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AN EMPIRICAL STUDY OF FINANCIAL LITERACY AMONG DIFFERENT ECONOMIC CLASSES IN COIMBATORE CITY

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ABSTRACT :

This study empirically examines the level of financial literacy among different economic classes in Coimbatore City. A structured survey was conducted among respondents from lower, middle, and upper-income groups to assess their knowledge, attitude, and behavior regarding financial concepts such as budgeting, savings, investments, and credit management. The findings reveal significant disparities in financial literacy levels across economic classes, with lower-income groups exhibiting lower financial awareness and access to financial resources.

1. INTRODUCTION

Financial literacy is a crucial skill that enables individuals to make informed and effective financial decisions. It encompasses a broad range of financial knowledge, including budgeting, saving, investing, credit management, and financial planning. Factors such as education, occupation, access to financial resources, and socio-economic background play a vital role in determining financial awareness and capability. By examining the financial knowledge, attitudes, and behaviors of individuals from different income groups, the study seeks to identify gaps and challenges in financial literacy.

STATEMENT OF THE PROBLEM

One of the primary challenges for improving the effectiveness of financial literacy efforts is to ensure the standardization of the basic messages being conveyed to people. Financial illiteracy affects all ages and all socioeconomic levels and the lack of it may lead to poor financial choices that can have negative consequences on the all-round well-being of an individual. It can cause many people to become victims of predatory lending, subprime mortgages, or fraud and high interest rates, resulting in bad credit or bankruptcy. The lack of financial literacy can lead to large amounts of debt and poor financial decisions.

SCOPE OF THE STUDY

The scope of this study on financial literacy among different economic classes covers various dimensions, including geographical, demographic, economic, behavioral, and policy aspects. Geographically, the study can focus on local, national, or global levels, analyzing urban and rural differences and comparing financial literacy in developed and developing economies. Demographically, it examines financial literacy across low-income, middle-income, and high-income groups, while also considering factors like education, age, and gender disparities.

OBJECTIVES

1. To assess the level of financial literacy among individuals belonging to different economic classes in Coimbatore City.
2. To analyze the impact of socio-economic factors (such as income, education, occupation, and family background) on financial literacy levels.
3. To examine financial behavior and decision-making patterns across different income groups.
4. To understand the challenges and barriers faced by low-income groups in acquiring financial literacy.

REVIEW OF LITERATURE

- Arjun, T.P., & Subramanian, R. (2024)¹. *Defining and Measuring Financial Literacy in the Indian Context: A Systematic Literature Review*. Analyzing how financial literacy is conceptualized and operationalized in India. Emphasis on 'knowledge' element; need for comprehensive assessment frameworks. Develop standardized financial literacy measurement tool

- *Sangeetha, S. (2024)². Financial Literacy Among the Different Economic Classes in India.*search Investigating financial literacy levels among various economic classes in India. Investors seek significant returns and are willing to accept substantial risks. Implement promotional actions to raise awareness of financial products and services.
- *Nagalakshmi, S. & Kaviya, P. (2024)³. An Empirical Study on Financial Literacy in India.* Assessing the current state of financial literacy among different economic classes in India. Financial literacy rates are lower than global standards, with significant disparities among economic classes. Implement comprehensive financial education initiatives targeting underserved populations.
- *Gomathi, A. (2023)⁴. A Study on Financial Literacy Among College Students.*Evaluating financial literacy levels among college students in Coimbatore. Students exhibited moderate financial knowledge but lacked practical financial skills. Integrate financial literacy modules into college curricula.
- *Mamta, R., & Kumar, A. (2023)⁵. Financial Literacy in India: A Review of Literature.* Understanding various dimensions of financial literacy in India. Low to moderate financial literacy levels across different demographics. Policy interventions to enhance financial literacy at both fundamental and advanced levels.
- *Rao, S., & Iyer, P. (2023)⁶. Financial Literacy and Retirement Planning Among Middle-Class Employees in India.* Exploring the link between financial literacy and retirement planning. Adequate financial literacy enhances retirement preparedness. Workplace seminars on retirement planning.
- *Nair, A., & Thomas, J. (2023)⁷. Financial Literacy and Its Impact on the Financial Behavior of Middle-Income Groups in Urban India.* Investigating the influence of financial literacy on the financial behaviors of middle-income individuals in urban settings. Higher financial literacy levels are associated with prudent financial behaviors, such as regular savings and informed investment choices. Develop targeted financial literacy programs focusing on practical financial management skills for middle-income urban populations.
- *Dash, P., & Ranjan, R. (2023)⁸. Financial Literacy across Different States of India. An Empirical Analysis.* Investigating financial literacy levels across various Indian states and identifying determinants. Education level, income, and self-employment status significantly influence financial literacy.

RESEARCH METHODOLOGY

This study adopts an empirical research design, utilizing both primary and secondary data to assess financial literacy levels among different economic classes in Coimbatore City. A descriptive and analytical approach is used to evaluate financial knowledge, behavior, and attitudes toward financial decision-making.

DATA COLLECTION:

PRIMARY DATA:

Primary data refers to the original data that you collect directly from the sources (among different economic classes)through surveys/questionnaires, interviews, observations, etc. This data is specifically gathered for the research study at hand and will provide firsthand insights to gain deeper into financial literacy challenges.

2. SECONDARY DATA:

Secondary data refers to information that has already been collected and published by other sources, such as books, journals, articles, and official reports. This data will help to support the primary data and provide context for the study.

SAMPLE SIZE : 120 respondents
 SAMPLE DESIGN : Convenient Sample
 AREA : Coimbatore
 TOOLS USED : Simple percentage

LIMITATIONS OF THE STUDY :

1. Due to limited availability of time,the respondents from the city of coimbatore is selected,thus it cannot be claimed to be a comprehensive study of the population.
2. The sample size is restricted to 120 respondents.

THEORITICAL FRAMEWORK:

Income and consumption theory:

Behavioral Finance Theories: Explains how individuals perceive gains and losses, affecting their financial decisions. Highlights how people categorize and allocate money differently based on income levels.

Socioeconomic theories:

Human Capital Theory :Suggests that education and skills improve financial decision-making and economic mobility.

Financial Inclusion Theory :Explores how access to banking, credit, and financial services varies across economic classes.Lower economic groups may face financial exclusion due to lack of knowledge or access.

Economic Class Stratification and Inequality Theories :

Highlights income inequality and its impact on financial security among different economic classes.Suggests that financial literacy and economic development improve financial management practices.

DATA ANALYSIS AND INTERPRETATION

TABLE 1
PREFERRED PLACES FOR KEEPING SAVINGS

SOURCES	NO OF RESPONDENTS	PERCENTAGE
BANK SAVINGS A/C	55	45.8
FIXED DEPOSIT	14	11.9
CASH AT HOME	43	35.6
MUTUAL FUNDS/STOCKS	8	6.7
TOTAL	120	100

SOURCE :PRIMARY DATA INTERPRETATION

The majority (45.8 %) of respondents keep they savings in Bank savings account.A significant portion (35.6 %) preface to store cash at home which may indicate trust issues with banks or accessibility concerns.Only (11.9 %) opt for fixed deposits, suggesting a lower preference for long term locked savings.Mutual funds and stocks are the least preferred option (6.7%) possibly due to risk perception or lack of awareness.

Encouraging investment education could help individuals diversify they savings for better financial growth.

TABLE 2
MAJOR BARRIERS TO IMPROVING FINANCIAL LITERACY

BARRIERS	NO OF RESPONDENTS	PERCENTAGE
LACK OF AWARENESS	37	31
LIMITED ACCESS TO FINANCIAL EDUCATION	30	25
FINANCIAL CONSTRAINTS	31	25.9
NO INTREST IN FINANCIAL MATTERS	22	18.1
TOTAL	120	100

SOURCE:PRIMARY DATA

INTERPRETATION

The biggest barrier to financial literacy is a lack of awareness affecting (31 %) of respondents. Limited access to financial education (25%)and financial constraints(25.9 %) or also significant challenges.A notable(18.1 %) of respondents show no interest in financial matters which may hender overall financial growth.

Addressing these barriers can improve financial decision making and economic well-being.

TABLE 3
BIGGEST FINANCIAL CHALLENGES

CHALLENGES	NO OF RESPONDENTS	PERCENTAGE
LOW INCOME	34	28.4
HIGH EXPENSES	48	39.7
LACK OF FINANCIAL KNOWLEDGE	28	23.3
DEBT MANAGEMENT	10	8.6
TOTAL	120	100

SOURCE :PRIMARY DATA

INTERPRETATION

The most significant financial challenge faced by respondents is high expenses (39.7%). Low income is also a major concern ,affecting (28.4 %)of the respondents.Lack of financial knowledge is a challenge for (23.3 %) of participants highlighting the need for financial education. Only (8.6 %)of respondents struggle with debt management making it the least reported issue.

Overall control expenses and increasing financial literacy could help address these financial challenges.

RESULTS AND DISCUSSION

FINDINGS :

- The majority of respondents keep their savings in Bank savings account. A significant portion prefer to store cash at home which may indicate trust issues with banks or accessibility concerns.
- The biggest barrier to financial literacy is a lack of awareness affecting of respondents. Limited access to financial education and financial constraints or also significant challenges.
- The most significant financial challenge faced by respondents is high expenses . Low income is also a major concern ,affecting of the respondents.
- Lack of financial knowledge is a challenge for of participants highlighting the need for financial education .

SUGGESTIONS

1. Financial Literacy Programs – Conduct awareness campaigns, workshops, and online courses to educate individuals on budgeting, investments, and financial planning.
2. Encourage Alternative Investment Options – Inform individuals about better wealth-building opportunities such as fixed deposits, mutual funds, and retirement plans instead of relying solely on bank savings accounts.
3. Budgeting and Expense Tracking – Promote the use of mobile apps and tools to help individuals track their expenses and plan their budgets effectively.
4. Emergency Fund Creation – Advise people to set aside a portion of their income for emergencies to reduce reliance on credit or loans during financial crises.
5. Debt Management Strategies – Educate individuals on controlling unnecessary expenditures, reducing debt, and managing credit responsibly.
6. Government and Bank Initiatives – Encourage financial institutions and government bodies to introduce easy-to-understand financial literacy programs and savings incentives.
7. Encourage Savings Discipline – Suggest setting automatic transfers to savings accounts or investment funds to build financial security over time.
8. Cost-cutting Strategies – Teach individuals how to reduce unnecessary expenses through mindful spending and discount utilization.

CONCLUSIONS

The findings of this study highlight several key financial trends and challenges among the respondents.

Many respondents struggle with high expenses, making it their biggest financial challenge, while others face difficulties accessing banking services, indicating the need for more inclusive and user-friendly financial solutions.

Furthermore, the preference for mobile payment apps and bank savings accounts suggests a growing shift toward digital financial services. However, despite this trend, financial awareness remains low, leading to a lack of confidence in financial management.

Overall, these results emphasize the urgent need for financial literacy programs, better access to banking and financial services, and tailored financial solutions that cater to the specific needs of different demographic groups. By addressing these challenges, financial institutions, policymakers, and educators can help promote financial stability.

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