

A Study On The Impact Of Financial Literacy On Personal Budgeting Among Corporate Employees – Saravanampatti, Coimbatore

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Abstract— Effective personal financial management requires financial literacy, particularly for working adults who manage several financial obligations and receive a steady paycheck. The purpose of this study is to investigate how financial literacy affects employees' personal budgeting habits. The goal of the study is to determine how budgeting behavior is influenced by an awareness of financial concepts including interest rates, inflation, savings, investments, and spending control. A standardized questionnaire was used to gather primary data from workers in various industries.

Keywords— *Financial Literacy, Personal Budgeting, Employees, Savings behavior, Financial Management, Income Management, Expense Control, Investment Awareness, Financial Planning, Economic Stability.*

I. INTRODUCTION (*Heading 1*)

Personal budgeting is a fundamental financial management tool that helps individuals plan their income, control expenses, avoid unnecessary debt, and build long-term financial security. However, the effectiveness of budgeting largely depends on an individual's level of financial literacy. A lack of financial knowledge may lead employees to mismanage their income, overspend, save inadequately, or struggle with unexpected expenses. This highlights the need to understand how financial literacy influences financial behaviors within the workplace.

OBJECTIVES OF THE STUDY :

- To assess the level of financial literacy among employees.
- To examine how financial literacy influences employees personal budgeting practices.

REVIEW OF LITERATURE:

A literature or narrative review is a comprehensive review and analysis of the published literature on a specific topic or research question. The literature that is reviewed contains: books, articles, academic articles, conference proceedings, association papers, and dissertations. It contains the most pertinent studies and points to important past and current research and practices. It provides background and context, and shows how your research will contribute to the field.

1. Lusardi & Mitchell (2024) Lusardi and Mitchell (2024) examined the impact of advanced financial literacy on budgeting accuracy among salaried employees. The study focused on how deeper financial knowledge influences daily money management practices. The findings indicate that employees with higher financial literacy levels maintain more accurate and structured budgets. They were also more consistent in tracking expenses and monitoring cash flows. In addition, financially knowledgeable individuals showed stronger saving habits and long-term financial planning behavior. The research highlights that advanced financial

understanding reduces financial mistakes and improves decision-making quality/

2. Goyal & Kumar (2023) Goyal and Kumar (2023) conducted a study to analyze the relationship between financial literacy and personal budgeting among Indian corporate employees. The research aimed to understand how financial awareness affects spending and saving behavior. The results revealed that financially literate employees are more likely to prepare structured budgets and follow them consistently. These employees also tend to reduce unnecessary expenditures and prioritize essential spending. The study found that financial literacy positively influences savings and investment decisions. Additionally, income level was identified as a moderating factor that strengthens budgeting practices.

3. Ramasamy (2023) Ramasamy (2023) conducted a study to examine budgeting behavior among private-sector employees with different levels of financial knowledge. The research aimed to understand how financial literacy influences personal financial management practices. The findings revealed that employees possessing higher financial literacy demonstrate stronger saving discipline and better control over their monthly expenses. Additionally, financially knowledgeable individuals were found to manage debt more responsibly and avoid unnecessary borrowings. The study highlights that lack of financial awareness often leads to poor budgeting decisions and financial stress. It further emphasizes the positive relationship between financial education and effective money management skills.

4. OECD (2022) The OECD (2022) report examines the relationship between financial literacy and personal budgeting among employees across different countries. The findings indicate that employees with higher financial literacy demonstrate stronger budgeting practices and improved financial resilience. Financially knowledgeable individuals are better prepared to handle unexpected expenses and economic shocks. The report emphasizes that budgeting discipline is closely linked with financial capability. It also highlights that lack of literacy increases vulnerability to financial stress.

Employer-sponsored financial education programs are identified as an effective strategy to enhance budgeting skills. The report encourages organizations to integrate financial wellness initiatives within the workplace. Overall, the study confirms that financial literacy plays a vital role in strengthening personal financial stability.

RESEARCH METHODOLOGY:

Research is the systematic investigation into a study of materials and sources in order to establish facts and reach new conclusions. Research is the art of scientific investigation. The advanced learners.

SAMPLING TECHNIQUE:

Convenient sampling technique is used in the research. When population elements are selected for inclusion in the sample based on the ease of access, it is called as convenience sampling.

SAMPLE SIZE:

In this study, 110 respondents were taken as sample for the interpretation of data in the research through a questionnaire.

DATA ANALYSIS AND INTERPRETION:

- To assess the level of financial literacy among employees.

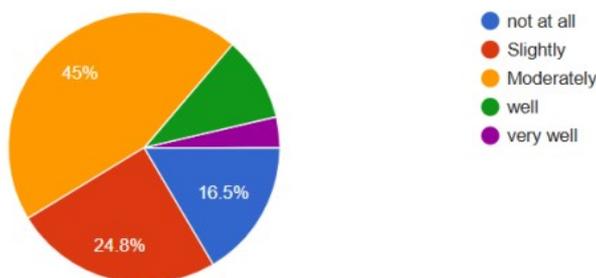
S. NO	Level of understanding	No. of respondents	Percentage
1	Not at all	18	16.5
2	Slightly	27	24.8
3	Moderately	49	45.0
4	Well	11	10.1
5	Very well	5	4.54
	Total	110	100.0

INTERPRETATION:

Most respondents 45% have a moderate understanding of basic financial terms, while only a small percentage 13.7% report understanding them well or very well. This indicates scope for improving financial literacy.

INFERENCE:

The majority 45.0% of respondents are moderately aware of financial terms.



- To examine how financial literacy influences employees personal budgeting practices.

TABLE 1.2 AGE vs EXTERNAL FACTORS AFFECTING BUDGETING

1. Family Factors and Budgeting

Hypotheses H₀: There is no significant difference among age groups regarding the impact of family factors on budgeting.

H₁: There is a significant difference among age groups regarding the impact of family factors on budgeting.

2. Social Events and Budgeting

Hypotheses H₀: Age does not significantly influence the impact of social events on budgeting.

H₁: Age significantly influences the impact of social events on budgeting.

3. Work Pressure and Budgeting

Hypotheses H₀: There is no significant difference among age groups regarding work pressure affecting budgeting.

H₁: There is a significant difference among age groups regarding work pressure affecting budgeting.

4. Healthcare Cost and Budgeting

Hypotheses H₀: Age has no significant influence on healthcare cost affecting budgeting.

H₁: Age has a significant influence on healthcare cost affecting budgeting.

5. Inflation and Budgeting

Hypotheses H₀: Age does not significantly affect the impact of inflation on budgeting.

H₁: Age significantly affects the impact of inflation on budgeting.

Factors Mean	Source of variation	Sum of squares	df	Mean square	F
Family	Between groups	18.42	3	6.14	4.27
	Within groups	152.31	107	1.44	
	TOTAL	170.73	110		
Social Events	Between groups	14.76	3	4.92	3.11
	Within groups	167.84	107	1.58	
	TOTAL	182.6	110		
Work pressure	Between groups	9.32	3	3.11	1.98
	Within groups	166.41	107	1.57	
	TOTAL	175.73	110		

Healthcare Cost	Between groups	21.64	3	7.21	5.06	<ul style="list-style-type: none"> Financial literacy plays an important role in effective personal budgeting among employees.
	Within Groups	151.05	107	1.42		
	TOTAL	172.69	110			
Inflation	Between groups	26.87	3	8.96	6.21	<p>SUGGESTIONS:</p> <ul style="list-style-type: none"> Educational institutions and banks should organize workshops and seminars to improve students' understanding of budgeting, savings, and investment. Respondents should be encouraged to prepare monthly budgets consistently instead of occasionally. Individuals should track daily expenses using mobile apps, spreadsheets, or notebooks to improve financial discipline.
	Within Groups	152.87	107	1.44		
	TOTAL	172.69	110			

INTERPRETATION:

Since the p-value (0.007) is less than 0.05, the null hypothesis is rejected. This indicates that age has a significant influence on how family factors disturb budgeting. Different age groups perceive family-related financial pressure differently.

The p-value (0.029) is less than 0.05, hence the null hypothesis is rejected. This shows that age significantly affects spending behavior related to social events, with younger age groups showing higher disturbance levels.

Since the p-value (0.122) is greater than 0.05, the null hypothesis is accepted. This indicates that age does not significantly influence how work pressure disturbs budgeting among respondents.

The p-value (0.003) is less than 0.05, the null hypothesis is rejected. This confirms that age plays a significant role in determining how healthcare expenses disturb budgeting, especially among higher age groups.

Since the p-value (0.001) is highly significant, the null hypothesis is rejected. This indicates that inflation impacts budgeting differently across age groups, with older respondents experiencing greater financial strain.

FINDINGS :

- The majority 45.0% of respondents are moderately aware of financial terms.
- Age significantly influences budgeting disturbances caused by family factors and social events.
- Work pressure does not significantly affect personal budgeting across age groups.
- Healthcare expenses and inflation have a strong impact on budgeting, especially among older employees.
- A moderate level of financial awareness exists, with 45% of respondents moderately aware of financial terms.

- Organizations should conduct age-based financial literacy and budgeting programs. → Employees should be encouraged to plan for healthcare and inflation-related expenses.
- Regular financial wellness workshops can improve budgeting skills.
- Employers may offer financial counseling as part of employee welfare.
- Employees should adopt systematic budgeting and savings practices.

CONCLUSIONS:

This study examined the level of financial literacy, budgeting behavior, and money management practices among respondents. The findings reveal that while most respondents are moderately aware of financial concepts, there is inconsistency in budgeting and saving habits. A significant number of respondents prepare budgets occasionally and track expenses irregularly. Lack of discipline and unexpected expenses are the major challenges affecting budgeting practices. Inflation and healthcare costs are perceived as important external factors disturbing financial planning.