



## Financial Literacy Among The Different Economic Classes In India

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### ABSTRACT :

This paper aims to study financial literacy among different classes in India and how it impacts on investments decision making process of different age groups it is an essential pillar of economic growth and individual empowerment, enabling informed decision-making, efficient resource management, and enhanced financial inclusion. In a rapidly developing and economically diverse country like India, disparities in financial literacy across income classes hinder equitable access to financial resources and services. This paper investigates the levels of financial literacy among high-income, middle-income, and low-income groups in India, exploring the factors influencing financial knowledge and behavior. By analyzing secondary data, government reports, and primary survey findings, the study highlights the importance of financial literacy in driving savings, investments, and sustainable economic growth. The research concludes with recommendations to bridge the financial literacy gap, emphasizing the role of education, digital inclusion, and targeted policies in fostering inclusive development.

**Key words:** Financial Literacy, Economic Classes, Risk Management and Return, Stock Markets, Investments

### Introduction :

The Indian financial, market presents a variety for investors. Even while it is a undeniably not the best or deepest market in the world, there are acceptable opportunities for the regular individual to invest his funds. Spending idle resources and getting a return on them are necessary for acquiring a given amount of money to achieve a particular life goal and set aside money for unforeseen circumstances. The rate at which the expense of living rises is known as inflation. Financial literacy is the knowledge of numerous financial concepts, such as managing personal finances, handling money investing.

### Purpose

Financial literacy is the ability to understand and effectively manage financial resources, including budgeting, saving, investing, and debt management. In India, where economic classes range from high-income groups to those living below the poverty line, financial literacy serves as a vital tool for reducing income inequality, promoting financial inclusion, and fostering overall economic development.

### Context

India is home to 1.4 billion people, with diverse socio-economic backgrounds and varying degrees of access to financial services. Despite government initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY) and Digital India, gaps in financial literacy remain stark among different economic classes. While higher-income groups often possess advanced financial knowledge, middle- and low-income groups struggle with limited awareness of financial products, services, and schemes, hindering their ability to save, invest, and build financial security.

### Significance

Understanding the disparities in financial literacy among India's economic classes is critical for achieving inclusive growth. Financial literacy not only empowers individuals to make informed decisions but also plays a crucial role in the effective implementation of financial inclusion programs. By addressing these disparities, policymakers and financial institutions can ensure that economic growth benefits all sections of society, reducing inequalities and strengthening the financial ecosystem.

### Objective of the Study :

1. To study the financial literacy among the different Economics Class investors towards different economic class investors towards different attributes such as risk-return matrix, liquidity, Safety etc. while investing their money.
2. To study important issues and challenges faced by the investors during the time of investments in various investments options.
3. To study the Investment decision of different class of people (in terms of age, group, education, etc.)

### *Economic Classes in India*

High-Income Groups: Representing a small proportion of the population, these groups have access to diverse financial resources and advanced investment opportunities.

Middle-Income Groups: A growing segment, these groups often have moderate access to financial services but limited knowledge of advanced financial tools.

Low-Income Groups: A significant portion of the population, these groups face barriers such as lack of education, financial awareness, and access to formal financial systems. Investors of high-income level do not know the benefits of the tax concession; hence the company has to give the awareness about the tax exemption level. The financial institutions have to give more offers and discounts like free De-mat account opening, less brokerage, less maintenance charges etc. for the investors to invest in equity market and mutual funds.

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### **3. Growth of Financial Literacy in India :**

In the pre-liberalization era, financial literacy was limited to basic savings and loans, primarily managed through informal channels. Economic reforms introduced a broader range of financial services, but adoption remained skewed toward urban and higher-income populations.

#### *Current Trends*

Digital Revolution: The rise of mobile banking and UPI (Unified Payments Interface) has improved financial literacy, particularly among tech-savvy urban populations. Government Initiatives: Programs like financial literacy campaigns by the Reserve Bank of India (RBI) aim to improve financial awareness among rural and low-income groups. Corporate Efforts: Financial institutions have launched outreach programs and tools to educate consumers about savings, investments, and credit management.

#### *Challenges in Growth*

Digital Divide: Limited access to smartphones and internet services in rural areas restricts financial literacy growth. Gender Gap Women, especially in rural areas, have lower financial literacy due to socio-cultural barriers and lack of education. Trust Deficit Low-income populations often distrust formal financial institutions, preferring informal savings and lending mechanisms.

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### **4. Factors Influencing Financial Literacy Across Economic Classes :**

#### *Education*

Higher levels of formal education are directly correlated with better financial literacy. Lack of basic education among low-income groups limits their understanding of financial services.

#### *Income Level:*

High-income groups can afford access to financial advisors and advanced tools, enhancing their financial knowledge. Low-income groups, constrained by day-to-day survival, often lack time and resources to focus on financial literacy.

#### *Access to Technology:*

Urban and high-income populations benefit from digital tools and online resources. Rural populations face barriers such as poor internet connectivity and lack of digital literacy.

#### *Gender Disparities:*

Women in rural and low-income groups often have limited access to financial education and decision-making power. Financial literacy levels are higher in urban areas compared to rural regions due to better infrastructure and awareness programs. Financial literacy levels are higher in urban areas compared to rural regions due to better infrastructure and awareness programs.

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### **5. Impact of Financial Literacy on Economic Growth :**

#### *Savings and Investments*

Financially literate individuals are more likely to save and invest, contributing to capital formation and economic growth.

High-income groups diversify investments into stocks, mutual funds, and real estate, while low-income groups rely on informal savings.

### ***Debt Management***

Middle- and low-income groups often lack awareness of loan terms, leading to over-indebtedness. Financial literacy can mitigate such risks.

### ***Financial Inclusion***

Financial literacy is a key driver of financial inclusion, enabling marginalized groups to access formal financial services.

### ***Digital Economy Increased***

financial literacy has spurred the adoption of digital payment systems, boosting economic efficiency and transparency.

Policy Recommendations Integrate financial literacy into school and college curricula.

Provide adult education programs focused on financial skills.

**1. Targeted Awareness Campaigns:**

Design campaigns addressing the specific needs of rural, low-income, and female populations. Leverage community-based organizations and self-help groups to promote financial literacy.

**2. Digital Inclusion:**

Expand internet access in rural areas.

Develop user-friendly digital tools in regional languages to educate individuals about financial services.

**3. Government Schemes:**

Strengthen existing programs like PMJDY by providing ongoing financial education to account holders.

Monitor and evaluate the impact of financial literacy initiatives.

**4. Private Sector Participation:**

Encourage banks and financial institutions to conduct workshops and create localized educational content.

Promote financial literacy among women through microfinance initiatives and gender-focused training programs.

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### **Conclusion:**

Financial literacy is a cornerstone of economic empowerment and inclusive growth in India. Despite significant progress, disparities persist among different economic classes, hindering the nation's goal of financial inclusion. This research underscores the need for targeted, context-specific interventions to bridge these gaps. By addressing barriers related to education, technology, and gender, India can empower its citizens with the knowledge and tools needed to participate fully in the economy. Enhanced financial literacy will not only improve individual financial well-being but also contribute to sustainable and equitable economic development.

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