



Role Of Financial Literacy In Achieving And Sustaining Economic Wellbeing

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ABSTRACT :

This study explores the complex connection between economic well-being and financial literacy, especially as it relates to India. The study uses a thorough research technique that includes secondary data analysis from credible financial studies and a range of sources, including academic journals, official documents from governments, and publications from financial firms. The primary conclusions show that financial literacy translates educational efforts into increased economic stability by serving as a mediator between financial education and economic welfare. The study also emphasizes how financial literacy has a major influence on financial behavior, financial capability, and financial decision-making. It also highlights how crucial financial literacy and education programs are to promoting financial wellbeing across a range of demographic groups, such as Indian homes, retirees, young workers, and students preparing for college. In order to improve economic outcomes and reduce financial concerns, the research highlights the necessity of improved financial literacy. All things considered, the results highlight how important financial literacy is to India's economic growth and promotion of financial welfare.

Keywords - Financial literacy, economic wellbeing, financial education, financial decision-making, financial behavior, financial capacity, India, financial inclusion, financial wellbeing, retirees, young workers, pre-university students, structured financial education programs, financial awareness, financial stability, economic development, financial inclusion initiatives.

INTRODUCTION :

Understanding and applying financial literacy is essential for making well-informed choices in the complex financial landscape of today, which includes stocks, loans, insurance, and other assets. This proficiency protects against the vulnerability to financial fraud in addition to enabling responsible financial planning and money management. A firm understanding of financial literacy, which includes taxation, investing, budgeting, retirement planning, and credit score analysis, facilitates the accomplishment of a variety of life objectives, including managing debt, building retirement funds, and operating a business. This piece explores the relationship between financial literacy and economic wellness, emphasizing how important it is for understanding complicated financial products and evolving pension environments. It highlights the importance of personal finance education, investigates the connection between financial literacy and financial wellbeing, and looks at how financial literacy affects larger economic outcomes. By highlighting these elements, we hope to highlight the importance of financial literacy in promoting financial inclusion, resolving issues in the financial system, and eventually building a society that is more financially educated.

LITERATURE REVIEW

Financial Literacy and Financial Wellbeing among Indian Households (Mishra, 2022)

This study investigates the connection between Indian households' financial welfare and financial literacy. The study made use of survey data from Intermedia's fifth wave of Financial Inclusion. According to the findings, there is a considerable correlation between financial wellbeing and financial behavior, attitude, and knowledge. The study emphasizes how crucial financial literacy is to fostering Indian households' financial wellbeing.

Impact of Financial Literacy, Mental Budgeting, and Self-Control on Financial Wellbeing (2023)

The impact of cognitive factors specifically, self-control, mental budgeting, and financial literacy on financial wellbeing is investigated in this study. According to the research, these elements directly affect one's financial well-being, and the relationship between financial literacy and well-being is

mediated by mental budgeting and self-control. In order to achieve and maintain financial wellbeing, the study highlights the significance of financial literacy and self-control.

An Empirical Analysis on Financial Literacy Elements Influencing Financial Wellbeing Amongst Selected Academicians in India (2023)

The purpose of this study is to determine how financial literacy affects academicians' financial welfare in India. According to the research, as financial literacy influences both financial behavior and financial capacity, it is essential for fostering financial wellbeing. The report emphasizes the necessity of financial awareness and education initiatives to enhance academicians' financial welfare in India.

Financial Well-being and Its Psychological Determinants An Emerging Country Perspective (2022)

In the context of a growing nation, this study investigates the connection between psychological characteristics and financial well-being. According to the research, financial well-being can be significantly predicted by financial knowledge, financial literacy, and financial competence. The study highlights the value of financial education and literacy in fostering financial well-being in developing nations.

Financial Knowledge of Pre-University Students: Effects of Age and Gender (2023)

This study looks into the associations between pre-university students' age, gender, and financial literacy. According to the research, there are gender and age differences in financial literacy, with older pupils and females having higher levels of financial literacy.

The Relation between Financial Literacy, Financial Wellbeing, and Financial Concerns (2013)

The relationship between financial literacy, financial wellbeing, and financial concerns is investigated in this study. According to the research, there is a considerable correlation between financial literacy and financial wellness, and this relationship is mediated by financial anxieties. In order to improve financial welfare and lessen financial worries, the study highlights the need of financial literacy.

OBJECTIVES OF THE STUDY-

1. Examine the connection between financial welfare and financial literacy throughout India's different demographic groupings.
2. Assess how financial behaviour, financial capability, and financial decision-making are affected by financial literacy.
3. Evaluate how well financial literacy and education initiatives promote financial wellness among various industries, educational attainment levels, and socioeconomic categories.
4. Examine the factors that affect financial literacy in India and how they affect both financial inclusion and economic growth.

HYPOTHESIS

H0: There is no significant relationship between financial literacy and financial wellbeing among different demographic groups in India.

H1: Among India's various demographic groups, there is a noteworthy correlation between financial well-being and financial literacy.

RESEARCH METHODOLOGY

This study's research technique, which focuses on the influence of financial literacy on economic decision-making and the efficacy of financial education initiatives, is intended to thoroughly test the previously outlined assumptions.

Secondary Data Analysis: To ensure a thorough analysis, pre-existing datasets from reliable financial studies are examined and contrasted with the main data that was gathered.

For this study, data will be collected from various secondary sources such as academic journals, government reports, financial institutions' publications, and reputable surveys related to financial literacy and economic wellbeing in India. These sources will provide a comprehensive and diverse range of data to support the research objectives.

Criteria for Source Selection

The selection of secondary sources will be based on the following criteria:

- Relevance to the topic of financial literacy and economic wellbeing in India
- Recency of the data (preferably from the past 5 years)
- Credibility and reliability of the sources
- Alignment with the specific research questions and objectives

DATA INTERPRETATION

The analysis of information gathered from numerous studies reveals important relationships and results regarding financial literacy and how it affects financial well-being.

Table-1

Year	Financial Literacy	GDP growth
2019-20	26.40%	3.87%
2020-21	27%	-5.83%
2021-22	27%	9.05%
2022-23	27%	7.00%
2023-24	24%	7.30%

(Figure-1)

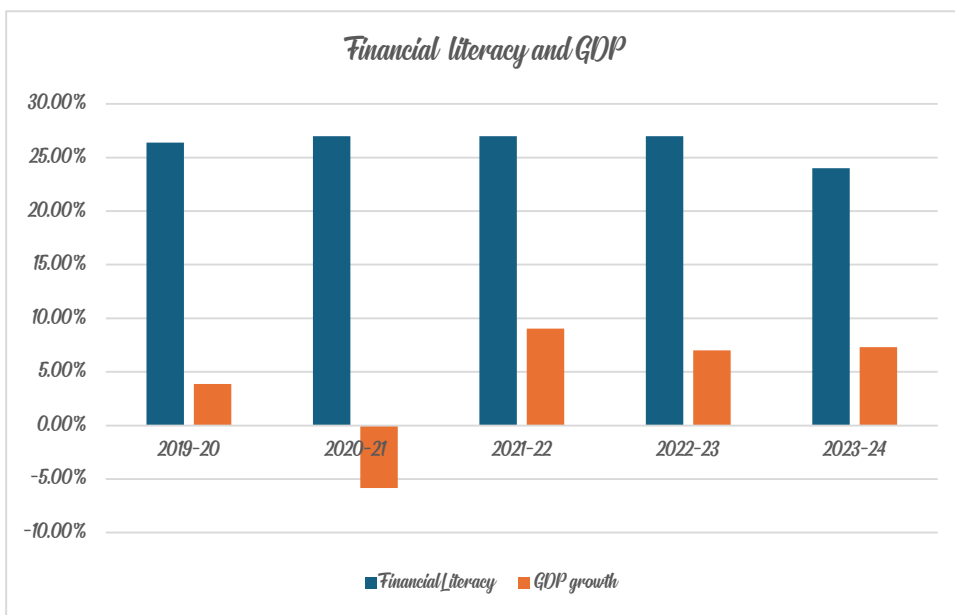


Table-2 Regression Analysis

Regression Statistics	
Multiple R	0.28489598
R Square	0.08116572
Adjusted R Square	0.22511237
Standard Error	0.06586719
Observations	5

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.385305319	0.66602342	0.57852	0.60349
Financial literacy	-1.303368794	2.531855781	0.51479	0.64223

Analysis of Regression:

In the scattering diagram (figure 1), the coefficient of financial literacy in India is -1.3033, according to the slope line that is dropping and the coefficient analysis of the data (table 1) produced by MS Excel. It is possible to deduce that there is a negative correlation of -1.303 between India's GDP growth rates and financial literacy.

In the same way, table 1's correlation value is 0.28. If not, an increase in India's financial literacy rate has no beneficial effect on the country's GDP rate.

Table- 3 provides key economic and demographic data for several countries, including their population, GDP, GDP per capita, and functional literacy rate (F. Literacy).

SL	Country	Continent	Population (Crore)	GDP (T.USD)	GDP Per Capita (\$)	F.Literacy (%)
1	United States	N.America	32.9	21.41	65,064.00	57
2	Japan	Asia	12.7	5.362	42,269.00	43
3	India	Asia	136.6	3.155	2,309.00	24
4	Mexico	S.America	12.8	1.285	10,073.00	32
5	Bangladesh	Asia	16.3	0.313	1,918.00	19
6	Nepal	Asia	2.9	0.029	1,005.00	18

1. Compared to less developed nations like Bangladesh (\$1,918) and Nepal (\$1,005), the GDP per capita of more developed nations like the United States (\$65,064), Japan (\$42,269), and Mexico (\$10,073) is generally higher. This shows that the level of financial literacy among a nation's citizens is positively correlated with that nation's economic progress (as indicated by GDP per capita).
2. The US and Japan, with their respective GDP per capita of 57% and 43%, likewise have greater percentages of functional literacy. This suggests that financial literacy and economic development are frequently correlated since wealthy nations typically make larger investments in skill development and education.
3. Financial literacy rates are noticeably lower in nations with lower GDP per capita, such as Bangladesh (19%) and Nepal (18%). This suggests that raising educational standards and raising financial literacy levels may play a significant role in propelling these countries' economies toward growth and development. All things considered, the data emphasizes how closely a nation's financial literacy and economic performance, as determined by GDP and GDP per capita, are related. While economic prosperity also often makes it possible to invest more in education and skill development, financial literacy improvements can play a significant role in driving economic development.

Table 4: Financial Literacy by Employment Types

Household Types	Financial Literacy (%)			
	Elementary	Moderate	Advanced	Illiterate
Self-Employed	45.63	19.64	3.12	31.61
Regular	31.54	29.39	10.65	28.42
Casual	45.19	17.62	2.19	35.00
Total	42.80	20.80	4.23	32.17

The type of work and income are closely related to each other. Put simply, those with regular jobs typically have a steady source of income, which raises financial literacy as previously mentioned. Families have been categorized as self-employed, regular, or casual based on the chief breadwinner's or members' kind of employment. Table 4 makes clear that most homes with either a casual or self-employed worker have an intermediate level of financial literacy (45.6% and 45.2%, respectively). Just 3.1 per these two categories There are 2.2% and 2.1% of households with advanced financial literacy, respectively.

FINDINGS :

The results of the study suggest that financial literacy is important in moderating the association between economic wellbeing and financial education. Higher financial literacy is linked to a greater likelihood of making wise and prudent financial decisions, highlighting the direct influence of financial education on a range of topics, including credit management, savings, and investments. The results of the study also show that individuals who take part in financial education programs have a notable increase in their financial literacy when compared to those who do not, underscoring the value of organized financial education campaigns. Furthermore, the study highlights the relationship between financial literacy and financial wellbeing among Indian households, young workers, retirees, and pre-university students, highlighting the importance of financial literacy and education programs in promoting financial wellbeing across various demographic groups.

CONCLUSION :

The study's result highlights how crucial financial literacy is to obtain and maintaining financial wellbeing. In order to improve financial decision-making, lessen financial anxieties, and promote financial health among different demographic groups, it highlights the necessity of increased financial awareness and education activities. The results underscore the critical role that financial literacy plays in propelling economic growth and advancing financial inclusion in India. In the end, the study adds to the expanding corpus of research on the connection between economic wellbeing and financial literacy, offering insightful advice to financial institutions, policymakers, and educators on how to improve financial literacy programs and advance general economic stability.

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