning	PFP1	.80	.66	0.84	0.57	0.17	0.15
	PFP2	.88	.76				
	PFP3	.65	.45				
	PFP4	.68	.46				
Financial Risk Tolerance	FRT1	.74	.57	.83	0.55	0.52	0.32
	FRT2	.76	.61				
	FRT3	.70	.52				
	FRT4	.75	.54				

Source: The Authors

Table 3. Co-relation among factors & Discriminant Validity Analysis from CFA

	CR	AVE	MSV	ASV	FA	FB	FAS	FK	PFP	FRT
FA	0.870	0.581	0.521	0.310	0.760					
FB	0.874	0.582	0.359	0.275	0.548	0.764				
FAS	0.888	0.665	0.294	0.216	0.504	0.510	0.815			
FK	0.858	0.607	0.337	0.254	0.582	0.536	0.381	0.781		
PFP	0.834	0.554	0.521	0.328	0.720	0.599	0.542	0.574	0.744	
FRT	0.843	0.579	0.175	0.156	0.375	0.415	0.361	0.418	0.376	0.761

Source: The authors.

Note: In the case of AVE>MSV and AVE>ASV and all boldfaced, the square root of AVE for each of these factors is greater than its correlation with other factors.

Structural equation modeling

Following the assessment of the measurement model, the path analysis was conducted to determine the relationship between the constructs. The outcome of the path analysis (Table 4) quantifies the weight of regression, the estimates and the critical ratio test. It was found that all the independent variables (Financial Attitude; Financial Behaviour; Financial Awareness; and Financial Knowledge) had a strong correlation with the dependent variables (Personal Financial Planning; Financial Risk Tolerance) of individual investors, with a $p < 0.05$ correlation. Furthermore, the goodness of fit for the structural model was satisfactory, as the calculated values for all indicators exceeded acceptable limits (Table 5). To assess the model, several fit index indicators were used: Relative/normalized chi-square: CMIN/DF Goodness of fit index: GFI, CFI, RMSEA etc.

Table 4: Result of Structural Model (Regression Weights: Path Analysis Report)

Sl. No.	Independent Variable	Dependent Variable	Estimates	<u>S.E</u>	C.R (Z value)	P	Result
1	Financial Attitude	Personal Financial Planning	.224	.072	3.101	.002	Significant
2	Financial Behaviour		.240	.085	2.820	.005	Significant
3	Financial Awareness		.214	.073	2.233	.008	Significant
4	Financial Knowledge		.356	.093	3.841	***	Significant
5	Financial Attitude	Financial Risk Tolerance	.144	.037	3.854	***	Significant
6	Financial Behaviour		.166	.044	3.774	***	Significant
7	Financial Awareness		.326	.039	8.405	***	Significant
8	Financial Knowledge		.152	.047	3.231	.001	Significant

Source: The authors

Table 5: Model Fit Index

Fit-Index	Obtained Value	Acceptable Range	References
RMSEA	.065	<0.07	Al-Mamary & Shamsuddin, (2015)
SRMR	.036	<0.08	Awang (2012)
Chi-Square/df	3.63	<5 is relatively good	Awang (2012)
GFI	.906	>.90 is satisfactory good	Awang (2012); Lee, Hsing, & Li, (2021)
CFI	.934	>.90 is satisfactory good	Lee, Hsing, & Li, (2021)
TLI	.924	>.90 is satisfactory good	Lee, Hsing, & Li, (2021)

Source: Authors' Own

Results and Discussion

This research provides a wealth of insights that could significantly influence both theoretical understanding and practical applications in addressing the critical question of whether financial literacy practices effectively enhance investors' capabilities in Personal Financial Planning and improve their Financial Risk Tolerance. The findings, detailed in Tables 4 and 5, demonstrate that all dimensions of financial literacy positively and significantly influence both financial risk tolerance and personal financial planning variables ($p < 0.05$). This confirms that all hypotheses, from H1 to H8, are supported. The results indicate that factors such as Financial Attitude, Financial Behavior, Financial Awareness, and Financial Knowledge contribute to improved Personal Financial Planning and higher levels of Financial Risk Tolerance. In today's financial landscape, promoting financial literacy is crucial, as it can mitigate the risks of poor investment decisions and reduce the likelihood of falling victim to financial scams. Moreover, this emphasis on financial literacy not only benefits individual investors but also aids financial institutions in designing more effective financial products and schemes tailored to the needs of their clients. By fostering a more financially literate population, we can create a more resilient investment environment, ultimately enhancing the overall financial well-being of individuals and the economy as a whole.

Managerial Implications

This research carries significant practical implications for economists, financial professionals, and individual investors. The various dimensions of financial literacy influence personal financial planning and risk tolerance, enabling financial advisors to tailor psychologically informed portfolios based on their clients' behavioral traits. For individual investors, the findings highlight the importance of aligning investment strategies with their levels of financial literacy and risk tolerance, ultimately guiding more informed decision-making. A key takeaway from this study is the necessity of empirically examining personality traits in the context of financial decision-

making and risk-taking behaviors. Previous research has established a strong connection between financial literacy and behaviors related to financial planning and risk-taking (Krishna, Gupta & Lakshman, 2019; Rai, Gupta & Tyagi, 2021). By extending this inquiry, our study contributes to the existing literature on finance and underscores the importance of financial education programs that connect risk-taking to financial literacy and awareness. Ultimately, this research emphasizes the need for a more holistic approach to financial education, integrating behavioral insights and financial knowledge to empower investors to make better financial decisions and enhance their overall financial well-being.

Research Limitations and future scope

While this research offers valuable insights for managerial applications, it also has several limitations. Primarily, the study is focused on Delhi and relies on a sample of 622 individuals, which may not represent broader demographics or be applicable to other regions of India. Additionally, the conceptual modeling approach employed in this study centers on predicting relationships specifically related to financial literacy dimensions in relation to personal financial planning (PFP) and financial risk tolerance (FRT). However, it overlooks other important societal, economic, and demographic factors that can significantly influence decision-making and risk tolerance. Caution is warranted when generalizing the findings to other contexts, as the unique characteristics of the sample may not reflect the diverse experiences of individuals in different areas. Future research should explore how FRT interacts with additional factors such as financial behavior, emotional influences, portfolio returns, wealth accumulation, and investors' attitudes toward risk. Moreover, expanding the study to include a more diverse participant pool, such as experienced investors and retirees, could provide a more comprehensive understanding of financial literacy's impact across various life stages and financial situations. This broader scope could enhance the relevance and applicability of the findings, contributing to a more nuanced understanding of financial decision-making processes.

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